



金利豐金融集團有限公司

KINGSTON FINANCIAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 01031)



Second Interim Report 2011

BOARD OF DIRECTORS

Executive Directors

Mr. Chu, Nicholas Yuk-yui (*Chairman*)
Mrs. Chu Yuet Wah (*Chief Executive Officer*)

Independent Non-executive Directors

Dr. Wong Yun Kuen
Mr. Lau Man Tak
Mr. Yu Peter Pak Yan

COMPANY SECRETARY

Mr. Lai Yick Fung

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Dr. Wong Yun Kuen
Mr. Lau Man Tak
Mr. Yu Peter Pak Yan

AUDITORS

BDO Limited
25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Industrial and Commercial Bank of China
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited

HONG KONG LEGAL ADVISERS

K & L Gates
44/F., Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman
Room 2901, One Exchange Square
8 Connaught Place, Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street, Central
Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Abacus Limited
26/F., Tesbury Centre
28 Queen's Road East, Wan Chai
Hong Kong

STOCK CODE

1031

WEBSITE

<http://www.kingston.com.hk>

MANAGEMENT DISCUSSION AND ANALYSIS

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 twelve months ended 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the change to our financial year to the end of March starting from 2012, this is the second interim report for the fifteen months financial period ending 31 March 2012.

The Group is principally engaged in the provision of a wide range of financial services which include securities underwriting and placements, margin and initial public offers financing, securities brokerage, corporate finance advisory services, futures brokerage and asset management services. The Group also provides entertainment and hospitality services in Macau. Following the completion of acquisition of Kingston group of companies on 1 April 2011, the Group's profitability was enhanced immediately, coupled with the continuously strong growth in the Macau tourism and gaming industries.

The Group's unaudited turnover was approximately HK\$1,263,524,000 for the twelve months ended 31 December 2011, representing a significant revenue growth of approximately 133% as compared with approximately HK\$541,247,000 in the corresponding period of year 2010.

During the twelve months ended 31 December 2011, the Group recorded an EBITDA of approximately HK\$691,067,000 (2010: HK\$199,420,000).

The unaudited net profit attributable to the Company's shareholders amounted to approximately HK\$451,465,000 (2010: HK\$99,558,000). The basic earnings per share for the twelve months ended 31 December 2011 was HK3.17 cents (2010: HK2.06 cents).

Business and Financial Review

Securities Brokerage, Underwriting and Placements

The Group mainly offers trading services in Hong Kong and does not have any representative office in overseas jurisdictions. However, to accommodate the investment need of its clients, the Group arranges dealing and brokerage services in overseas markets including Singapore, the United States of America and the United Kingdom through brokers which are licensed in the respective jurisdictions. Customers may place orders by telephone as well as via the internet system. The securities brokerage business generates revenue by charging commissions for transactions executed through the trading platform provided by the Group. Brokerage commission rate charged for telephone orders is the same as that charged for online trading and orders made in person.

MANAGEMENT DISCUSSION AND ANALYSIS**MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)***Business and Financial Review** *(Continued)**Securities Brokerage, Underwriting and Placements (Continued)*

Securities underwriting and placement services is one of the main revenue streams of the Group. The Group undertakes the origination, structuring and marketing of placements of equity and equity-related securities. It also provides comprehensive solutions to clients' financing needs. The Group has successfully undertaken the roles of placing agents and underwriters for listed companies in a wide range of industries, including jewellery, garment, printing, energy, health care, utilities, information technology, transportation and financial services for the period under review.

During the period, this segment recorded revenue of approximately HK\$152,847,000 which accounted for 28% 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\$375,638,000, accounting for 69% of the Group's financial service segment revenue.

Corporate Finance Advisory services, Futures Brokerage and Asset Management

Complementing the securities brokerage, underwriting and placements, and margin and IPO financing, the Group also provides a full range of financing services to its clients including corporate finance advisory services, futures brokerage and asset management.

The Group holds licence under the Securities and Futures Ordinance to engage in advising on corporate finance activities. The scope of services provided includes advising on corporate finance transactions, sponsoring IPOs and advising clients on financing strategies in the context of mergers and acquisitions, equity fund raising exercises, takeovers and other notifiable transactions.

The Group provides brokerage services for index futures trading on the Futures Exchange. Clients can place orders on the internet in addition to telephone.

MANAGEMENT DISCUSSION AND ANALYSIS**MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)***Business and Financial Review** *(Continued)**Corporate Finance Advisory services, Futures Brokerage and Asset Management (Continued)*

The Group also provides portfolio management services. The asset management business generates revenue by charging management fees and incentive fees based on the amount of assets under management, and returns of portfolios, respectively.

During the period, this segment recorded revenue of approximately HK\$15,100,000 which accounted for 3% of the Group's financial service segment revenue.

Hotel Business

The Group's hotel operation, mainly comprised of hotel rooms, food and beverage sale and other rental income, ensued the strong growth in year 2011. The revenue for the twelve months ended 31 December 2011 amounted to approximately HK\$200,919,000 (2010: HK\$159,246,000). Hotel business contributed 28% (2010: 29%) of the total hotel and gaming business turnover. During the period under review, the average occupancy rate of the two hotels was approximately 78%. The ongoing renovation entails the modern-fashioned guest rooms to bring consistent improvement in room rates and occupancy rate.

Gaming Business

The Group's casino operation is run by the licence holder Sociedade de Jogos de Macau, S.A.. The two casinos consistently provided solid contributions to the Group in line with the rapid development of the gaming industry in Macau. To retain quality customers and attract potential ones, the Group strengthened its membership programmes and provided a variety of incentives for members to increase their spending in the casinos as well.

Casino revenue, including gaming revenue and food and beverage sale in casino, amounted to approximately HK\$519,020,000 for the twelve months ended 31 December 2011 (2010: HK\$382,001,000), representing an increase of approximately 36% from the corresponding period in year 2010. Casino revenue accounted for 72% (2010: 71%) of total hotel and gaming business turnover.

As at 31 December 2011, the Group has 64 tables in the 2 mass market halls, 8 tables in the 2 self-managed VIP rooms and 205 slot machines and 120 live baccarat machines in the 2 electronic gaming halls. With all these well equipped gaming facilities, the Group continued to benefit from this stable source of revenue from the Macau market.

MANAGEMENT DISCUSSION AND ANALYSIS**MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)***Business and Financial Review** *(Continued)**Trading of listed securities*

Close to the end of year 2011, the global equity market suffered a significant setback and hence the market value of the trading securities held by the Group recorded a revaluation deficit of approximately HK\$84,275,000 during the period under review. As at 31 December 2011, the Group was holding trading securities of approximately HK\$68,409,000 in value.

Inventory consumed

Inventory consumed mainly represents the cost of guest supplies and food and beverage consumed upon provision of accommodation and catering services to the customers. During the period under review, it increased from approximately HK\$16,771,000 to approximately HK\$20,630,000. The increase was in line with the growth in the hotel revenue.

Staff costs

Staff costs increased from approximately HK\$101,906,000 to approximately HK\$134,044,000, mainly due to addition of staff cost in relation to the financial businesses acquired in April 2011. Remuneration packages commensurate with employees' qualification and experience were provided to retain good employees in the Group as well as to hire potential talents.

Gaming commission

Gaming commission represents amount paid as an incentive to attract customers. The commission paid by the Group were in line with market level. During the period under review, it increased from approximately HK\$134,779,000 to approximately HK\$189,013,000, which was in line with the growth of gaming industry in Macau.

Other expenses

Other expenses mainly represent operating expenses for hotel rooms and gaming facilities, rent and rates, legal and professional fees, advertising and promotion expenses and Macau property tax. During the period under review, it increased from approximately HK\$118,206,000 to approximately HK\$146,300,000, reflecting mainly the addition of financial businesses.

Finance costs

During the period under review, finance costs represented the effective interest expense on promissory notes.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Future Prospects

The global capital market was exceptionally complex due to the uncertainty of economic recovery in the US, the debt crisis in Europe, the progress of economic recovery progress in Japan post Fukushima earthquake in March 2011 and the nuclear crisis emerged subsequently.

The PRC Government's tightening measures against real estate market bubbles and inflation continue to cast a shadow on global as well as Hong Kong's economy. Nevertheless, the People's Bank of China, the central bank, lowered its RMB deposit reserve requirement ratio by 50 basis points each in December 2011 and February 2012, after the continuous raising of the deposit reserve requirement ratio since December 2008, might be a sign of gradual relaxation of monetary tightening to stimulate growth, as the global financial crisis has started to weigh on the economy.

Fragile investor confidence and high volatility in global capital market continue to affect the global market performance. However, growing PRC economy plays an important role in influencing the global economic recovery and the Central Government's support maintaining Hong Kong as an international financial centre provide us with excellent opportunities.

Financial services segments

The Group has achieved an impressive performance for its securities underwriting and placements, margin and IPO financing and securities brokerage businesses during the period under review. Leveraging the long-established reputation and a strong client base, the Group will further reinforce the foundation in these key revenue generating businesses by recruiting qualified professionals, improving the trading infrastructure and delivering more value-added services to its clients.

With the commencement of new business, a jointly established fund with SBI Holdings, Inc. was set up in September 2011, with the focus on investment in private equities in the Greater China region, it is expected that the capital return will be a new revenue source of income in the future financial years.

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

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Future Prospects (Continued)

Financial services segments (Continued)

The first RMB-denominated REIT was successfully listed on the Stock Exchange in April 2011. The breakthrough in the development of RMB-traded products is a significant move in the Hong Kong financial market and the mounting demand for more diversified RMB-traded products indicates the increasing business opportunities from the PRC. The system enhancements to support the introduction of the RMB Equity Trading Support Facility (TSF) were completed in October 2011. The Group will continue to improve its trading and settlement infrastructure to accommodate trade settlement for RMB-traded products and participate in RMB Equity Trading Support Facility (TSF) in the second half of this year.

Hotel and gaming segments

The Group continuously pursues various marketing and promotion activities through the comprehensive membership programmes. Our guests enjoy impressive services within the Group's properties with the use of our casino package. In view of the consistent growth in membership base of the programmes, the Group will further enhance the programmes to attract new customers.

The newly renovated guest rooms have proved to be in popular demand and the Group will continue to invest in this area to pave the way for revenue enhancement. The Group will also further strengthen its relationship with travel agencies and offer packages and joint promotions with business partners so as to broaden the scope of customers of the two hotels.

Liquidity, Financial Resources and Funding

As at 31 December 2011, the shareholders' fund and net current assets of the Group amounted to approximately HK\$13,742,710,000 and approximately HK\$1,516,145,000 respectively. On the same date, the Group had cash and bank balances of approximately HK\$351,308,000 and the current ratio was 1.2 (31 December 2010: 22.8).

As at 31 December 2011, the Group had bank borrowings of approximately HK\$1,419,000,000 (2010: nil), amounts due to shareholders of approximately HK\$2,611,281,000 (2010: nil), loan from a related company of approximately HK\$345,729,000 (2010: nil), promissory notes of approximately HK\$920,883,000 (2010: nil) and subordinated loans of approximately HK\$1,000,000,000 (2010: nil). On the same date, the net gearing ratio, measured on the basis of total borrowings less bank and cash balances over net assets, was 43% (2010: net cash position).

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Contingent Liabilities

No material contingent liabilities of the Group were noted as at 31 December 2011.

Capital Structure

During the twelve months ended 31 December 2011, the Company had issued and allotted 6,000,000,000 new shares pursuant to the acquisition of the financial services business. Further details can be found in the paragraph headed "Material Acquisitions" below.

During the same period, the Company had placed a total of 890,000,000 new shares to certain independent third parties, details of which were described in the Company's announcements dated 7 April 2011 and 28 April 2011. The proceeds from the placing amounted to approximately HK\$871,900,000.

During the same period, certain employees exercised their options to subscribe for 1,837,500 new shares of the Company. The proceeds from the exercise of options amounted to approximately HK\$1,377,000.

Employees

As at 31 December 2011, the Group employed a total of approximately 750 staff. 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 December 2011, the Group had pledged clients' securities at a value of approximately HK\$5,367,372,000 to secure certain banking facilities provided to the Group.

Material Acquisitions

On 14 December 2010 (as supplemented by the supplemental agreement dated 7 January 2011), the Company entered into the sale and purchase agreement with Active Dynamic Limited and Better Sino Limited (collectively the "Vendors") and Mrs. Chu Yuet Wah (as guarantor), pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of the entire issued share capital of Kingston Capital Asia Limited at a total consideration of HK\$12,000,000,000. The acquisition had completed on 1 April 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Material Acquisitions *(Continued)*

Kingston Group is one of the well-established securities brokerage and financial advisory houses in Hong Kong providing a wide range of financial services which include: (i) securities underwriting and placements; (ii) margin and initial public offers financing; (iii) securities brokerage; (iv) corporate finance advisory services; (v) futures brokerage and (vi) asset management services. The Board believes that the acquisition will enable the Group to make a meaningful step in its strategic direction to focus on diversification of businesses. The Board believes that the acquisition will enable the Group to become one of the leaders in provision of financial and brokerage services in the region. In particular, it is the intention of the Board that the business of the enlarged Group will focus on high quality securities brokerage, futures dealing and other financial services.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Risk Management (Continued)

Liquidity risk

As part of its ordinary brokerage activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and clients. The goal of liquidity management is to enable the Group to adequately fund such business commitments as well as to comply with relevant financial resources rules applying to various licensed subsidiaries. To address the risk, the Group's Accounts Department and the senior management will review and monitor the Group's liquidity position on daily basis to ensure the availability of sufficient liquid funds. In addition, the Group has also put in place stand-by banking and other facilities in order to meet any contingency in its operations. The management believes the Group's working capital is adequate to meet its financial obligations.

Interest rate risk

The Group charged interest on its margin clients on the basis of its cost of fund plus mark-up. Financial assets such as margin loans and deposit with banks are primarily at floating rates. Financial liabilities such as bank loans are primarily at floating rates. The Group income and operating cash flows are not subject to significant interest rate risk.

Foreign Currency Exposure

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

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

The Group is exposed to foreign currency risk primarily through loan receivable that are denominated in a currency other than its functional currency. The currency giving rise to this risk to the Group is primarily Canadian dollars. The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months ended 31 December 2011

	Note	Twelve months ended 31 December 2011 (unaudited) HK\$'000	Year ended 31 December 2010 (audited) HK\$'000
Revenue	3	1,263,524	541,247
Other income		31,975	23,225
		1,295,499	564,472
Inventory consumed		(20,630)	(16,771)
Staff costs	4	(134,044)	(101,906)
Gaming commission		(189,013)	(134,779)
Broker commission		(37,014)	—
Interest expenses for securities brokerage and margin financing operations		(34,161)	—
Depreciation		(95,681)	(99,862)
Other expenses		(146,300)	(118,206)
		(656,843)	(471,524)
Finance income		9,460	8,357
Finance costs	5	(40,525)	—
Gain from sales of trading securities		—	361
Fair value (loss)/gain on trading securities		(84,275)	4,743
Exchange gains		3,566	9,273
Deficit on revaluation of leasehold land and buildings		—	(14,778)
Share of results of jointly controlled entities		(124)	—
		(111,898)	7,956
Profit before taxation	6	526,758	100,904
Taxation	7	(69,235)	—
Profit for the period/year		457,523	100,904

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months ended 31 December 2011

	Note	Twelve months ended 31 December 2011 (unaudited) HK\$'000	Year ended 31 December 2010 (audited) HK\$'000
Other comprehensive income			
Deficit on revaluation of leasehold land and buildings		—	(20,321)
Unrealised (loss)/gain arising from change in fair value of available-for-sale investments		(1,718)	1,913
Other comprehensive loss for the period/year, net of tax		(1,718)	(18,408)
Total comprehensive income for the period/year		455,805	82,496
Profit attributable to:			
Owners of the Company		451,465	99,558
Non-controlling interests		6,058	1,346
		457,523	100,904
Total comprehensive income attributable to:			
Owners of the Company		449,747	81,150
Non-controlling interests		6,058	1,346
		455,805	82,496
Earnings per share (cents per share)	9		
— Basic		3.17	2.06
— Diluted		3.13	1.98

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

		31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	10	2,148,237	2,206,347
Deferred tax assets		6,107	5,575
Deposit for acquisition		—	400,000
Deposit for hotel renovation		3,787	—
Statutory deposit for financial business		2,600	—
Goodwill	11	10,996,683	—
Interests in jointly-controlled entities		(22)	—
		13,157,392	2,611,922
Current assets			
Inventories	12	3,618	2,925
Available-for-sale investments	13	4,242	5,960
Trading securities		68,409	152,070
Loan receivable	14	407,200	401,328
Trade and other receivables	15	6,279,696	83,948
Tax recoverable		1,571	—
Cash and bank balances — trust accounts	16	528,931	—
Cash and bank balances — general accounts		351,308	617,126
		7,644,975	1,263,357
Current liabilities			
Trade and other payables	17	641,742	55,526
Amounts due to shareholders	18	2,611,281	—
Loan from a related company	19	345,729	—
Subordinated loans	20	1,000,000	—
Bank loans	21	1,419,000	—
Tax payable		111,078	—
		6,128,830	55,526

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

		31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Net current assets		1,516,145	1,207,831
Total assets less current liabilities		14,673,537	3,819,753
Non-current liability			
Promissory notes	22	920,883	—
Net assets		13,752,654	3,819,753
Capital and reserves			
Share capital — ordinary shares	23	240,853	103,198
Share capital — non-redeemable convertible preference shares	23	105,000	—
Reserves		13,396,857	3,712,669
Total equity attributable to owners of the Company		13,742,710	3,815,867
Non-controlling interests		9,944	3,886
Total equity		13,752,654	3,819,753

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 31 December 2011

	Attributable to owners of the Company												
	Share capital-ordinary shares	Share redeemable convertible preference shares	Share premium account	Capital redemption reserve	Contributed surplus	Property revaluation reserve	Share-based payment reserve	Investment revaluation reserve	Exchange fluctuation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010													
As originally reported	88,678	—	1,902,253	274	814	642,569	13,172	1,740	235	551,151	3,200,886	2,540	3,203,426
Effects of adoption of amendments to HKAS 17	—	—	—	—	—	2,819	—	—	—	1,671	4,490	—	4,490
As restated	88,678	—	1,902,253	274	814	645,388	13,172	1,740	235	552,822	3,205,376	2,540	3,207,916
Profit for the year	—	—	—	—	—	—	—	—	—	99,558	99,558	1,346	100,904
Other comprehensive loss for the year	—	—	—	—	—	(20,321)	—	1,913	—	—	(18,408)	—	(18,408)
Total comprehensive income for the year	—	—	—	—	—	(20,321)	—	1,913	—	99,558	81,150	1,346	82,496
Realised upon depreciation based on revalued amount of land and building	—	—	—	—	—	(16,077)	—	—	—	16,077	—	—	—
Share repurchased	(10)	—	(300)	10	—	—	—	—	—	(10)	(310)	—	(310)
Issue of share under share option scheme	173	—	3,292	—	—	—	(759)	—	—	—	2,706	—	2,706
Issue of share by warrant subscription	14,357	—	488,131	—	—	—	—	—	—	—	502,488	—	502,488
Share-based payments	—	—	—	—	—	—	24,457	—	—	—	24,457	—	24,457
Forfeiture of share options	—	—	—	—	—	—	(35)	—	—	35	—	—	—
At 31 December 2010	103,198	—	2,393,376	284	814	608,990	36,835	3,653	235	668,482	3,815,867	3,886	3,819,753
At 1 January 2011	103,198	—	2,393,376	284	814	608,990	36,835	3,653	235	668,482	3,815,867	3,886	3,819,753
Profit for the period	—	—	—	—	—	—	—	—	—	451,465	451,465	6,058	457,523
Other comprehensive loss for the period	—	—	—	—	—	—	—	(1,718)	—	—	(1,718)	—	(1,718)
Total comprehensive income for the period	—	—	—	—	—	—	—	(1,718)	—	451,465	449,747	6,058	455,805
Realised upon depreciation based on revalued amount of land and building	—	—	—	—	—	(15,663)	—	—	—	15,663	—	—	—
Share repurchased	(182)	—	(6,680)	182	—	—	—	—	—	(182)	(6,862)	—	(6,862)
Share placement	17,800	—	854,100	—	—	—	—	—	—	—	871,900	—	871,900
Issue of share under share option scheme	37	—	1,811	—	—	—	(471)	—	—	—	1,377	—	1,377
Issue of ordinary shares for acquisition of subsidiaries	120,000	—	6,180,000	—	—	—	—	—	—	—	6,300,000	—	6,300,000
Issue of non-redeemable convertible preference shares for acquisition of subsidiaries	—	105,000	2,290,106	—	—	—	—	—	—	—	2,395,106	—	2,395,106
Share-based payments	—	—	—	—	—	—	2,084	—	—	—	2,084	—	2,084
Forfeiture of share options	—	—	—	—	—	—	(1,810)	—	—	1,810	—	—	—
Payment of dividend	—	—	—	—	—	—	—	—	—	(86,509)	(86,509)	—	(86,509)
At 31 December 2011	240,853	105,000	11,712,713	466	814	593,327	36,638	1,935	235	1,050,729	13,742,710	9,944	13,752,654

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months ended 31 December 2011

	Twelve months ended 31 December 2011 (unaudited) HK\$'000	Year ended 31 December 2010 (audited) HK\$'000
Net cash from operating activities	621,595	190,050
Net cash used in investing activities	(1,589,089)	(728,841)
Net cash from financing activities	701,676	504,884
Net decrease in cash and cash equivalents	(265,818)	(33,907)
Cash and cash equivalents at 1 January	617,126	651,033
Cash and cash equivalents at 31 December	351,308	617,126
Analysis of balances of cash and cash equivalents		
Cash at bank and on hand	351,308	617,126

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the twelve months ended 31 December 2011***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 address of the Company's registered office and its principal place of business are disclosed in the "Corporate Information" section of the second interim report.

The principal activities of the Group are described in note 3.

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 February 2012.

The interim condensed consolidated financial statements is presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The financial year end date of the Group has been changed from 31 December to 31 March to conform with the financial year end date of its newly acquired subsidiary, Kingston Capital Asia Limited. Accordingly, the current interim financial period covered a 12-month period from 1 January 2011 to 31 December 2011 and the comparatives covered a 12-month period from 1 January 2010 to 31 December 2010.

The 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 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 December 2010. The accounting policies adopted in the preparation of the 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 December 2010, except for the adoption of goodwill, joint ventures and new and revised Hong Kong Financial Reporting Standards ("HKFRS") that are relevant to the Group and effective for annual financial period beginning on or after 1 April 2011 as disclosed below.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES *(Continued)*

Goodwill arising from business combinations

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)**Joint ventures (Continued)**

Jointly controlled entities are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly controlled entities' net assets except that losses in excess of the Group's interest in the jointly controlled entities are not recognised unless there is an obligation to make good those losses.

Any premium paid for a jointly controlled entity above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the jointly controlled entity and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

The Company's interests in jointly controlled entities are stated at cost less impairment losses, if any. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (IFRIC) - Interpretation 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) - Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Amendment to HKAS 34 "Interim Financial Reporting" (as part of Improvements to HKFRSs 2010) is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES *(Continued)*

HKAS 24 (Revised) "Related Party Disclosures" amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition. The adoption of HKAS 24 (Revised) has no impact on the Group's related party disclosures, reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

The adoption of the other new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

3 SEGMENTAL INFORMATION

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

Financial services segments:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the twelve months ended 31 December 2011***3 SEGMENTAL INFORMATION** *(Continued)***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 profits for financial services segments represent the profit earned by each segment without allocation of staff costs and other central administrative costs. Segment performance of hotel and gaming segments and securities investment segment are evaluated based on a measure of adjusted earnings before interest, income tax, depreciation and amortisation (EBITDA) and interest income and expenditure are not included in the result of these operating segments. Other information provided, except as noted below, to the management is measured in a manner consistent with that in the financial statements.

Revenue between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external customers reported to the management is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

3 SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

The following tables present segment assets of the Group's operating segments as at 31 December 2011 and 31 December 2010.

As at 31 December 2011 (unaudited)

	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
Segment assets	17,971,093	1,789,010	371,316	152,136	68,409	20,351,964
Unallocated corporate assets						32,854
Loan receivable						407,200
Deferred tax assets						6,107
Available-for-sale investments						4,242
						20,802,367

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 segment under financial services business is therefore not presented.

As at 31 December 2010 (audited)

	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Casino HK\$'000	Securities investment HK\$'000	Total HK\$'000
Segment assets	1,689,513	446,839	239,279	152,427	2,528,058
Unallocated corporate assets					534,358
Deposit for acquisition					400,000
Loan receivable					401,328
Deferred tax assets					5,575
Available-for-sale investments					5,960
					3,875,279

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

4 STAFF COSTS

	Twelve months ended 31 December 2011 HK\$'000 (unaudited)	Year ended 31 December 2010 HK\$'000 (audited)
Staff costs (including directors' remuneration)		
— salaries, wages and other benefits	132,256	87,996
— contributions to defined contribution retirement plan	610	214
— equity-settled share-based payment expenses in relation to the grant of share options	1,178	13,696
	134,044	101,906

5 FINANCE COSTS

	Twelve months ended 31 December 2011 HK\$'000 (unaudited)	Year ended 31 December 2010 HK\$'000 (audited)
Interest on promissory notes	40,525	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

6 PROFIT BEFORE TAXATION

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

	Twelve months ended 31 December 2011 HK\$'000 (unaudited)	Year ended 31 December 2010 HK\$'000 (audited)
Impairment loss on trade and other receivables	3,495	3,495

7 TAXATION

	Twelve months ended 31 December 2011 HK\$'000 (unaudited)	Year ended 31 December 2010 HK\$'000 (audited)
Current tax: Hong Kong profits tax	69,235	—

Hong Kong profits tax has been provided for the twelve months ended 31 December 2011 at a rate of 16.5%. No provision for Hong Kong profits tax had been made for the year ended 31 December 2010 as the Group had no assessable profit for that year.

No provision for Macau Complementary Tax has been made as the subsidiaries operating in Macau have accumulated tax losses to set off against the assessable profit for the period (year ended 31 December 2010: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

8 DIVIDENDS

Interim dividend of HK0.5 cents per share was declared and paid for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

The board has resolved not to declare second interim dividend for the twelve months ended 31 December 2011 (year ended 31 December 2010: nil).

9 EARNINGS PER SHARE

	Twelve months ended 31 December 2011 HK cent (unaudited)	Year ended 31 December 2010 HK cent (audited)
Basic earnings per share	3.17	2.06
Diluted earnings per share	3.13	1.98

(a) Basic earnings per share

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

	Twelve months ended 31 December 2011 HK\$'000 (unaudited)	Year ended 31 December 2010 HK\$'000 (audited)
Profit for the purpose of basic earnings per share	451,465	99,558

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

9 EARNINGS PER SHARE (Continued)

(a) Basic earnings per share (Continued)

	Twelve months ended 31 December 2011 (unaudited)	Year ended 31 December 2010 (audited)
Weighted average number of ordinary shares	10,294,405,151	4,844,402,854
Weighted average number of non-redeemable convertible preference shares	3,955,479,452	—
Weighted average number of shares for the purpose of basic earnings per share	14,249,884,603	4,844,402,854

(b) Diluted earnings per share

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

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

	Twelve months ended 31 December 2011 (unaudited)	Year ended 31 December 2010 (audited)
Weighted average number of shares used in the calculation of basic earnings per share	14,249,884,603	4,844,402,854
Shares deemed to be issued for no consideration in respect of:		
— Share options	176,077,166	150,164,105
— Warrants	—	42,021,465
	14,425,961,769	5,036,588,424

Note: For the year ended 31 December 2010, the weighted average number of shares for the purpose of calculating the basic and diluted earnings per share has been retrospectively adjusted for the effect of the share consolidation completed in March 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

10 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's acquisition of property, plant and equipment amounted to HK\$37,571,000 (year ended 31 December 2010: HK\$37,992,000), out of which HK\$1,137,000 (year ended 31 December 2010: HK\$nil) were acquired pursuant to acquisition of Kingston group of companies completed on 1 April 2011.

11 GOODWILL

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Acquired on acquisition of Kingston Capital Asia Limited	10,996,683	—

The carrying amount of goodwill of HK\$10,996,683,000 relates to the cash-generating units which are engaged in securities dealings, underwriting and placements, margin and IPO financing services and corporate finance advisory services. For the purposes of the goodwill impairment test, its recoverable amount was determined based on a value in use calculation, covering a detailed 5-year budget plan plus an extrapolated cash flow projections applying a steady growth rate subsequent to this 5-year plan, with a discount rate of approximately 8.75%.

The key assumptions used in the budget plan are:

- (i) the annual growth rates of revenue were estimated ranging from 2% to 8% for both securities services and corporate finance advisory services throughout the 5-year budget plan.
- (ii) that gross margins will be maintained at their current levels throughout the 5-year budget plan.

The Group management's key assumptions have been determined based on past performance and its expectations for the market's development. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

Apart from the considerations described in determining the value in use of the cash-generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

12 INVENTORIES

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Food and beverage and operating supplies	3,618	2,925

13 AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Investment funds, at fair value	4,242	5,960

The available-for-sale investments are denominated in United States dollars and there is no public market for the investments. Changes in fair value of available-for-sale investments are recognised in investment revaluation reserve.

14 LOAN RECEIVABLE

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Loan receivable	407,200	401,328

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the twelve months ended 31 December 2011***14 LOAN RECEIVABLE** *(Continued)*

Loan receivable represents advances to Affluent Public Limited, an independent third party (the "Borrower"). On 20 September 2010, the Group and the Borrower entered into the loan agreement to which the Group agreed to make available to the Borrower the term loan facility up to a principal amount of CAD50 million. The loan was to be secured by legal charge on the entire shares in the Borrower and entire interests of the Borrower in a company incorporated under the laws of the Province of British Columbia, Canada ("Company A"), and personal guarantees executed by all directors of the Borrower. The loan bore an effective interest of 13% per annum and the loan was to be repayable in 6 months from the date of advance.

In connection with the loan, the Group was granted the option, exercisable within six months from the date of drawdown, to either (i) subscribe for shares in the Borrower representing 25% of the total issued share capital of the Borrower (on a fully diluted basis) at the time of such subscription, or (ii) to purchase from the Borrower, shares of Company A, representing approximately 18.89% of the total issued share capital of Company A (on a fully diluted basis) at the time of such purchase, at the option purchase price of CAD80 million. Once (i) the Borrower has subscribed for approximately 75.56% interest in the Company A which in turn will acquire 90% interest in a company incorporated in Canada; and (ii) the option is exercised, the Group will have an indirect attributable interest of approximately 17% in 34 subsurface mineral permits for exploration of potash in Saskatchewan, Canada.

Since the Borrower failed to subscribe for the shares in the Company A and failed to repay the funds advanced, in December 2010 the Group commenced proceedings in Canada against the Borrower and its relevant parties to recover the funds advanced. The Canadian legal proceedings allege breach of trust, fraud and in the alternative, breach of the loan agreement. The Borrower and its related entities and principals are defending the proceedings. As at the date of this report, the Group was in discussion with the Borrower on the settlement terms proposed by the Borrower but the proceedings continue.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

15 TRADE AND OTHER RECEIVABLES

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Trade receivables from financial services segments	6,191,643	—
Trade receivables from hotel and gaming segments	72,382	72,201
Other receivables, deposits and prepayments	15,671	11,747
	6,279,696	83,948

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

15 TRADE AND OTHER RECEIVABLES *(Continued)***Trade receivables from financial services segments**

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Cash clients	26,912	—
Margin clients:		
Directors of the subsidiaries and their associates	81,248	—
Other margin clients	6,041,686	—
	6,149,846	—
Clearing houses	30,464	—
Brokers and dealers	17	—
Accounts receivable arising from the ordinary course of business of dealing in futures contracts:		
Clearing house	9,473	—
Accounts receivable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	1,791	—
Assets management services	52	—
	6,191,643	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

15 TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables from financial services segments *(Continued)*

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

No aging analysis is disclosed for receivables from margin clients as, in the opinion of the directors, an aging analysis is not meaningful in view of the business nature of securities dealings and margin financing. Accounts receivable from margin clients are repayable on demand and carry interest at approximately Hong Kong Dollar Prime rate plus 3%. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

15 TRADE AND OTHER RECEIVABLES *(Continued)***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:

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
0–30 days	65,079	59,981
31–60 days	7,526	12,148
61–90 days	586	782
Over 90 days	22,186	18,790
	95,377	91,701
Allowance for doubtful debt	(22,995)	(19,500)
	72,382	72,201

16 CASH AND BANK BALANCES — TRUST ACCOUNTS

The Group maintains segregated trust accounts with authorized institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash and bank balances — trust accounts under the current assets section of the interim condensed consolidated statement of financial position and recognised the corresponding accounts payable (note 17) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

17 TRADE AND OTHER PAYABLES

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Trade payables from financial services segments	590,615	—
Trade payables from hotel and gaming segments	15,850	16,162
Other payable and accruals	35,277	39,364
	641,742	55,526

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

17 TRADE AND OTHER PAYABLES *(Continued)*

Trade payables from financial services segments

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities:		
Cash clients	229,267	—
Margin clients	344,742	—
	574,009	—
Dividend payable to clients	3,464	—
Clearing houses	—	—
Brokers and dealers	1	—
Accounts payable arising from the ordinary course of business of dealing in futures contracts:		
Clients	10,506	—
Accounts payable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	8	—
Assets management services	2,627	—
	590,615	—

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

17 TRADE AND OTHER PAYABLES (Continued)

Trade payables from financial services segments (Continued)

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 December 2011, included in accounts payable was an amount of HK\$528,931,000 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:

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
0–30 days	12,436	9,395
31–60 days	1,799	4,498
61–90 days	1,576	1,461
Over 90 days	39	808
	15,850	16,162

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

18 AMOUNTS DUE TO SHAREHOLDERS

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Active Dynamic Limited	1,421,281	—
Better Sino Limited	1,190,000	—
	2,611,281	—

The amounts are non-interest bearing, unsecured and repayable on demand.

19 LOAN FROM A RELATED COMPANY

The loan is due to Kingston Finance Limited which has common directors and shareholders with the Group. The loan is unsecured, interest bearing at the rate of 1.5% per annum and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

20 SUBORDINATED LOANS

	Draw date	Expiry date	Terms	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Loan from Mr. Lee Wai Man	30 January 2004	N/A	Prime rate plus 1%	250,000	—
	20 February 2004	N/A	1.5%	150,000	—
Revolving loan from Mr. Lee Wai Man	13 September 2006	1 March 2012	Non interest- bearing	300,000	—
Revolving loan from Mrs. Chu Yuet Wah	24 May 2010	2 May 2012	1.5%	300,000	—
				1,000,000	—

21 BANK LOANS

The bank loans of the Group were secured by marketable securities of HK\$5,367,372,000 (31 December 2010: HK\$Nil) pledged to the Group by margin clients. The bank loans of the Group bear floating interest rates ranging from 1.22% to 1.75% per annum (31 December 2010: Nil).

22 PROMISSORY NOTES

On 1 April 2011, the Company issued promissory notes with a principal amount of HK\$1,000,000,000 as part of the consideration to acquire the entire issued share capital of Kingston Capital Asia Limited. The promissory notes are unsecured, bear interest of 2% per annum and will mature at the 3rd anniversary from the date of issue.

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
At initial recognition	890,358	—
Imputed finance cost	30,525	—
	920,883	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

23 SHARE CAPITAL

	Note	2011 (unaudited)		2010 (audited)	
		Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares					
Shares of HK\$0.02 each (31 December 2010: HK\$0.01 each)					
Authorised:					
At 1 January		30,000,000,000	300,000	30,000,000,000	300,000
Share consolidation	a	(15,000,000,000)	—	—	—
Creation		9,750,000,000	195,000	—	—
At 31 December	b	24,750,000,000	495,000	30,000,000,000	300,000
Issued and fully paid:					
At 1 January		10,319,797,333	103,198	8,867,766,956	88,678
Share consolidation	a	(5,159,898,667)	—	—	—
Issue of shares pursuant to acquisition of financial services business		6,000,000,000	120,000	—	—
Share placement		890,000,000	17,800	—	—
Issue of shares by warrant subscription		—	—	1,435,680,377	14,357
Issue of shares pursuant to exercise of options		1,837,500	37	17,350,000	173
Share repurchase	c	(9,104,000)	(182)	(1,000,000)	(10)
At 31 December		12,042,632,166	240,853	10,319,797,333	103,198

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

23 SHARE CAPITAL (Continued)

Note	2011 (unaudited)		2010 (audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Non-redeemable convertible preference shares Shares of HK\$0.02 each				
Authorised:				
At 1 January	—	—	—	—
Creation	5,250,000,000	105,000	—	—
At 31 December	5,250,000,000	105,000	—	—
Issued and fully paid:				
At 1 January	—	—	—	—
Issue of shares pursuant to acquisition of financial services business	5,250,000,000	105,000	—	—
At 31 December	5,250,000,000	105,000	—	—

Notes:

- (a) Pursuant to special resolutions passed on 22 March 2011, share consolidation and increase in authorised share capital were approved.

The issued and unissued ordinary shares of HK\$0.01 each in the capital of the Company were consolidated on the basis of every 2 shares being consolidated into 1 share of HK\$0.02 each. The share consolidation became effective on 23 March 2011.

- (b) The Company's authorised share capital was increased from HK\$300,000,000 divided into 15,000,000,000 consolidated shares of HK\$0.02 each to HK\$600,000,000 divided into 24,750,000,000 consolidated shares of HK\$0.02 each and 5,250,000,000 non-redeemable convertible preference shares of par value HK\$0.02 each by the creation of an additional 9,750,000,000 consolidated shares of HK\$0.02 each and 5,250,000,000 non-redeemable convertible preference shares of par value HK\$0.02 each. The increase in authorised share capital has been effective on 22 March 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

23 SHARE CAPITAL *(Continued)*Notes: *(Continued)*

- (c) During the twelve months ended 31 December 2011, the Company had purchased 9,104,000 of its ordinary shares on the Stock Exchange of Hong Kong. All the shares purchased were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the shares acquired by month are as follows:

Month	Number purchased	Highest price paid HK\$	Lowest price paid HK\$	Total cost HK\$
September 2011	4,992,000	0.78	0.68	3,692,000
October 2011	4,112,000	0.78	0.74	3,170,000
	<u>9,104,000</u>			<u>6,862,000</u>

24 ACQUISITION OF SUBSIDIARIES

On 14 December 2010 and 7 January 2011, the Group had entered into sale and purchase agreement and supplemental sale and purchase agreement respectively with Active Dynamic Limited, a company wholly owned by Mrs. Chu and Better Sino Limited, a company wholly owned by mother of Mrs. Chu (together the "Vendors") for acquisition of entire issued share capital of Kingston Capital Asia Limited at a consideration of approximately HK\$12,000,000,000. The consideration is to be satisfied in the following manner:

- (i) as to the cash consideration of HK\$2,000,000,000;
- (ii) as to HK\$1,000,000,000 by way of the promissory notes;
- (iii) as to HK\$4,800,000,000 by way of allotment and issue of the consideration shares at the issue price of HK\$0.80; and
- (iv) as to HK\$4,200,000,000 by way of issue of the non-redeemable convertible preference shares with the conversion price of HK\$0.80 per conversion share.

The Group was principally engaged in the operation of hotels, entertainment with gaming facilities in Macau. The Board believes that the Company, through the Acquisition, could capture the high growth of financial market in Hong Kong so as to enhance its shareholders' value.

Subsidiaries of Kingston Capital Asia Limited are principally engaged in provision of securities and futures brokerage, margin and IPO financing, securities underwriting and placements, corporate finance advisory services and asset management services. The acquisition was completed on 1 April 2011.

None of the goodwill recognised is expected to be deductible for income tax purpose.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

24 ACQUISITION OF SUBSIDIARIES (Continued)

The assets and liabilities of Kingston Capital Asia Limited and its subsidiaries acquired at the date of completion of the acquisition are as follows:

	HK\$'000
Property, plant and equipment	1,137
Deferred tax assets	532
Statutory deposit for financial business	2,792
Trade and other receivables	6,440,811
Trading securities	615
Bank balances and cash — trust accounts	780,966
Bank balances and cash — general accounts	38,392
Trade and other payables	(1,198,075)
Tax payables	(68,310)
Amounts due to shareholders	(1,450,000)
Loan from a related company	(932,079)
Bank borrowings	(2,028,000)
Subordinated loans	(1,000,000)
	<hr/>
	588,781
Goodwill (note 11)	10,996,683
	<hr/>
	11,585,464
	<hr/>
Total consideration satisfied by:	
Cash consideration	2,000,000
Fair value of promissory notes	890,358
Fair value of consideration shares	6,300,000
Fair value of non-redeemable convertible preference shares	2,395,106
	<hr/>
	11,585,464
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration	2,000,000
Bank balances and cash acquired	(38,392)
	<hr/>
	1,961,608
	<hr/>
Acquisition-related costs (included in other expenses in the Group's statement of income for the twelve months ended 31 December 2011)	11,154
	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*For the twelve months ended 31 December 2011***24 ACQUISITION OF SUBSIDIARIES** *(Continued)*

The fair value of the 6,000,000,000 consideration shares issued as part of the consideration paid for Vendors was determined on the basis of the closing market price of the Group's ordinary shares on the acquisition date.

The revenue included in the condensed consolidated statement of income since 1 April 2011 contributed by Kingston Capital Asia Limited was HK\$543,585,000. Kingston Capital Asia Limited also contributed profit of HK\$336,071,000 over the same period.

Had Kingston Capital Asia Limited been consolidated from 1 January 2011 the condensed consolidated statement of income would have included revenue of HK\$776,815,000 and profit of HK\$490,149,000.

25 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall was changed upon acquisition of Kingston Capital Asia Limited during the period.

The capital structure of the Group consists of subordinated loans, amount due to a related party, amounts due to shareholders, bank loans, promissory notes and equity attributable to equity holders of the Company, comprising paid up capital/share capital and reserves. The directors of the Group review the capital structure regularly. As part of this review, the director considers the cost and the risks associated with each class of the capital.

Based on the recommendations of the director, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Several subsidiaries of the Group (the "Regulated Subsidiaries") are registered with Hong Kong Securities and Futures Commission (SFC) for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, the Regulated Subsidiaries must maintain their liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of statutory floor requirement or 5% of their total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a regular basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

26 CAPITAL COMMITMENTS

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
— Contracted but not provided for	15,750	2,084
— Authorised but not contracted for	4,963	17,191
	20,713	19,275

27 OPERATING LEASE COMMITMENT

- (a) The Group leases its land and buildings under operating lease arrangements, and the terms of the leases were one year and the leases are repayable in fixed monthly instalments. The lease agreements are renewable at the end of the respective lease terms. There is no arrangement for contingent rent payments.

At 31 December 2011, the Group had total future minimum lease receivable under non-cancellable operating leases which fall due as follows:

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Within one year	2,116	1,792
After one year but within five years	2,463	3,650
	4,579	5,442

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

27 OPERATING LEASE COMMITMENT (Continued)

- (b) The Group entered into non-cancellable operating lease arrangements with landlords and the terms of the leases range from one to two years.

At 31 December 2011, the Group had total future minimum lease rent payments under non-cancellable operating leases falling due as follows:

	31 December 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Within one year	6,899	2,287
After one year but within five years	2,107	104
	9,006	2,391

28 SHARE-BASED PAYMENT TRANSACTIONS

The Company has share options scheme for eligible employees, consultants and the directors of the Company. Details of the share options outstanding as at 31 December 2011 which have been granted under the Scheme are as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price (adjusted) (note)	Balance at 1 January 2011 (adjusted) (note)	Granted in 2011	Exercised in 2011	Cancelled in 2011	Lapsed in 2011	Balance at 31 December 2011
Director:									
Mrs. Chu Yuet Wah	2/2/2010	2/2/2010 to 1/2/2013	HK\$0.822	6,080,000	—	—	—	—	6,080,000
Consultants									
	3/6/2009	3/6/2009 to 2/6/2012	HK\$0.312	71,237,772	—	—	—	—	71,237,772
	11/8/2009	11/8/2009 to 10/8/2012	HK\$0.43	221,583,095	—	—	(44,316,619)	—	177,266,476
	2/2/2010	2/2/2010 to 1/2/2013	HK\$0.822	200,003,000	—	—	(2,500,000)	—	197,503,000
Staff									
	3/6/2009	3/6/2009 to 2/6/2012	HK\$0.312	1,125,000	—	(262,500)	—	(250,000)	612,500
	2/2/2010	2/2/2010 to 1/2/2013	HK\$0.822	15,000,000	—	(1,575,000)	—	(1,250,000)	12,175,000
				515,028,867	—	(1,837,500)	(46,816,619)	(1,500,000)	464,874,748

Note: The exercise price and the number of options outstanding at 1 January 2011 have been adjusted in accordance with the share consolidation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

28 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share options granted to directors

The estimated fair value of the options granted to directors on 2 February 2010 was HK\$0.1225 per option. The fair value was calculated using the Trinomial pricing model. The inputs into the model were as follows:

Weighted average share price	HK\$0.414
Exercise price	HK\$0.411
Expected volatility	82.629%
Expected life	1 year
Risk-free rate	0.255%
Expected dividend yield	2.414%

No vesting conditions is set for directors. The fair value of share options grant to directors is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity at the date of grant.

Share options granted to staff

The estimated fair value of the options granted on 3 June 2009 was HK\$0.0437 per option. The fair value was calculated using the Trinomial pricing model. The inputs into the model were as follows:

Weighted average share price	HK\$0.153
Exercise price	HK\$0.156
Expected volatility	66.83%
Expected life	1.5 years
Risk-free rate	0.911%
Expected dividend yield	4.334%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

28 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)***Share options granted to staff** *(Continued)*

The estimated fair value of the options granted to staff on 2 February 2010 was HK\$0.1422 per option. The fair value was calculated using the Trinomial pricing model. The inputs into the model were as follows:

Weighted average share price	HK\$0.414
Exercise price	HK\$0.411
Expected volatility	73.33% to 82.63%
Expected life	0.496 to 2.918 years
Risk-free rate	0.210% to 0.976%
Expected dividend yield	2.405% to 4.868%

The share options granted on 3 June 2009 to staff are subject to the following vesting schedule:

Vesting schedule	Maximum number of share options exercisable
From 3 December 2009 to 2 June 2010	20%
From 3 June 2010 to 2 December 2010	35%
From 3 December 2010 to 2 June 2011	50%
From 3 June 2011 to 2 December 2011	65%
From 3 December 2011 to 2 March 2012	80%
From 3 March 2012 to 2 June 2012	100%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

28 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share options granted to staff (Continued)

The share options granted on 2 February 2010 to staff are subject to the following vesting schedule:

Vesting schedule	Maximum number of share options exercisable
From 2 August 2010 to 1 February 2011	15%
From 2 February 2011 to 1 August 2011	30%
From 2 August 2011 to 1 February 2012	45%
From 2 February 2012 to 1 August 2012	60%
From 2 August 2012 to 1 January 2013	80%
From 2 January 2013 to 1 February 2013	100%

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity over the relevant vesting periods.

Share options granted to consultants

The estimated fair value of the options granted to consultants on 11 August 2009 was HK\$6,150,000.

The estimated fair values of the options granted to Group A and Group B consultants on 2 February 2010 were HK\$8,610,000 and HK\$3,690,000 respectively. No vesting conditions is set for Group A consultants while the share options granted to Group B consultants are subject to the following vesting schedule:

Vesting schedule	Maximum number of share options exercisable
From 2 August 2010 to 1 February 2011	15%
From 2 February 2011 to 1 August 2011	30%
From 2 August 2011 to 1 February 2012	45%
From 2 February 2012 to 1 August 2012	60%
From 2 August 2012 to 1 January 2013	80%
From 2 January 2013 to 1 February 2013	100%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

28 SHARE-BASED PAYMENT TRANSACTIONS (Continued)**Share options granted to consultants (Continued)**

The fair value was calculated using the Market Approach, reference has been made to the prices at which other services of similar nature are agreed as available in the market. In the process of valuing the share options, the uniqueness of services provided by the consultants has been taken into account. The consultant fee are computed based on the number of working hours and the consultant fees to be charged in the provision of the consultancy service together with out-of-pocket expenses.

The fair value of share options granted to consultants is recognised in the profit or loss with corresponding increase in share-based payment reserve within equity.

Because the Trinomial pricing model and Market Approach require the input of highly substantive assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

A share-based payment expenses amounting to HK\$2,084,000 (year ended 31 December 2010: HK\$24,457,000) has been recognised by the Company for the twelve months ended 31 December 2011 in relation to share options granted by the Company.

29 RELATED PARTY TRANSACTIONS**(a) Key management personnel remuneration**

Remuneration for key management personnel, including amounts paid to the Company's directors is as follows:

	Twelve months ended 31 December 2011 (unaudited) HK\$'000	Year ended 31 December 2010 (audited) HK\$'000
Short-term employee benefits	22,342	17,217
Post-employment benefits	30	37
Share-based payment expenses	—	11,350
	22,372	28,604

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended 31 December 2011

29 RELATED PARTY TRANSACTIONS (Continued)

- (b) In addition to the transactions and balance detailed elsewhere in these interim condensed consolidated financial statements, the Group entered into the following material related party and connected transactions during the period.

Name of related party	Nature of transaction	(Unaudited)	
		Twelve months ended 31 December	
		2011	2010
		HK\$'000	HK\$'000
		(unaudited)	(audited)
Chu & Li's Family	Brokerage income	1,081	—
	Maximum amount of IPO financing	76,362	—
	Maximum amount of margin financing	76,994	—
Mr. Lau Man Tak and associates	Interest income	929	—
	Maximum amount of margin financing	3,780	—
	Interest income	48	—
Directors of subsidiaries and associates	Brokerage income	109	—
	Maximum amount of IPO financing	5,656	—
	Maximum amount of margin financing	37,883	—
Kingston Corporate Finance Limited (note 1)	Interest income	623	—
	Financial advisory fee (note 2)	—	900
Kingston Finance Limited (note 3)	Interest expense	8,606	—
Mr. Lee Wai Man (note 4)	Consultancy fee (note 2)	1,000	1,000
Mrs. Chu Yuet Wah	Staff quarter rental expenses	894	894

Notes:

- The director, Mrs. Chu Yuet Wah had controlling interest in this company before the Group acquired it on 1 April 2011.
- This transaction was transacted at a price agreed between the parties and in accordance with the agreement.
- Mrs. Chu Yuet Wah has controlling interest in the company.
- Mr. Lee Wai Man is the father of Mrs. Chu Yuet Wah.

CHANGE OF FINANCIAL YEAR END DATE

As disclosed in the Company's announcement dated 1 April 2011, the Company has changed its financial year end from 31 December to 31 March. Accordingly, the next financial year end date of the Company will be 31 March 2012 and the next published audited financial statements of the Company will cover a 15-month period from 1 January 2011 to 31 March 2012.

INTERIM DIVIDEND

The board has resolved not to declare second interim dividend for the twelve months ended 31 December 2011 (year ended 31 December 2010: nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

At 31 December 2011 the following Directors had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Companies:

Long positions in the Shares:

Name of Directors	Number of shares of the Company		Number of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Mrs. Chu Yuet Wah	—	6,772,269,895 (Note 1)	5,256,080,000 (Note 2)	12,028,349,895	99.88%
Mr. Chu, Nicholas Yuk-yui	—	6,772,269,895 (Note 1)	5,256,080,000 (Note 2)	12,028,349,895	99.88%

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES *(Continued)*

Long positions in the Shares: *(Continued)*

Notes:

- (1) As at 31 December 2011, of the 6,772,269,895 shares, 4,875,000,000 shares are held by Active Dynamic Limited, 1,881,329,896 shares are held by Sure Expert Limited and 15,939,999 shares are held by Kingston Capital Limited, all of which are controlled by Mrs. Chu Yuet Wah ("Mrs. Chu"). Mr. Chu, Nicholas Yuk-yui ("Mr. Chu"), the spouse of Mrs. Chu, is deemed to be interested in these 6,772,269,895 shares.
- (2) As at 31 December 2011, Active Dynamic Limited held 5,250,000,000 convertible preference shares conferring rights to subscribe for 5,250,000,000 shares and Mrs. Chu personally held 6,080,000 share options conferring rights to subscribe for 6,080,000 shares. Mr. Chu is deemed to be interested in these 5,256,080,000 underlying shares held by Mrs. Chu.

Save for those disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director of the Chief Executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES", at no time during the period was the Company or any of its associated corporations a party to any arrangement to enable the directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate, and none of the directors or chief executives, nor any of their spouses or children under the age of 18, had any rights to subscribe the securities of the Company, or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholders	Number of shares of the Company		Number of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Active Dynamic Limited (Note 1)	—	4,875,000,000	5,250,000,000	10,125,000,000	84.08%
Sure Expert Limited (Note 1)	—	1,881,329,896	—	1,881,329,896	15.62%
Better Sino Limited (Note 2)	—	1,125,000,000	—	1,125,000,000	9.34%

Notes:

- (1) Active Dynamic Limited and Sure Expert Limited are wholly and beneficially owned by Mrs. Chu. The interests of Mrs. Chu, Active Dynamic Limited and Sure Expert Limited in the Company are stated under the section headed "Directors' and Chief Executive's interests and short positions in the securities" above.
- (2) Better Sino Limited is wholly and beneficially owned by Ms. Ma Siu Fong, the mother of Mrs. Chu.

Save for those disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2011.

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

During the twelve months ended 31 December 2011, except for the repurchases of the Company's own shares as set out in note 23 to the financial statements, 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 twelve months ended 31 December 2011, the Company has complied with all code provisions in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

OTHER INFORMATION

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 twelve months ended 31 December 2011.

AUDIT COMMITTEE

The audit committee has met with BDO Limited, the external auditor of the Group, to review the accounting policies and practices adopted by the Group and review the unaudited interim condensed consolidated financial results of the Company for the twelve months ended 31 December 2011.

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

Hong Kong, 28 February 2012

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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To the Board of Directors of Kingston Financial Group Limited

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 11 to 52 which comprise the condensed consolidated statement of financial position of Kingston Financial Group Limited as of 31 December 2011 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the twelve months period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with Hong Kong Financial Reporting Standards. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400, "Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Hong Kong, 28 February 2012