



## CORPORATE INFORMATION

### 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

Mr. Lau Man Tak (*Chairman*)  
Dr. Wong Yun Kuen  
Mr. Yu Peter Pak Yan

### REMUNERATION COMMITTEE

Mr. Yu Peter Pak Yan (*Chairman*)  
Dr. Wong Yun Kuen  
Mr. Lau Man Tak

### NOMINATION COMMITTEE

Dr. Wong Yun Kuen (*Chairman*)  
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

### 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  
26 Burnaby Street  
Hamilton HM 11  
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

On behalf of the board of directors (the “Board”) of Kingston Financial Group Limited (the “Company”), I am 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 2012.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Overview

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

The Group’s unaudited turnover was approximately HK\$652,105,000 for the six months ended 30 September 2012, representing a significant revenue growth of approximately 32% as compared with approximately HK\$494,285,000 for the six months ended 30 June 2011.

The unaudited net profit attributable to the Company’s shareholders for the six months ended 30 September 2012 amounted to approximately HK\$254,825,000 (six months ended 30 June 2011: HK\$158,197,000), representing an increase of 61%. The basic earnings per share for the six months ended 30 September 2012 was HK1.47 cents (six months ended 30 June 2011: HK1.42 cents).

#### Business and Financial Review

For the six months ended 30 September 2012, the debt crisis in Europe and slowdown in the global economy continued to affect the Hong Kong financial market. As a result, the average daily turnover of the stock market in Hong Kong for the six months under review was approximately HK\$48.2 billion, representing a plunge of 33% as compared with HK\$71.9 billion for the same period last year.

In addition, the total funds raised of new listings during the period under review decreased significantly by 80% to HK\$34.9 billion as compared with HK\$176.6 billion for the same period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)* **Business and Financial Review** *(Continued)*

#### *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 Australia, Japan, Taiwan, Korea, 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.

Securities underwriting and placement services is one of the main revenue streams of the Group. The Group undertakes the origination, structuring and marketing of placements of equity and equity-related securities. It also provides comprehensive solutions to clients' financing needs. The Group has successfully undertaken the roles of placing agents and underwriters for listed companies in a wide range of industries.

During the period, this segment recorded revenue of approximately HK\$59,789,000 which accounted for 22% of the Group's financial service segment revenue.

#### *Margin and IPO Financing*

Margin and IPO financing services are provided by the Group to complement its securities brokerage business. Margin financing is made available to clients who have opened margin accounts with the Group to purchase securities with funds borrowed from it to leverage their investments. IPO financing is the grant of loans to clients for subscriptions of shares relating to an IPO.

During the period, revenue generated from the margin and IPO financing segment amounted to approximately HK\$201,594,000, accounting for 76% of the Group's financial service segment revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)* **Business and Financial Review** *(Continued)*

#### *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.

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\$5,196,000 which accounted for 2% 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, continued to enjoy the steady growth in the Macau tourism industry. The revenue for the six months ended 30 September 2012 amounted to approximately HK\$87,553,000 (six months ended 30 June 2011: HK\$89,273,000). During the period under review, hotel business contributed 23% of the total hotel and gaming business turnover. The average occupancy rate of the two hotels was approximately 82%. The new round of renovation had completed and the Group starts enjoying enhanced profitability in the years ahead.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)* **Business and Financial Review** *(Continued)*

#### *Gaming Business*

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

Gaming revenue, including gaming revenue and food and beverage sale in casino, amounted to approximately HK\$297,973,000 for the six months ended 30 September 2012 (six months ended 30 June 2011: HK\$217,492,000), representing an increase of 37% from the six months ended 30 June 2011. Gaming revenue accounted for 77% of total hotel and gaming business turnover.

As at 30 September 2012, the Group has 65 tables in the 2 mass market halls, 8 tables in the 2 self-managed VIP rooms and 375 slot machines and 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 gaming market.

#### *Trading of listed securities*

During the period under review, the global equity market remained stagnant and Hong Kong was no exception. The market value of the trading securities held by the Group recorded a revaluation deficit of approximately HK\$2,936,000 during the period under review. As at 30 September 2012, the Group was holding trading securities of approximately HK\$48,419,000 in value.

#### *Inventory consumed*

Inventory consumed represents the cost of guest supplies and food and beverage consumed upon provision of accommodation and catering services to the customers. During the period under review, it increased from approximately HK\$9,625,000 to approximately HK\$11,373,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)* **Business and Financial Review** *(Continued)*

#### *Staff costs*

Staff costs increased from approximately HK\$67,368,000 to approximately HK\$84,521,000, mainly due to addition of staff cost in relation to the financial businesses acquired in April 2011 and provision of more generous bonus. Packages commensurate with employees' qualification and experience were provided to retain good employees in the Group as well as to hire potential talents.

#### *Gaming commission*

Gaming commission represents amount paid as an incentive for attract customers. The commission paid by the Group was in line with market level. During the period under review, the gaming commission amounted to approximately HK\$89,064,000 (six months ended 30 June 2011: HK\$89,141,000).

#### *Administrative expenses*

Administrative expenses mainly represent rent and rates, legal and professional fees, advertising and promotion expenses and Macau property tax. During the period under review, it decreased from approximately HK\$52,619,000 to approximately HK\$49,182,000.

#### *Finance cost*

During the period under review, finance cost increased from approximately HK\$13,161,000 to HK\$28,081,000, with the interest expense on promissory notes commenced in April 2011.

### **Future Prospects**

Looking forward, the global economy will continuously face stern challenges. Europe's debt crisis has imposed a widespread influence on the global economy. Although the European Central Bank has commenced large-scale bond-purchases plans, significant effort and time commitment have to be put in place by local government, in view of the indebtedness and the complexity of those European countries. It is believed that a sluggish economy would continue in the first quarter of 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

#### Future Prospects (Continued)

Slow economic recovery was seen in the United States, reflected by a mixed performance of economic data. The Federal Reserve launched a third round of quantitative easing (QE3) to support economic growth, but only showed insignificant impact on short term sentiment. On the other hand, the bond prices might be lifted through U.S. open-ended bond-buying program, prompting investors to adjust their portfolios and attracting short-term capital inflow to the stock market.

Under the vulnerable global economy, China has cut the national's economic growth target to 7.5% for the first time this year. The economy has also experienced a major slowdown during the first half of 2012. China central government urged to implement various stimulating measures to achieve the annual growth target, however little change was seen so far.

After the 18th National Congress of the Communist Party of China and upon the succession of the next party leader, more economic rescue packages on the financial sector and monetary easing implantation are inevitable, a stable growth in the coming year is expected.

#### *Financial services segments*

Experiencing ups and downs in the financial market for nearly 20 years, the Group has overcome all obstacles with composure and confidence despite serious challenges. Facing with uncertainty and ever-growing market competition, the Group endeavours to maintain its competitive leading position as a one-stop financial services to its clients.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

#### Future Prospects (Continued)

##### *Financial services segments (Continued)*

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.

The Group will continue to improve its trading and settlement infrastructure to improve its service capability for RMB-traded products.

##### *Hotel and gaming segments*

Macau has been playing a key role in the gaming industry around the world, and has surpassed Las Vegas to be the biggest gambling centre in terms of total gaming revenue. However, having experienced the rapid growth in the past few years, together with the economic growth slowdown in China, the Macau Government intended to stop the gaming industry from over-expanding. Therefore, the growth of Macau gaming industry has decelerated recently, which aligns with market expectation.

With the expansion into various non-gaming businesses, as well as the more comprehensive transportation network between China and Macau, the number of Macau tourist arrivals is expected to recover. In the long run, consumer confidence is likely to be restored under the stable China economic growth. Furthermore, the increasing overseas visitors will provide more room for growth of the gaming industry. In particular, mass market gaming revenue will contribute the most in the growth.

#### Liquidity, Financial Resources and Funding

As at 30 September 2012, the shareholders’ fund and net current assets of the Group amounted to approximately HK\$14,236,075,000 (31 March 2012: HK\$14,132,065,000) and approximately HK\$1,787,797,000 (31 March 2012: HK\$1,626,972,000) respectively. On the same date, the Group had cash and bank balances of approximately HK\$365,971,000 (31 March 2012: HK\$145,172,000) and the current ratio was 1.4 (31 March 2012: 1.4).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

#### **Liquidity, Financial Resources and Funding** *(Continued)*

As at 30 September 2012, the Group had bank borrowings of approximately HK\$665,362,000 (31 March 2012: HK\$981,000,000), amounts due to shareholders of approximately HK\$1,821,211,000 (31 March 2012: HK\$1,924,411,000), loan from a related company of approximately HK\$786,877,000 (31 March 2012: HK\$16,017,000), promissory notes of approximately HK\$942,728,000 (31 March 2012: HK\$924,648,000) and subordinated loans of approximately HK\$700,000,000 (31 March 2012: 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 32% (31 March 2012: 31%).

#### **Contingent Liabilities**

No material contingent liabilities of the Group were noted as at 30 September 2012.

#### **Capital Structure**

During the six months ended 30 September 2012, certain consultants exercised their options to subscribe for 71,236,000 new shares of the Company. The proceeds from the exercise of options amounted to approximately HK\$22,226,000.

#### **Employees**

As at 30 September 2012, the Group employed a total of approximately 800 staff. The total staff cost for six months ended 30 September 2012 was approximately HK\$84,521,000. The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market condition.

#### **Pledge of Assets**

As at 30 September 2012, the Group had pledged clients' securities at a value of approximately HK\$5,352,046,000 (31 March 2012: HK\$5,902,275,000) to secure certain banking facilities provided to the Group.

#### **Material Acquisitions and Disposals**

During the period under review, there was no material acquisition or disposal conducted by the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

#### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

#### Risk Management (Continued)

##### *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 INCOME STATEMENT

For the six months ended 30 September 2012

	Notes	1.4.2012 to 30.9.2012 (unaudited) HK\$'000	1.1.2011 to 30.6.2011 (unaudited) HK\$'000 (restated)
Revenue	3	652,105	494,285
Other income		4,690	21,382
		<b>656,795</b>	515,667
Inventory consumed		(11,373)	(9,625)
Staff costs	4	(84,521)	(67,368)
Gaming commission		(89,064)	(89,141)
Broker commission		(8,288)	(13,049)
Interest expenses for securities brokerage and margin financing operations		(18,680)	(12,494)
Depreciation		(52,717)	(46,260)
Impairment loss on trade receivables		(874)	(1,748)
Administrative expenses		(49,182)	(52,619)
Other operating expenses		(30,982)	(22,245)
		<b>(345,681)</b>	(314,549)
Finance income		3,273	4,036
Finance cost	5	(28,081)	(13,161)
Gain from sales of trading securities		1,853	–
Fair value loss on trading securities		(2,936)	(34,354)
Exchange gains		5,969	26,623
Share of results of jointly controlled entities		(207)	–
		<b>(20,129)</b>	(16,856)
Profit before taxation	6	290,985	184,262
Taxation	7	(33,927)	(24,200)
Profit for the period		<b>257,058</b>	160,062

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

		<b>1.4.2012 to 30.9.2012 (unaudited) HK\$'000</b>	<b>1.1.2011 to 30.6.2011 (unaudited) HK\$'000 (restated)</b>
	Notes		
Attributable to:			
Owners of the Company		<b>254,825</b>	158,197
Non-controlling interests		<b>2,233</b>	1,865
		<b>257,058</b>	160,062
<b>Earnings per share (cents per share)</b>	9		
— Basic		<b>1.47</b>	1.42
— Diluted		<b>1.47</b>	1.39

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	1.4.2012 to 30.9.2012 (unaudited) HK\$'000	1.1.2011 to 30.6.2011 (unaudited) HK\$'000 (restated)
Note		
Profit for the period	<b>257,058</b>	160,062
Other comprehensive income		
Available-for-sale investments:		
Unrealised gain arising from change in fair value	<b>174</b>	479
Other comprehensive gain for the period, net of tax	<b>174</b>	479
Total comprehensive income for the period	<b>257,232</b>	160,541
Attributable to:		
Owners of the Company	<b>254,999</b>	158,676
Non-controlling interests	<b>2,233</b>	1,865
	<b>257,232</b>	160,541

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Note	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	2,517,772	2,544,837
Deferred tax assets		6,107	6,107
Deposit for hotel renovation		323	9,191
Statutory deposit		2,513	2,773
Goodwill	11	10,996,683	10,996,683
Interests in jointly controlled entities		1,509	1,818
		<b>13,524,907</b>	<b>13,561,409</b>
<b>Current assets</b>			
Inventories	12	3,230	3,366
Available-for-sale investments	13	4,746	4,572
Trading securities		48,419	51,365
Loan receivable	14	419,615	414,820
Trade and other receivables	15	5,054,540	4,752,415
Tax recoverable		–	895
Cash and bank balances			
— trust accounts	16	913,519	584,197
Cash and bank balances			
— general accounts		365,971	145,172
		<b>6,810,040</b>	<b>5,956,802</b>
<b>Current liabilities</b>			
Trade and other payables	17	1,030,517	698,469
Amounts due to shareholders	18	1,821,211	1,924,411
Loan from a related company	19	786,877	16,017
Subordinated loans	20	700,000	700,000
Bank loans and overdrafts	21	665,362	981,000
Tax payable		18,276	9,933
		<b>5,022,243</b>	<b>4,329,830</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Note	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Net current assets		<b>1,787,797</b>	1,626,972
Total assets less current liabilities		<b>15,312,704</b>	15,188,381
Non-current liabilities			
Promissory notes	22	<b>942,728</b>	924,648
Deferred tax liabilities		<b>120,379</b>	120,379
		<b>1,063,107</b>	1,045,027
Net assets		<b>14,249,597</b>	14,143,354
Capital and reserves			
Share capital — ordinary shares	23	<b>242,290</b>	240,865
Share capital — non-redeemable convertible preference shares	23	<b>105,000</b>	105,000
Reserves		<b>13,888,785</b>	13,786,200
Total equity attributable to owners of the Company		<b>14,236,075</b>	14,132,065
Non-controlling interests		<b>13,522</b>	11,289
Total equity		<b>14,249,597</b>	14,143,354

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Attributable to owners of the Company												
	Share capital-ordinary shares	Share capital-non-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
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2011 (audited)	103,198	-	2,393,376	284	814	608,990	36,835	3,653	235	668,482	3,815,867	3,886	3,819,753
Total comprehensive income for the period	-	-	-	-	-	-	-	479	-	158,197	158,676	1,865	160,541
Realised upon depreciation based on revalued amount of land and building	-	-	-	-	-	(7,767)	-	-	-	7,767	-	-	-
Issue of share under placing	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	-	-	-	-	-	-	1,276	-	-	-	1,276	-	1,276
Forfeiture of share options	-	-	-	-	-	-	(1,444)	-	-	1,444	-	-	-
At 30 June 2011 (unaudited)	241,035	105,000	11,719,393	284	814	601,223	35,996	4,132	235	836,090	13,544,202	5,751	13,549,953
At 1 April 2012 (audited)	240,865	105,000	11,712,945	466	814	882,782	36,759	2,265	235	1,149,934	14,132,065	11,289	14,143,354
Total comprehensive income for the period	-	-	-	-	-	-	-	174	-	254,825	254,999	2,233	257,232
Realised upon depreciation based on revalued amount of land and building	-	-	-	-	-	(13,348)	-	-	-	13,348	-	-	-
Issue of share under share option scheme	1,425	-	27,035	-	-	-	(6,234)	-	-	-	22,226	-	22,226
Share-based payments	-	-	-	-	-	-	430	-	-	-	430	-	430
Forfeiture of share options	-	-	-	-	-	-	(5,446)	-	-	5,446	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	-	(173,645)	(173,645)	-	(173,645)
At 30 September 2012 (unaudited)	242,290	105,000	11,739,980	466	814	869,434	25,509	2,439	235	1,249,908	14,236,075	13,522	14,249,597

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	1.4.2012 to 30.9.2012 (unaudited) HK\$'000	1.1.2011 to 30.6.2011 (unaudited) HK\$'000
Net cash from operating activities	<b>42,570</b>	24,222
Net cash used in investing activities	<b>(12,373)</b>	(1,600,459)
Net cash from financing activities	<b>190,602</b>	1,760,061
Net increase in cash and cash equivalents	<b>220,799</b>	183,824
Cash and cash equivalents at beginning of period	<b>145,172</b>	617,126
Cash and cash equivalents at end of period	<b>365,971</b>	800,950
Analysis of balances of cash and cash equivalents		
Time deposits	<b>247,302</b>	417,120
Cash at bank and in hand	<b>118,669</b>	383,830
Cash and bank balances	<b>365,971</b>	800,950

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 10 April 1996 under the Companies Act 1981 of Bermuda. The address of the Company's registered office and its principal place of business are disclosed in the "Corporate Information" section of the interim report.

The Company and its subsidiaries are hereinafter collectively referred to as the "Group". The principal activity of the Company continues to be investment holding.

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 23 November 2012.

The unaudited 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 6-month period from 1 April 2012 to 30 September 2012 and the comparative figures covered a 6-month period from 1 January 2011 to 30 June 2011.

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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The interim financial statements should be read in conjunction with the annual financial statements for the fifteen months ended 31 March 2012. 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 fifteen months ended 31 March 2012, 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 2012, noted below:

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The adoption of the above new/revised 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 (six months ended 30 June 2011: seven) reporting operating segments as follows:

#### Financial services segments:

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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.
- Gaming segment is the operation of casino in hotels.

#### **Securities investment segment:**

- Securities investment segment is the trading of listed securities.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on a measure of adjusted earnings before interest, income tax, depreciation and amortization (adjusted EBITDA). Interest income and expenditure and certain income and expenses (including depreciation, taxation, expenses in relation to the grant of share options, impairment losses, write-off of property, plant and equipment, revaluation of property, plant and equipment) are not included in the result of each operating segment that is reviewed by the management. Other information provided, except as noted below, to the management is measured in a manner consistent with that in the financial statements.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3 SEGMENTAL INFORMATION *(Continued)*

#### Operating segments

The following tables present segment information of the Group provided to the Group's management for the six months ended 30 September 2012 and 30 June 2011.

#### For the six months ended 30 September 2012 (unaudited)

	Securities brokerage, underwriting and placements	Margin and IPO financing	Other financial services	Financial service business	Hotel ownership and management	Food and beverage	Gaming	Securities investment	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<b>Segment revenue</b>									
External customers	59,789	201,594	5,196	266,579	68,298	19,255	297,973	-	652,105
Inter-segment	-	-	504	504	32,069	-	-	-	32,573
	59,789	201,594	5,700	267,083	100,367	19,255	297,973	-	684,678
<b>Adjusted EBITDA</b>	67,104	181,894	5,702	254,700	65,927	(1,997)	133,024	(1,550)	450,104
<b>Segment Assets</b>				16,876,813	1,837,423	384,039	462,595	50,260	19,611,130
Capital Expenditure				-	19,089	4,703	2,159	-	25,951
Segment Liabilities				4,069,903	16,123	9,893	13,779	-	4,109,698

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3 SEGMENTAL INFORMATION *(Continued)* Operating segments *(Continued)*

For the six months ended 30 June 2011 (unaudited)

	Securities brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Financial service business HK\$'000	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Securities investment HK\$'000	Total HK\$'000
<b>Segment revenue</b>									
External customers	55,463	130,567	1,490	187,520	71,586	17,687	217,492	-	494,285
Inter-segment	-	-	-	-	14,447	-	14,494	-	28,941
	55,463	130,567	1,490	187,520	86,033	17,687	231,986	-	523,226
<b>Adjusted EBITDA</b>	43,578	116,943	1,490	162,011	55,592	(2,238)	77,233	814	293,412
<b>Segment Assets</b>				18,923,589	1,708,721	389,946	231,614	117,986	21,371,856
Capital Expenditure				-	14,442	3,033	1,243	-	18,718
<b>Segment Liabilities</b>				5,126,849	26,158	6,288	10,701	4	5,170,000

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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4 STAFF COSTS

	1.4.2012 to 30.9.2012 (unaudited) HK\$'000	1.1.2011 to 30.6.2011 (unaudited) HK\$'000
Staff costs (including directors' remuneration)		
— salaries, wages and other benefits	<b>83,632</b>	66,427
— contributions to defined contribution retirement plan	<b>460</b>	198
— equity-settled share-based payment expenses in relation to the grant of share options	<b>429</b>	743
	<b>84,521</b>	67,368

### 5 FINANCE COST

	1.4.2012 to 30.9.2012 (unaudited) HK\$'000	1.1.2011 to 30.6.2011 (unaudited) HK\$'000
Interest on promissory notes	<b>28,081</b>	13,161

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6 PROFIT BEFORE TAXATION

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

	1.4.2012 to 30.9.2012 (unaudited) HK\$'000	1.1.2011 to 30.6.2011 (unaudited) HK\$'000
Operating lease charges	<b>16,836</b>	9,431

### 7 TAXATION

	1.4.2012 to 30.9.2012 (unaudited) HK\$'000	1.1.2011 to 30.6.2011 (unaudited) HK\$'000
Current tax: Hong Kong profits tax	<b>33,927</b>	24,200

Hong Kong profits tax has been provided for six months ended 30 September 2012 and 30 June 2011 at a rate of 16.5%.

No provision for Macau Complementary Tax has been made as the subsidiaries operating in Macau have accumulated tax losses to set off against the assessable profit for the period (six months ended 30 June 2011: Nil).

### 8 DIVIDENDS

Final dividend of HK1.0 cent per share was declared for the fifteen months ended 31 March 2012 (year ended 31 December 2010: Nil) and was paid on 29 August 2012.

The board has resolved not to declare any interim dividend for the six months ended 30 September 2012 (six months ended 30 June 2011: HK0.5 cents per share).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 9 EARNINGS PER SHARE

	1.4.2012 to 30.9.2012 (unaudited) HK cent	1.1.2011 to 30.6.2011 (unaudited) HK cent
Basic earnings per share	1.47	1.42
Diluted earnings per share	1.47	1.39

### (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:

	1.4.2012 to 30.9.2012 (unaudited) HK\$'000	1.1.2011 to 30.6.2011 (unaudited) HK\$'000
Profit for the purpose of basic earnings per share	254,825	158,197

	1.4.2012 to 30.9.2012 (unaudited)	1.1.2011 to 30.6.2011 (unaudited)
Weighted average number of ordinary shares	12,089,178,262	8,511,610,752
Weighted average number of non-redeemable convertible preference shares	5,250,000,000	2,639,502,762
Weighted average number of shares for the purpose of basic earnings per share	17,339,178,262	11,151,113,514

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9 EARNINGS PER SHARE *(Continued)*

#### (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 ordinary 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 are as follows:

	1.4.2012 to 30.9.2012 (unaudited)	1.1.2011 to 30.6.2011 (unaudited)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<b>17,339,178,262</b>	11,151,113,514
Shares deemed to be issued for no consideration in respect of:		
— Share options	—	209,780,675
	<b>17,339,178,262</b>	11,360,894,189

### 10 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's acquisition of property, plant and equipment amounted to HK\$26,479,000 (six months ended 30 June 2011: HK\$18,732,000).

### 11 GOODWILL

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Carrying amount of goodwill	<b>10,996,683</b>	10,996,683

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11 GOODWILL *(Continued)*

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 purpose 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 projection 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 7% to 8% for securities services, margin and IPO financing and corporate finance advisory services throughout the 5-year budget plan. Cash flow beyond the five-year period are extrapolated using an estimated growth rate of 2% (31 March 2012: 2%).
- (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 manages that would necessitate changes in its key estimates.

No impairment loss is provided for the 6 months ended 30 September 2012 (31 March 2012: Nil). The Directors performed an impairment test for the goodwill and concluded that the cash-generating units demonstrate sufficient cash flow projections that justify the carrying value of the goodwill. Management did not consider impairment of goodwill necessary.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12 INVENTORIES

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Food and beverage and operating supplies	<b>3,230</b>	3,366

### 13 AVAILABLE-FOR-SALE INVESTMENTS

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Investment funds, at fair value	<b>4,746</b>	4,572

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 the investment revaluation reserve.

### 14 LOAN RECEIVABLE

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Loan receivable	<b>419,615</b>	414,820

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 is 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 bears an effective interest of 13% per annum and shall be repayable in 6 months from the date of advance.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 14 LOAN RECEIVABLE (Continued)

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. The option was expired on 20 March 2011.

Since the Borrower failed to subscribe for the shares in the Company A, in December 2010, the Group commenced legal proceedings in Canada against the Borrower and its relevant parties with a view to recovering the funds advanced. The Group intends to enter into a settlement agreement with the Borrower.

During the period, the Group and the Borrower were actively negotiating the settlement terms for the funds advanced, including but not limited to the principle, interest and recovery of legal cost. As at the date of approval of these financial statements, the negotiation still continued while the legal proceeding is still going on.

### 15 TRADE AND OTHER RECEIVABLES

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Trade receivables from financial services segments	4,952,708	4,668,514
Trade receivables from hotel and gaming segments	64,244	53,653
Other receivables, deposits and prepayments	37,588	30,248
	<b>5,054,540</b>	<b>4,752,415</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Cash clients	19,060	19,045
Margin clients:		
Directors of the subsidiaries and their associates	177,319	37,271
Other margin clients	4,723,872	4,623,623
Less: Allowance for doubtful debt	(23,430)	(23,430)
	<b>4,896,821</b>	4,656,509
Brokers and dealers	16	18
Clearing house	43,183	–
Others	5,559	–
Accounts receivable arising from the ordinary course of business of dealing in futures contracts:		
Clearing house	6,189	10,747
Accounts receivable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	940	1,240
	<b>4,952,708</b>	4,668,514

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 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 2012, total market value of securities pledged as collateral in respect of the loan to margin clients was approximately HK\$19,008,975,000 (31 March 2012: HK\$18,550,902,000).

Accounts receivables from clearing houses, brokers, dealers and corporate finance clients are current.

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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:

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
0–30 days	40,113	45,758
31–60 days	22,512	7,003
61–90 days	1,822	1,707
Over 90 days	24,585	23,054
	<b>89,032</b>	77,522
Allowance for doubtful debt	<b>(24,788)</b>	(23,869)
	<b>64,244</b>	53,653

#### Other receivables, deposits and prepayments

The amount of other receivables, deposits and prepayments include an administrative services fee due from a related company. Disclosure pursuant to section 161B of the Companies Ordinance is as follows:

Terms of loan	Balance at 30.9.2012 (unaudited) HK\$'000	Balance at 1.4.2012 (audited) HK\$'000	Maximum amount outstanding during the period HK\$'000
Sincere Watch (Hong Kong) Limited      Non-interest bearing, unsecured and repayable on demand	150	–	150

Sincere Watch (Hong Kong) Limited and the Company has Mrs. Chu Yuet Wah as common director and common controlling shareholder.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16 CASH AND BANK BALANCES — TRUST ACCOUNTS

The Group maintains segregated trust accounts with authorised 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 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.

### 17 TRADE AND OTHER PAYABLES

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Trade payables from financial services segments	<b>973,608</b>	640,306
Trade payables from hotel and gaming segments	<b>13,487</b>	11,894
Other payable and accruals	<b>43,422</b>	46,269
	<b>1,030,517</b>	698,469

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 17 TRADE AND OTHER PAYABLES *(Continued)* Trade payables from financial services segments

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities:		
Cash clients	235,159	173,410
Margin clients	713,710	413,976
	<b>948,869</b>	587,386
Dividend payable to clients	5,399	4
Clearing house	–	36,729
Brokers and dealers	1	1
Accounts payable arising from the ordinary course of business of dealing in futures contracts:		
Clients	17,290	14,387
Accounts payable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	10	14
Asset management services	2,039	1,785
	<b>973,608</b>	640,306

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 17 TRADE AND OTHER PAYABLES *(Continued)*

#### Trade payables from financial services segments *(Continued)*

As at the 30 September 2012, included in accounts payable was an amount of HK\$913,519,000 (31 March 2012: HK\$584,197,000) 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:

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
0–30 days	11,561	11,797
31–60 days	860	49
61–90 days	613	29
Over 90 days	453	19
	<b>13,487</b>	<b>11,894</b>

### 18 AMOUNTS DUE TO SHAREHOLDERS

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Active Dynamic Limited	631,211	734,411
Better Sino Limited	1,190,000	1,190,000
	<b>1,821,211</b>	<b>1,924,411</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 19 LOAN FROM A RELATED COMPANY

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Kingston Finance Limited	<b>786,877</b>	16,017

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.

### 20 SUBORDINATED LOANS

	Draw date	Expiry Date	Terms	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Loan from Mr. Lee Wai Man	30 Jan 2004	N/A	P+1%	250,000	250,000
	20 Feb 2004	N/A	1.5%	150,000	150,000
Revolving loan from Mrs. Chu Yuet Wah	24 May 2010	2 May 2014	1.5%	300,000	300,000
				<b>700,000</b>	700,000

### 21 BANK LOANS AND OVERDRAFTS

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Bank loans and overdrafts, secured and repayable within one year	<b>665,362</b>	981,000

The bank loans and overdrafts of the Group were secured by marketable securities of HK\$5,352,046,000 (31 March 2012: HK\$5,902,275,000) pledged to the Group by margin clients. The bank loans and overdrafts of the Group bear floating interest rates ranging from 0.87% to 1.00% per annum (31 March 2012: 0.97% to 1.19%).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 third anniversary from the date of issue.

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
At initial recognition	<b>890,358</b>	890,358
Imputed finance cost	<b>82,370</b>	54,290
Interest paid	<b>(30,000)</b>	(20,000)
	<b>942,728</b>	924,648

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 23 SHARE CAPITAL

	1.4.2012 to 30.9.2012		1.1.2011 to 30.6.2011	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.02 each				
Authorised:				
At 1 April 2012/ 1 January 2011	24,750,000,000	495,000	30,000,000,000	300,000
Share consolidation	-	-	(15,000,000,000)	-
Creation	-	-	9,750,000,000	195,000
At 30 September 2012/ 30 June 2011	24,750,000,000	495,000	24,750,000,000	495,000
Issued and fully paid:				
At 1 April 2012/ 1 January 2011	12,043,244,666	240,865	10,319,797,333	103,198
Share consolidation	-	-	(5,159,898,667)	-
Issue of shares pursuant to acquisition of financial business	-	-	6,000,000,000	120,000
Share placement	-	-	890,000,000	17,800
Issue of share pursuant to exercise of options	71,236,000	1,425	1,837,500	37
At 30 September 2012/ 30 June 2011	12,114,480,666	242,290	12,051,736,166	241,035

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 23 SHARE CAPITAL (Continued)

	1.4.2012 to 30.9.2012		1.1.2011 to 30.6.2011	
	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 April 2012/ 1 January 2011	5,250,000,000	105,000	-	-
Creation	-	-	5,250,000,000	105,000
At 30 September 2012/ 30 June 2011	5,250,000,000	105,000	5,250,000,000	105,000
Issued and fully paid:				
At 1 April 2012/ 1 January 2011	5,250,000,000	105,000	-	-
Issue of shares pursuant to acquisition of financial business	-	-	5,250,000,000	105,000
At 30 September 2012/ 30 June 2011	5,250,000,000	105,000	5,250,000,000	105,000

### Share consolidation

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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 23 **SHARE CAPITAL** *(Continued)* **Increase in authorised share capital**

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.

#### **Share options**

During the year, 71,236,000 new shares of HK\$0.02 each were issued pursuant to exercise of share options at consideration of approximately HK\$22,226,000.

### 24 **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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 24 CAPITAL RISK MANAGEMENT *(Continued)*

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.

### 25 CAPITAL COMMITMENTS

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (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>6,831</b>	14,669
— authorised but not contracted for	<b>1,184</b>	2,919
	<b>8,015</b>	17,588

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 26 OPERATING LEASE COMMITMENT

- (a) The Group leases its land and buildings under operating lease arrangements, and the terms of the leases range from one to five years 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 30 September 2012, the Group had total future minimum lease receivable under non-cancellable operating leases which fall due as follows:

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Within one year	2,537	2,595
After one year but within five years	751	1,985
	<b>3,288</b>	4,580

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

At 30 September 2012, the Group had total future minimum lease rent payments under non-cancellable operating leases falling due as follows:

	30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
Within one year	33,416	33,597
After one year but within five years	44,028	60,010
	<b>77,444</b>	93,607

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 27 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 30 September 2012 which have been granted under the Scheme are as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price	Balance at					Balance at 30 September 2012
				1 April 2012	Granted	Exercised	Cancelled	Lapsed	
<b>Director:</b>									
Mrs. Chu Yuet Wah	2/2/2010	2/2/2010 to 1/2/2013	HK\$0.822	6,080,000	-	-	-	-	6,080,000
<b>Consultants</b>									
	3/6/2009	3/6/2009 to 2/6/2012	HK\$0.312	71,237,772	-	(71,236,000)	-	(1,772)	-
	11/8/2009	11/8/2009 to 10/8/2012	HK\$0.430	177,266,476	-	-	-	(177,266,476)	-
	2/2/2010	2/2/2010 to 1/2/2013	HK\$0.822	197,503,000	-	-	-	-	197,503,000
<b>Staff</b>									
	3/6/2009	3/6/2009 to 2/6/2012	HK\$0.312	-	-	-	-	-	-
	2/2/2010	2/2/2010 to 1/2/2013	HK\$0.822	11,675,000	-	-	(1,000,000)	(1,000,000)	9,675,000
				463,762,248	-	(71,236,000)	(1,000,000)	(178,268,248)	213,258,000

#### 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 condition 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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 27 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

#### 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	66.827%
Expected life	1.5 years
Risk-free rate	0.911%
Expected dividend yield	4.334%

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

### 27 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

### 27 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 approximately HK\$429,000 (six months ended 30 June 2011: HK\$1,276,000) has been recognised by the Company for the six months ended 30 September 2012 in relation to share options granted by the Company.

### 28 MATERIAL RELATED PARTY TRANSACTIONS

#### (a) Key management personnel remuneration

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

	1.4.2012 to 30.9.2012 (unaudited) HK\$000	1.1.2011 to 30.6.2011 (unaudited) HK\$000
Short-term employee benefits	24,221	10,352
Post-employment benefits	15	18
	<b>24,236</b>	<b>10,370</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 28 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) During the period, the Group entered into the following material related party and connected transactions.

Name of related party	Nature of transaction	1.4.2012 to	1.1.2011 to
		30.9.2012 (unaudited) HK\$000	30.6.2011 (unaudited) HK\$000
Chu & Li's Family	Brokerage income	359	434
	Maximum amount of IPO financing	–	21,692
	Maximum amount of margin financing	174,740	66,383
	Interest income	1,274	289
Mr. Lau Man Tak & associates	Brokerage income	–	–
	Maximum amount of IPO financing	–	–
	Maximum amount of margin financing	–	3,788
Directors of subsidiaries & associates	Interest income	–	38
	Brokerage income	71	11
	Maximum amount of IPO financing	–	5,656
	Maximum amount of margin financing	210	37,983
Kingston Finance Limited (Note)	Interest income	1	248
	Interest expense	5,059	3,886
	Management fee income	300	150
Sincere Watch (Hong Kong) Limited (Note)	Administrative services fee income	150	–
Mrs. Chu Yuet Wah	Staff quarter rental expenses	447	447

Note: Mrs. Chu Yuet Wah has controlling interest in this company.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2012 (six months ended 30 June 2011: HK0.5 cents per share).

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

At 30 September 2012 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	-	6,785,639,895 (Note 1)	5,256,080,000 (Note 2)	12,041,719,895	99.40%
Mr. Chu, Nicholas Yuk-yui	-	6,785,639,895 (Note 1)	5,256,080,000 (Note 2)	12,041,719,895	99.40%

## OTHER INFORMATION

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

#### **Long positions in the Shares:** *(Continued)*

Notes:

- (1) As at 30 September 2012, of the 6,785,639,895 shares, 4,875,000,000 shares are held by Active Dynamic Limited, 1,894,699,896 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 6,785,639,895 shares.
- (2) As at 30 September 2012, 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.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 September 2012, 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	83.58%
Sure Expert Limited (Note 1)	-	1,894,699,896	-	1,894,699,896	15.64%
Better Sino Limited (Note 2)	-	1,125,000,000	-	1,125,000,000	9.29%

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 30 September 2012.

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

During the six months ended 30 September 2012, there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries.

## OTHER INFORMATION

### CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2012, the Company has complied with all code provisions in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), save for the following deviation:

In respect of code provision A.6.7 of the Corporate Governance Code, Dr. Wong Yun Kuen and Mr. Lau Man Tak, both being Independent Non-executive Directors, had not attended the annual general meeting of the Company held on 17 August 2012 due to their other business engagement.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2012.

### AUDIT COMMITTEE

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

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

Hong Kong, 23 November 2012