



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

(Incorporated in Bermuda with limited liability)
(Stock Code: 01031)

2013 Interim Report



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

MUFG Fund Services (Bermuda) Limited

26 Burnaby Street

Hamilton HM11

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>



Financial Highlights

- Turnover for the six months ended 30 September 2013 increased by 27% from HK\$652,105,000 to HK\$830,443,000 when compared with the corresponding period of last year.
- Profit attributable to the owners of the Company for the six months ended 30 September 2013 increased by 34% from HK\$254,825,000 to HK\$341,099,000, mainly due to increase in income from margin and IPO financing business.
- Earnings per share for the six months ended 30 September 2013 increased from HK1.47 cents to HK1.96 cents when compared with the corresponding period last year.

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 2013.

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\$830,443,000 for the six months ended 30 September 2013, representing a revenue growth of approximately 27% as compared with approximately HK\$652,105,000 for the six months ended 30 September 2012.

The unaudited net profit attributable to the Company’s shareholders for the six months ended 30 September 2013 amounted to approximately HK\$341,099,000 (six months ended 30 September 2012: HK\$254,825,000), representing an increase of approximately 34%. The basic earnings per share for the six months ended 30 September 2013 was HK1.96 cents (six months ended 30 September 2012: HK1.47 cents).

Business and Financial Review

During the period under review, the world economy was still confronting certain level of risks. Clearly, the global recovery remained to be a lengthy process, with Euro-zone’s sovereign debt crisis repeatedly causing disruptions and uncertainties, and the debt ceiling negotiations within the U.S. led to threats of government shutdown and default. Meanwhile, emerging markets showed hints of slower growths than expected. Weak investment and consumer demand pressured India’s economy, while China’s economy maintained sustainable growth.

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business and Financial Review *(Continued)*

However, while the global financial market continuously faces stern challenges and uncertainties, the Hong Kong market still enjoyed trading prosperity. For the six months ended 30 September 2013, the average daily turnover of the Hong Kong securities market was HK\$58.7 billion, an increase of 21.8% when compared with HK\$48.2 billion for the same period last year. Furthermore, Hong Kong's IPO market was on track to regain its position, having a total of 31 newly-listed companies during the period under review, as compared to 29 reported IPOs for the corresponding period in 2012. The booming local financial market definitely played an important role for driving up the Company's business activities.

As for the Macau casino operation, the steady growth in the city's overall gaming revenue boosted by an increase in the number of Chinese visitors had positive impact on the operation. During the period under review, total gross gaming revenue in Macau reached MOP175.4 billion, up 17.7% as compared to MOP149.0 billion for the corresponding period last year.

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, Australia, Taiwan, Japan, Korea, Canada, the U.S. and the U.K. 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\$73,060,000 (six months ended 30 September 2012: HK\$59,789,000) which accounted for 18% (six months ended 30 September 2012: 22%) of the Group's financial service segment revenue.

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business and Financial Review *(Continued)*

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\$305,146,000 (six months ended 30 September 2012: HK\$201,594,000), accounting for 78% (six months ended 30 September 2012: 76%) of the Group's financial service segment revenue. The Group's healthy financial position allows the Group to meet the robust financing demand from the market.

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 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, including After Hours Futures Trading. 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\$15,332,000 (six months ended 30 September 2012: HK\$5,196,000) which accounted for 4% (six months ended 30 September 2012: 2%) of the Group's financial service segment revenue.

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business and Financial Review *(Continued)*

Hotel Business

The Group's hotel operation, mainly comprised of guest rooms rental, food and beverage sales and other rental income, managed to capture the steady growth in the Macau tourism industry. The revenue for the six months ended 30 September 2013 amounted to approximately HK\$107,329,000 (six months ended 30 September 2012: HK\$87,553,000). During the period under review, hotel business contributed 25% (six months ended 30 September 2012: 23%) of the total hotel and gaming business turnover. The average occupancy rate of the two hotels was approximately 88%. With full scale of newly renovated guest rooms, the Group was in the better position to solicit high quality guest to further enhanced profitability in the hotel segment. Sales would be more diversified into different markets of the world.

Gaming Business

The Group's casino operation is run by the licence holder Sociedade de Jogos de Macau, S.A.. The two casinos consistently provided solid contributions to the Group in line with the 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 sales in casino, amounted to approximately HK\$329,576,000 for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$297,973,000). Gaming revenue accounted for 75% (six months ended 30 September 2012: 77%) of total hotel and gaming business turnover.

As at 30 September 2013, the Group has 60 tables in the 2 mass market halls, 11 tables in the 2 self-managed VIP rooms and 255 slot machines and 140 live baccarat machines in the 2 electronic gaming halls. The Group continuously looks into market development and devises its own marketing plan suitable for its own facilities to optimise the overall operations.

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business and Financial Review *(Continued)*

Trading of listed securities

During the period under review, the global equity market experienced moderate ups and downs and Hong Kong was in general in line with it. The market value of the trading securities held by the Group recorded a revaluation deficit of approximately HK\$187,000 (six months ended 30 September 2012: HK\$2,936,000). As at 30 September 2013, the Group was holding trading securities of approximately HK\$48,271,000 in market value (as at 31 March 2013: HK\$50,121,000).

Inventory consumed

Inventory consumed represents the cost of guest supplies and food and beverage consumed upon provision of accommodation and catering services to the customers. During the period under review, it amounted to approximately HK\$10,662,000 (six months ended 30 September 2012: HK\$11,373,000).

Staff costs

Staff costs amounted to approximately HK\$104,028,000 (six months ended 30 September 2012: HK\$84,521,000), the increase was mainly due to additional staff employed. 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 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\$79,793,000 (six months ended 30 September 2012: HK\$89,064,000).

Administrative expenses

Administrative expenses mainly consist of rent and rates, legal and professional fees, advertising and promotion expenses and Macau property tax. During the period under review, it amounted to approximately HK\$87,427,000 (six months ended 30 September 2012: HK\$49,182,000). The increase was mainly due to promotion expenses incurred in respect of the VIP gaming halls.

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business and Financial Review *(Continued)*

Other operating expenses

Other operating expenses mainly consist of operating expenses for guest rooms and gaming facilities. During the period under review, it amounted to approximately HK\$34,234,000 (six months ended 30 September 2012: HK\$30,982,000). The increase was mainly due to certain staff associated welfare improvement during the period.

Finance cost

During the period under review, finance cost represented the effective interest expense on promissory notes. It amounted approximately to HK\$29,191,000 (six months ended 30 September 2012: HK\$28,081,000).

Future Prospects

Looking forward, China's economy has gradually restored growth since the fourth quarter of year 2012. New China leaders' acceleration in urbanization would support the sustainable economic growth in the country. At the same time, the China Securities Regulatory Commission (CSRC) further raised the quotas for QFII and RQFII, and attempted pilot programs in Taiwan, enabling greater investment flexibility. Key growth factors also included the establishment of the Qianhai Economic Zone in Shenzhen, setting up as a booming financial centre. Meanwhile, Shanghai's new free trade zone acts as a testing ground for China's economic reform, having a mutually complimentary relationship with Hong Kong as a major global free port, but playing a different, equally important role in boosting China's economy. Moreover, Hong Kong signed the 10th supplement for Closer Economic Partnership Arrangement (CEPA), marking further step towards trade liberalization between Mainland and Hong Kong. We believe the combination of the abovementioned may bring more new advantages in the Hong Kong financial market, and we have already equipped ourselves to explore and take actions should suitable opportunities arise from Qianhai Economic Zone and CEPA 10.

Regarding the Group's Macau business, the last batch of the hotel guest rooms renovation was done in July 2013, and the Group is planning to have further retouching in other parts of the properties to advance the overall image. Although lack of manpower continued to be a challenge in Macau for all industries, the Group shall regularly review and provide competitive remuneration to the Group's talents for maintaining quality services to guests. Furthermore, although the Tourism Law effective from 1 October 2013 results in less tours visiting Macau, the Group's hotels turned the focus on Free Individual Travellers well before, mitigating that effect to a great extent.

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Future Prospects *(Continued)*

Financial services segments

Facing with uncertainty and ever-growing market competition, the Group endeavours to maintain its competitive leading position as a one-stop financial service 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.

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.

Being one of the leading local brokerage firms in Hong Kong, the Group will continue to explore should suitable opportunities arise from Qianhai Economic Zone and CEPA 10.

Hotel and gaming segments

The hotel and gaming segments continued to provide solid contribution to the Group. Government policies are in general supportive on continuously improving infrastructure and transport, resulting in environment facilitating growth in customer consumption and driving visitation to Macau over the longer term. Shorter travel time and lower travel cost further enhances Macau’s attractiveness as a favourable tourist destination for mainland visitors.

The Group is committed to provide quality services to the customers while striving to improve operating efficiency. As such, the Group is confident to capture the market potential in Macau.

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity, Financial Resources and Funding

As at 30 September 2013, the shareholders' fund and net current assets of the Group amounted to approximately HK\$14,982,830,000 (31 March 2013: HK\$14,813,577,000) and approximately HK\$1,340,510,000 (31 March 2013: HK\$1,128,243,000) respectively. On the same date, the Group had cash and bank balances of approximately HK\$204,300,000 (31 March 2013: HK\$188,102,000) and the current ratio was 1.2 (31 March 2013: 1.2).

As at 30 September 2013, the Group had bank borrowings of approximately HK\$971,000,000 (31 March 2013: HK\$150,000,000), amounts due to shareholders of approximately HK\$1,554,111,000 (31 March 2013: HK\$1,661,111,000), loan from a related company of approximately HK\$3,014,851,000 (31 March 2013: HK\$2,289,821,000), promissory notes of approximately HK\$980,391,000 (31 March 2013: HK\$961,200,000) and subordinated loans of approximately HK\$700,000,000 (31 March 2013: 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 47% (31 March 2013: 38%).

Contingent Liabilities

No material contingent liabilities of the Group were noted as at 30 September 2013.

Capital Structure

During the six months ended 30 September 2013, no material fluctuation was noted on the Company's overall capital structure.

Employees

As at 30 September 2013, the Group employed a total of approximately 870 staff. The total staff cost for six months ended 30 September 2013 was approximately HK\$104,028,000 (six months ended 30 September 2012: 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 2013, the Group had pledged clients' securities at a value of approximately HK\$5,814,173,000 (31 March 2013: HK\$6,563,506,000) to secure certain banking facilities provided to the Group.

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Material Acquisitions and Disposals

During the period under review, the Group acquired 15 subsurface mineral permits through a wholly owned subsidiary incorporated in Canada for cancellation of a loan receivable. Further details are disclosed in note 17.

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

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 holding an intangible assets held for sale that are denominated in a currency other than its functional currency. The currency giving rise to this risk to the Group is primarily Canadian dollars. The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.



Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Treasury Policy

The Group may invest its surplus funds or funds not designated for specific purpose or funds designated for specific purpose but application of which is not immediately required (collectively “the Group’s Funds”) in the form of short term (i.e. less than one year) and liquid stocks through investing the Group’s Funds in diversified portfolio of investments products including listed or unlisted securities, unit trust funds, or such other investments as the board of the Company, or such committees or person as the board may authorize, may decide from time to time so as to preserve the value of the Group’s Funds and/or achieve capital appreciation.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 September 2013

		Six months ended	
		30 September	
		2013	2012
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	830,443	652,105
Other income		22,780	4,690
		853,223	656,795
Inventory consumed		(10,662)	(11,373)
Staff costs	4	(104,028)	(84,521)
Gaming commission		(79,793)	(89,064)
Broker commission		(14,309)	(8,288)
Interest expenses for securities brokerage and margin financing operations		(31,216)	(18,680)
Depreciation		(60,823)	(52,717)
Impairment loss on trade receivables		–	(874)
Administrative expenses		(87,427)	(49,182)
Other operating expenses		(34,234)	(30,982)
		(422,492)	(345,681)
Finance income		1,944	3,273
Finance cost	5	(29,191)	(28,081)
(Loss)/gain from sales of trading securities		(675)	1,853
Fair value loss on trading securities		(187)	(2,936)
Exchange (loss)/gain		(6,103)	5,969
Share of results of jointly controlled entities		(135)	(207)
		(34,347)	(20,129)

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 September 2013

	Notes	Six months ended 30 September	
		2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Profit before taxation	6	396,384	290,985
Taxation	7	(53,758)	(33,927)
Profit for the period		342,626	257,058
Attributable to:			
Owners of the Company		341,099	254,825
Non-controlling interests		1,527	2,233
		342,626	257,058
Earnings per share (cents per share)			
— Basic	9	1.96	1.47
— Diluted		1.96	1.47

Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 30 September 2013

	Six months ended	
	30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period	342,626	257,058
Other comprehensive income		
Items that may be reclassified		
subsequently to profit or loss:		
Unrealised (loss)/gain arising from		
change in fair value of		
available-for-sale investment	(602)	174
Unrealised exchange gain		
arising from intangible assets		
held for sale	266	–
Other comprehensive (loss)/gain		
for the period, net of tax	(336)	174
Total comprehensive income		
for the period	342,290	257,232
Attributable to:		
Owners of the Company	340,763	254,999
Non-controlling interests	1,527	2,233
	342,290	257,232

Condensed Consolidated Statement of Financial Position

As at 30 September 2013

		30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	10	2,804,375	2,847,791
Deferred tax assets		6,107	6,107
Deposit for hotel renovation		332	1,128
Statutory deposit for financial business		5,176	4,452
Goodwill	11	10,996,683	10,996,683
Interests in jointly controlled entities		1,147	1,281
		13,813,820	13,857,442
Current assets			
Inventories	12	2,961	2,942
Available-for-sale investments	13	1,468	4,895
Trading securities		48,271	50,121
Loan receivable	14	—	406,827
Trade and other receivables	15	8,292,038	6,408,637
Tax recoverable		—	990
Cash and bank balances — trust accounts	16	629,667	731,306
Cash and bank balances — general accounts		204,300	188,102
		9,178,705	7,793,820
Intangible assets held for sale	17	400,683	—
		9,579,388	7,793,820
Current liabilities			
Trade and other payables	18	949,710	872,082
Amounts due to shareholders	19	1,554,111	1,661,111
Loan from a related company	20	3,014,851	2,289,821
Subordinated loans	21	700,000	700,000
Promissory notes	22	980,391	961,200
Bank loans	23	971,000	150,000
Tax payable		67,552	31,363
		8,237,615	6,665,577
Liability associated with intangible assets held for sale			
— derivative financial liability	24	1,263	—
		8,238,878	6,665,577

Condensed Consolidated Statement of Financial Position

As at 30 September 2013

	Notes	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Net current assets		1,340,510	1,128,243
Total assets less current liabilities		15,154,330	14,985,685
Non-current liabilities			
Deferred tax liabilities		156,535	158,670
Total liabilities		8,395,413	6,824,247
Net assets		14,997,795	14,827,015
Capital and reserves			
Share capital — ordinary shares	25	242,290	242,290
Share capital — non-redeemable convertible preference shares	25	105,000	105,000
Reserves		14,635,540	14,466,287
Total equity attributable to owners of the Company		14,982,830	14,813,577
Non-controlling interests		14,965	13,438
Total equity		14,997,795	14,827,015

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	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 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
Profit for the period	-	-	-	-	-	-	-	-	-	254,825	254,825	2,233	257,058
Other comprehensive income for the period	-	-	-	-	-	-	-	174	-	-	174	-	174
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 dividend	-	-	-	-	-	-	-	-	-	(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
At 1 April 2013 (audited)	242,290	105,000	11,739,980	466	814	1,163,582	-	2,588	235	1,558,822	14,813,577	13,438	14,827,015
Profit for the period	-	-	-	-	-	-	-	-	-	341,099	341,099	1,527	342,626
Other comprehensive loss for the period	-	-	-	-	-	-	-	(602)	266	-	(336)	-	(336)
Total comprehensive income for the period	-	-	-	-	-	-	-	(602)	266	341,099	340,763	1,527	342,290
Realised upon depreciation based on revalued amount of land and building	-	-	-	-	-	(15,660)	-	-	-	17,795	2,135	-	2,135
Payment of dividend	-	-	-	-	-	-	-	-	-	(173,645)	(173,645)	-	(173,645)
At 30 September 2013 (unaudited)	242,290	105,000	11,739,980	466	814	1,147,922	-	1,986	501	1,743,871	14,982,830	14,965	14,997,795

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2013

	Six months ended	
	30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	(519,380)	42,570
Net cash used in investing activities	(8,807)	(12,373)
Net cash from financing activities	544,385	190,602
Net increase in cash and cash equivalents	16,198	220,799
Cash and cash equivalents at beginning of period	188,102	145,172
Cash and cash equivalents at end of period	204,300	365,971
Analysis of balances of cash and cash equivalents		
Time deposits	34,820	247,302
Cash at bank and in hand	169,480	118,669
Cash and bank balances	204,300	365,971

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 22 November 2013.

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 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 year ended 31 March 2013. The accounting policies adopted in the preparation of unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013, 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 2013, noted below:

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle
Amendments to HKAS 1(Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits
HK(IFRIC)-Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKFRS 1	Government loans
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Transition Guidance

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these unaudited interim condensed consolidated financial statements as it deals only with separate financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

(Continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and HK(SIC)-INT 12 “Consolidation — Special purpose entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company reviewed and assessed the application of these five standards in the current interim period and concluded that it has had no material effect on the amounts reported in these unaudited interim condensed consolidated financial statements and/or disclosures set out in these unaudited interim condensed consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

(Continued)

Amendments to HKAS 1 Presentation of items of other comprehensive income *(Continued)*

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim financial reporting (as part of the annual improvements to HKFRSs 2009–2011 cycle)

The Group has applied the amendments to HKAS 34 “Interim financial reporting as part of the annual improvements to HKFRSs 2009–2011 cycle” for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since there has been material change from the amounts disclosed in the last annual financial statements for all reportable segments, the Group has included total assets and total liabilities information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited interim condensed consolidated financial statements and/or disclosures set out in these unaudited interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

3 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their services, and has seven (six months ended 30 September 2012: seven) reporting operating segments as follows:

Financial services segments:

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

Hotel and gaming segments:

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

Securities investment segment:

- Securities investment segment is the trading of listed securities.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on a measure of adjusted earnings before interest, income tax, depreciation and amortization (adjusted EBITDA). Interest income and expenditure and certain income and expenses (including depreciation, taxation, expenses in relation to the grant of share options, impairment losses, write-off of property, plant and equipment, revaluation of property, plant and equipment and reversal of bad debts) 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.

Notes to the Interim Condensed Consolidated Financial Statements

3 SEGMENTAL INFORMATION (Continued)

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

Operating segments

The following tables present segment information of the Group provided to the Group's management for the six months ended 30 September 2013 and 2012.

For the six months ended 30 September 2013 (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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue									
External customers	73,060	305,146	15,332	393,538	89,550	17,779	329,576	-	830,443
Inter-segment	19	-	480	499	14,400	-	-	-	14,899
	73,079	305,146	15,812	394,037	103,950	17,779	329,576	-	845,342
Adjusted EBITDA	80,580	274,217	15,331	370,128	64,278	(4,564)	147,762	679	578,283
Segment Assets				19,883,524	2,072,226	375,433	554,878	48,271	22,934,332
Capital Expenditure				-	11,490	2,552	2,495	-	16,537
Segment Liabilities				6,307,626	175,765	10,455	19,038	-	6,512,884

Notes to the Interim Condensed Consolidated Financial Statements

3 SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

For the six months ended 30 September 2012 (unaudited)

	Securities brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Financial service business HK\$'000	Hotel ownership and management HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Securities investment HK\$'000	Total HK\$'000
Segment revenue									
External customers	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
Adjusted EBITDA	67,104	181,894	5,702	254,700	65,927	(1,997)	133,024	(1,550)	450,104
Segment Assets				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

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

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)		
— salaries, wages and other benefits	103,473	83,632
— contributions to defined contribution retirement plan	555	460
— equity-settled share-based payment expenses in relation to the grant of share options	—	429
	104,028	84,521

5 FINANCE COST

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on promissory notes	29,191	28,081

6 PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Operating lease charges	16,058	16,836

Notes to the Interim Condensed Consolidated Financial Statements

7 TAXATION

Six months ended
30 September

	2012
2013	(unaudited)
(unaudited)	(unaudited)
HK\$'000	HK\$'000

Current tax:

Hong Kong profits tax

	2012
	(unaudited)
	(unaudited)
	HK\$'000
53,758	33,927

Hong Kong profits tax has been provided for six months ended 30 September 2013 and 2012 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 September 2012: Nil).

8 DIVIDENDS

Final dividend of HK1.0 cent per share was declared for the year ended 31 March 2013 (fifteen months ended 31 March 2012: HK1.0 cent per share) and was paid on 10 September 2013.

The board has resolved not to declare any interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).

9 EARNINGS PER SHARE

Six months ended
30 September

	2012
2013	(unaudited)
(unaudited)	(unaudited)
HK cent	HK cent

Basic earnings per share

	2012
	(unaudited)
	(unaudited)
	HK cent
1.96	1.47

Diluted earnings per share

	2012
	(unaudited)
	(unaudited)
	HK cent
1.96	1.47

Notes to the Interim Condensed Consolidated Financial Statements

9 EARNINGS PER SHARE (Continued)

(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:

	Six months ended	
	30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the purpose of basic earnings per share	341,099	254,825

	Six months ended	
	30 September	
	2013	2012
	(unaudited)	(unaudited)
Weighted average number of ordinary shares	12,114,480,666	12,089,178,262
Weighted average number of non-redeemable convertible preference shares	5,250,000,000	5,250,000,000
Weighted average number of shares for the purpose of basic earnings per share	17,364,480,666	17,339,178,262

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share for the periods ended 30 September 2013 and 2012 as all the potential ordinary shares during the periods were anti-dilutive.

10 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's acquisition of property, plant and equipment amounted to HK\$17,407,000 (six months ended 30 September 2012: HK\$26,479,000).

Notes to the Interim Condensed Consolidated Financial Statements

11 GOODWILL

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Carrying amount of goodwill	10,996,683	10,996,683

The carrying amount of goodwill relates to the cash-generating units engaged in securities dealings, underwriting and placements, margin and IPO financing services and corporate finance advisory services are HK\$3,628,905,000, HK\$7,148,237,000 and HK\$219,541,000 respectively. For the purpose of the goodwill impairment test, its recoverable amount was determined based on a value in use calculation, covering a detailed 4-year budget plan plus an extrapolated cash flow projection applying a steady growth rate subsequent to this 4-year plan, with a discount rate of approximately 8.52%.

As at 31 March 2013, the recoverable amount for the CGU engaged in securities dealings, underwriting and placements, margin and IPO financing services and corporate finance advisory services are HK\$3,698,000,000, HK\$8,245,000,000 and HK\$223,000,000 respectively.

The key assumptions used in the budget plan are:

- (i) The annual growth rates of revenue were estimated ranging from 7% to 20%, 7% to 8% and 7% to 30% for securities services, margin and IPO financing and corporate finance advisory services throughout the 4-year budget plan. Cash flow beyond the 4-year period are extrapolated using an estimated growth rate of 3%.
- (ii) That gross margins will be maintained at their current levels throughout the 4-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.

Notes to the Interim Condensed Consolidated Financial Statements

11 GOODWILL (Continued)

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.

No impairment loss is provided for the six months ended 30 September 2013 (30 September 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.

12 INVENTORIES

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Food and beverage and operating supplies	2,961	2,942

13 AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Investment funds, at fair value	1,468	4,895

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.

Notes to the Interim Condensed Consolidated Financial Statements

14 LOAN RECEIVABLE

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Loan receivable	–	406,827

Loan receivable as at 31 March 2013 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 six 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. The option was expired on 20 March 2011.

Notes to the Interim Condensed Consolidated Financial Statements

14 LOAN RECEIVABLE *(Continued)*

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.

On 1 June 2013, the Group entered into a settlement agreement with the Borrower whereas the Borrower shall transfer 15 subsurface mineral permits to the Group in exchange for cancellation of the loan. The settlement was completed on 7 June 2013 and the Group is now the legal owner of the 15 subsurface permits. Details of the permits were disclosed in note 17.

15 TRADE AND OTHER RECEIVABLES

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Trade receivables from financial services segments	8,187,389	6,306,548
Trade receivables from hotel and gaming segments	77,174	63,724
Other receivables, deposits and prepayments	27,475	38,365
	8,292,038	6,408,637

Notes to the Interim Condensed Consolidated Financial Statements

15 TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables from financial services segments

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Cash clients	47,330	18,544
Margin clients:		
Directors of the subsidiaries and their associates	394,301	270,289
Other margin clients	7,753,553	6,032,185
Less: Allowance for doubtful debt	(23,430)	(23,430)
Brokers and dealers	8,171,754 28	6,297,588 26
Accounts receivable arising from the ordinary course of business of dealing in futures contracts:		
Clearing house	13,672	7,539
Accounts receivable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	1,909	1,395
Asset management services	26	–
	8,187,389	6,306,548

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 trade date. Except for disclosed as allowance for doubtful debt above, 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. At 30 September 2013, total market value of securities pledged as collateral in respect of the loan to margin clients was approximately HK\$29,546,038,000 (31 March 2013: HK\$24,582,215,000).

Accounts receivables from clearing houses, brokers, dealers, corporate finance and asset management 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, based on invoice date, at the end of the reporting period:

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
0–30 days	51,241	48,797
31–60 days	23,704	14,042
61–90 days	843	590
Over 90 days	24,944	23,679
	100,732	87,108
Allowance for doubtful debt	(23,558)	(23,384)
	77,174	63,724

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 18) 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

17 INTANGIBLE ASSETS HELD FOR SALE

The intangible assets held for sale represented the costs of the 15 subsurface mineral permits acquired as part of the settlement agreement (the "Settlement Agreement") with the borrower of a loan receivable in the amount of approximately HK\$406,827,000 (note 14). The settlement was completed on 7 June 2013 (the "Closing Date").

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

Pursuant to the Settlement Agreement, the borrower shall have the right to purchase all the permits by unilateral written notice to the Group at an exercise price of CAD82,000,000 net of any liability within 180 days from the Closing Date. As at the date of this report, the Group has not received such written notice.

The permits are presented as intangible assets held for sale following the intention of the Group's management to dispose of these permits. It is expected that the permits will be sold within twelve months from the end of current interim reporting period as at 30 September 2013.

18 TRADE AND OTHER PAYABLES

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Trade payables from financial services segments	890,248	778,769
Trade payables from hotel and gaming segments	15,205	17,095
Other payable and accruals	44,257	76,218
	949,710	872,082

Notes to the Interim Condensed Consolidated Financial Statements

18 TRADE AND OTHER PAYABLES (Continued)

Trade payables from financial services segments

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities:		
Cash clients	250,912	330,128
Margin clients	617,681	416,185
	868,593	746,313
Dividend payable to clients	1,463	2
Clearing house	–	15,783
Brokers and dealers	1	1
Accounts payable arising from the ordinary course of business of dealing in futures contracts:		
Clients	17,172	15,352
Accounts payable arising from the ordinary course of business of provision of:		
Corporate finance advisory services	13	13
Asset management services	3,006	1,305
	890,248	778,769

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.

Notes to the Interim Condensed Consolidated Financial Statements

18 TRADE AND OTHER PAYABLES (Continued)

Trade payables from financial services segments (Continued)

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

As at the 30 September 2013, included in accounts payable was an amount of HK\$629,667,000 (31 March 2013: HK\$731,306,000) 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, based on invoice date, at the end of the reporting period:

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
0–30 days	12,441	12,251
31–60 days	1,096	4,484
61–90 days	673	208
Over 90 days	995	152
	15,205	17,095

Notes to the Interim Condensed Consolidated Financial Statements

19 AMOUNTS DUE TO SHAREHOLDERS

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Active Dynamic Limited	364,111	471,111
Better Sino Limited	1,190,000	1,190,000
	1,554,111	1,661,111

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

20 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.

21 SUBORDINATED LOANS

	Draw date	Expiry Date	Terms	30 September 2013 (unaudited) HK\$'000	31 March 2013 (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
				700,000	700,000

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 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
At initial recognition	890,358	890,358
Imputed finance cost	140,033	110,842
Interest paid	(50,000)	(40,000)
	980,391	961,200

23 BANK LOANS

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Bank loans, secured and repayable within one year	971,000	150,000

The bank loans of the Group were secured by marketable securities of HK\$5,814,173,000 (31 March 2013: HK\$6,563,506,000) pledged to the Group by margin clients. The bank loans of the Group bear floating interest rates ranging from 0.8% to 0.88% per annum (31 March 2013: 0.82% to 1%).

24 LIABILITY ASSOCIATED WITH INTANGIBLE ASSETS HELD FOR SALE — DERIVATIVE FINANCIAL LIABILITY

Liability associated with intangible assets held for sale — derivative financial liability represented the fair value of the option exercisable by the borrower to purchase the permits as described in note 17.

Notes to the Interim Condensed Consolidated Financial Statements

25 SHARE CAPITAL

	Six months ended 30 September			
	2013		2012	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.02 each				
Authorised:				
At 1 April 2013/2012 and 30 September 2013/2012	24,750,000,000	495,000	24,750,000,000	495,000
Issued and fully paid:				
At 1 April 2013/2012	12,114,480,666	242,290	12,043,244,666	240,865
Issue of share pursuant to exercise of options	–	–	71,236,000	1,425
At 30 September 2013/2012	12,114,480,666	242,290	12,114,480,666	242,290
Non-redeemable convertible preference shares Shares of HK\$0.02 each				
Authorised:				
At 1 April 2013/2012 and 30 September 2013/2012	5,250,000,000	105,000	5,250,000,000	105,000
Issued and fully paid:				
At 1 April 2013/2012 and 30 September 2013/2012	5,250,000,000	105,000	5,250,000,000	105,000

Share options

During the six months ended 30 September 2012, 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.



Notes to the Interim Condensed Consolidated Financial Statements

26 CAPITAL 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 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

27 CAPITAL COMMITMENTS

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Capital commitments in respect of the acquisition of property, plant and equipment:		
— contracted but not provided for in the financial statements	3,324	11,374
— authorised but not contracted for	214	363
	3,538	11,737

28 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 ten 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 2013, the Group had total future minimum lease receivable under non-cancellable operating leases which fall due as follows:

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Within one year	8,817	2,537
After one year but within five years	31,801	751
Over five years	49,250	–
	89,868	3,288

Notes to the Interim Condensed Consolidated Financial Statements

28 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 five years.

At 30 September 2013, the Group had total future minimum lease rent payments under non-cancellable operating leases falling due as follows:

	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
Within one year	33,614	32,341
After one year but within five years	13,495	28,141
	47,109	60,482

29 SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme which was adopted on 7 June 2004 (the "2004 Scheme") and had a term of 10 years. The 2004 Scheme terminated and expired upon the adoption of a new share option scheme on 20 August 2013 (the "2013 Scheme", together with the 2004 Scheme are collectively referred to as the "Schemes") which, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Through the Schemes the directors of the Company may, at their discretion, select participants as incentives or rewards for their contribution to the Group to take up options at HK\$1 per grant to subscribe for shares in the Company. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders.

Notes to the Interim Condensed Consolidated Financial Statements

29 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Options may be exercised at any time from the date of grant of the share option to the date of expiry of the option or in accordance with the terms of the Scheme at any time during a period to be notified by board of directors to each grantee. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the share.

No share option under the 2004 Scheme was outstanding as at 1 April 2013 and 20 August 2013, and no share option under the 2004 Scheme was granted, exercised, cancelled or lapsed for the period from 1 April 2013 to 20 August 2013.

No share option under the 2013 Scheme was granted, exercised, cancelled or lapsed for the period from 20 August 2013 to 30 September 2013, and no share option under the 2013 Scheme was outstanding as at 30 September 2013.

A share-based payment expenses amounting to approximately HK\$429,000 for the six months ended 30 September 2012 (six months ended 30 September 2013: Nil) has been recognised by the Company in relation to share options granted by the Company.

Notes to the Interim Condensed Consolidated Financial Statements

29 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Details of the share options outstanding as at 30 September 2012 which have been granted under the 2004 Scheme are as follows:

Name or category of participants	Date of grant	Exercise period	Exercise price	Balance	Granted	Exercised	Cancelled	Lapsed	Balance
				at 1 April 2012					at 30 September 2012
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	-	(71,236,000)	-	(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
Staff									
	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

30 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:

	Six months ended	
	30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	32,304	24,221
Post-employment benefits	15	15
	32,319	24,236

Notes to the Interim Condensed Consolidated Financial Statements

30 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	Six months ended 30 September	
		2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Chu & Li's Family	Brokerage income	1,129	359
	Maximum amount of IPO financing	–	–
	Maximum amount of margin financing	465,668	174,740
	Interest income	1,676	1,274
Directors of subsidiaries & associates	Brokerage income	134	71
	Maximum amount of IPO financing	–	–
	Maximum amount of margin financing	1,167	210
	Interest income	12	1
Kingston Finance Limited (Note)	Interest expense	19,127	5,059
Sincere Watch (Hong Kong) Limited (Note)	Management fee income	300	300
Sincere Watch (Hong Kong) Limited (Note)	Management fee income	300	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 2013 (six months ended 30 September 2012: Nil).

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

At 30 September 2013 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	-	7,063,803,895 (Note 1)	5,250,000,000 (Note 2)	12,313,803,895	101.65%
Mr. Chu, Nicholas Yuk-yui	-	7,063,803,895 (Note 1)	5,250,000,000 (Note 2)	12,313,803,895	101.65%

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

Long positions in the Shares: *(Continued)*

Notes:

- (1) As at 30 September 2013, of the 7,063,803,895 shares, 5,153,164,000 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 7,063,803,895 shares.
- (2) As at 30 September 2013, Active Dynamic Limited held 5,250,000,000 convertible preference shares conferring rights to subscribe for 5,250,000,000 shares. Mr. Chu is deemed to be interested in these 5,250,000,000 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 2013, 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			
Sure Expert Limited (Note 1)	-	1,894,699,896	-	1,894,699,896	15.64%
Active Dynamic Limited (Note 2)	-	5,153,164,000	5,250,000,000	10,403,164,000	85.87%
Better Sino Limited (Note 3)	-	1,125,000,000	-	1,125,000,000	9.29%
Mr. Lee Wai Man (Note 4)	18,852,000	1,530,750,000 (Note 5)	-	1,549,602,000	12.79%

Notes:

- (1) Sure Expert Limited is wholly and beneficially owned by Mrs. Chu. The interests of Mrs. Chu 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) Active Dynamic Limited is wholly and beneficially owned by Mrs. Chu. The interests of Mrs. Chu and Active Dynamic Limited in the Company are stated under the section headed "Directors' and Chief Executive's interests and short positions in the securities" above.
- (3) Better Sino Limited is wholly and beneficially owned by Ms. Ma Siu Fong, the mother of Mrs. Chu.
- (4) Mr. Lee Wai Man ("Mr. Lee") is the father of Mrs. Chu.
- (5) As at 30 September 2013, of the 1,530,750,000 shares, 405,750,000 shares are held by Choose Right Limited, a company wholly owned by Mr. Lee. 1,125,000,000 shares are held by Better Sino Limited. Mr. Lee is deemed to be interested in these 1,125,000,000 shares beneficially owned by Ms. Ma Siu Fong, Mr. Lee's spouse.

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 2013.



Other Information

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

During the six months ended 30 September 2013, there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2013, the Company has complied with all code provisions in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2013.

AUDIT COMMITTEE

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

Other Information

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to disclosure requirement under Rule 13.51B(1) of the Listing Rules, the change in information of Director are set out below:

Name of Director	Details of change
Mr. Yu Peter Pak Yan	Appointment as Chairman of Kong Sun Holdings Limited on 30 September 2013

Save as disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

Hong Kong, 22 November 2013