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# 金利豐金融集團有限公司

## KINGSTON FINANCIAL GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 01031)**

### ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

The board of directors (the “Board”) of Kingston Financial Group Limited (the “Company”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (together the “Group”) for the year ended 31 March 2021 together with the comparative figures for the corresponding year in 2020 as follows:

#### FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 March 2021 (the “Year”) was approximately HK\$2,055,879,000, representing a decrease of approximately 22% from approximately HK\$2,634,417,000 for the year ended 31 March 2020 (the “Previous Year”).
- Profit attributable to owners of the Company for the Year was approximately HK\$56,253,000, representing a decrease of approximately 89% from approximately HK\$503,062,000 for the Previous Year. Such a significant decrease was primarily attributable to, among other factors, a drop in revenue from the Group’s hotel and gaming business in Macau as a result of the drastic reduction in the number of visitor arrivals to Macau following the outbreak of 2019 Novel Coronavirus (“COVID-19”).
- Earnings per share for the Year was approximately HK0.32 cents, representing a decrease of approximately 89% from approximately HK2.90 cents for the Previous Year.
- The Board does not recommend the payment of final dividend for the Year (Previous Year: HK1 cent per share).

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

*For the year ended 31 March 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>			
Securities brokerage, underwriting and placements commission income	4	<b>68,628</b>	52,954
Margin and IPO financing interest income	4	<b>1,938,035</b>	2,012,156
Other financial services income	4	<b>12,538</b>	10,933
Room and other rental income	4	<b>26,379</b>	149,511
Food and beverage revenue	4	<b>18,192</b>	26,582
Gaming revenue	4	<b>(7,893)</b>	382,281
		<b>2,055,879</b>	2,634,417
Other income		<b>25,433</b>	41,326
		<b>2,081,312</b>	2,675,743
Inventories consumed		<b>(8,875)</b>	(19,367)
Staff costs		<b>(165,864)</b>	(253,500)
Gaming commission		<b>(46,383)</b>	(122,367)
Broker commission		<b>(9,398)</b>	(6,993)
Interest expenses for securities brokerage, underwriting and placements, margin and IPO financing operations		<b>(192,600)</b>	(270,419)
Depreciation of property, plant and equipment		<b>(148,594)</b>	(150,931)
Impairment losses on advances to customers in margin financing	12	<b>(1,135,914)</b>	(1,122,991)
Administrative expenses		<b>(54,601)</b>	(79,713)
Other operating expenses		<b>(37,508)</b>	(74,717)
		<b>(1,799,737)</b>	(2,100,998)
Finance income		<b>7,820</b>	23,327
Finance costs	6	<b>(37,591)</b>	(39,148)
Change in fair value of financial assets at fair value through profit or loss		<b>23,337</b>	30,726
Exchange gains, net		<b>797</b>	176
		<b>(5,637)</b>	15,081
Profit before taxation	8	<b>275,938</b>	589,826
Taxation	7	<b>(219,685)</b>	(86,664)
<b>Profit for the year</b>		<b>56,253</b>	503,162

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Profit for the year</b>		<u><b>56,253</b></u>	<u>503,162</u>
<b>Other comprehensive income</b>	<i>11</i>		
Item that will not be reclassified to profit or loss:			
(Deficit)/surplus on revaluation of leasehold land and buildings		<b>(432,662)</b>	8,018
Item that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		<u><b>18</b></u>	<u>–</u>
<b>Other comprehensive income for the year</b>		<u><b>(432,644)</b></u>	<u>8,018</u>
<b>Total comprehensive income for the year</b>		<u><b>(376,391)</b></u>	<u>511,180</u>
<b>Profit for the year attributable to:</b>			
— Owners of the Company		<b>56,253</b>	503,062
— Non-controlling interests		<u>–</u>	<u>100</u>
		<u><b>56,253</b></u>	<u>503,162</u>
<b>Total comprehensive income for the year attributable to:</b>			
— Owners of the Company		<b>(376,391)</b>	511,080
— Non-controlling interests		<u>–</u>	<u>100</u>
		<u><b>(376,391)</b></u>	<u>511,180</u>
<b>Earnings per share (HK cents per share)</b>	<i>10</i>		
— Basic		<b>0.32</b>	2.90
— Diluted		<u><b>0.32</b></u>	<u>2.90</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,398,966</b>	3,038,087
Statutory deposits for financial services business		<b>5,554</b>	4,216
Goodwill		<b>10,996,683</b>	10,996,683
		<u><b>13,401,203</b></u>	<u>14,038,986</u>
<b>Current assets</b>			
Inventories		<b>2,055</b>	2,447
Financial assets at fair value through other comprehensive income		<b>158</b>	140
Financial assets at fair value through profit or loss		<b>124,323</b>	138,374
Advances to customers in margin financing	<i>12</i>	<b>14,368,830</b>	16,345,648
Trade and other receivables	<i>13</i>	<b>72,587</b>	102,407
Tax recoverable		<b>59,113</b>	238,632
Bank deposits for guarantee	<i>14</i>	<b>77,817</b>	–
Cash and bank balances			
— held on behalf of customers		<b>1,156,487</b>	846,344
Cash and bank balances	<i>14</i>		
— general accounts		<b>963,209</b>	192,918
		<u><b>16,824,579</b></u>	<u>17,866,910</u>
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>1,307,552</b>	990,227
Amounts due to shareholders		<b>4,594,523</b>	4,394,523
Loan from a related company		<b>1,658,343</b>	2,714,146
Subordinated loans		<b>700,000</b>	700,000
Bank loans	<i>16</i>	<b>560,000</b>	630,000
Lease liabilities		<b>31,328</b>	35,859
Tax payable		<b>1,762</b>	2,770
		<u><b>8,853,508</b></u>	<u>9,467,525</u>
<b>Net current assets</b>		<u><b>7,971,071</b></u>	<u>8,399,385</u>
<b>Total assets less current liabilities</b>		<u><b>21,372,274</b></u>	<u>22,438,371</u>

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Bank loans	<i>16</i>	–	420,000
Lease liabilities		–	29,917
Deferred tax liabilities		<b>149,457</b>	215,601
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>149,457</b>	665,518
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>9,002,965</b>	10,133,043
		<hr/>	<hr/>
<b>Net assets</b>		<b>21,222,817</b>	21,772,853
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Share capital — ordinary shares		<b>272,290</b>	272,290
Share capital — non-redeemable convertible preference shares		<b>75,000</b>	75,000
Reserves		<b>20,875,527</b>	21,425,563
		<hr/>	<hr/>
<b>Total equity</b>		<b>21,222,817</b>	21,772,853
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## **SCOPE OF WORK OF BDO LIMITED**

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

Kingston Financial Group Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda on 10 April 1996 under the Companies Act 1981 of Bermuda. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 July 1996. The address of the Company's registered office and principal place of business are located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 72/F, The Center, 99 Queen's Road Central, Central, Hong Kong respectively.

The Company is an investment holding company. The principal activities of its subsidiaries include: (i) securities brokerage, underwriting and placements; (ii) margin and initial public offering ("IPO") financing; (iii) other financial services; (iv) hotel operations; (v) food and beverage; (vi) gaming; and (vii) securities investment.

### **2. BASIS OF PREPARATION**

#### **Statement of compliance**

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at fair values at the end of each reporting period.

### 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### 3.1 Adoption of new or revised HKFRSs that are mandatorily effective for the current year

During the year, the Group has adopted for the first time the following new or revised HKFRSs, including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (the “new and revised HKFRSs”) issued by the HKICPA, which are relevant to the Group’s accounting policies and business operations prepared and presented on the Group’s consolidated financial statements for the financial year beginning on or after 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The adoption of new or revised HKFRSs that are mandatorily effective for the financial year beginning on or after 1 April 2020 did not have any significant impact on the Group’s accounting policies, financial position and financial performance for the current and prior years and/or the disclosures set out in the Group’s consolidated financial statements.

#### 3.2 New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

HKFRS 17	Insurance Contracts and related Amendments <sup>4</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>3</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate Benchmark Reform — Phase 2 <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendment to HKFRS 16	COVID-19 Related Rent Concessions <sup>1</sup>
Amendment to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>4</sup>
Amendments to HKAS 1	Disclosure of Accounting Policies <sup>4</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>4</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>4</sup>
Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>3</sup>
Amendment to HKFRSs	Annual improvement to HKFRSs 2018–2020 cycle <sup>3</sup>

<sup>1</sup> Effective for annual period beginning on or after 1 June 2020.

<sup>2</sup> Effective for annual period beginning on or after 1 April 2021.

<sup>3</sup> Effective for annual period beginning on or after 1 April 2022.

<sup>4</sup> Effective for annual period beginning on or after 1 April 2023.

<sup>5</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The directors of the Company are in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of initial adoption. Up to date when the consolidated financial statements were approved and authorised for issue by the board of directors of the Company, the directors of the Company did not aware of any aspect of these new or revised HKFRSs which are likely to have a significant impact on the preparation or presentation on the Group's consolidated financial statements.

#### 4. REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Financial services business:		
— securities brokerage, underwriting and placements commission income	68,628	52,954
— margin and IPO financing interest income	1,938,035	2,012,156
— other financial services	12,538	10,933
	<u>2,019,201</u>	<u>2,076,043</u>
Hotel and gaming business:		
— hotel room and other rental income	26,379	149,511
— food and beverage	18,192	26,582
— gaming revenue	(7,893)	382,281
	<u>36,678</u>	<u>558,374</u>
<b>Total revenue</b>	<u><b>2,055,879</b></u>	<u><b>2,634,417</b></u>
<b>Disaggregation of the Group's revenue during the year is as follows:</b>		
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
— securities brokerage, underwriting and placements commission income	68,628	52,954
— other financial services	12,538	10,933
— hotel room and other rental income	26,379	149,511
— food and beverage	18,192	26,582
— gaming revenue	(7,893)	382,281
	<u>117,844</u>	<u>622,261</u>
Revenue from other sources not within the scope of HKFRS 15:		
— margin and IPO financing interest income	1,938,035	2,012,156
<b>Total revenue</b>	<u><b>2,055,879</b></u>	<u><b>2,634,417</b></u>
Timing of revenue recognition from contracts with customers:		
— at a point in time	86,820	79,536
— transferred over time	31,024	542,725
	<u>117,844</u>	<u>622,261</u>



## 5. SEGMENT INFORMATION

Regarding the Group's financial reporting process to both directors and key management of the Company (together as "Chief Operating Decision Maker"), the Group is broadly classified into three operating segments, namely: (i) financial services segments; (ii) hotel and gaming segments; and (iii) securities investment segment. Under the three operating segments, there are in total of seven operating activities based on the categories of products or services provided in Hong Kong and Macau region.

The classification of operating segments are determined by the Chief Operating Decision Maker to monitor the results individually for making decisions of resources allocation and performance assessment of the operating segments. Financial information of the operating segments is disaggregated into segment revenue, segment assets, segment liabilities and geographical segment information.

Inter-segment revenue is based on similar terms and conditions of sales agreements entered with external customers.

### **Financial services segments:**

- Securities brokerage, underwriting and placements, which is the provision of brokerage, underwriting and placements services of listed securities in the recognised stock exchanges.
- Margin and IPO financing, which is the provision of credit facilities to margin clients.
- Other financial services mainly include the provision of corporate finance advisory and futures brokerage services in the recognised stock exchanges.

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

- Hotel operations, which is the provision of hotel room services to hotel guests.
- Food and beverage, which is the operation of restaurants located in hotels.
- Gaming, which is the provision of services to casinos run by the license holder, namely Sociedade de Jogos de Macau, S.A ("SJM") located in hotels.

### **Securities investment segment:**

- Trading of listed securities through the recognised stock exchanges.

Operating segment result is evaluated based on adjusted earnings before interest, income tax, depreciation and amortisation ("adjusted EBITDA"). Interest income and expenses and certain corporate income and expenses, including depreciation of property, plant and equipment, taxation, gain on disposal of property, plant and equipment, write off of property, plant and equipment, corporate staff costs, exchange gains, sundry income and central administrative expenses, which are not included in the result of operating segments as they are managed by the central function units, who control the working capital of the Group.

Operating segment assets comprise of all assets owned by the Group except for financial assets at fair value through other comprehensive income and corporate assets, which are not directly attributable to the operating segments. Operating segment liabilities comprise of all liabilities owed by the Group except for unallocated amounts due to shareholders and corporate liabilities, which are not directly attributable to the operating segments.

The following tables represent segment information of the Group for the years ended 31 March 2021 and 2020:

*For the year ended 31 March 2021*

	Financial services segment				Hotel and gaming segment				Securities investment segment HK\$'000	Total HK\$'000
	Securities brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Subtotal HK\$'000	Hotel operations HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Subtotal HK\$'000		
	Segment revenue									
External customers	68,628	1,938,035	12,538	2,019,201	26,379	18,192	(7,893)	36,678	-	2,055,879
Inter-segment	-	-	-	-	44,230	-	9,311	53,541	-	53,541
	<u>68,628</u>	<u>1,938,035</u>	<u>12,538</u>	<u>2,019,201</u>	<u>70,609</u>	<u>18,192</u>	<u>1,418</u>	<u>90,219</u>	<u>-</u>	<u>2,109,420</u>
Adjusted EBITDA	<u>66,443</u>	<u>567,093</u>	<u>660</u>	<u>634,196</u>	<u>(13,632)</u>	<u>(16,041)</u>	<u>(123,584)</u>	<u>(153,257)</u>	<u>23,790</u>	<u>504,729</u>
Segment assets				<u>26,966,960</u>	<u>1,671,992</u>	<u>1,108,184</u>	<u>88,669</u>	<u>2,868,845</u>	<u>124,323</u>	<u>29,960,128</u>
Segment liabilities				<u>4,393,187</u>	<u>160,133</u>	<u>12,916</u>	<u>64,461</u>	<u>237,510</u>	<u>-</u>	<u>4,630,697</u>
Capital expenditure				<u>55</u>	<u>379</u>	<u>301</u>	<u>669</u>	<u>1,349</u>	<u>-</u>	<u>1,404</u>

*For the year ended 31 March 2020*

	Financial services segment				Hotel and gaming segment				Securities investment segment HK\$'000	Total HK\$'000
	Securities brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Subtotal HK\$'000	Hotel operations HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Subtotal HK\$'000		
	Segment revenue									
External customers	52,954	2,012,156	10,933	2,076,043	149,511	26,582	382,281	558,374	-	2,634,417
Inter-segment	-	-	-	-	57,303	-	11,055	68,358	-	68,358
	<u>52,954</u>	<u>2,012,156</u>	<u>10,933</u>	<u>2,076,043</u>	<u>206,814</u>	<u>26,582</u>	<u>393,336</u>	<u>626,732</u>	<u>-</u>	<u>2,702,775</u>
Adjusted EBITDA	<u>50,313</u>	<u>558,345</u>	<u>(4,557)</u>	<u>604,101</u>	<u>88,847</u>	<u>(11,937)</u>	<u>120,558</u>	<u>197,468</u>	<u>31,910</u>	<u>833,479</u>
Segment assets				<u>28,486,013</u>	<u>2,397,276</u>	<u>441,270</u>	<u>423,600</u>	<u>3,262,146</u>	<u>138,374</u>	<u>31,886,533</u>
Segment liabilities				<u>5,713,994</u>	<u>235,208</u>	<u>8,061</u>	<u>62,836</u>	<u>306,105</u>	<u>-</u>	<u>6,020,099</u>
Capital expenditure				<u>36,391</u>	<u>2,876</u>	<u>532</u>	<u>487</u>	<u>3,895</u>	<u>-</u>	<u>40,286</u>

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Segment revenue</b>	<b>2,109,420</b>	2,702,775
Less: Inter-segment revenue	<b>(53,541)</b>	(68,358)
<b>Total revenue</b>	<b><u>2,055,879</u></b>	<u>2,634,417</u>
<b>Adjusted EBITDA</b>	<b>504,729</b>	833,479
Other income	<b>10,485</b>	22,832
Interest income	<b>3,311</b>	680
Exchange gains, net	<b>797</b>	176
Corporate staff costs	<b>(31,906)</b>	(37,102)
Central administrative expenses	<b>(25,293)</b>	(45,011)
Depreciation of property, plant and equipment	<b>(148,594)</b>	(150,931)
Gain on disposal of property, plant and equipment	<b>–</b>	5,460
Write off of property, plant and equipment	<b>–</b>	(609)
Finance costs	<b>(37,591)</b>	(39,148)
Taxation	<b>(219,685)</b>	(86,664)
<b>Profit for the year</b>	<b><u>56,253</u></b>	<u>503,162</u>
<b>Segment assets</b>	<b>29,960,128</b>	31,886,533
Financial assets at fair value through other comprehensive income	<b>158</b>	140
Corporate assets	<b>265,496</b>	19,223
<b>Total assets</b>	<b><u>30,225,782</u></b>	<u>31,905,896</u>
<b>Segment liabilities</b>	<b>4,630,697</b>	6,020,099
Unallocated amounts due to shareholders	<b>4,304,523</b>	4,104,523
Corporate liabilities	<b>67,745</b>	8,421
<b>Total liabilities</b>	<b><u>9,002,965</u></b>	<u>10,133,043</u>

*Geographical segment information*

The Group's financial services and securities investment segments are located in Hong Kong and the hotel and gaming segments are located in Macau.

The Group's non-current assets located in different geographical locations are as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	<b>11,046,433</b>	11,088,440
Macau	<b>2,349,216</b>	2,946,330
<b>Total non-current assets</b>	<b><u>13,395,649</u></b>	<u>14,034,770</u>

*Note:* The total non-current assets exclude statutory deposits for financial services business.

### Information about major customers

Revenue from a customer contributing over 10% of the Group's total revenue during the year ended 31 March 2020 is solely derived from the hotel and gaming segments is as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
SJM	<u>N/A*</u>	<u>382,281</u>

\* The customer contributed less than 10% of the Group's total revenue during the year ended 31 March 2021.

## 6. FINANCE COSTS

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expenses on amount due to a shareholder	<b>35,350</b>	35,350
Interest expenses on lease liabilities	<u>2,241</u>	<u>3,798</u>
	<u><b>37,591</b></u>	<u>39,148</u>

## 7. TAXATION

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
— Hong Kong Profits Tax	<b>120,658</b>	105,184
— Macau Complementary Tax	—	1,016
— Under/(over) provision in respect of prior years	<u>106,172</u>	<u>(12,409)</u>
	<b>226,830</b>	93,791
Deferred tax		
— Macau Complementary Tax	<u>(7,145)</u>	<u>(7,127)</u>
	<u><b>219,685</b></u>	<u>86,664</u>

(a) Hong Kong Profits Tax has been provided at the statutory tax rate of 16.5% (2020: 16.5%) of the taxable profit for the year, except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profit Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

(b) Macau Complementary Tax has been provided at the statutory tax rate of 12% (2020: 12%) of the taxable profit for the year. Regarding to two wholly owned subsidiaries of the Company, namely Good Start Group Limited and Target All Investments Limited, which have received tax notices issued by the Macau Financial Services Bureau as detailed in Note 17 (a).

(c) Taxation arising in other jurisdictions is calculated at the statutory tax rates in the respective tax jurisdictions.

## 8. PROFIT BEFORE TAXATION

Profit before taxation for the year is arrived at after charging as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	<b>2,937</b>	2,838
Marketing, advertising and promotion expenses	<b>7,692</b>	26,523
Short-term lease expenses	<b>353</b>	15,757
Provision of impairment losses on trade and other receivables	<b>853</b>	475
Write off of property, plant and equipment	–	609
Directors' remuneration	<b>48,648</b>	81,141

## 9. DIVIDEND

No interim dividend was declared for the six months ended 30 September 2020 and 2019.

The board of directors of the Company does not recommend the payment of final dividend for the year ended 31 March 2021 (2020: HK 1 cent per share, amounted to approximately HK\$173,645,000).

## 10. EARNINGS PER SHARE

	<b>2021</b> <i>HK cents</i>	2020 <i>HK cents</i>
Basic earnings per share	<b>0.32</b>	2.90
Diluted earnings per share	<b>0.32</b>	2.90

### (a) Basic earnings per share

The basic earnings which is the profit for the year attributable to owners of the Company and weighted average number of shares used in the calculation of basic earnings per share during the year are as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<b>56,253</b>	503,062
	<b>2021</b>	2020
Weighted average number of ordinary shares	<b>13,614,480,666</b>	13,614,480,666
Weighted average number of non-redeemable convertible preference shares	<b>3,750,000,000</b>	3,750,000,000
Total weighted average number of shares used in the calculation of basic earnings per share	<b>17,364,480,666</b>	17,364,480,666

**(b) Diluted earnings per share**

Diluted earnings per share is equal to the basic earnings per share as there was no dilutive potential shares to be issued for the years ended 31 March 2021 and 2020.

**11. OTHER COMPREHENSIVE INCOME**

	2021			2020		
	Before taxation <i>HK\$'000</i>	Taxation <i>HK\$'000</i>	After taxation <i>HK\$'000</i>	Before taxation <i>HK\$'000</i>	Taxation <i>HK\$'000</i>	After taxation <i>HK\$'000</i>
(Deficit)/surplus on revaluation of leasehold land and buildings	(491,661)	58,999	(432,662)	9,111	(1,093)	8,018
Change in fair value of financial assets at fair value through other comprehensive income	18	-	18	-	-	-
	<u>(491,643)</u>	<u>58,999</u>	<u>(432,644)</u>	<u>9,111</u>	<u>(1,093)</u>	<u>8,018</u>

There is no reclassification adjustment relating to the components of other comprehensive income for the years ended 31 March 2021 and 2020.

**12. ADVANCES TO CUSTOMERS IN MARGIN FINANCING**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Directors of subsidiaries and their associates	46,103	50,601
Other margin financing customers	<u>17,567,393</u>	<u>18,403,799</u>
	17,613,496	18,454,400
Less: Loss allowances	<u>(3,244,666)</u>	<u>(2,108,752)</u>
	<u>14,368,830</u>	<u>16,345,648</u>

The movements of loss allowances on advances to customers in margin financing during the year are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 April	2,108,752	985,761
Provision of loss allowances	<u>1,135,914</u>	<u>1,122,991</u>
At 31 March	<u>3,244,666</u>	<u>2,108,752</u>

At 31 March 2021 and 2020, advances to customers in margin financing are repayable on demand and carried interest rates at an average of Hong Kong Dollar Prime rate (“Prime rate”) plus 3%. Margin clients are required to pledge their securities collateral to the Group, in order to obtain credit facilities for securities trading in the recognised stock exchanges. The amount of credit facilities granted to them is determined by the discounted market value of securities in accordance with margin lending policies set by the Group’s management, which maintains a list of approved securities for margin lending at a specified loan-to-collateral ratio.

At 31 March 2021, total market value of securities pledged as collateral in respect of the loan granted to margin clients was approximately HK\$36,628,707,000 (31 March 2020: approximately HK\$38,473,670,000). Among the securities pledged as collateral, there was approximately HK\$3,421,731,000 (2020: approximately HK\$3,117,000,000) provided by margin clients to secure bank loans.

No ageing analysis is disclosed for advances to customers in margin financing as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the business nature of margin financing.

### 13. TRADE AND OTHER RECEIVABLES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from financial services segments	<b>31,941</b>	22,737
Trade receivables from hotel and gaming segments	<b>14,398</b>	58,466
	<b>46,339</b>	81,203
Other receivables, deposits and prepayments	<b>26,248</b>	21,204
	<b>72,587</b>	102,407

No ageing analysis is disclosed for trade receivables from financial services segment as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the business nature of dealing in securities and futures contracts, margin financing and corporate finance advisory services.

#### Trade receivables from financial services segments

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables arising from the ordinary course of business of dealing in securities:		
— Cash clients	<b>17,739</b>	2,674
— Clearing House	<b>1,050</b>	3,296
— Brokers and dealers	<b>207</b>	113
	<b>18,996</b>	6,083
Trade receivables arising from the ordinary course of business of dealing in futures contracts:		
— Clearing house	<b>8,070</b>	10,720
Trade receivables arising from the ordinary course of business in the provision of:		
— Corporate finance advisory services	<b>5,810</b>	6,570
Total trade receivables, before loss allowances	<b>32,876</b>	23,373
Less: Loss allowances	<b>(935)</b>	(636)
Total trade receivables, after loss allowances	<b>31,941</b>	22,737

The movements of loss allowances on trade receivables from financial services segments during the year are as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 April	<b>636</b>	411
Provision of loss allowances	<b>299</b>	225
	<hr/>	<hr/>
At 31 March	<b>935</b>	636
	<hr/> <hr/>	<hr/> <hr/>

The settlement terms of trade receivables attributable to dealing in securities are one or two days after trade date, and those of trade receivables attributable to dealing in futures contracts are one day after trade date. All of trade receivables from cash clients are not past due at the end of reporting periods, which the management believes that no material loss allowances was recognised in respect of these balances as there has not been a significant increase in credit quality for both years.

Trade receivables from clearing houses, brokers, dealers and corporate finance clients are classified as current assets as they are expected to be settled within one year from the end of reporting period.

Trading limits are set for different categories of customers. The Group seeks to maintain stringent control over the trade receivables in order to minimise credit risk arising from these customers. Overdue balances of trade receivables are regularly monitored by the management and followed up for the settlement when necessary.

#### **Trade receivables from hotel and gaming segments**

The Group generally allows an average credit period of 30 days to its customers arising from the hotel and gaming segments. The following is an ageing analysis of trade receivables at the end of reporting period:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	<b>8,124</b>	53,575
31–60 days	<b>331</b>	850
61–90 days	<b>96</b>	3,733
Over 90 days	<b>30,333</b>	24,244
	<hr/>	<hr/>
	<b>38,884</b>	82,402
Less: Loss allowances	<b>(24,486)</b>	(23,936)
	<hr/>	<hr/>
	<b>14,398</b>	58,466
	<hr/> <hr/>	<hr/> <hr/>

The movements of loss allowances on trade receivables from hotel and gaming segments during the year are as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 April	<b>23,936</b>	23,686
Provision of loss allowances	<b>550</b>	250
	<hr/>	<hr/>
At 31 March	<b>24,486</b>	23,936
	<hr/> <hr/>	<hr/> <hr/>



## Other receivables

The movements of loss allowances on other receivables during the year are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 April	290	290
Provision of loss allowances	<u>4</u>	<u>–</u>
At 31 March	<u><u>294</u></u>	<u><u>290</u></u>

In respect of other receivables, the Group regularly monitors the credit risk exposures based on the historical repayment records and loss experience of the counterparties. At the end of reporting period, the credit risk of other receivables has not increased significantly since its initial recognition and the loss allowances of other receivables was measured at 12-month ECL calculation.

## 14. CASH AND CASH EQUIVALENTS/BANK DEPOSITS FOR GUARANTEES

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank deposits for guarantees	<i>(i)</i>	<u><u>77,817</u></u>	<u><u>–</u></u>
Time deposits	<i>(ii)</i>	<u>172,670</u>	16,450
Cash at banks and in hand	<i>(ii)</i>	<u>790,539</u>	<u>176,468</u>
		<u><u>963,209</u></u>	<u><u>192,918</u></u>

*Notes:*

- (i) As at 31 March 2021, the Group had restricted bank deposits of approximately MOP49,729,000 (equivalent to approximately HK\$48,281,000) and approximately HK\$29,536,000 (2020: Nil) represents deposits placed with bank for certain bank guarantees provided for operational purpose as detailed in note 17(b).
- (ii) Cash at banks bears floating interest rates based on daily bank deposit interest rates announced by the relevant bank authorities. Time deposits are made for a period ranging from 1 day to 3 months (2020: 1 day to 3 months) depending on the cash requirements of the Group. The carrying amounts of cash and cash equivalent is approximate to fair value due to short-term fair value maturity.

## 15. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables from financial services segments	1,196,643	870,492
Trade payables from hotel and gaming segments	<u>8,965</u>	<u>16,298</u>
	1,205,608	886,790
Other payables and accruals	<u>101,944</u>	<u>103,437</u>
	<u><u>1,307,552</u></u>	<u><u>990,227</u></u>

### Trade payables from financial services segments

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables arising from the ordinary course of business of dealing in securities:		
— Cash clients	664,101	323,505
— Margin clients	506,045	528,049
— Clearing House	2,732	—
	<u>1,172,878</u>	851,554
Dividend payable to clients	1,066	4,503
Trade payables arising from the ordinary course of business of dealing in futures contracts:		
— Clients	21,033	14,435
Trade payables arising from the ordinary course of business in the provision of:		
— Corporate finance advisory services	1,666	—
	<u>1,196,643</u>	<u>870,492</u>

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

No ageing analysis is disclosed for trade payables from financial services segment as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the business nature of dealing in securities and futures contracts, margin financing and corporate finance advisory services.

As at 31 March 2021, included in trade payables of approximately HK\$1,156,487,000 (2020: approximately HK\$846,344,000) was payable to clients and authorised financial institutions in respect of trust and segregated bank balances received and held on behalf of clients and authorised financial institutions arising from the normal course of business of dealing in securities and futures contracts and margin financing.

### Trade payables from hotel and gaming segments

The suppliers generally grant an average credit period ranging from 30 to 60 days to the Group arising from the hotel and gaming segments. The following is an ageing analysis of trade payables at the end of reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	5,777	14,051
31–60 days	1,916	1,692
61–90 days	748	170
Over 90 days	524	385
	<u>8,965</u>	<u>16,298</u>

## 16. BANK LOANS

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured bank loans:			
— Money market loans and revolving loans	<i>(a)</i>	<b>560,000</b>	600,000
— Term loan	<i>(b)</i>	—	450,000
		<b>560,000</b>	1,050,000
Repayable:			
— Within one year		<b>560,000</b>	630,000
— More than one year, but not exceeding two years		—	50,000
— More than two years, but not exceeding five years		—	370,000
— After five years		—	—
		<b>560,000</b>	1,050,000
Less: Portion classified as current liabilities		<b>(560,000)</b>	(630,000)
Portion classified as non-current liabilities		—	420,000

### *Notes:*

- (a) As at 31 March 2021, the money market loans and revolving loans are secured by marketable securities of approximately HK\$3,421,731,000 (2020: approximately HK\$3,117,000,000) provided by margin clients and certificates of deposit of approximately HK\$49,953,000 (2020: approximately HK\$93,980,000). During the year, the money market loans and revolving loans bear floating interest rates ranging from approximately 0.79% to 2.45% (2020: approximately 1.16% to 5.41% per annum).
- (b) The term loan was fully repaid during the year ended 31 March 2021 (2020: approximately HK\$450,000,000, bear floating interest rates ranging from approximately 2.94% to 4.53% per annum). As at 31 March 2020, the term loan was secured by:
- a. property mortgage of leasehold land and buildings, with a carrying amount of approximately HK\$2,100,000,000;
  - b. shares of two subsidiaries of the Company;
  - c. corporate guarantee provided by a subsidiary of the Company;
  - d. a charge of bank accounts provided by two subsidiaries of the Company; and
  - e. a charge over income and receivables arising from the business operations of two subsidiaries of the Company, which engage in the principal activities of hotel and gaming segments.

## 17. CONTINGENT LIABILITIES

- (a) The Company's wholly owned subsidiary, namely Good Start Group Limited, has received tax notices issued by the Macau Financial Services Bureau dated 29 April 2014 and 18 May 2016 for assessing its Macau Complementary Tax payable for the years of assessment 2009, 2010, 2011 and 2012 respectively. The tax amounts per tax notices were approximately HK\$15,000,000, HK\$20,000,000, HK\$24,000,000 and HK\$25,200,000 respectively.

Another wholly owned subsidiary of the Company, namely Target All Investments Limited, has received tax notices issued by the Macau Financial Services Bureau dated 26 August 2015 and 24 October 2016 for assessing its Macau Complementary Tax payable for the years of assessment 2011, 2012, 2013 and 2014 respectively. The tax amounts per tax notices were approximately HK\$1,300,000, HK\$1,000,000, HK\$3,800,000 and HK\$6,300,000 respectively.

The Group lodged objections to appeal against the aforesaid notices according to stipulated appeal procedures. The Review Committee of the Macau Financial Services Bureau (the "Committee") issued their decision to reject all appeals by the Group in relation to the aforesaid Macau Complementary Tax payable.

After receiving the final decision of the Committee on their rejection of the Group's appeal, the Group made the tax payments of an aggregate amount of approximately HK\$96,600,000 according to the stipulated regulation requirement before making a further appeal via the court. With regard to each of the Committee's rejection of the Group's appeal, the Group separately submitted initial petitions to the court on 9 December 2014 and 24 October 2016 for Good Start Group Limited and initial petitions to the court on 10 March 2016 and 17 February 2017 for Target All Investments Limited. The legal proceedings were concluded or terminated during the year ended 31 March 2019 and the Group has received favourable court decisions and won all of the cases for the abovementioned years of assessments. However, subsequent to the court's decisions the Macau Financial Services Bureau refused to refund the total tax paid for all these years of assessment amounting to approximately HK\$95,300,000. Accordingly, the Group filed further appeals to seek court's assistance for refund of overpaid tax.

On 29 August 2019, the Macau Financial Services Bureau refunded overpaid tax of approximately HK\$1,300,000 to Target All Investments Limited for the aforementioned year of assessment 2011.

Subsequent to the conclusion or termination of the above legal proceedings, Good Start Group Limited and Target All Investments Limited further received tax notices issued by the Macau Financial Services Bureau for the years of assessment from 2013 to 2018 and from 2015 to 2018 respectively on demanding Macau Complementary Tax, in the aggregate amount, of approximately HK\$121,100,000, of which, approximately HK\$56,800,000 for years of assessment 2013 and 2014 of Good Start Group Limited was paid during the year ended 31 March 2019, and remaining approximately HK\$64,300,000 for years of assessment 2015 to 2018 for both companies was paid during the year. The Group submitted petitions to courts against the tax notices subsequent to payments.

Subsequently, Good Start Group Limited received favorable decisions for the years of assessment 2009, 2010, 2011, 2012 and 2013. Target All Investments Limited received favorable decision for the year of assessment 2012. All these six decisions are final. During the year, the Macau Financial Services Bureau has refunded overpaid tax of approximately HK\$75,900,000 in aggregate to Good Start Group Limited for the aforementioned years of assessment 2011, 2012 and 2013, and approximately HK\$1,000,000 to Target All Investment Limited for the aforementioned year of assessment 2012. The Group have submitted requests to Macau Financial Services Bureau for refund of the overpaid tax of approximately HK\$35,300,000 in aggregate for the years of assessment 2009 and 2010 of Good Start Group Limited, which was accounted for as tax recoverable as at 31 March 2021.

Subsequent to the year end, HK\$35,300,000 of the tax recoverable for the aforementioned years of assessment have been refunded by the Macau Financial Service Bureau to the Group in April 2021.

During the year, Good Start Group Limited received unfavorable decision for the year of assessment 2014 and Target All Investment Limited received unfavorable decision for the years of assessment 2013 and 2014. All three decisions are final. The related tax paid of approximately HK\$40,400,000 in aggregate for these three years, which was previously accounted for as tax recoverable, was charged to profit or loss during the year.

The Group expects Good Start Group Limited and Target All Investments Limited will receive similar unfavorable decision for the years of assessment from 2015 to 2018 because these years have similar fact patterns and legal arguments as those unfavorable final decisions mentioned in the above paragraph. As such, the tax paid of approximately HK\$64,300,000 in aggregate for the years of assessment from 2015 to 2018 for both Good Start Group Limited and Target All Investments Limited, was charged to profit or loss during the year.

- (b) The Group submitted bank guarantees amounting to approximately MOP79,667,000 (equivalent to approximately HK\$77,346,000) to SJM to warrant the fulfillment of the provision of services to casinos run by SJM.

The Group had no other material contingent liabilities as at 31 March 2021 and 2020.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

On behalf of the Board of directors (the “Board”) of Kingston Financial Group Limited (the “Company”), I am pleased to announce the annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2021 (the “Year”).

### **OVERVIEW**

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

Total revenue recorded by the Group for the Year amounted to approximately HK\$2,055,879,000, representing a decrease of approximately 22% as compared to approximately HK\$2,634,417,000 for the year ended 31 March 2020 (the “Previous Year”).

Profit attributable to owners of the Company for the Year amounted to approximately HK\$56,253,000, representing a decrease of approximately 89% as compared to approximately HK\$503,062,000 for the Previous Year. Basic earnings per share for the Year was approximately HK0.32 cents, representing a decrease of approximately 89% as compared to approximately HK2.90 cents for the Previous Year. Such a significant decrease was primarily attributable to, among other factors, a drop in revenue from the Group’s hotel and gaming business in Macau as a result of the drastic reduction in the number of visitor arrivals to Macau following the outbreak of 2019 Novel Coronavirus (“COVID-19”).

### **BUSINESS AND FINANCIAL REVIEW**

The COVID-19 pandemic has broken out since early 2020 and has continued to spread globally. It has prompted countries to adopt different levels of anti-epidemic measures, thereby delivering unprecedented hit to the global economy. Many industries were hard-hit during the epidemic. According to the Census and Statistics Department, Hong Kong’s annual gross domestic product (GDP) fell by approximately 6.1% and touched the bottom in 2020. Hong Kong’s seasonally adjusted unemployment rate from December 2020 to February 2021 increased to approximately 7.2%, which marked the highest level since 2004.

In 2020, a group of China concept stocks returned to the Hong Kong stock market, leading to an increase in trading volume in the stock market. Driven by the strong growing momentum brought about by the fund-raising activities of biotech companies and new economy companies, Hong Kong’s IPO funds raised approximately \$400.2 billion in 2020, which ranked second in the world and is the highest level since 2010. In 2020, spot market turnover, Shanghai-Shenzhen-Hong Kong Stock Connect, and Bond Connect transaction volume all reached new highs. However, during the Year, the 10-year bond yield in the United States remained at a high level and has broken through approximately 1.7%, triggering a price drop in the new economy stocks due to “value cancellation” and new economy stocks were under huge pressure. In addition, the PRC government has imposed anti-monopoly penalties on individual Internet companies, posing another uncertainty to Hong Kong’s listed new economy stocks.

Hang Seng Index has plunged to 22,519 points on 25 May 2020. The trend has been fluctuating since then. The index recovered in the fourth quarter of 2020 and reached 31,183 points on 18 February 2021, but the positive trend was unable to continue and the index fell to below 28,000 points. In the financial year under review, the Group's revenue from its financial services segment dropped by approximately 3% from approximately HK\$2,076,043,000 in the Previous Year to approximately HK\$2,019,201,000 in the Year.

Under the influence of COVID-19, tourism restrictions were enacted in Macau and other places. In the Year, a total of approximately 4.4 million people visited Macau, representing a year-on-year decrease of 86%. Based on DICJ (Direcção de Inspeção e Coordenação de Jogos) reporting, Macau's gross revenue from games of fortune totaled approximately 53.6 billion MOP in the year, a year-on-year decrease of approximately 78%. During the financial year under review, revenue from our hotel and gaming businesses dropped by approximately 75% and approximately 102% respectively.

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

Securities brokerage, underwriting and placement services is one of the main sources of income for the Group. The Group undertakes the origination, structuring and marketing of placements of equity and equity-related securities. It offers across-the-board solutions to clients' financing needs. The Group plays significant roles as placing agents and underwriters for listed companies across different sectors.

With the fluctuation brought by COVID-19 epidemic, sentiment in the capital market has been affected. The epidemic has affected the progress of application and approval for listing of companies in Hong Kong. Coupled with quarantine measures adopted in Hong Kong, visitors' trips have been restricted or delayed. The market is concerned about rising inflation, and the rapid increase in the 10-year bond yield in the United States has caused outflow of funds from new economy stocks. Meanwhile, the market is looking forward to the progress of vaccine injections in the hope of the gradual recovery of global economy. Performances of the traditional economy stocks have been recovering notwithstanding that the overall investment sentiment is generally conservative. In addition, China concept stocks continued to return to the Hong Kong stock market, resulting in an increase in the trading volume in the stock market.

During the Year, the Group recorded a revenue of approximately HK\$68,628,000 in this segment (the Previous Year: approximately HK\$52,954,000), representing an increase of approximately 30% as compared to the Previous Year, which also accounted for approximately 3% (the Previous Year: approximately 3%) of the Group's financial service segment revenue and approximately 3% (the Previous Year: approximately 2%) of the Group's total revenue.

### **Margin and IPO Financing**

To complement the Group's securities brokerage services, the Group also provides margin and IPO financing services. 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 IPOs.

Due to weak market sentiment and uncertainty about the economic outlook, the Group has adopted a more prudent approach for the margin and IPO financing business. During the Year, revenue amounted to approximately HK\$1,938,035,000 (the Previous Year: approximately HK\$2,012,156,000), accounting for approximately 96% (the Previous Year: approximately 96%) of the Group's financial service segment revenue and approximately 94% (the Previous Year: approximately 76%) of the Group's total revenue. The stock market in Hong Kong was volatile over the Year. Impairment losses of approximately HK\$1,135,914,000 (Previous Year: approximately HK\$1,122,991,000) were prudently made for advances to customers in margin financing after reviewing the relevant margin accounts portfolio and financial positions.

### **Other Financial Services mainly include Corporate Finance Advisory Services and Futures Brokerage**

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

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

The Group provides brokerage services for index futures trading on the Futures Exchange.

Revenue for the Year amounted to approximately HK\$12,538,000 (Previous Year: approximately HK\$10,933,000), representing an increase of approximately 15%, which also accounted for approximately 1% (Previous Year: approximately 1%) of the Group's financial service segment revenue and less than 1% (Previous Year: approximately 1%) of the Group's total revenue.

### **Goodwill Impairment Assessment**

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



## **Hotel Business**

The Group is also engaged in hotel business in Macau, which comprises hotel room rental, food and beverage operation catering to international and local markets.

Due to the outbreak of COVID-19, visitor arrivals to Macau declined rapidly since early 2020. This has had an adverse effect on the Group's hotel business in Macau. Revenue for hotel operations plus food and beverage in total amounted to approximately HK\$44,571,000 (Previous Year: approximately HK\$176,093,000), representing a significant decrease of approximately 75% as compared to the Previous Year. The average occupancy rates of the two hotels, namely Casa Real and Grandview, were approximately 19% (Previous Year: approximately 75%) and approximately 19% (Previous Year: approximately 73%) respectively.

## **Gaming Business**

The Group's casino operation is run by the licence holder Sociedade de Jogos de Macau, S.A.

Similarly, the Group's gaming business in Macau has been hit hard by the spread of COVID-19. Gaming loss amounted to approximately HK\$7,893,000 for the Year, representing a decrease of approximately 102% as compared to revenue of approximately HK\$382,281,000 of the Previous Year.

As at 31 March 2021, the Group has 69 tables (2020: 69) in the mass market halls, 15 tables (2020: 15) in the VIP rooms and 262 slot machines (2020: 262).

During the Year, the Group entered into an addendum (the "Addendum") with SJM for the continuation of the provision of services to SJM in the two casinos located at the Group's two hotels. Pursuant to the Addendum, the term of service has been extended to 26 June 2022.

## **Other Income**

Other income in the Year mainly included custodian and handling charges, government subsidy and sundry income. The income decreased by approximately 38% from approximately HK\$41,326,000 in the Previous Year to approximately HK\$25,433,000 in the Year as there were a gain on disposal of property, plant and equipment of approximately HK\$5,460,000, reversal of over accrued lease expenses of approximately HK\$11,407,000 in the Previous Year.

## **Change in fair value of financial assets at fair value through profit or loss**

During the Year, the Hong Kong equity market experienced fluctuations. The Group recorded a fair value gain on financial assets at fair value through profit or loss of approximately HK\$23,337,000 (Previous Year: fair value gain approximately HK\$30,726,000). As at 31 March 2021, the Group was holding financial assets at fair value through profit or loss of approximately HK\$124,323,000 (Previous Year: approximately HK\$138,374,000) in market value.

### **Inventories consumed**

Inventories consumed mainly represents the cost of food and beverage consumed by the customers of the Group's restaurants. During the Year, it amounted to approximately HK\$8,875,000 (Previous Year: approximately HK\$19,367,000), representing an approximately 54% decrease as the business was affected seriously by the COVID-19.

### **Staff costs**

Staff costs amounted to approximately HK\$165,864,000 (Previous Year: approximately HK\$253,500,000). No discretionary bonus was paid and manpower costs were strictly controlled during the Year. The Group reviewed and adjusted compensation and benefits to employee regularly to match market rates. Packages commensurate with employees' qualifications and experience were provided to retain good employees in the Group as well as to hire potential talents.

### **Gaming commission**

Gaming commission represented amount paid as an incentive to attract customers. The commission paid by the Group was in line with market level. The amount decreased greatly by approximately 62% from approximately HK\$122,367,000 in the Previous Year to approximately HK\$46,383,000 in the Year as the chip turnover dropped due to the significant reduction in number of visitors arrivals to Macau as a result of the COVID-19 pandemic.

### **Broker Commission**

Broker commission increased approximately 34% from approximately HK\$6,993,000 in the Previous Year to approximately HK\$9,398,000 in the Year. The increase was in line with the increase in revenue from securities brokerage, underwriting and placement segment during the Year.

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

The interest expenses decreased from approximately HK\$270,419,000 in the Previous Year to approximately HK\$192,600,000 in the Year, representing a decrease of approximately 29% due to less funding need and fund cost during the Year.

### **Impairment losses on advances to customers in margin financing**

Due to the volatility in the local stock market during the Year, impairment losses of approximately HK\$1,135,914,000 (Previous Year: approximately HK\$1,122,991,000) were made on some particular clients with margin loan shortfalls on a prudent basis after reviewing their margin accounts portfolio and financial positions.

## **Administrative expenses and depreciation of property, plant and equipment**

Administrative expenses mainly included rent and rates, office management fee, lease expenses, electricity and water, fuel and etc.. During the Year under review, it amounted to approximately HK\$54,601,000 (Previous Year: approximately HK\$79,713,000), representing an approximately 32% decrease. There were expenses of approximately HK\$14,000,000 in relation to relocation of principal place of business of the Group in Hong Kong recorded in the Previous Year. Besides, there were more rent and rates recorded in the Previous Year.

## **Other operating expenses**

Other operating expenses mainly represented operating expenses for gaming facilities, promotion expenses and other hotel rooms. During the Year, it amounted to approximately HK\$37,508,000 (Previous Year: approximately HK\$74,717,000) representing an approximately 50% decrease. This was driven by the substantial drop of the Group's revenue from hotel and gaming business in Macau due to the COVID-19 pandemic.

## **Finance cost**

During the Year, finance costs of approximately HK\$37,591,000 (Previous Year: approximately HK\$39,148,000) represented the interest expenses on the amount due to a shareholder and lease liabilities.

## **FUTURE PROSPECTS**

### **Financial service segments**

The continued spread of COVID-19 and the appearance of variants of the virus in certain countries have escalated uncertainties to the global and Hong Kong economies. However, the epidemic was relatively under control and the economy has gradually started to rebound from the trough. According to National Bureau of Statistics of China, the GDP in China achieved a year-on-year growth of 18.3% in the first quarter of 2021, the strongest growth since quarterly data was recorded in 1992. With the "14th Five-Year Plan" and 2035 Long-term Goals and Recommendations announced by the central government focusing on expanding domestic demand, it is expected that the economy in Mainland China will be on the upside in the medium and long run.

As vaccination is being promoted in different countries, it is anticipated that the lockdown measures will be gradually released. However, we will definitely pay serious attention to the development of the epidemic and will continue to carefully monitor the business environment and focus on our existing business.

In addition, the advancement of the “Guangdong-Hong Kong-Macao Greater Bay Area” (“GBA”) and the development of the “Belt and Road Initiative” would bring more opportunities for Hong Kong as an international financial hub. The Group will adhere to its prudent management strategy and rigorously deploy and implement development plans in line with market conditions, in order to grasp the development opportunities arising from the Hong Kong capital market and the GBA market.

## Hotel and Gaming Segments

Macau’s tourism and gaming industry have been impacted very seriously by the COVID-19 pandemic. It is uncertain when this will end. Even positive measures such as nationwide resumption of Macau’s Individual Visit Scheme in September 2020 have been implemented by the government, it is hard to predict when Macau’s tourism and gaming industry will fully recover. The Group will regularly review its policy to respond timely to the changing environment and sustain its growth.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 March 2021, the shareholders’ fund and net current assets of the Group amounted to approximately HK\$21,222,817,000 (2020: approximately HK\$21,772,853,000) and approximately HK\$7,971,071,000 (2020: approximately HK\$8,399,385,000) respectively. On the same date, the Group had cash and bank balance of approximately HK\$963,209,000 (2020: approximately HK\$192,918,000) and the current ratio was approximately 1.9 (2020: approximately 1.9).

As at 31 March 2021, the Group had bank borrowings of approximately HK\$560,000,000 (2020: approximately HK\$1,050,000,000), amounts due to shareholders of approximately HK\$4,594,523,000 (2020: approximately HK\$4,394,523,000), loan from a related company of approximately HK\$1,658,343,000 (2020: approximately HK\$2,714,146,000) and subordinated loans of approximately HK\$700,000,000 (2020: approximately HK\$700,000,000) and lease liabilities of approximately HK\$31,328,000 (2020: approximately HK\$65,776,000). On the same date, the net gearing ratio, measured on the basis of total borrowings less bank and cash balances in general accounts over net assets, was approximately 31% (2020: approximately 40%).

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

	2021					
	HKD	CNY	USD	SGD	GBP	MOP
	(’000)	(’000)	(’000)	(’000)	(’000)	(’000)
Cash and bank balances						
— general account	946,867	9,901	105	48	1	3,482
Bank loan	<u>560,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	HKD	CNY	2020 USD	SGD	GBP	MOP
	('000)	('000)	('000)	('000)	('000)	('000)
Cash and bank balances						
— general account	166,327	9,118	173	63	3	14,980
Bank loan	<u>1,050,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

## CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 March 2021 are set out in note 17 to the consolidated financial statements in this announcement.

## CAPITAL STRUCTURE

During the Year, no material fluctuation was noted on the Company's capital structure.

## CAPITAL COMMITMENTS

At 31 March 2021, the Group had capital commitments of approximately HK\$71,000 (2020: approximately HK\$2,395,000) in respect of acquisition of plant and equipment.

## FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2021 (2020: HK 1 cent per share, amounted to approximately HK\$173,645,000).

## CLOSURE OF REGISTER OF MEMBERS

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

Latest time to lodge transfers	4:30 p.m. on 23 August 2021 (Monday)
Latest time to lodge proxy form	11:00 a.m. on 25 August 2021 (Wednesday)
Book close date	24 August 2021 (Tuesday) to 27 August 2021 (Friday)
Record date	27 August 2021 (Friday)
AGM	27 August 2021 (Friday)

In order to qualify for the right to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before the above latest time to lodge transfers.

## **EMPLOYEES**

As at 31 March 2021, the Group employed a total of approximately 692 (2020: approximately 825) staff. The total staff cost for the Year was approximately HK\$165,864,000 (Previous Year: approximately HK\$253,500,000). The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market condition.

## **PLEDGE OF ASSETS**

As at 31 March 2021, the Group had pledged marketable securities at a value of approximately HK\$3,421,731,000 (2020: approximately HK\$3,117,000,000) pledged to the Group by margin clients, and certificates of deposit of approximately HK\$49,953,000 (2020: approximately HK\$93,980,000) to secure certain banking facilities provided to the Group.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

There was no material acquisition nor disposal conducted by the Group during the Year.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

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

Due to the outbreak of COVID-19 pandemic since the early of 2020, countries across the globe are taking unprecedented measures to combat the spread of the virus. Restriction on non-essential travel, transportation, traveler quarantine measures and even "lock down" policies impacted the global economy badly. Investment sentiment in the capital has been dampened. Visitation to Macau and its gross gaming revenue recorded very substantial decrease when compared to the Previous Year. This has and will continue to impact the Group's contribution from its business in Macau.

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

## **RISK MANAGEMENT**

### **COVID-19**

The COVID-19 pandemic may continue to have an adverse effect on the group's operating results from business in Macau and it is uncertain when this will end. However, the Group will continue to observe the current market situation and make corresponding measures to sustain our business.

## **Credit risk**

The Group's Risk Management Committee has put in place credit management policies and procedures which cover the examination of the approval of clients' trading and credit limits, approval and review of the margin lending ratio of individual stock, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. Day-to-day credit monitoring is performed by the Group's Credit and Risk Control Department in accordance with the policies and procedures approved by the Risk Management Committee with toleration and exception reports reviewed by Responsible Officers and senior management of the Group as well as by the Risk Management Committee at regular meetings.

## **Market risk**

If the market value of a margin client's portfolio falls below his margin loan amount and the margin client fails to meet margin calls, the Group will be exposed to the risk that the margin loan being delinquent. Similarly, if the value of the underlying products of a client's futures contract fluctuates such that the outstanding balances in his account falls below the required maintenance margin level, the Group may suffer loss if the client's account incurs loss even after liquidation of the open position. The management of the Group keeps close monitoring of the market condition so that immediate precautionary measures will be taken to reduce such risk that the Group may encounter. Follow up actions such as reducing the margin ratio for the pledged securities and requiring clients to top up their position would be taken if considered appropriate.

## **Liquidity risk**

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

## **Interest rate risk**

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

## **FOREIGN CURRENCY EXPOSURE**

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

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

## **TREASURY POLICY**

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

## **REVIEW BY AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") meets the external auditors at least twice a year to discuss any areas of concerns during the audits. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Rules Governing the Listing of Securities (the "Listing Rules") and the legal requirements in the review of the Company interim and annual reports. The Group's annual results for the year ended 31 March 2021 have been reviewed by the Audit Committee.

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

During the year ended 31 March 2021, there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries.

## **CORPORATE GOVERNANCE**

The Group had complied with all code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 March 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 March 2021.



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

The Company's 2021 annual report, as well as the announcement of annual results, containing the relevant information required by the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website (<http://www.kingston.com.hk>) in due course.

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

Hong Kong, 30 June 2021

*As at the date of this announcement, the executive Directors are Mr. Chu, Nicholas Yuk-yui (Chairman), Mrs. Chu Yuet Wah (Chief Executive Officer), Mr. Chu, Kingston Chun Ho and Mr. Ho Chi Ho and the independent non-executive Directors are Mr. Lau Man Tak, Ms. Lo, Miu Sheung Betty and Mr. Chiu Sin Nang, Kenny.*