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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 2022

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 2022 together with the comparative figures for the corresponding year in 2021 as follows:

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 March 2022 (the “Year”) was approximately HK\$1,973,133,000, representing a decrease of approximately 4% from approximately HK\$2,055,879,000 for the year ended 31 March 2021 (the “Previous Year”).
- Profit for the Year was approximately HK\$44,742,000, representing a decrease of approximately 20.5% from approximately HK\$56,253,000 for the Previous Year. The decrease was primarily attributable to the decrease in margin and IPO financing interest income. Impairment losses on advances to customers in margin financing for the Year was approximately HK\$1,138,519,000 (Previous Year: HK\$1,135,914,000).
- Earnings per share for the Year was approximately HK0.26 cents, representing a decrease of approximately 18.8% from approximately HK0.32 cents for the Previous Year.
- The Board does not recommend the payment of final dividend for the Year (Previous Year: Nil).

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

For the year ended 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Revenue			
Securities brokerage, underwriting and placements commission income	4	158,770	68,628
Margin and IPO financing interest income	4	1,729,866	1,938,035
Other financial services income	4	24,491	12,538
Room and other rental income	4	32,550	26,379
Food and beverage revenue	4	19,229	18,192
Gaming revenue	4	8,227	(7,893)
		1,973,133	2,055,879
Other income		17,095	25,433
		1,990,228	2,081,312
Inventories consumed		(10,034)	(8,875)
Staff costs		(163,606)	(165,864)
Gaming commission		(39,488)	(46,383)
Broker commission		(41,362)	(9,398)
Interest expenses for securities brokerage, underwriting and placements, margin and IPO financing operations		(138,150)	(192,600)
Depreciation of property, plant and equipment		(131,719)	(148,594)
Impairment losses on advances to customers in margin financing	12	(1,138,519)	(1,135,914)
Other expenses		(133,444)	(92,109)
		(1,796,322)	(1,799,737)
Finance income		9,870	7,820
Finance costs	6	(36,146)	(37,591)
Change in fair value of financial assets at fair value through profit or loss		(26,483)	23,337
Exchange gains		693	797
		(52,066)	(5,637)
Profit before taxation	8	141,840	275,938
Taxation	7	(97,098)	(219,685)
Profit for the year		44,742	56,253

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year		44,742	56,253
Other comprehensive income	<i>11</i>		
Item that will not be reclassified to profit or loss:			
Deficit on revaluation of leasehold land and buildings, net of tax		(642,538)	(432,662)
Item that may be reclassified subsequently to profit or loss:			
Release of exchange reserve upon deregistration of a subsidiary		23,403	–
Change in fair value of financial assets at fair value through other comprehensive income		(36)	18
Other comprehensive income for the year		(619,171)	(432,644)
Total comprehensive income for the year		(574,429)	(376,391)
Earnings per share (HK cents per share)	<i>10</i>		
— Basic		0.26	0.32
— Diluted		0.26	0.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,626,854	2,398,966
Statutory deposits for financial services business		4,114	5,554
Goodwill		10,996,683	10,996,683
		12,627,651	13,401,203
Current assets			
Inventories		1,763	2,055
Financial assets at fair value through other comprehensive income		122	158
Financial assets at fair value through profit or loss		91,001	124,323
Advances to customers in margin financing	<i>12</i>	13,747,328	14,368,830
Trade and other receivables	<i>13</i>	68,336	72,587
Tax recoverable		1,350	59,113
Bank deposits for guarantee	<i>14</i>	78,667	77,817
Cash and bank balances			
— held on behalf of customers		552,603	1,156,487
Cash and bank balances	<i>14</i>		
— general accounts		245,982	963,209
		14,787,152	16,824,579
Current liabilities			
Trade and other payables	<i>15</i>	708,247	1,307,552
Amounts due to shareholders		3,994,523	4,594,523
Loan from a related company		767,276	1,658,343
Subordinated loans		700,000	700,000
Bank loans	<i>16</i>	440,000	560,000
Lease liabilities		27,423	31,328
Tax payable		20,079	1,762
		6,657,548	8,853,508
Net current assets		8,129,604	7,971,071
Total assets less current liabilities		20,757,255	21,372,274

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	52,120	–
Deferred tax liabilities	56,747	149,457
	<hr/>	<hr/>
Total non-current liabilities	108,867	149,457
	<hr/>	<hr/>
Total liabilities	6,766,415	9,002,965
	<hr/>	<hr/>
Net assets	20,648,388	21,222,817
	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves		
Share capital — ordinary shares	272,290	272,290
Share capital — non-redeemable convertible preference shares	75,000	75,000
Reserves	20,301,098	20,875,527
	<hr/>	<hr/>
Total equity	20,648,388	21,222,817
	<hr/> <hr/>	<hr/> <hr/>

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's parent is Active Dynamic Limited ("Active Dynamic") and the directors of the Company (the "Directors") consider its ultimate holding company is Active Dynamic. Active Dynamic is incorporated in the British Virgin Islands (the "BVI").

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 Hong Kong Institute of Certified Public Accountants (“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 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of new or revised HKFRSs that are mandatorily effective for the financial year beginning on or after 1 April 2021 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 the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRSs Standards	Annual Improvements to HKFRSs 2018–2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Financial services business:		
— securities brokerage, underwriting and placements commission income	158,770	68,628
— margin and IPO financing interest income	1,729,866	1,938,035
— other financial services	24,491	12,538
	<u>1,913,127</u>	<u>2,019,201</u>
Hotel and gaming business:		
— hotel room and other rental income	32,550	26,379
— food and beverage revenue	19,229	18,192
— gaming revenue	8,227	(7,893)
	<u>60,006</u>	<u>36,678</u>
Total revenue	<u>1,973,133</u>	<u>2,055,879</u>
Disaggregation of the Group's revenue during the year is as follows:		
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
— securities brokerage, underwriting and placements commission income	158,770	68,628
— other financial services	24,491	12,538
— hotel room and other rental income	32,550	26,379
— food and beverage revenue	19,229	18,192
— gaming revenue	8,227	(7,893)
	<u>243,267</u>	<u>117,844</u>
Revenue from other sources not within the scope of HKFRS 15:		
— margin and IPO financing interest income	1,729,866	1,938,035
Total revenue	<u>1,973,133</u>	<u>2,055,879</u>
Timing of revenue recognition from contracts with customers:		
— at a point in time	177,999	86,820
— transferred over time	65,268	31,024
	<u>243,267</u>	<u>117,844</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 SJM Resorts, S.A. (formerly 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 2022 and 2021:

For the year ended 31 March 2022

	Financial services segment				Hotel and gaming segment				Securities investment segment	Total
	Securities brokerage, underwriting and placements	Margin and IPO financing	Other financial services	Subtotal	Hotel operations	Food and beverage	Gaming	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
External customers	158,770	1,729,866	24,491	1,913,127	32,550	19,229	8,227	60,006	-	1,973,133
Inter-segment	-	-	-	-	32,984	-	8,014	40,998	-	40,998
	<u>158,770</u>	<u>1,729,866</u>	<u>24,491</u>	<u>1,913,127</u>	<u>65,534</u>	<u>19,229</u>	<u>16,241</u>	<u>101,004</u>	<u>-</u>	<u>2,014,131</u>
Adjusted EBITDA	<u>151,010</u>	<u>383,317</u>	<u>10,801</u>	<u>545,128</u>	<u>(12,877)</u>	<u>(15,218)</u>	<u>(104,045)</u>	<u>(132,140)</u>	<u>(25,733)</u>	<u>387,255</u>
Segment assets				<u>25,544,159</u>	<u>981,825</u>	<u>601,591</u>	<u>98,455</u>	<u>1,681,871</u>	<u>91,001</u>	<u>27,317,031</u>
Segment liabilities				<u>2,870,065</u>	<u>66,554</u>	<u>9,508</u>	<u>107,926</u>	<u>183,988</u>	<u>-</u>	<u>3,054,053</u>
Capital expenditure				<u>-</u>	<u>1,423</u>	<u>886</u>	<u>4,498</u>	<u>6,807</u>	<u>-</u>	<u>6,807</u>

For the year ended 31 March 2021

	Financial services segment				Hotel and gaming segment				Securities investment segment	Total
	Securities brokerage, underwriting and placements	Margin and IPO financing	Other financial services	Subtotal	Hotel operations	Food and beverage	Gaming	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment revenue	2,014,131	2,109,420
Less: Inter-segment revenue	<u>(40,998)</u>	<u>(53,541)</u>
Total revenue	<u>1,973,133</u>	<u>2,055,879</u>
Adjusted EBITDA	387,255	504,729
Other income	3,642	10,485
Interest income	7,882	3,311
Exchange gains	693	797
Corporate staff costs	(30,449)	(31,906)
Central administrative expenses	(59,318)	(25,293)
Depreciation of property, plant and equipment	(131,719)	(148,594)
Finance costs	(36,146)	(37,591)
Taxation	(97,098)	(219,685)
Profit for the year	<u>44,742</u>	<u>56,253</u>
Segment assets	27,317,031	29,960,128
Financial assets at fair value through other comprehensive income	122	158
Corporate assets	<u>97,650</u>	<u>265,496</u>
Total assets	<u>27,414,803</u>	<u>30,225,782</u>
Segment liabilities	3,054,053	4,630,697
Unallocated amounts due to shareholders	3,704,523	4,304,523
Corporate liabilities	<u>7,839</u>	<u>67,745</u>
Total liabilities	<u>6,766,415</u>	<u>9,002,965</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	11,093,795	11,051,987
Macau	<u>1,533,856</u>	<u>2,349,216</u>
Total non-current assets	<u>12,627,651</u>	<u>13,401,203</u>

Information about major customers

No single customer contributed 10% or more of the Group's total revenue during the years ended 31 March 2022 and 2021.

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses on amount due to a shareholder	35,350	35,350
Interest expenses on lease liabilities	<u>796</u>	<u>2,241</u>
	<u>36,146</u>	<u>37,591</u>

7. TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
— Hong Kong Profits Tax	93,282	120,658
— Under provision in respect of prior years	<u>8,908</u>	<u>106,172</u>
	102,190	226,830
Deferred tax		
— Macau Complementary Tax	<u>(5,092)</u>	<u>(7,145)</u>
	<u>97,098</u>	<u>219,685</u>

- (a) Hong Kong Profits Tax has been provided at the statutory tax rate of 16.5% (2021: 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% (2021: 12%) of the taxable profit for the year.
- (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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	2,859	2,937
Marketing, advertising and promotion expenses	8,466	7,692
Short-term lease expenses	530	353
Provision of impairment losses on trade and other receivables	11,579	853
Directors' remuneration	<u>48,630</u>	<u>48,648</u>

9. DIVIDEND

No interim dividend was declared for the six months ended 30 September 2021 and 2020.

The board of directors of the Company does not recommend the payment of final dividend for the year ended 31 March 2022 (2021: Nil). The final dividend for the year ended 31 March 2020 amounting to HK\$173,645,000 was paid during the year ended 31 March 2021.

10. EARNINGS PER SHARE

	2022 <i>HK cents</i>	2021 <i>HK cents</i>
Basic earnings per share	<u>0.26</u>	<u>0.32</u>
Diluted earnings per share	<u>0.26</u>	<u>0.32</u>

(a) Basic earnings per share

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	<u>44,742</u>	<u>56,253</u>
	2022	2021
Weighted average number of ordinary shares	13,614,480,666	13,614,480,666
Weighted average number of non-redeemable convertible preference shares	<u>3,750,000,000</u>	<u>3,750,000,000</u>
Total weighted average number of shares used in the calculation of basic earnings per share	<u>17,364,480,666</u>	<u>17,364,480,666</u>

(b) Diluted earnings per share

Diluted earnings per share is equal to the basic earnings per share as there was no dilutive potential shares to be issued for the years ended 31 March 2022 and 2021.

11. OTHER COMPREHENSIVE INCOME

	2022			2021		
	Before taxation HK\$'000	Taxation HK\$'000	After taxation HK\$'000	Before taxation HK\$'000	Taxation HK\$'000	After taxation HK\$'000
Deficit on revaluation of leasehold land and buildings	(730,156)	87,618	(642,538)	(491,661)	58,999	(432,662)
Release of exchange reserve upon deregistration of a subsidiary	23,403	-	23,403	-	-	-
Change in fair value of financial assets at fair value through other comprehensive income	(36)	-	(36)	18	-	18
	<u>(706,789)</u>	<u>87,618</u>	<u>(619,171)</u>	<u>(491,643)</u>	<u>58,999</u>	<u>(432,644)</u>

Except for the release of exchange reserve upon deregistration of a subsidiary, there is no reclassification adjustment relating to the components of other comprehensive income for the years ended 31 March 2022 and 2021.

12. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	2022 HK\$'000	2021 HK\$'000
Directors of subsidiaries and their associates	25,886	46,103
Other margin financing customers	<u>19,429,622</u>	<u>18,296,063</u>
	19,455,508	18,342,166
Less: Loss allowances	<u>(5,708,180)</u>	<u>(3,973,336)</u>
	<u>13,747,328</u>	<u>14,368,830</u>

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

	2022 HK\$'000	2021 HK\$'000
At 1 April	3,973,336	2,517,245
Unwinding of interest	596,325	320,177
Provision of loss allowances	<u>1,138,519</u>	<u>1,135,914</u>
At 31 March	<u>5,708,180</u>	<u>3,973,336</u>

At 31 March 2022 and 2021, 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 2022, total market value of securities pledged as collateral in respect of the loan granted to margin clients was approximately HK\$30,895,665,000 (31 March 2021: approximately HK\$36,628,707,000). Among the securities pledged as collateral, there was approximately HK\$2,395,699,000 (2021: approximately HK\$3,421,731,000) provided by margin clients to secure bank loans.

No customer borrowed 10% or more of the Group's advances to customers in margin financing as at 31 March 2022 and 2021.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from financial services segments	36,089	31,941
Trade receivables from hotel and gaming segments	7,178	14,398
	<u>43,267</u>	<u>46,339</u>
Other receivables, deposits and prepayments	25,069	26,248
	<u>68,336</u>	<u>72,587</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables arising from the ordinary course of business of dealing in securities:		
— Cash clients	299	17,739
— Clearing House	23,793	1,050
— Brokers and dealers	137	207
	<u>24,229</u>	<u>18,996</u>
Trade receivables arising from the ordinary course of business of dealing in futures contracts:		
— Clearing house	7,980	8,070
Trade receivables arising from the ordinary course of business in the provision of:		
— Corporate finance advisory services	4,341	5,810
	<u>36,550</u>	<u>32,876</u>
Total trade receivables, before loss allowances	<u>36,550</u>	<u>32,876</u>
Less: Loss allowances	(461)	(935)
Total trade receivables, after loss allowances	<u>36,089</u>	<u>31,941</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 April	935	636
Provision of loss allowances	2,876	299
Written off	(3,350)	–
	<hr/>	<hr/>
At 31 March	461	935
	<hr/> <hr/>	<hr/> <hr/>

The settlement terms of trade receivables attributable to dealing in securities are one or two business days after trade date, and those of trade receivables attributable to dealing in futures contracts are one business 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 risk for both years and ECLs are assessed to be insignificant.

Trade receivables from clearing houses, brokers, dealers and corporate finance advisory 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	7,046	8,124
31–60 days	31	331
61–90 days	123	96
Over 90 days	23,379	30,333
	<hr/>	<hr/>
	30,579	38,884
Less: Loss allowances	(23,401)	(24,486)
	<hr/>	<hr/>
	7,178	14,398
	<hr/> <hr/>	<hr/> <hr/>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 April	24,486	23,936
Provision of loss allowances	8,716	550
Written off	(9,801)	–
	<u>23,401</u>	<u>24,486</u>

Other receivables

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 April	294	290
(Reversal)/provision of loss allowances	(13)	4
	<u>281</u>	<u>294</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>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank deposits for guarantees	(i)	<u>78,667</u>	<u>77,817</u>
Time deposits	(ii)	<u>106,361</u>	172,670
Cash at banks and in hand	(ii)	<u>139,621</u>	<u>790,539</u>
		<u>245,982</u>	<u>963,209</u>

Notes:

- (i) As at 31 March 2022, the Group had restricted bank deposits of approximately MOP50,272,000 (equivalent to approximately HK\$48,808,000) (2021: MOP49,729,000 (equivalent to approximately HK\$48,281,000)) and approximately HK\$29,859,000 (2021: approximately HK\$29,536,000) represents deposits placed with bank for certain bank guarantees provided for SJM secure the punctual, complete, due, diligent and timely performance of the Group's obligation in respect to the cease of the operation of the Casino as incurred before and on the expiry date of the agreement.
- (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 (2021: 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables from financial services segments	575,981	1,196,643
Trade payables from hotel and gaming segments	17,081	8,965
	<u>593,062</u>	<u>1,205,608</u>
Other payables and accruals	115,185	101,944
	<u>708,247</u>	<u>1,307,552</u>

Trade payables from financial services segments

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables arising from the ordinary course of business of dealing in securities:		
— Cash clients	276,148	664,101
— Margin clients	284,978	506,045
— Clearing House	—	2,732
	<u>561,126</u>	<u>1,172,878</u>
Dividend payable to clients	10	1,066
Trade payables arising from the ordinary course of business of dealing in futures contracts:		
— Clients	14,436	21,033
Trade payables arising from the ordinary course of business in the provision of:		
— Corporate finance advisory services	409	1,666
	<u>575,981</u>	<u>1,196,643</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 2022, included in trade payables of approximately HK\$552,603,000 (2021: approximately HK\$1,156,487,000) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	15,507	5,777
31–60 days	1,119	1,916
61–90 days	401	748
Over 90 days	54	524
	<u>17,081</u>	<u>8,965</u>

16. BANK LOANS

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Secured bank loans:			
— Money market loans and revolving loans	(a)	<u>440,000</u>	<u>560,000</u>
Repayable:			
— Within one year		<u>440,000</u>	<u>560,000</u>

Note:

- (a) As at 31 March 2022, the Group's banking facilities, and the above money market loans and revolving loans are secured by marketable securities of approximately HK\$2,395,699,000 (2021: approximately HK\$3,421,731,000) provided by margin clients and certificates of deposit of approximately HK\$46,770,000 (2021: approximately HK\$49,953,000). During the year, the money market loans and revolving loans bear floating interest rates ranging from approximately 0.93% to 1.29% (2021: approximately 0.79% to 2.45% per annum).

17. EVENTS AFTER THE REPORTING PERIOD

The Hong Kong Legislative Council has, on 9 June 2022, passed the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 (the "Bill") to abolish the MPF offsetting mechanism. It is envisaged that the cancellation of mechanism will not come into effect until 2025 at the earliest.

The abolishment of the MPF offsetting mechanism will not have retrospective effect, and the Bill will not change the rate and maximum payment of statutory severance payments or long service payments, which is currently calculated as 2/3 of the employee's last monthly wages (capped at HK\$22,500), and subject to the maximum limit of HK\$390,000.

The Group has already commenced an assessment of the impact of the Bill to the Group. The Group is not yet in a position to state whether the abolishment of the MPF offsetting mechanism will result in substantial change to the Group's financial statements.

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 2022 (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\$1,973,133,000, representing a decrease of approximately 4% as compared to approximately HK\$2,055,879,000 for the year ended 31 March 2021 (the “Previous Year”).

Profit for the Year amounted to approximately HK\$44,742,000, representing a decrease of approximately 20.5% as compared to approximately HK\$56,253,000 for the Previous Year. Basic earnings per share for the Year was approximately HK0.26 cents, representing a decrease of approximately 18.8% as compared to approximately HK0.32 cents for the Previous Year. The decrease was primarily attributable to the decrease in margin and IPO financing interest income. Impairment losses on advances to customers in margin financing for the Year was approximately HK\$1,138,519,000 (Previous Year: HK\$1,135,914,000).

BUSINESS AND FINANCIAL REVIEW

The COVID-19 pandemic has broken out since early 2020 and has continued to spread globally, and the rapid mutation of the virus continued to shock the global economy. Central banks of different countries implemented quantitative easing policy during the pandemic, which caused a large influx of funds pouring into the European and U.S. stock markets. The U.S. stock market performed strongly in 2021, the three major indices recorded a double digits increase during the year, whereas the S&P 500, NASDAQ and Dow Jones Industrial Average went up by approximately 27%, 21% and 19% respectively. However, the Russian invasion in Ukraine, the continuous increase in food and energy prices and high transportation costs dragged down the pace of global economic recovery.

The Hong Kong stock market would undoubtedly be impacted by the U.S. Federal Reserve’s stated expectation of interest rate hike, the risk of default on bonds issued by Mainland property developers, and the increase of stamp duty on stocks in Hong Kong and other factors. In addition, the Mainland government has imposed antitrust penalties on individual Internet enterprises, casting shadows for Hong Kong-listed new economy stocks. The Hang Seng Index hit a low at 18,235 points on 15 March 2022, marking a decade-low since June 2012. In 2021, the Hong Kong initial public offering (IPO) market was muted, especially in the second half of the year, the increase in the amount of financing slowed down significantly, with approximately 17% drop in capital raised to approximately HK\$331.4 billion during the year.

However, the average daily turnover of Hong Kong stocks rose by approximately 29% year-on-year to approximately \$166.7 billion in 2021. Both the annual turnover and average daily turnover of the Shanghai-Shenzhen-Hong Kong Stock Connect reached record highs, with the turnover of northbound and southbound trading reached approximately RMB27.6 trillion and approximately HK\$9.3 trillion respectively, up approximately 31% and approximately 70% compared to 2020; the average daily turnover reached approximately RMB120.1 billion and HK\$41.7 billion in 2021 respectively, up approximately 32% and approximately 71% year-on-year. For the financial year under review, the Group's revenue from the financial services segment decreased by approximately 5.3% from approximately HK\$2,019,201,000 last year to approximately HK\$1,913,127,000 this year.

Under the influence of COVID-19, tourism restrictions were enacted in Macau and other places, yet visitor arrivals to Macau had increased during the Year from a low base figure. According to DICJ (Direcção de Inspecção e Coordenação de Jogos) reporting, gaming revenue for the Year was approximately \$81 billion, up approximately 51% year-on-year, but had still dropped by approximately 73% compared to the pre-pandemic period. For the financial year under review, the revenue from hotel and gaming business increased by approximately 64%.

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 total solutions to clients' financing needs. The Group plays significant roles as placing agents and underwriters for listed companies across different sectors.

The US Federal Reserve announced a 0.25% interest rate hike in March 2022, raising the federal funds rate to 0.25% to 0.5%, marking the first rate hike since December 2018. As the US enters the interest rate hike cycle, market liquidity becomes constrained. In addition, the uncertainties of the local pandemic and the China-US conflict have weighed on the investment sentiment, and the capital market sentiment is undoubtedly under impact, where the Hang Seng Index hit a low at 18,235 points on 15 March 2022, a decade-low since June 2012.

Although the financial market still faces difficulties and challenges in different aspects, yet China concept stocks continued to return to the Hong Kong stock market, meanwhile the further expansion of the debt capital market, ETFs (Exchange Traded Funds) and SPACs (Special Purpose Acquisition Companies) in Hong Kong has brought opportunities for the industry. With the gradual increase in vaccination rates and the expected relaxation of the pandemic prevention measures and border control in phases, the performance of Hong Kong stocks is expected to improve as the economy of Hong Kong and China gradually recovers.

During the Year, the Group recorded a revenue of approximately HK\$158,770,000 in this segment (the Previous Year: approximately HK\$68,628,000), representing an increase of approximately 131% as compared to the Previous Year, which also accounted for approximately 9% (the Previous Year: approximately 3%) of the Group's financial service segment revenue and approximately 8% (the Previous Year: approximately 3%) 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\$1,729,866,000 (the Previous Year: approximately HK\$1,938,035,000), accounting for approximately 90% (the Previous Year: approximately 96%) of the Group's financial service segment revenue and approximately 88% (the Previous Year: approximately 94%) of the Group's total revenue. The stock market in Hong Kong was volatile over the Year. Impairment losses of approximately HK\$1,138,519,000 (Previous Year: approximately HK\$1,135,914,000) 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\$24,491,000 (Previous Year: approximately HK\$12,538,000), representing an increase of approximately 95.3%, which also accounted for approximately 1% (Previous Year: approximately 1%) of the Group's financial service segment revenue and approximately 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.

Under the influence of COVID-19, tourism restrictions were enacted in Macau and other places, yet visitor arrivals to Macau had increased in the Year from a low base figure which had a positive effect on the Group's hotel business in Macau. Revenue for hotel operations plus food and beverage in total amounted to approximately HK\$51,779,000 (Previous Year: approximately HK\$44,571,000), representing an increase of approximately 16.2% as compared to the Previous Year. The average occupancy rates of the two hotels, namely Casa Real and Grandview, were approximately 41% (Previous Year: approximately 19%) and approximately 40% (Previous Year: approximately 19%) respectively.

Gaming Business

The Group's casino operation is run by the licence holder, namely SJM Resorts, S.A. (formerly Sociedade de Jogos de Macau, S.A) ("SJM").

Similarly, the increase in visitor arrival to Macau had a positive effect on the Group's gaming business in Macau. Gaming gain amounted to approximately HK\$8,227,000 for the Year, representing an increase of approximately 204% as compared to loss of approximately HK\$7,893,000 of the Previous Year.

As at 31 March 2022, the Group has 69 tables (2021: 69) in the mass market halls, and 262 slot machines (2021: 262). As at 31 March 2022, the Group did not have any tables in the VIP rooms (2021: 15) as the VIP rooms were closed in February 2022.

During the Previous 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.

Subsequent to the year end, the Group entered into an addendum (the “New Addendum”) with SJM for the continuation of the provision of services based on a new arrangement to SJM in the two casinos located at the Group’s two hotels. Pursuant to the New Addendum, the term of services has been extended to 31 December 2022.

Other Income

Other income in the Year mainly included custodian and handling charges and sundry income. The income decreased by approximately 32.8% from approximately HK\$25,433,000 in the Previous Year to approximately HK\$17,095,000 in the Year as there was government subsidy received of approximately HK\$4,059,000 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 loss on financial assets at fair value through profit or loss of approximately HK\$26,483,000 (Previous Year: fair value gain approximately HK\$23,337,000). As at 31 March 2022, the Group was holding financial assets at fair value through profit or loss of approximately HK\$91,001,000 (Previous Year: approximately HK\$124,323,000) 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\$10,034,000 (Previous Year: approximately HK\$8,875,000), representing an approximately 13.1% increase which was in line with the increase in revenue of hotel business during the Year.

Staff costs

Staff costs amounted to approximately HK\$163,606,000 (Previous Year: approximately HK\$165,864,000). 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 14.9% from approximately HK\$46,383,000 in the Previous Year to approximately HK\$39,488,000 in the Year as the chip turnover dropped due to the closure of the VIP rooms in February 2022.

Broker Commission

Broker commission increased approximately 340% from approximately HK\$9,398,000 in the Previous Year to approximately HK\$41,362,000 in the Year. The increase was due to 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\$192,600,000 in the Previous Year to approximately HK\$138,150,000 in the Year, representing a decrease of approximately 28.3% due to less funding need and fund cost during the Year.

Depreciation of property, plant and equipment

The depreciation decreased from approximately from HK\$148,594,000 in the Previous Year to approximately HK\$131,719,000 in the Year, representing a decrease of approximately 11.4% which was due mainly to the decrease of the depreciation of the leasehold and buildings held for own use in which the fair value decreased during the Previous 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\$1,138,519,000 (Previous Year: approximately HK\$1,135,914,000) were made on some particular clients with margin loan shortfalls on a prudent basis after reviewing their margin accounts portfolio and financial positions.

Other expenses

Other expenses mainly included rent and rates, office management fee, lease expenses, electricity and water, fuel, other operating expenses and etc.. During the Year under review, it amounted to approximately HK\$133,444,000 (Previous Year: approximately HK\$92,109,000), representing an approximately 45% increase. The increase was due to the donation expenses of HK\$5,540,000 paid during the year, the losses arising from reclassification of exchange reserve upon deregistration of a subsidiary of approximately HK\$23,403,000 and the bad debt written off of approximately HK\$9,801,000 due to the closure of VIP room during the year.

Finance cost

During the Year, finance costs of approximately HK\$36,146,000 (Previous Year: approximately HK\$37,591,000) represented the interest expenses on the amount due to a shareholder and lease liabilities.

FUTURE PROSPECTS

Financial service segments

The Group expects the unstable COVID-19 pandemic situation is here to stay. Although vaccination rates are gradually increasing in various countries, we will not be complacent to the development of the pandemic, and will continue to monitor the business environment carefully and focus on our existing business.

Looking forward, we expect that the global and local economies will continue to have hidden concerns in the coming year. In addition to geopolitical instability, commodity and energy prices continue to soar which drive up the inflation rate, while the US enters the interest rate hike cycle and the US dollar is expected to remain strong, with liquidity tightening as the exchange rate hovers at a 20-years high level. Due to the weakening of the RMB exchange rate, coupled with the continuation of the recent pandemic control and lockdown measures in Mainland, the market is concerned that such factors are dragging the economic growth. However, it is expected that the Central Government will launch a series of measures to stabilize the economy, including speeding up the construction of major infrastructure projects and expanding domestic demand, which is expected to keep the medium-to long-term economic upturn in China.

The development of Guangdong-Hong Kong-Macao Greater Bay Area (“Greater Bay Area”) and Qianhai region will push on. Meanwhile the Hong Kong government is encouraging and supporting enterprises to issue green bonds or other innovative green financial products, which is expected to bring opportunities for Hong Kong as an international financial centre. The Group will adhere to its strategy of managing the situation in a prudent manner under the current climate, and will carefully plan and implement development plans that are in line with the market conditions, in order to capture the development opportunities of the capital market in Hong Kong and the Greater Bay Area.

Hotel and Gaming Segments

Macau's tourism and gaming industries have been severely affected by COVID-19, and it is uncertain when it will end and when it will fully recover to pre-pandemic levels. With the expected gradual restoration of the e-Visa system and the reopening of Hong Kong-Macau border, it is expected that the number of visitors to Macau will gradually rebound and Macau's gaming revenue will also improve.

In addition, DICJ has published the report on the conclusion of the public consultation on the amendment of the gaming law, and the uncertainty has been removed. The Group will regularly review its policies to respond to the ever-changing environment and to maintain stability of its businesses.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 March 2022, the shareholders' fund and net current assets of the Group amounted to approximately HK\$20,648,388,000 (2021: approximately HK\$21,222,817,000) and approximately HK\$8,129,604,000 (2021: approximately HK\$7,971,071,000) respectively. On the same date, the Group had cash and bank balance of approximately HK\$245,982,000 (2021: approximately HK\$963,209,000) and the current ratio was approximately 2.2 (2021: approximately 1.9).

As at 31 March 2022, the Group had bank borrowings of approximately HK\$440,000,000 (2021: approximately HK\$560,000,000), amounts due to shareholders of approximately HK\$3,994,523,000 (2021: approximately HK\$4,594,523,000), loan from a related company of approximately HK\$767,276,000 (2021: approximately HK\$1,658,343,000) and subordinated loans of approximately HK\$700,000,000 (2021: approximately HK\$700,000,000) and lease liabilities of approximately HK\$79,543,000 (2021: approximately HK\$31,328,000). 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 28% (2021: approximately 31%).

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:

	2022					
	HKD (’000)	CNY (’000)	USD (’000)	SGD (’000)	GBP (’000)	MOP (’000)
Cash and bank balances						
— general account	209,717	14,360	168	2	1	17,691
Bank loan	<u>440,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	2021					
	HKD (’000)	CNY (’000)	USD (’000)	SGD (’000)	GBP (’000)	MOP (’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>

CONTINGENT LIABILITIES

As at 31 March 2022, the Group had no material contingent liabilities.

CAPITAL STRUCTURE

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

CAPITAL COMMITMENTS

At 31 March 2022, the Group had no material capital commitments (2021: approximately HK\$71,000) 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 2022 (2021: Nil).

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 24 August 2022 (Wednesday)
Latest time to lodge proxy form	11:00 a.m. on 26 August 2022 (Friday)
Book close date	25 August 2022 (Thursday) to 30 August 2022 (Tuesday)
Record date	30 August 2022 (Tuesday)
AGM	30 August 2022 (Tuesday)

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 Floor 17, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong before the above latest time to lodge transfers.

EMPLOYEES

As at 31 March 2022, the Group employed a total of approximately 621 (2021: approximately 692) staff. The total staff cost for the Year was approximately HK\$163,606,000 (Previous Year: approximately HK\$165,864,000). 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 2022, the Group had pledged marketable securities at a value of approximately HK\$2,395,699,000 (2021: approximately HK\$3,421,731,000) pledged to the Group by margin clients, and certificates of deposit of approximately HK\$46,770,000 (2021: approximately HK\$49,953,000) 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 2022 have been reviewed by the Audit Committee.

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

During the year ended 31 March 2022, 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 2022.

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 2022.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's 2022 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, 28 June 2022

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.