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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)**

## **UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

### **FINANCIAL HIGHLIGHTS**

- Turnover for the six months ended 30 September 2022 (the “Period”) increased by approximately 3% to approximately HK\$940,235,000 when compared to approximately HK\$913,132,000 in the corresponding period of last year (the “Previous Period”).
- Profit for the Period decreased by approximately 26.4% to approximately HK\$1,823,000 when compared to approximately HK\$2,478,000 in the Previous Period. The decrease was primarily attributable to the impairment losses on advances to customers in margin financing of approximately HK\$662,691,000 in the Period (Previous Period: approximately HK\$568,226,000).
- Earnings per share for the Period decreased by approximately 26.4% to approximately HK0.0105 cents when compared to approximately HK0.0143 cents in the Previous Period.

The Board of Directors (“the Board”) of Kingston Financial Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, “the Group”) for the six months ended 30 September 2022 together with comparative figures for the six months ended 30 September 2021.

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

*For the six months ended 30 September 2022*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>(unaudited)</b>	(unaudited)
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	2	<b>940,235</b>	913,132
Other income		<b>14,523</b>	8,967
		<b>954,758</b>	922,099
Inventory consumed		<b>(2,964)</b>	(4,785)
Staff costs	3	<b>(79,700)</b>	(85,861)
Gaming commission		<b>(4,451)</b>	(23,617)
Broker commission		<b>(1,819)</b>	(5,676)
Interest expenses for securities brokerage, underwriting and placements, margin and IPO financing operations		<b>(57,381)</b>	(77,899)
Depreciation of property, plant and equipment		<b>(48,140)</b>	(67,531)
Impairment losses on advances to customers in margin financing	9	<b>(662,691)</b>	(568,226)
Other expenses		<b>(37,380)</b>	(43,116)
		<b>(894,526)</b>	(876,711)
Finance income		<b>2,977</b>	6,101
Finance costs		<b>(18,038)</b>	(18,191)
Change in fair value of financial assets at fair value through profit or loss		<b>(8,689)</b>	1,747
Exchange (losses)/gains, net		<b>(1,390)</b>	53
		<b>(25,140)</b>	(10,290)
Profit before taxation	4	<b>35,092</b>	35,098
Taxation	5	<b>(33,269)</b>	(32,620)
<b>Profit for the period</b>		<b>1,823</b>	2,478

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	2021
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Other comprehensive income</b>			
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of leasehold land and buildings, net of tax	8	<b>24,227</b>	35,840
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>8</u>	<u>(34)</u>
<b>Other comprehensive income for the period</b>		<u><b>24,235</b></u>	<u>35,806</u>
<b>Total comprehensive income for the period</b>		<u><b>26,058</b></u>	<u>38,284</u>
<b>Earnings per share (HK cents per share)</b>			
— Basic	7	<b>0.0105</b>	0.0143
— Diluted		<u><b>0.0105</b></u>	<u>0.0143</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2022*

		30 September 2022 (unaudited) <i>HK\$'000</i>	31 March 2022 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	1,606,441	1,626,854
Statutory deposits for financial services business		2,905	4,114
Goodwill		<u>10,996,683</u>	<u>10,996,683</u>
		<u>12,606,029</u>	<u>12,627,651</u>
<b>Current assets</b>			
Inventories		1,728	1,763
Financial assets at fair value through other comprehensive income		130	122
Financial assets at fair value through profit or loss		82,310	91,001
Advances to customers in margin financing	9	14,172,412	13,747,328
Trade and other receivables	10	59,063	68,336
Tax recoverable		–	1,350
Bank deposits for guarantee		79,237	78,667
Cash and bank balances — held on behalf of customers		1,538,462	552,603
Cash and bank balances — general accounts		<u>368,088</u>	<u>245,982</u>
		<u>16,301,430</u>	<u>14,787,152</u>
<b>Current liabilities</b>			
Trade and other payables	11	2,298,214	708,247
Amount due to shareholders		3,939,523	3,994,523
Loan from a related company		930,679	767,276
Subordinated loans		700,000	700,000
Bank loans		215,000	440,000
Lease liabilities		27,567	27,423
Tax payable		<u>24,668</u>	<u>20,079</u>
		<u>8,135,651</u>	<u>6,657,548</u>

	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
<b>Net current assets</b>	<b>8,165,779</b>	8,129,604
<b>Total assets less current liabilities</b>	<b>20,771,808</b>	20,757,255
<b>Non-current liabilities</b>		
Lease liabilities	<b>38,301</b>	52,120
Deferred tax liabilities	<b>59,061</b>	56,747
<b>Total non-current liabilities</b>	<b>97,362</b>	108,867
<b>Total liabilities</b>	<b>8,233,013</b>	6,766,415
<b>Net assets</b>	<b>20,674,446</b>	20,648,388
<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>20,327,156</b>	20,301,098
<b>Total equity</b>	<b>20,674,446</b>	20,648,388

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2022. The accounting policies adopted in the preparation of unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2022, except for the adoption of new and revised Standards, Amendments and Interpretations (“new/revised HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2022, noted below:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41

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

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the financial statements.

These unaudited interim condensed consolidated financial statements are presented in thousands of units of Hong Kong Dollars (“HK\$’000”), unless otherwise stated. These unaudited interim condensed consolidated financial statements contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. These unaudited interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2022 consolidated financial statements.

## 1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

The ongoing Pandemic and the corresponding quarantine measures as well as travel restrictions significantly reduced the visitation to the Group's hotels, which had a negative impact on the Group's results for the Period. Gaming and hotel revenue of the Group dropped apparently as the patrons refrained from making physical visits due to public health concerns.

## 2 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their services, and has seven (six months ended 30 September 2021: seven) reporting operating segments as follows:

### 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 initial public offering ("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 in hotels.
- Gaming, which is the provision of services to casinos run by the licence holder, namely SJM Resorts, 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 amounts due to shareholders and corporate liabilities, which are not directly attributable to the operating segments.

### Operating segments

The following tables represent segment information of the Group for the six months ended 30 September 2022 and 2021, respectively.

**For the six months ended 30 September 2022 (unaudited)**

	Financial services segment				Hotel and gaming segment				Securities investment segment	Total
	Securities brokerage, underwriting and placements <i>HK\$'000</i>	Margin and IPO financing <i>HK\$'000</i>	Other financial services <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Food and beverage <i>HK\$'000</i>	Gaming <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>		
<b>Segment revenue</b>										
External customers	14,577	918,747	6,725	940,049	13,434	7,662	(20,910)	186	-	940,235
Inter-segment	-	-	-	-	11,888	-	3,795	15,683	-	15,683
	<u>14,577</u>	<u>918,747</u>	<u>6,725</u>	<u>940,049</u>	<u>25,322</u>	<u>7,662</u>	<u>(17,115)</u>	<u>15,869</u>	<u>-</u>	<u>955,918</u>
<b>Adjusted EBITDA</b>	<u>14,139</u>	<u>250,419</u>	<u>1,550</u>	<u>266,108</u>	<u>(11,091)</u>	<u>(7,906)</u>	<u>(43,449)</u>	<u>(62,446)</u>	<u>(7,997)</u>	<u>195,665</u>
<b>Segment Assets</b>				<u>27,132,652</u>	<u>910,831</u>	<u>546,201</u>	<u>209,165</u>	<u>1,666,197</u>	<u>82,311</u>	<u>28,881,160</u>
<b>Segment Liabilities</b>				<u>4,377,166</u>	<u>67,614</u>	<u>7,345</u>	<u>127,385</u>	<u>202,344</u>	<u>-</u>	<u>4,579,510</u>
Capital Expenditure				<u>-</u>	<u>120</u>	<u>69</u>	<u>87</u>	<u>276</u>	<u>-</u>	<u>276</u>

**For the six months ended 30 September 2021 (unaudited)**

	Financial services segment				Hotel and gaming segment				Securities investment segment	Total
	Securities brokerage, underwriting and placements <i>HK\$'000</i>	Margin and IPO financing <i>HK\$'000</i>	Other financial services <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Food and beverage <i>HK\$'000</i>	Gaming <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>		
<b>Segment revenue</b>										
External customers	11,109	846,805	11,343	869,257	16,580	8,529	18,766	43,875	-	913,132
Inter-segment	-	-	-	-	22,957	-	4,225	27,182	-	27,182
	<u>11,109</u>	<u>846,805</u>	<u>11,343</u>	<u>869,257</u>	<u>39,537</u>	<u>8,529</u>	<u>22,991</u>	<u>71,057</u>	<u>-</u>	<u>940,314</u>
<b>Adjusted EBITDA</b>	<u>10,714</u>	<u>179,412</u>	<u>6,139</u>	<u>196,265</u>	<u>(6,078)</u>	<u>(7,702)</u>	<u>(42,815)</u>	<u>(56,595)</u>	<u>2,357</u>	<u>142,027</u>
<b>Segment Assets</b>				<u>25,416,419</u>	<u>1,723,362</u>	<u>881,685</u>	<u>419,396</u>	<u>3,024,443</u>	<u>126,026</u>	<u>28,566,888</u>
<b>Segment Liabilities</b>				<u>2,995,236</u>	<u>161,443</u>	<u>10,450</u>	<u>76,513</u>	<u>248,406</u>	<u>-</u>	<u>3,243,642</u>
Capital Expenditure				<u>-</u>	<u>1,802</u>	<u>1,817</u>	<u>1,740</u>	<u>5,359</u>	<u>-</u>	<u>5,359</u>

As the assets and liabilities of financial services segments, including securities brokerage, underwriting and placements, margin and IPO financing and other financial services, are regularly reviewed by the directors of the Company in total for the Group as a whole, the measure of total assets and liabilities by each operating segments under financial services business is therefore not presented.

*Note:* Gaming revenue/loss represented the net amount of service income calculated based on net gaming win/loss and reimbursement payable to gaming operator.



### 3 STAFF COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Staff costs (including directors' remuneration)		
— salaries, wages and other benefits	79,226	85,347
— contributions to defined contribution retirement scheme	474	514
	<u>79,700</u>	<u>85,861</u>

### 4 PROFIT BEFORE TAXATION

The profit before taxation for the period is arrived at after charging as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation of right-of-use assets	<u>13,826</u>	<u>17,424</u>

### 5 TAXATION

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax:		
Hong Kong Profits Tax	34,257	35,173
Deferred tax		
Macau Complementary Tax	<u>(988)</u>	<u>(2,553)</u>
	<u>33,269</u>	<u>32,620</u>

Hong Kong Profits Tax has been provided for six months ended 30 September 2022 at a rate of 16.5% (30 September 2021: 16.5%) of the taxable profit for the period, 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%.

Macau Complementary Tax has been provided for the six months ended 30 September 2022 at a rate of 12% (30 September 2021: 12%) of the taxable profit for the period.

## 6 DIVIDENDS

No interim dividend was declared for the six months ended 30 September 2022 and 2021.

No final dividend attributable to the previous financial year was approved and paid for the six months ended 30 September 2022.

## 7 EARNINGS PER SHARE

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK cent</b>	<b>HK cent</b>
Basic earnings per share	<u><b>0.0105</b></u>	<u>0.0143</u>
Diluted earnings per share	<u><b>0.0105</b></u>	<u>0.0143</u>

### (a) Basic earnings per share

The basic earnings per share which is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period	<u><b>1,823</b></u>	<u>2,478</u>

	<b>Six months ended 30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
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	<u><b>3,750,000,000</b></u>	<u>3,750,000,000</u>
Total weighted average number of shares used in the calculation of basic earnings per share	<u><b>17,364,480,666</b></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 were no dilutive potential shares outstanding during the six months ended 30 September 2022 and 2021.

## 8 PROPERTY, PLANT AND EQUIPMENT

As at 30 September 2022, the directors considered that the fair value of the Group's leasehold land and buildings for own use was approximate to the valuation amounts as at 31 March 2022 for which the valuations were carried out by an independent valuer AA Property Services Limited. During the period, in the opinion of directors, there were no changes in valuation techniques for their assessment and such techniques were consistent with those adopted in the preparation of the Group's annual report for the year ended 31 March 2022.

During the period, the after tax revaluation surplus of approximately HK\$24,227,000 (six months ended 30 September 2021: revaluation surplus approximately HK\$35,840,000) has been recognised in other comprehensive income and accumulated in the property revaluation reserve of the Group.

During the period, the Group's acquisition of property, plant and equipment amounted to approximately HK\$276,000 (six months ended 30 September 2021: approximately HK\$5,359,000).

## 9 ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
Directors of subsidiaries and their associates	<b>38,151</b>	25,886
Other margin financing customers	<b>20,886,913</b>	19,429,622
	<b>20,925,064</b>	19,455,508
Less: loss allowances	<b>(6,752,652)</b>	(5,708,180)
	<b>14,172,412</b>	13,747,328

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

	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
At the beginning of the period/year	<b>5,708,180</b>	3,973,336
Unwinding of interest	<b>381,781</b>	596,325
Provision of loss allowances, net	<b>662,691</b>	1,138,519
At the end of the period/year	<b>6,752,652</b>	5,708,180

At 30 September 2022 and 31 March 2022, advances to customers in margin financing are repayable on demand and carried interest rates at an average of Hong Kong Dollar Prime rate ("Prime rates") plus 3% to 6%. Margin clients are required to pledge their securities collateral to the Group, in order to obtain credit facilities for securities trading in 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 30 September 2022, total market value of securities pledged as collateral in respect of the loan granted to margin clients was approximately HK\$25,143,996,000 (31 March 2022: approximately HK\$30,895,665,000). Among the securities pledged as collateral, there was approximately HK\$2,190,232,000 (31 March 2022: approximately HK\$2,395,699,000) 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.

## 10 TRADE AND OTHER RECEIVABLES

	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
Trade receivables from financial services segments	32,827	36,089
Trade receivables from hotel and gaming segments	8,650	7,178
Other receivables, deposits and prepayments	17,586	25,069
	<u>59,063</u>	<u>68,336</u>
<b>Trade receivables from financial services segments</b>		
	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
Trade receivables arising from the ordinary course of business of dealing in securities:		
— Cash clients	7,732	299
— Clearing House	14,731	23,793
— Brokers and dealers	126	137
	<u>22,589</u>	<u>24,229</u>
Trade receivables arising from the ordinary course of business of dealing in futures contracts:		
— Clearing house	5,370	7,980
Trade receivables arising from the ordinary course of business of provision of:		
— Corporate finance advisory services	5,329	4,341
	<u>33,288</u>	<u>36,550</u>
Total trade receivables, before loss allowance	33,288	36,550
Less: Loss allowances	(461)	(461)
	<u>32,827</u>	<u>36,089</u>
Total trade receivables, after loss allowance	<u>32,827</u>	<u>36,089</u>

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 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 current period and prior year.

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.

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 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 the reporting period:

	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
0–30 days	<b>4,307</b>	7,046
31–60 days	<b>537</b>	31
61–90 days	<b>725</b>	123
Over 90 days	<b>26,482</b>	23,379
	<b>32,051</b>	30,579
Less: Loss allowances	<b>(23,401)</b>	(23,401)
	<b>8,650</b>	7,178

## 11 TRADE AND OTHER PAYABLES

	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
Trade payables from financial services segments	<b>2,144,230</b>	575,981
Trade payables from hotel and gaming segments	<b>33,968</b>	17,081
Other payables and accruals	<b>120,016</b>	115,185
	<b><u>2,298,214</u></b>	<b><u>708,247</u></b>

### Trade payables from financial services segments

	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
Trade payables arising from the ordinary course of business of dealing in securities:		
— Cash clients	<b>325,602</b>	276,148
— Margin clients	<b>1,802,866</b>	284,978
	<b><u>2,128,468</u></b>	<b><u>561,126</u></b>
Dividend payable to clients	<b>4,688</b>	10
Trade payables arising from the ordinary course of business of dealing in futures contracts:		
— Clients	<b>10,657</b>	14,436
Trade payables arising from the ordinary course of business in the provision of:		
— Corporate finance advisory services	<b>417</b>	409
	<b><u>2,144,230</u></b>	<b><u>575,981</u></b>

The settlement terms of trade payables attributable to dealing in securities are one or two days after the 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 future contracts, margin financing and corporate finance advisory services.

## Trade payables from hotel and gaming segments

The following is an ageing analysis of trade payables at the end of the reporting period:

	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (audited) HK\$'000
0–30 days	<b>3,746</b>	15,507
31–60 days	<b>128</b>	1,119
61–90 days	<b>149</b>	401
Over 90 days	<b>29,945</b>	54
	<b>33,968</b>	17,081

As at the 30 September 2022, included in trade payables of approximately HK\$1,538,462,000 (31 March 2022: approximately HK\$552,603,000) 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 future contracts and margin financing.

## 12 EVENT AFTER THE REPORTING PERIOD

On 13 October 2022, Active Dynamic Limited (the “Offeror”), which is the controlling shareholder of the Company, requested the Board to put forward the proposal of privatisation of the Company by the Offeror by way of a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda, as amended (the “Proposal”). Upon completion of the Proposal, the Offeror will hold the entire issued share capital of the Company and the listing of the ordinary shares will be withdrawn from the Stock Exchange. Up to the date of these interim condensed consolidated financial statements, the Proposal has not been completed. Details of the Proposal are set out in the Company’s announcements dated 24 October 2022 and 14 November 2022.

## **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 interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2022 (the “Period”).

### **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 services and futures brokerage services. The Group also provides gaming and hospitality services in Macau.

Total unaudited revenue recorded by the Group for the Period amounted to approximately HK\$940,235,000, representing an increase of approximately 3% as compared to approximately HK\$913,132,000 for the six months ended 30 September 2021 (the “Previous Period”).

The unaudited profit for the Period amounted to approximately HK\$1,823,000, representing a decrease of approximately 26.4% as compared to approximately HK\$2,478,000 for the Previous Period. The decrease was primarily attributable to impairment losses on advances to customers in margin financing of approximately HK\$662,691,000 in the Period (Previous Period: HK\$568,226,000). Basic earnings per share for the Period decreased by approximately 26.4% to approximately HK0.0105 cents as compared to approximately HK0.0143 cents in the Previous Period.

### **BUSINESS AND FINANCIAL REVIEW**

The 2019 Novel Coronavirus (“COVID-19”) pandemic has spread over the world and has dragged down global economic growth and supply chains of various countries. In September 2022, the US Federal Reserve announced its third interest rate hike of 0.75% and the federal funds rate rose to a range of 3% to 3.25%, hitting a 14-year high.

In face of high inflation and uncertainties such as significant interest rate hikes by the US Federal Reserve, the appreciation of the US dollar and the high US dollar index attracted capital flow to the US dollar, which led to a weak Hong Kong dollar. The Hong Kong Monetary Authority entered the market to buy Hong Kong dollar and sell US dollars. The aggregate balance of the Hong Kong banking system fell to the level of nearly HK\$100 billion. In addition, the ongoing tension between the PRC and the US and the Russia-Ukraine war have led to greater volatility in the stock and bond markets in Hong Kong. The Hong Kong stock market entered 2022 on a high note followed by a low in the face of multiple uncertainties that Hang Seng Index hit a low at 17,016 points on 30 September 2022, marking a 11-year low.



Uncertainties in the PRC's economic growth and geopolitical environment and the concern in depreciation of the Renminbi against the US dollar have a negative impact on the Hong Kong stock market and the local mergers and acquisitions ("M&A") market. According to the public research from Bloomberg L.P., in the first nine months of 2022, the number of corporate M&A transactions in the Hong Kong market was 128, compared with 210 in the same period in the year of 2021, which has declined by approximately 39.05%; and the transaction amounts of corporate M&A transactions rose from US\$118.87 billion in the first nine months of 2021 to US\$126.3 billion in the first nine months of 2022, but were still well below the US\$140.41 billion in the first nine months of 2020.

Furthermore, the initial public offering market was affected significantly since the outbreak of the COVID-19. Pursuant to the annual reports of the Stock Exchange for years of 2018 and 2021 and the Monthly Market Highlights issued by the Stock Exchange in September 2022, the number of new listings has dropped from 218 in the year of 2018 to 98 in the year of 2021 (representing by a drop of approximately 55.04%) and continued to drop to 56 for the nine months ended 30 September 2022. The total amount of funds raised for the nine months ended 30 September 2022 has dropped by 74.4% to HK\$73.16 billion as compared to the same period in the year of 2021. The total amount of funds raised in Hong Kong fell out of the top five and only ranked ninth in the world based on the "2022 1H Review & Outlook for Mainland & HK IPO Markets" issued by Deloitte Touche Tohmatsu Limited.

Securities brokerage, underwriting and placement services are the main sources of income for the Group. To complement the Group's securities brokerage services, the Group also provides margin and initial public offering financing services. However, the volatility in the financial markets has driven the revaluation of assets, where the overall investment sentiment has become cautious. Due to the weak market sentiment and uncertainty about the economic outlook as aforesaid, the Group will continue to adopt a prudent approach for the provision of such financial services businesses.

On the other hand, the Group is also engaged in the hotel and gaming businesses in Macau. During the outbreak of COVID, the travel restrictions imposed by the various cities in the PRC lowered the number of visitors to Macau. According to the report of "Monthly Gross Revenue from Games of Fortune in 2022 and 2021" issued and updated by the Gaming Inspection and Coordination Bureau in Macau, the accumulated gross revenue for the nine months ended 30 September 2022 in Macau was approximately MOP31,819 million, representing a decrease of approximately 53.1% as compared to the same period in 2021. In addition, the open bidding process for the six major gaming licenses in Macau commenced in September 2022 and the bidding process is expected to be completed by the end of the year. It is uncertain when the negative impact on Macau's tourism and gaming industry will end and when it will fully recover to pre-pandemic level.

It is observed that the business environment in which the Group operates is under unprecedented significant challenge and uncertainty. The COVID-19 pandemic continues and shows no sign of significant improvement in the near future and its social and economic impacts caused by the uncertainties mentioned above are major and likely to exist for a long period of time.

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

Uncertainties in the PRC's economic growth and geopolitical environment and the concern in depreciation of the Renminbi against the US dollar have a negative impact on the Hong Kong stock market and the local mergers and acquisitions market.

During the Period, the Group recorded a revenue of approximately HK\$14,577,000 in this segment (the Previous Period: approximately HK\$11,109,000), representing an increase of approximately 31% as compared to the Previous Period, which also accounted for approximately 1% (the Previous Period: approximately 1%) of the Group's financial service segment revenue and approximately 1% (the Previous Period: approximately 1%) of the Group's total revenue.

## **Margin and IPO Financing**

### *Business model*

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 an IPOs.

### *Major terms of loans granted*

At 30 September 2022 and 31 March 2022, advances to customers in margin financing are repayable on demand and carried interest rates at an average of Hong Kong Dollar Prime rate ("P") plus 3% to 6%. 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.

## *Financial review*

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 Period, revenue amounted to approximately HK\$918,747,000 (Previous Period: approximately HK\$846,805,000), accounting for approximately 98% (Previous Period: approximately 97%) of the Group's financial service segment revenue and approximately 98% (Previous Period: approximately 93%) of the Group's total revenue. The stock market in Hong Kong was volatile over the Period. Impairment losses of approximately HK\$662,691,000 (Previous Period: approximately HK\$568,226,000) were prudently made for advances to customers in margin financing after reviewing the relevant margin accounts portfolio, financial positions and the past repayment record of the clients.

### **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 financing services to its clients including corporate finance advisory services and futures brokerage.

The Group holds licence under the Securities and Futures Ordinance to engage in advising on corporate finance activities. The scope of services provided includes advising on corporate finance transactions, sponsoring IPOs and advising clients on 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 Period amounted to approximately HK\$6,725,000 (Previous Period: approximately HK\$11,343,000), representing a decrease of approximately 41%, which also accounted for approximately 1% (Previous Period: approximately 1%) of the Group's financial service segment revenue and approximately 1% (Previous Year: approximately 1%) of the Group's total revenue.

### **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.

The travel restrictions imposed by various cities in mainland China for most of time during the Period which lowered the number of visitors to Macau. Coupled with the new outbreak of COVID-19 in Macau, the Macau government has announced the suspension of all non-essential industrial and commercial activities during July 2022, the visitors' arrivals to Macau decreased during the period. Revenue for hotel operations with food and beverage in total amounted to approximately HK\$21,096,000 (Previous Period: approximately HK\$25,109,000), representing a decrease of approximately 16% as compared to the Previous Period. The average occupancy rates of the two hotels, namely Casa Real and Grandview, were approximately 42% (the Previous Period: approximately 37%) and approximately 38% (the Previous Period: approximately 37%) respectively.

### **Gaming Business**

The Group's gaming operation is run by the licence holder SJM Resorts, S.A. ("SJM").

Similarly, the decrease in number of visitor arrivals to Macau had a negative impact on the Group's gaming business in Macau. Gaming loss amounted to approximately HK\$20,910,000 for the Period, representing a decrease of approximately 211% as compared to gaming revenue of approximately HK\$18,766,000 for the Previous Period.

As at 30 September 2022, the Group has 69 tables (31 March 2022: 69) in the mass market halls and 262 slot machines (31 March 2022: 262). As at 30 September 2022 and 31 March 2022, the Group did not have any tables in the VIP rooms as the VIP rooms were closed in February 2022.

During the Period, 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 during the Period mainly represented handling charges received from securities clients, government subsidies, service income from SJM and other sundry income. The income increased by approximately 62% from approximately HK\$8,967,000 in the Previous Period to approximately HK\$14,523,000 in the Period as there was government subsidies received of HK\$1,259,000 and service income from SJM of HK\$4,816,000 in the Period.

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

During the Period, though 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\$8,689,000 (Previous Period: gain of approximately HK\$1,747,000). As at 30 September 2022, the Group had the financial assets at fair value through profit or loss of approximately HK\$82,310,000 (31 March 2022: approximately HK\$91,001,000) in market value.

## **Inventories consumed**

Inventories consumed represents the cost of guest supplies and food and beverage consumed upon provision of accommodation and catering services to the customers. Inventories consumed decreased by approximately 38% from approximately HK\$4,785,000 in the Previous Period to approximately HK\$2,964,000 in the Period which was in line with the decrease in revenue of hotel business during the Period.

## **Staff costs**

Staff costs amounted to approximately HK\$79,700,000 (Previous Period: approximately HK\$85,861,000), representing an approximately 7.2% decrease. Staff costs were strictly controlled during the Period. 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 by approximately 81% from approximately HK\$23,617,000 in the Previous Period to approximately HK\$4,451,000 in the Period as the chip turnover decreased due to the closure of the VIP rooms in February 2022 and the decrease in number of visitor arrivals in Macau during the Period.

## **Broker Commission**

Broker commission decreased approximately 68% from approximately HK\$5,676,000 in the Previous Period to approximately HK\$1,819,000 in the Period. Broker commission was paid as an incentive to boost income from brokerage business.

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

Interest expenses dropped from approximately HK\$77,899,000 in the Previous Period to approximately HK\$57,381,000 in the Period, representing a decrease of approximately 26% due to less funding need and lowered funding cost during the Period.

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

As a result of the pandemic of COVID-19, repayment ability and financial strength of the Group's margin financing customers have been negatively impacted by the volatile stock market. Thus, there was a significant increase in credit risk which indicated the impairment loss on advances to customers in margin financing.

The management measured the impairment loss on the basis of lifetime ECL assessment. In order to assess the ECL among different stages of default, the management performed an assessment based on their historical credit loss experience, adjusted to factors that are specific to the margin clients, general economic conditions and forecast of future conditions at the end of reporting period. The management also reviews the fair value of pledged securities received from the margin clients and monitors their assessment regularly to reduce differences between loss estimates and their actual loss.

Due to the volatility in the local stock market during the Period, impairment losses of approximately HK\$662,691,000 (Previous Period: approximately HK\$568,226,000) were made on some particular clients with margin loan shortfalls on a prudent basis after reviewing their margin accounts portfolio, financial positions and past repayment record.

### **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 Period under review, it amounted to approximately HK\$37,380,000 (Previous Period: approximately HK\$43,116,000), representing an approximately 13% decrease. The decrease was due to decrease in the other expenses in hotel business.

### **Finance costs**

During the Period, finance costs of approximately HK\$18,038,000 (Previous Period: approximately HK\$18,191,000) represented the interest expenses for the amount due to a shareholder and lease liabilities.

## **FUTURE PROSPECTS**

### **Financial service segments**

The relaxation of entry restrictions in various countries and the relaxation of quarantine arrangements for inbound travellers by the Hong Kong government helped to promote domestic and overseas customs clearance; however, the Group expects that the COVID-19 pandemic will continue to be volatile and we will be cautious about the development of the pandemic, continue to monitor the business environment cautiously and focus on our existing businesses.

Looking ahead, the global and local economies are expected to remain uncertain in the coming year. In addition to geopolitical instability, commodity and the continuous rise of energy prices which pushed up the inflation, the United States entered an interest rate hike cycle which lead to tighter market liquidity. However, it is expected that the Mainland Government will launch a series of measures to stabilise the economy, the accelerate the construction of large-scale infrastructure projects and expand domestic demand in Mainland. It is expected that the Mainland's economy will still improve in the medium-to long-term.

In addition, the product range of the Stock Connect between Mainland and Kong has been expanded to eligible Exchange Traded Funds (ETFs) to provide more convenience to Chinese and foreign investors and further strengthen Hong Kong's position as an international financial centre. The Group will adhere to its prudent management strategy, and strictly deploy and implement development plans in line with market conditions, so as to seize the development opportunities in the Hong Kong capital market and the Greater Bay Area.

### **Hotel and Gaming Segments**

The tourism and gaming industries in Macau have been severely affected by the COVID-19, and it remains uncertain as to when it will end and when it will fully recover to pre-pandemic levels. In the short term, the pandemic will affect the number of visitors to Macau and the associated revenue , but in the medium to long term, we are confident about the future of Macau. Looking forward to the Hong Kong and Macao customs clearance, it is expected that the number of visitors to Macau will gradually pick up and Macau's gaming revenue will improve.

In addition, the open bidding process for the six major gaming licenses in Macau commenced in September 2022 and the bidding process is expected to be completed by the end of the year. The Group will review the policy regularly in order to respond to the changing environment in a timely manner and maintain business stability.



## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

As at 30 September 2022, the total equity attributable to owners of the Company and net current assets of the Group amounted to approximately HK\$20,674,446,000 (31 March 2022: approximately HK\$20,648,388,000) and approximately HK\$8,165,779,000 (31 March 2022: approximately HK\$8,129,604,000) respectively. On the same date, the Group had cash and bank balance of approximately HK\$368,088,000 (31 March 2022: approximately HK\$245,982,000) and the current ratio was approximately 2.0 (31 March 2022: approximately 2.2).

As at 30 September 2022, the Group had bank borrowings of approximately HK\$215,000,000 (31 March 2022: approximately HK\$440,000,000), amounts due to shareholders of approximately HK\$3,939,523,000 (31 March 2022: approximately HK\$3,994,523,000), loan from a related company of approximately HK\$930,679,000 (31 March 2022: approximately HK\$767,276,000) and subordinated loans of approximately HK\$700,000,000 (31 March 2022: approximately HK\$700,000,000). On the same date, the net gearing ratio, measured on the basis of total borrowings less bank and cash balances over net assets, was approximately 27% (31 March 2022: approximately 28%).

## **CONTINGENT LIABILITIES**

As at 30 September 2022, the Group had no material contingent liabilities.

## **CAPITAL STRUCTURE**

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

## **CAPITAL COMMITMENTS**

At 30 September 2022, the Group had no capital commitments for the Period.

## **CONCENTRATION OF LOANS TO MAJOR CLIENTS**

The Group's exposure to credit risk is influenced mainly by the financial strength and creditworthiness of each trade debtors. At 30 September 2022 and 31 March 2022, there was no concentration of credit risk with respect to the receivables, there was no customer is responsible for more than 10% of the Group's trade receivables and advances to customers in margin financing.



## **EMPLOYEES**

As at 30 September 2022, the Group employed a total of 434 (31 March 2022: 621) staff. The total staff cost for the Period was approximately HK\$79,700,000 (Previous Period: approximately HK\$85,861,000). The employees' remuneration, promotion and salary adjustment are assessed based on their work performance, working and professional experiences and the prevailing market condition.

## **PLEDGE OF ASSETS**

As at 30 September 2022, the Group had pledged marketable securities of approximately HK\$2,190,232,000 (31 March 2022: approximately HK\$2,395,699,000) pledged to the Group by margin clients, and bonds of approximately HK\$41,795,000 (31 March 2022: approximately HK\$46,770,000) 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 Period.

## **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 early 2020, countries across the globe have been 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. Although vaccination promotions in various countries are beginning to achieve results, the global economy is far from reaching the "pre-pandemic" level. The number of visitor arrivals in Macau and its gross gaming revenue recorded a significant rebound when compared to the Previous Period as a result of the relaxation of cross boundary measures between the Mainland and Macau. However it is still difficult to conclude the height of the impact of COVID-19 on Macau's tourism and gaming industry is over in light of the continuous occurrence of new cases of COVID-19 in the Mainland and Macau. As such, COVID-19 will likely continue to impact the contribution from business in Macau to the Group.

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 positions 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.

## **INTERNAL CONTROL PROCEDURES OF MARGIN FINANCING BUSINESS**

The Group has implemented the following internal control measures in carrying out the margin financing business:

### **Credit risk assessment of customers**

When granting new credit facilities or reviewing existing credit facilities, the Group's Credit and Risk Control Department ("CRC Department") has put in place the credit assessment policy and procedures which mainly cover the review of the securities market situations, the quality of collaterals, the creditworthiness of the clients, the clients' past repayment history, the clients' stock portfolios and the risk diversification of the entire clients.

### **Mechanism in determining loan terms and the approval process for granting loans**

Interest rate and the loan amount offered to individual customer are approved by at least two persons who are Responsible Officers ("RO") or senior management of the Group by considering the securities market situations, the quality of collaterals, the creditworthiness of the clients, the clients' past repayment history, the clients' stock portfolios and the risk diversification of the entire clients to ensure they are fair and reasonable and at normal commercial terms.

The credit facilities is approved by at least two persons who are RO and the senior management of the Group.

### **Monitoring loan repayment and recovery**

Ongoing monitoring of loan recoverability and loan collection is performed by the Group's CRC Department in accordance with the policies and procedures as set out by RO and the senior management, including checking the past repayment record of the clients to determine the repayment date of the margin loan and monitoring the status of loan repayment.

## **Taking actions on delinquent loans**

If there is no response or no action taken by the client after the margin call, a demand letter will be issued to the client notifying the client that the Company will take steps necessary to recover the outstanding amount, including the liquidation of the pledged securities and the commencement of legal action against the client. The liquidation of the pledged securities is prepared by CRC Department and approved by at least two persons who are RO and senior management of the Group. Legal actions will be considered by RO and senior management of the Group if there is still outstanding loan balance after the liquidation of the pledged securities.

## **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 business 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 authorise, may decide from time to time so as to preserve the value of the Group's Funds and/or achieve capital appreciation.

## **INTERIM DIVIDEND**

No interim dividend was declared for the Period (Previous Period: Nil).

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

During the Period, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

## **CORPORATE GOVERNANCE**

The Group has 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 Period.

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

The Company has adopted the Model Code for Securities Transactions by Directors of 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 Period.

## **AUDIT COMMITTEE**

The Audit Committee comprises of all the three Independent Non-executive Directors (including one Independent Non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of Audit Committee is a former partner of the Company’s existing auditing firm. The Audit Committee has reviewed with management the accounting policies adopted by the Company and discussed auditing, internal control, risk management and financial reporting matters, including the review of the unaudited interim financial statements during the Period.

## **PUBLICATION OF INTERIM REPORT**

The Company’s 2022 interim report, containing the relevant information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 November 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.*