



金利豐金融集團

KINGSTON FINANCIAL GROUP

Stock Code : 01031

2022

Interim Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chu, Nicholas Yuk-yui (*Chairman*)
Mrs. Chu Yuet Wah (*Chief Executive Officer*)
Mr. Chu, Kingston Chun Ho
Mr. Ho Chi Ho

Independent Non-executive Directors

Mr. Lau Man Tak
Ms. Lo, Miu Sheung Betty
Mr. Chiu Sin Nang, Kenny

COMPANY SECRETARY

Mr. Lui Chun Pong

AUDIT COMMITTEE

Mr. Lau Man Tak (*Chairman*)
Ms. Lo, Miu Sheung Betty
Mr. Chiu Sin Nang, Kenny

REMUNERATION COMMITTEE

Ms. Lo, Miu Sheung Betty (*Chairman*)
Mr. Lau Man Tak
Mr. Chiu Sin Nang, Kenny

NOMINATION COMMITTEE

Mr. Chiu Sin Nang, Kenny (*Chairman*)
Mr. Lau Man Tak
Ms. Lo, Miu Sheung Betty

AUDITORS

BDO Limited
25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Macau) Limited

BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman
Room 2901, One Exchange Square
8 Connaught Place, Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

72/F, The Center
99 Queen's Road Central
Central, Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Abacus Limited
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16 Harcourt Road
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STOCK CODE

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WEBSITE

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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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

Margin and IPO Financing *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS *(Continued)*

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%).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Notes	Six months ended 30 September	
		2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Revenue	3	940,235	913,132
Other income		14,523	8,967
		954,758	922,099
Inventory consumed		(2,964)	(4,785)
Staff costs	4	(79,700)	(85,861)
Gaming commission		(4,451)	(23,617)
Broker commission		(1,819)	(5,676)
Interest expenses for securities brokerage, underwriting and placements, margin and IPO financing operations		(57,381)	(77,899)
Depreciation of property, plant and equipment		(48,140)	(67,531)
Impairment losses on advances to customers in margin financing	13	(662,691)	(568,226)
Other expenses		(37,380)	(43,116)
		(894,526)	(876,711)
Finance income		2,977	6,101
Finance costs	5	(18,038)	(18,191)
Change in fair value of financial assets at fair value through profit or loss		(8,689)	1,747
Exchange (losses)/gains, net		(1,390)	53
		(25,140)	(10,290)
Profit before taxation	6	35,092	35,098
Taxation	7	(33,269)	(32,620)
Profit for the period		1,823	2,478

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended	
		30 September	
		2022	2021
		(unaudited)	(unaudited)
Notes		HK\$'000	HK\$'000
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of leasehold land and buildings, net of tax	10	24,227	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		8	(34)
Other comprehensive income for the period		24,235	35,806
Total comprehensive income for the period		26,058	38,284
Earnings per share (HK cents per share)			
— Basic	9	0.0105	0.0143
— Diluted		0.0105	0.0143

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	10	1,606,441	1,626,854
Statutory deposits for financial services business		2,905	4,114
Goodwill	11	10,996,683	10,996,683
		12,606,029	12,627,651
Current assets			
Inventories	12	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	13	14,172,412	13,747,328
Trade and other receivables	14	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	15	1,538,462	552,603
Cash and bank balances			
— general accounts		368,088	245,982
		16,301,430	14,787,152
Current liabilities			
Trade and other payables	16	2,298,214	708,247
Amount due to shareholders	17	3,939,523	3,994,523
Loan from a related company	18	930,679	767,276
Subordinated loans	19	700,000	700,000
Bank loans	20	215,000	440,000
Lease liabilities		27,567	27,423
Tax payable		24,668	20,079
		8,135,651	6,657,548

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
	Notes	
Net current assets	8,165,779	8,129,604
Total assets less current liabilities	20,771,808	20,757,255
Non-current liabilities		
Lease liabilities	38,301	52,120
Deferred tax liabilities	59,061	56,747
Total non-current liabilities	97,362	108,867
Total liabilities	8,233,013	6,766,415
Net assets	20,674,446	20,648,388
Capital and reserves		
Share capital — ordinary shares	21 272,290	272,290
Share capital — non-redeemable convertible preference shares	21 75,000	75,000
Reserves	20,327,156	20,301,098
Total equity	20,674,446	20,648,388

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company										
	Share capital – non-redeemable		Share premium account	Capital redemption reserve	Contributed surplus	Property revaluation reserve	FVOCI reserve	Exchange fluctuation reserve	Retained earnings	Total equity	
	Share capital – ordinary shares	redeemable preference shares									
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2021 (audited)	272,290	75,000	11,739,980	466	814	1,096,012	1,070	(23,169)	8,060,354	21,222,817	
Profit for the period	-	-	-	-	-	-	-	-	2,478	2,478	
Other comprehensive income for the period	-	-	-	-	-	35,840	(34)	-	-	35,806	
Total comprehensive income for the period	-	-	-	-	-	35,840	(34)	-	2,478	38,284	
Realised upon depreciation based on revalued amount of land and building	-	-	-	-	-	(18,721)	-	-	18,721	-	
At 30 September 2021 (unaudited)	272,290	75,000	11,739,980	466	814	1,113,131	1,036	(23,169)	8,081,553	21,261,101	
At 1 April 2022 (audited)	272,290	75,000	11,739,980	466	814	416,134	1,034	234	8,142,436	20,648,388	
Profit for the period	-	-	-	-	-	-	-	-	1,823	1,823	
Other comprehensive income for the period	-	-	-	-	-	24,227	8	-	-	24,235	
Total comprehensive income for the period	-	-	-	-	-	24,227	8	-	1,823	26,058	
Realised upon depreciation based on revalued amount of land and building	-	-	-	-	-	(7,248)	-	-	7,248	-	
At 30 September 2022 (unaudited)	272,290	75,000	11,739,980	466	814	433,113	1,042	234	8,151,507	20,674,446	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Cash flows generated from operating activities	267,576	1,218,238
Cash flows from investing activities		
Addition of property, plant and equipment	(276)	(5,359)
Interest received	2,977	6,101
Dividend received	709	627
Placement of bank deposits for guarantee	(570)	–
Net cash generated from investing activities	2,840	1,369
Cash flows from financing activities		
Repayment to shareholders	(55,000)	–
Advance from a related company	1,058,913	630,707
Repayment to a related company	(895,510)	(1,816,349)
Repayments of principal portion of the lease liabilities	(13,675)	(17,828)
Repayments of interest portion of the lease liabilities	(363)	(516)
Proceeds from bank loans	1,808,000	3,360,000
Repayments of bank loans	(2,033,000)	(3,370,000)
Interest paid	(17,675)	(17,675)
Net cash used in financing activities	(148,310)	(1,231,661)
Net increase/(decrease) in cash and cash equivalents	122,106	(12,054)
Cash and cash equivalents at beginning of period	245,982	963,209
Cash and cash equivalents at end of period	368,088	951,155

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1 CORPORATE 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 its principal place of business are disclosed in the “Corporate Information” section of the interim report.

The Company’s parent is Active Dynamic Limited (“Active Dynamic”) and the directors of the Company consider its ultimate holding company is Active Dynamic which is incorporated in the British Virgin Islands.

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

The principal activities of the Group are described in Note 3.

2 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

2 BASIS OF PREPARATION *(Continued)*

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

3 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their services, and has seven (six months ended 30 September 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

3 SEGMENTAL INFORMATION *(Continued)*

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

3 SEGMENTAL INFORMATION (Continued)

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 brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Subtotal HK\$'000	Hotel operations HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Subtotal HK\$'000	Securities investment segment HK\$'000	Total HK\$'000
Segment revenue										
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
	14,577	918,747	6,725	940,049	25,322	7,662	(17,115)	15,669	-	955,918
Adjusted EBITDA	14,139	250,419	1,550	266,108	(11,091)	(7,906)	(43,449)	(62,446)	(7,997)	195,665
Segment Assets				27,132,652	910,831	546,201	209,165	1,666,197	82,311	28,881,160
Segment Liabilities				4,377,166	67,614	7,345	127,385	202,344	-	4,579,510
Capital Expenditure				-	120	69	87	276	-	276

For the six months ended 30 September 2021 (unaudited)

	Financial services segment				Hotel and gaming segment					
	Securities brokerage, underwriting and placements HK\$'000	Margin and IPO financing HK\$'000	Other financial services HK\$'000	Subtotal HK\$'000	Hotel operations HK\$'000	Food and beverage HK\$'000	Gaming HK\$'000	Subtotal HK\$'000	Securities investment segment HK\$'000	Total HK\$'000
Segment revenue										
External customers	11,109	846,805	11,343	869,257	16,580	8,529	18,766	43,675	-	913,132
Inter-segment	-	-	-	-	22,957	-	4,225	27,182	-	27,182
	11,109	846,805	11,343	869,257	39,537	8,529	22,991	71,057	-	940,314
Adjusted EBITDA	10,714	179,412	6,139	196,265	(6,078)	(7,702)	(42,815)	(56,595)	2,357	142,027
Segment Assets				25,416,419	1,723,362	881,685	419,396	3,024,443	126,026	28,566,888
Segment Liabilities				2,995,236	161,443	10,450	76,513	248,406	-	3,243,642
Capital Expenditure				-	1,802	1,817	1,740	5,359	-	5,359

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

3 SEGMENTAL INFORMATION (Continued)

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.

4 STAFF COSTS

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

5 FINANCE COSTS

	Six months ended 30 September	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Interest expenses on amount due to a shareholder	17,675	17,675
Interest expenses on lease liabilities	363	516
	18,038	18,191

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

6 PROFIT BEFORE TAXATION

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

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

7 TAXATION

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

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

8 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.

9 EARNINGS PER SHARE

	Six months ended 30 September	
	2022 (unaudited) HK cent	2021 (unaudited) HK cent
Basic earnings per share	0.0105	0.0143
Diluted earnings per share	0.0105	0.0143

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

9 EARNINGS PER SHARE (Continued)

(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.

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

	Six months ended 30 September	
	2022 (unaudited)	2021 (unaudited)
Weighted average number of ordinary shares	13,614,480,666	13,614,480,666
Weighted average number of non-redeemable convertible preference shares	3,750,000,000	3,750,000,000
Total weighted average number of shares used in the calculation of basic earnings per share	17,364,480,666	17,364,480,666

(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

10 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).

11 GOODWILL

	30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
Carrying amount of goodwill	10,996,683	10,996,683

The carrying amount of goodwill relating to the cash-generating units, including the provisions of securities dealings, underwriting and placements, margin and IPO financing and corporate finance advisory services to its clients, are approximately HK\$3,628,905,000, HK\$7,148,237,000 and HK\$219,541,000 respectively. For the purposes of impairment assessment of goodwill, the recoverable amounts of the relevant cash-generating units was determined based on value in use calculations, covering a detailed 5-year budget plan approved by the management, plus an extrapolated cash flow projections, by applying a steady growth rate of 2.3% subsequent to the 5-year plan, with a pre-tax discount rate range of 7.29% to 7.43%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

11 GOODWILL *(Continued)*

As at 31 March 2022, the directors of the Company performed impairment assessment of goodwill, the recoverable amounts of the relevant cash-generating units, including the provisions of securities dealings, underwriting and placements, margin and IPO financing and corporate finance advisory services to its clients are approximately HK\$4,202,300,000, HK\$11,075,300,000 and HK\$366,100,000 respectively. As at 31 March 2022, all of the recoverable amount exceeds the carrying amounts.

The key assumptions used in the budget plan are:

- (i) the future revenue growth rate were estimated ranging from 1% to 15%, 1% to 8% and 3% to 10% per annum for the relevant cash-generating units of securities dealings, underwriting and placements, margin and IPO financing and corporate finance advisory services respectively throughout the 5-year budget plan. Cash flows beyond the five-year period are extrapolated by using a steady growth rate of 2.3%.
- (ii) the gross profit margin will be maintained at its current levels throughout the 5-year budget plan.

The management's key assumptions have been determined based on its past performance and expectations for the future market development. The discount rates used are pre-tax and reflect specific risks related to the relevant business engaged by the Group.

Apart from the considerations in determining the value in use of the cash-generating units, the management is not currently aware of any other probable changes that would necessitate any changes of its key inputs used in the budget plan.

The directors of the Company concluded that the cash-generating units demonstrate sufficient level of future cashflows that can justify the carrying amount of the goodwill. Accordingly, no impairment loss of goodwill was recognised for both periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

12 INVENTORIES

	30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
Food and beverage and hotel operating supplies	1,728	1,763

13 ADVANCES TO CUSTOMERS IN MARGIN FINANCING

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

13 ADVANCES TO CUSTOMERS IN MARGIN FINANCING

(Continued)

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

14 TRADE AND OTHER RECEIVABLES

	30 September 2022 (unaudited) HK\$'000	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
	59,063	68,336

Trade receivables from financial services segments

	30 September 2022 (unaudited) HK\$'000	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
	22,589	24,229
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
Total trade receivables, before loss allowances	33,288	36,550
Less: Loss allowances	(461)	(461)
Total trade receivables, after loss allowance	32,827	36,089

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

14 TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables from financial services segments (Continued)

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:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

15 CASH AND BANK BALANCES HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with authorised financial institutions to hold clients' monies arising from the normal course of business of dealing in securities and futures contract, margin financing. The Group has classified the clients' monies as cash and bank balances held on behalf of customers under the current assets and recognised the corresponding trade payables (Note 16) to the clients under the current liabilities, both are disclosed in the condensed consolidated statement of financial position, as the Group is allowed to retain some or all of the interest income from the clients' monies deposited as well as it is liable for any loss or misappropriation of clients' monies. Under the Securities and Futures (Client Money) Rules of the Securities and Futures Ordinance (Cap.571), the Group is not allowed to use or dispose of the clients' monies to settle its own financial obligations.

16 TRADE AND OTHER PAYABLES

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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

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

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

16 TRADE AND OTHER PAYABLES (Continued)

Trade payables from hotel and gaming segments

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

17 AMOUNT DUE TO SHAREHOLDERS

		30 September 2022	31 March 2022
	Notes	HK\$'000	HK\$'000
Mrs. Chu Yuet Wah	(a)	2,749,523	2,804,523
Better Sino Limited	(b)	1,190,000	1,190,000
		3,939,523	3,994,523

Notes:

- (a) As at 30 September 2022 and 31 March 2022, among the total balance of amount due to a shareholder, Mrs. Chu Yuet Wah, the balance of approximately HK\$1,010,000,000, is unsecured, interest bearing at 3.5% (31 March 2022: 3.5%) per annum and repayable on the third anniversary year when the loan was extended at 31 March 2020, i.e. on or before 31 March 2023. The loan is subject to review at anytime and the lender's overriding right of withdrawal and immediate repayment on demand. The remaining balance of approximately HK\$1,739,523,000 (31 March 2022: approximately HK\$1,794,523,000) is unsecured, interest bearing at 3.5% (31 March 2022: 3.5%) per annum and repayable on demand.
- (b) As at 30 September 2022 and 31 March 2022, the amount due to Better Sino Limited, which Mrs. Chu Yuet Wah is beneficial owner, is unsecured, non-interest bearing and repayable on demand.

18 LOAN FROM A RELATED COMPANY

As at 30 September 2022, the loan from a related company is due to Kingston Finance Limited, which is controlled by a director and shareholder of the Company, Mrs. Chu Yuet Wah. The loan is unsecured, interest bearing at the rate of 3.5% (31 March 2022: 3.5%) per annum and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

19 SUBORDINATED LOANS

	Draw date	Terms	30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
Loan from Mr. Lee Wai Man	30 Jan 2004	P+1%	250,000	250,000
	20 Feb 2004	1.5%	150,000	150,000
Revolving loan from Mrs. Chu Yuet Wah	24 May 2010	1.5%	300,000	300,000
			700,000	700,000

As at 30 September 2022 and 31 March 2022, the subordinated loans are unsecured, interest-bearing ranged from 1.5% to Prime rate plus 1% per annum and repayable on demand.

The Group is required to comply at all times with the Securities and Futures (Financial Resources) Rules of the Securities and Futures Ordinance (Cap. 571). All of the subordinated loan agreements are approved by the Securities and Futures Commission (the "SFC") and any repayment or changes of terms and conditions of these subordinated loan agreements has to be approved by the SFC with one month written notice to the SFC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

20 BANK LOANS

	Note	30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
Secured bank loans:			
– Money market loans and revolving loans	(a)	215,000	440,000
		215,000	440,000
Repayable:			
– Within one year		215,000	440,000
– More than one year, but not exceeding two years		–	–
		215,000	440,000
Less: Portion classified as current liabilities		(215,000)	(440,000)
Portion classified as non-current liabilities		–	–

Note:

- (a) As at 30 September 2022, the money market loans and revolving loans are secured by marketable securities of approximately HK\$2,190,232,000 (31 March 2022: approximately HK\$2,395,699,000) provided by margin clients and bonds of approximately HK\$41,795,000 (31 March 2022: approximately HK\$46,770,000). During the period, the money market loans and revolving loans bear floating interest rates ranging from approximately 1.18% to 2.18% (31 March 2022: approximately 0.93% to 1.29%) per annum.

As at 30 September 2022, the Group was offered banking facilities of approximately HK\$3,350,000,000 (31 March 2022: approximately HK\$3,500,000,000) and the Group's total available banking facilities amounted to approximately HK\$3,135,000,000 (31 March 2022: approximately HK\$3,060,000,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

21 SHARE CAPITAL

	30 September 2022 (unaudited)		31 March 2022 (audited)	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.02 each				
Authorised:				
At 31 March 2022, 1 April 2022 and 30 September 2022	24,750,000,000	495,000	24,750,000,000	495,000
Issued and fully paid:				
At 31 March 2022, 1 April 2022 and 30 September 2022	13,614,480,666	272,290	13,614,480,666	272,290
Non-redeemable convertible preference shares of HK\$0.02 each				
Authorised:				
At 31 March 2022, 1 April 2022 and 30 September 2022	5,250,000,000	105,000	5,250,000,000	105,000
Issued and fully paid:				
At 31 March 2022, 1 April 2022 and 30 September 2022	3,750,000,000	75,000	3,750,000,000	75,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

22 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that all of the group companies will be able to continue as a going concern in order to provide returns to stakeholders while maximising the benefits to other stakeholders through the optimisation of the capital structure to reduce the cost of capital.

The capital structure of the Group consists of: (i) net debts, including amounts due to shareholders, loan from a related company, subordinated loans and lease liabilities, less cash and bank balances in general accounts; and (ii) total equity attributable to owners of the Company, including share capital classified as ordinary shares and non-redeemable convertible preference shares, and various reserves. The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost and the risks associated with each class of the capital to allow the Group to operate effectively in the marketplace and sustain the future development of the business.

Based on the recommendation of the directors of the Company, the Group will maintain or adjust its capital structure through the payment of dividends to shareholders, new share issues, return capital to shareholders, issue of new debt or redemption of existing debt.

Several subsidiaries of the Group (the “Regulated Subsidiaries”) are registered with the SFC for the regulated activities they engage in. The Regulated Subsidiaries are subject to liquid capital requirements under the Securities and Futures (Financial Resources) Rules (“SF(FR)R”) of the Securities and Futures Ordinance (Cap. 571). Under the SF(FR)R, the Regulated Subsidiaries must maintain their liquid capital, being calculated by the assets and liabilities adjusted as determined by SF(FR)R, in excess of the statutory floor requirement or 5% of the total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a regular basis and the Group has fully complied with those requirements during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

23 OPERATING LEASE COMMITMENT

The Group has leased out minor area of its leasehold land and building to a number of tenants as the lessor of operating leases. The lease term of those tenants committed to the Group are ranged from one to ten years (31 March 2022: one to ten years) when the lease contracts were signed. Rental income was recognised in a fixed monthly interval, and no contingent rental income was entitled to be received by the Group, with reference to the lease contracts entered.

At 30 September 2022 and 31 March 2022, the Group had total future minimum lease receivable under non-cancellable operating lease contracts, which was fall due as follows:

	30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
Within one year	11,162	13,455
More than one year, but not exceeding two years	15	2,203
More than two years, but not exceeding three years	-	10
	11,177	15,668

The Group entered into non-cancellable operating lease contracts in respect of its staff quarters, warehouses and office premises with landlords and the lease terms committed by the Group are within one year (31 March 2022: within one year) when the lease contracts were signed.

The minimum lease payments recognised as expenses during the year are as follows:

	30 September 2022 (unaudited) HK\$'000	31 March 2022 (audited) HK\$'000
Short-term lease expenses	265	530

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

24 SHARE-BASED PAYMENT TRANSACTIONS

The original share option scheme adopted on 7 June 2004 expired on 6 June 2014. At the annual general meeting of the Company held on 20 August 2013, shareholders of the Company have approved the adoption of a new share option scheme (the "Share Option Scheme").

The purpose of the Share Option Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating, and/or providing benefits to participants. To determine the eligibility of the participant, the board of directors of the Company may offer to grant an option to any participant who has contribution to the Group.

For share options granted under the Share Option Scheme are subject to such terms and conditions as it may be determined by the board of directors of the Company at its absolute discretion and specified in the offer of a share option. The terms and conditions may include: (i) vesting conditions which must be satisfied before a share option holder's option shall become vested and capable of being exercised; and (ii) the board of directors of the Company may, in its absolute discretion, specify performance conditions that must be achieved before a share option can be exercised, and/or the minimum period for which a share option must be held before it can be exercised.

The total numbers of shares of the Company which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option scheme adopted by the Company must not in aggregate exceed 10% of the aggregate of the shares of the Company in issue on the date of adoption. Share options lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme adopted by the Company will not be counted for the purpose of calculating the 10% limit. The Company may renew this 10% limit with shareholders' approval provided that such renewal may not exceed 10% of the shares in the Company in issue at the date of the shareholders' approval. For share option previously granted under any other share option scheme adopted by the Company, including those outstanding, cancelled and lapsed in accordance with the terms of the relevant scheme, or exercised share options will not be counted for the purpose of calculating the renewed limit.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

24 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The board of directors of the Company may, with the approval of the shareholders of the Company, grant share options in excess of the 10% limit to participants specifically identified. In such situation, the Company will send a circular to the shareholders of the Company containing a generic description of the specified participants who may be granted such share options, the number and terms of such share options to be granted and the purpose of granting such share options to the specified participants with an explanation of how the terms of the share options will serve the purpose. The total number of shares of the Company which may be issued upon exercise of all outstanding share options to be granted and yet to be exercised under the Share Option Scheme and all outstanding share options granted and yet to be exercised under any other share option scheme adopted by the Company shall not exceed 30% of the shares of the Company in issue from time to time. No share option may be granted under the Share Option Scheme and any other share option schemes adopted by the Company if this will result in the limit being exceeded.

Unless approved by the shareholders of the Company in a general meeting (with such participant and his associates abstaining from voting), which the Company will send a circular to the shareholders of the Company and the circular must disclose the identity of the participant, the number and terms of the share options to be granted (and previously granted to such participant), the total number of shares of the Company already issued and to be issued upon the exercise of the share options granted to each participant (including both exercised and unexercised share options) under the Share Option Scheme and any other share option schemes adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue at the approval date.

The period within which the share options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the share options. The exercise of share options may also be subject to any conditions imposed by the Company at the date of grant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

24 SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The subscription price for the shares of the Company to be issued upon exercise of the share options shall be no less than the highest of: (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant. The subscription price will be approved by the board of directors of the Company at its absolute discretion when the option is offered and notified to the participants.

For the period ended 30 September 2022 and 2021, the Company had no share option being granted, outstanding, lapsed or cancelled pursuant to the Share Option Scheme.

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Remuneration

Remuneration for key management personnel, including those remuneration amounts paid or payable to the directors of the Company during the period is as follows:

	Six months ended 30 September	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Salaries and other benefits	26,877	22,687
Contribution to defined contribution retirement scheme	45	45
	26,922	22,732

Total remuneration of key management personnel is included in “Staff costs” as disclosed in Note 4.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

25 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) In Addition to the Transactions and Balances Disclosed Elsewhere in the Unaudited Interim Condensed Consolidated Financial Statements, during the Period, the Group Entered into the Following Material Related Party and Connected Transactions.

Name of related party	Nature of transaction	Six months ended 30 September	
		2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Chu & Li's Family (Note 1)	Brokerage income	174	446
	Maximum amount of margin financing	29,954	45,799
	Interest income	519	782
Mr. Ho Chi Ho (Note 2)	Brokerage income	-	-
	Maximum amount of margin financing	-	-
Mr. Lau Man Tak (Note 2)	Brokerage income	13	53
	Maximum amount of margin financing	18,661	23,752
	Interest Income	285	202
Directors of subsidiaries & associates	Brokerage income	-	34
Kingston Finance Limited (Note 3)	Interest expense	11,443	21,367
	Management fee income	492	492
Kingston Property Investment Limited (Note 3)	Management fee income	222	222
	Brokerage income	-	10
Sincere Watch (Hong Kong) Limited (Note 4)	Advisory fee and financial services revenues	120	120
	Staff quarter rental expenses	957	549
Mrs. Chu Yuet Wah	Office rental payment	16,284	20,656
	Car park rental payment	139	-
	Financial printing service charges	100	92
REF Financial Press Limited (Note 5)			

Notes:

- Details of the continuing connected transactions in relation to provision of financial services were set out in the Company's announcement dated 1 April 2020.
- Details of the continuing connected transactions in relation to provision of financial services were set out in the Company's announcement dated 21 September 2020.
- Mrs. Chu Yuet Wah has controlling interest in Kingston Finance Limited and Kingston Property Investment Limited.
- Transactions represented related party transactions only.
- Mr. Lau Man Tak is a controlling shareholder of REF Holdings Limited. REF Financial Press Limited is an indirect wholly owned subsidiary of REF Holdings Limited.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

26 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.

OTHER INFORMATION

INTERIM DIVIDEND

No interim dividend was declared for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

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

At 30 September 2021, the following Directors had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Companies:

Long positions in the issued shares of the Company:

Name of Directors	Number of shares of the Company		Number of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Mrs. Chu Yuet Wah	—	10,157,205,895 (Note 1)	3,750,000,000 (Note 2)	13,907,205,895	102.15%

OTHER INFORMATION

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

Long positions in the issued shares of the Company: *(Continued)*

Notes:

- (1) As at 30 September 2022, 10,157,205,895 shares of the Company are held by Active Dynamic Limited which is controlled by Mrs. Chu Yuet Wah ("Mrs. Chu").
- (2) As at 30 September 2022, Mrs. Chu, through Active Dynamic Limited held 3,750,000,000 convertible preference shares of the Company conferring rights to subscribe for up to HK\$3,000,000,000 in aggregate in cash for 3,750,000,000 new shares of the Company at the conversion price of HK\$0.80 (subject to adjustments) per share.

Save for those disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or the Chief Executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section "Directors' and Chief Executive's interests and short positions in securities", at no time during the period was the Company or any of its associated corporations a party to any arrangement to enable the Directors or Chief Executive of the Company to acquire benefits by means of the acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate, and none of the Directors or Chief Executives, nor any of their spouses or children under the age of 18, had any rights to subscribe the securities of the Company, or had exercised any such rights during the period.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2022, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholders	Number of shares of the Company		Number of underlying shares of the Company	Total	Approximate percentage of shareholding
	Personal Interests	Corporate Interests			
Active Dynamic Limited (Note 1)	—	10,157,205,895	3,750,000,000	13,907,205,895	102.15%

Note:

- (1) Active Dynamic Limited is wholly and beneficially owned by Mrs. Chu. The interests of Mrs. Chu and Active Dynamic Limited in the Company are stated under the section headed "Directors' and Chief Executive's interests and short positions in securities" above.

Save for those disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2022.

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

During the six months ended 30 September 2022, 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 ended 30 September 2022.

OTHER INFORMATION

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 six months ended 30 September 2022.

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 the six months ended 30 September 2022.

CHANGES IN INFORMATION OF DIRECTORS

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

Name of Director	Details of change
Mrs. Chu Yuet Wah	Re-designation from executive director to non-executive director of Sincere Watch (Hong Kong) Limited, a company listed on the Main Board of the Stock Exchange, on 26 September 2022.
Mr. Chiu Sin Nang, Kenny	Resignation from independent non-executive director of Keyne Limited, a company listed on the Main Board of the Stock Exchange, on 1 July 2022.

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

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

Hong Kong, 24 November 2022