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英皇證券集團有限公司*
Emperor Capital Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 717)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 MARCH 2020**

FINANCIAL SUMMARY <i>HK\$'000 (Unaudited)</i>	Six months ended 31 March	
	2020	2019
Total revenue	494,453	590,427
<i>Financing</i>	427,550	519,426
<i>Brokerage Services</i>	58,819	50,802
<i>Placing & Underwriting</i>	3,144	17,149
<i>Corporate Finance</i>	4,940	3,050
Net (loss)/profit		
Per reported	(268,067)	37,638
Adjusted ¹	324,869¹	357,365 ¹
Basic (loss)/earnings per share	HK(3.98) cents	HK0.55 cent

¹ *Excluding aggregate impairment allowances on margin loans and, loans and advances, net of reversal, totalling approximately HK\$592.9 million (2019: HK\$319.7 million)*

* *for identification purpose only*

The board of directors (the “Board” or the “Directors”) of Emperor Capital Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 March 2020 (the “Period”) together with the comparative figures for the corresponding period in 2019 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 31 March	
		2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Revenue			
Commission and fee income	4	53,804	62,312
Interest income	4	440,649	528,115
		494,453	590,427
Other operating income		5,136	5,289
Staff costs		(31,941)	(52,666)
Impairment allowances, net of reversal	5	(592,936)	(319,727)
Commission expenses		(19,252)	(20,266)
Other expenses		(40,397)	(54,687)
Finance costs		(65,962)	(87,621)
Share of profit (loss) of an associate		8	(695)
(Loss) profit before taxation	6	(250,891)	60,054
Taxation	7	(17,176)	(22,416)
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company		<u>(268,067)</u>	<u>37,638</u>
(Loss) earnings per share			
– Basic	8	<u>HK(3.98) cents</u>	<u>HK0.55 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		31 March	30 September
		2020	2019
		(unaudited)	(audited)
Notes		HK\$'000	HK\$'000
Non-current assets			
	Property and equipment	8,154	9,306
	Right-of-use assets	8,358	–
	Intangible assets	–	–
	Other assets	9,957	8,871
	Interest in an associate	–	–
	Amount due from an associate	3,443	3,435
	Loans and advances	399,211	419,757
	Financial assets at fair value through other comprehensive income	–	–
	Deferred tax assets	5,254	5,618
		434,377	446,987
Current assets			
	Accounts receivable	2,634,641	3,428,457
	Loans and advances	2,557,901	2,651,785
	Other debtors, deposits and prepayments	26,032	10,403
	Tax recoverable	21,885	27,338
	Pledged bank deposits – general accounts	160,000	160,000
	Bank balances and cash – segregated accounts	1,590,975	1,416,696
	Bank balances and cash – general accounts	1,291,320	1,745,508
		8,282,754	9,440,187
Current liabilities			
	Accounts payable	1,953,349	1,564,292
	Other creditors and accrued charges	81,340	127,879
	Tax liabilities	26,782	34,150
	Lease liabilities	5,309	–
	Short-term bank borrowings	–	231,173
	Bonds issued	407,090	626,904
		2,473,870	2,584,398

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		As at	
		31 March	30 September
		2020	2019
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Net current assets		<u>5,808,884</u>	<u>6,855,789</u>
Total assets less current liabilities		<u>6,243,261</u>	<u>7,302,776</u>
Non-current liabilities			
Lease liabilities		2,509	–
Bonds issued		<u>1,392,601</u>	<u>2,186,640</u>
		<u>1,395,110</u>	<u>2,186,640</u>
Net assets		<u><u>4,848,151</u></u>	<u><u>5,116,136</u></u>
Capital and reserves			
Share capital	15	67,408	67,408
Reserves		<u>4,780,743</u>	<u>5,048,728</u>
Total equity		<u><u>4,848,151</u></u>	<u><u>5,116,136</u></u>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 March 2020 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Interim Financial Statements should be read, where relevant, in conjunction with the annual financial statements of the Group for the year ended 30 September 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA.

2. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Other than changes in accounting policies resulting from application of new HKFRSs, the accounting policies and methods of computation used in the Interim Financial Statements are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 30 September 2019.

Details of any changes in accounting policies are set out below.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time that may be relevant to the Group and are mandatorily effective for the current period.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRS 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

Except for below the application of the new and amendments to HKFRSs in current period has had no material effect on the Group's financial performance and positions for the current period and prior years and/or disclosures set out in the Interim Financial Statements.

2.1 HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 October 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 October 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 HKFRS 16 “Leases” *(Continued)*

As a lessee (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and The People’s Republic of China excluding Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 October 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying applicable transition guidance under HKFRS 16. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

The Group recognised lease liabilities of HK\$15,535,000 and right-of-use assets of HK\$15,238,000 at 1 October 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 3%.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

New or revised standards and interpretations in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2020

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

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According to HKFRS 8, the Group has the following reportable and operating segments:

- (a) Financing – Provision of margin financing and money lending services
- (b) Brokerage services – Provision of securities, options, futures, insurance, other assets and wealth management products broking services and related handling services
- (c) Placing and underwriting – Provision of placing and underwriting service
- (d) Corporate finance – Provision of corporate finance advisory services

3. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by operating and reportable segment:

For the six months ended 31 March 2020

	Financing (unaudited) <i>HK\$'000</i>	Brokerage services (unaudited) <i>HK\$'000</i>	Placing and underwriting (unaudited) <i>HK\$'000</i>	Corporate finance (unaudited) <i>HK\$'000</i>	Elimination (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
REVENUE						
Segment revenue						
– external customers	427,550	58,819	3,144	4,940	-	494,453
Inter-segment sales	149,018	-	-	-	(149,018)	-
	<u>576,568</u>	<u>58,819</u>	<u>3,144</u>	<u>4,940</u>	<u>(149,018)</u>	<u>494,453</u>

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment results	<u>(250,385)</u>	<u>23,834</u>	<u>2,747</u>	<u>879</u>		(222,925)
Unallocated other operating income						458
Unallocated corporate expenses						
– staff costs (including directors' remuneration but excluding staff commission expenses)						(15,980)
– service charge to related companies						(5,490)
– others						(6,962)
Share of profit of an associate						<u>8</u>
Loss before taxation						<u>(250,891)</u>

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 31 March 2019

	Financing (unaudited) HK\$'000	Brokerage services (unaudited) HK\$'000	Placing and underwriting (unaudited) HK\$'000	Corporate finance (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE						
Segment revenue						
– external customers	519,426	50,802	17,149	3,050	–	590,427
Inter-segment sales	152,729	–	7,716	–	(160,445)	–
	<u>672,155</u>	<u>50,802</u>	<u>24,865</u>	<u>3,050</u>	<u>(160,445)</u>	<u>590,427</u>

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment results	<u>70,612</u>	<u>25,948</u>	<u>5,392</u>	<u>608</u>		<u>102,560</u>
Unallocated other operating income						92
Unallocated corporate expenses						
– staff costs (including directors' remuneration but excluding staff commission expenses)						(26,368)
– management fee to a related company						(146)
– service charge to related companies						(6,124)
– others						(9,265)
Share of loss of an associate						<u>(695)</u>
Profit before taxation						<u>60,054</u>

4. REVENUE

	Six months ended 31 March	
	2020	2019
	(unaudited) <i>HK\$'000</i>	(unaudited) <i>HK\$'000</i>
Commission and fee income (<i>Note</i>):		
Commission and fee income on dealing in securities	36,620	32,279
Commission and fee income on dealing in futures and options contracts	7,005	6,770
Commission and fee income from insurance brokerage and wealth management	2,095	3,064
Corporate finance advisory services fee income	4,940	3,050
Placing and underwriting commission	3,144	17,149
	53,804	62,312
Interest income:		
Interest income from margin and initial public offer financing	227,079	326,242
Interest income from loans and advances	200,471	193,184
Interest income from bank deposits	12,571	8,630
Interest income from others	528	59
	440,649	528,115
	494,453	590,427

Note: Commission and fees income is the only revenue arising from HKFRS 15, while interest income is under the scope of HKFRS 9.

5. IMPAIRMENT ALLOWANCES, NET OF REVERSAL

	Six months ended 31 March	
	2020	2019
	(unaudited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>
Impairment allowances on:		
Accounts receivable	492,292	263,601
Loans and advances	163,034	61,950
Reversal of impairment allowances on:		
Accounts receivable	(62,390)	(3,389)
Loans and advances	–	(2,435)
	592,936	319,727

6. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 31 March	
	2020	2019
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging (crediting):		
Depreciation of property and equipment	1,369	1,269
Depreciation of right-of-use assets	7,260	–
Net exchange gain	(893)	(16)
	<u>16,736</u>	<u>1,253</u>

7. TAXATION

	Six months ended 31 March	
	2020	2019
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current period:		
Hong Kong Profits Tax provision for the period	16,751	23,176
PRC Enterprise Income Tax	61	95
	<u>16,812</u>	<u>23,271</u>
Deferred tax charge (credit)	364	(855)
	<u>17,176</u>	<u>22,416</u>

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the Interim Financial Statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 31 March	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted earnings per share	<u><u>(268,067)</u></u>	<u><u>37,638</u></u>
	Six months ended 31 March	
	2020	2019
	(unaudited)	(unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u><u>6,740,846</u></u>	<u><u>6,740,846</u></u>

Note: Diluted earnings per share is not presented as the Company did not have any dilutive potential ordinary share for both periods.

9. DIVIDENDS

Six months ended 31 March

2020 (unaudited) <i>HK\$'000</i>	2019 (unaudited) <i>HK\$'000</i>
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Recognised as distribution:

Final dividend paid during the period in respect of the year ended 30 September 2019: Nil (2019: HK\$0.64 cent per share in respect of the year ended 30 September 2018)

–	43,141
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10. INTANGIBLE ASSETS

HK\$'000

COST

At 1 October 2018, 30 September 2019 and 31 March 2020

9,802

AMORTISATION AND IMPAIRMENT

At 1 October 2018, 30 September 2019 and 31 March 2020

9,802

CARRYING VALUES

At 31 March 2020

–

At 30 September 2019

–

Trading rights were fully amortised over 10 years from the effective date of the merger of the Stock Exchange, the Hong Kong Futures Exchange Limited and the Hong Kong Securities Clearing Company Limited to year 2000.

11. LOANS AND ADVANCES

	As at	
	31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
Fixed-rate loans receivable	3,325,746	3,269,090
Variable-rate loans receivable	<u>210,584</u>	<u>218,636</u>
	3,536,330	3,487,726
Less: Provision for impairment	<u>(579,218)</u>	<u>(416,184)</u>
	<u>2,957,112</u>	<u>3,071,542</u>
Analysed as:		
Current	2,557,901	2,651,785
Non-current	<u>399,211</u>	<u>419,757</u>
	<u>2,957,112</u>	<u>3,071,542</u>

Note: As at 31 March 2020, credit impaired loans and advances of HK\$55 million (30 September 2019: HK\$85 million) is secured by properties. In determining the allowances for credit impaired loans and advances, the management of the Group also takes into account the fair value of collateral and the outstanding balance of loan receivables individually taking into account of executable settlement plan and restructuring arrangements with available forward looking information. In the opinion of the directors of the Company, the impairment provision for the current year is sufficient.

The Group has established credit policies to ensure all loans and advances are subject to credit risk assessment and ongoing monitoring, including evaluation of customers' credit ratings, financial background and repayment abilities. ECL assessment is carried out based on a close monitoring and evaluation of the collectability of individual account and on management's judgement, including the current creditworthiness of the borrowers, collateral value, the past collection history and available forward looking information. The Group had commenced legal proceedings against the borrowers of these impaired loans of the outstanding balances totalling approximately HK\$466,385,000 (30 September 2019: HK\$367,947,000) for recovery, on which provision for impairment of HK\$411,585,000 (30 September 2019: HK\$343,127,000) was made as at 31 March 2020. As at the reporting date of the Interim Financial Statements, the legal proceedings are still in progress.

11. LOANS AND ADVANCES (Continued)

The carrying amount of the Group's fixed-rate and variable-rate loans receivable have remaining contractual maturity dates as follows:

	As at	
	31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
Fixed-rate loans receivable:		
Within one year	2,372,048	2,507,222
In more than one year but no more than five years	62,010	78,822
Over five years	<u>135,418</u>	<u>131,540</u>
	2,569,476	2,717,584
Past due	<u>177,052</u>	<u>135,322</u>
	<u><u>2,746,528</u></u>	<u><u>2,852,906</u></u>

	As at	
	31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
Variable-rate loans receivable:		
Within one year	8,801	9,241
In more than one year but no more than five years	35,552	32,932
Over five years	<u>166,231</u>	<u>176,463</u>
	210,584	218,636
	<u><u>210,584</u></u>	<u><u>218,636</u></u>

11. LOANS AND ADVANCES (Continued)

The effective interest rates of the Group's loans receivable are as follows:

	As at	
	31 March	30 September
	2020	2019
	(unaudited)	(audited)
Effective interest rates:		
Fixed-rate loans receivable	0.5% per month to 3.83% per month	0.5% per month to 3.83% per month
Variable-rate loans receivable	Prime rate per annum to prime rate - 2.75% per annum	Prime rate per annum to prime rate - 2.75% per annum

As at 31 March 2020, 178 (30 September 2019: 156) secured loans with the aggregate amount of approximately HK\$1,221,792,000 (30 September 2019: HK\$1,157,508,000) were secured by first legal charges in respect of respective properties located in Hong Kong. The collateral for each individual loan is sufficient to cover the loan amount on an individual basis. They were advanced to various independent borrowers and will be due for repayment within 1 to 30 years (30 September 2019: 1 to 30 years). The remaining balance of the loans receivable amounting to approximately HK\$1,727,856,000 (30 September 2019: HK\$1,914,034,000) were unsecured and provided to independent third parties of the Group, of which the loan amount of approximately HK\$644,481,000 (30 September 2019: HK\$948,774,000) were with second or third legal charges in respect of properties located in Hong Kong and will be due for repayment within 1 to 30 years (30 September 2019: 1 to 30 years).

As at 31 March 2020 and 30 September 2019, each of the fixed-rate and variable-rate secured loans receivable represented less than 10% of the gross loans and advances balance.

The carrying amounts of Group's loans and advances approximate their fair value.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group previously held 15% equity interest in Emperor Investment Fund Limited (“EIFL”). EIFL had no business operations and had net liabilities as at 30 September 2019. EIFL was dissolved on 28 January 2020.

In the opinion of the executive directors of the Company, the equity interests held by the Group in EIFL were with a primary objective for capital appreciation and recognised as financial assets at fair value through other comprehensives income.

The executive directors of the Company considered the fair value of the EIFL as at 30 September 2019 was approximated to zero with reference to the net liabilities of EIFL.

13. ACCOUNTS RECEIVABLE

	As at	
	31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
Accounts receivable from the business of dealing in securities:		
Clearing houses, brokers and cash clients	251,173	68,686
Secured margin loans	3,405,576	4,003,638
Accounts receivable from the business of dealing in futures contracts:		
Clearing houses and brokers	136,328	85,133
Accounts receivable from the business of corporate finance	1,182	715
	<u>3,794,259</u>	<u>4,158,172</u>
Less: Provision for impairment	<u>(1,159,618)</u>	<u>(729,715)</u>
	<u><u>2,634,641</u></u>	<u><u>3,428,457</u></u>

The settlement terms of accounts receivable, except for secured margin loans and IPO loans, arising from the business of dealing in securities are two days after trade date, and of accounts receivable arising from the business of dealing in futures contracts are one day after trade date.

Normal settlement terms of accounts receivable from the business of corporate finance are determined in accordance with the contractual terms. The Group seeks to maintain tight control over its outstanding accounts receivable from the business of corporate finance in order to minimise the credit risk.

13. ACCOUNTS RECEIVABLE (Continued)

The loans to margin clients bear variable interest at commercial rates are repayable on demand. No collateral was pledged for other accounts receivable.

As at 31 March 2020 and 30 September 2019, no individual account represented more than 10% of the total balance of accounts receivable.

No ageing analysis of secured margin loans and IPO margin loans is disclosed as in the opinion of the executive directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

The ageing analysis of the remaining of the accounts receivable, which are past due but not impaired, are as follows:

	As at	
	31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
Past due:		
0–30 days	583	395
31–60 days	508	62
61–90 days	224	103
Over 90 days	162	347
	<hr/>	<hr/>
Accounts receivable which were past due	1,477	907
Accounts receivable which were not past due	387,205	153,627
	<hr/>	<hr/>
	388,682	154,534
	<hr/> <hr/>	<hr/> <hr/>

Note: As at 31 March 2020, 67% (30 September 2019: 76%) of the outstanding balances in gross carrying amount were secured by sufficient collateral. In determining the allowances for credit impaired loans to margin clients, the management of the Group also takes into account shortfall by comparing the fair value of listed securities pledged as collateral and the outstanding balance of accounts receivable from margin client individually taking into account of subsequent settlement or executable settlement plan and restructuring arrangements. In the opinion of the directors of the Company, the impairment provision for the current period is sufficient.

To minimise the Group's exposure to credit risk, the Group has a policy for reviewing impairment allowances for accounts receivable without sufficient collateral and those with default or delinquency in interest or principal payment. ECL assessment is carried out based on an evaluation of the collectability and ageing analysis of the accounts and on management's judgement including the current creditworthiness, collateral value, the past collection history and available forward looking information.

13. ACCOUNTS RECEIVABLE (Continued)

Note: (Continued)

Management had set up the credit limits for each individual customer which are subject to regular reviews by the management. Any extension of credit beyond these approval limits has to be approved by relevant level of management on an individual basis according to the exceeded amount. In determining the allowances for impaired loans to margin clients, the management of the Group also takes into account shortfall by comparing the market value of securities pledged as collateral and the outstanding balance of loan to margin clients individually. Impairments are made for those clients with shortfall as at the year end and with no settlement or executable settlement plan and arrangement after the year end. The Group had commenced legal proceedings against the borrowers of these impaired loans of the outstanding balances totalling approximately HK\$1,440,685,000 (30 September 2019: HK\$1,196,538,000) for recovery, on which provision for impairment of HK\$910,864,000 (30 September 2019: HK\$584,325,000) was made as at 31 March 2020. As at the reporting date of the Interim Financial Statements, the legal proceedings are still in progress.

14. ACCOUNTS PAYABLE

	As at	
	31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
Accounts payable from the business of dealing in securities:		
Clearing house and broker	43,321	8,189
Margin and cash clients	1,674,033	1,390,735
Accounts payable from the business of dealing in futures contracts:		
Margin clients	235,995	165,368
	<u>1,953,349</u>	<u>1,564,292</u>

The settlement terms of accounts payable, except for margin loans, arising from the business of dealing in securities are two days after trade date and accounts payable arising from the business of dealing in futures contracts are one day after trade date. No ageing analysis is disclosed as in the opinion of the executive directors of the Company and the ageing analysis does not give additional value in view of the nature of this business.

Accounts payable to margin and cash clients arising from the business of dealing in securities bear variable interest at commercial rates, and are repayable on demand subsequent to settlement date.

14. ACCOUNTS PAYABLE (Continued)

Included in accounts payable, amounts of approximately HK\$1,590,975,000 and HK\$1,416,696,000 as at 31 March 2020 and 30 September 2019 respectively were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these accounts payable with the deposits placed.

15. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 October 2019 and 31 March 2020	<u>500,000,000</u>	<u>5,000</u>
Issued and fully paid:		
At 1 October 2019	<u>6,740,846</u>	<u>67,408</u>
At 31 March 2020	<u>6,740,846</u>	<u>67,408</u>

16. FAIR VALUE MEASUREMENT ON FINANCIAL INSTRUMENTS

The executive directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the respective reporting period ends approximate their corresponding fair values.

MANAGEMENT DISCUSSION & ANALYSIS

Established in 1993, the Group is a renowned Hong Kong based financial institution providing a wide range of financial services including (i) commercial and personal lending as well as margin and initial public offering (“IPO”) financing; (ii) brokerage services, wealth management and asset management; (iii) placing and underwriting services for listed issuers; and (iv) corporate finance advisory services. The Company was listed on the Main Board of the Stock Exchange in April 2007. In November 2019, “英皇” has been recognised as well-known trademark in mainland China and obtained cross-class protection from the National Intellectual Property Administration, affirming its wide recognition and brand value in China.

Over the past decade, the Group has successfully transformed into an interest income based financial institution and diversified its income streams. The core strength of the Group lies in its robust business model, with diverse businesses to withstand increasingly complex market conditions. The Group currently operates 3 branches in Hong Kong, and 3 liaison offices in mainland China.

MARKET REVIEW

During the Period, headwinds arising from the global trade dispute and the fluctuating exchange rate of the Chinese yuan continued to hinder the sentiment in financial and investment markets. With fears caused by the outbreak of coronavirus disease (COVID-19; the “Pandemic”) and concerns regarding global economic outlook, US stocks market plummeted, with the Dow Jones Industrial Average closing down more than 2,000 points, in its biggest single-day point drop. The US Federal Reserve even lowered interest rates twice, to nearly zero, within a couple of weeks, and resumed its quantitative easing programme. As the Pandemic caused disruptions in various business segments across the region as well as the country, the economy in Greater China as a whole has been greatly impacted, hindering development of the financial services market.

FINANCIAL REVIEW

Overall Review

During the Period, the Group’s revenue decreased to HK\$494.5 million (2019: HK\$590.4 million). Net loss for the Period was HK\$268.1 million (2019: Net profit of HK\$37.6 million), which was mainly due to a recognition of impairment allowances for margin loans as well as loans and advances, net of reversal (“Impairment Allowances”). The Impairment Allowances of approximately HK\$592.9 million were made after reviewing the accounts portfolio and financial positions of certain clients. Excluding the Impairment Allowances, the Group’s adjusted net profit decreased by 9.1% to HK\$324.9 million (2019: HK\$357.4 million). Basic loss per share was HK3.98 cents (2019: Basic earnings per share of HK0.55 cent).

Capital Structure, Liquidity and Financial Resources

The Group financed its operations by cash mainly generated from operations and borrowings, as well as proceeds raised from issuance of bonds. As at 31 March 2020, the Group's current assets and current liabilities were HK\$8,282.8 million (as at 30 September 2019: HK\$9,440.2 million) and HK\$2,473.9 million (as at 30 September 2019: HK\$2,584.4 million) respectively. As at 31 March 2020, aggregate of bank balances, cash and pledged bank deposits of the Group amounted to HK\$1,451.3 million (as at 30 September 2019: HK\$1,905.5 million), which were mainly denominated in Hong Kong dollar ("HK\$").

As at 31 March 2020, the total carrying amount of the Company's outstanding bonds was approximately HK\$1,799.7 million (as at 30 September 2019: HK\$2,813.5 million). Principal amounts of HK\$ bonds and United States dollar ("US\$") bonds were HK\$1,799.0 million and US\$1.2 million (equivalent to approximately HK\$9.4 million), respectively. With maturity dates falling within 2021 and 2022, the HK\$ bonds carry coupon rates ranging between 5.0% and 5.25% per annum, whilst the US dollar bonds carry coupon rate at 4.75% per annum.

As at 31 March 2020, the Group had no bank borrowings (as at 30 September 2019: HK\$231.2 million). The total borrowings of the Group, which comprised bonds only, amounted to HK\$1,799.7 million (as at 30 September 2019: HK\$3,044.7 million), hence the gearing ratio decreased to 37.1% (as at 30 September 2019: 59.5%); calculated as a percentage of total borrowings over total equity of the Group. The Group did not have any material foreign exchange exposure as at 31 March 2020.

With the Group's sufficient bank balances and cash, its available unutilised banking facilities of HK\$2,971.8 million, as well as the proceeds raised from the issuance of bonds, the Board considers the Group has sufficient working capital for its operation and future development.

Pledge of Assets

As at 31 March 2020, bank deposit of the Group with aggregate carrying amount of HK\$160.0 million (as at 30 September 2019: HK\$160.0 million) was pledged to a bank as security for banking facilities.

BUSINESS REVIEW

Financing

The Group's financing segment derives interest income from commercial and personal lending as well as margin and IPO financing. The loans granted to customers range from short-term unsecured loans (e.g. tax loan, bridging loan, term loan, personal loan) to long-term secured loans (e.g. property mortgage). Built on a renowned reputation for delivering professional and personalised loan services, the Group has developed a niche in the loan market, providing corporate and retail clients with tailored liquidity solutions to meet their corporate goals and personal needs.

During the Period, the segment's revenue was HK\$427.6 million (2019: HK\$519.4 million), accounting for 86.5% (2019: 88.0%) of the Group's total revenue.

Facing the vulnerable business environment, the Group adopted a conservative approach, and continued striving to reinforce its risk management and strengthen its capital management. Legal proceedings have been initiated in response to the significant amount of Impairment Allowances during the Period.

Brokerage Services

The Group currently provides brokerage services for securities, futures and options traded on exchanges in Hong Kong, mainland China (via Shanghai and Shenzhen-Hong Kong Stock Connect schemes respectively) and major overseas countries, as well as wealth management and asset management services. As at 31 March 2020, the Group operated 3 branches in Hong Kong and 3 liaison offices in mainland China covering Beijing, Shanghai and Guangzhou respectively. In addition to branches, the Group offers web-based and mobile trading platforms which enable real-time transaction and investment portfolio monitoring. The Group's wealth management division provides advice regarding a wide array of investment services, including securities, mutual funds, insurance-linked products, and real estate investment. In its asset management arm, apart from running private equity fund, the Group also provides customised discretionary investment services to its customers.

Despite the volatile stock market, revenue from brokerage services increased by 15.7% to HK\$58.8 million (2019: HK\$50.8 million) during the Period, accounting for 11.9% (2019: 8.6%) of the Group's total revenue.

Placing and Underwriting

With a highly experienced team of professionals, the Group offers placing and underwriting services to various Hong Kong listed companies. The Group serves as placing agents in equity and debt placing deals and IPO-related transactions. The Group also participates in underwriting rights issue exercises.

During the Period, the Group participated in a number of primary and secondary market financing projects. Revenue from the placing and underwriting segment was HK\$3.1 million (2019: HK\$17.1 million), accounting for 0.6% (2019: 2.9%) of the Group's total revenue.

Corporate Finance

The division holds a full corporate finance licence under the Securities and Futures Ordinance, allowing it to advise on Takeovers Code related transactions and undertake sponsor work for IPOs in addition to general corporate finance advisory services. Apart from IPO-related services, the Group offers advisory services for corporate transactions including placing, rights issue, corporate restructuring and merger and acquisition.

The Group has engaged in a number of corporate transactions and IPO projects during the Period. Revenue from the corporate finance segment increased to HK\$4.9 million (2019: HK\$3.1 million), accounting for 1.0% (2019: 0.5%) of the Group's total revenue.

OUTLOOK

Various travel restrictions measures have been implemented to combat the Pandemic, which impede due diligence work and roadshows, resulting in a recent slowdown of IPO deals and corporate transactions. As a result of the public health crisis, corporations' business prospects are undermined, which will impair their liquidity and perceived credibility. It is expected that the overall economy as well as the financial and investment market may tend to move downward. The tough business environment may persist for some time. The Group will adhere to its prudent approach, and will adopt the following strategies for mitigating the potential downside risk:

- The Group will actively review its loan portfolio and closely monitor the loan receivables status;
- The Group will reinforce risk management by implementing stricter scrutiny of loan approval procedures and conducting more comprehensive assessments of the collaterals to minimise default risk;
- The Group will promptly react to market changes, and adjust the interest charge and loan-to-value ratio as appropriate; and
- The Group will exercise stringent control over operating costs to improve its overall operating efficiency.

Against the backdrop of the Pandemic and the ongoing global trade disputes, the financial system in Hong Kong remains healthy. Some financial relief measures have been introduced by the local government since February 2020, to provide financial supports to citizens and corporations. Meanwhile, the Chinese Central Government and Chinese commercial banks are offering various aids and relief packages to corporations. The Group expects all these measures at both regional and nationwide level will help to accelerate market recovery in the Greater China. The Group is well poised to seize development opportunities, whilst endeavouring to maintain steady development of its businesses.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had 81 (2019: 80) account executives and 119 (2019: 177) employees. Total staff costs (including Directors' remuneration) were approximately HK\$31.9 million (2019: HK\$52.7 million). Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

To continue to provide incentives or rewards to the staff, the Company has adopted a share option scheme, particulars of which will be set out in the section headed "Share Options" of the interim report of the Company.

INTERIM DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the financial year ending 30 September 2020 (2019: Nil).

REVIEW OF INTERIM RESULTS

These condensed consolidated Interim Financial Statements of the Group had not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but had been reviewed by the audit committee of the Company, which comprises the three independent non-executive Directors of the Company.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company had complied throughout the Period with all the code provisions as set out in the Corporate Governance Code under Appendix 14 of the Listing Rules, except with the deviation from code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and not be performed by the same individual. Ms. Daisy Yeung (being the Chief Executive Officer of the Group) had also been appointed as the Managing Director of the Company by the Board who provides the Board with strong and consistent leadership while at the same time leading the management on effective planning, formulation, implementation and execution of long-term business strategies of the Group. The Directors have considered the issue of balance of power and authority of the Board and believes the current structure (having strong independent elements in the Board, delegation of authorities to the management, supervision by the Board and Board committees) can properly address the potential issue on power concentration. All Directors, who bring different experience and expertise to the Company, are properly briefed on issues arising at Board meetings and that adequate, complete and reliable information is received by the Directors. The Board is of the opinion that the current Board structure functions effectively and does not intend to make any change thereof.

Model Code for Securities Transactions

The Company had adopted its own code of conduct regarding securities transactions by Directors (“ECG Securities Code”) on no less exacting terms than the required standards for securities dealings as set out in Appendix 10 of the Listing Rules regarding Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”). Having made specific enquiry to the Directors, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code and ECG Securities Code throughout the Period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.emperorcapiatal.com>). The interim report will be despatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Emperor Capital Group Limited
Daisy Yeung
Managing Director

Hong Kong, 19 May 2020

As at the date of this announcement, the Board comprises:

Executive Directors:

Ms. Daisy Yeung
Ms. Choi Suk Hing, Louisa
Ms. Pearl Chan

Independent Non-Executive Directors:

Mr. Chu Kar Wing
Mr. Poon Yan Wai
Ms. Wan Choi Ha