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 2019

**FINANCIAL SUMMARY**

| *HK$'000 (Unaudited)* | **Six months ended 31 March** | |
|---|---|---|
| | **2019** | 2018 |
| Total revenue | **590,427** | 668,068 |
| Financing | **519,426** | 521,857 |
| Brokerage | **50,802** | 68,993 |
| Placing & Underwriting | **17,149** | 60,843 |
| Corporate Finance | **3,050** | 16,375 |
| Net Profit | | |
| Per reported | **37,638** | 371,408 |
| Adjusted[1] | **357,365**[1] | 372,516[1] |
| Basic earnings per share | **HK0.55 cent** | HK5.51 cents |

1 Excluding aggregate impairment allowances on margin loans and, loans and advances, net of reversal, totalling approximately HK$319.7 million (2018: HK$1.1 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 2019 (the "Period") together with the comparative figures for the corresponding period in 2018 as set out below:

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

| | | Six months ended 31 March | |
|---|---|---|---|
| | | **2019** | 2018 |
| | | **(unaudited)** | (unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | | | |
| Commission and fees income | *4* | **62,312** | 141,920 |
| Interest income | *4* | **528,115** | 526,148 |
| | | **590,427** | 668,068 |
| Other operating income | | **5,289** | 2,631 |
| Staff costs | | **(52,666)** | (62,398) |
| Impairment allowances on loans and advances, net of reversal | *10* | **(59,515)** | (1,108) |
| Impairment allowances on accounts receivable, net of reversal | *13* | **(260,212)** | – |
| Commission expenses | | **(20,266)** | (39,182) |
| Other expenses | | **(54,687)** | (52,787) |
| Finance costs | | **(87,621)** | (67,282) |
| Share of loss of an associate | | **(695)** | (1,365) |
| Profit before taxation | *5* | **60,054** | 446,577 |
| Taxation | *6* | **(22,416)** | (75,169) |
| Profit and total comprehensive income for the period attributable to owners of the Company | | **37,638** | 371,408 |
| Earnings per share | | | |
| – Basic and diluted | *7* | **HK0.55 cent** | HK5.51 cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31 March 2019 (unaudited) *HK$'000* | As at 30 September 2018 (audited) *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | | **9,049** | 7,387 |
| Intangible assets | *9* | **—** | – |
| Other assets | | **6,236** | 9,320 |
| Interest in an associate | | **—** | – |
| Amount due from an associate | | **4,620** | 5,315 |
| Loans and advances | *10* | **544,143** | 279,297 |
| Available-for-sale investment | *11* | **—** | – |
| Deferred taxation | *12* | **3,532** | – |
| | | **567,580** | 301,319 |
| **Current assets** | | | |
| Accounts receivable | *13* | **4,953,704** | 5,524,233 |
| Loans and advances | *10* | **2,228,267** | 2,230,649 |
| Other debtors, deposits and prepayments | | **32,561** | 30,125 |
| Tax recoverable | | **27,649** | – |
| Pledged bank deposits – general accounts | | **160,000** | 160,000 |
| Bank balances and cash – trust accounts | | **1,337,249** | 1,642,300 |
| Bank balances and cash – general accounts | | **1,505,264** | 883,041 |
| | | **10,244,694** | 10,470,348 |
| **Current liabilities** | | | |
| Accounts payable | *14* | **1,550,482** | 1,835,634 |
| Other creditors and accrued charges | | **112,269** | 122,454 |
| Tax liabilities | | **27,462** | 136,443 |
| Short-term bank borrowings | | **538,285** | 460,225 |
| Bonds issued | | **1,596,581** | 969,859 |
| | | **3,825,079** | 3,542,615 |
| **Net current assets** | | **6,419,615** | 6,945,733 |
| **Total assets less current liabilities** | | **6,987,195** | 7,247,052 |
| **Non-current liabilities** | | | |
| Bonds issued | | **1,574,715** | 1,815,181 |
| **Net assets** | | **5,412,480** | 5,431,871 |
| **Capital and reserves** | | | |
| Share capital | *15* | **67,408** | 67,408 |
| Reserves | | **5,345,072** | 5,364,463 |
| **Total equity** | | **5,412,480** | 5,431,871 |

*Notes:*

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 March 2019 (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 2018, 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 for the six months ended 31 March 2019 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 30 September 2018.

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 9 | *Financial Instrument* |
| HKFRS 15 | *Revenue from Contracts with Customers and the related Amendments* |
| HK(IFRIC) — Int 22 | *Foreign Currency Transactions and Advance Consideration* |
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions* |
| Amendments to HKAS 28 | *As part of the Annual Improvements to HKFRSs 2014 — 2016 Cycle* |

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

Except these, the application of the 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" ("HKFRS 9") and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 October 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 October 2018. The difference between carrying amounts as at 30 September 2018 and the carrying amounts as at 1 October 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparable information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

#### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 9*

*Classification and measurement of financial assets*

Accounts receivables arising from contracts with customers are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15").

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39. Such measurement basis depends on the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

#### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 9* *(Continued)*

*Classification and measurement of financial assets (Continued)*

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

Equity instruments designated as at FVTOCI

At the date of initial application, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the line item of the condensed consolidated statement of profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 October 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impact thereof are detailed in Note 2.1.2.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

#### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 9* (Continued)

*Impairment of financial assets under ECL model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, loans and advances, other debtors and deposits, amount due from an associate, bank balances and cash and pledged bank deposits, contract assets (if any) and loan commitments). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable and contract assets (if any) that result from transactions within the scope of HKFRS 15 and the ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with debtors having similar credit ratings.

For all other instruments, the Group applies the general approach to measure ECL for all financial assets and loan commitments which are subject to impairment under HKFRS 9. On this basis, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

#### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 9* *(Continued)*

*Impairment of financial assets under ECL model (Continued)*

Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due (except for accounts receivable from secured margin clients arising from the business of dealing in securities included in accounts receivable where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk), unless the Group has reasonable and supportable information that demonstrates otherwise.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group considers that default has occurred when the instrument is more than 90 days past due (except for accounts receivable from secured margin clients arising from the business of dealing in securities included in accounts receivable where a shorter period of "past due" has been applied by the directors in view of the nature of business operation and practice in managing the credit risk), unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

#### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 9* *(Continued)*

*Impairment of financial assets under ECL model (Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable and loans and advances where the corresponding adjustment is recognised through a loss allowance account.

As at 1 October 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and loan commitments for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.1.2.

*Classification and measurement of financial liabilities*

Financial liabilities continue to be measured at either amortised cost or FVTPL. The criteria for designating a financial liability at FVTPL by applying the fair value option remains unchanged.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

#### *2.1.2 Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 October 2018.

| | *Note* | **Loans and advances** *HK$'000* | **Accounts receivable** *HK$'000* | **Deferred tax assets** *HK$'000* | **Retained profits** *HK$'000* |
|---|---|---|---|---|---|
| At 30 September 2018 – HKAS 39 | | 2,509,946 | 5,524,233 | – | 2,153,247 |
| Effect arising from initial application of HKFRS 9: Remeasurement of impairment under ECL model | *(b)* | (5,184) | (11,381) | 2,677 | (13,888) |
| At 1 October 2018 – HKFRS 9 | | 2,504,762 | 5,512,852 | 2,677 | 2,139,359 |

*Notes:*

*(a) Available-for-sale ("AFS") investments*

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of an equity investment of HK$nil previously classified as available-for-sale investments measured at fair value through OCI under HKAS 39. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$nil were reclassified from available-for-sale investments to equity instruments at FVTOCI.

*(b) Impairment under ECL model*

Such amount represents the impairment under 12m ECL and lifetime ECL upon application of HKFRS 9 as detailed in Note 2.1.1.

As at 1 October 2018, the additional impairment allowance of HK16,565,000 has been recognised against the retained profits. The additional impairment allowance is charged against the respective asset. Based on the assessment performed on the date of initial application of HKFRS 9, the directors of the Company considered that the additional impairment allowances in relation to other long term assets, contract assets, other debtors and deposits, accounts receivable (except for accounts receivable from secured margin clients arising from the business of dealing in securities), amount due from an associate, bank balances and cash and pledged bank deposits are insignificant to the financial performance and position of the Group and hence have not been recorded due to being immaterial.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" *(Continued)*

#### *2.1.2 Summary of effects arising from initial application of HKFRS 9 (Continued)*

*(b) Impairment under ECL model (Continued)*

The following table reconciles the impairment allowance measured in accordance with HKAS 39 (under incurred loss model) as at 30 September 2018 to the new impairment allowance measured with HKFRS 9 (under ECL model) at 1 October 2018:

| | Impairment allowance under HKAS 39<br>*HK$'000* | Additional impairment allowance under re-measurement<br>*HK$'000* | Impairment allowance under HKFRS 9<br>*HK$'000* |
|---|---|---|---|
| Loans and advances | 33,634 | 5,184 | 38,818 |
| Accounts receivable from secured margin clients arising from the business of dealing in securities | 206,416 | 11,381 | 217,797 |
| Total | 240,050 | 16,565 | 256,615 |

Impairment allowances for loans and advances, accounts receivable (including accounts receivable from secured margin clients arising from the business of dealing in securities) and other financial assets are measured on 12m ECL basis ("Stage 1") for those with no significant increase in credit risk since initial recognition, and measured on lifetime ECL basis for those with credit risk increased significantly ("Stage 2") or assessed to be credit impaired ("Stage 3") since initial recognition.

### 2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Commission income on securities dealing and broking and futures and options dealing and broking;
- Commission income on underwriting and placing, financial advisory and consultancy fees; and
- Interest income from a financial asset (under HKFRS 9 as detailed previously).

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 October 2018. The application of HKFRS 15 on 1 October 2018 has no material impact on the Group's financial performance and positions for the current period and prior years, and accordingly, there is no adjustment on the opening condensed consolidated statement of financial position and condensed consolidated statement of changes in equity.

#### *2.2.1 Key changes in accounting policies resulting from application of HKFRS 15*

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(Continued)*

#### *2.2.1 Key changes in accounting policies resulting from application of HKFRS 15* *(Continued)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The revenue from financial advisory and consultancy fees and asset management fee are recognised over time and other types of revenue are recognised at point in time.

*Variable consideration*

For contracts that contain variable consideration, such as performance fee income, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

## 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.

3. **SEGMENT INFORMATION** *(Continued)*

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 – 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 services

(d) Corporate finance – Provision of corporate finance advisory services

**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 2019**

| | Financing (unaudited) *HK$'000* | Brokerage (unaudited) *HK$'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) | — |
| | 672,155 | 50,802 | 24,865 | 3,050 | (160,445) | 590,427 |

Inter-segment sales are charged at prevailing market rates.

| | Financing | Brokerage | Placing and underwriting | Corporate finance | Elimination | Total |
|---|---|---|---|---|---|---|
| **RESULTS** | | | | | | |
| Segment results | 70,612 | 25,948 | 5,392 | 608 | | 102,560 |
| 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 | | | | | | (695) |
| Profit before taxation | | | | | | 60,054 |

### 3. SEGMENT INFORMATION *(Continued)*

**Segment revenue and results** *(Continued)*

**For the six months ended 31 March 2018**

| | Financing (unaudited) *HK$'000* | Brokerage (unaudited) *HK$'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 | 521,857 | 68,993 | 60,843 | 16,375 | – | 668,068 |
| Inter-segment sales | 74,598 | – | 12,060 | – | (86,658) | – |
| | 596,455 | 68,993 | 72,903 | 16,375 | (86,658) | 668,068 |

Inter-segment sales are charged at prevailing market rates.

| | Financing (unaudited) *HK$'000* | Brokerage (unaudited) *HK$'000* | Placing and underwriting (unaudited) *HK$'000* | Corporate finance (unaudited) *HK$'000* | Elimination (unaudited) *HK$'000* | Total (unaudited) *HK$'000* |
|---|---|---|---|---|---|---|
| **RESULTS** | | | | | | |
| Segment results | 426,798 | 29,592 | 33,460 | 9,047 | | 498,897 |
| Unallocated other operating income | | | | | | 31 |
| Unallocated corporate expenses | | | | | | |
| – staff costs (including directors' remuneration but excluding staff commission expenses) | | | | | | (37,586) |
| – management fee to a related company | | | | | | (151) |
| – service charge to related companies | | | | | | (5,634) |
| – others | | | | | | (7,615) |
| Share of loss of an associate | | | | | | (1,365) |
| Profit before taxation | | | | | | 446,577 |

## 4. REVENUE

| | Six months ended 31 March | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Commission and fees income *(Note)*: | | |
| Commission and fees income on dealing in securities | **32,279** | 44,040 |
| Commission and fees income on dealing in futures and options contracts | **6,770** | 11,691 |
| Commission and fees income from insurance brokerage and wealth management | **3,064** | 8,971 |
| Corporate finance advisory services fee income | **3,050** | 16,375 |
| Placing and underwriting commission | **17,149** | 60,843 |
| | **62,312** | 141,920 |
| Interest income: | | |
| Interest income from margin and initial public offer financing | **326,242** | 409,778 |
| Interest income from loans and advances | **193,184** | 112,079 |
| Interest income from bank deposits | **8,630** | 4,247 |
| Interest income from others | **59** | 44 |
| | **528,115** | 526,148 |
| | **590,427** | 668,068 |

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

## 5. PROFIT BEFORE TAXATION

| | Six months ended 31 March | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Profit before taxation has been arrived at after charging (crediting): | | |
| Depreciation of property and equipment | **1,269** | 956 |
| Operating lease rentals in respect of | | |
| – rental premises | **7,457** | 5,876 |
| – office equipment | **7,665** | 7,008 |
| Net exchange gain | **(16)** | (2,601) |

## 6. TAXATION

| | Six months ended 31 March | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current period: | | |
| Hong Kong Profits Tax provision for the period | **23,176** | 75,115 |
| PRC Enterprise Income Tax | **95** | 54 |
| | **23,271** | 75,169 |
| Deferred tax credit | **(855)** | – |
| | **22,416** | 75,169 |

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%.

## 7. 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Earnings for the purposes of basic and diluted earnings per share | **37,638** | 371,408 |

| | Six months ended 31 March | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | **6,740,846** | 6,740,846 |

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

## 8. DIVIDENDS

| | Six months ended 31 March | |
|---|---|---|
| | **2019** | 2018 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Recognised as distribution: | | |
| Final dividend of HK0.64 cent per share for the year ended 30 September 2018 paid during the Period (year ended 30 September 2017: HK1.52 cents) | **43,141** | 102,461 |

## 9. INTANGIBLE ASSETS

| | |
|---|---|
| | *HK$'000* |
| **COST** | |
| At 1 October 2017, 30 September 2018 and 31 March 2019 | 9,802 |
| **AMORTISATION AND IMPAIRMENT** | |
| At 1 October 2017, 30 September 2018 and 31 March 2019 | 9,802 |
| **CARRYING VALUES** | |
| At 31 March 2019 | – |
| At 30 September 2018 | – |

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.

## 10. LOANS AND ADVANCES

| | As at | |
|---|---|---|
| | **31 March 2019** | 30 September 2018 |
| | **(unaudited)** | (audited) |
| | ***HK$'000*** | *HK$'000* |
| Fixed-rate loans receivable | **2,639,315** | 2,524,430 |
| Variable-rate loans receivable | **231,428** | 19,150 |
| | **2,870,743** | 2,543,580 |
| Less: Provision for impairment | **(98,333)** | (33,634) |
| | **2,772,410** | 2,509,946 |
| Analysed as: | | |
| Current | **2,228,267** | 2,230,649 |
| Non-current | **544,143** | 279,297 |
| | **2,772,410** | 2,509,946 |

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 2019** | 30 September 2018 |
| | **(unaudited)** | (audited) |
| | ***HK$'000*** | *HK$'000* |
| Fixed-rate loans receivable: | | |
| Within one year | **2,128,565** | 2,034,038 |
| In more than one year but no more than five years | **128,585** | 90,384 |
| Over five years | **185,915** | 180,267 |
| | **2,443,065** | 2,304,689 |
| Past due but not impaired | **97,917** | 186,107 |
| | **2,540,982** | 2,490,796 |

## 10. LOANS AND ADVANCES *(continued)*

| | As at | |
|---|---|---|
| | **31 March 2019** | 30 September 2018 |
| | **(unaudited)** | (audited) |
| | ***HK$'000*** | *HK$'000* |
| Variable-rate loans receivable: | | |
| Within one year | **8,638** | 10,504 |
| In more than one year but no more than five years | **33,572** | 1,875 |
| Over five years | **189,218** | 6,771 |
| | **231,428** | 19,150 |

*Note:* As at 31 March 2019, included in the fixed-rate loans receivable was balance of approximately HK$97,917,000 (as at 30 September 2018: HK$186,107,000) which had been past due but not impaired. Taking into account the collateral of the loans, the executive directors of the Company believed that no provision for impairment for such loans receivable was necessary as at 31 March 2019 (30 September 2018: nil). No variable-rate loans receivables had been past due but not impaired as at 31 March 2019 and 30 September 2018.

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

| | As at | |
|---|---|---|
| | **31 March 2019** | 30 September 2018 |
| | **(unaudited)** | (audited) |
| Effective interest rates: | | |
| Fixed-rate loans receivable | **0.5% per month to 3.83% per month** | 0.19% 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 + 1% per annum |

As at 31 March 2019, 143 (30 September 2018: 119) secured loans with the aggregate amount of approximately HK$881,909,000 (30 September 2018: HK$785,358,000) 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 2018: 1 to 30 years). The remaining balance of the loans receivable amounting to approximately HK$1,894,642,000 (30 September 2018: HK$1,724,869,000) were unsecured and provided to independent third parties of the Group, of which the loan amount of approximately HK$1,013,347,000 (30 September 2018: HK$886,388,000) 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 2018: 1 to 30 years).

## 10. LOANS AND ADVANCES *(continued)*

As at 31 March 2019 and 30 September 2018, each of the fixed-rate and variable-rate secured loans receivable represented less than 10% of the gross loans and advances balance.

As at 31 March 2019, included in the gross amount of loans and advances of approximately HK$2,870,743,000 (30 September 2018: HK$2,543,580,000) were the impaired loans of approximately HK$98,333,000 (30 September 2018: HK$33,634,000).

Details of movements in the provision for impairment are as follows:

| | Impairment allowances under | |
|---|---|---|
| | **HKFRS 9** | HKAS 39 |
| | **2019** | 2018 |
| | **(unaudited)** | (audited) |
| | ***HK$'000*** | *HK$'000* |
| Balance at 1 October 2018 *(Note)* / 1 October 2017 | **38,818** | 31,472 |
| Provision for the period/year, net of reversal | **59,515** | 2,196 |
| Amounts recovered during the period/year | **–** | (34) |
| Balance at 31 March 2019 / 30 September 2018 *(Note)* | **98,333** | 33,634 |

*Note:* Details of the reconciliation of impairment allowance measured in accordance with HKAS 39 as at 30 September 2018 to HKFRS 9 as at 1 October 2018 is included in summary of effects arising from initial application of HKFRS 9, please refer to Note 2.1.2(b).

To minimise the Group's exposure to credit risk, 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. The Group has a policy for assessing the impairment allowances on loans and advances on an individual basis. The assessment is based on a close monitoring and evaluation of the collectability of individual account and on management's judgment, including the current creditworthiness of the borrowers, collateral value and the past collection history of each individual borrower with taking into account of relevant forward looking information and factors. Taking into account of the above, the executive directors of the Company have made provision for impairment of approximately HK$98,333,000 as at 31 March 2019 (30 September 2018: HK$33,634,000). The Group had commenced legal and other debt collection proceedings against the borrowers of these impaired loans with provision for impairment made as at 31 March 2019 of approximately HK$94,192,000 for recovery. As at the reporting date of the Interim Financial Statements, the legal and other debt collection proceedings are still in progress.

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

## 11. AVAILABLE-FOR-SALE INVESTMENT

The Group holds 15% equity interest in Emperor Investment Fund Limited ("EIFL"). EIFL had no business operations and had net liabilities as at 30 September 2018 and 31 March 2019.

In the opinion of the executive directors of the Company, the equity interests held by the Group in EIFL are with a primary objective for capital appreciation and recognised as an available-for-sale investment.

The executive directors of the Company consider the fair value of the EIFL as at 30 September 2018 and 31 March 2019 are approximated to zero with reference to the net liabilities of EIFL.

## 12. DEFERRED TAXATION

The movement in deferred tax assets during the period is as follows:

Temporary difference on provision for impairment of accounts receivable, loans and advances

| | *HK$'000* |
|---|---|
| At 1 October 2018 *(Note)* | 2,677 |
| Credit to profit or loss | 855 |
| At 31 March 2019 | 3,532 |

*Note:* Details of the reconciliation of deferred tax assets recognised in respect of the impairment allowances measured in accordance with HKAS 39 as at 30 September 2018 to HKFRS 9 as at 1 October 2018 is included in summary of effects arising from initial application of HKFRS 9, please refer to Note 2.1.2(b).

## 13. ACCOUNTS RECEIVABLE

| | **As at** | |
|---|---|---|
| | **31 March 2019 (unaudited)** | 30 September 2018 (audited) |
| | ***HK$'000*** | *HK$'000* |
| Accounts receivable from the business of dealing in securities: | | |
| Clearing houses, brokers and cash clients | **172,207** | 98,292 |
| Secured margin loans | **5,153,830** | 5,499,963 |
| Accounts receivable from the business of dealing in futures contracts: | | |
| Clearing houses and brokers | **104,694** | 131,819 |
| Accounts receivable from the business of corporate finance | **982** | 575 |
| | **5,431,713** | 5,730,649 |
| Less: Provision for impairment | **(478,009)** | (206,416) |
| | **4,953,704** | 5,524,233 |

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.

As at 31 March 2019, the total market value of securities pledged as collateral in respect of the secured loans to margin clients were approximately HK$24,303,000,000 (30 September 2018: HK$26,749,000,000). 71% (30 September 2018: 86%) of the loans were secured by sufficient collateral on an individual basis. Management has assessed the market value of the pledged securities of each individual customer who has margin shortfall as at the end of the reporting period, and considered that the impairment is sufficient. The loans to margin clients bear variable interest at commercial rates and are repayable on demand. No collateral was pledged for other accounts receivable.

## 13. ACCOUNTS RECEIVABLE *(continued)*

Details of provision for impairment in respect of the secured loans to margin clients are as follows:

| | **Impairment allowances under** | |
|---|---|---|
| | **HKFRS 9** | HKAS 39 |
| | **2019** | 2018 |
| | **(unaudited)** | (audited) |
| | ***HK'000*** | *HK'000* |
| Balance at 1 October 2018 *(Note)* / 1 October 2017 | **217,797** | 3,000 |
| Provision for the period / year, net of reversal | **260,212** | 203,416 |
| Balance at 31 March 2019 / 30 September 2018 *(Note)* | **478,009** | 206,416 |

*Note:* Details of the reconciliation of impairment allowance measured in accordance with HKAS 39 as at 30 September 2018 to HKFRS 9 as at 1 October 2018 is included in summary of effects arising from initial application of HKFRS 9, please refer to Note 2.1.2(b).

No further provision for impairment is considered necessary for the remaining margin loans based on the Group's evaluation of their collectability. 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 2019 and 30 September 2018, no individual account represented more than 10% of the total balance of amounts 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** | 30 September |
| | **2019** | 2018 |
| | **(unaudited)** | (audited) |
| | ***HK$'000*** | *HK$'000* |
| Past due: | | |
| 0–30 days | **777** | 403 |
| 31–60 days | **7** | 105 |
| 61–90 days | **4** | 309 |
| Over 90 days | **537** | 285 |
| Accounts receivable which were past due but not impaired | **1,325** | 1,102 |
| Accounts receivable which were neither past due nor impaired | **276,558** | 229,584 |
| | **277,883** | 230,686 |

## 13. ACCOUNTS RECEIVABLE *(continued)*

*Note:* To minimise the Group's exposure to credit risk, the Group has a policy for reviewing impairment allowances of accounts receivable without sufficient collateral and those with default or delinquency in interest or principal payment. The assessment is based on an evaluation of the collectability and ageing analysis of the accounts and on management's judgment including the current creditworthiness, collateral value and the past collection history of each customer as well as the relevant forward looking information and factors in the expected credit loss model. Management had set up the credit limits for each individual customer which are subject to regular review by the management. Any extension of credit beyond these approved 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. Provision for impairment have been made for those clients with shortfall as at the end of reporting period and with no settlement or executable settlement plan and arrangement after the end of reporting period. The Group had commenced legal proceedings against the borrowers of these impaired loans with provision for impairment made as at 31 March 2019 totalling approximately HK$451,878,000 for recovery. As at the reporting date of the Interim Financial Statements, the legal proceedings are still in progress.

## 14. ACCOUNTS PAYABLE

| | **As at** | |
|---|---|---|
| | **31 March 2019 (unaudited)** | 30 September 2018 (audited) |
| | ***HK$'000*** | *HK$'000* |
| Accounts payable from the business of dealing in securities: | | |
| Clearing house and broker | **70** | 802 |
| Margin and cash clients | **1,342,301** | 1,591,776 |
| Accounts payable from the business of dealing in futures contracts: | | |
| Margin clients | **208,111** | 243,056 |
| | **1,550,482** | 1,835,634 |

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.

Included in accounts payable, amounts of approximately HK$1,337,200,000 and HK$1,642,300,000 as at 31 March 2019 and 30 September 2018 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 2018 and 31 March 2019 | 500,000,000 | 5,000 |
| Issued and fully paid: | | |
| At 1 October 2018 | 6,740,846 | 67,408 |
| At 31 March 2019 | 6,740,846 | 67,408 |

## 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, 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.

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 4 branches in Hong Kong, and 3 liaison offices in mainland China.

### Financial Review

#### *Overall Review*

During the Period, due to several market uncertainties, the general market sentiment was volatile and the Group's revenue inevitably decreased by 11.6% to HK$590.4 million (2018: HK$668.1 million). Profit for the Period attributable to owners of the Company ("Net Profit") declined to HK$37.6 million (2018: HK$371.4 million) due to the recognition of impairment allowances for margin loans as well as loans and advances, net of reversal ("Impairment Allowances"). The Impairment Allowances of approximately HK$319.7 million were made on certain clients after reviewing their accounts portfolio and financial positions. Excluding the Impairment Allowances, the Group's adjusted Net Profit decreased slightly by 4.1% to HK$357.3 million (2018: HK$372.5 million). Basic earnings per share were HK0.55 cent (2018: HK5.51 cents).

### *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 2019, the Group's current assets and current liabilities were HK$10,244.6 million (as at 30 September 2018: HK$10,470.3 million) and HK$3,825.0 million (as at 30 September 2018: HK$3,542.6 million), respectively. As at 31 March 2019, aggregate of bank balances, cash and pledged bank deposits of the Group amounted to HK$1,665.3 million (as at 30 September 2018: HK$1,043.0 million), which were mainly denominated in Hong Kong dollars ("HK$").

During the Period, the Group entered into a placing agreement for placing of bonds with an aggregate amount of up to HK$500.0 million on or before 31 January 2019, which are 3-year unsecured bonds denominated in HK$, bearing interest at 5.25% per annum payable annually in arrears. The Group subsequently entered into an extension letter for extending the last day of the placing period from 31 January 2019 to 30 April 2019. As at 31 March 2019, an aggregate principal amount of approximately HK$385.8 million of bonds was placed and issued in 4 tranches. Subsequent to the end of the Period, a further tranche with a principal amount of HK$114.2 million of bonds was placed, making a total of HK$500.0 million of the bonds being successfully placed under the placing agreement.

The net proceeds from the bond placements will be applied as working capital for expansion of the Group's existing businesses, especially for the money lending business, and to finance any future opportunities the Company may identify, and repayment of loans and borrowings.

As at 31 March 2019, the total carrying amount of the Company's outstanding bonds was approximately HK$3,171.3 million (as at 30 September 2018: HK$2,785.0 million). Principal amounts of HK$ bonds and United States dollars ("US$") bonds were HK$3,097.5 million and US$11.3 million (equivalent to approximately HK$87.6 million), respectively. With maturity dates falling between 2019 and 2022, the HK$ bonds carry coupon rates ranging between 5.0% and 5.25% per annum, whilst the US dollar bonds carry coupon rates between 4.5% and 4.75% per annum.

Subsequent to the end of the Period, the Group has entered into another placing agreement for placing of bonds with an aggregate principal amount of up to HK$500.0 million on or before 30 September 2019, which are 3-year unsecured bonds denominated in HK$, bearing interest at 5.25% per annum payable annually in arrears.

As at 31 March 2019, short-term bank borrowings of the Group increased to HK$538.3 million (as at 30 September 2018: HK$460.2 million). These bank borrowings were denominated in HK$ and carried interest rates approximating market rates. Together with the bonds, the total borrowings of the Group amounted to HK$3,709.6 million (as at 30 September 2018: HK$3,245.3 million), resulting in an increase of gearing ratio to 68.5% (as at 30 September 2018: 59.7%; 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 2019.

With the Group's sufficient bank balances and cash, its available unutilised banking facilities of HK$2,279.0 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 2019, bank deposit of the Group with aggregate carrying amount of HK$160.0 million (as at 30 September 2018: HK$160.0 million) was pledged to a bank as security for banking facilities.

## Business Review

During the last quarter of 2018, the global economy experienced a downturn. Threats of increasing global political risk and economic slowdown adversely affected the financial markets. The downward trend progressed through the first quarter of 2019, and market sentiment further deteriorated. Facing a tough market environment, the Group has continued to enhance its product portfolio, and operate with a sound credit-management process to enhance control over credit risks.

### *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.

Fluctuations in the local stock and property markets have influenced the demand for the Group's loans and financing services as well as its performance. During the Period, the segment's revenue remained broadly at HK$519.4 million (2018: HK$521.9 million), accounting for 88.0% (2018: 78.1%) of the Group's total revenue. In response to the significant amount of Impairment Allowances during the Period, relevant legal proceedings have been taken. The Group will closely monitor its recoverability and take further action as appropriate. The Group will also further strengthen its credit control measures for relevant businesses to minimize potential risks posted to the Group.

With increasing interest rates and volatile global financial markets during the Period, the Group exerted considerable efforts to reinforce its risk management and strengthen its capital management. The Group has implemented stricter scrutiny of loan approval procedures, and adjusted the interest charge and loan-to-value ratio as appropriate. In view of the growing demand for property mortgages and personal loans, the Group will deploy more resources in related businesses as appropriate, and react to market based on the movements of market indicators.

***Brokerage***

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 2019, the Group operated 4 branches in Hong Kong, covering key commercial and popular residential areas with convenient pedestrian access. The Group also runs 3 liaison offices, in Beijing, Shanghai and Guangzhou. In addition to branches, the Group offers web-based and mobile trading platforms which enable real-time transaction and investment portfolio monitoring. During the Period, revenue from brokerage services decreased to HK$50.8 million (2018: HK$69.0 million), mainly attributable to the unsteady financial markets. The segment accounted for 8.6% (2018: 10.3%) of total revenue.

The Group has diverse product offerings in order to meet the increasing and complex demands of financial markets. Since the launch of the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect schemes in 2014, the Group has included Northbound trading services, enabling investors to trade eligible stocks listed in Shanghai Stock Exchange and Shenzhen Stock Exchange, thereby increasing their investment opportunities.

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.

***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$17.1 million (2018: HK$60.8 million), accounting for 2.9% (2018: 9.1%) of total revenue.

During the Period, the Group acted as the Lead Manager and Sole Bookrunner in the IPO of Metropolis Capital Holdings Limited (Stock Code: 8621) which was listed on the GEM of the Stock Exchange in December 2018.

### *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 was HK$3.1 million (2018: HK$16.4 million), accounting for 0.5% (2018: 2.5%) of total revenue.

## Outlook

Against the backdrop of unresolved trade and political frictions, as well as a slowdown in the growth of China's economy, the visibility of global outlook is less clear, and Hong Kong financial market remains volatile. A challenging external environment is anticipated in the near term, and markets are adopting a cautious view of the future.

Nonetheless, the pace of interest rate rise has moderated, and the market does not expect another hike in the near term. Meanwhile, the mainland China market has continued to grow in importance, and global investors have been increasing their portfolio weight in Chinese companies. In March 2019, MSCI Inc. (NYSE: MSCI) announced an increase in the weight of China A shares in the MSCI Indexes. In addition, Hong Kong Exchanges and Clearing Limited ("HKEX") signed a licence agreement with MSCI Inc. to introduce futures contracts on the MSCI China A Index. With the liberalisation of the mainland China financial market, as well as the HKEX's tremendous and ongoing efforts to expand the mutual market access schemes, Hong Kong's unique position as a gateway connecting mainland China and international markets will be further reinforced. Influx of capital into China stock markets is expected, which will bring tremendous opportunities to the Group.

In the face of a vulnerable and fast-changing economic environment, the Group will adopt a pragmatic approach, carefully evaluate the market situation and adjust its product portfolio accordingly, while continuing to strengthen its risk management. With its integrated business model and diversification strategies, the Group can meet customers' demands amidst the volatile economic environment. 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 2019, the Group had 80 (2018: 108) account executives and 177 employees (2018: 182). Total staff costs (including Directors' remuneration) were approximately HK$52.7 million (2018: HK$62.4 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 2019 (2018: HK2.21 cents per share).

## 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 of authority on 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 set out in Appendix 10 of the Listing Rules — 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 (http://www.hkexnews.hk) and the Company (http://www.emperorcapital.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, 21 May 2019

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

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|---|---|
| *Executive Directors:* | Ms. Daisy Yeung<br>Mr. Chan Shek Wah<br>Ms. Choi Suk Hing, Louisa<br>Ms. Pearl Chan |
| *Independent Non-Executive Directors:* | Mr. Chu Kar Wing<br>Mr. Poon Yan Wai<br>Ms. Wan Choi Ha |