

RESULTS

Against a vulnerable global macro economy backdrop, the revenue of **Emperor Capital Group Limited** (the “Company”) and its subsidiaries (collectively referred to as the “Group”) decreased to HK\$512.8 million (2021: HK\$676.8 million) during the year ended 30 September 2022 (the “Year”). Impairment allowances for margin loans, and other loans and advances (the “Impairment”) decreased to HK\$590.1 million (2021: HK\$939.3 million), therefore the loss for the Year attributable to owners of the Company narrowed to HK\$299.2 million (2021: HK\$576.1 million). Basic loss per share was HK4.44 cents (2021: HK8.55 cents).

MARKET REVIEW

The global political and economic issues including geopolitical tensions, supply chain disruptions, inflationary pressures and tightened monetary policies have led to a gloomy macroeconomic environment and weak market sentiment. These factors have added considerable pressure to the financial markets. Based on figures provided by Hong Kong Exchanges and Clearing Limited, the average daily turnover in Hong Kong securities market in the first half of 2022 decreased by 26.5% year-on-year. The number of corporate exercises, including initial public offerings, also decreased significantly. Amid the volatile market conditions, the Hang Seng Index plunged from the closing price of 24,576 on 30 September 2021 to 17,223 on 30 September 2022, representing a drop of 29.9%. In addition, the money lending market has been challenging as creditors have generally tightened loan approval requirements, and valuations of collaterals tended to be adjusted downwards given the weak property market.

BUSINESS REVIEW

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 of Hong Kong Limited in April 2007.

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 and 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.

In view of the economic instability, the Group continued to adhere to its cautious approach to strengthening the overall credit risk management and control mechanism, in order to minimize default risks. The Group also adjusted the interest rate and loan-to-value ratio on a timely basis, according to the market situation. During the Year, the segment's revenue was HK\$418.5 million (2021: HK\$548.4 million), accounting for 81.6% (2021: 81.0%) of the Group's total revenue.

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. The Group offers web-based and mobile trading platforms which enable real-time transaction and investment portfolio monitoring. As at 30 September 2022, the Group operated 2 branches in Hong Kong and 3 liaison offices in mainland China, which are located in Beijing, Shanghai and Guangzhou respectively. 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.

During the Year, the stock market was volatile against a fragile macroeconomic backdrop. Revenue from brokerage services was HK\$76.4 million (2021: HK\$99.3 million), accounting for 14.9% (2021: 14.7%) of the Group's total revenue.

Placing and Underwriting

With a highly experienced team of professionals, the Group offers placing and underwriting services to 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 Year, the Group participated in several primary and secondary market financing projects. Revenue from the placing and underwriting segment was HK\$6.8 million (2021: HK\$16.3 million), accounting for 1.3% (2021: 2.4%) of the Group's total revenue.

Corporate Finance

The division holds a full corporate finance advisory 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.

During the Year, the Group handled several corporate transactions and IPO projects. Revenue from the corporate finance segment was HK\$11.1 million (2021: HK\$12.7 million), accounting for 2.2% (2021: 1.9%) of the Group's total revenue.

OUTLOOK

In the near term, it is anticipated that the global economy will still be clouded by a number of unfavourable factors. Fears of continued interest rate hikes, economy recession in the United States, etc, add to the uncertainties for the market outlook. On the other hand, with Hong Kong being an international financial hub and its strategic role in the Greater Bay Area connecting China and the world, it is envisaged that the soon-to-be reopened border will be a catalyst for Hong Kong's capital market.

With an aim of strengthening the Group's competitiveness and gain market share when the market revives, it has further upgraded its digital platform such as through enhancing the automation features, and enriching the services and functions available. The Group also strived to enhance its product offerings spanning fixed income, funds to insurance products, in order to provide more options for its customers. Regarding its wealth management business, the Group endeavours to expand its customer base by sourcing more high net worth customers.

With both opportunities and challenges ahead, the Group will adopt a prudent approach in the course of its business development, while exercising stringent control over operating costs and adopting appropriate strategies to mitigate downside risks, in order to maintain steady businesses development amid the difficult business operating environment.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

The Group financed its operations by cash mainly generated from operations and borrowings. As at 30 September 2022, the Group's current assets and current liabilities were HK\$4,984.9 million (2021: HK\$6,106.3 million) and HK\$2,134.5 million (2021: HK\$2,942.3 million) respectively. As at 30 September 2022, aggregate of bank balances, cash and pledged bank deposits of the Group amounted to HK\$1,020.8 million (2021: HK\$1,024.1 million), which were mainly denominated in Hong Kong dollar.

As at 30 September 2022, the Group had bank borrowings of HK\$430.0 million (2021: HK\$370.0 million). As the Group repaid all of its Hong Kong dollar bonds by deploying internal resources during the Year, the total borrowings of the Group decreased to HK\$430.0 million (2021: HK\$869.1 million), hence the gearing ratio reduced to 12.1% (2021: 22.6%; 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 30 September 2022.

With the Group's sufficient bank balances and cash, as well as its available unutilised banking facilities of HK\$2,049.0 million (2021: HK\$2,301.2 million), the Board considers the Group has sufficient working capital for its operation and future development.

Pledge of Assets

As at 30 September 2022, bank deposit of the Group with aggregate carrying amount of HK\$160.0 million (2021: HK\$160.0 million) was pledged to a bank as security for banking facilities.