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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)

2019/2020 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “Board” or the “Directors”) of Emperor Capital Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 September 2020 (the “Year”).

FINANCIAL SUMMARY	For the year ended	
	30 September	
<i>HK\$'000</i>	2020	2019
Total revenue	917,407	1,082,854
Financing	779,246	940,016
Brokerage Services	115,607	102,020
Placing & Underwriting	13,409	34,453
Corporate Finance	9,145	6,365
Net (loss)/profit		
Per reported	(689,747)	(258,706)
Adjusted ¹	637,598¹	630,578 ¹
Basic loss per share	HK(10.23) cents	HK(3.84) cents

¹ *Excluding aggregate impairment allowances on margin loans and, loans and advances, net of reversal, totalling approximately HK\$1,327.3 million (2019: HK\$889.3 million)*

* for identification purpose only

RESULTS

As a result of a tough business operating environment, the Group's revenue inevitably decreased by 15.3% to HK\$917.4 million (2019: HK\$1,082.9 million) during the Year. The loss for the year attributable to owners of the Company was HK\$689.7 million (2019: HK\$258.7 million), which was mainly due to the recognition of impairment allowances for margin loans and, loans and advances ("Impairment Allowances") and the decline of total revenue. The Impairment Allowances of approximately HK\$1,327.3 million (2019: HK\$889.3 million) were mainly made after reviewing the account portfolios and financial positions of certain clients. Such increase was due to the decrease in carrying amount of the collateral amid the economic downturn. Excluding the Impairment Allowances, the Group's adjusted net profit remained stable at HK\$637.6 million (2019: HK\$630.6 million). Basic loss per share was HK10.23 cents (2019: HK3.84 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Year, the global economy faced severe headwinds arising from the COVID-19 pandemic, which resulted in disruptions to business activities around the world and rising concerns about major economies slipping into recession. Industrial and trading activities became sluggish, while financial markets remained volatile. Various countries suffered from economic contraction, negative impacts on household income gradually surfaced, and borrowers' ability to repay loans was affected.

On the other hand, being one of the most important financial centres for global financial markets, Hong Kong remained an important gateway connecting China and the world. During the Year, the return of China concepts stocks to Hong Kong stock market has contributed to the increase in the stock market turnover. The average daily turnover value of Stock Connect Northbound and Southbound also achieved record half-yearly highs in the first half of 2020. In addition, under the Linked Exchange Rate System in Hong Kong, the interest rate has been decreasing during the Year, providing a favourable environment for the investment and property market.

Nevertheless, with a bearish market sentiment and a gloomy economic outlook, the Hang Seng Index dropped by 10.1% from 26,092 on 30 September 2019, and closed at 23,459 on 30 September 2020. Securities firms in Hong Kong are also having a hard time. During the first nine months of 2020, 32 local securities firms ceased operation, after 22 securities firms ceased operation in 2019. In the face of both local and global issues, capital market sentiment has inevitably been impacted.

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 (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.

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 Year, the segment’s revenue was HK\$779.2 million (2019: HK\$940.0 million), accounting for 84.9% (2019: 86.8%) of the Group’s total revenue. In the face of an unprecedented challenging business environment, the Group continued to adopt a conservative approach and further tightened the loan approval procedures. The Group monitored the market situation closely and adjusted the interest rate and loan-to-value ratio timely, in order to enhance its risk and capital management. Legal proceedings have been initiated in response to the Impairment Allowances during the Year.

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 2020, the Group operated 3 branches in Hong Kong and runs 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 increase of China concepts stocks turning to Hong Kong for listing has contributed to the increase in the stock market turnover. The Stock Connect Northbound and Southbound average daily turnover value also reached record half-yearly highs during the first half of 2020. As a result, revenue from brokerage services increased by 13.3% to HK\$115.6 million (2019: HK\$102.0 million) during the Year, accounting for 12.6% (2019: 9.4%) 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 Year, the Group participated in a number of primary and secondary market financing projects. Revenue from the placing and underwriting segment was HK\$13.4 million (2019: HK\$34.5 million), accounting for 1.5% (2019: 3.2%) 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 Year. Revenue from the corporate finance segment was HK\$9.1 million (2019: HK\$6.4 million), accounting for 1.0% (2019: 0.6%) of the Group's total revenue.

OUTLOOK

With a number of challenges which are yet to be resolved, the gloomy economic outlook and market instability are expected to remain, and will continue to pose negative impacts to the economy. In view of the significant downward pressure on the economy, fiscal measures are being taken in various countries to mitigate the social and economic impacts. A certain period of time is anticipated for the market recovery.

In respect of the financial market, Hong Kong is still a vital link for access to China's stock market. During the Year, Hang Seng Indexes Company Limited announced the inclusion of weighted voting rights and secondary listed companies in the Hang Seng Index universe, enabling the competitiveness of the Hong Kong stock market. It is expected that more foreign-listed Chinese firms and Chinese new economy companies may consider to list in Hong Kong, and the return of China concepts stocks will benefit the Hong Kong stock market in the long run as more global funds will be allocated to the Hong Kong market. In addition, development of the "Guangdong-Hong Kong-Macao Greater Bay Area" would bring more opportunities for Hong Kong as an international financial hub.

The Group will actively review its loan portfolio and loan receivables status; conduct more comprehensive assessments of the collaterals to minimise default risk; and exercise stringent control over operating costs. In the face of threats and opportunities ahead, the Group will adhere to its prudent approach and adopt appropriate strategies to mitigate downside risk while seizing opportunities, and will endeavour to maintain steady businesses development.

FINANCIAL INFORMATION

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 30 September 2020, the Group's current assets and current liabilities were HK\$9,326.0 million (2019: HK\$9,440.2 million) and HK\$4,582.6 million (2019: HK\$2,584.4 million) respectively. As at 30 September 2020, aggregate of bank balances, cash and pledged bank deposits of the Group amounted to HK\$852.0 million (2019: HK\$1,905.5 million), which were mainly denominated in Hong Kong dollar.

As at 30 September 2020, the total carrying amount of the Company's outstanding bonds decreased to approximately HK\$1,394.6 million (2019: HK\$2,813.5 million) as the Group has repaid part of the bonds by deploying internal resources during the Year. Principal amounts of HK\$ bonds and United States dollar ("US\$") bonds were HK\$1,385.2 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\$ bonds carry coupon rate at 4.75% per annum.

As at 30 September 2020, the Group had bank borrowings of HK\$2,371.0 million (2019: HK\$231.2 million), which solely represented IPO financing and was fully repaid in early October 2020. The total borrowings of the Group, which included the bonds and excluded the IPO financing, amounted to HK\$1,394.6 million (2019: HK\$3,044.7 million), hence the gearing ratio was 31.5% (2019: 59.5%; calculated as a percentage of total borrowings excluding IPO financing over total equity of the Group). The Group did not have any material foreign exchange exposure as at 30 September 2020.

With the Group's sufficient bank balances and cash, its available unutilised banking facilities of HK\$2,440.5 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 30 September 2020, bank deposit of the Group with aggregate carrying amount of HK\$160.0 million (2019: HK\$160.0 million) was pledged to a bank as security for banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group had 77 (2019: 80) account executives and 131 (2019: 162) employees. Total staff costs (including directors' remuneration) were approximately HK\$62.1 million (2019: HK\$99.0 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 provide incentives or rewards to the staff, the Company adopted a share option scheme on 26 January 2017, particulars of which will be set out in the section headed "Share Options" of the annual report of the Company.

FINAL DIVIDEND

The Board did not recommend any payment of final dividend for the year ended 30 September 2020 (2019: Nil).

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

For the year ended 30 September 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4		
Commission and fee income		118,051	118,184
Interest income		799,356	964,670
		917,407	1,082,854
Other operating income		11,776	6,884
Impairment allowances, net of reversal	5	(1,327,345)	(889,284)
Staff costs		(62,138)	(98,999)
Commission and fee expenses		(43,927)	(60,755)
Other expenses	7	(65,038)	(92,778)
Finance costs	6	(110,399)	(176,261)
Share of profit (loss) of an associate		57	(1,880)
Loss before taxation	7	(679,607)	(230,219)
Taxation	8	(10,140)	(28,487)
Loss for the year attributable to owners of the company		<u>(689,747)</u>	<u>(258,706)</u>
<i>Other comprehensive expense</i>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(166)	–
Other comprehensive expense for the year		(166)	–
Total comprehensive expense for the year attributable to owners of the Company		<u>(689,913)</u>	<u>(258,706)</u>
Loss per share			
Basic	10	<u>HK(10.23) cents</u>	<u>HK(3.84) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property and equipment		7,624	9,306
Right-of-use assets		22,759	–
Intangible assets		–	–
Interest in an associate		–	–
Amount due from an associate		3,492	3,435
Other assets		7,223	8,871
Loans and advances	12	626,683	419,757
Financial assets at fair value through other comprehensive income		–	–
Deferred tax assets		23,036	5,618
		<u>690,817</u>	<u>446,987</u>
Current assets			
Accounts receivable	11	4,338,635	3,428,457
Loans and advances	12	2,532,317	2,651,785
Other debtors, deposits and prepayments		6,933	10,403
Tax recoverable		21,613	27,338
Pledged bank deposits – general accounts		160,000	160,000
Bank balances and cash – segregated accounts		1,574,525	1,416,696
Bank balances and cash – general accounts		692,032	1,745,508
		<u>9,326,055</u>	<u>9,440,187</u>
Current liabilities			
Accounts payable	13	1,719,559	1,564,292
Other creditors and accrued charges		49,617	127,879
Tax liabilities		33,061	34,150
Lease liabilities		10,034	–
Short-term bank borrowings		2,371,000	231,173
Bonds issued		399,281	626,904
		<u>4,582,552</u>	<u>2,584,398</u>
Net current assets		<u>4,743,503</u>	<u>6,855,789</u>
Total assets less current liabilities		<u>5,434,320</u>	<u>7,302,776</u>
Non-current liabilities			
Lease liabilities		13,384	–
Bonds issued		995,323	2,186,640
		<u>1,008,707</u>	<u>2,186,640</u>
Net assets		<u>4,425,613</u>	<u>5,116,136</u>
Capital and reserves			
Share capital	14	67,408	67,408
Reserves		4,358,205	5,048,728
Total equity		<u>4,425,613</u>	<u>5,116,136</u>

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

During the current year, the referral fee expenses of HK\$6,886,000 (2019: HK\$16,072,000) is regrouped from “other expenses” to “commission and fee expenses” in the consolidated statement of profit or loss and other comprehensive income. The comparatives figures have been regrouped to conform with current year presentation.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year which are relevant to the Group:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2018 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

HKFRS 16 “Leases”

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS *(Continued)*

HKFRS 16 “Leases” *(Continued)*

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.

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 HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- 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 Macau and PRC was determined on a portfolio basis.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS (Continued)

HKFRS 16 “Leases” (Continued)

As a lessee (Continued)

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

	At 1 October 2019 <i>HK\$’000</i>
Operating lease commitments disclosed as at 30 September 2019	18,371
Lease liabilities discounted at relevant incremental borrowing rates	17,817
Less: Adjustments for contracts reassessed base on definition of lease under HKFRS 16	(4,189)
Lease liabilities as at 1 October 2019	13,628
Analysed as:	
Current	8,877
Non-current	4,751
	<u>13,628</u>

The carrying amount of right-of-use assets as at 1 October 2019 comprises the following:

	Right-of- use assets <i>HK\$’000</i>
Right-of-use assets recognised upon application of HKFRS 16	13,018
By class:	
Leasehold land and buildings	<u>13,018</u>

Note:

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. The application of the discounting effect on 1 October 2019 has no material impact on the Group’s financial position and performance at the initial application of HKFRS 16. Accordingly, there is no adjustment on the opening statement of financial position and statement of changes in equity.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS (Continued)

HKFRS 16 “Leases” (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the statement of financial position at 1 October 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 September 2019 HK\$	Adjustments HK\$	Carrying amounts under HKFRS 16 at 1 October 2020 HK\$
Non-current Assets			
Right-of-use assets	–	13,018	13,018
Current Liabilities			
Lease liabilities	–	8,877	8,877
Non-current Liabilities			
Lease liabilities	–	4,751	4,751
Capital and Reserves			
Reserves	(5,048,728)	610	(5,048,118)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 30 September 2020, movements in working capital have been computed based on opening statement of financial position as at 1 October 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS (Continued)

New and amendments to standards and interpretations that have been issued 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 and the related amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁵
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁶
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform – Phase 1 ³
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ⁴

¹ Effective for annual periods beginning on or after 1 January 2023

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 1 January 2020

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2021

⁶ Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2019. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be 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 and Interpretations will have no material impact on the 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 resources allocation and assessment of segment performance focuses on types of services provided.

According to HKFRS 8, the Group has the following operating and reportable 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 services
- (d) Corporate finance – Provision of corporate finance advisory services

During the year ended 30 September 2020, the Group has re-allocated certain corporate expenses in order to better reflect the activities of all operating segments. Comparative figures in prior year have been restated to conform to the current year's presentation.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 30 September 2020

	Financing <i>HK\$'000</i>	Brokerage services <i>HK\$'000</i>	Placing and underwriting <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE						
Segment revenue – external customers						
Commission and fee income	-	95,497	13,409	9,145	-	118,051
Interest income	779,246	20,110	-	-	-	799,356
Inter-segment sales	327,211	-	-	-	(327,211)	-
	<u>1,106,457</u>	<u>115,607</u>	<u>13,409</u>	<u>9,145</u>	<u>(327,211)</u>	<u>917,407</u>

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 30 September 2020 (Continued)

Inter-segment sales are charged at prevailing market rates.

	Financing HK\$'000	Brokerage services HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
RESULTS					
Segment results	<u>(713,736)</u>	<u>40,059</u>	<u>9,920</u>	<u>1,379</u>	<u>(662,378)</u>
Unallocated other operating income					3,509
Unallocated corporate expenses					
– Staff costs (including directors' remuneration but excluding staff commission expenses)					(1,500)
– Service charge to related companies					(9,704)
– Others					(9,591)
Share of profit of an associate					<u>57</u>
Loss before taxation					(679,607)
Taxation					<u>(10,140)</u>
Loss for the year					<u><u>(689,747)</u></u>

For the year ended 30 September 2019 (restated)

	Financing HK\$'000	Brokerage services HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE						
Segment revenue – external customers						
Commission and fee income	–	77,366	34,453	6,365	–	118,184
Interest income	940,016	24,654	–	–	–	964,670
Inter-segment sales	<u>305,391</u>	<u>–</u>	<u>20,000</u>	<u>3,505</u>	<u>(328,896)</u>	<u>–</u>
	<u>1,245,407</u>	<u>102,020</u>	<u>54,453</u>	<u>9,870</u>	<u>(328,896)</u>	<u>1,082,854</u>

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 30 September 2019 (restated) (Continued)

Inter-segment sales are charged at prevailing market rates.

	Financing HK\$'000	Brokerage services HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
RESULTS					
Segment results	<u>(228,140)</u>	<u>35,018</u>	<u>7,579</u>	<u>(3,966)</u>	<u>(189,509)</u>
Unallocated other operating income					231
Unallocated corporate expenses					
– Staff costs (including directors' remuneration but excluding staff commission expenses)					(1,729)
– Management fee to a related company					(263)
– Service charge to related companies					(15,922)
– Others					(21,147)
Share of loss of an associate					<u>(1,880)</u>
Loss before taxation					(230,219)
Taxation					<u>(28,487)</u>
Loss for the year					<u><u>(258,706)</u></u>

The accounting policies of the reportable segments are the same as the Group's accounting policies used in consolidated financial statements of the Group. Segment results represents the profit (loss) earned by each segment without allocation of central administration costs (including directors' remuneration and central administrative staff costs but excluding staff commission expenses), unallocated other operating income, management fee to a related company, service charge to related companies and share of profit (loss) of an associate. This is the measure reported to the executive directors of the Company for the purpose of resources allocation and performance assessment. No analysis of segment asset and segment liability is presented as the chief operating decision maker does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

3. SEGMENT INFORMATION (Continued)

Other segment information

	Financing HK\$'000	Brokerage services HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
For the year ended 30 September 2020					
Additions of property and equipment	16	1,050	-	8	1,074
Depreciation of property and equipment	1,161	1,592	-	3	2,756
Depreciation of right-of-use assets	3,368	8,552	-	-	11,920
Impairment allowance on accounts receivable, net of reversal	994,290	3,297	-	220	997,807
Impairment allowance on loans and advances, net of reversal	329,538	-	-	-	329,538
Interest income	779,246	20,110	-	-	799,356
Finance costs	97,995	12,404	-	-	110,399
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the year ended 30 September 2019					
Additions of property and equipment	167	4,512	-	17	4,696
Depreciation of property and equipment	1,159	1,609	-	3	2,771
Impairment allowances on accounts receivable, net of reversal	511,918	-	-	-	511,918
Impairment allowances on loans and advances, net of reversal	377,366	-	-	-	377,366
Interest income	940,016	24,654	-	-	964,670
Finance costs	176,261	-	-	-	176,261
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical information

The following illustrates the geographical analysis of the Group's revenue from its external customers, based on the country from which the trades are derived in relation to brokerage revenue from overseas products trading or/and based on the country in which the customers are located in relation to financing, brokerage, placing and underwriting and corporate finance revenue.

	Revenue	
	2020 HK\$'000	2019 HK\$'000
Hong Kong	902,675	1,075,106
United States	14,717	7,738
Others	15	10
	<u> </u>	<u> </u>
	<u>917,407</u>	<u>1,082,854</u>

Information about major customer

For the years ended 30 September 2020 and 30 September 2019, there was no single customer who contributed 10% or more of the Group's revenue.

4. REVENUE

	2020 HK\$'000	2019 HK\$'000
Revenue (note (vi))		
Commission and fee income (note (i)):		
Commission and fees income on dealing in securities (note (ii))	74,061	58,753
Commission and fees income on dealing in futures and options contracts (note (ii))	18,662	12,318
Commission from insurance brokerage and wealth management (note (ii))	2,774	6,295
Corporate finance advisory services fee income (note (iii))	9,145	6,365
Placing and underwriting commission (note (iv))	13,409	34,453
	<u>118,051</u>	<u>118,184</u>
Interest income:		
Interest income from margin and initial public offer financing (“IPO”) (note (iii))	390,434	541,606
Interest income from loans and advances (note (v))	388,812	398,410
Interest income from bank deposits (note (ii))	19,473	24,476
Others (note (ii))	637	178
	<u>799,356</u>	<u>964,670</u>
	<u>917,407</u>	<u>1,082,854</u>

Notes:

- (i) The commission and fee income is the only revenue arising under the scope of HKFRS 15, while interest income is under the scope of HKFRS 9.

Included in revenue, revenue arising from contract with customers recognised at a point in time and over time were HK\$108,906,000 (2019: HK\$111,819,000) and HK\$9,145,000 (2019: HK\$6,365,000), respectively.

All services provided to customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

- (ii) Amounts are reported under brokerage services segment as set out in Note 3.
- (iii) Amounts are reported under corporate finance segment as set out in Note 3.

4. REVENUE (Continued)

Notes: (Continued)

- (iv) Amounts are reported under placing and underwriting segment as set out in Note 3.
- (v) Amounts are reported under financing segment as set out in Note 3.
- (vi) Except for the amounts of commission and fee income on dealing in futures and options contracts of HK\$14,717,000 (2019: HK\$7,738,000) and HK\$10,000 (2019: HK\$6,000) respectively which are incurred from United States products trading and other overseas products trading respectively, and interest income from bank deposits of HK\$5,000 (2019: HK\$4,000) which are under other overseas locations, all other revenues from external customers are under Hong Kong operation as set out in Note 3.

5. IMPAIRMENT ALLOWANCES, NET OF REVERSAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Impairment allowances on:		
Accounts receivable	1,057,869	521,768
Loans and advances	329,872	379,594
Reversal of impairment allowances on:		
Accounts receivable	(60,062)	(9,850)
Loans and advances	(334)	(2,228)
	<u>1,327,345</u>	<u>889,284</u>

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on:		
Bank overdrafts and loans	12,554	10,553
Bonds issued	97,275	165,688
Lease liabilities	542	–
Others	28	20
	<u>110,399</u>	<u>176,261</u>

7. LOSS BEFORE TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Other expenses:		
Auditor's remuneration	2,062	2,425
Legal and professional fee	6,912	9,054
Advertising and promotion expenses	656	8,359
Information technology services and communication expenses	14,773	5,312
Depreciation of property and equipment	2,756	2,771
Depreciation of right-of-use assets	11,920	–
Operating lease rentals in respect of		
– rented premises	–	16,856
– equipment	–	14,945
Net exchange loss	514	810
General and administrative expenses (Note)	12,166	16,321
Rates and building management fee	2,301	2,922
Loss on disposal of subsidiaries	1,338	–
Settlement expenses	2,994	3,346
Miscellaneous expenses	6,646	9,657
	<u>65,038</u>	<u>92,778</u>

Note: Included in general and administrative expense of HK\$12,166,000, HK\$6,404,000 is the reimbursement of administrative expenses paid to related companies.

8. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current year:		
Hong Kong Profits Tax	26,098	28,840
PRC Enterprise Income Tax	109	122
Canada Income Tax	–	2,500
Under (over) provision in prior year:		
Hong Kong	1,350	(34)
Deferred tax:		
Current year	(17,417)	(2,941)
	<u>10,140</u>	<u>28,487</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years.

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 for the PRC subsidiaries is 25%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Recognised as distribution:		
Final dividend paid in respect of 2019: Nil (2019: HK\$0.0064 per share in respect of 2018)	—	43,141
	<u>—</u>	<u>43,141</u>

The Directors did not recommend any payment of final dividend for the years ended 30 September 2020 and 30 September 2019.

10. LOSS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic loss per share	<u>(689,747)</u>	<u>(258,706)</u>
	2020 <i>'000</i>	2019 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>6,740,846</u>	<u>6,740,846</u>
Basic loss per share	<u>HK(10.23) cents</u>	<u>HK(3.84) cents</u>

No diluted loss per share for the years ended 30 September 2020 and 30 September 2019 were presented as there were no potential ordinary shares outstanding during the years.

11. ACCOUNTS RECEIVABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivable from the business of dealing in securities:		
Clearing houses, dealers, brokers and cash clients	80,632	68,686
Secured margin loans	3,499,512	4,003,638
IPO margin loans	2,403,233	–
Accounts receivable from the business of dealing in futures contracts:		
Clearing houses, brokers and margin clients	77,215	85,133
Accounts receivable from the business of corporate finance	810	715
Accounts receivable from the business of placing and underwriting	4,755	–
	<u>6,066,157</u>	<u>4,158,172</u>
Less: Impairment allowances	<u>(1,727,522)</u>	<u>(729,715)</u>
	<u><u>4,338,635</u></u>	<u><u>3,428,457</u></u>

The settlement terms of accounts receivable, except for secured margin loans and IPO margin 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 and placing and underwriting 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 30 September 2020, accounts receivable from foreign brokers denominated in Australian dollar, Renminbi, Singapore dollar, British Pound, Euro and United States dollar were approximately HK\$216,000 (2019: HK\$207,000), HK\$1,067,000 (2019: HK\$720,000), HK\$549,000 (2019: Nil), HK\$45,000 (2019: Nil), HK\$92,000 (2019: Nil) and HK\$41,053,000 (2019: HK\$55,200,000) respectively.

As at 30 September 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.

11. ACCOUNTS RECEIVABLE (Continued)

The ageing analysis of the remaining of the accounts receivable (before impairment) are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Past due:		
0 – 30 days	7,903	395
31 – 60 days	73	62
61 – 90 days	163	103
Over 90 days	242	347
	<hr/>	<hr/>
Accounts receivable which were past due	8,381	907
Accounts receivable which were not past due	155,031	153,627
	<hr/>	<hr/>
	163,412	154,534
	<hr/> <hr/>	<hr/> <hr/>

12. LOANS AND ADVANCES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fixed-rate loans receivable	3,705,116	3,269,090
Variable-rate loans receivable	199,606	218,636
	<hr/>	<hr/>
	3,904,722	3,487,726
Less: Impairment allowances	(745,722)	(416,184)
	<hr/>	<hr/>
	3,159,000	3,071,542
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
Current	2,532,317	2,651,785
Non-current	626,683	419,757
	<hr/>	<hr/>
	3,159,000	3,071,542
	<hr/> <hr/>	<hr/> <hr/>

12. LOANS AND ADVANCES (Continued)

The carrying amounts of the Group's fixed-rate and variable-rate loans receivable together with their remaining contractual maturity dates are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fixed-rate loans receivable:		
Within one year	2,262,943	2,507,222
In more than one year but no more than five years	139,270	78,822
Over five years	<u>299,807</u>	<u>131,540</u>
	2,702,020	2,717,584
Past due	<u>257,374</u>	<u>135,322</u>
	<u>2,959,394</u>	<u>2,852,906</u>
Variable-rate loans receivable:		
Within one year	8,048	9,241
In more than one year but no more than five years	40,303	32,932
Over five years	<u>147,302</u>	<u>176,463</u>
	195,653	218,636
Past due	<u>3,953</u>	<u>–</u>
	<u>199,606</u>	<u>218,636</u>

12. LOANS AND ADVANCES (Continued)

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

	2020	2019
Effective interest rates:		
Fixed-rate loans receivable	0.67% per month to 3.83% per month	0.5% per month to 3.83% per month
Variable-rate loans receivable	Prime rate -2.75% per annum to Prime rate per annum	Prime rate -2.75% per annum to Prime rate per annum

As at 30 September 2020, 185 (2019: 156) secured loans with the aggregate gross amount of approximately HK\$1,528,321,000 (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 (2019: 1 to 30 years). As at 30 September 2020, there are 23 loans (2019: 4 loans) with the aggregate gross amount of approximately HK\$699,925,000 (2019: HK\$208,181,000). The borrowers hold Hong Kong listed marketable securities under the securities account in one of the Group entities. The Group has the rights on all these securities to repay the outstanding loans in the event that the borrowers fail to pay the amount due on due date. They were advanced to various independent borrowers and will be due for repayment within 1 to 30 years (2019: Nil). The remaining gross balance of the loans receivable amounting to approximately HK\$1,072,263,000 (2019: HK\$2,330,218,000) were provided to independent third parties of the Group, of which the loan amount of approximately HK\$672,389,000 (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 (2019: 1 to 30 years) from the respective loans' date of advance.

As at 30 September 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 the Group's loans and advances approximate their fair value.

13. ACCOUNTS PAYABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts payable from the business of dealing in securities:		
Clearing houses and brokers	4,538	8,189
Margin and cash clients	1,515,590	1,390,735
Accounts payable from the business of dealing in futures contracts:		
Margin clients	199,431	165,368
	<u>1,719,559</u>	<u>1,564,292</u>

The settlement terms of accounts payable, except for margin clients, 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, the ageing analysis does not give additional value in view of the nature of this business.

13. ACCOUNTS PAYABLE (Continued)

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\$1,574,525,000 and HK\$1,416,696,000 as at 30 September 2020 and 30 September 2019 respectively were payable to clients and other institutions in respect of the 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.

As at 30 September 2020, accounts payable denominated in Australian dollar, Japanese Yen, United States dollar, Singapore dollar, Euro and Renminbi were approximately HK\$77,000 (2019: HK\$74,000), HK\$23,000 (2019: HK\$11,000), HK\$262,106,000 (2019: HK\$227,800,000), HK\$9,327,000 (2019: HK\$45,000), HK\$92,000 (2019: Nil) and HK\$15,745,000 (2019: HK\$23,168,000) respectively.

14. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 October 2019 and 30 September 2020	500,000,000	5,000,000
Issued and fully paid:		
At 1 October 2019	6,740,846	67,408
At 30 September 2020	6,740,846	67,408

15. 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 September 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

The Audit Committee, which comprises the three independent non-executive directors of the Company, has reviewed the Group's audited consolidated financial statements for the year ended 30 September 2020 in conjunction with the Group's auditors, Messrs. Deloitte Touche Tohmatsu. Based on this review and discussion with the management of the Company, the Audit Committee was satisfied that the audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position as at 30 September 2020 and results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied throughout the Year 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) has 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 Board has adopted its own code of conduct regarding securities transactions by Directors (“ECG Securities Code”) on no less exacting terms than the required standards of 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 had complied with the required standard of dealings as set out in the Model Code and ECG Securities Code throughout the Year.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines in line with the Model Code. No incident of non-compliance by relevant employees was noted throughout the Year.

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 Year.

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.emperorcapi.com>). The annual 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, 18 December 2020

As at the date hereof, 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