RESULTS

As a result of a tough business operating environment, the revenue of **Emperor Capital Group Limited** (the "Company") and its subsidiaries (collectively referred to as the "Group") revenue inevitably decreased to HK$676.8 million (2020: HK$917.4 million) during the year ended 30 September 2021 (the "Year"). An impairment allowances for margin loans, and other loans and advances (the "Impairment Allowances") of HK$939.3 million (2020: HK$1,327.3 million) was recognised. Loss for the year attributable to owners of the Company was HK$576.1 million (2020: HK$689.7 million). Basic loss per share was HK8.55 cents (2020: HK10.23 cents).

MARKET REVIEW

During the Year, the overall global economic environment improved as major economies regained momentum in response to the increasing vaccination coverage and gradual resumption of business activities. Nevertheless, Sino-U.S. tensions and geopolitical issues were yet to be solved. Besides, headwinds arising from various policies announced by the Central Government and credit crises of certain giant Chinese property developers have hindered the development of the regional capital market. In the face of both global and regional issues, financial and stock market sentiments have inevitably been impaired. The Hang Seng Index was volatile during the Year – reaching the highest point of the Year at 30,645 on 19 February 2021, and closing at 23,966 on 30 September 2021.

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.

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$548.4 million (2020: HK$779.2 million), accounting for 81.0% (2020: 84.9%) of the Group's total revenue. With the visibility on the economic outlook remained uncertain, the Group has taken a pro-active approach to strengthen the overall credit risk management and control mechanism in its financing business. The Group has tightened the loan approval procedures and was prudent on the valuation assessment of the collaterals. The Group also monitored the market situation closely and adjusted the interest rate and loan-to-value ratio timely, in order to optimise the balance between risk and capital. Legal proceedings regarding the Impairment Allowances were in process.

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 2021, the Group operated 3 branches in Hong Kong and runs 3 liaison offices, 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, as a result of the volatile stock market, revenue from brokerage services was HK$99.3 million (2020: HK$115.6 million), accounting for 14.7% (2020: 12.6%) of the Group's total revenue. During the Year, the Group launched its digital enhancement project, with a focus on online account opening and eIPO application, enabling the Group to attract new customers. The Group also promoted the use of electronic services by its customers in various ways, to enhance customer engagement.

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 increased to HK$16.3 million (2020: HK$13.4 million), accounting for 2.4% (2020: 1.5%) 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.

With the increasing number of corporate transactions and IPO projects handled by the Group during the Year, revenue from the corporate finance segment increased to HK$12.7 million (2020: HK$9.1 million), accounting for 1.9% (2020: 1.0%) of the Group's total revenue.

OUTLOOK

The Group believes that the China market will continue to be a growth engine and Hong Kong will remain a vital link for access to China's stock market. With Hong Kong's further solidifying and amplifying strategic role in the Greater Bay Area ("GBA"), and reaping the benefits of potential collaboration with Shenzhen's Qianhai economic zone, Hong Kong's position as an international financial hub will be reinforced by capitalising on a surge of interest from mainland Chinese investors. In addition, the Cross-boundary Wealth Management Connect Scheme in the GBA will surely stimulate demand for capital investment and related products, by enabling mainland Chinese investors domiciled in the GBA to invest in approved wealth management products in Hong Kong, and allowing foreign investors to tap financial products launched in China via the city, which will in turn enhance Hong Kong's standing as the offshore financial centre of the world's second-largest capital market.

The Group will further update its frontend and backend trading systems and diversify its digital offerings to optimise the trading experience for customers, in order to enhance its retail market segment competitiveness. Meanwhile, the Group will strengthen its wealth management business development by offering more unique and quality investment funds and bond products and services to its clients in addition to insurance services.

With a number of challenges which are yet to be resolved, the gloomy economic outlook and market instability are expected to remain. The Group will actively review its loan portfolio and loan receivables status; conduct more comprehensive assessments of collaterals to minimize default risk; and exercise stringent control over operating costs. Looking 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 REVIEW

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 2021, the Group's current assets and current liabilities were HK$6,106.2 million (2020: HK$9,326.0 million) and HK$2,942.2 million (2020: HK$4,582.6 million) respectively. As at 30 September 2021, aggregate of bank balances, cash and pledged bank deposits of the Group amounted to HK$1,024.0 million (2020: HK$852.0 million), which were mainly denominated in Hong Kong dollar ("HK$").

During the Year, the Group has repaid all of the United States dollar ("US$") bonds and part of the HK$ bonds by deploying internal resources. As at 30 September 2021, the total carrying amount of the Company's outstanding HK$ bonds was approximately HK$499.0 million (2020: HK$ bonds and US$ bonds totalled HK$1,394.6 million), which are due 2022 with a coupon interest rate of 5.25% per annum.

As at 30 September 2021, the Group had bank borrowings of HK$370.0 million (2020: Nil) excluding IPO financing. The total borrowings of the Group, excluding the IPO financing, decreased to HK$869.0 million (2020: HK$1,394.6 million), hence the gearing ratio was reduced to 22.6% (2020: 31.5%; 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 2021.

With the Group's sufficient bank balances and cash, its available unutilised banking facilities of HK$2,301.2 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 2021, bank deposit of the Group with aggregate carrying amount of HK$160.0 million (2020: HK$160.0 million) was pledged to a bank as security for banking facilities.