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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)

ANNUAL RESULTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018

<b>FINANCIAL SUMMARY</b>			
<i>HK\$'000</i>	<b>For the year ended</b>		<b>Changes</b>
	<b>2018</b>	<b>2017</b>	
Total revenue	<b>1,314,270</b>	1,241,000	<b>+5.9%</b>
Financing	<b>1,085,879</b>	837,521	<b>+29.7%</b>
Brokerage	<b>133,844</b>	132,961	<b>+0.7%</b>
Placing & Underwriting	<b>75,920</b>	203,708	<b>-62.7%</b>
Corporate Finance	<b>18,627</b>	66,810	<b>-72.1%</b>
Net profit			
Per reported	<b>549,195</b>	659,185	<b>-16.7%</b>
Adjusted <sup>1</sup>	<b>754,773<sup>1</sup></b>	662,686 <sup>1</sup>	<b>+13.9%</b>
Earnings per share			
Basic	<b>HK8.15 cents</b>	HK9.96 cents	<b>-18.2%</b>
Total dividends per share	<b>HK2.85 cents</b>	HK2.90 cents	<b>-1.7%</b>

<sup>1</sup> Excluding aggregate impairment allowances on accounts receivable and, loans and advances, net of reversal, totalling approximately HK\$205.6 million (2017: HK\$3.5 million).

\* for identification purpose only

The board of directors (the “Board” or the “Directors”) of Emperor Capital Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”), which is extracted from the audited consolidated financial statements, for the year ended 30 September 2018 (the “Year”) together with comparative figures for the corresponding year in 2017 as set out below.

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

*For the year ended 30 September 2018*

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	4	<b>1,314,270</b>	1,241,000
Other operating income		<b>9,946</b>	5,527
Impairment allowances on loans and advances, net of reversal		<b>(2,162)</b>	(501)
Impairment allowances on accounts receivable		<b>(203,416)</b>	(3,000)
Staff costs		<b>(121,642)</b>	(111,865)
Commission expenses		<b>(63,684)</b>	(140,492)
Other expenses		<b>(117,126)</b>	(101,953)
Finance costs	5	<b>(153,978)</b>	(95,552)
Share of (loss) profit of an associate		<b>(2,160)</b>	513
Share of loss of a joint venture		<b>–</b>	(22)
		<hr/>	<hr/>
Profit before taxation	6	<b>660,048</b>	793,655
Taxation	7	<b>(110,853)</b>	(134,470)
		<hr/>	<hr/>
<b>Profit for the year</b>		<b>549,195</b>	659,185
		<hr/> <hr/>	<hr/> <hr/>
Profit and total comprehensive income for the year attributable to owners of the Company		<b>549,195</b>	659,185
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share</b>			
Basic	9	<b>HK8.15 cents</b>	HK9.96 cents
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>			
Property and equipment		7,387	5,118
Intangible assets		–	–
Interest in an associate		–	1,488
Amount due from an associate		5,315	5,987
Interest in a joint venture		–	472
Other assets		9,320	13,309
Loans and advances	11	279,297	171,580
Available-for-sale investment		–	–
		<u>301,319</u>	<u>197,954</u>
<b>Current assets</b>			
Accounts receivable	10	5,524,233	5,155,297
Loans and advances	11	2,230,649	1,612,581
Other debtors, deposits and prepayments		30,125	21,866
Tax recoverable		–	42
Pledged bank deposits – general accounts		160,000	160,000
Bank balances and cash – segregated accounts		1,642,300	1,854,475
Bank balances and cash – general accounts		883,041	514,129
		<u>10,470,348</u>	<u>9,318,390</u>
<b>Current liabilities</b>			
Accounts payable	12	1,835,634	2,214,913
Other creditors and accrued charges		122,454	96,030
Tax liabilities		136,443	153,666
Short-term bank borrowings		460,225	328,511
Bonds issued		969,859	–
		<u>3,524,615</u>	<u>2,793,120</u>
<b>Net current assets</b>		<u>6,945,733</u>	<u>6,525,270</u>
<b>Total assets less current liabilities</b>		<u>7,247,052</u>	<u>6,723,224</u>
<b>Non-current liabilities</b>			
Bonds issued		1,815,181	1,589,114
<b>Net assets</b>		<u>5,431,871</u>	<u>5,134,110</u>
<b>Capital and reserves</b>			
Share capital		67,408	67,408
Reserves		5,364,463	5,066,702
<b>Total equity</b>		<u>5,431,871</u>	<u>5,134,110</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.

## 2. Application of new and amendments to HKFRS and interpretations

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which may be relevant to the Group.

Amendments to HKAS 7

Disclosure Initiative

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

### Amendments to HKAS 7 “Disclosure Initiative”

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the consolidated financial statements.

Apart from the above, the application of these amendments has had no impact on the Group’s consolidated financial statements.

## 2. Application of new and amendments to HKFRS and interpretations (Continued)

### New and amendments to HKFRSs and interpretations in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective, which may be relevant to the Group:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle <sup>1</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2018*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2019*

<sup>3</sup> *Effective for annual periods beginning on or after a date to be determined*

### HKFRS 9 “Financial Instruments”

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of HKFRS 9 on 1 October 2018:

#### *Classification and measurement*

- Classification of available-for-sale investments - The Group’s equity investment classified as available-for-sale investment carried at fair value will be classified as financial assets at fair value through other comprehensive income (“FVTOCI”) as the investment qualified for designation as measured at FVTOCI under HKFRS 9 and the Group would elect the option for designating the investment to be measured at FVTOCI.
- Debt instruments classified as loans and advances and advances to customers in margin financing included in accounts receivable carried at amortised cost: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.
- Except for financial assets which are subject to expected credit losses assessment under HKFRS 9, all other financial assets and liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

## 2. Application of new and amendments to HKFRS and interpretations (Continued)

### HKFRS 9 “Financial Instruments” (Continued)

According to the assessment made by the Group up to the date of the consolidated financial statements were approved for issuance, the changes in classification and measurement bases mentioned above in respect of financial assets and financial liabilities will have no impact on the amount of the total equity of the Group at 1 October 2018 on initial application of HKFRS 9.

#### *Impairment*

In general, the Group anticipates that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

The Group’s financial assets measured at amortised cost will be subject to the new impairment model that requires recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. These financial assets mainly include accounts receivable, loans and advances, other debtors and deposits, amount due from an associate, bank balances and cash and pledged bank deposits. The Group considers the historical loss rates, current conditions and future forecasts to estimate the expected credit loss. In general, the Group calculates the expected credit loss by multiplying the probability of default, loss given default and exposure at default.

Based on the assessment by the management of the Group, if the expected credit loss model was to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 October 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on accounts receivable and, loans and advances. Such further impairment recognised under the expected credit loss model would not materially reduce the total equity as at 1 October 2018, after having taken into account the impacts of deferred tax.

## 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                | – 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   |

### 3. Segment information (Continued)

#### 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 2018*

	Financing HK\$'000	Brokerage HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>REVENUE</b>						
Segment revenue – external customers	1,085,879	133,844	75,920	18,627	-	1,314,270
Inter-segment sales	205,580	-	23,998	-	(229,578)	-
	<u>1,291,459</u>	<u>133,844</u>	<u>99,918</u>	<u>18,627</u>	<u>(229,578)</u>	<u>1,314,270</u>

Inter-segment sales are charged at prevailing market rates.

	Financing HK\$'000	Brokerage HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
<b>RESULTS</b>					
Segment results	<u>664,794</u>	<u>64,391</u>	<u>37,796</u>	<u>3,820</u>	<u>770,801</u>
Unallocated other operating income					11
Unallocated corporate expenses					
– Staff costs (including directors' remuneration but excluding staff commission expenses)					(70,467)
– Management fee to a related company					(301)
– Service charge to related companies					(16,697)
– Others					(21,139)
Share of loss of a joint venture					-
Share of loss of an associate					<u>(2,160)</u>
Profit before taxation					660,048
Taxation					<u>(110,853)</u>
Profit for the year					<u>549,195</u>

### 3. Segment information (Continued)

#### Segment revenue and results (Continued)

For the year ended 30 September 2017

	Financing HK\$'000	Brokerage HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>REVENUE</b>						
Segment revenue – external customers	837,521	132,961	203,708	66,810	–	1,241,000
Inter-segment sales	144,343	–	13,560	–	(157,903)	–
	<u>981,864</u>	<u>132,961</u>	<u>217,268</u>	<u>66,810</u>	<u>(157,903)</u>	<u>1,241,000</u>

Inter-segment sales are charged at prevailing market rates.

	Financing HK\$'000	Brokerage HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
<b>RESULTS</b>					
Segment results	<u>696,230</u>	<u>34,771</u>	<u>99,205</u>	<u>54,379</u>	<u>884,585</u>
Unallocated other operating income					248
Unallocated corporate expenses					
– Staff costs (including directors' remuneration but excluding staff commission expenses)					(62,461)
– Management fee to a related company					(288)
– Service charge to related companies					(13,850)
– Others					(15,070)
Share of loss of a joint venture					(22)
Share of profit of an associate					<u>513</u>
Profit before taxation					793,655
Taxation					<u>(134,470)</u>
Profit for the year					<u>659,185</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 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, share of loss of a joint venture and share of profit or 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 HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
<b>For the year ended 30 September 2018</b>					
Additions of property and equipment	3,068	1,073	-	5	4,146
Depreciation of property and equipment	594	1,277	-	1	1,872
Impairment allowances on accounts receivable	203,416	-	-	-	203,416
Impairment allowances on loans and advances, net of reversal	2,162	-	-	-	2,162
Interest income	1,085,879	12,763	-	-	1,098,642
Finance costs	153,978	-	-	-	153,978
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>For the year ended 30 September 2017</b>					
Additions of property and equipment	2,316	690	-	-	3,006
Depreciation of property and equipment	165	1,562	-	11	1,738
Impairment allowances on accounts receivable	3,000	-	-	-	3,000
Impairment allowances on loans and advances	501	-	-	-	501
Interest income	837,521	5,362	-	-	842,883
Finance costs	95,552	-	-	-	95,552
	<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, placing and underwriting and corporate finance revenue.

	Revenue	
	2018 HK\$'000	2017 HK\$'000
Hong Kong	1,299,234	1,214,935
United States	15,026	26,042
Others	10	23
	<u>          </u>	<u>          </u>
	<u>1,314,270</u>	<u>1,241,000</u>

#### Information about major customer

For the years ended 30 September 2018 and 30 September 2017, no single customer amounts to more than 10% of the Group's revenue.

#### 4. Revenue

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Commission and fees income on dealing in securities	93,745	83,487
Commission and fees income on dealing in futures and options contracts	19,177	30,126
Commission from insurance brokerage and wealth management	8,159	13,986
Corporate finance advisory services fee income	18,627	66,810
Placing and underwriting commission	75,920	203,708
Interest income from:		
Margin and initial public offer financing (“IPO”)	799,440	584,430
Loans and advances	286,439	253,091
Bank deposits	12,684	5,323
Others	79	39
	<u>1,314,270</u>	<u>1,241,000</u>

#### 5. Finance costs

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on:		
Bank overdrafts and loans	31,176	6,227
Bonds issued	122,783	89,290
Others	19	35
	<u>153,978</u>	<u>95,552</u>

## 6. Profit before taxation

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Included in other expenses:		
Auditor's remuneration	2,200	1,830
Depreciation of property and equipment	1,872	1,738
Net exchange loss	51	7
Operating lease rentals in respect of		
– rented premises	16,453	13,629
– equipment	11,916	8,590
	<u>11,916</u>	<u>8,590</u>

## 7. Taxation

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current year:		
Hong Kong Profits Tax	110,931	134,509
PRC Enterprise Income Tax	52	78
Overprovision in prior year:		
Hong Kong	(130)	(117)
	<u>110,853</u>	<u>134,470</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%.

## 8. Dividends

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Recognised as distribution:		
Interim dividend paid: HK\$0.0221 per share (2017: HK\$0.0138 per share)	148,973	93,022
Final dividend paid in respect of 2017: HK\$0.0152 per share (2017: HK\$0.0128 per share in respect of 2016)	<u>102,461</u>	<u>86,283</u>
	<u><b>251,434</b></u>	<u><b>179,305</b></u>

The Directors recommended payment of a final dividend of HK0.64 cent per share amounting to approximately HK\$43,141,000 in aggregate in respect of the year ended 30 September 2018 (2017: HK1.52 cents per share, approximately HK\$102,461,000 in aggregate), which is subject to approval of the shareholders at the forthcoming annual general meeting of the Company.

## 9. Earnings per share

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	<u>549,195</u>	<u>659,185</u>
	<b>2018</b> <i>'000</i>	<b>2017</b> <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>6,740,846</u>	<u>6,616,587</u>
<b>Basic earnings per share</b>	<u><b>HK8.15 cents</b></u>	<u><b>HK9.96 cents</b></u>

No diluted earnings per share for the years ended 30 September 2018 and 30 September 2017 were presented as there were no potential ordinary shares outstanding during the years.

## 10. Accounts receivable

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Accounts receivable from the business of dealing in securities:		
Clearing houses, dealers, brokers and cash clients	<b>98,292</b>	115,122
Secured margin loans	<b>5,499,963</b>	4,863,029
IPO margin loans	–	108
Accounts receivable from the business of dealing in futures contracts:		
Clearing houses and brokers	<b>131,819</b>	175,998
Accounts receivable from the business of corporate finance	<u>575</u>	<u>4,040</u>
	<b>5,730,649</b>	5,158,297
Less: Individually assessed impairment allowances	<u>(206,416)</u>	<u>(3,000)</u>
	<u><b>5,524,233</b></u>	<u>5,155,297</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 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 2018, the total market value of securities pledged as collateral in respect of the secured loans to margin clients was approximately HK\$26,749,000,000 (2017: HK\$28,270,000,000). 86% (2017: 88%) 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 shortfall as at the year end.

## 10. Accounts receivable (Continued)

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Balance at the beginning of the year	3,000	–
Provision for the year	<u>203,416</u>	<u>3,000</u>
Balance at the end of the year	<u><u>206,416</u></u>	<u><u>3,000</u></u>

No further impairment allowance 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 and are repayable on demand. No collateral was pledged for other accounts receivable.

As at 30 September 2018, accounts receivable from foreign brokers denominated in Australian dollar, Renminbi, Singapore dollar and United States dollar were approximately HK\$232,000 (2017: HK\$230,000), HK\$722,000 (2017: HK\$52,000), HK\$146,000 (2017: HK\$4,000) and HK\$86,692,000 (2017: HK\$148,482,000) respectively.

As at 30 September 2018 and 30 September 2017, no individual account represented more than 10% of the total balance of accounts receivable.

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

The ageing analysis of the remaining of the accounts receivable are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Past due:		
0 – 30 days	403	4,212
31 – 60 days	105	567
61 – 90 days	309	85
Over 90 days	<u>285</u>	<u>331</u>
Accounts receivable which were past due but not impaired	1,102	5,195
Accounts receivable which were neither past due nor impaired	<u>229,584</u>	<u>289,965</u>
	<u><u>230,686</u></u>	<u><u>295,160</u></u>

**10. Accounts receivable** *(Continued)*

To minimise the Group's exposure to credit risk, the Group has a policy for reviewing impairment allowances for accounts receivable without sufficient collateral and those with default or delinquency in interest or principal payment. 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. Management had set up the credit limits for each individual customer which are subject to regular reviews by the management. Any extension of credit beyond these approval limits has to be approved by relevant level of management on an individual basis according to the exceeded amount. In determining the allowances for impaired loans to margin clients, the management of the Group also takes into account shortfall by comparing the market value of securities pledged as collateral and the outstanding balance of loan to margin clients individually. Impairments are made for those clients with shortfall as at the year end and with no settlement or executable settlement plan and arrangement after the year end. Subsequent to the year end, the Group has commenced legal proceedings against the borrowers of these impaired loans of the loan amounts totalling approximately HK\$325,110,000 as at 30 September 2018 (2017: HK\$nil) for recovery. As at the reporting date of the consolidated financial statements, the legal proceedings are still in progress.

## 11. Loans and advances

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Fixed-rate loans receivable	2,524,430	1,791,466
Variable-rate loans receivable	<u>19,150</u>	<u>24,167</u>
	2,543,580	1,815,633
Less: Individually assessed impairment allowances	<u>(33,634)</u>	<u>(31,472)</u>
	<u><u>2,509,946</u></u>	<u><u>1,784,161</u></u>
Analysed as:		
Current	2,230,649	1,612,581
Non-current	<u>279,297</u>	<u>171,580</u>
	<u><u>2,509,946</u></u>	<u><u>1,784,161</u></u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Fixed-rate loans receivable:		
Within one year	2,034,038	1,593,567
In more than one year but no more than five years	90,384	63,587
Over five years	<u>180,267</u>	<u>92,833</u>
	2,304,689	1,749,987
Past due but not impaired	<u>186,107</u>	<u>10,007</u>
	<u><u>2,490,796</u></u>	<u><u>1,759,994</u></u>



## 11. Loans and advances (Continued)

	2018 HK\$'000	2017 HK\$'000
Variable-rate loans receivable:		
Within one year	10,504	9,007
In more than one year but no more than five years	1,875	2,619
Over five years	6,771	12,541
	<u>19,150</u>	<u>24,167</u>

*Note:* As at 30 September 2018, included in the fixed-rate loans receivable were balances of approximately HK\$186,107,000 (2017: HK\$10,007,000) which had been past due but not impaired. Taking into account the creditworthiness of the borrowers, collateral value and executable subsequent settlement arrangements, the executive directors of the Company considered that no allowance for impairment was necessary as at 30 September 2018 (2017: HK\$nil).

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

	2018	2017
Effective interest rates:		
Fixed-rate loans receivable	<b>0.19% per month to 3.83% per month</b>	0.42% per month to 3.99% per month
Variable-rate loans receivable	<b>Prime rate per annum to Prime rate +1% per annum</b>	Prime rate per annum to Prime rate +3% per annum

As at 30 September 2018, 119 (2017: 89) secured loans with the aggregate amount of approximately HK\$785,358,000 (2017: HK\$798,016,000) 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 (2017: 1 to 30 years). The remaining balance of the loans receivable amounting to approximately HK\$1,724,588,000 (2017: HK\$986,145,000) were provided to independent third parties of the Group, of which the loan amount of approximately HK\$886,388,000 (2017: HK\$474,869,000) 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 (2017: 1 to 30 years) from the respective loans' date of advance.

As at 30 September 2018 and 30 September 2017, each of the fixed-rate and variable-rate secured loans receivable represented less than 10% of the gross loans and advances balance.

## 11. Loans and advances (Continued)

As at 30 September 2018, included in the gross amount of loans and advances of approximately HK\$2,544 million (2017: HK\$1,816 million) were the impaired loans of approximately HK\$33.6 million (2017: HK\$31.5 million). Details of movements in the allowances for impairment are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Balance at the beginning of the year	31,472	30,971
Provision for the year	2,196	501
Amounts recovered during the year	(34)	–
	<hr/>	<hr/>
Balance at the end of the year	<b>33,634</b>	31,472
	<hr/> <hr/>	<hr/> <hr/>

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 for 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. Taking into account the above, the executive directors of the Company have made accumulated allowances for impairment of approximately HK\$33,634,000 (2017: HK\$31,472,000) as at 30 September 2018. The Group had commenced legal proceedings against the borrowers of these impaired loans of the loan amounts totalling approximately HK\$30,971,000 as at 30 September 2018 (2017: HK\$30,971,000) for recovery. As at the reporting date of the consolidated financial statements, the legal proceedings are still in progress.

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

## 12. Accounts payable

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Accounts payable from the business of dealing in securities:		
Clearing houses and brokers	<b>802</b>	129,749
Margin and cash clients	<b>1,591,776</b>	1,736,756
Accounts payable from the business of dealing in futures contracts:		
Margin clients	<b>243,056</b>	348,408
	<b>1,835,634</b>	2,214,913

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.

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\$1,642,300,000 and HK\$1,854,475,000 as at 30 September 2018 and 30 September 2017 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 2018, accounts payable denominated in Australian dollar, Japanese Yen, United States dollar and Renminbi were approximately HK\$84,000 (2017: HK\$84,000), HK\$10,000 (2017: HK\$5,000), HK\$261,401,000 (2017: HK\$356,589,000) and HK\$19,012,000 (2017: HK\$13,633,000) respectively.

## **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 shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since April 2007.

Over the past decade, the Group has made great strides in transforming to an interest income based financial institution. The core strength of the Group lies in its robust business model, with diverse income streams to withstand increasingly complex market conditions. Being recognised by the capital market for its solid performance, the Group has become one of the constituent stocks of MSCI HK Small Cap Index, since 1 December 2015. The Group currently operates 6 branches in Hong Kong, and 3 liaison offices in mainland China.

### **Market Review**

During the Year, the global economic conditions appeared to have moderated, with diverging growth prospects across advanced economies and emerging markets. In the United States (the “US”), optimism remained robust as the tax cuts and deregulation efforts of the new white house had boosted corporate profitability and investments. The strong economy and rising inflationary pressure had prompted the US Federal Reserve (“Fed”) to accelerate the pace of interest rate hikes. US stock market has continued to outperform those of other countries. The Fed’s rate hikes, along with the geopolitical risks, have triggered currencies crisis in some emerging markets. In China, the pace of expansion was hindered by credit strains due to an ongoing deleveraging drive, as well as the intensifying Sino-US trade conflict. After a booming 2017, stocks market in Hong Kong has turned sour amidst global uncertainties. During the Year, the Hang Seng Index slipped a slight 1.3% and closed at 27,816 on 28 September 2018.

## **Financial Review**

### ***Overall Review***

During the Year, the Group's revenue registered growth of 5.9% to approximately HK\$1,314.3 million (2017: HK\$1,241.0 million), mainly driven by growth of financing segment. Profit for the Year attributable to owners of the Company ("Net Profit") decreased to approximately HK\$549.2 million (2017: HK\$659.2 million) as a result of the impairment allowances on accounts receivable and, loans and advances, net of reversal ("Impairment Allowances") recognised. Excluding the Impairment Allowances, the Group's adjusted Net Profit delivered a growth of 13.9% to approximately HK\$754.8 million (2017: HK\$659.2 million), with adjusted Net Profit margin of 57.4% (2017: 53.4%). Basic earnings per share were HK8.15 cents (2017: HK9.96 cents). The Board recommended payment of a final dividend of HK0.64 cent per share (2017: HK1.52 cents). Together with the interim dividend of HK2.21 cents per share, the total dividends per share for the Year will amount to HK2.85 cents (2017: HK2.90 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 30 September 2018, the Group's current assets and current liabilities were approximately HK\$10,470.3 million (as at 30 September 2017: HK\$9,318.4 million) and HK\$3,524.6 million (as at 30 September 2017: HK\$2,793.1 million), respectively. As at 30 September 2018, aggregate of bank balances, cash and pledged bank deposits of the Group amounted to approximately HK\$1,043.0 million (as at 30 September 2017: HK\$674.1 million), which were mainly denominated in Hong Kong dollars ("HK\$").

During the Year, the Company completed the placing of bonds in aggregate amount of approximately HK\$1,200.0 million. These bonds comprised of the followings:

- Principal amount of HK\$800.0 million, which was placed and issued in four tranches during the Year. The interest rate of the HK\$ bonds is 5.0% per annum, payable annually in arrears. The maturity date of these bonds will be on the third anniversary of their date of issue.
- Principal amount of approximately HK\$400.0 million, comprising of HK\$390.5 million HK\$ bonds and US\$1.2 million United States dollars ("US\$") bonds (equivalent to approximately HK\$9.4 million), which was placed and issued in four tranches during the Year. The interest rate of the HK\$ bonds is 5.0% per annum whilst the interest rate of the US\$ bonds is 4.75% per annum, payable annually in arrears. The maturity date of these bonds will be on the third anniversary of their date of issue.

The net proceeds from the above 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 30 September 2018, the total carrying amount of the Company's outstanding bonds was approximately HK\$2,785.0 million (as at 30 September 2017: HK\$1,589.1 million). Principal amounts of HK\$ bonds and US\$ bonds were approximately HK\$2,711.7 million and US\$11.3 million (equivalent to approximately HK\$87.6 million) respectively. With maturity dates fall within 2019 and 2021, the HK\$ bonds carry coupon rates ranging between 5.0% and 5.25% per annum whilst the US\$ bonds carry coupon rates between 4.5% and 4.75% per annum.

Subsequent to the end of the Year, the Group has entered into a placing agreement for placing the bonds with an aggregate principal amount of up to HK\$500.0 million on or before 31 January 2019, which is 3-year unsecured bonds denominated in HK\$, bearing interest at 5.25% per annum payable annually in arrears. As of 7 December 2018, principal amount of approximately HK\$252.8 million was placed and issued in 2 tranches.

As at 30 September 2018, short-term bank borrowings of the Group increased to approximately HK\$460.2 million (as at 30 September 2017: HK\$328.5 million). These bank borrowings were secured by corporate guarantees from the Company, of which none (as at 30 September 2017: HK\$315.0 million) was further secured by pledged bank deposits of the Group. 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 approximately HK\$3,245.3 million (as at 30 September 2017: HK\$1,917.6 million), resulting in an increase of gearing ratio to 59.7% (as at 30 September 2017: 37.4%; 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 2018.

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 30 September 2018, bank deposit of the Group with aggregate carrying amount of HK\$160.0 million (as at 30 September 2017: HK\$160.0 million) was pledged to a bank as security for banking facilities.

### **Business Review**

Facing the complex market conditions, the Group strived to take effective measures to manage various risks and actively expanded financing segment, while maintaining its core competitiveness in the industry. The sustained growth has reflected the Group's proven success in prioritising the financing segment, hence solidifying its position as a leading financial services provider.

## ***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 Group continued to solidify its customer base by enhancing marketing capabilities and optimising loan service processes. The Group actively expanded the property mortgage business and maintained a strong market position. While driving business volume, the Group also focused on reinforcing risk management, strengthening capital management, and ensuring an optimised scale of its loan book. Revenue from the financing segment grew by 29.7% to approximately HK\$1,085.9 million (2017: HK\$837.5 million), accounting for 82.6% (2017: 67.5%) of the Group's total revenue.

## ***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.

Despite of the intensified competition from new players, the Group managed to retain customer loyalty through delivering service excellence. As a result, revenue from the brokerage segment slightly increased to approximately HK\$133.8 million (2017: HK\$133.0 million). The segment accounted for 10.2% (2017: 10.7%) of total revenue.

During the Year, the Group continued to strengthen its brokerage operations by implementing a customer-centered approach, improving online trading platforms and expanding product offerings. As at 30 September 2018, the Group operated 6 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.

The Group continued to expand its product offerings on a timely basis in response to changes in a dynamic financial market. Since the launch of the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect schemes in recent years, the Group has included Northbound trading services, enabling investors to trade eligible stocks listed in Shanghai Stock Exchange and Shenzhen Stock Exchange. The introduction of Northbound trading services has facilitated investors' accessibility to the mainland China market, thereby enriching their investment opportunities.

The Group's wealth management division provides advices 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, and acts as placing agents and underwriters for various Hong Kong listed companies.

During the Year, the Group secured a number of primary and secondary market financing projects. Revenue from the placing and underwriting segment was approximately HK\$75.9 million (2017: HK\$203.7 million), accounting for 5.8% (2017: 16.4%) of total revenue. The Group served as placing agents in equity and debt placing deals and IPO-related transactions. The Group also participated in underwriting rights issue exercises.

During the Year, the Group acted as one of the Joint Sponsors, Sole Bookrunner and Lead Manager in the IPO of Ulferts International Limited, which was listed on the Main Board of the Stock Exchange in January 2018. The Group also acted as one of the Joint Bookrunners and Joint Lead Managers in the IPO of Grace Wine Holdings Limited, which was listed on GEM of the Stock Exchange in June 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 Year. Revenue from the corporate finance segment was approximately HK\$18.6 million (2017: HK\$66.8 million), accounting for 1.4% (2017: 5.4%) of total revenue.

### **Outlook**

Sino-US tension and monetary policies of major central banks are set to overshadow the global economic outlook in the near term. The sentiments on monetary and capital market have become more cautious. It is expected that banks may adjust their loans and property mortgages arrangements accordingly. Against this backdrop, the Group will adjust its strategy in a timely manner in response to market demand and strengthen its property mortgage business which has a unique market positioning. It will also focus on expanding its personal loan business to meet the market demand for loans with higher flexibility.



The Group will press ahead with its growth strategies by exploring new opportunities spanning various loan products. Meanwhile, the Group strives to improve risk management capacity and collateral monitoring system, so as to ensure a sound credit-management process, thereby achieving stable returns amid an unstable market environment.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2018, the Group had 98 (2017: 114) account executives and 191 employees (2017: 183). Total staff costs (including directors' remuneration) were approximately HK\$121.6 million (2017: HK\$111.9 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 adopted a new share option scheme during the Year which replaced the share option scheme expired in September 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 is pleased to recommend payment of a final dividend of HK0.64 cent per share for the year ended 30 September 2018 ("Final Dividend") (2017: HK1.52 cents per share), amounting to approximately HK\$43.1 million (2017: HK\$102.5 million), subject to the approval of the shareholders at the forthcoming annual general meeting ("AGM") of the Company to be held on 30 January 2019 (Wednesday). If being approved, the Final Dividend will be paid on 28 February 2019 (Thursday) to shareholders whose names appear on the register of members of the Company on 12 February 2019 (Tuesday).

## **CLOSURE OF REGISTER OF MEMBERS**

### **For ascertaining shareholders' right to attend and vote at the AGM**

Latest time to lodge transfers	4:30 p.m. on 24 January 2019 (Thursday)
AGM	30 January 2019 (Wednesday)

### **For ascertaining shareholders' entitlement to the proposed Final Dividend**

Latest time to lodge transfers	4:30 p.m. on 8 February 2019 (Friday)
Book close dates	11 and 12 February 2019 (Monday and Tuesday)
Record date	12 February 2019 (Tuesday)
Final Dividend payment date	28 February 2019 (Thursday)

In order to qualify for the right to attend and vote at the AGM and for the entitlement to the proposed Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the above respective latest time.

## **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 2018 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, had reviewed the Group's audited consolidated financial statements for the year ended 30 September 2018 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 2018 and results for the Year.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Code**

Code provision A.2.1 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 Group and the Board with strong and consistent leadership while at the same time allows for more effective planning, formulation, implementation and execution of long-term business strategies and overall business management of the Group. The Company has considered the issue of balance of power of authority on the Board and believes the structure of the Company, including strong independent elements in the Board, delegation of authorities to the management, supervision by the Board and Board committees, is sufficient to 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 has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiry to the Directors of the Company, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code 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 (<http://www.hkexnews.hk>) and the Company (<http://www.emperorcapiatal.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, 11 December 2018

As at the date hereof, the Board comprises :

*Executive Directors:*

Ms. Daisy Yeung  
Mr. Chan Shek Wah  
Ms. Choi Suk Hing, Louisa  
Ms. Pearl Chan

*Independent Non-Executive Directors:*

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