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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)

2021/2022 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “Board” or the “Directors”) of Emperor Capital Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 March 2022 (the “Period”).

FINANCIAL SUMMARY	For the six months ended	
	31 March	
<i>HK\$'000</i>	2022	2021
Total revenue	244,810	346,586
Financing	203,361	283,179
Brokerage Services	35,961	55,086
Placing & Underwriting	1,478	4,956
Corporate Finance	4,010	3,365
Impairment allowance ¹	(161,809)	(140,056)
Net (loss)/profit	(35,013)	53,679
Basic (loss)/earnings per share	HK(0.52) cent	HK0.80 cent

¹ Represents the net impairment allowances for margin loans, and other loans and advances

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the Period, overall economic activity revived to a certain extent. Nevertheless, the ongoing geopolitical tension between China and the United States, as well as the credit crises facing certain Chinese property developers, have continued to take a toll on capital markets. Against the backdrop of a tough business operating environment, the Group's revenue decreased to HK\$244.8 million (2021: HK\$346.6 million) during the Period. Impairment allowances for margin loans, and other loans and advances (the "Impairment Allowance") of HK\$161.8 million (2021: HK\$140.1 million) was recognised. Loss for the Period attributable to owners of the Company was HK\$35.0 million (2021: profit of HK\$53.7 million). Basic loss per share was HK0.52 cent (2021: basic earnings per share of HK0.80 cent).

BUSINESS REVIEW

Established in 1993, the Group is a renowned Hong Kong based financial institution providing a wide range of financial services including (i) commercial and personal lending as well as margin and initial public offering ("IPO") financing; (ii) brokerage services, wealth management and asset management; (iii) placing and underwriting services for listed issuers; and (iv) corporate finance advisory services. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited in April 2007.

Financing

The Group's financing segment derives interest income from commercial and personal lending as well as margin and IPO financing. The loans granted to customers range from short-term unsecured loans (e.g. tax loan, bridging loan, term loan and personal loan) to long-term secured loans (e.g. property mortgage). Built on a renowned reputation for delivering professional and personalised loan services, the Group has developed a niche in the loan market, providing corporate and retail clients with tailored liquidity solutions to meet their corporate goals and personal needs.

With uncertainties over the economic outlook, the Group continued to adopt stringent loan approval procedures, and remained prudent regarding the valuation of collaterals. The Group retained its pro-active approach to strengthening the overall credit risk management and control mechanism in its financing business. The Group also closely monitored the market situation and adjusted the interest rate and loan-to-value ratio on a timely basis, in order to optimise the balance between risk and capital. During the Period, the segment's revenue was HK\$203.4 million (2021: HK\$283.2 million), accounting for 83.1% (2021: 81.7%) of the Group's total revenue. Legal proceedings regarding the Impairment Allowance 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 31 March 2022, 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 Period, the stock market remained volatile; revenue from brokerage services was HK\$36.0 million (2021: HK\$55.1 million), accounting for 14.7% (2021: 15.9%) 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 Period, the Group participated in a number of primary and secondary market financing projects. Revenue from the placing and underwriting segment was HK\$1.5 million (2021: HK\$5.0 million), accounting for 0.6% (2021: 1.4%) of the Group's total revenue.

Corporate Finance

The division holds a full corporate finance advisory licence under the Securities and Futures Ordinance, allowing it to advise on Takeovers Code related transactions and undertake sponsor work for IPOs in addition to general corporate finance advisory services. Apart from IPO-related services, the Group offers advisory services for corporate transactions including placing, rights issue, corporate restructuring and merger and acquisition.

During the Period, the Group handled a number of corporate advisory and IPO transactions. Revenue from the corporate finance segment increased mildly to HK\$4.0 million (2021: HK\$3.4 million), accounting for 1.6% (2021: 1.0%) of the Group's total revenue.

OUTLOOK

With the continuing impacts of a series of international events – including an interest rate hike by the Federal Reserve, the tightening of monetary policies by various central banks, as well as the Russia-Ukraine conflict that has led to sanctions on Russia imposed by the United States and Europe, the volatility of financial markets is likely to remain, adding to uncertainties regarding global economic development.

On the other hand, China's GDP achieved a growth rate of 8.1% in 2021, and is expected to continue to be the growth engine of the global economy with its stable economic fundamentals. In the meantime, with a strong IPO pipeline, a new listing regime for special purpose acquisition companies (SPAC) and overseas issuers, and other initiatives by Hong Kong Exchanges and Clearing Limited, Hong Kong's leadership role in the global capital market will be strengthened. With Hong Kong remaining a vital link for access to China's market, the financial services industry will continue developing with a promising outlook. The co-ordinated development with neighbouring cities in the Greater Bay Area will create enormous business opportunities, and ample room for Hong Kong's development.

In anticipation of continuing market volatility in the second half of the year, the Group will adhere to its cautious approach in its financing business, to minimise risks of default. The Group will also strengthen its wealth management business development, by offering more unique and quality investment funds and bond products and services, aiming to expand its high net worth customer base. Amid a tough business environment, the Group will exercise stringent control over operating costs 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 31 March 2022, the Group's current assets and current liabilities were HK\$5,970.7 million (30 September 2021: HK\$6,106.3 million) and HK\$2,822.4 million (30 September 2021: HK\$2,942.3 million) respectively. As at 31 March 2022, aggregate of bank balances, cash and pledged bank deposits of the Group amounted to HK\$1,043.8 million (30 September 2021: HK\$1,024.1 million), which were mainly denominated in Hong Kong dollar.

During the Period, the Group has repaid part of the Hong Kong dollar bonds by deploying internal resources. As at 31 March 2022, the total carrying amount of the Company's outstanding Hong Kong dollar bonds, with a coupon interest of 5.25% per annum, was approximately HK\$265.1 million (30 September 2021: HK\$499.1 million), among which approximately HK\$102.8 million has been repaid in May 2022 and the remaining balance due before end of July 2022 is expected to be fully repaid by the due dates.

As at 31 March 2022, the Group had bank borrowings of HK\$460.0 million (30 September 2021: HK\$370.0 million). The total borrowings of the Group decreased to HK\$725.1 million (30 September 2021: HK\$869.1 million), hence the gearing ratio reduced to 19.0% (30 September 2021: 22.6%; calculated as a percentage of total borrowings over total equity of the Group). The Group did not have any material foreign exchange exposure as at 31 March 2022.

With the Group's sufficient bank balances and cash, its available unutilised banking facilities of HK\$2,025.0 million (30 September 2021: 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 31 March 2022, bank deposits of the Group with aggregate carrying amount of HK\$160.0 million (30 September 2021: HK\$160.0 million) were pledged to a bank as security for banking facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group had 78 (2021: 76) account executives and 141 (2021: 139) employees. Total staff costs (including Directors' remuneration) were approximately HK\$41.6 million (2021: HK\$39.8 million) for the Period. Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

To continue to provide incentives or rewards to the staff, the Company has adopted a share option scheme, particulars of which will be set out in the section headed "Share Options" of the interim report of the Company.

INTERIM DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the financial year ending 30 September 2022 (2021: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 31 March	
		2022	2021
		(unaudited) <i>HK\$'000</i>	(unaudited) <i>HK\$'000</i>
Revenue			
Commission and fee income	4	39,332	61,818
Interest income	4	205,478	284,768
		244,810	346,586
Other income and gains or losses		9,721	8,842
Impairment allowances, net of reversal	5	(161,809)	(140,056)
Staff costs		(41,567)	(39,816)
Commission and fee expenses		(20,377)	(24,110)
Other expenses	6	(43,651)	(41,029)
Finance costs		(14,505)	(43,934)
Share of (loss) profit of an associate		(90)	33
		(27,468)	66,516
Income tax expense	7	(7,545)	(12,837)
		(35,013)	53,679
<i>Other comprehensive income</i>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		–	184
		–	184
Other comprehensive income for the period		–	184
Total comprehensive (expense) income for the period attributable to owners of the Company		(35,013)	53,863
 (Loss) earnings per share			
– Basic	8	HK(0.52) cent	HK0.80 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	
<i>Notes</i>	31 March 2022 (unaudited) HK\$'000	30 September 2021 (audited) HK\$'000
Non-current assets		
Property and equipment	2,586	2,306
Right-of-use assets	4,046	9,296
Intangible assets	10	–
Interest in an associate	–	–
Amount due from an associate	3,548	3,638
Other assets	7,727	10,126
Loans and advances	11	665,372
	666,299	690,738
Current assets		
Accounts receivable	12	1,172,372
Loans and advances	11	1,953,692
Other debtors, deposits and prepayments		14,650
Tax recoverable		15,935
Pledged bank deposits – general accounts		160,000
Bank balances and cash – general accounts		883,823
Bank balances and cash – segregated accounts		1,770,216
	5,970,688	6,106,262
Current liabilities		
Accounts payable	13	1,965,476
Other creditors and accrued charges		111,624
Tax liabilities		10,278
Lease liabilities		9,910
Short-term bank borrowings		460,000
Bonds issued		265,070
	2,822,358	2,942,272
Net current assets	3,148,330	3,163,990
Total assets less current liabilities	3,814,629	3,854,728
Non-current liabilities		
Lease liabilities	–	5,086
Net assets	3,814,629	3,849,642
Capital and reserves		
Share capital	14	67,408
Reserves		3,747,221
Total equity	3,814,629	3,849,642

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 March 2022 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Interim Financial Statements should be read, where relevant, in conjunction with the annual financial statements of the Group for the year ended 30 September 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA.

2. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Other than changes in accounting policies resulting from application of new HKFRSs, the accounting policies and methods of computation used in the Interim Financial Statements are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 30 September 2021.

Details of any changes in accounting policies are set out below.

Application of Amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of Amendments to HKFRSs *(Continued)*

New and amendments to HKFRSs in issue but not yet effective (Continued)

- ¹ Effective for annual periods beginning on or after 1 April 2021
- ² Effective for annual periods beginning on or after 1 January 2022
- ³ Effective for annual periods beginning on or after 1 January 2023
- ⁴ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated 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 resource 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 six months ended 31 March 2022, the Group has reallocated certain corporate expenses in order to better reflect the activities of all operating segments. Comparative figures in prior period have been restated to conform to the current period's presentation.

3. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the six months ended 31 March 2022

	Financing (unaudited) HK\$'000	Brokerage services (unaudited) HK\$'000	Placing and underwriting (unaudited) HK\$'000	Corporate finance (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE						
Segment revenue – external customers						
Commission and fee income	–	33,844	1,478	4,010	–	39,332
Interest income	203,361	2,117	–	–	–	205,478
Inter-segment sales	156,247	–	–	–	(156,247)	–
	<u>359,608</u>	<u>35,961</u>	<u>1,478</u>	<u>4,010</u>	<u>(156,247)</u>	<u>244,810</u>

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment results	<u>(12,268)</u>	<u>(3,376)</u>	<u>1,302</u>	<u>(297)</u>		<u>(14,639)</u>
Unallocated other income and gains or losses						378
Unallocated corporate expenses						
– staff costs (including directors' remuneration but excluding staff commission expenses)						(750)
– service charge to related companies						(9,553)
– others						(2,814)
Share of loss of an associate						<u>(90)</u>
Loss before tax						(27,468)
Income tax expense						<u>(7,545)</u>
Loss for the period						<u><u>(35,013)</u></u>

3. SEGMENT INFORMATION (Continued)

For the six months ended 31 March 2021

	Financing (unaudited) HK\$'000	Brokerage services (unaudited) HK\$'000	Placing and underwriting (unaudited) HK\$'000	Corporate finance (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Total (unaudited) HK\$'000
REVENUE						
Segment revenue – external customers						
Commission and fee income	–	53,497	4,956	3,365	–	61,818
Interest income	283,179	1,589	–	–	–	284,768
Inter-segment sales	167,902	–	–	–	(167,902)	–
	<u>451,081</u>	<u>55,086</u>	<u>4,956</u>	<u>3,365</u>	<u>(167,902)</u>	<u>346,586</u>

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment results	<u>63,238</u>	<u>14,028</u>	<u>541</u>	<u>953</u>		78,760
Unallocated other income and gains or losses						49
Unallocated corporate expenses						
– staff costs (including directors' remuneration but excluding staff commission expenses)						(750)
– service charge to related companies						(6,501)
– others						(5,075)
Share of profit of an associate						<u>33</u>
Profit before tax						66,516
Income tax expense						<u>(12,837)</u>
Profit for the period						<u>53,679</u>

4. REVENUE

	Six months ended 31 March	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Commission and fee income (<i>Note</i>):		
Commission and fee income on dealing in securities	26,224	46,672
Commission and fee income on dealing in futures and options contracts	5,258	3,791
Commission and fee income from insurance brokerage and wealth management	2,362	3,034
Corporate finance advisory services fee income	4,010	3,365
Placing and underwriting commission	1,478	4,956
	<u>39,332</u>	<u>61,818</u>
Interest income:		
Interest income from margin and initial public offer financing	64,065	124,819
Interest income from loans and advances	139,296	158,360
Interest income from bank deposits	2,116	1,581
Others	1	8
	<u>205,478</u>	<u>284,768</u>
	<u>244,810</u>	<u>346,586</u>

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

5. IMPAIRMENT ALLOWANCES, NET OF REVERSAL

	Six months ended 31 March	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net impairment allowances on:		
Accounts receivable	(56,054)	65,841
Loans and advances	217,863	74,215
	<u>161,809</u>	<u>140,056</u>

6. (LOSS) PROFIT BEFORE TAX

	Six months ended 31 March	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(Loss) profit before tax has been arrived at after charging:		
Other expenses:		
Auditor's remuneration	1,243	978
Legal and professional fee	3,120	7,272
Advertising and promotion expenses	1,187	826
Information technology services and communication expenses	14,482	9,466
Depreciation of property and equipment	1,376	1,356
Depreciation of right-of-use assets	5,250	5,543
General and administrative expenses	9,464	8,279
Rates and building management fee	1,269	1,296
Settlement expenses	1,305	1,892
Miscellaneous expenses	4,955	4,121
	<u>43,651</u>	<u>41,029</u>

7. INCOME TAX EXPENSE

	Six months ended 31 March	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current period:		
Hong Kong Profits Tax	7,533	12,406
PRC Enterprise Income Tax	12	29
	<u>7,545</u>	<u>12,435</u>
Deferred tax charge	<u>-</u>	<u>402</u>
	<u>7,545</u>	<u>12,837</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 31 March	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(Loss) earnings		
(Loss) earnings for the purpose of basic		
(loss) earnings per share	<u>(35,013)</u>	<u>53,679</u>
	Six months ended 31 March	
	2022	2021
	(unaudited)	(unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of		
basic (loss) earnings per share	<u>6,740,846</u>	<u>6,740,846</u>

No diluted (loss)/earnings per share for the six months ended 31 March 2022 and 31 March 2021 were presented as there were no potential ordinary shares outstanding during both periods.

9. DIVIDENDS

The directors of the Company did not declare any payment of interim dividend for the financial years ended 30 September 2022 and 30 September 2021.

10. INTANGIBLE ASSETS

HK\$'000

COST

At 1 October 2020, 30 September 2021 and **31 March 2022**

9,802

AMORTISATION AND IMPAIRMENT

At 1 October 2020, 30 September 2021 and **31 March 2022**

9,802

CARRYING VALUES

At 31 March 2022

–

At 30 September 2021

–

Trading rights were fully amortised over 10 years from the effective date of the merger of the Stock Exchange, the Hong Kong Futures Exchange and the Hong Kong Securities Clearing Company Limited to year 2000.

11. LOANS AND ADVANCES

	As at	
	31 March 2022 (unaudited) HK\$'000	30 September 2021 (audited) HK\$'000
Fixed-rate loans receivable	3,578,740	3,256,884
Variable-rate loans receivable	267,656	280,577
	<u>3,846,396</u>	<u>3,537,461</u>
Less: provision for impairment	(1,244,312)	(1,026,449)
	<u>2,602,084</u>	<u>2,511,012</u>
Analysed as:		
Current	1,953,692	1,845,640
Non-current	648,392	665,372
	<u>2,602,084</u>	<u>2,511,012</u>

11. LOANS AND ADVANCES (Continued)

Note: As at 31 March 2022, credit-impaired loans and advances of gross carrying amount of approximately HK\$230 million (30 September 2021: HK\$228 million), on which provision for impairment of approximately HK\$62 million (30 September 2021: HK\$62 million) was made, are secured by properties. Also included in the provision for impairment is an amount of approximately HK\$507 million (30 September 2021: HK\$370 million) made on credit-impaired loans and advances of gross carrying amount of approximately HK\$747 million (30 September 2021: HK\$662 million), the borrowers of which hold Hong Kong listed marketable securities under the securities account in or held in custody by a wholly owned subsidiary of the Company. The Group has the rights on these listed marketable securities to repay the outstanding loans in the event that the borrowers fail to pay the amount due. In determining the allowances for credit-impaired loans and advances, the management of the Group also takes into account the fair value of collateral and the outstanding balance of loan receivables individually taking into account of executable settlement plan and restructuring arrangements with available forward looking information.

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 (if publicly available), financial background and repayment abilities. ECL assessment is carried out based on a close monitoring and evaluation of the collectability of individual account and on management's judgement, including the current creditworthiness of the borrowers, collateral value, the past collection history and available forward looking information. The Group had commenced legal proceedings against the borrowers of the credit-impaired loans of the gross carrying amount totalling approximately HK\$574 million (30 September 2021: HK\$573 million), on which provision for impairment of approximately HK\$487 million (30 September 2021: HK\$467 million) was made as at 31 March 2022. As at the reporting date of the Interim Financial Statements, the legal proceedings are still in progress.

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

	As at	
	31 March 2022 (unaudited) HK\$'000	30 September 2021 (audited) HK\$'000
Fixed-rate loans receivable:		
Within one year	1,604,955	1,380,314
In more than one year but no more than five years	128,521	122,689
Over five years	459,644	270,429
	<u>2,193,120</u>	<u>1,773,432</u>
Past due	335,160	457,003
	<u>2,528,280</u>	<u>2,230,435</u>

11. LOANS AND ADVANCES (Continued)

	As at	
	31 March 2022 (unaudited) HK\$'000	30 September 2021 (audited) HK\$'000
Variable-rate loans receivable:		
Within one year	3,615	14,617
In more than one year but no more than five years	15,060	48,455
Over five years	45,167	209,404
	63,842	272,476
Past due	9,962	8,101
	73,804	280,577

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

	As at	
	31 March 2022 (unaudited)	30 September 2021 (audited)
Effective interest rates:		
Fixed-rate loans receivable	0.42% 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 31 March 2022, 206 (30 September 2021: 165) secured loans with the aggregate gross amount of approximately HK\$1,408,471,000 (30 September 2021: HK\$1,322,268,000) were secured by first legal charges in respect of respective properties located in Hong Kong and Canada. The collateral for each individual loan is sufficient to cover the loan amount on an individual basis. They were advanced to various independent borrowers and will be due for repayment within 1 to 30 years (30 September 2021: 1 to 30 years). As at 31 March 2022, there are 24 secured loans (30 September 2021: 28) with the aggregate gross amount of approximately HK\$782,675,000 (30 September 2021: HK\$773,871,000), the borrowers of which 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. The remaining gross balance of the loans receivable amounting to approximately HK\$1,139,613,000 (30 September 2021: HK\$1,441,322,000) were provided to independent third parties of the Group, of which the loan amount of approximately HK\$814,725,000 (30 September 2021: HK\$688,413,000) were with second or third legal charges in respect of properties located in Hong Kong and Canada and will be due for repayment within 1 to 30 years (30 September 2021: 1 to 30 years) from the respective loans' date of advance.

As at 31 March 2022 and 30 September 2021, each of the fixed-rate and variable-rate secured loans receivable represented less than 15% of the gross loans and advances balance.

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

12. ACCOUNTS RECEIVABLE

	As at	
	31 March 2022 (unaudited) HK\$'000	30 September 2021 (audited) HK\$'000
Accounts receivable from the business of dealing in securities:		
Clearing houses, brokers and cash clients	142,190	102,325
Secured margin loans	3,281,645	3,594,507
IPO margin loans	–	8,900
Accounts receivable from the business of dealing in futures contracts:		
Clearing houses, brokers and margin clients	72,811	70,276
Accounts receivable from the business of corporate finance	2,777	1,558
	<u>3,499,423</u>	<u>3,777,566</u>
Less: provision for impairment	<u>(2,327,051)</u>	<u>(2,386,097)</u>
	<u><u>1,172,372</u></u>	<u><u>1,391,469</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 31 March 2022 and 30 September 2021, no individual account represented more than 15% of the gross accounts receivable balance.

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.

12. ACCOUNTS RECEIVABLE (Continued)

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

	As at	
	31 March 2022 (unaudited) HK\$'000	30 September 2021 (audited) HK\$'000
Past due:		
0–30 days	711	1,405
31–60 days	290	452
61–90 days	216	45
Over 90 days	<u>1,701</u>	<u>518</u>
Accounts receivable which were past due	2,918	2,420
Accounts receivable which were not past due	<u>214,860</u>	<u>171,739</u>
	<u><u>217,778</u></u>	<u><u>174,159</u></u>

Note: In determining the allowances for credit-impaired loans to margin clients, the management of the Group also takes into account shortfall by comparing the fair value of listed securities pledged as collateral and the outstanding balance of accounts receivable from margin client individually taking into account of subsequent settlement or executable settlement plan and restructuring arrangements with available forward looking information.

To minimise the Group's exposure to credit risk, the Group has a policy for reviewing and monitoring accounts receivable without sufficient collateral and those with default or delinquency in interest or principal payment. ECL assessment is carried out based on an evaluation of the collectability and ageing analysis of the accounts and on management's judgement including the current creditworthiness, collateral value, the past collection history and available forward looking information.

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. Impairments are made for those clients with shortfall as at the end of the reporting period and with no settlement or executable settlement plan and arrangement after the end of the reporting period. The Group had commenced legal proceedings against the borrowers of the credit-impaired loans of the gross carrying amount totalling approximately HK\$1,301 million (30 September 2021: HK\$1,297 million) for recovery, on which provision for impairment of HK\$1,126 million (30 September 2021: HK\$1,187 million) was made as at 31 March 2022. As at the reporting date of the Interim Financial Statements, the legal proceedings are still in progress.

13. ACCOUNTS PAYABLE

	As at	
	31 March 2022 (unaudited) HK\$'000	30 September 2021 (audited) HK\$'000
Accounts payable from the business of dealing in securities:		
Clearing house and broker	19,968	18,915
Margin and cash clients	1,711,989	1,812,086
Accounts payable from the business of dealing in futures contracts:		
Margin clients	233,519	162,461
	<u>1,965,476</u>	<u>1,993,462</u>

The settlement terms of accounts payable, except for margin loans, arising from the business of dealing in securities are two days after trade date and accounts payable arising from the business of dealing in futures contracts are one day after trade date. No ageing analysis is disclosed as in the opinion of the executive directors of the Company, 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\$1,770,216,000 and HK\$1,834,598,000 as at 31 March 2022 and 30 September 2021 respectively were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these accounts payable with the deposits placed.

14. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 October 2021 and 31 March 2022	<u>500,000,000</u>	<u>5,000,000</u>
Issued and fully paid:		
At 1 October 2021	<u>6,740,846</u>	<u>67,408</u>
At 31 March 2022	<u>6,740,846</u>	<u>67,408</u>

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.

REVIEW OF INTERIM RESULTS

These condensed consolidated Interim Financial Statements of the Group had not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but had been reviewed by the audit committee of the Company, which comprises the three independent non-executive Directors of the Company.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company had complied throughout the Period with all the code provisions as set out in the Corporate Governance Code under Appendix 14 of the Listing Rules, except with the deviation from code provision C.2.1 which requires that the roles of chairman and chief executive officer should be separate and not be performed by the same individual. Ms. Daisy Yeung (being the Chief Executive Officer of the Group) had also been appointed as the Managing Director of the Company by the Board who provides the Board with strong and consistent leadership while at the same time leading the management on effective planning, formulation, implementation and execution of long-term business strategies of the Group. The Directors have considered the issue of balance of power and authority of the Board and believed that the current structure can properly address the potential issue on power concentration.

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding securities transactions by Directors ("ECG Securities Code") on no less exacting terms than the required standards 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 in ECG Securities Code throughout the Period.

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 Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.EmperorCapital.com>). The interim report will be despatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Emperor Capital Group Limited
Daisy Yeung
Managing Director

Hong Kong, 27 May 2022

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

Executive Directors:

Ms. Daisy Yeung
Ms. Choi Suk Hing, Louisa
Ms. Pearl Chan

Independent Non-Executive Directors:

Mr. Poon Yan Wai
Ms. Wan Choi Ha
Mr. Wong Tak Ming, Gary