



英皇證券集團有限公司
Emperor Capital Group Limited

Incorporated in Bermuda with limited liability (Stock Code:717)



| Interim Report 2019/2020 |

Contents

Financial Summary	2
Management Discussion and Analysis	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Statement of Changes in Equity	14
Condensed Consolidated Statement of Cash Flows	15
Notes to the Condensed Consolidated Financial Statements	16
Directors' and Chief Executives' Interests and Short Positions in Securities	35
Other Persons' Interests and Short Positions in Securities	36
Corporate Governance and Other Information	38

FINANCIAL SUMMARY

HK\$'000 (Unaudited)

Six months ended 31 March

	2020	2019
Total revenue	494,453	590,427
<i>Financing</i>	427,550	519,426
<i>Brokerage Services</i>	58,819	50,802
<i>Placing & Underwriting</i>	3,144	17,149
<i>Corporate Finance</i>	4,940	3,050
Net (loss)/profit		
Per reported	(268,067)	37,638
Adjusted ¹	324,869¹	357,365 ¹
Basic (loss)/earnings per share	HK(3.98) cents	HK0.55 cent

¹ Excluding aggregate impairment allowances on margin loans and, loans and advances, net of reversal, totalling approximately HK\$592.9 million (2019: HK\$319.7 million)

MANAGEMENT DISCUSSION AND ANALYSIS

Established in 1993, Emperor Capital Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) is a renowned Hong Kong based financial institution providing a wide range of financial services including (i) commercial and personal lending as well as margin and initial public offering (“IPO”) financing; (ii) brokerage services, wealth management and asset management; (iii) placing and underwriting services for listed issuers; and (iv) corporate finance advisory services. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in April 2007. In November 2019, “英皇” has been recognised as well-known trademark in mainland China and obtained cross-class protection from the National Intellectual Property Administration, affirming its wide recognition and brand value in China.

Over the past decade, the Group has successfully transformed into an interest income based financial institution and diversified its income streams. The core strength of the Group lies in its robust business model, with diverse businesses to withstand increasingly complex market conditions. The Group currently operates 3 branches in Hong Kong, and 3 liaison offices in mainland China.

FINANCIAL REVIEW

Overall Review

During the six months ended 31 March 2020 (the “Period”), the Group’s revenue decreased to HK\$494.5 million (2019: HK\$590.4 million). Net loss for the Period was HK\$268.1 million (2019: Net profit of HK\$37.6 million), which was mainly due to a recognition of impairment allowances for margin loans as well as loans and advances, net of reversal (“Impairment Allowances”). The Impairment Allowances of approximately HK\$592.9 million were made after reviewing the accounts portfolio and financial positions of certain clients. Excluding the Impairment Allowances, the Group’s adjusted net profit decreased by 9.1% to HK\$324.9 million (2019: HK\$357.4 million). Basic loss per share was HK3.98 cents (2019: Basic earnings per share of HK0.55 cent).

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 2020, the Group’s current assets and current liabilities were HK\$8,282.8 million (as at 30 September 2019: HK\$9,440.2 million) and HK\$2,473.9 million (as at 30 September 2019: HK\$2,584.4 million) respectively. As at 31 March 2020, aggregate of bank balances, cash and pledged bank deposits of the Group amounted to HK\$1,451.3 million (as at 30 September 2019: HK\$1,905.5 million), which were mainly denominated in Hong Kong dollar (“HK\$”).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2020, the total carrying amount of the Company's outstanding bonds was approximately HK\$1,799.7 million (as at 30 September 2019: HK\$2,813.5 million). Principal amounts of HK\$ bonds and United States dollar ("US\$") bonds were HK\$1,799.0 million and US\$1.2 million (equivalent to approximately HK\$9.4 million), respectively. With maturity dates falling within 2021 and 2022, the HK\$ bonds carry coupon rates ranging between 5.0% and 5.25% per annum, whilst the US dollar bonds carry coupon rate at 4.75% per annum.

As at 31 March 2020, the Group had no bank borrowings (as at 30 September 2019: HK\$231.2 million). The total borrowings of the Group, which comprised bonds only, amounted to HK\$1,799.7 million (as at 30 September 2019: HK\$3,044.7 million), hence the gearing ratio decreased to 37.1% (as at 30 September 2019: 59.5%); 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 2020.

With the Group's sufficient bank balances and cash, its available unutilised banking facilities of HK\$2,971.8 million, as well as the proceeds raised from the issuance of bonds, the board of directors of the Company (the "Board" or "Directors") considers the Group has sufficient working capital for its operation and future development.

Pledge of Assets

As at 31 March 2020, bank deposit of the Group with aggregate carrying amount of HK\$160.0 million (as at 30 September 2019: HK\$160.0 million) was pledged to a bank as security for banking facilities.

BUSINESS REVIEW

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.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the segment's revenue was HK\$427.6 million (2019: HK\$519.4 million), accounting for 86.5% (2019: 88.0%) of the Group's total revenue.

Facing the vulnerable business environment, the Group adopted a conservative approach, and continued striving to reinforce its risk management and strengthen its capital management. Legal proceedings have been initiated in response to the significant amount of Impairment Allowances during the Period.

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. As at 31 March 2020, the Group operated 3 branches in Hong Kong and 3 liaison offices in mainland China covering Beijing, Shanghai and Guangzhou respectively. In addition to branches, the Group offers web-based and mobile trading platforms which enable real-time transaction and investment portfolio monitoring. 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.

Despite the volatile stock market, revenue from brokerage services increased by 15.7% to HK\$58.8 million (2019: HK\$50.8 million) during the Period, accounting for 11.9% (2019: 8.6%) 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\$3.1 million (2019: HK\$17.1 million), accounting for 0.6% (2019: 2.9%) of the Group's total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Period. Revenue from the corporate finance segment increased to HK\$4.9 million (2019: HK\$3.1 million), accounting for 1.0% (2019: 0.5%) of the Group's total revenue.

OUTLOOK

Various travel restrictions measures have been implemented to combat the Pandemic, which impede due diligence work and roadshows, resulting in a recent slowdown of IPO deals and corporate transactions. As a result of the public health crisis, corporations' business prospects are undermined, which will impair their liquidity and perceived credibility. It is expected that the overall economy as well as the financial and investment market may tend to move downward. The tough business environment may persist for some time. The Group will adhere to its prudent approach, and will adopt the following strategies for mitigating the potential downside risk:

- The Group will actively review its loan portfolio and closely monitor the loan receivables status;
- The Group will reinforce risk management by implementing stricter scrutiny of loan approval procedures and conducting more comprehensive assessments of the collaterals to minimise default risk;
- The Group will promptly react to market changes, and adjust the interest charge and loan-to-value ratio as appropriate; and
- The Group will exercise stringent control over operating costs to improve its overall operating efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

Against the backdrop of the Pandemic and the ongoing global trade disputes, the financial system in Hong Kong remains healthy. Some financial relief measures have been introduced by the local government since February 2020, to provide financial supports to citizens and corporations. Meanwhile, the Chinese Central Government and Chinese commercial banks are offering various aids and relief packages to corporations. The Group expects all these measures at both regional and nationwide level will help to accelerate market recovery in the Greater China. The Group is well poised to seize development opportunities, whilst endeavouring to maintain steady development of its businesses.

RISK MANAGEMENT

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review.

The management is entrusted with duties to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority. It endeavours to evaluate and compare the level of risk against predetermined acceptable levels of risk. For risk control and monitoring, it involves making decisions regarding which risks are acceptable and how to address those that are not. The management will develop contingency plans for possible loss scenarios. Accidents and other situations involving loss or near-loss will be investigated and properly documented as part of the effort to manage risks.

SIGNIFICANT RISKS

The Group's business, financial conditions and results may be affected by risks and uncertainties pertaining to the Group's business. Certain significant risks have been identified through the process of risk identification and assessment. Such significant risks of the Group and their respective key strategies/control measures are set out below:

(1) Credit Risk

Credit risk refers to the risk that the borrower or counterparty may fail to perform its obligation to pay in a timely manner, or that its ability to perform such obligation may get impaired before delivery date.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's Credit Committee, the ultimate credit decision-making organ of the Group, is responsible for putting in place credit policies and procedures for approving lending including those for approving credit and trading limits for customers and approving individual stocks acceptable for margin lending at specified ratios. The Group's exposure to credit risk lies mainly in two areas:

a) Margin financing

The customers' trading of securities or futures may expose the Group to risk arising from price volatility which may reduce the customers' ability to meet their obligations. The Credit Committee will prescribe from time to time the lending limits on individual stock or on any individual customers and their respective associates by considering their creditworthiness, financial strength and the size of their positions or commitments.

The Credit and Risk Control Department ("CRC Department") is responsible for the daily monitoring of the changes in customers' positions, their accounts and financing ratios; to observe strictly the approved financing and credit policies; to make margin calls and perform forced liquidation, where appropriate; to report to the management regularly and when abnormalities arise; to closely monitor the unusual movements and trading halts of stocks and timely identify non-performing debts; and to demand higher margin requirements and step up risk control for particular customers or products, where appropriate.

The Group has set up policies on customer concentration risk and stock concentration risk. The CRC Department will monitor the concentration of credit risk and regularly perform stress tests to assess the Group's credit risk exposure and capital adequacy and to report anomaly or any unusual price movements of customers' stock positions.

b) Lending portfolio

The Credit Committee sets and establishes the credit underwriting, approving, provisioning policies. All loans and advances are subject to credit analysis, borrower's due diligence, risk assessment and are approved by the management according to the credit policies set by the Credit Committee. The Loans Operation Department is tasked with the daily monitoring of exposures for loans and advances, while accounts with deteriorating credit position may be referred to the CRC Department for closely monitoring. The Credit Committee meets both regularly and timely to review the developments and status of past due accounts and to ensure appropriate actions are taken in a timely manner.

MANAGEMENT DISCUSSION AND ANALYSIS

Moreover, the Internal Audit Department also conducts independent reviews on the adequacy and effectiveness of these policies and controls to ensure that the Group is operating according to the established policies, procedures and credit limits.

(2) Equity Risk

Equity risk arises from fluctuation in the price and volatility of equities such as stocks, equity portfolio and stock index futures. The Group does not have proprietary equity investments. On the other hand, the Group may be subject to exposure arising from the underwriting commitments. The Group mitigates its risks by conducting detailed analysis of the issuer's fundamentals and pricing against market conditions and appetites. Such risk exposure is also reduced by way of internal sales and distribution and by sub-underwritings.

(3) Liquidity Risk

The Group's financing business is a capital intensive business which may be subject to liquidity risk. As part of its ordinary brokerage activities, the Group is also exposed to liquidity risk arising from timing difference between settlements with clearing houses or brokers and customers. The goal of liquidity risk management is to ensure the Group maintains adequate liquid capital to fund its business commitments as well as to comply with the relevant Financial Resources Rules applying to various licensed subsidiaries.

To address the liquidity risk, the Group's Finance and Accounts Department and the management will review and monitor the Group's liquidity position on daily basis to ensure availability of sufficient liquid funds. In addition, the Group has maintained sufficient stand-by banking and other facilities in order to meet any contingency in its operations. The management believes the Group's working capital is adequate to meet its financial obligations.

MANAGEMENT DISCUSSION AND ANALYSIS

(4) Operational Risk

Operational risk is the risk of losses arising from inadequate or failed internal processes, people, systems or external events. The Group extends operational risk management to cover potential losses arising from legal and compliance breaches. Operational risk is reduced and controlled through establishing effective internal controls, clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of their responsibilities for managing the operational risks of their business units on a day-to-day basis. Independent monitoring and reviews are conducted by the Compliance Department and the Internal Audit Department, which report regularly to the management and the Audit Committee.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had 81 (2019: 80) account executives and 119 (2019: 177) employees. Total staff costs (including Directors' remuneration) were approximately HK\$31.9 million (2019: HK\$52.7 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 has adopted a share option scheme, particulars of which are set out in the section headed "Share Options" of this interim report.

INTERIM DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the financial year ending 30 September 2020 (2019: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 31 March	
		2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Revenue			
Commission and fee income	4	53,804	62,312
Interest income	4	440,649	528,115
		494,453	590,427
Other operating income		5,136	5,289
Staff costs		(31,941)	(52,666)
Impairment allowances, net of reversal	5	(592,936)	(319,727)
Commission expenses		(19,252)	(20,266)
Other expenses		(40,397)	(54,687)
Finance costs		(65,962)	(87,621)
Share of profit (loss) of an associate		8	(695)
(Loss) profit before taxation	6	(250,891)	60,054
Taxation	7	(17,176)	(22,416)
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company		(268,067)	37,638
(Loss) earnings per share			
– Basic	8	HK(3.98) cents	HK0.55 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
	Notes		
Non-current assets			
Property and equipment		8,154	9,306
Right-of-use assets		8,358	–
Intangible assets	10	–	–
Other assets		9,957	8,871
Interest in an associate		–	–
Amount due from an associate		3,443	3,435
Loans and advances	11	399,211	419,757
Financial assets at fair value through other comprehensive income	12	–	–
Deferred tax assets		5,254	5,618
		434,377	446,987
Current assets			
Accounts receivable	13	2,634,641	3,428,457
Loans and advances	11	2,557,901	2,651,785
Other debtors, deposits and prepayments		26,032	10,403
Tax recoverable		21,885	27,338
Pledged bank deposits – general accounts		160,000	160,000
Bank balances and cash – segregated accounts		1,590,975	1,416,696
Bank balances and cash – general accounts		1,291,320	1,745,508
		8,282,754	9,440,187

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
	Notes		
Current liabilities			
Accounts payable	14	1,953,349	1,564,292
Other creditors and accrued charges		81,340	127,879
Tax liabilities		26,782	34,150
Lease liabilities		5,309	–
Short-term bank borrowings		–	231,173
Bonds issued		407,090	626,904
		2,473,870	2,584,398
Net current assets		5,808,884	6,855,789
Total assets less current liabilities		6,243,261	7,302,776
Non-current liabilities			
Lease liabilities		2,509	–
Bonds issued		1,392,601	2,186,640
		1,395,110	2,186,640
Net assets		4,848,151	5,116,136
Capital and reserves			
Share capital	15	67,408	67,408
Reserves		4,780,743	5,048,728
Total equity		4,848,151	5,116,136

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital contribution reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 October 2019 (audited)	67,408	3,199,289	9,950	2,004	(27)	1,837,512	5,116,136
Loss for the period	-	-	-	-	-	(268,067)	(268,067)
HKFRS 16 adjustment	-	-	-	-	-	82	82
At 31 March 2020 (unaudited)	67,408	3,199,289	9,950	2,004	(27)	1,569,527	4,848,151
At 1 October 2018 (audited)	67,408	3,199,289	9,950	2,004	(27)	2,153,247	5,431,871
Profit for the period	-	-	-	-	-	37,638	37,638
HKFRS 9 adjustment	-	-	-	-	-	(13,888)	(13,888)
Dividend recognised as distribution	-	-	-	-	-	(43,141)	(43,141)
At 31 March 2019 (unaudited)	67,408	3,199,289	9,950	2,004	(27)	2,133,856	5,412,480

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 March	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	848,482	284,544
Net cash from (used in) investing activities	1,120	(2,980)
Net cash (used in) from financing activities	(1,303,790)	340,659
Net (decrease) increase in cash and cash equivalents	(454,188)	622,223
Cash and cash equivalents at the beginning of the period	1,745,508	883,041
Cash and cash equivalents at the end of the period	1,291,320	1,505,264
Analysis of the balances of cash and cash equivalents		
Bank balances and cash – general accounts	1,291,320	1,505,264

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 31 March 2020 (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 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 2019, 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 2019.

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

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time that may be relevant to the Group and are mandatorily effective for the current period.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRS 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

Except for below the application of the new and amendments to HKFRSs in current period has had no material effect on the Group's financial performance and positions for the current period and prior years and/or disclosures set out in the Interim Financial Statements.

2.1 HKFRS 16 “Leases”

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

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 October 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 October 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 HKFRS 16 “Leases” *(Continued)*

As a lessee *(Continued)*

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and The People’s Republic of China excluding Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 October 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying applicable transition guidance under HKFRS 16. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

The Group recognised lease liabilities of HK\$15,535,000 and right-of-use assets of HK\$15,238,000 at 1 October 2019.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

New or revised standards and interpretations in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2020

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

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

Segment revenue and results

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

For the six months ended 31 March 2020

	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	427,550	58,819	3,144	4,940	–	494,453
Inter-segment sales	149,018	–	–	–	(149,018)	–
	576,568	58,819	3,144	4,940	(149,018)	494,453

Inter-segment sales are charged at prevailing market rates.

	(250,385)	23,834	2,747	879	(222,925)
RESULTS					
Segment results	(250,385)	23,834	2,747	879	(222,925)
Unallocated other operating income					458
Unallocated corporate expenses					
– staff costs (including directors' remuneration but excluding staff commission expenses)					(15,980)
– service charge to related companies					(5,490)
– others					(6,962)
Share of profit of an associate					8
Loss before taxation					(250,891)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 31 March 2019

	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	519,426	50,802	17,149	3,050	–	590,427
Inter-segment sales	152,729	–	7,716	–	(160,445)	–
	672,155	50,802	24,865	3,050	(160,445)	590,427

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment results	70,612	25,948	5,392	608		102,560
Unallocated other operating income						92
Unallocated corporate expenses						
– staff costs (including directors' remuneration but excluding staff commission expenses)						(26,368)
– management fee to a related company						(146)
– service charge to related companies						(6,124)
– others						(9,265)
Share of loss of an associate						(695)
Profit before taxation						60,054

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE

	Six months ended 31 March	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Commission and fee income (<i>Note</i>):		
Commission and fee income on dealing in securities	36,620	32,279
Commission and fee income on dealing in futures and options contracts	7,005	6,770
Commission and fee income from insurance brokerage and wealth management	2,095	3,064
Corporate finance advisory services fee income	4,940	3,050
Placing and underwriting commission	3,144	17,149
	53,804	62,312
Interest income:		
Interest income from margin and initial public offer financing	227,079	326,242
Interest income from loans and advances	200,471	193,184
Interest income from bank deposits	12,571	8,630
Interest income from others	528	59
	440,649	528,115
	494,453	590,427

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. IMPAIRMENT ALLOWANCES, NET OF REVERSAL

	Six months ended 31 March	
	2020 (unaudited) HK\$'000	2019 (audited) HK\$'000
Impairment allowances on:		
Accounts receivable	492,292	263,601
Loans and advances	163,034	61,950
Reversal of impairment allowances on:		
Accounts receivable	(62,390)	(3,389)
Loans and advances	—	(2,435)
	592,936	319,727

6. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 31 March	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Depreciation of property and equipment	1,369	1,269
Depreciation of right-of-use assets	7,260	—
Net exchange gain	(893)	(16)

7. TAXATION

	Six months ended 31 March	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Current period:		
Hong Kong Profits Tax provision for the period	16,751	23,176
PRC Enterprise Income Tax	61	95
	16,812	23,271
Deferred tax charge (credit)	364	(855)
	17,176	22,416

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. TAXATION (Continued)

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the Interim Financial Statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

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 of the PRC subsidiaries is 25%.

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 31 March	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted earnings per share	(268,067)	37,638

	Six months ended 31 March	
	2020 (unaudited) '000	2019 (unaudited) '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	6,740,846	6,740,846

Note: Diluted earnings per share is not presented as the Company did not have any dilutive potential ordinary share for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. DIVIDENDS

	Six months ended 31 March	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Recognised as distribution:		
Final dividend paid during the period in respect of the year ended 30 September 2019: Nil (2019: HK\$0.64 cent per share in respect of the year ended 30 September 2018)	–	43,141

10. INTANGIBLE ASSETS

	HK\$'000
COST	
At 1 October 2018, 30 September 2019 and 31 March 2020	9,802
AMORTISATION AND IMPAIRMENT	
At 1 October 2018, 30 September 2019 and 31 March 2020	9,802
CARRYING VALUES	
At 31 March 2020	–
At 30 September 2019	–

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. LOANS AND ADVANCES

	As at	
	31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
Fixed-rate loans receivable	3,325,746	3,269,090
Variable-rate loans receivable	210,584	218,636
	3,536,330	3,487,726
Less: Provision for impairment	(579,218)	(416,184)
	2,957,112	3,071,542
Analysed as:		
Current	2,557,901	2,651,785
Non-current	399,211	419,757
	2,957,112	3,071,542

Note: As at 31 March 2020, credit impaired loans and advances of HK\$55 million (30 September 2019: HK\$85 million) is secured by properties. 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. In the opinion of the directors of the Company, the impairment provision for the current year is sufficient.

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. 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 these impaired loans of the outstanding balances totalling approximately HK\$466,385,000 (30 September 2019: HK\$367,947,000) for recovery, on which provision for impairment of HK\$411,585,000 (30 September 2019: HK\$343,127,000) was made as at 31 March 2020. As at the reporting date of the Interim Financial Statements, the legal proceedings are still in progress.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. LOANS AND ADVANCES (Continued)

The carrying amount of the Group's fixed-rate and variable-rate loans receivable have remaining contractual maturity dates as follows:

	As at	
	31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
Fixed-rate loans receivable:		
Within one year	2,372,048	2,507,222
In more than one year but no more than five years	62,010	78,822
Over five years	135,418	131,540
	2,569,476	2,717,584
Past due	177,052	135,322
	2,746,528	2,852,906

	As at	
	31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
Variable-rate loans receivable:		
Within one year	8,801	9,241
In more than one year but no more than five years	35,552	32,932
Over five years	166,231	176,463
	210,584	218,636

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. LOANS AND ADVANCES (Continued)

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

	As at	
	31 March 2020	30 September 2019
	(unaudited)	(audited)
Effective interest rates:		
Fixed-rate loans receivable	0.5% per month to 3.83% per month	0.5% per month to 3.83% per month
Variable-rate loans receivable	Prime rate per annum to prime rate - 2.75% per annum	Prime rate per annum to prime rate - 2.75% per annum

As at 31 March 2020, 178 (30 September 2019: 156) secured loans with the aggregate amount of approximately HK\$1,221,792,000 (30 September 2019: HK\$1,157,508,000) were secured by first legal charges in respect of respective properties located in Hong Kong. The collateral for each individual loan is sufficient to cover the loan amount on an individual basis. They were advanced to various independent borrowers and will be due for repayment within 1 to 30 years (30 September 2019: 1 to 30 years). The remaining balance of the loans receivable amounting to approximately HK\$1,727,856,000 (30 September 2019: HK\$1,914,034,000) were unsecured and provided to independent third parties of the Group, of which the loan amount of approximately HK\$644,481,000 (30 September 2019: HK\$948,774,000) were with second or third legal charges in respect of properties located in Hong Kong and will be due for repayment within 1 to 30 years (30 September 2019: 1 to 30 years).

As at 31 March 2020 and 30 September 2019, each of the fixed-rate and variable-rate secured loans receivable represented less than 10% of the gross loans and advances balance.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group previously held 15% equity interest in Emperor Investment Fund Limited (“EIFL”). EIFL had no business operations and had net liabilities as at 30 September 2019. EIFL was dissolved on 28 January 2020.

In the opinion of the executive directors of the Company, the equity interests held by the Group in EIFL were with a primary objective for capital appreciation and recognised as financial assets at fair value through other comprehensives income.

The executive directors of the Company considered the fair value of the EIFL as at 30 September 2019 was approximated to zero with reference to the net liabilities of EIFL.

13. ACCOUNTS RECEIVABLE

	As at	
	31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
Accounts receivable from the business of dealing in securities:		
Clearing houses, brokers and cash clients	251,173	68,686
Secured margin loans	3,405,576	4,003,638
Accounts receivable from the business of dealing in futures contracts:		
Clearing houses and brokers	136,328	85,133
Accounts receivable from the business of corporate finance	1,182	715
	3,794,259	4,158,172
Less: Provision for impairment	(1,159,618)	(729,715)
	2,634,641	3,428,457

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. ACCOUNTS RECEIVABLE *(Continued)*

The settlement terms of accounts receivable, except for secured margin loans and IPO 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.

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 31 March 2020 and 30 September 2019, no individual account represented more than 10% of the total balance of accounts receivable.

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

The ageing analysis of the remaining of the accounts receivable, which are past due but not impaired, are as follows:

	As at	
	31 March 2020	30 September 2019
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Past due:		
0–30 days	583	395
31–60 days	508	62
61–90 days	224	103
Over 90 days	162	347
Accounts receivable which were past due	1,477	907
Accounts receivable which were not past due	387,205	153,627
	388,682	154,534

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. ACCOUNTS RECEIVABLE *(Continued)*

Note: As at 31 March 2020, 67% (30 September 2019: 76%) of the outstanding balances in gross carrying amount were secured by sufficient collateral. 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. In the opinion of the directors of the Company, the impairment provision for the current period is sufficient.

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. 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. 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. The Group had commenced legal proceedings against the borrowers of these impaired loans of the outstanding balances totalling approximately HK\$1,440,685,000 (30 September 2019: HK\$1,196,538,000) for recovery, on which provision for impairment of HK\$910,864,000 (30 September 2019: HK\$584,325,000) was made as at 31 March 2020. As at the reporting date of the Interim Financial Statements, the legal proceedings are still in progress.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. ACCOUNTS PAYABLE

	As at	
	31 March 2020 (unaudited) HK\$'000	30 September 2019 (audited) HK\$'000
Accounts payable from the business of dealing in securities:		
Clearing house and broker	43,321	8,189
Margin and cash clients	1,674,033	1,390,735
Accounts payable from the business of dealing in futures contracts:		
Margin clients	235,995	165,368
	1,953,349	1,564,292

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 and 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\$1,590,975,000 and HK\$1,416,696,000 as at 31 March 2020 and 30 September 2019 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 October 2019 and 31 March 2020	500,000,000	5,000
Issued and fully paid:		
At 1 October 2019	6,740,846	67,408
At 31 March 2020	6,740,846	67,408

16. 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.

17. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the Interim Financial Statements, the Group had the following significant transactions and balances with related parties:

	Six months ended 31 March 2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
(i) Corporate finance advisory services fee income from related companies	1,110	1,050
(ii) Sharing of information system and administrative expenses paid and payable to related companies	5,506	6,129
(iii) Management fee to a related company	–	146
(iv) Operating lease rentals expenses to related companies	5,586	3,236

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS *(Continued)*

	Six months ended 31 March	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(v) Commission and brokerage income from		
– a related company	10	65
– directors of the Company	–	56
(vi) Interest income from directors of the Company	–	349
(vii) Printing, advertising and promotion expenses to related companies	84	703
(viii) Accounts payable from the business of dealing in securities by		
– an associate	11,438	5,643
– directors of the Company	257	456
(ix) Rental and other deposits paid to related companies	3,516	3,787

(b) The key management personnel of the Company are the directors of the Company. The remuneration paid to them during the period are as follows:

	Six months ended 31 March	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Fees	750	875
Salaries and other emoluments	3,071	9,298
	3,821	10,173

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 2020, the following Directors or chief executives of the Company had or were deemed or taken to have interests and short positions in the following shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (“ECG Securities Code”):

LONG POSITION INTERESTS IN THE COMPANY

Ordinary shares of HK\$0.01 each of the Company (“Shares”)

Name of Director	Capacity/ Nature of Interests	Number of Shares interested	% of issued voting Shares
Ms. Daisy Yeung	Eligible beneficiary of a private trust	2,879,521,438 <i>(Note)</i>	42.72%
Ms. Daisy Yeung	Beneficial owner	18,000,000	0.26%
Ms. Choi Suk Hing, Louisa	Beneficial owner	4,680,000	0.07%
Ms. Pearl Chan	Beneficial owner	2,925,000	0.04%

Note:

These Shares were held by Emperor Capital Group Holdings Limited, a wholly-owned subsidiary of Albert Yeung Capital Holdings Limited (“AY Capital Holdings”). AY Capital Holdings was in turn held by TAS Trust (Jersey) Limited (“TAS Trust”) in trust for a private discretionary trust set up by Dr. Yeung Sau Shing, Albert (“Dr. Albert Yeung”) under which Ms. Daisy Yeung had deemed interest by virtue of being one of the eligible beneficiaries.

Save as disclosed above, as at 31 March 2020, none of the Directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 31 March 2020, the following persons or corporations (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO ("DI Register") were as follows:

LONG POSITION IN THE SHARES

Name	Capacity/ Nature of interests	Number of Shares interested	% of issued voting Shares
AY Capital Holdings	Interest in a controlled corporation	2,879,521,438 <i>(Note)</i>	42.72%
TAS Trust	Trustee of a private trust	2,879,521,438 <i>(Note)</i>	42.72%
Dr. Albert Yeung	Founder of a private trust	2,879,521,438 <i>(Note)</i>	42.72%
Ms. Luk Siu Man, Semon	Interest of spouse	2,879,521,438 <i>(Note)</i>	42.72%
China Huarong Asset Management Co., Ltd.	Interest in a controlled corporation	551,522,000	8.18%
華融華僑資產管理股份有限公司	Interest in a controlled corporation	551,522,000	8.18%
Taiping Assets Management (HK) Company Limited	Investment manager	612,900,000	9.09%
Taiping Trustees Limited	Trustee	612,900,000	9.09%

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

Note:

These Shares were the same Shares of which Ms. Daisy Yeung had deemed interest as set out under the section of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

All interests stated above represent long positions. As at 31 March 2020, no short positions were recorded in the DI Register.

Save as disclosed above, as at 31 March 2020, the Directors or chief executives of the Company were not aware of any person or corporation (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares as recorded in the DI Register.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTIONS

The Company adopted a share option scheme (“Share Option Scheme”) at the annual general meeting of the Company held on 26 January 2017 to provide incentive or rewards to participants including the Directors and eligible employees of the Group. No option was granted under the Share Option Scheme since its adoption and up to 31 March 2020.

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 A.2.1 which requires that the roles of chairman and chief executive officer should be separate and not be performed by the same individual. Ms. Daisy Yeung (being the Chief Executive Officer of the Group) 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 believes the current structure (having strong independent elements in the Board, delegation of authorities to the management, supervision by the Board and Board committees) can properly address the potential issue on power concentration. All Directors, who bring different experience and expertise to the Company, are properly briefed on issues arising at Board meetings and that adequate, complete and reliable information is received by the Directors. The Board is of the opinion that the current Board structure functions effectively and does not intend to make any change thereof.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the ECG Securities Code on no less exacting terms than the required standards for securities dealings as set out in Appendix 10 of the Listing Rules regarding the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”). Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code and ECG Securities Code throughout the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information since the date of the 2018/2019 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

The remuneration of all Executive Directors, namely Ms. Daisy Yeung, Ms. Choi Suk Hing, Louisa and Ms. Pearl Chan have been revised during the Period. Their total emoluments for the Period were HK\$989,244.71, HK\$1,324,213.18 and HK\$1,133,478.52 respectively. These amounts comprise basic salaries, allowance (if any), Director's fee and retirement benefits scheme employer's contribution for the Period.

Save as disclosed above, the Company is not aware of other changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2018/2019 Annual Report.

REVIEW OF INTERIM REPORT

The condensed consolidated financial statements of the Group as set out in this interim report had not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but this report had been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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

Hong Kong, 19 May 2020

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

Executive Directors:

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

Independent Non-executive Directors:

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

This Interim Report (in both English and Chinese versions) is available to any shareholder of the Company in printed form and on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.emperorcapi.com>). In order to protect the environment, the Company highly recommends the shareholders to receive electronic copy of this Interim Report. Shareholders may have the right to change their choice of receipt of our future Corporate Communications at any time by reasonable notice in writing to the Company or the Company's Hong Kong Branch Share Registrar, Tricorg Secretaries Limited, by post at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at is-enquiries@hk.tricorglobal.com.