



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 2020/2021 |



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FINANCIAL SUMMARY

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 2021 (the “Period”).

<i>HK\$'000 (Unaudited)</i>	Six months ended 31 March	
	2021	2020
Total revenue	346,586	494,453
Impairment allowance ¹	(140,056)	(592,936)
Net profit/(loss)	53,679	(268,067)
Basic earnings/(loss) per share	HK0.80 cent	HK(3.98) cents

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

RESULTS

During the Period, the Group recorded a revenue of HK\$346.6 million (2020: HK\$494.5 million). The Group achieved a turnaround and recorded a net profit of HK\$53.7 million (2020: net loss of HK\$268.1 million), which was mainly attributable to a significant drop in the net impairment allowances for margin loans, and other loans and advances (“Impairment Allowances”). The Impairment Allowances of approximately HK\$140.1 million (2020: HK\$592.9 million) were made after reviewing the account portfolios and financial positions of certain clients. Basic earnings per share was HK0.80 cent (2020: basic loss per share of HK3.98 cents).

BUSINESS REVIEW

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

Over the past decade, the Group has successfully transformed into an interest income based financial institution and diversified its income streams. The core strength of the Group lies in its robust business model, with diverse businesses to withstand increasingly complex market conditions.

Financing

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

MANAGEMENT DISCUSSION AND ANALYSIS

With the visibility on the economic outlook remained uncertain, the Group has increased its risk awareness and further tightened loan approval procedures in the interim, leading to a decrease in total loan transactions. As a result, the segment's revenue decreased to HK\$283.2 million (2020: HK\$427.6 million), accounting for 81.7% (2020: 86.5%) of the Group's total revenue. During the Period, the Group monitored the market situation closely and adjusted the interest rate and loan-to-value ratio timely, in order to enhance its risk and capital management. Legal proceedings regarding the Impairment Allowances were in process.

Brokerage Services

The Group currently provides brokerage services for securities, futures and options traded on exchanges in Hong Kong, mainland China (via Shanghai and Shenzhen-Hong Kong Stock Connect schemes respectively) and major overseas countries, as well as wealth management and asset management services. The Group offers web-based and mobile trading platforms which enable real-time transaction and investment portfolio monitoring. As at 31 March 2021, the Group operated 3 branches in Hong Kong and runs a total of 3 liaison offices, which are located in Beijing, Shanghai and Guangzhou respectively. The Group's wealth management division provides advice regarding a wide array of investment services, including securities, mutual funds, insurance-linked products, and real estate investment. In its asset management arm, apart from running private equity fund, the Group also provides customised discretionary investment services to its customers.

During the Period, revenue from brokerage services was HK\$55.1 million (2020: HK\$58.8 million), accounting for 15.9% (2020: 11.9%) of the Group's total revenue. To seize the opportunities arising from the stock markets, the Group launched its digital enhancement project during the Period, with a focus on online account opening and eIPO application, enabling the Group to attract new customers. The Group also promoted the use of electronic services by its customers in various ways, to enhance customer engagement.

Placing and Underwriting

With a highly experienced team of professionals, the Group offers placing and underwriting services to various Hong Kong listed companies. The Group serves as placing agents in equity and debt placing deals and IPO-related transactions. The Group also participates in underwriting rights issue exercises.

During the Period, the Group participated in a number of primary and secondary market financing projects. Revenue from the placing and underwriting segment was HK\$5.0 million (2020: HK\$3.1 million), accounting for 1.4% (2020: 0.6%) 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.

Revenue from the corporate finance segment was HK\$3.4 million (2020: HK\$4.9 million), accounting for 1.0% (2020: 1.0%) of the Group's total revenue.

OUTLOOK

Supported by the rollout of vaccination programmes around the world, various countries are striving to rebuild their economies and create jobs to fuel growth. In the meantime, various central banks have injected liquidity into markets by different means to maintain market stability, contributing to the buoyant investment and property markets. With China's intensified efforts to open up its capital markets and offer a broader range of products, it is expected that the China market will be a growth engine in the near future. In addition, mainland China, Hong Kong and Macau continue working closely to enhance financial connectivity within the Greater Bay Area. All these factors will be beneficial to the Group in the long run.

With the shift of consumer behaviour towards the use of digital platforms, the Group will further enhance its digital offerings, in order to provide a comprehensive, fast and reliable online service experience for its customers – enhancing customer engagement and ultimately enlarging the customer base. During the course of economic recovery, the Group will continue adhering to its prudent approach and adopt a stringent credit control policy in terms of its financing business. The Group will also exercise cost control measures, with the aim of improving its profitability and maintaining 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 2021, the Group's current assets and current liabilities were HK\$7,238.3 million (30 September 2020: HK\$9,326.0 million) and HK\$2,769.6 million (30 September 2020: HK\$4,582.6 million) respectively. As at 31 March 2021, aggregate of bank balances, cash and pledged bank deposits of the Group amounted to HK\$1,324.6 million (30 September 2020: HK\$852.0 million), which were mainly denominated in Hong Kong dollar.

As at 31 March 2021, the total carrying amount of the Company's outstanding bonds decreased to approximately HK\$1,023.0 million (30 September 2020: HK\$1,394.6 million). Principal amounts of HK\$ bonds and United States dollar ("US\$") bonds were HK\$1,024.5 million and US\$0.2 million (equivalent to approximately HK\$1.6 million), respectively. With maturity dates falling within 2021 and 2022, the HK\$ bonds carry coupon rates ranging between 5.0% and 5.25% per annum, whilst the US\$ bonds carry coupon rate at 4.75% per annum.

As at 31 March 2021, the Group had bank borrowings of HK\$370.0 million (30 September 2020: Nil), excluding the IPO financing. The total borrowings of the Group, excluding the IPO financing, amounted to HK\$1,393.0 million (30 September 2020: HK\$1,394.6 million), hence the gearing ratio was 31.1% (30 September 2020: 31.5%; calculated as a percentage of total borrowings excluding IPO financing over total equity of the Group). The Group did not have any material foreign exchange exposure as at 31 March 2021.

With the Group's sufficient bank balances and cash, its available unutilised banking facilities of HK\$2,601.0 million, as well as the proceeds raised from the issuance of bonds, the Board considers the Group has sufficient working capital for its operation and future development.

Pledge of Assets

As at 31 March 2021, bank deposit of the Group with aggregate carrying amount of HK\$160.0 million (30 September 2020: HK\$160.0 million) was pledged to a bank as security for banking facilities.

RISK MANAGEMENT

The risk management process includes risk identification, risk analysis, 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.

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 margin financing and lending portfolio as well as debt recovery procedures to ensure prompt and effective recovery of outstanding debts. 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. 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

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.

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.

(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.

(5) Other risks

Occurrence of any natural disaster or outbreak of contagious diseases such as COVID-19 pandemic or SARS could adversely affect the Group's business and operations. The Group implements business continuity plans which include "Work from Home", "Flexible Working Hours" and "Split-team Arrangements"; and ensures all safety measures as required by the Hong Kong SAR Government are fully implemented.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group had 76 (2020: 81) account executives and 139 (2020: 119) employees. Total staff costs (including Directors' remuneration) were approximately HK\$39.8 million (2020: HK\$31.9 million). Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

To continue to provide incentives or rewards to the staff, the Company has adopted a share option scheme, particulars of which will be 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 2021 (2020: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 31 March	
		2021	2020
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Revenue			
Commission and fee income	4	61,818	53,804
Interest income	4	284,768	440,649
		346,586	494,453
Other operating income		8,842	5,136
Impairment allowances, net of reversal	5	(140,056)	(592,936)
Staff costs		(39,816)	(31,941)
Commission and fee expenses		(24,110)	(19,252)
Other expenses		(41,029)	(40,397)
Finance costs		(43,934)	(65,962)
Share of profit of an associate		33	8
Profit (loss) before taxation	6	66,516	(250,891)
Taxation	7	(12,837)	(17,176)
Profit (loss) for the period attributable to owners of the Company		53,679	(268,067)
<i>Other comprehensive income</i>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		184	–
Other comprehensive income for the period		184	–
Total comprehensive income (expense) for the period attributable to owners of the Company		53,863	(268,067)
Earnings (loss) per share			
– Basic	8	HK0.80 cent	HK(3.98) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at	
		31 March 2021 (unaudited) HK\$'000	30 September 2020 (audited) HK\$'000
Non-current assets			
Property and equipment		6,394	7,624
Right-of-use assets		17,392	22,759
Intangible assets	10	–	–
Interest in an associate		–	–
Amount due from an associate		3,525	3,492
Other assets		9,075	7,223
Loans and advances	11	572,434	626,683
Deferred tax assets		22,634	23,036
		631,454	690,817
Current assets			
Accounts receivable	12	2,149,676	4,338,635
Loans and advances	11	2,050,098	2,532,317
Other debtors, deposits and prepayments		9,289	6,933
Tax recoverable		21,142	21,613
Pledged bank deposits – general accounts		160,000	160,000
Bank balances and cash – general accounts		1,164,613	692,032
Bank balances and cash – segregated accounts		1,683,465	1,574,525
		7,238,283	9,326,055

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
	Notes	31 March 2021 (unaudited) HK\$'000	30 September 2020 (audited) HK\$'000
Current liabilities			
Accounts payable	13	1,901,656	1,719,559
Other creditors and accrued charges		64,002	49,617
Tax liabilities		13,865	33,061
Lease liabilities		9,200	10,034
Short-term bank borrowings		370,000	2,371,000
Bonds issued		410,880	399,281
		2,769,603	4,582,552
Net current assets		4,468,680	4,743,503
Total assets less current liabilities		5,100,134	5,434,320
Non-current liabilities			
Lease liabilities		8,523	13,384
Bonds issued		612,135	995,323
		620,658	1,008,707
Net assets		4,479,476	4,425,613
Capital and reserves			
Share capital	14	67,408	67,408
Reserves		4,412,068	4,358,205
Total equity		4,479,476	4,425,613

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 2020 (audited)	67,408	3,199,289	9,950	2,004	(193)	1,147,155	4,425,613
Profit for the period	-	-	-	-	-	53,679	53,679
Other comprehensive income for the period	-	-	-	-	184	-	184
At 31 March 2021 (unaudited)	67,408	3,199,289	9,950	2,004	(9)	1,200,834	4,479,476
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	31 March	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash generated from operating activities	2,876,659	848,482
Net cash (used in) generated from investing activities	(161)	1,120
Net cash used in financing activities	(2,403,917)	(1,303,790)
Net increase (decrease) in cash and cash equivalents	472,581	(454,188)
Cash and cash equivalents at the beginning of the period	692,032	1,745,508
Cash and cash equivalents at the end of the period	1,164,613	1,291,320
Analysis of the balances of cash and cash equivalents		
Bank balances and cash – general accounts	1,164,613	1,291,320

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 2021 (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 2020, 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 2020.

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

The Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time in the current year that are relevant to the business operations of the Group:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of Amendments to HKFRSs (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs 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 and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
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

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

² Effective for annual periods beginning on or after 1 January 2022

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of Amendments to HKFRSs *(Continued)*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- Modification of financial assets, financial liabilities and lease liabilities. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16.
- Disclosures. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition. As at 31 March 2021, the Group has Hong Kong Interbank Offered Rate ("HIBOR") bank loans which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 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 services
- (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 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)	–
	451,081	55,086	4,956	3,365	(167,902)	346,586

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	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
RESULTS						
Segment results	75,927	17,012	1,070	710		94,719
Unallocated other operating income						3,527
Unallocated corporate expenses						
– staff costs (including directors' remuneration but excluding staff commission expenses)						(20,189)
– service charge to related companies						(6,501)
– others						(5,075)
Share of profit of an associate						33
Profit before taxation						66,516
Taxation						(12,837)
Profit for the period						53,679

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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						
Commission and fee income	–	45,720	3,144	4,940	–	53,804
Interest income	427,550	13,099	–	–	–	440,649
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.

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)
Taxation						(17,176)
Loss for the period						(268,067)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE

	Six months ended 31 March	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Commission and fee income (<i>Note</i>):		
Commission and fee income on dealing in securities	46,672	36,620
Commission and fee income on dealing in futures and options contracts	3,791	7,005
Commission and fee income from insurance brokerage and wealth management	3,034	2,095
Corporate finance advisory services fee income	3,365	4,940
Placing and underwriting commission	4,956	3,144
	61,818	53,804
Interest income:		
Interest income from margin and initial public offer financing	124,819	227,079
Interest income from loans and advances	158,360	200,471
Interest income from bank deposits	1,581	12,571
Others	8	528
	284,768	440,649
	346,586	494,453

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	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Impairment allowances on:		
Accounts receivable	344,286	492,292
Loans and advances	90,560	163,034
Reversal of impairment allowances on:		
Accounts receivable	(278,445)	(62,390)
Loans and advances	(16,345)	–
	140,056	592,936

6. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 31 March	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Profit (loss) before taxation has been arrived at after charging:		
Other expenses:		
Auditor's remuneration	978	756
Legal and professional fee	7,272	5,845
Advertising and promotion expenses	826	600
Information technology services and communication expenses	9,466	8,954
Depreciation of property and equipment	1,356	1,369
Depreciation of right-of-use assets	5,543	7,260
Net exchange loss	3	–
General and administrative expenses	8,279	7,422
Rates and building management fee	1,296	1,465
Loss on disposal of subsidiaries	–	1,338
Settlement expenses	1,892	1,524
Miscellaneous expenses	4,118	3,864
	41,029	40,397

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. TAXATION

	Six months ended 31 March	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current period:		
Hong Kong Profits Tax	12,406	16,751
PRC Enterprise Income Tax	29	61
	12,435	16,812
Deferred tax charge	402	364
	12,837	17,176

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 ("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. EARNINGS (LOSS) PER SHARE

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

	Six months ended 31 March	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	53,679	(268,067)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. EARNINGS (LOSS) PER SHARE *(Continued)*

	Six months ended 31 March	
	2021	2020
	(unaudited)	(unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	6,740,846	6,740,846

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

9. DIVIDENDS

	Six months ended 31 March	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Recognised as distribution:		
Final dividend paid during the period in respect of the year ended 30 September 2020: Nil (2020: HK\$Nil cent per share in respect of the year ended 30 September 2019)	—	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. INTANGIBLE ASSETS

HK\$'000

COST

At 1 October 2019, 30 September 2020 and 31 March 2021 9,802

AMORTISATION AND IMPAIRMENT

At 1 October 2019, 30 September 2020 and 31 March 2021 9,802

CARRYING VALUES

At 31 March 2021 –

At 30 September 2020 –

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.

11. LOANS AND ADVANCES

	As at	
	31 March 2021 (unaudited) HK\$'000	30 September 2020 (audited) HK\$'000
Fixed-rate loans receivable	3,249,812	3,705,116
Variable-rate loans receivable	192,658	199,606
	3,442,470	3,904,722
Less: provision for impairment	(819,938)	(745,722)
	2,622,532	3,159,000
Analysed as:		
Current	2,050,098	2,532,317
Non-current	572,434	626,683
	2,622,532	3,159,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. LOANS AND ADVANCES *(Continued)*

Note: As at 31 March 2021, credit-impaired loans and advances of gross carrying amount of approximately HK\$226 million (30 September 2020: HK\$224 million), on which provision for impairment of approximately HK\$62 million (30 September 2020: HK\$62 million) was made, are secured by properties. Also included in the provision for impairment is an amount of approximately HK\$198 million (30 September 2020: HK\$127 million) made on credit-impaired loans and advances of gross carrying amount of approximately HK\$268 million (30 September 2020: HK\$258 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 amounts 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 loans receivable 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\$370 million (30 September 2020: HK\$370 million) for recovery, on which provision for impairment of approximately HK\$370 million (30 September 2020: HK\$370 million) was made as at 31 March 2021. 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	30 September
	2021	2020
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Fixed-rate loans receivable:		
Within one year	1,701,002	2,262,943
In more than one year but no more than five years	83,038	139,270
Over five years	298,423	299,807
	2,082,463	2,702,020
Past due	347,411	257,374
	2,429,874	2,959,394

	As at	
	31 March	30 September
	2021	2020
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Variable-rate loans receivable:		
Within one year	4,175	8,048
In more than one year but no more than five years	–	40,303
Over five years	186,799	147,302
	190,974	195,653
Past due	1,684	3,953
	192,658	199,606

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 2021 (unaudited)	30 September 2020 (audited)
Effective interest rates:		
Fixed-rate loans receivable	0.50% per month to 3.83% per month	0.67% 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 2021, 162 (30 September 2020: 185) secured loans with the aggregate amount of approximately HK\$1,373,555,000 (30 September 2020: HK\$1,528,321,000) 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 2020: 1 to 30 years). The remaining balance of the loans receivable amounting to approximately HK\$1,248,975,000 (30 September 2020: HK\$1,676,476,000) were unsecured and provided to independent third parties of the Group, of which the loan amount of approximately HK\$409,851,000 (30 September 2020: HK\$672,389,000) 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 2020: 1 to 30 years).

As at 31 March 2021 and 30 September 2020, 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 values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. ACCOUNTS RECEIVABLE

	As at	
	31 March	30 September
	2021	2020
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Accounts receivable from the business of dealing in securities:		
Clearing houses, brokers and cash clients	117,894	80,632
Secured margin loans	3,496,377	3,499,512
IPO margin loans	220,593	2,403,233
Accounts receivable from the business of dealing in futures contracts:		
Clearing houses, brokers and margin clients	107,120	77,215
Accounts receivable from the business of corporate finance	985	810
Accounts receivable from the business of placing and underwriting	–	4,755
	3,942,969	6,066,157
Less: provision for impairment	(1,793,293)	(1,727,522)
	2,149,676	4,338,635

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.

The loans to margin clients bear variable interest at commercial rates are repayable on demand. No collateral was pledged for other accounts receivable.

As at 31 March 2021 and 30 September 2020, no individual account represented more than 10% of the total balance of accounts receivable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. ACCOUNTS RECEIVABLE *(Continued)*

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	30 September
	2021	2020
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Past due:		
0–30 days	1,451	7,903
31–60 days	233	73
61–90 days	53	163
Over 90 days	305	242
Accounts receivable which were past due	2,042	8,381
Accounts receivable which were not past due	223,957	155,031
	225,999	163,412

Note: As at 31 March 2021, 56.45% (30 September 2020: 51.47%) 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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. ACCOUNTS RECEIVABLE (Continued)

Note: (Continued)

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\$1,138 million (30 September 2020: HK\$1,124 million) for recovery, on which provision for impairment of HK\$1,108 million (30 September 2020: HK\$1,030 million) was made as at 31 March 2021. As at the reporting date of the Interim Financial Statements, the legal proceedings are still in progress.

13. ACCOUNTS PAYABLE

	As at	
	31 March	30 September
	2021	2020
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Accounts payable from the business of dealing in securities:		
Clearing house and broker	23,348	4,538
Margin and cash clients	1,708,409	1,515,590
Accounts payable from the business of dealing in futures contracts:		
Margin clients	169,899	199,431
	1,901,656	1,719,559

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. ACCOUNTS PAYABLE *(Continued)*

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\$1,683,465,000 and HK\$1,574,525,000 as at 31 March 2021 and 30 September 2020 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 2020 and 31 March 2021	500,000,000	5,000
Issued and fully paid:		
At 1 October 2020	6,740,846	67,408
At 31 March 2021	6,740,846	67,408

15. FAIR VALUE MEASUREMENT ON FINANCIAL INSTRUMENTS

The executive directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the respective reporting period ends approximate their corresponding fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. 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	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(i) Corporate finance advisory services fee income from related companies	1,020	1,110
(ii) Sharing of information technology services and administrative expenses paid and payable to related companies	6,502	5,506
(iii) Commission and brokerage income from		
– a related company	13	10
– directors of the Company	1	–
(iv) Interest income from directors of the Company	52	–
(v) Printing, advertising and promotion expenses to related companies	519	84
(vi) Accounts payable to margin and cash clients arising from business of dealing in securities by		
– an associate	11,518	11,438
– directors of the Company	805	257
(vii) Rental and other deposits paid to related companies	3,464	3,516
(viii) Interest expense from lease payable to related companies	298	–
(ix) Lease liabilities payable to related companies	16,277	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS *(Continued)*

- (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	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Fees	750	750
Salaries and other emoluments	2,500	3,071
	3,250	3,821

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2021, 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 discretionary 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 CDM Trust & Board Services AG (“CDM 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 2021, 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 IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or chief executive of the Company, as at 31 March 2021, 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%
CDM Trust	Trustee of a private discretionary trust	2,879,521,438 <i>(Note)</i>	42.72%
Dr. Albert Yeung	Founder of a private discretionary 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%

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 in Securities" above.

Save as disclosed above, as at 31 March 2021, 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 2021.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGES IN INFORMATION OF DIRECTORS

The Company is not aware of any 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 Annual Report 2019/2020.

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.

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, 26 May 2021

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.EmperorCapital.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, Tricor 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.