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英皇證券集團有限公司*
Emperor Capital Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 717)

2020/2021 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “Board” or the “Directors”) of Emperor Capital Group Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 September 2021 (the “Year”) extracted from the Group’s audited consolidated financial statements for the Year.

FINANCIAL SUMMARY	For the year ended	
	30 September	
<i>HK\$'000</i>	2021	2020
Total revenue	676,812	917,407
Financing	548,448	779,246
Brokerage Services	99,349	115,607
Placing & Underwriting	16,280	13,409
Corporate Finance	12,735	9,145
Impairment allowance ¹	939,302	1,327,345
Net loss	(576,094)	(689,747)
Basic loss per share	HK(8.55) cents	HK(10.23) cents

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

* for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

As a result of a tough business operating environment, the Group's revenue inevitably decreased to HK\$676.8 million (2020: HK\$917.4 million) during the Year. An impairment allowances for margin loans, and other loans and advances (the "Impairment Allowances") of HK\$939.3 million (2020: HK\$1,327.3 million) was recognised. Loss for the year attributable to owners of the Company was HK\$576.1 million (2020: HK\$689.7 million). Basic loss per share was HK8.55 cents (2020: HK10.23 cents).

MARKET REVIEW

During the Year, the overall global economic environment improved as major economies regained momentum in response to the increasing vaccination coverage and gradual resumption of business activities. Nevertheless, Sino-U.S. tensions and geopolitical issues were yet to be solved. Besides, headwinds arising from various policies announced by the Central Government and credit crises of certain giant Chinese property developers have hindered the development of the regional capital market. In the face of both global and regional issues, financial and stock market sentiments have inevitably been impaired. The Hang Seng Index was volatile during the Year – reaching the highest point of the Year at 31,085 on 17 February 2021, and closing at 24,576 on 30 September 2021.

BUSINESS REVIEW

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

Financing

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

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

Brokerage Services

The Group currently provides brokerage services for securities, futures and options traded on exchanges in Hong Kong, mainland China (via Shanghai and Shenzhen-Hong Kong Stock Connect schemes respectively) and major overseas countries, as well as wealth management and asset management services. The Group offers web-based and mobile trading platforms which enable real-time transaction and investment portfolio monitoring. As at 30 September 2021, the Group operated 3 branches in Hong Kong and runs 3 liaison offices, which are located in Beijing, Shanghai and Guangzhou respectively. The Group's wealth management division provides advice regarding a wide array of investment services, including securities, mutual funds, insurance-linked products, and real estate investment. In its asset management arm, apart from running private equity fund, the Group also provides customised discretionary investment services to its customers.

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

Placing and Underwriting

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

During the Year, the Group participated in a number of primary and secondary market financing projects. Revenue from the placing and underwriting segment increased to HK\$16.3 million (2020: HK\$13.4 million), accounting for 2.4% (2020: 1.5%) of the Group's total revenue.

Corporate Finance

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

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

OUTLOOK

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

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

With a number of challenges which are yet to be resolved, the gloomy economic outlook and market instability are expected to remain. The Group will actively review its loan portfolio and loan receivables status; conduct more comprehensive assessments of collaterals to minimise default risk; and exercise stringent control over operating costs. Looking ahead, the Group will adhere to its prudent approach and adopt appropriate strategies to mitigate downside risk while seizing opportunities, and will endeavour to maintain steady businesses development.

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

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

As at 30 September 2021, the Group had bank borrowings of HK\$370.0 million (2020: Nil) excluding IPO financing. The total borrowings of the Group, excluding the IPO financing, decreased to HK\$869.0 million (2020: HK\$1,394.6 million), hence the gearing ratio was reduced to 22.6% (2020: 31.5%; calculated as a percentage of total borrowings excluding IPO financing over total equity of the Group). The Group did not have any material foreign exchange exposure as at 30 September 2021.

With the Group's sufficient bank balances and cash, its available unutilised banking facilities of HK\$2,301.2 million, as well as the proceeds raised from the issuance of bonds, the Board considers the Group has sufficient working capital for its operation and future development.

Pledge of Assets

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2021, the Group had 75 (2020: 77) account executives and 126 (2020: 131) employees. Total staff costs (including directors' remuneration) were approximately HK\$77.9 million (2020: HK\$62.1 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 provide incentives or rewards to the staff, the Company adopted a share option scheme on 26 January 2017, particulars of which will be set out in the section headed "Share Options" of the annual report of the Company.

FINAL DIVIDEND

The Board did not recommend any payment of final dividend for the year ended 30 September 2021 (2020: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue			
Commission and fee income	4	125,343	118,051
Interest income	4	<u>551,469</u>	<u>799,356</u>
		676,812	917,407
Other income and gains or losses		10,648	9,924
Impairment allowances on financial assets, net of reversal	5	(939,302)	(1,327,345)
Impairment allowance on property and equipment		(2,833)	–
Impairment allowance on right-of-use assets		(5,577)	–
Staff costs		(77,883)	(62,138)
Commission and fee expenses		(49,364)	(43,927)
Other expenses	7	(82,691)	(63,186)
Finance costs	6	(71,516)	(110,399)
Share of profit of an associate		<u>146</u>	<u>57</u>
Loss before tax	7	(541,560)	(679,607)
Income tax expense	8	<u>(34,534)</u>	<u>(10,140)</u>
Loss for the year attributable to owners of the Company		<u>(576,094)</u>	<u>(689,747)</u>
<i>Other comprehensive income (expense)</i>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>123</u>	<u>(166)</u>
Other comprehensive income (expense) for the year		123	(166)
Total comprehensive expense for the year attributable to owners of the Company		<u>(575,971)</u>	<u>(689,913)</u>
Loss per share			
Basic	10	<u>HK(8.55) cents</u>	<u>HK(10.23) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property and equipment		2,306	7,624
Right-of-use assets		9,296	22,759
Intangible assets		–	–
Interest in an associate		–	–
Amount due from an associate		3,638	3,492
Other assets		10,126	7,223
Loans and advances	11	665,372	626,683
Financial assets at fair value through other comprehensive income		–	–
Deferred tax assets		–	23,036
		<u>690,738</u>	<u>690,817</u>
Current assets			
Accounts receivable	12	1,391,469	4,338,635
Loans and advances	11	1,845,640	2,532,317
Other debtors, deposits and prepayments		9,107	6,933
Tax recoverable		1,386	21,613
Pledged bank deposits – general accounts		160,000	160,000
Bank balances and cash – general accounts		864,062	692,032
Bank balances and cash – segregated accounts		1,834,598	1,574,525
		<u>6,106,262</u>	<u>9,326,055</u>
Current liabilities			
Accounts payable	13	1,993,462	1,719,559
Other creditors and accrued charges		55,381	49,617
Tax liabilities		13,857	33,061
Lease liabilities		10,492	10,034
Short-term bank borrowings		370,000	2,371,000
Bonds issued		499,080	399,281
		<u>2,942,272</u>	<u>4,582,552</u>
Net current assets		<u>3,163,990</u>	<u>4,743,503</u>
Total assets less current liabilities		<u>3,854,728</u>	<u>5,434,320</u>
Non-current liabilities			
Lease liabilities		5,086	13,384
Bonds issued		–	995,323
		<u>5,086</u>	<u>1,008,707</u>
Net assets		<u>3,849,642</u>	<u>4,425,613</u>
Capital and reserves			
Share capital	14	67,408	67,408
Reserves		3,782,234	4,358,205
Total equity		<u>3,849,642</u>	<u>4,425,613</u>

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS

Amendments to HKFRSs that are mandatorily effective for the current year

In 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 Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 October 2020 for the preparation of the consolidated financial statements.

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
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

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

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole. The application of the amendments in the current year had no impact on the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS (Continued)

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 ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 9, HKFRS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021 ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ³

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

² Effective for annual periods beginning on or after 1 April 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ Effective for annual periods beginning on or after a date to be determined

Except for the impact mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(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;
- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **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 30 September 2021, the Company has several 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS *(Continued)*

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 30 September, the application of the amendments will not result in reclassification of the Group's liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATIONS *(Continued)*

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s 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 resources allocation and assessment of segment performance focuses on types of services provided.

According to HKFRS 8, the Group has the following operating and reportable segments:

- (a) Financing – Provision of margin financing and money lending services
- (b) Brokerage 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 by operating and reportable segments:

For the year ended 30 September 2021

	Financing HK\$'000	Brokerage services HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE						
Segment revenue – external customers						
Commission and fee income	–	96,328	16,280	12,735	–	125,343
Interest income	548,448	3,021	–	–	–	551,469
Inter-segment sales	281,493	–	–	–	(281,493)	–
	<u>829,941</u>	<u>99,349</u>	<u>16,280</u>	<u>12,735</u>	<u>(281,493)</u>	<u>676,812</u>

Inter-segment sales are charged at prevailing market rates.

	Financing HK\$'000	Brokerage services HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
RESULTS					
Segment results	<u>(541,639)</u>	<u>16,530</u>	<u>5,740</u>	<u>1,679</u>	<u>(517,690)</u>
Unallocated other income and gains or losses					3,872
Unallocated corporate expenses					
– Staff costs (including directors' remuneration but excluding staff commission expenses)					(1,500)
– Service charge to related companies					(10,396)
– Others					(15,992)
Share of profit of an associate					<u>146</u>
Loss before tax					(541,560)
Income tax expense					<u>(34,534)</u>
Loss for the year					<u>(576,094)</u>

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 30 September 2020

	Financing HK\$'000	Brokerage services HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE						
Segment revenue – external customers						
Commission and fee income	–	95,497	13,409	9,145	–	118,051
Interest income	779,246	20,110	–	–	–	799,356
Inter-segment sales	<u>327,211</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(327,211)</u>	<u>–</u>
	<u>1,106,457</u>	<u>115,607</u>	<u>13,409</u>	<u>9,145</u>	<u>(327,211)</u>	<u>917,407</u>

Inter-segment sales are charged at prevailing market rates.

	Financing HK\$'000	Brokerage services HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
RESULTS					
Segment results	<u>(713,736)</u>	<u>40,059</u>	<u>9,920</u>	<u>1,379</u>	<u>(662,378)</u>
Unallocated other income and gains or losses					2,171
Unallocated corporate expenses					
– Staff costs (including directors' remuneration but excluding staff commission expenses)					(1,500)
– Service charge to related companies					(9,704)
– Others					(8,253)
Share of profit of an associate					<u>57</u>
Loss before tax					(679,607)
Income tax expense					<u>(10,140)</u>
Loss for the year					<u>(689,747)</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies used in consolidated financial statements of the Group. Segment results represents the profit (loss) earned by each segment without allocation of central administration costs (including directors' remuneration and central administrative staff costs but excluding staff commission expenses), unallocated other operating income, service charge to related companies and share of profit of an associate. This is the measure reported to the executive directors of the Company for the purpose of resources allocation and performance assessment. No analysis of segment asset and segment liability is presented as the chief operating decision maker does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

3. SEGMENT INFORMATION (Continued)

Other segment information

	Financing HK\$'000	Brokerage services HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
For the year ended 30 September 2021					
Additions of property and equipment	-	271	-	3	274
Depreciation of property and equipment	1,121	1,631	-	7	2,759
Depreciation of right-of-use assets	3,012	7,783	-	-	10,795
Impairment allowances on accounts receivable, net of reversal	658,985	(290)	-	(120)	658,575
Impairment allowances on loans and advances, net of reversal	280,727	-	-	-	280,727
Impairment allowances on property and equipment	2,833	-	-	-	2,833
Impairment allowances on right-of-use assets	5,577	-	-	-	5,577
Finance costs	<u>71,085</u>	<u>431</u>	<u>-</u>	<u>-</u>	<u>71,516</u>
For the year ended 30 September 2020					
Additions of property and equipment	16	1,050	-	8	1,074
Depreciation of property and equipment	1,161	1,592	-	3	2,756
Depreciation of right-of-use assets	3,368	8,552	-	-	11,920
Impairment allowances on accounts receivable, net of reversal	994,290	3,297	-	220	997,807
Impairment allowances on loans and advances, net of reversal	329,538	-	-	-	329,538
Finance costs	<u>97,995</u>	<u>12,404</u>	<u>-</u>	<u>-</u>	<u>110,399</u>

Geographical information

The following illustrates the geographical analysis of (i) the Group's revenue from its external customers, based on the country from which the trades are derived in relation to brokerage revenue from overseas products trading or/and based on the country in which the customers are located in relation to financing, brokerage, placing and underwriting and corporate finance revenue, and (ii) the Group's non-current assets, based on the geographical location of the assets:

	Non-current assets		Revenue	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong	20,312	34,886	673,222	902,675
United States	-	-	3,590	14,717
Others	<u>1,416</u>	<u>2,720</u>	<u>-</u>	<u>15</u>
	<u>21,728</u>	<u>37,606</u>	<u>676,812</u>	<u>917,407</u>

Note: Non-current assets excluded financial instruments and deferred tax assets.

3. SEGMENT INFORMATION (Continued)

Information about major customer

For the years ended 30 September 2021 and 30 September 2020, there was no single customer who contributed 10% or more of the Group's revenue.

4. REVENUE

	2021 HK\$'000	2020 HK\$'000
Revenue		
Commission and fee income (note (i)):		
Commission and fees income on dealing in securities (note (ii))	86,019	74,061
Commission and fees income on dealing in futures and options contracts (note (ii))	6,986	18,662
Commission from insurance brokerage and wealth management (note (ii))	3,323	2,774
Corporate finance advisory services fee income (note (iii))	12,735	9,145
Placing and underwriting commission (note (iv))	<u>16,280</u>	<u>13,409</u>
	<u>125,343</u>	<u>118,051</u>
Interest income:		
Interest income from margin and initial public offer ("IPO") financing (note (v))	224,233	390,434
Interest income from loans and advances (note (v))	324,215	388,812
Interest income from bank deposits (note (ii))	3,005	19,473
Others (note (ii))	<u>16</u>	<u>637</u>
	<u>551,469</u>	<u>799,356</u>
	<u><u>676,812</u></u>	<u><u>917,407</u></u>

Notes:

- (i) The commission and fee income is the only revenue arising under the scope of HKFRS 15, while interest income is under the scope of HKFRS 9.

Included in revenue, revenue arising from contracts with customers recognised at a point in time and over time were HK\$112,205,000 (2020: HK\$108,906,000) and HK\$13,138,000 (2020: HK\$9,412,000), respectively.

All services provided to customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

- (ii) Amounts are reported under brokerage services segment as set out in Note 3.
- (iii) Amounts are reported under corporate finance segment as set out in Note 3.
- (iv) Amounts are reported under placing and underwriting segment as set out in Note 3.
- (v) Amounts are reported under financing segment as set out in Note 3.

5. IMPAIRMENT ALLOWANCES ON FINANCIAL ASSETS, NET OF REVERSAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net impairment allowances on:		
Accounts receivable	658,575	997,807
Loans and advances	<u>280,727</u>	<u>329,538</u>
	<u><u>939,302</u></u>	<u><u>1,327,345</u></u>

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
Bank overdrafts and loans	15,978	12,554
Bonds issued	54,916	97,275
Lease liabilities	598	542
Others	<u>24</u>	<u>28</u>
	<u><u>71,516</u></u>	<u><u>110,399</u></u>

7. LOSS BEFORE TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Other expenses:		
Auditor's remuneration	2,423	2,062
Legal and professional fee	13,946	6,912
Advertising and promotion expenses	1,198	656
Information technology services and communication expenses	17,749	14,773
Depreciation of property and equipment	2,759	2,756
Depreciation of right-of-use assets	10,795	11,920
General and administrative expenses (<i>Note</i>)	16,892	12,166
Rates and building management fee	2,523	2,301
Settlement expenses	4,270	2,994
Miscellaneous expenses	10,136	6,646
	<u>82,691</u>	<u>63,186</u>

Note: Included in general and administrative expense of HK\$16,892,000, HK\$6,420,000 is the reimbursement of administrative expenses paid to related companies.

8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current year:		
Hong Kong Profits Tax	13,183	26,098
PRC Enterprise Income Tax	38	109
Canada Income Tax	(18)	–
(Over) under provision in prior year:		
Hong Kong	(1,705)	1,350
Deferred tax:		
Current year	23,036	(17,417)
	<u>34,534</u>	<u>10,140</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. DIVIDENDS

The Directors did not recommend any payment of final dividend for the years ended 30 September 2021 and 30 September 2020.

10. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic loss per share	<u>(576,094)</u>	<u>(689,747)</u>
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>6,740,846</u>	<u>6,740,846</u>
Basic loss per share	<u>HK(8.55) cents</u>	<u>HK(10.23) cents</u>

No diluted loss per share for the years ended 30 September 2021 and 30 September 2020 were presented as there were no potential ordinary shares outstanding during the years.

11. LOANS AND ADVANCES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fixed-rate loans receivable	3,256,884	3,705,116
Variable-rate loans receivable	<u>280,577</u>	<u>199,606</u>
	3,537,461	3,904,722
Less: provision for impairment	<u>(1,026,449)</u>	<u>(745,722)</u>
	<u>2,511,012</u>	<u>3,159,000</u>
Analysed as:		
Current	1,845,640	2,532,317
Non-current	<u>665,372</u>	<u>626,683</u>
	<u>2,511,012</u>	<u>3,159,000</u>

11. LOANS AND ADVANCES (Continued)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fixed-rate loans receivable:		
Within one year	1,380,314	2,262,943
In more than one year but no more than five years	122,689	139,270
Over five years	<u>270,429</u>	<u>299,807</u>
	1,773,432	2,702,020
Past due	<u>457,003</u>	<u>257,374</u>
	<u><u>2,230,435</u></u>	<u><u>2,959,394</u></u>
Variable-rate loans receivable:		
Within one year	14,617	8,048
In more than one year but no more than five years	48,455	40,303
Over five years	<u>209,404</u>	<u>147,302</u>
	272,476	195,653
Past due	<u>8,101</u>	<u>3,953</u>
	<u><u>280,577</u></u>	<u><u>199,606</u></u>

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

	2021	2020
Effective interest rates:		
Fixed-rate loans receivable	0.5% 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

11. LOANS AND ADVANCES (Continued)

As at 30 September 2021, 165 (2020: 185) secured loans with the aggregate gross amount of approximately HK\$1,322,268,000 (2020: HK\$1,528,321,000) were secured by first legal charges in respect of respective properties located in Hong Kong and Canada. The collateral for each individual loan is sufficient to cover the loan amount on an individual basis. They were advanced to various independent borrowers and will be due for repayment within 1 to 30 years (2020: 1 to 30 years). As at 30 September 2021, there are 28 secured loans (2020: 27) with the aggregate gross amount of approximately HK\$773,871,000 (2020: HK\$884,697,000), the borrowers of which hold Hong Kong listed marketable securities under the securities account in one of the Group entities. The Group has the rights on all these securities to repay the outstanding loans in the event that the borrowers fail to pay the amount due on due date. The remaining gross balance of the loans receivable amounting to approximately HK\$1,441,322,000 (2020: HK\$1,491,704,000) were provided to independent third parties of the Group, of which the loan amount of approximately HK\$688,413,000 (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 (2020: 1 to 30 years) from the respective loans' date of advance.

As at 30 September 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 the Group's loans and advances approximate their fair value.

12. ACCOUNTS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivable from the business of dealing in securities:		
Clearing houses, dealers, brokers and cash clients	102,325	80,632
Secured margin loans	3,594,507	3,499,512
IPO margin loans	8,900	2,403,233
Accounts receivable from the business of dealing in futures contracts:		
Clearing houses, brokers and margin clients	70,276	77,215
Accounts receivable from the business of corporate finance	1,558	810
Accounts receivable from the business of placing and underwriting	—	4,755
	<u>3,777,566</u>	<u>6,066,157</u>
Less: provision for impairment	<u>(2,386,097)</u>	<u>(1,727,522)</u>
	<u><u>1,391,469</u></u>	<u><u>4,338,635</u></u>

12. ACCOUNTS RECEIVABLE (Continued)

The settlement terms of accounts receivable, except for secured margin loans and IPO margin loans, arising from the business of dealing in securities are two days after trade date, and of accounts receivable arising from the business of dealing in futures contracts are one day after trade date.

Normal settlement terms of accounts receivable from the business of corporate finance and placing and underwriting are determined in accordance with the contractual terms. The Group seeks to maintain tight control over its outstanding accounts receivable from the business of corporate finance in order to minimise the credit risk.

As at 30 September 2021, accounts receivable from foreign brokers denominated in Australian dollar, Renminbi, Singapore dollar, British Pound, Euro and United States dollar were approximately HK\$221,000 (2020: HK\$216,000), HK\$170,000 (2020: HK\$1,067,000), HK\$31,000 (2020: HK\$549,000), HK\$47,000 (2020: HK\$45,000), HK\$92,000 (2020: HK\$92,000) and HK\$30,571,000 (2020: HK\$41,053,000) respectively.

As at 30 September 2021 and 30 September 2020, 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 (before impairment) are as follows:

	2021	2020
	HK\$'000	HK\$'000
Past due:		
0 – 30 days	1,405	7,903
31 – 60 days	452	73
61 – 90 days	45	163
Over 90 days	518	242
	<hr/>	<hr/>
Accounts receivable which were past due	2,420	8,381
Accounts receivable which were not past due	171,739	155,031
	<hr/>	<hr/>
	174,159	163,412
	<hr/> <hr/>	<hr/> <hr/>

13. ACCOUNTS PAYABLE

	2021 HK\$'000	2020 HK\$'000
Accounts payable from the business of dealing in securities:		
Clearing houses and brokers	18,915	4,538
Margin and cash clients	1,812,086	1,515,590
Accounts payable from the business of dealing in futures contracts:		
Margin clients	<u>162,461</u>	<u>199,431</u>
	<u>1,993,462</u>	<u>1,719,559</u>

The settlement terms of accounts payable, except for margin clients, arising from the business of dealing in securities are two days after trade date and accounts payable arising from the business of dealing in futures contracts are one day after trade date. No ageing analysis is disclosed as in the opinion of the executive directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

Accounts payable to margin and cash clients arising from the business of dealing in securities bear variable interest at commercial rates, and are repayable on demand subsequent to settlement date.

Included in accounts payable, amounts of approximately HK\$1,834,598,000 and HK\$1,574,525,000 as at 30 September 2021 and 30 September 2020 respectively were payable to clients and other institutions in respect of the segregated bank balances received and held for clients and other institutions in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these accounts payable with the deposits placed.

As at 30 September 2021, accounts payable denominated in Australian dollar, Japanese Yen, United States dollar, Singapore dollar, Euro and Renminbi were approximately HK\$79,000 (2020: HK\$77,000), HK\$10,000 (2020: HK\$23,000), HK\$247,874,000 (2020: HK\$262,106,000), HK\$9,631,000 (2020: HK\$9,327,000), HK\$Nil (2020: HK\$92,000) and HK\$35,370,000 (2020: HK\$15,745,000) respectively.

14. SHARE CAPITAL

	Number of shares	<i>HK\$'000</i>
	<i>'000</i>	
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 October 2020 and 30 September 2021	<u>500,000,000</u>	<u>5,000,000</u>
Issued and fully paid:		
At 1 October 2020	<u>6,740,846</u>	<u>67,408</u>
At 30 September 2021	<u>6,740,846</u>	<u>67,408</u>

15. FAIR VALUE MEASUREMENT ON FINANCIAL INSTRUMENTS

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

16. RECLASSIFICATION

Certain comparative figures have been reclassified or restated to conform to the current year's presentation.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 September 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

The Audit Committee, which comprises the three independent non-executive directors of the Company, has reviewed the Group's audited consolidated financial statements for the year ended 30 September 2021 in conjunction with the Group's auditors, Messrs. Deloitte Touche Tohmatsu. Based on this review and discussion with the management of the Company, the Audit Committee was satisfied that the audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position as at 30 September 2021 and results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied throughout the Year 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) has 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 the structure which can properly address the potential issue on power concentration. All Directors, who bring different experience and expertise to the Company, have been properly briefed on issues arising at Board meetings and that adequate, complete and reliable information is received by the Directors.

Model Code for Securities Transactions

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

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 Year.

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

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

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 30 December 2021

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

Executive Directors:

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

Independent Non-Executive Directors:

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