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

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

FINANCIAL HIGHLIGHTS			
<i>HK\$'000</i>	For the year ended		
	30 September		
	2017	2016	Changes
Total revenue	1,241,000	986,215	+ 25.8%
Financing	837,521	773,402	+ 8.3%
Brokerage	132,961	109,206	+ 21.8%
Placing & Underwriting	203,708	88,216	+ 130.9%
Corporate Finance	66,810	15,391	+ 334.1%
Profit for the year attributable to owners of the Company	659,185	525,621	+ 25.4%
Earnings per share			
Basic and diluted	HK9.96 cents	HK8.95 cents	+ 11.3%
Total dividends per share	HK2.90 cents	HK2.48 cents	+ 16.9%

* *for identification purpose only*

The board of directors (the “Board” or the “Directors”) of Emperor Capital Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”), which is extracted from the audited consolidated financial statements, for the year ended 30 September 2017 (the “Year”) together with comparative figures for the corresponding year in 2016 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	4	1,241,000	986,215
Other operating income		5,527	3,728
Staff costs		(111,865)	(93,800)
Commission expenses		(140,492)	(70,043)
Other expenses		(105,454)	(124,180)
Finance costs	5	(95,552)	(64,122)
Share of profit (loss) of an associate		513	(3,514)
Share of loss of a joint venture		(22)	(20)
Profit before taxation	6	793,655	634,264
Taxation	7	(134,470)	(108,643)
Profit for the year		659,185	525,621
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		—	(106)
Other comprehensive expense for the year		—	(106)
Total comprehensive income for the year		659,185	525,515
Profit for the year attributable to owners of the Company		659,185	525,621
Total comprehensive income attributable to owners of the Company		659,185	525,515
Earnings per share	9		
Basic		HK9.96 cents	HK8.95 cents
Diluted		HK9.96 cents	HK8.95 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property and equipment		5,118	3,850
Intangible assets		–	–
Other assets		13,309	10,467
Interest in an associate		1,488	975
Amount due from an associate		5,987	5,987
Interest in a joint venture		472	494
Loans and advances	<i>11</i>	171,580	99,890
Available-for-sale investment		–	–
		197,954	121,663
Current assets			
Accounts receivable	<i>10</i>	5,155,297	4,688,699
Loans and advances	<i>11</i>	1,612,581	1,494,512
Other debtors, deposits and prepayments		21,866	60,990
Tax recoverable		42	–
Pledged bank deposits – general accounts		160,000	110,000
Bank balances and cash – segregated accounts		1,854,475	1,207,856
Bank balances and cash – general accounts		514,129	480,289
		9,318,390	8,042,346
Current liabilities			
Accounts payable	<i>12</i>	2,214,913	1,548,570
Other creditors and accrued charges		96,030	95,908
Tax liabilities		153,666	149,570
Short-term bank borrowings		328,511	550,000
Bonds issued		–	606,039
		2,793,120	2,950,087
Net current assets		6,525,270	5,092,259
Total assets less current liabilities		6,723,224	5,213,922
Non-current liabilities			
Bonds issued		1,589,114	964,206
Net assets		5,134,110	4,249,716
Capital and reserves			
Share capital		67,408	61,279
Reserves		5,066,702	4,188,437
Total equity		5,134,110	4,249,716

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. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

2. Application of new and amendments to HKFRS and interpretations

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 cycle

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

Amendments to HKAS 1 Disclosure initiative

The Group has applied the amendments to HKAS 1 “Disclosure initiative” for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The Group has applied these amendments retrospectively. Certain disclosure notes are reordered following the order of the line items in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position.

Other than the above disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group on the consolidated financial statements.

Notes: (Continued)

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

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

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

Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹
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 7	Disclosure initiative ⁴
Amendments to HKFRS 9	Prepayment features with negative compensation ²
Amendments to HKFRSs HKFRS 9	Annual improvements to HKFRSs 2014 – 2016 cycle ⁵
HKFRS 15	Financial instruments ¹
	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration ¹
HK(IFRIC) – Int 23	Uncertainty over income tax treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

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

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

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 reportable and operating segments:

- | | |
|------------------------------|--|
| (a) Financing | – Provision of margin financing and money lending services |
| (b) Brokerage | – Provision of securities, options, futures, insurance, other assets and wealth management products broking services and related handling services |
| (c) Placing and underwriting | – Provision of placing and underwriting services |
| (d) Corporate finance | – Provision of corporate finance advisory services |

Notes: (Continued)

3. Segment information (Continued)

Segment revenue and results

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

For the year ended 30 September 2017

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

Inter-segment sales are charged at prevailing market rates.

	Financing HK\$'000	Brokerage HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
RESULTS					
Segment results	<u>696,230</u>	<u>34,771</u>	<u>99,205</u>	<u>54,379</u>	<u>884,585</u>
Unallocated other operating income					248
Unallocated corporate expenses					
– Staff costs (including directors' remuneration but excluding staff commission expenses)					(62,461)
– Management fee to a related company					(288)
– Service charge to related companies					(13,850)
– Others					(15,070)
Share of loss of a joint venture					(22)
Share of profit of an associate					513
Profit before taxation					<u>793,655</u>

Notes: (Continued)

3. Segment information (Continued)

Segment revenue and results (Continued)

For the year ended 30 September 2016

	Financing HK\$'000	Brokerage HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE						
Segment revenue – external customers	773,402	109,206	88,216	15,391	–	986,215
Inter-segment sales	133,036	–	19,430	–	(152,466)	–
	<u>906,438</u>	<u>109,206</u>	<u>107,646</u>	<u>15,391</u>	<u>(152,466)</u>	<u>986,215</u>

Inter-segment sales are charged at prevailing market rates.

	Financing HK\$'000	Brokerage HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
RESULTS					
Segment results	<u>634,858</u>	<u>24,681</u>	<u>66,894</u>	<u>5,106</u>	<u>731,539</u>
Unallocated other operating income					61
Unallocated corporate expenses					
– Staff costs (including directors' remuneration but excluding staff commission expenses)					(64,356)
– Management fee to a related company					(298)
– Service charge to related companies					(13,018)
– Others					(16,130)
Share of loss of a joint venture					(20)
Share of loss of an associate					<u>(3,514)</u>
Profit before taxation					<u>634,264</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 profit represents the profit earned by each segment without allocation of central administration costs (including directors' remuneration and central administrative staff costs but excluding staff commission expenses), unallocated other operating income, management fee to a related company, service charge to related companies, share of loss of a joint venture and share of profit or loss of an associate. This is the measure reported to the executive directors of the Company for the purpose of resources allocation and performance assessment.

Notes: (Continued)

3. Segment information (Continued)

Other segment information

	Financing HK\$'000	Brokerage HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
For the year ended 30 September 2017					
Additions of property and equipment	2,316	690	-	-	3,006
Depreciation of property and equipment	165	1,562	-	11	1,738
Impairment on accounts receivable	-	3,000	-	-	3,000
Impairment for loans and advances	501	-	-	-	501
For the year ended 30 September 2016					
Additions of property and equipment	110	909	-	-	1,019
Depreciation of property and equipment	47	1,987	-	18	2,052
Impairment on accounts receivable	-	3	-	-	3
Impairment for loans and advances	30,975	-	-	-	30,975

Geographical information

The following illustrates the geographical analysis of the Group's revenue from its external customers, based on the country from which the trades are derived in relation to brokerage revenue from overseas products trading or/and based on the country in which the customers are located in relation to financing, placing and underwriting and corporate finance revenue.

	Revenue	
	2017 HK\$'000	2016 HK\$'000
Hong Kong	1,214,935	964,583
United States	26,042	21,602
Others	23	30
	1,241,000	986,215

All non-current assets held by the Group are located in Hong Kong.

Information about major customer

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

For the year ended 30 September 2016 the aggregated revenue from three customers of the Group's financing segment, who are under common control, represents approximately HK\$127.2 million or 12.9% of the Group's revenue.

Notes: (Continued)

4. Revenue

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Commission and fees income on dealing in securities	83,487	70,151
Commission and fees income on dealing in futures and options contracts	30,126	27,542
Commission from insurance brokerage and wealth management	13,986	7,857
Corporate finance advisory services fee income	66,810	15,391
Placing and underwriting commission	203,708	88,216
Interest income from:		
Margin and initial public offer financing (“IPO”)	584,430	482,321
Loans and advances	253,091	291,081
Bank deposits	5,323	3,643
Others	39	13
	<u>1,241,000</u>	<u>986,215</u>

5. Finance costs

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on:		
Bank overdrafts and loans	6,227	10,553
Loans payable	–	160
Bonds issued	89,290	53,409
Others	35	–
	<u>95,552</u>	<u>64,122</u>

Notes: (Continued)

6. Profit before taxation

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Included in other expenses:		
Auditor's remuneration	1,830	1,743
Depreciation of property and equipment	1,738	2,052
Net exchange loss	7	135
Operating lease rentals in respect of		
– rented premises	13,629	13,227
– office equipment	20	12
Other equipment hiring charges	8,570	6,701
Impairment for loans and advances	501	30,975
Impairment on accounts receivable	3,000	3
	<u>134,509</u>	<u>108,589</u>

7. Taxation

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current year:		
Hong Kong Profits Tax	134,509	108,589
PRC Enterprise Income Tax	78	213
Overprovision in prior year:		
Hong Kong	(117)	(159)
	<u>134,470</u>	<u>108,643</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years.

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

Notes: (Continued)

8. Dividends

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Recognised as distribution:		
Interim dividend paid: HK\$0.0138 per share (2016: HK\$0.012 per share)	93,022	73,534
Final dividend paid in respect of 2016: HK\$0.0128 per share (2016: HK\$0.016 per share in respect of 2015)	<u>86,283</u>	<u>91,967</u>
	<u><u>179,305</u></u>	<u><u>165,501</u></u>

The directors recommended the payment of a final dividend of HK1.52 cents per share amounting to approximately HK\$102,461,000 in aggregate in respect of the year ended 30 September 2017 (2016: final dividend paid in respect of the year ended 30 September 2016 of HK1.28 cents per share amounted to approximately HK\$86,283,000 in aggregate), which is subject to approval of the shareholders at the forthcoming annual general meeting of the Company.

9. Earnings per share

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u><u>659,185</u></u>	<u><u>525,621</u></u>

Notes: (Continued)

9. Earnings per share (Continued)

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	6,616,587	5,874,612
Effect of dilutive potential ordinary shares:		
Share options of the Company (note)	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>6,616,587</u>	<u>5,874,612</u>

Note: All the outstanding share options were lapsed during the prior year and they had no effect on the dilutive potential ordinary shares before they were lapsed.

10. Accounts receivable

	2017 HK\$'000	2016 HK\$'000
Accounts receivable from the business of dealing in securities:		
Clearing houses, dealers, brokers and cash clients	115,122	156,162
Secured margin loans	4,863,029	4,289,537
IPO margin loans	108	5,867
Accounts receivable from the business of dealing in futures contracts:		
Clearing houses and brokers	175,998	235,873
Accounts receivable from the business of corporate finance	<u>4,040</u>	<u>1,260</u>
	5,158,297	4,688,699
Less: Individually assessed impairment allowance	<u>(3,000)</u>	—
	<u>5,155,297</u>	<u>4,688,699</u>

Notes: (Continued)

10. 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 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 2017, the total market value of securities pledged as collateral in respect of the secured loans to margin clients was approximately HK\$28,270,000,000 (2016: HK\$19,311,416,000). 88% (2016: 86%) of the loans were secured by sufficient collateral on an individual basis. Management has assessed the market value of the pledged securities of each individual customer who has margin shortfall as at the year end.

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

	2017	2016
	HK\$'000	HK\$'000
Balance at the beginning of the year	–	19
Provision for the year	3,000	3
Amount write off during the year	–	(22)
	<hr/>	<hr/>
Balance at the end of the year	<u>3,000</u>	<u>–</u>

No further impairment allowance is considered necessary for the remaining margin loans based on the Group's evaluation of their collectability. The loans to margin clients bear variable interest at commercial rates and are repayable on demand. No collateral was pledged for other accounts receivable.

As at 30 September 2017, accounts receivable from foreign brokers denominated in Australian dollar, Japanese Yen, Singapore dollar and United States dollar were approximately HK\$230,000 (2016: HK\$nil), HK\$nil (2016: HK\$66,000), HK\$4,000 (2016: HK\$6,000) and HK\$148,482,000 (2016: HK\$178,081,000) respectively.

Notes: (Continued)

10. Accounts receivable (Continued)

As at 30 September 2017 and 30 September 2016, no individual account represented more than 10% of the total balance of accounts receivable.

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

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

	2017	2016
	HK\$'000	HK\$'000
Past due:		
0 – 30 days	4,212	694
31 – 60 days	567	11
61 – 90 days	85	20
Over 90 days	331	405
Accounts receivable which were past due but not impaired	5,195	1,130
Accounts receivable which were neither past due nor impaired	289,965	392,165
	295,160	393,295

To minimise the Group's exposure to credit risk, the Group has a policy for reviewing impairment of accounts receivable without sufficient collateral and those with default or delinquency in interest or principal payment. The assessment is based on an evaluation of the collectability and ageing analysis of the accounts and on management's judgment including the current creditworthiness, collateral value and the past collection history of each customer. Management had set up the credit limits for each individual customer which are subject to regular review 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.

Notes: (Continued)

11. Loans and advances

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Fixed-rate loans receivable	1,791,466	1,584,582
Variable-rate loans receivable	<u>24,167</u>	<u>40,791</u>
	1,815,633	1,625,373
Less: Individually assessed impairment allowances	<u>(31,472)</u>	<u>(30,971)</u>
	<u>1,784,161</u>	<u>1,594,402</u>
Analysed as:		
Current	1,612,581	1,494,512
Non-current	<u>171,580</u>	<u>99,890</u>
	<u>1,784,161</u>	<u>1,594,402</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Fixed-rate loans receivable:		
Within one year	1,593,567	1,456,305
In more than one year but no more than five years	63,587	37,094
Over five years	<u>92,833</u>	<u>46,508</u>
	1,749,987	1,539,907
Past due but not impaired	<u>10,007</u>	<u>13,704</u>
	<u>1,759,994</u>	<u>1,553,611</u>

Notes: (Continued)

11. Loans and advances (Continued)

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Variable-rate loans receivable:		
Within one year	9,007	25,181
In more than one year but no more than five years	2,619	1,961
Over five years	<u>12,541</u>	<u>13,649</u>
	<u><u>24,167</u></u>	<u><u>40,791</u></u>

Note: As at 30 September 2017, included in the fixed-rate loans receivable were balances of HK\$10,007,000 (2016: HK\$13,704,000) which had been past due but not impaired. Taking into account the creditworthiness of the borrowers, collateral value and executable subsequent settlement arrangements, the executive directors of the Company considered that no allowance for impairment was necessary as at 30 September 2017 (2016: HK\$nil).

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

	2017	2016
Effective interest rates:		
Fixed-rate loans receivable	0.42% per month to 3.99% per month	0.25% per month to 3.83% per month
Variable-rate loans receivable	Prime rate per annum to Prime rate +3% per annum	Prime rate per annum to Prime rate +3% per annum

Notes: (Continued)

11. Loans and advances (Continued)

As at 30 September 2017, 89 (2016: 37) secured loans with the aggregate amount of HK\$798,016,000 (2016: HK\$373,816,000) 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 (2016: 1 to 25 years). The remaining balance of the loans receivable amounting to HK\$986,145,000 (2016: HK\$1,220,586,000) were unsecured and were provided to independent third parties of the Group, of which the loan amount of HK\$474,869,000 (2016: HK\$382,050,000) 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 (2016: 1 to 25 years) from the respective loans' date of advance.

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

As at 30 September 2016, for unsecured loans receivable, there were two fixed-rate unsecured loans receivable, which each exceeded 10% of the gross loans and advances balance respectively, with the aggregated amount of HK\$331,633,000 and represented 20% of the gross loans and advances balance. Each of the remaining fixed-rate and variable-rate unsecured loans receivable represented less than 10% of the gross loans and advances balance.

Movements in the allowances for impairment are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Balance at the beginning of the year	30,971	253
Amount write off during the year	–	(257)
Provision for the year	<u>501</u>	<u>30,975</u>
Balance at the end of the year	<u><u>31,472</u></u>	<u><u>30,971</u></u>

To minimise the Group's exposure to credit risk, the Group has established credit policies to ensure all loans and advances are subject to credit risk assessment and ongoing monitoring, including evaluation of customers' credit ratings, financial background and repayment abilities. The Group has a policy for assessing the impairment on loans and advances on an individual basis. The assessment is based on a close monitoring and evaluation of the collectability of individual account and on management's judgment, including the current creditworthiness of the borrowers, collateral value and the past collection history of each individual borrower. Taking into account the above, the executive directors of the Company have made an allowance for impairment of HK\$31,472,000 (2016: HK\$30,971,000) as at 30 September 2017. The Group has commenced legal proceedings against the borrowers of these impaired loans for recovery of the loan amount of HK\$30,971,000. As at the reporting date of the consolidated financial statements, the legal proceedings are still in progress.

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

Notes: (Continued)

12. Accounts payable

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Accounts payable from the business of dealing in securities:		
Clearing houses and brokers	129,749	54,031
Margin and cash clients	1,736,756	1,131,907
Accounts payable from the business of dealing in futures contracts:		
Margin clients	<u>348,408</u>	<u>362,632</u>
	<u>2,214,913</u>	<u>1,548,570</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 HK\$1,854,475,000 and HK\$1,207,856,000 as at 30 September 2017 and 2016 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 2017, accounts payable denominated in Australian dollar, Japanese Yen, United States dollar and Renminbi were approximately HK\$84,000 (2016: HK\$nil), HK\$5,000 (2016: HK\$91,000), HK\$356,589,000 (2016: HK\$330,961,000) and HK\$13,633,000 (2016: HK\$16,396,000) respectively.

MANAGEMENT DISCUSSION & ANALYSIS

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

Over the past decade, the Group has made great strides in transforming to an interest income based financial institution. The core strength of the Group lies in its robust business model, with diverse income streams to withstand increasingly complex market conditions. Being recognised by the capital market for its solid performance, the Group has become one of the constituent stocks of MSCI HK Small Cap Index, since 1 December 2015. The Group currently operates 10 branches in Hong Kong, and three liaison offices in mainland China.

Market Review

During the Year, the global financial markets saw positive momentum on the back of improving economic fundamentals in major developed markets. In the United States (the “U.S.”), the post-election stock rally extended into 2017 and the major indexes reached all-time highs in November 2017, amid investor optimism about pro-growth policy under President Donald Trump. U.S. consumer confidence remained positive and investment intentions were strong.

Underpinned by improvements in the global economic outlook and upbeat corporate earnings, the Hong Kong stock markets were buoyant. During the Year, the average daily turnover in the Hong Kong securities market increased by 13% to HK\$77.6 billion (2016: HK\$68.6 billion).

The low interest rate environment in Hong Kong continued in 2017, given the ample liquidity in the banking system. While the operating environment was challenging, restrictions on bank lending imposed by the Hong Kong Monetary Authority have created opportunities for licensed money lenders. Despite the upward US interest rate cycle, Hong Kong residential property prices performed strongly given solid local buying interest. With value appreciation of properties, property refinancing has become a popular financing channel enabling borrowers to access funds to capture other investment opportunities.

Financial Review

Overall Review

During the Year, the Group's revenue registered growth of 25.8% to HK\$1,241.0 million (2016: HK\$986.2 million), driven by growth across all segments. Profit for the Year attributable to owners of the Company grew by 25.4% to HK\$659.2 million (2016: HK\$525.6 million) with a net profit margin of 53.1% (2016: 53.3%). Basic earnings per share were HK9.96 cents (2016: HK8.95 cents). The Board recommended the payment of a final dividend of HK1.52 cents per share (2016: HK1.28 cents). Together with the interim dividend of HK1.38 cents per share, the total dividends per share for the Year will amount to HK2.90 cents (2016: HK2.48 cents).

Capital Structure, Liquidity and Financial Resources

The Group financed its operations mainly by cash generated from operations and borrowings, as well as proceeds raised from issuance of bonds and equity financing exercises. As at 30 September 2017, the Group's current assets and current liabilities were HK\$9,318.4 million (as at 30 September 2016: HK\$8,042.3 million) and HK\$2,793.1 million (as at 30 September 2016: HK\$2,950.1 million), respectively. As at 30 September 2017, aggregate of bank balances, cash and pledged bank deposits of the Group amounted to HK\$674.1 million (as at 30 September 2016: HK\$590.3 million), which were mainly denominated in Hong Kong dollars ("HK\$").

As at 30 September 2017, the carrying amount of the Company's outstanding bonds was HK\$1,589.1 million (as at 30 September 2016: HK\$1,570.2 million). Principal amounts of HK\$ bonds and United States dollars ("US\$") bonds were HK\$1,521.2 million and US\$10.1 million (equivalent to approximately HK\$78.8 million) respectively. With both maturity dates fall within 2019, the HK\$ bonds carry coupon rates ranging between 5.0% and 5.25% per annum whilst the US dollar bonds carry a coupon rate of 4.5% per annum.

As at 30 September 2017, the short-term bank borrowings of the Group decreased to HK\$328.5 million (as at 30 September 2016: HK\$550.0 million). These bank borrowings were secured by corporate guarantees from the Company, of which a total of HK\$315.0 million was further secured by pledged bank deposits of the Group. These bank borrowings were denominated in HK\$ and carried interest rates approximating market rates. Together with the bonds, the total borrowings of the Group amounted to HK\$1,917.6 million (as at 30 September 2016: HK\$2,120.2 million). The gearing ratio decreased to 37.4% (as at 30 September 2016: 50.0%; calculated as a percentage of total borrowings over total equity of the Group). The Group did not have any material foreign exchange exposure as at 30 September 2017.

In December 2016, in order to strengthen the shareholders' portfolio of the Company and provide further funding to support the Company's continuous development and business growth, the Group issued a total of 612,900,000 new shares at HK\$0.66 per share to a subsidiary of China Taiping Insurance Holdings Company Limited (Stock Code: 966.HK), a company listed on the Stock Exchange and ultimately controlled by China Taiping Insurance Group Limited, a PRC state-owned financial and insurance group. The aggregate net proceeds of HK\$404.5 million has been used as intended for (i) expansion of money lending business which include the commercial and personal lending as well as margin and IPO financing, and (ii) repayment of outstanding loans.

With the Group's sufficient bank balances and cash, its available unutilised banking facilities of HK\$2,090.0 million, as well as the proceeds raised from the issuance of bonds and equity financing exercises, the Board considers the Group has sufficient working capital for its operation and future development.

Pledge of Assets

As at 30 September 2017, bank deposit of the Group with aggregate carrying amount of HK\$160.0 million (as at 30 September 2016: HK\$110.0 million) was pledged to a bank as security for banking facilities.

Business Review

Over the years, the Group has successfully transformed from a local brokerage house to an integrated one-stop financial institution, providing a range of financial services designed to facilitate investments, strategic transactions and fundraising activities. During the Year, the Group has strived to comprehensively leverage synergies across business lines and derive maximum corporate value. The Group was able to pursue a more balanced mix of businesses, to diversify its revenue structure and capitalise on the strong market conditions. The Group's diverse business model contributed towards a positive operational performance, with all segments reporting growth at a healthy pace.

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.

Thanks to the successful marketing campaigns, the Group has further penetrated the property mortgage market, with a considerable increase in the number of new mortgage contracts. Meanwhile, the Group has expanded its team, which comprises specialists with technical expertise and extensive experience in the provision of personal loan services.

Revenue from the financing segment grew by 8.3% to HK\$837.5 million (2016: HK\$773.4 million), accounting for 67.5% (2016: 78.4%) of the Group's total revenue.

Brokerage

The Group currently provides brokerage services for securities, futures and options traded on exchanges in Hong Kong, mainland China (via Shanghai- and Shenzhen-Hong Kong Stock Connect schemes respectively) and major overseas countries, as well as wealth management and asset management services.

Hong Kong stock market activity remained buoyant amid positive market sentiment during the Year. Revenue from brokerage services recorded growth of 21.8%, to HK\$133.0 million (2016: HK\$109.2 million). The segment accounted for 10.7% (2016: 11.1%) of total revenue.

As at 30 September 2017, the Group operated 10 branches in Hong Kong, covering key commercial and popular residential areas with convenient pedestrian access. The Group also runs three liaison offices, in Beijing, Shanghai and Guangzhou. In addition to branches, the Group offers web-based and mobile trading platforms which enable real-time transaction and investment portfolio monitoring.

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

The Group's wealth management division provides advices regarding a wide array of investment services, including securities, mutual funds, insurance-linked products, and real estate investment. In its asset management arm, apart from running private equity fund, the Group also provides customised discretionary investment services to its customers.

Placing and Underwriting

With a highly experienced team of professionals, the Group offers placing and underwriting services, and acts as placing agents and underwriters for Hong Kong listed companies.

During the Year, the Group secured a number of primary and secondary market financing projects. Revenue from the placing and underwriting segment more than doubled to HK\$203.7 million (2016: HK\$88.2 million), accounting for 16.4% (2016: 8.9%) of total revenue. The Group served as placing agents in equity and debt placing deals and IPO-related transactions. The Group also participated in underwriting rights issue exercises.

During the Year, the Group acted as Bookrunner and Lead Manager in the share placing for the listing of Bar Pacific Group Holdings Limited (Stock Code: 8432.HK), which was listed on the Growth Enterprise Market of the Stock Exchange in January 2017.

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.

Riding on its strong ties with small to medium-sized enterprises, the Group has engaged in a number of corporate transactions and IPO projects during the Year. Revenue from the corporate finance segment increased more than three-fold to HK\$66.8 million (2016: HK\$15.4 million), accounting for 5.4% (2016: 1.6%) of total revenue.

Outlook

The expansion of mutual market access schemes, including the launch of Bond Connect programme in July this year, has affirmed China's commitment to liberalising its financial market for global investors. MSCI's long-awaited decision to include mainland China A-shares in its benchmark emerging markets index also embraced the positive changes in the accessibility of China's capital market. In China's journey of opening up its financial market, Hong Kong's unique position as a gateway connecting China and international markets will be further reinforced. The Group, as one of the integrated financial service providers in Hong Kong, is optimistic regarding its long-term business prospects.

The Group intends to explore new opportunities spanning various loan products. In order to optimise its loan portfolio and diversify the credit risk inherent in the entire portfolio, the Group will accelerate the expansion of mortgage lending. While maximising the rate of return, the Group strives to operate with a sound credit-management process and ensure adequate controls over credit risk. The Group is also committed to maintaining long-standing customer relationships and constantly seeking new customers.

The year 2017 is a milestone for the Group as it marks the 10th anniversary of the Company's listing on the Stock Exchange. Our strong performance recognised the success of our diversification strategy, which has consistently grown the business volume and helped to deliver solid returns. The Group is confident that our integrated business model and diversification strategies will keep us well positioned to capitalise on the emerging opportunities. The Group will continue to accelerate the business development and expansion, to further advance the next stage of growth.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2017, the Group had 114 (2016: 118) account executives and 183 employees (2016: 152). Total staff costs (including directors' remuneration) were approximately HK\$111.8 million (2016: HK\$93.8 million). Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

To continue to provide incentives or rewards to the staff, the Company adopted a new share option scheme during the Year which replaced the share option scheme expired in September 2017, particulars of which will be set out in the section headed "Share Options" of the annual report of the Company.

FINAL DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK1.52 cents per share for the year ended 30 September 2017 ("Final Dividend") (2016: HK1.28 cents per share), amounting to approximately HK\$102.5 million (2016: HK\$86.3 million), subject to the approval of the shareholders at the forthcoming annual general meeting ("AGM") of the Company to be held on 30 January 2018 (Tuesday). If being approved, the Final Dividend will be paid on 27 February 2018 (Tuesday) to shareholders whose names appear on the register of members of the Company on 7 February 2018 (Wednesday).

CLOSURE OF REGISTER OF MEMBERS

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

Latest time to lodge transfers	4:30 p.m. on 24 January 2018 (Wednesday)
Record date	24 January 2018 (Wednesday)
AGM	30 January 2018 (Tuesday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 5 February 2018 (Monday)
Book close dates	6 and 7 February 2018 (Tuesday and Wednesday)
Record date	7 February 2018 (Wednesday)
Final Dividend payment date	27 February 2018 (Tuesday)

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 September 2017 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 of the Company, which comprises the three independent non-executive directors of the Company, had reviewed the audited consolidated financial statements for the year ended 30 September 2017 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 2017 and results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company had complied throughout the Year with all the code provisions of the Corporate Governance Code under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), except with the deviation from code provision A.2.1 which requires the roles of chairman and chief executive officer be separate and not be performed by the same individual. Ms. Daisy Yeung, also being the Chief Executive Officer of the Group, has been appointed by the Board as the Managing Director of the Company who is responsible for leading the Board and the overall management of the business of the Group. She would ensure that all Directors are properly briefed on issues arising at Board meetings and that adequate, complete and reliable information is received by the Directors. On the other hand, the three independent non-executive directors of the Company provide independent and impartial opinion on issues to be considered by the Board. The Board is of the opinion that the current Board structure functions effectively and does not intend to make any change thereof.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to the Directors of the Company, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the Year.

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

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

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 7 December 2017

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

Executive Directors:

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

Independent Non-Executive Directors:

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