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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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

FINANCIAL HIGHLIGHTS

<i>HK\$'000</i>	For the year ended 30 September		Changes
	2016	2015	
Total revenue	986,215	835,077	+ 18.1%
Financing	773,402	465,762	+ 66.1%
Brokerage	109,206	151,499	- 27.9%
Placing & Underwriting	88,216	180,006	- 51.0%
Corporate Finance	15,391	37,810	- 59.3%
Profit for the year attributable to owners of the Company	525,621	430,251	+ 22.2%
Net profit margin	53.3%	51.5%	+ 1.8pp
Earnings per share			
Basic	HK8.95 cents	HK10.21 cents	- 12.3%
Diluted	HK8.95 cents	HK10.04 cents	- 10.9%
Total dividend per share	HK2.48 cents	HK2.30 cents	+7.8%

* 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 2016 (the “Year”) together with comparative figures for the corresponding year in 2015 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	4	986,215	835,077
Other operating income		3,728	7,122
Staff costs		(93,800)	(80,302)
Commission expenses		(70,043)	(112,650)
Other expenses		(124,180)	(80,068)
Finance costs	5	(64,122)	(51,279)
Share of (loss) profit of an associate		(3,514)	1,756
Share of loss of a joint venture		(20)	(22)
Profit before taxation	6	634,264	519,634
Taxation	7	(108,643)	(89,383)
Profit for the year		525,621	430,251
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		(106)	26
Other comprehensive (expense) income for the year		(106)	26
Total comprehensive income for the year		525,515	430,277
Profit for the year attributable to:			
Owners of the Company		525,621	430,251
Total comprehensive income attributable to:			
Owners of the Company		525,515	430,277
Earnings per share	9		
Basic		HK8.95 cents	HK10.21 cents
Diluted		HK8.95 cents	HK10.04 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property and equipment		3,850	4,883
Intangible assets		–	–
Other assets		10,467	9,177
Interest in an associate		975	4,489
Amount due from an associate		5,987	5,987
Interest in a joint venture		494	514
Loans and advances	<i>11</i>	99,890	56,032
Available-for-sale investment		–	–
		121,663	81,082
Current assets			
Accounts receivable	<i>10</i>	4,688,699	3,232,351
Loans and advances	<i>11</i>	1,494,512	1,398,541
Other debtors, deposits and prepayments		60,990	58,007
Bank balances and cash – trust accounts		1,207,856	1,368,108
Bank balances and cash – general accounts		480,289	462,389
Pledged bank deposits – general accounts		110,000	–
		8,042,346	6,519,396
Current liabilities			
Accounts payable	<i>12</i>	1,548,570	1,667,105
Other creditors and accrued charges		95,908	92,264
Tax liabilities		149,570	106,340
Short-term bank borrowings		550,000	480,000
Loans payable		–	10,000
Bonds issued		606,039	–
		2,950,087	2,355,709
Net current assets		5,092,259	4,163,687
Total assets less current liabilities		5,213,922	4,244,769
Non-current liabilities			
Bonds issued		964,206	605,865
Net assets		4,249,716	3,638,904
Capital and reserves			
Share capital		61,279	57,479
Reserves		4,188,437	3,581,425
Total equity		4,249,716	3,638,904

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 revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied a number of amendments to HKFRSs issued by the HKICPA. The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective, which may be relevant to the Group.

Amendments to HKAS 1	Disclosure initiative ⁵
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisations ⁵
Amendments to HKAS 27	Equity method in separate financial statements ⁵
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers 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 HKFRSs HKFRS 9	Annual improvements to HKFRSs 2012 – 2014 Cycle ⁵ Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
HKFRS 16	Leases 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 2016

The Directors anticipate that the application of all new and revised standards, amendments or interpretation will have no material impact on the 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 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 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	<u>133,036</u>	<u>–</u>	<u>19,430</u>	<u>–</u>	<u>(152,466)</u>	<u>–</u>
	<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)					(64,356)
– Management fee to related companies					(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>

Notes: (Continued)

3. Segment information (Continued)

Segment revenue and results (Continued)

For the year ended 30 September 2015

	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	465,762	151,499	180,006	37,810	–	835,077
Inter-segment sales	65,268	–	13,500	–	(78,768)	–
	<u>531,030</u>	<u>151,499</u>	<u>193,506</u>	<u>37,810</u>	<u>(78,768)</u>	<u>835,077</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>403,639</u>	<u>44,828</u>	<u>114,838</u>	<u>28,344</u>	<u>591,649</u>
Unallocated other operating income					4,683
Unallocated corporate expenses					
– Staff costs (including directors' remuneration)					(53,052)
– Management fee to related companies					(314)
– Service charge to related companies					(11,578)
– Others					(13,488)
Share of loss of a joint venture					(22)
Share of profit of an associate					<u>1,756</u>
Profit before taxation					<u>519,634</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 administrative staff costs (including directors' remuneration but excluding staff commission expenses), unallocated other operating income, management fee to related companies, service charge to related companies, central administration costs, share of loss of a joint venture and share of loss or 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.

Notes: (Continued)

3. Segment information (Continued)

Other segment information

	Financing <i>HK\$'000</i>	Brokerage <i>HK\$'000</i>	Placing and underwriting <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
Net impairment for loans and advances	<u>30,975</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>30,975</u>
For the year ended 30 September 2015					
Additions of property and equipment	154	1,474	–	–	1,628
Depreciation of property and equipment	6	2,118	–	20	2,144
Impairment on accounts receivable	–	19	–	–	19
Net impairment for loans and advances	<u>550</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>550</u>

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 and based on the country in which the customers are located in relation to financing, placing and underwriting and corporate finance revenue.

	Revenue	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	964,583	815,199
United States	21,602	19,656
Others	<u>30</u>	<u>222</u>
	<u>986,215</u>	<u>835,077</u>

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

Information about major customer

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. For the year ended 30 September 2015, there was no single customer who contributed 10% or more of the Group's revenue.

Notes: (Continued)

4. Revenue

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Commission and fees income on dealing in securities	70,151	115,437
Commission and fees income on dealing in futures and options contracts	27,542	24,605
Commission from insurance brokerage and wealth management	7,857	4,760
Corporate finance advisory services fee income	15,391	37,810
Placing and underwriting commission	88,216	180,006
Interest income from:		
Margin and initial public offer financing	482,321	265,440
Loans and advances	291,081	200,322
Bank deposits	3,643	6,689
Others	13	8
	986,215	835,077

5. Finance costs

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on:		
Bank overdrafts and loans	10,553	12,555
Amount due to a related company	–	4,351
Loans payable	160	874
Bonds issued	53,409	33,499
	64,122	51,279

Notes: (Continued)

6. Profit before taxation

	2016	2015
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Included in other expenses:		
Auditor's remuneration	1,743	1,598
Depreciation of property and equipment	2,052	2,144
Net exchange loss	135	260
Operating lease rentals in respect of		
– rented premises	13,227	12,670
– office equipment	12	25
Other equipment hiring charges	6,701	5,166
Net impairment for loans and advances	30,975	550
Impairment on accounts receivable	3	19
	<u> </u>	<u> </u>

7. Taxation

	2016	2015
	HK\$'000	HK\$'000
Current year:		
Hong Kong Profits Tax provision for the year	108,589	89,039
PRC Enterprise Income Tax	213	344
Overprovision in prior year:		
Hong Kong	(159)	–
	<u> </u>	<u> </u>
	<u>108,643</u>	<u>89,383</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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Recognised as distribution:		
Interim dividend paid: HK\$0.012 per share (2015: HK\$0.007 per share)	73,534	36,736
Final dividend paid in respect of 2015: HK\$0.016 per share (2015: HK\$0.02 per share in respect of 2014)	<u>91,967</u>	<u>52,639</u>
	<u>165,501</u>	<u>89,375</u>

The Directors recommended the payment of a final dividend of HK1.28 cents per share amounting to approximately HK\$78,438,000 in aggregate in respect of the year ended 30 September 2016 (the “2016 Final Dividend”) (2015: final dividend paid in respect of the year ended 30 September 2015 of HK1.6 cents per share amounted to HK\$91,967,000 in aggregate), which is subject to approval of the shareholders at the forthcoming annual general meeting of the Company.

In the event that 612,900,000 new shares are allotted and issued by the Company pursuant to the subscription agreement entered into by the Company on 1 December 2016 (the “Subscription Agreement”) prior to the record date for the entitlement of the 2016 Final Dividend, the aggregate amount of the 2016 Final Dividend will be approximately HK\$86,283,000. Details of the Subscription Agreement are set out in the announcement of the Company dated 1 December 2016.

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>525,621</u>	<u>430,251</u>
	2016 <i>'000</i>	2015 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>note (a)</i>)	5,874,612	4,214,980
Effect of dilutive potential ordinary shares:		
Share options of the Company (<i>note (b)</i>)	<u>–</u>	<u>68,877</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (<i>note (a)</i>)	<u>5,874,612</u>	<u>4,283,857</u>

Notes: (Continued)

9. Earnings per share (Continued)

- (a) During the prior year, the Company raised approximately HK\$651.2 million (net) by way of rights issue on the basis of one rights share for every two existing shares held by shareholders of the Company at the price of HK\$0.5 per share, which represented a discount to the prevailing fair value of the existing shares on the date of issuance of the rights shares. The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share were adjusted for the bonus element from the above-mentioned rights issue completed in June 2015.
- (b) The computation of diluted earnings per share assumed the exercise of the Company's outstanding share options with the exercise price lower than the average market price during the year ended 30 September 2015.

All the outstanding share options were lapsed during the current year and they have no effect on the dilutive potential ordinary shares before they were lapsed.

10. Accounts receivable

	2016	2015
	HK\$'000	HK\$'000
Accounts receivable from the business of dealing in securities:		
Clearing houses, brokers and cash clients	156,162	129,263
Secured margin loans	4,289,537	2,911,251
IPO margin loans	5,867	8,151
Accounts receivable from the business of dealing in futures contracts:		
Clearing houses and brokers	235,873	183,240
Accounts receivable from the business of corporate finance	1,260	465
	4,688,699	3,232,370
Less: Individually assessed impairment allowance	–	(19)
	<u>4,688,699</u>	<u>3,232,351</u>

The settlement terms of accounts receivable, except for secured 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.

As at 30 September 2016, the total market value of securities pledged as collateral in respect of the loans to margin clients were approximately HK\$19,311,416,000 (2015: HK\$21,699,858,000). 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, and impairment allowance of HK\$22,000 (2015: HK\$19,000) has been made and was subsequently written off in the current year (2015: HK\$nil). 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.

Notes: (Continued)

10. Accounts receivable (Continued)

As at 30 September 2016, accounts receivable from foreign brokers denominated in Japanese Yen, Singapore dollar and United States dollar were approximately HK\$66,000 (2015: HK\$nil), HK\$6,000 (2015: HK\$6,000) and HK\$178,081,000 (2015: HK\$142,266,000) respectively.

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

As at 30 September 2015, for accounts receivable due from various customers, amounts due from the top two margin customers represented 11% and 10% respectively of the total balance of the accounts receivable. Apart from the above, no other 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 aging analysis of the remaining of the accounts receivable, which are past due but not impaired, are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Past due:		
0 – 30 days	694	1,388
31 – 60 days	11	49
61 – 90 days	20	564
Over 90 days	405	316
	<hr/>	<hr/>
Accounts receivable which were past due but not impaired	1,130	2,317
Accounts receivable which were neither past due nor impaired	392,165	310,651
	<hr/>	<hr/>
	393,295	312,968
	<hr/> <hr/>	<hr/> <hr/>

Note: To minimise the Group's exposure to credit risk, there is a credit risk control team responsible for the evaluation of the customers' credit ratings, financial background and repayment abilities. 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. 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.

In determining the recoverability of the accounts receivable, the Group considers any change in the credit quality of the accounts receivable from the date when credit was initially granted up to the reporting date. The credit risk is limited due to the customer base being large and unrelated.

Notes: (Continued)

11. Loans and advances

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Fixed-rate loans receivable	1,584,582	1,396,566
Variable-rate loans receivable	40,791	58,260
	1,625,373	1,454,826
Less: Individually assessed impairment allowances	(30,971)	(253)
	1,594,402	1,454,573
Analysed as:		
Current	1,494,512	1,398,541
Non-current	99,890	56,032
	1,594,402	1,454,573

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Fixed-rate loans receivable:		
Within one year	1,456,305	1,297,817
In more than one year but no more than five years	37,094	33,187
Over five years	46,508	6,600
	1,539,907	1,337,604
Past due but not impaired	13,704	58,709
	1,553,611	1,396,313
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Variable-rate loans receivable:		
Within one year	25,181	37,215
In more than one year but no more than five years	1,961	2,615
Over five years	13,649	13,630
	40,791	53,460
Past due but not impaired	–	4,800
	40,791	58,260

Notes: (Continued)

11. Loans and advances (Continued)

Note: As at 30 September 2016, included in the fixed-rate loans receivable and variable-rate loans receivable were balances of HK\$13,704,000 (2015: HK\$58,709,000) and HK\$nil (2015: HK\$4,800,000), respectively which had been past due but not impaired. Taking into account the creditworthiness of the borrowers as well as the value of collateral, the executive directors of the Company believed that no allowance for impairment was necessary as at 30 September 2016 (2015: HK\$ nil).

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

	2016	2015
Effective interest rates:		
Fixed-rate loans receivable	0.25% per month to 3.83% per month	0.79% per month to 4.33% per month
Variable-rate loans receivable	Prime rate per annum to Prime rate +3% per annum	Prime rate per annum to Prime rate +8% per annum

As at 30 September 2016, 37 (2015: 8) secured loans with the aggregate amount of HK\$373,816,000 (2015: HK\$350,620,000) 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 25 years (2015: 1 to 26 years). The remaining balance of the loans receivable amounting to HK\$1,220,586,000 (2015: HK\$1,103,953,000) were unsecured and were provided to independent third parties of the Group, of which the loan amount of HK\$382,050,000 (2015: HK\$122,084,000) were with second or third legal charges in respect of properties located in Hong Kong and will be due for repayment within 1 to 25 years (2015: 1 to 26 years) from the respective loans' date of advance.

As at 30 September 2016, each of the fixed-rate and variable-rate secured loans receivable represented less than 10% of the gross loans and advances balance. For unsecured loans receivable, there were two (2015: 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 (2015: HK\$546,000,000) and represented 20% (2015: 38%) 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.

As at 30 September 2015, included in the secured loans receivable was one fixed-rate loan advance, which was secured by first legal charge in respect of properties located in Hong Kong, was made to a group of borrowers which amounted to HK\$186,320,000, representing 13% of the gross loans and advances balance. Each of the remaining secured fixed-rate and variable-rate loans receivable represented less than 10% of the gross balance of loans and advances.

Notes: (Continued)

11. Loans and advances (Continued)

Movement in the allowance for impairment are as follows:

	2016	2015
	HK\$'000	HK\$'000
Balance at the beginning of the year	253	2,203
Amount write off during the year	(257)	(2,500)
Net provision for the year	30,975	550
	<hr/>	<hr/>
Balance at the end of the year	30,971	253
	<hr/> <hr/>	<hr/> <hr/>

To minimise the Group's exposure to credit risk, credit risk control team is responsible for the 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 of the above, the executive directors of the Company have made an allowance for impairment of HK\$30,971,000 (2015: HK\$253,000) as at 30 September 2016. The Group has commenced legal proceedings during the current year 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 values.

Notes: (Continued)

12. Accounts payable

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accounts payable from the business of dealing in securities:		
Clearing house and broker	54,031	20,740
Margin and cash clients	1,131,907	1,339,683
Accounts payable from the business of dealing in futures contracts:		
Margin clients	362,632	306,682
	<u>1,548,570</u>	<u>1,667,105</u>

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

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

Included in accounts payable, amounts of HK\$1,207,856,000 and HK\$1,368,108,000 as at 30 September 2016 and 2015 respectively were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these accounts payable with the deposits placed.

As at 30 September 2016, accounts payable denominated in Japanese Yen, United States dollars and Renminbi were approximately HK\$91,000 (2015: HK\$8,000), HK\$330,961,000 (2015: HK\$282,373,000) and HK\$16,396,000 (2015: HK\$11,606,000) 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.

Market Review

During the Year, global financial markets experienced a high level of volatility amid concerns over the slowing global economy, potential risks associated with monetary easing policies in major developed countries, along with the shockwaves following the unprecedented Brexit vote. As a result, investment sentiment in Hong Kong was generally weak. However, in the third quarter of 2016, the Hong Kong stock market staged a strong rally, driven by the United State’s intention to maintain accommodative monetary conditions and the growing expectations regarding the imminent launch of Shenzhen-Hong Kong Stock Connect scheme. Against a high comparison base, the average daily turnover in the Hong Kong securities market decreased by 36.3% to HK\$68.83 billion (2015: HK\$108.0 billion).

With prominent listings by several Chinese financial services institutions, Hong Kong is set to maintain its leadership in the world’s IPO market in 2016. During the Year, there were 126 new listings on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), raising a total of HK\$237.8 billion (2015: HK\$257.5 billion).

Against a backdrop of global economic uncertainties, capital investment in Hong Kong and the Mainland China remained lacklustre. Domestic credit demand moderated as corporate customers became more conservative in borrowing amid subdued business sentiment. While commercial banks have remained cautious about lending, non-bank money lenders have achieved vitality among small and medium-sized enterprise borrowers.

Financial Review

Overall Review

Despite market volatility, the Group has managed to deliver satisfactory performance by continuously prioritising resources into financing segment. During the Year, the Group's revenue registered a growth of 18.1% to HK\$986.2 million (2015: HK\$835.1 million), driven by a surge in interest income, which offset the revenue decline in all other segments in response to the weakened market sentiment. Profit for the year attributable to owners of the Company grew by 22.2% to HK\$525.6 million (2015: HK\$430.3 million). Net profit margin raised from 51.5% to 53.3%. Basic earnings per share was HK8.95 cents (2015: HK10.21 cents). The Board recommended the payment of a final dividend of HK1.28 cents per share (2015: HK1.60 cents). Together with the interim dividend of HK1.20 cent per share (2015: HK0.70 cent), the total dividend per share for the Year was HK2.48 cents (2015: HK2.30 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 2016, the Group's current assets and current liabilities were HK\$8,042.3 million (as at 30 September 2015: HK\$6,519.4 million) and HK\$2,950.1 million (as at 30 September 2015: HK\$2,355.7 million), respectively. As at 30 September 2016, aggregate of bank balances, cash and pledged bank deposits of the Group amounted to HK\$590.3 million (as at 30 September 2015: HK\$462.4 million), which were mainly denominated in Hong Kong dollars ("HK\$").

As at 30 September 2016, the Company had issued a total of bonds with carrying amount of HK\$1,570.2 million (30 September 2015: HK\$605.9 million). The weighted average interest rate of such bonds is 5.3% per annum. The bonds comprised of the followings:

- Principal amount of HK\$971.9 million, comprising of HK\$909.5 million HK\$ bonds and US\$8.0 million United States dollars ("US\$") bonds (equivalent to approximately HK\$62.4 million), which was placed and issued in eight tranches during the Year under a placing agreement dated 15 March 2016. The interest rate of the HK\$ bonds is 5.25% per annum whilst the interest rate of the US\$ bonds is 4.5% per annum, payable annually in arrears. The maturity date of such bonds will be on the third anniversary of their date of issue.
- Principal amount of HK\$606.1 million, which was 3-year unsecured bonds denominated in HK\$, bearing interest at 5.5% per annum payable annually in arrears and matured in November 2016.

As at 30 September 2016, the short-term bank borrowings of the Group increased to HK\$550.0 million (as at 30 September 2015: HK\$480.0 million). These bank borrowings were secured by corporate guarantees from the Company, of which bank loans in the aggregate amount of HK\$260.0 million and HK\$70.0 million were secured by bank deposits of the Group and clients' securities pledged to the Group, respectively. 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\$2,120.2 million (as at 30 September 2015: HK\$1,095.9 million), resulting in an increase of gearing ratio to 50.0% (as at 30 September 2015: 30.1%); 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 2016.

On 15 March 2016, the Company entered into a placing agreement for placing of bonds of up to an aggregate principal amount of HK\$1,200.0 million, out of which approximately HK\$971.9 million was placed and issued in eight tranches during the Year while approximately HK\$228.1 million was placed and issued in two tranches after 30 September 2016 with the last tranche completed on 8 November 2016.

In May 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 380,000,000 new shares at HK\$0.66 per share (market price as at the date of the relevant agreement was HK\$0.67 per share) to an indirect subsidiary of China Huarong Asset Management Co., Ltd (Stock Code: 2799.HK), one of the largest financial asset management companies in China. The net proceeds of HK\$250.8 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\$1,655.0 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 2016, bank deposit of the Group with aggregate carrying amount of HK\$110.0 million (as at 30 September 2015: HK\$nil) was pledged to a bank as security for banking facilities.

Business Review

Attributable to dedicated efforts in strengthening the financing segment, the Group has accelerated the expansion of money lending business in recent years. Notwithstanding a volatile financial landscape, the Group has once again delivered satisfactory performance, reflecting its unparalleled success in transformation to an interest income based financial institution. Being recognised by the capital market in its solid performance, the Company has become one of the constituent stocks of MSCI HK Small Cap Index since 1 December 2015.

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. Aiming to penetrate into the property mortgage market, the Group stepped up its marketing efforts and developed extensive advertising campaigns to maximise the exposure of the branding of "Emperor Finance" across different media platforms during the Year. The campaigns have succeeded in boosting awareness in the marketplace and yielded immediate positive results in attracting new customers. The Group also expanded its team comprising of specialists who possess technical expertise and extensive experience in the provision of property mortgage services.

During the Year, the Group strived to bolster its capital base through diversified fund raising channels and expanded its loan book. With greater leverage, the financing segment achieved promising growth despite of the moderated credit demand in the market. During the Year, revenue from the financing segment grew by 66.1% to HK\$773.4 million (2015: HK\$465.8 million), accounting for 78.4% (2015: 55.8%) of the Group's total revenue.

Brokerage

The Group currently provides brokerage services for securities, futures and options traded on exchanges in Hong Kong, the Mainland China (via Shanghai- and Shenzhen-Hong Kong Stock Connect schemes respectively) and major exchanges in overseas countries, as well as wealth management and asset management services. Amid a subdued market turnover, the revenue from the brokerage segment decreased to HK\$109.2 million (2015: HK\$151.5 million), accounting for 11.1% (2015: 18.1%) of total revenue.

As at 30 September 2016, the Group operated 11 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. As a dynamic financial institution, the Group has actively introduced mobile trading platforms which allow users to manage their accounts from portable devices, enabling customers to seamlessly access the global market. During the Year, the Group upgraded its SPTrader Pro mobile trading platform to introduce Hong Kong stock options trading services on top of Hong Kong and global stock and futures products being traded on the existing platform, and featured a totally redesigned user friendly interface. The Group also flourished its product offerings by introducing trading services for USD/CNH futures contracts on the Singapore Exchange Limited.

Given the growing complexity of financial products and services, the Group addressed the importance of investors education by hosting a series of informative workshops and seminars, helping clients to more accurately navigate the financial marketplace. During the Year, the Group partnered with Sina Finance, a leading Chinese financial news portal, to launch the “Hong Kong Securities Investment Contest”, offering an exciting opportunity for Mainland China investors to experience trading Hong Kong securities through a mock platform by using virtual funds. The contest received an overwhelming response, attracting close to 10,000 participants who wish to sharpen their investment skills in Hong Kong securities trading.

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, the Group runs a private equity fund – “Emperor Greater China Opportunities Fund”, covering a basket of selected equities focusing on the Greater China region. The Group also provides customised discretionary investment services to its customers.

Placing and Underwriting

The Group offers placing and underwriting services, and acts as placing agents and underwriters for various Hong Kong listed companies.

Revenue from the placing and underwriting segment was HK\$88.2 million (2015: HK\$180.0 million), accounting for 8.9% (2015: 21.6%) 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 Joint Bookrunner and Joint Lead Manager in the share offer for the IPO of Get Nice Financial Group Limited, which was listed on the Main Board of the Stock Exchange in April 2016. The Group acted as Sole Bookrunner and Joint Lead Manager in the IPO placing of Li Bo Ge Group Limited, which was listed on the Growth Enterprise Market Board of the Stock Exchange in June 2016.

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.

During the Year, revenue from the corporate finance segment was HK\$15.4 million (2015: HK\$37.8 million), accounting for 1.6% (2015: 4.5%) of total revenue.

Events after the Reporting Period

On 14 November 2016, the Company entered into a placing agreement for placing of 3-year unsecured bonds of up to an aggregate principal amount of HK\$400.0 million by 31 January 2017. The interest rate of such bonds is 5.0% per annum, payable annually in arrears.

On 1 December 2016, the Company entered into a share subscription agreement for allotment and issue of a total of 612,900,000 shares (“Subscription Shares”) at HK\$0.66 per share. The subscriber of the Subscription Shares is a subsidiary of China Taiping Insurance Holdings Company Limited (Stock Code: 966), 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 from the Subscription Shares will be approximately HK\$404.5 million.

The proceeds to be raised from the two fund raising exercises are intended to be used for the expansion of existing businesses of the Group, especially for the money lending business, and to finance any future opportunities as the Company may identify, and repayment of loans and borrowings.

Outlook

The Group’s strength especially lies in its ability to provide tailor-made loan solutions to its customers, together with value-added services. The Group intends to capitalise on its unique market position to expand the lending business, and explore new opportunities spanning various loan products. While expanding the financing segment, the Group strives to diligently maintain a sound credit management framework which includes stringent credit risk control, systematic collateral valuation and in-depth assessment of potential customers’ creditworthiness. To fuel the expansion of the financing segment, the Group is focused on strengthening its capital base, to enhance lending capacity. The Group is also committed to maintaining long-standing customer relationships and constantly seeking new customers.

The eagerly awaited Shenzhen-Hong Kong Stock Connect scheme – the second cross border trading initiative after the launch of Shanghai-Hong Kong Stock Connect scheme in 2014 – has commenced on 5 December 2016. In this regard, the Group fully complies with relevant systems and operational requirements to ensure smooth operation.

Substantial progress has been made toward the opening of Mainland China’s capital market to international investors. As a major international financial centre, Hong Kong will continue to play a prominent role in connecting the Mainland China market to the rest of the world, thereby creating a constructive operating environment for the development of Hong Kong’s financial services sector. Leveraging its proven business model, the Group remains cautiously optimistic regarding maximising potential in the capital market and driving long-term solid business growth.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2016, the Group had 118 (2015: 120) account executives and 152 employees (2015: 150). Total staff costs (including directors’ remuneration) were approximately HK\$93.8 million (2015: HK\$80.3 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, 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 HK1.28 cents per share for the year ended 30 September 2016 (“Final Dividend”) (2015: HK1.60 cents per share), amounting to approximately HK\$78.4 million (2015: HK\$92.0 million), subject to the approval of the shareholders at the forthcoming annual general meeting (“AGM”) of the Company to be held on 26 January 2017 (Thursday). If being approved, the Final Dividend will be paid on 24 February 2017 (Friday) to shareholders whose names appear on the register of members of the Company on 7 February 2017 (Tuesday) (the “Dividend Record Date”). In the event that 612,900,000 new shares are allotted and issued by the Company pursuant to the subscription agreement entered into by the Company on 1 December 2016 (the “Subscription Agreement”) prior to the Dividend Record Date, the aggregate amount of the Final Dividend will be approximately HK\$86.3 million. Details of the Subscription Agreement are set out in the announcement of the Company dated 1 December 2016.

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 2017 (Tuesday)
Book close dates	25 and 26 January 2017 (Wednesday and Thursday)
Record date	26 January 2017 (Thursday)
AGM	26 January 2017 (Thursday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 3 February 2017 (Friday)
Book close dates	6 and 7 February 2017 (Monday and Tuesday)
Record date	7 February 2017 (Tuesday)
Final Dividend payment date	24 February 2017 (Friday)

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 2016 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 2016 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 2016 and results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

During the Year, the Company had complied 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 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, 8 December 2016

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