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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 2011**

FINANCIAL HIGHLIGHTS:		
<i>HK\$'000 (Audited)</i>	For the year ended 30 September	
	2011	2010
Revenue	204,439	201,931
– Brokerage	98,723	85,630
– Loans & Financing	63,960	47,330
– Placing & Underwriting	28,997	62,295
– Corporate Finance	12,146	6,676
– Asset Management	613	–
Profit for the year attributable to Owners of the Company	62,098	72,106
		(Restated)
Earnings per Share (Basic & diluted)	HK 4.39 cents	HK 6.86 cents

* *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 audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 September 2011 together with comparative figures for the corresponding year in 2010 as set out below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue	4	204,439	201,931
Other operating income		4,910	3,529
Staff costs		(43,367)	(39,004)
Commission expenses		(43,678)	(33,986)
Other expenses		(47,480)	(42,850)
Finance costs	5	(1,102)	(2,296)
Share of loss of an associate		(730)	(2,242)
		<hr/>	<hr/>
Profit before taxation	6	72,992	85,082
Taxation	7	(11,413)	(13,139)
		<hr/>	<hr/>
Profit for the year		61,579	71,943
Other comprehensive income:			
Fair value gain from revaluation of available-for-sale financial assets		7,900	–
Exchange differences arising on translation		7	14
		<hr/>	<hr/>
Total comprehensive income for the year		69,486	71,957
		<hr/> <hr/>	<hr/> <hr/>
Profit for the year attributable to:			
Owners of the Company		62,098	72,106
Non-controlling interests		(519)	(163)
		<hr/>	<hr/>
		61,579	71,943
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to:			
Owners of the Company		70,005	72,120
Non-controlling interests		(519)	(163)
		<hr/>	<hr/>
		69,486	71,957
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	9		
Basic and diluted		HK4.39 cents	(Restated) HK6.86 cents
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Non-current assets			
Interests in an associate		–	–
Property and equipment		4,255	5,933
Intangible assets		–	–
Other assets		4,814	8,064
Amount due from an associate		3,624	4,354
Available-for-sale financial assets		8,036	136
Deferred tax asset		–	–
		20,729	18,487
Current assets			
Trade receivables	10	511,177	1,710,467
Loans and advances	11	184,600	30,000
Other debtors, deposits and prepayments		12,886	6,197
Bank balances and cash – trust accounts		435,073	398,125
Bank balances and cash – general accounts		637,327	110,440
		1,781,063	2,255,229
Current liabilities			
Trade payables	12	544,320	538,937
Other creditors and accrued charges		19,645	18,661
Tax liabilities		23,662	12,319
Short-term bank borrowings		–	1,116,070
		587,627	1,685,987
Net current assets		1,193,436	569,242
Net assets		1,214,165	587,729
Capital and reserves			
Share capital		25,974	8,658
Reserves		1,188,383	578,744
Equity attributable to owners of the Company		1,214,357	587,402
Non-controlling interest		(192)	327
Total equity		1,214,165	587,729

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 and by the Hong Kong Companies Ordinance.

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

2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2010 in relation to the amendments to HKFRS 3 (as revised in 2008), HKAS 27 and HKAS 28, HKAS 31 and HKAS 21
HKAS 32 (Amendment)	Classification of Right Issues
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK-Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of these new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Notes: (Continued)

2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)
(Continued)

The Group has not early applied the following new or revised standards, amendments and interpretation that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ²
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ²
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ³
HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Interests in Other Entities ³
HKFRS 13	Fair Value Measurement ³
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ⁵
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁴
HKAS 19 (as revised in 2011)	Employee Benefits ³
HKAS 24 (Revised)	Related Party Disclosures ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ³
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ³
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirements ¹
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ³

¹ Effective for annual periods beginning on or after 1 January 2011.

² Effective for annual periods beginning on or after 1 July 2011.

³ Effective for annual periods beginning on or after 1 January 2013.

⁴ Effective for annual periods beginning on or after 1 January 2012.

⁵ Effective for annual periods beginning on or after 1 July 2012.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of *HKAS 39 Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

Notes: (Continued)

2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRS”)
(Continued)

In relation to financial liabilities, the significant change related to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors of the Company anticipate that the application of the other new or revised HKFRSs will have no material impact on the Group’s consolidated financial statements.

Notes: (Continued)

3. Segment information

Information reported to the Board of Directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

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

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

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 30 September 2011

	Brokerage	Financing	Placing and underwriting	Corporate finance	Asset Management	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE							
Segment revenue – external customers	98,723	63,960	28,997	12,146	613	-	204,439
Inter-segment sales	-	5,638	-	-	-	(5,638)	-
	<u>98,723</u>	<u>69,598</u>	<u>28,997</u>	<u>12,146</u>	<u>613</u>	<u>(5,638)</u>	<u>204,439</u>

Inter-segment sales are charged at prevailing market rate.

	Brokerage	Financing	Placing and underwriting	Corporate finance	Asset Management	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS						
Segment results	<u>28,828</u>	<u>62,863</u>	<u>17,786</u>	<u>4,872</u>	<u>508</u>	<u>114,857</u>
Unallocated other operating income						683
Unallocated corporate expenses						
– Administrative staff costs (include directors' remuneration)						(27,140)
– Management fee to a related company						(259)
– Management fee to a fellow subsidiary						(4,580)
– Others						(9,839)
Share of loss of an associate						(730)
Profit before taxation						<u>72,992</u>

Notes: (Continued)

3. Segment information (Continued)

Segment revenue and results (Continued)

For the year ended 30 September 2010

	Brokerage HK\$'000	Financing HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE						
Segment revenue – external customers	85,630	47,330	62,295	6,676	-	201,931
Inter-segment sales	-	3,668	-	-	(3,668)	-
	<u>85,630</u>	<u>50,998</u>	<u>62,295</u>	<u>6,676</u>	<u>(3,668)</u>	<u>201,931</u>

Inter-segment sales are charged at prevailing market rate.

	Brokerage HK\$'000	Financing HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Total HK\$'000
RESULTS					
Segment results	<u>25,283</u>	<u>45,035</u>	<u>56,767</u>	<u>819</u>	<u>127,904</u>
Unallocated other operating income					211
Unallocated corporate expenses					
– Administrative staff costs (include directors' remuneration)					(25,830)
– Management fee to related companies					(4,539)
– Others					(10,422)
Share of loss of an associate					(2,242)
Profit before taxation					<u>85,082</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 (include directors' remuneration), management fee to related companies, central administration costs and share of loss of an associate. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Notes: (Continued)

3. Segment information (Continued)

Other segment information

	Brokerage <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Placing and underwriting <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended						
30 September 2011						
Additions of property and equipment	808	-	-	-	33	841
Depreciation of property and equipment	2,510	-	-	-	10	2,520
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the year ended						
30 September 2010						
Additions of property and equipment	1,754	-	-	-	-	1,754
Depreciation of property and equipment	2,458	-	-	11	-	2,469
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </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 and asset management revenue.

	Revenue	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	184,656	191,187
United States	16,292	9,399
Others	3,491	1,345
	<u> </u>	<u> </u>
	204,439	201,931
	<u> </u>	<u> </u>

All non-current assets held by the Group (other than interests in an associate and other assets) are located in Hong Kong.

Information about major customer

There is no single customer who contributes 10% or more of the Group's revenue for both years.

Notes: (Continued)

4. Revenue

	2011	2010
	HK\$'000	HK\$'000
Commission and brokerage fees on dealing in securities	55,405	59,941
Commission and brokerage fees on dealing in futures and options contracts	27,029	16,341
Commission from insurance brokerage and wealth management	14,201	8,496
Commission from asset management	613	–
Corporate finance advisory services fee income	12,146	6,676
Placing and underwriting commission	28,997	62,295
Interest income from:		
Margin and initial public offer financing	36,127	33,038
Loans and advances	27,832	14,292
Bank deposits	2,086	850
Others	3	2
	<u>204,439</u>	<u>201,931</u>

5. Finance costs

	2011	2010
	HK\$'000	HK\$'000
Interest on:		
Bank overdrafts and loans wholly repayable within five years	1,034	2,206
Amount due to a related company	–	78
Amount due to an immediate holding company	57	–
Others	11	12
	<u>1,102</u>	<u>2,296</u>

Notes: (Continued)

6. Profit before taxation

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Included in other expenses:		
Advertising and promotion expenses	5,803	4,822
Auditor's remuneration	1,254	1,200
Depreciation of property and equipment	2,520	2,469
Management fee to a related company(ies)	989	5,506
Management fee to a fellow subsidiary	4,580	–
Net exchange gain	(12)	(11)
Operating lease rentals in respect of		
– rented premises	6,726	5,507
– equipment	2,211	68
Other equipment rental expense	8,930	9,170
Legal and professional fee	920	814
	<u> </u>	<u> </u>
Included in other operating income:		
Handling fee income	(3,409)	(3,250)
	<u> </u>	<u> </u>

7. Taxation

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current year:		
Hong Kong Profits Tax for the year	11,359	12,319
PRC Enterprise Income Tax	54	68
Deferred taxation		
– charge for the year	–	752
	<u> </u>	<u> </u>
	<u>11,413</u>	<u>13,139</u>

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

Notes: (Continued)

8. Dividends

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Recognised as distribution:		
Interim dividend paid: HK\$0.01 per share (2010: HK\$0.01 per share)	8,658	8,658
Final dividend paid in respect of 2010: HK\$0.015 per share (2010: HK\$0.005 per share in respect of 2009)	<u>12,987</u>	<u>4,329</u>
	<u><u>21,645</u></u>	<u><u>12,987</u></u>

The Directors proposed the payment of a final dividend of HK0.38 cent per share amounting to HK\$9,870,000 (2010: HK1.5 cents per share amounting to HK\$12,987,000) for the year ended 30 September 2011, 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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>62,098</u>	<u>72,106</u>
	2011 '000	2010 '000 (restated)

Number of shares

Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	<u>1,415,960</u>	<u>1,051,778</u>
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The computation of diluted earnings per share does not take into consideration of the Company's outstanding share options because the exercise price of the Company's share options was higher than the average market price of the Company's shares for the year ended 30 September 2011 and 2010.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for the year ended 30 September 2011 and 2010 have been adjusted to reflect the bonus element of the rights issue during the year ended 30 September 2011.

Notes: (Continued)

10. Trade receivables

	As at 30 September	
	2011	2010
	HK\$'000	HK\$'000
Trade receivables from the business of dealing in securities:		
Clearing houses, brokers and cash clients	47,056	82,306
Secured margin loans	378,724	440,465
Initial public offering margin loans	–	1,118,993
Trade receivables from the business of dealing in futures contracts:		
Clearing houses and brokers	83,987	68,485
Trade receivables from the business of corporate finance	1,410	218
	<u>511,177</u>	<u>1,710,467</u>

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

For secured margin loans, as at 30 September 2011 and 2010, the total market value of securities pledged as collateral in respect of the loans to margin clients were approximately HK\$3,405,308,000 and HK\$4,645,505,000 respectively. The loans to margin clients bear variable interest at commercial rate, and are repayable on demand. No collateral was pledged for other trade receivables.

As at 30 September 2011, trade receivables from foreign brokers denominated in Japanese Yen and United States dollar were approximately HK\$140,000 (2010: HK\$30,000) and HK\$65,332,000 (2010: HK\$46,047,000) respectively.

For the balance of trade receivables which were due from various debtors, each represents less than 15% of the total balance, the Group did not have any significant concentration of credit risk for both years.

Notes: (Continued)

10. Trade receivables (Continued)

The aged analysis of the trade receivables, which are past due but not impaired, are as follows:

	As at 30 September	
	2011	2010
	HK\$'000	HK\$'000
Past due:		
0 – 30 days	11,507	6,404
31 – 60 days	69	72
61 – 90 days	82	50
Over 90 days	4,378	63
	<hr/>	<hr/>
Trade receivables which were past due but not impaired	16,036	6,589
Trade receivables which were neither past due nor impaired	495,141	1,703,878
	<hr/>	<hr/>
	511,177	1,710,467
	<u><u>511,177</u></u>	<u><u>1,710,467</u></u>

Notes:

- (a) The Group has policy for impairment on trade receivables for those trade receivables without sufficient collaterals and with default or delinquency in interest or principal payment, which is based on the evaluation of collectability and aged analysis of accounts and on management's judgement including the current creditworthiness, collaterals value and the past collection history of each client.
- (b) Movement in the impairment allowance on trade receivables:

	As at 30 September	
	2011	2010
	HK\$'000	HK\$'000
Balance at the beginning of the year	–	38,051
Amounts written off as uncollectable	–	(38,051)
	<hr/>	<hr/>
Balance at the end of the year	–	–
	<u><u>–</u></u>	<u><u>–</u></u>

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors of the Company believe that there is no further provision required in excess of the allowance for impairment.

Included in the Group's trade receivables are debtors which are past due at the reporting date for which the Group has not provided as the Group believes that the amounts are recoverable and no impairment is made.

Notes: (Continued)

11. Loans and advances

	As at 30 September	
	2011	2010
	HK\$'000	HK\$'000
Short-term fixed-rate loan receivables	<u>184,600</u>	<u>30,000</u>

The effective interest rates of all of the Group's loan receivables are as follows:

	As at 30 September	
	2011	2010
Effective interest rate:		
Fixed-rate loan receivables	1.5% per month – 4.7% per month	4.7% per month

Included in the loans and advances as at 30 September 2011 are secured loans and advances with the aggregate amount of HK\$144,600,000 (2010: nil). The remaining amount of HK\$40,000,000 (2010: HK\$30,000,000) are unsecured.

Included in the secured loans and advances as at 30 September 2011, there was an advance made to a corporate, which is an independent third party of the Group, amounting to HK\$65,000,000 representing 45% of the total balance of secured loans and advances, with security of a second legal charge in respect of a commercial property in Hong Kong, which will be due for repayment in July 2012. For the remaining balances of secured loans and advances which are advanced to various independent individual/corporate borrowers that each represents less than 20% of the total balance of secured loans and advances and secured by marketable securities in Hong Kong and will be due for repayment within the range between November 2011 to March 2012.

At 30 September 2011, the unsecured loans and advances amounting to \$40,000,000 was advanced to two borrowers as a loan which was agreed to be placed in escrow in a law firm, K&L Gates, as an escrow agent. It was reported that a partner of K&L Gates was arrested by the Hong Kong Police and charged with theft and forgery with respect to monies in the escrow accounts. The Group has commenced legal proceedings against the borrowers and the partners of K&L Gates. Based on the opinion of the Group's legal advisors, the management of the Group is of the view that there is no impairment loss being recognized as at 30 September 2011. The unsecured loans and advances as at 30 September 2010 represented a loan advanced to an independent corporate borrower and the balance had been subsequently settled in full on its maturity date in October 2010.

The Group has policy for impairment on loans and advances for those without sufficient collaterals or with default or delinquency in interest or principal payment, which is based on the closely monitor of evaluation of collectability of accounts and on management's judgment included the current creditworthiness, collaterals value and the past collection history of each client. Accordingly, the Directors of the Company believe that there is no allowance for impairment is made.

The fair values of the Group's loans and advances at the end of the reporting period, determined based on the present value of the estimated future cash flows discounted using the prevailing market rates at the end of each reporting period approximate to the corresponding carrying amount of the receivables.

12. Trade payables

	As at 30 September	
	2011	2010
	HK\$'000	HK\$'000
Trade payables from the business of dealing in futures contracts:		
Margin clients	203,849	132,976
Trade payables from the business of dealing in securities:		
Clearing house	11,979	–
Margin and cash clients	328,492	405,961
	<u>544,320</u>	<u>538,937</u>

The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date and trade payables arising from the business of dealing in futures contracts are one day after trade date. No aged analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of this business.

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

Included in trade payables amounts of HK\$435,073,000 and HK\$398,125,000 as at 30 September 2011 and 2010 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 the conduct of regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

As at 30 September 2011, trade payables denominated in Japanese Yen and United States dollars were approximately HK\$1,197,000 (2010: HK\$172,000) and HK\$114,800,000 (2010: HK\$78,200,000) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Established in 1993, the Group is a renowned Hong Kong based brokerage house providing a wide range of financial services including (i) brokerage services for securities, futures and options traded on the exchanges in Hong Kong, the United States, Japan and the United Kingdom, (ii) provision of margin and IPO financings as well as loans and advances to its clients, (iii) corporate finance advisory, and (iv) wealth management and asset management services.

Market Review

The global economic and financial environment were exceptionally complex for the year ended 30 September 2011 (the “Year”) due to the lack lustre rebound in US economic growth, the ongoing European debt crisis, and Japan’s massive earthquake in March 2011. Although the emerging markets are more outperformed than developed markets, they continued to face the challenges of capital inflow and the increasing pressure of inflation. As a result, the global financial markets have been volatised.

Despite of the above, China’s economy maintained a fair growth. During the Year, the Central Government implemented a series of measurement against the potential real estate market bubbles and inflation. These measures successfully steered the Chinese economy towards the direction anticipated under macro-economic controls and secured a healthy general growth momentum.

Led by factors such as inflationary pressures coming from both the external and domestic fronts and further liquidity tightening in China, Hong Kong is facing the possibility of a decline in its competitiveness. In the circumstances, the Government of the HKSAR has actively developed RMB related products and services so as to solidify its position as a major RMB offshore settlement centre. Investors by far have reacted positively to this transformation.

Subsequent to the massive earthquakes and potential release of radiation in Japan in mid-March 2011, some of the direct investments and funds in Japan have been relocated to other Asian countries, resulting an increase of market opportunities in Hong Kong due to the substantial influx of hot money to Greater China.

Financial Review

During the Year, the Group’s revenue increased by 1.2% to HK\$204.4 million (2010: HK\$201.9 million). Profit for the Year attributable to owners of the Company was approximately HK\$62.1 million (2010: HK\$72.1 million). Basic earnings per share were HK4.39 cents. The Group proposed a final dividend of HK0.38 cent per share. Together with the interim dividend of HK1 cent per share, the total dividend per share for the Year was HK1.38 cents.

Business Review

Dedicated to the Group's continuous efforts on business development and comprehensive services, the Group was named the Top 5 "2010 Best Overall Local Brokerage" awarded by Asia Money Magazine during the Year.

Brokerage

The Group provides brokerage services for securities, futures and options traded on the exchanges in Hong Kong, the United States, Japan and the United Kingdom as well as insurance-linked products and estate agency brokerage.

During the Year, revenue generated from the brokerage services segment amounted to HK\$98.7 million (2010: HK\$85.6 million), accounting for 48.3% (2010: 42.4%) of the revenue of the Group. Riding on the strong customer loyalty and extensive branch network, the Group's frontline teams is able to drive a revenue growth of 15.3%.

A branch was newly established in Yuen Long in August 2011 to further enhance its comprehensive network in Hong Kong and expand its client base.

During the Year, the mobile trading platforms through iPhone, iPad and Android have been launched to create value-added services for the existing customers and expand the market horizon.

With respect to the wealth management team, the Group continued to focus on investors from the mainland in relation to Capital Investment Entrant Scheme (the "CIES") to grasp the market opportunities on the growing customers' demand for diversifying its assets under wealth management.

Loans and Financing

Major source of revenue in this segment comes from interest income from margin and IPO financing as well as loans and advances.

During the Year, market sentiment provided incentives for fund raising and corporate exercise. Driven by the market demand, revenue from this segment was up by 35.1% to HK\$64.0 million (2010: HK\$47.3 million).

Placing and Underwriting

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

During the Year, this segment recorded revenue of HK\$29.0 million (2010: HK\$62.3 million), accounting for 14.2% of the Group's total revenue. The Group participated in numerous fund-raising engagements during the Year while the number of non-IPO engagements increased. Riding on the solid client base and professional team, the Group secured more encore clients to do the secondary market financing services.

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 IPO on top of general corporate finance advisory services. Apart from IPO-related services, the Group offers secondary market financing services such as placing, rights issues and advisory services on various corporate transactions including merger and acquisition.

During the Year, this segment was up by 81.9% significantly to HK\$12.1 million (2010: HK\$6.7 million), which accounted for 5.9% of the Group's total revenue. Driven by the strong execution strengths of the corporate finance team, the Group was appointed as financial adviser for a number of corporate transactions and secured several IPO sponsor mandates for companies seeking to be listed on both the Main Board and the GEM Board of the Stock Exchange. In May 2011, the Group had successfully sponsored GreaterChina Professional Services Limited to list on the GEM Board of the Stock Exchange where the Group also acted as the co-manager in the IPO share placing.

Asset Management

In order to cater various investment needs of customers, the Group commenced a new business segment in asset management.

During the Year, the revenue of this segment was HK\$0.6 million, accounting for 0.3% of the Group's total revenue.

The Group has set up the first Emperor Fund, with the focus on equities in the Greater China region, during the Year.

OUTLOOK

Riding on China's growing economy, thus the increasing commercial opportunities from China, the Group will continue to strengthen its China business in future. Following the extension of the scope of pilot RMB settlement in cross-border trade, the pace of developing Hong Kong into an offshore RMB financial centre is expected to accelerate. Dedicated to the Group's continuous efforts, the Group is fully capable to handle the trading and settlement of RMB-denominated stocks(s) listing on the Stock Exchange.

Other than the existing presence in Shenzhen and Shanghai, the Group has newly set up a liaison office in Beijing in October 2011 to further extend its coverage to the northern China.

Facing the growing demand of CIES customers on shifting their investment portfolio from real estate to securities and bonds, the Group will put more efforts on capturing the market window and further strengthening the team in their consultation advice on asset management.

With the commencement of new business in asset and fund management, the Group will widen the product and service range for catering the various investment needs of customers. More importantly, the first Emperor Fund, with the focus on equities in the Greater China region, has closed the book in September 2011. It is expected that its concurrent management fee and performance fee will be the new revenue sources of income in the next financial year.

With the well established base of margin financing, the Group takes a good chance to accelerate the expansion of the money lending business and second mortgage loan to generate stable income stream.

The Group will continue to improve its current securities online trading platform for capturing the untapped market and creating value-added services to the existing customers.

Looking forward, the Group will continue to implement strategic development plans and better allocation of resources to provide a comprehensive one-stop consultation advisory and investment platform for customers. As investors nowadays have grown increasingly sophisticated and taken more prudent approach during the volatile market, the Group will provide tailor-made and quality investment solutions for its customers with scientific and professional assessment to satisfy their needs. The Group will also strive to explore both the domestic and international markets and expand its institutional and retail clientele, in order to consolidate its market share, utilise competitive edges and procure steady growth in business volume.

FINAL DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK0.38 cent per share (“Final Dividend”) for the year ended 30 September 2011 (2010: HK1.5 cents per share), amounting to approximately HK\$9.9 million (2010: HK\$13.0 million), subject to the approval of the shareholders at the forthcoming annual general meeting (“AGM”) of the Company to be held on 8 February 2012 (Wednesday). If approved, the Final Dividend will be paid on 28 February 2012 (Tuesday) to shareholders whose names appear on the register of members of the Company on 16 February 2012 (Thursday).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders’ right to attend and vote at AGM

Latest time to lodge transfers	4:30 p.m. on 6 February 2012
Book close date	7 February 2012
Record date	7 February 2012
AGM	8 February 2012

For ascertaining shareholders’ entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 14 February 2012
Book close dates	15 to 16 February 2012
Record date	16 February 2012
Final Dividend payment date	28 February 2012

In order to qualify for the right to attend and vote at the AGM and for the Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration before the above latest time to lodge transfers. Dividend warrants will be despatched on 28 February 2012 (Tuesday).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

On 2 June 2011, the Company announced the rights issue on the basis of two rights shares for every one existing share held on the record date, i.e. 13 July 2011, at the subscription price of HK\$0.338 per rights share (the "Rights Issue"). The Rights Issue was completed on 4 August 2011 and net proceeds of HK\$578 million were raised and 1,731,622,544 new shares of the Company have been issued.

During the Year, the Group mainly financed its operations by cash generated from operations, the proceeds from the Rights Issue and short-term bank borrowings.

As at 30 September 2011, the Group's current assets and current liabilities were approximately HK\$1,781.1 million and HK\$587.6 million respectively. The Group had no bank borrowings and zero gearing ratio was recorded (calculated based on the basis of total bank and other borrowings over total equity). With the support of the Group's bank balances and cash amounting to HK\$637.3 million (2010: HK\$110.4 million), the Group demonstrated a strong financial position and healthy cash flow. In addition, its available unutilised bank facilities were approximately HK\$270 million.

With the Group's sufficient bank balances and cash as well as its existing banking facilities, the Board considers the Group has sufficient working capital for its operation and the future development of the Group.

As at 30 September 2011, the Group has operating lease commitment of approximately HK\$17.8 million.

FOREIGN EXCHANGE EXPOSURE

As at 30 September 2011, the Group did not have any material foreign exchange exposure.

CONTINGENT LIABILITY

During the Year, the Group had placed an aggregate amount of HK\$40,000,000 (the "Escrow Funds") with a solicitor firm in Hong Kong, namely, K&L Gates, as an escrow agent (the "Escrow Agent"), of which HK\$25,000,000 and HK\$15,000,000 were advanced to two respective borrowers as a loan which were agreed to be held in escrow by the Escrow Agent. The Escrow Funds had fallen due and became payable to the Group in June 2011. Despite the Group's repeated requests to K&L Gates for the release of the Escrow Funds, the Group had not received the Escrow Funds. It

was reported that a partner of K&L Gates was arrested by the Hong Kong Police and charged with theft and forgery with respect to monies held in escrow account. In early July of 2011, the Group had commenced legal proceedings against the two borrowers and all the partners of K&L Gates, claiming for the return of the Escrow Funds, plus interests and legal costs. As at the date hereof, statements of claim had been filed, and that a final and interlocutory judgment was entered against the aforesaid arrested partner and the two borrowers, but the actions against K&L Gates continued with a hearing being fixed in January 2012. Based on the legal advice sought, the management of the Group is of the opinion that the Group has a reasonable good prospect of success in obtaining judgment against the rest of the partners of K&L Gates, in which event, each of them will be personally liable to the Group to satisfy the judgment.

It is currently expected that the enforcement of the judgment, if obtained, to recover the debt of HK\$40,000,000 would be carried out in the year of 2012. Based on the opinion of the Group's legal advisors, the management of the Group is of the view that there is no impairment loss being recognised as at 30 September 2011. However, in the event that the actual future cash flows are less than expected, an impairment loss may arise in future period.

Save as disclosed above, so far as known to the Directors, there was no other litigation, arbitration or claim of material importance in which the Company is engaged or pending or which was threatened against the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2011, the Group has 203 (2010: 196) account executives and 103 employees (2010: 85). Total staff costs (including Directors' remuneration) were approximately HK\$43.4 million (2010: HK\$39.0 million). Employees' remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to retirement benefit scheme, medical insurance and other fringe benefits.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

As the Board has adopted various policies for the purpose to ensure compliance with all provisions of the Code on Corporate Governance Practices 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. Currently, the Board has appointed Ms. Daisy Yeung as the Managing Director of the Company, who also assumes the responsibility to lead the Board and ensure the Board works effectively. The Board is of the opinion that the current 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 have 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.

REVIEW OF ANNUAL RESULTS

The annual results for the Year have been reviewed by the audit committee of the Company, which comprises the three Independent Non-Executive Directors of the Company.

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.emperorcapi.com>). The annual report will be dispatched 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 2011

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

Executive Directors: Ms. Daisy Yeung (*Managing Director*)
Ms. Choi Suk Hing, Louisa
Ms. Pearl Chan

Independent Non-Executive Directors: Mr. Kwok Chi Sun, Vincent
Mr. Cheng Wing Keung, Raymond
Mr. Chu Kar Wing