



# 英皇證券集團有限公司 Emperor Capital Group Limited

Incorporated in Bermuda with limited liability  
(Stock Code : 717)

## Driving balanced growth with sustainable strategies







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# CORPORATE INFORMATION

## DIRECTORS

Daisy Yeung (*Managing Director*)  
Chan Shek Wah  
Choi Suk Hing, Louisa  
Pearl Chan  
Kwok Chi Sun, Vincent\*  
Cheng Wing Keung, Raymond\*  
Chu Kar Wing\*

\* Independent Non-executive Directors

## COMPANY SECRETARY

Choi Suk Hing, Louisa

## AUDIT COMMITTEE

Kwok Chi Sun, Vincent (*Chairman*)  
Cheng Wing Keung, Raymond  
Chu Kar Wing

## REMUNERATION COMMITTEE

Chu Kar Wing (*Chairman*)  
Daisy Yeung  
Kwok Chi Sun, Vincent

## NOMINATION COMMITTEE

Cheng Wing Keung, Raymond (*Chairman*)  
Daisy Yeung  
Chu Kar Wing

## CORPORATE GOVERNANCE COMMITTEE

Choi Suk Hing, Louisa (*Chairperson*)  
Kwok Chi Sun, Vincent  
Cheng Wing Keung, Raymond  
A representative from company secretarial function  
A representative from finance and accounts function

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL OFFICE

24th Floor  
Emperor Group Centre  
288 Hennessy Road  
Wanchai  
Hong Kong

## REGISTRAR (in Bermuda)

MUFG Fund Services (Bermuda) Limited  
26 Burnaby Street  
Hamilton HM11  
Bermuda

## REGISTRAR (in Hong Kong)

Tricor Secretaries Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
The Bank of East Asia, Limited  
Industrial and Commercial Bank of China (Asia) Limited  
Wing Hang Bank Limited  
Hang Seng Bank Limited

## AUDITOR

Deloitte Touche Tohmatsu

## INVESTOR RELATIONS CONTACT

Luk Man Ching, Anna  
Email: [ir717@emperorgroup.com](mailto:ir717@emperorgroup.com)

## WEBSITE

<http://www.emperorcapi.com>

## STOCK CODE

Hong Kong Stock Exchange: 717

## KEY DATES

Annual Results Announcement	3 December 2013
Book close dates	
– for AGM	21 - 22 January 2014
– for Final Dividend	28 - 29 January 2014
Record dates	
– for AGM	22 January 2014
– for Final Dividend	29 January 2014
Annual General Meeting	22 January 2014
Payment of Final Dividend	21 February 2014 (HK1.3 cents per share)

## CORPORATE COMMUNICATIONS

This Annual Report (in both English and Chinese versions) is available to any shareholder in printed form and on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) and the Company. In order to protect the environment, the Company highly recommends the shareholders to elect to receive electronic copy of this Annual Report. Upon written request, a free printed version of Corporate Communication will be sent to the shareholders who have elected to receive electronic copies but for any reason have difficulty in receiving or gaining access to any Corporate Communication through the Company's website. Shareholders may have the right to change their choice of receipt of our future Corporate Communications at any time by reasonable notice in writing to the Company or the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, by post or by email at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com).

# FINANCIAL HIGHLIGHTS

*The Group had pushed forward a strategic transformation from a traditional local brokerage house to a one-stop financial institution. As evidenced by revenue growth across all segments, the Group had delivered outstanding performance in financial year 2012/13.*

HK\$'000 (Audited)	For the year ended 30 September			
	2013 <i>Per reported</i>	2013 <i>Excluding allowance for loan receivable<sup>1</sup></i>	2012	Changes
Revenue	<b>434,804</b>	<b>434,804</b>	223,801	<b>+94.3%</b>
– Brokerage	<b>99,927</b>	<b>99,927</b>	75,536	<b>+32.3%</b>
– Financing	<b>180,049</b>	<b>180,049</b>	94,395	<b>+90.7%</b>
– Placing & Underwriting	<b>143,588</b>	<b>143,588</b>	42,819	<b>+235.3%</b>
– Corporate Finance	<b>11,240</b>	<b>11,240</b>	11,051	<b>+1.7%</b>
Profit for the year attributable to owners of the Company	<b>155,745</b>	<b>163,745</b>	75,411	<b>+117.1%</b>
Net profit margin	<b>35.8%</b>	<b>37.7%</b>	33.7%	<b>+4.0 ppts</b>
Earnings per share (basic & diluted)	<b>HK6.0 cents</b>	<b>HK6.3 cents</b>	HK2.9 cents	<b>+117.2%</b>
Total dividend per share	<b>HK1.8 cents</b>	<b>HK1.8 cents</b>	HK0.76 cent	<b>+136.8%</b>

<sup>1</sup> Allowance for loan receivable was not actual expense, which amounted to HK\$12.0 million and HK\$8.0 million in FY2011/12 and FY2012/13 respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

Established in 1993, Emperor Capital Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is a renowned Hong Kong based financial institution providing a wide range of financial services including

- **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 wealth management and asset management services;**
- **margin and IPO financings as well as loans and advances such as personal money lending and second mortgage loan;**
- **placing and underwriting services; and**
- **corporate finance advisory services.**



## MARKET REVIEW

During the year ended 30 September 2013 (the "Year"), market sentiment had improved on the back of gradual recovery in the global economy. New policy initiatives in major developed economies had helped to ease monetary tension and stabilised consumer, business and investor confidence in a global perspective. As risk aversion among institutional and individual investors had continued to fade, equity trading activities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") witnessed an upward trend with average daily turnover increasing by 13.0% to HK\$61.81 billion in the Year.

According to the Stock Exchange, the number of new listings in the Year decreased to 57 from 78 in last financial year. Despite a decrease in number of new listings, level of funds raised in initial public offerings (IPOs) reached HK\$103.64 billion and stayed flat when compared with last financial year. Fund raising activities in the secondary market had gained momentum as enterprises sought to raise funds for expansion in view of improved economic outlook.

Demands for diversified loan products like personal loans, tax loans and bridging loans had continued to surge. As for property mortgage loans, retail banks' lending had contracted as local regulator had tightened mortgage regulations to curb property prices since mid-2012. This had translated into business opportunities for financial institutions in providing second mortgage loan for properties. The lending market is increasingly competitive and no longer dominated by retail banks.

## FINANCIAL REVIEW

### Overall Review

The Group had delivered outstanding performance in the Year as evidenced by revenue growth across all segments. During the Year, the Group's revenue increased significantly by 94.3% to HK\$434.8 million (2012: HK\$223.8 million). Such increase was primarily attributable to the strong growth in financing segment and placing and underwriting segment. Profit for the Year attributable to owners of the Company increased to HK\$155.7 million (2012: HK\$63.4 million). Excluding the allowance for loan receivable amounting to HK\$8.0 million (2012: HK\$12.0 million), the Group's adjusted net profit delivered a remarkable growth of 117.1% to HK\$163.7 million (2012: HK\$75.4 million), with adjusted net profit margin of 37.7% (2012: 33.7%). Adjusted basic earnings per share were HK6.3 cents (2012: HK2.9 cents). The Group proposed a final dividend of HK1.30 cents per share (2012: HK0.38 cent). Together with the interim dividend of HK0.50 cent per share, the total dividend per share for the Year was HK1.80 cents (2012: HK0.76 cent).



Annual Dinner 2013

# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital Structure, Liquidity and Financial Resources

During the Year, there was no change in the capital structure of the Group. The Group financed its operations mainly by cash generated from operations and borrowings.

As at 30 September 2013, the Group's current assets and current liabilities were HK\$3,898.6 million and HK\$2,570.2 million (as at 30 September 2012: HK\$1,838.9 million and HK\$653.6 million) respectively. Bank balances and cash of the Group amounted to HK\$338.6 million (as at 30 September 2012: HK\$222.2 million), which were denominated mainly in Hong Kong dollars. In order to support the expansion of financing, placing and underwriting businesses, the total borrowings increased to HK\$446.0 million (as at 30 September 2012: Nil) as at 30 September 2013 and the gearing ratio of 32.2% (calculated as a percentage of total borrowings over total equity of the Group) was resulted. The Group's borrowings were denominated in Hong Kong dollars and their interest rates followed market rates. The Group did not have any material foreign exchange exposure as at 30 September 2013.

With the Group's sufficient bank balances and cash as well as its available unutilised banking facilities of HK\$480.0 million, the the board of directors of the Company (the "Board" or the "Directors") considers the Group has sufficient working capital for its operation and future development.

## BUSINESS REVIEW

During the Year, the Group had pushed forward strategic transformation from a traditional local brokerage house to a one-stop financial institution. Riding on its precise insights and judgment of the market development trend, the Group had been able to pursue a more balanced mix of businesses to



diversify its revenue structure amid the ever-changing financial landscape. Over the recent years, the Group had successfully switched its focus of development from brokerage to financing business in a progressive manner. With well-established network and clientele, the Group had capitalised on strong demand for loan products from both Hong Kong and the mainland customers.

### **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 wealth management and asset management services. Taking advantages of a widened product spectrum, revenue generated from the brokerage services segment achieved 32.3% growth to HK\$99.9 million (2012: HK\$75.5 million), accounting for 23.0% (2012: 33.8%) of the Group's total revenue.

During the Year, the Group further enriched its product offerings to cover trading services for securities short selling, overseas futures options products and CES China 120 index futures. In line with the expanded range of RMB-denominated products traded on the Stock Exchange, the Group had also added respective trading services to tap the growing demand of investors seeking exposure to mainland assets.

In April 2013, the Stock Exchange had introduced after-hours futures trading session, under which Hang Seng Index Futures and H-shares Index Futures had become available for trading in night session in addition to regular trading hours. As the Group has already offered overseas derivatives trading during the night time beforehand, it had been operated smoothly in the extended session.



*2013 Summer Internship Program*

## MANAGEMENT DISCUSSION AND ANALYSIS

# *Leading the way in performance and growth*

Currently, the Group operates 12 branches, covering key commercial and pop residential areas with convenient pedestrian access. The Group also runs four representative offices located at Beijing, Shanghai, Guangzhou and Shenzhen respectively, serving as enquiry centres for the mainland investors. Given the growing complexity of financial products and services, the Group addressed the importance of financial education by hosting a series of informative workshops and seminars, helping the clients to navigate the financial marketplace more accurately.

The asset management arm runs a private equity fund, namely "Emperor Greater China Opportunities Fund", covering a basket of selected equities focusing the Greater China region. The Group also provides customised discretionary investment services to its customers. During the Year, the concurrent management fee and performance fee continued to serve as stable revenue contribution.

Comprising of qualified and experienced wealth management professionals, the Group's wealth management division advises on a wide array of investment services including securities, mutual funds, insurance-linked products, as well as real estate investment advisory. Dedicated to the efforts on building connectivity with the mainland investors who are seeking investments under the Capital Investment Entrant Scheme, the Group had further enlarged its customer base in this niche segment.



Investment Seminar 2013





*Stock Options Seminar with Hong Kong Exchanges and Clearing Limited*

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financing

The Group's financing segment comprises interest income from margin and IPO financing as well as loans and advances. It offers corporate and retail clients with financial flexibility to meet their personal and business needs. The loans granted to customers are ranging from short-term unsecured loans (e.g. tax loan, bridging loan, term loan, personal loan) to long-term secured and unsecured loans (e.g. second mortgage loan).

Bolstered by strengthening marketing efforts to deepen market penetration, the Group expanded its loan book and achieved rapid growth in interest income during the Year. Supported by increasing number of loans and broadened clientele base, revenue from the financing segment surged significantly by 90.7% to HK\$180.0 million (2012: HK\$94.4 million), accounting for 41.4% (2012: 42.2%) of the Group's total revenue. The segment became the Group's largest source of income.

## Placing and Underwriting

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

The professionalism of the Group's placing and underwriting team has increasingly been recognised in local capital market among the corporates, investors and industry players. During the Year, the Group successfully completed a number of fund raising transactions. Attributable to an increase in fund size participated by the Group, the segmental revenue rocketed by 235.3% to HK\$143.6 million (2012: HK\$42.8 million), accounting for 33.0% (2012: 19.1%) of the Group's total revenue. The Group served as placing agents in many equity and debt placement deals and IPO related transactions. The Group also participated in rights issue fund raising exercises.

In October 2012, the Group acted as a Joint Lead Manager in the IPO placing of Pegasus Entertainment Holdings Limited which was listed on the GEM board of the Stock Exchange.

## 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 institutional clients with advisory and financing services for corporate transactions including placing, rights issue, corporate restructuring, merger and acquisition and pre-IPO financing.

Despite of a weakened investor appetite towards IPOs, revenue from the Group's corporate finance segment increased to HK\$11.2 million (2012: HK\$11.1 million), accounting for 2.6% (2012: 4.9%) of the total revenue. In August 2013, the Group has successfully sponsored Gamma Logistics Corporation to list on the GEM board of the Stock Exchange.



CAPITAL Merits of Achievements in Banking and Finance 2013

## OUTLOOK

Hong Kong capital market is doubtless an ideal platform which is highly-transparent and well-regulated for the listing of different types of companies. With abundant funds in the market, solid market fundamentals, together with intensive linkages with the mainland, Hong Kong would persistently play an important role in the international financial market, where it presents plenty of business potentials and challenges for the participants in financial sector.

It is expected that financing business will be the key driver for the Group in near term. The Group will continue to accelerate the expansion of financing business which contributes a better profit margin. In an endeavor to push ahead the money lending business, the Group will step up marketing campaigns and reinforce its brand in the loan market. Meanwhile, the Group will diligently review the loan approval policy which includes a thorough consideration on credit terms, collateral pledged and market conditions.

The Group has been actively seeking to solidify its capital base to fuel business expansion. In November 2013, the Group had successfully issued a total of approximately HK\$606.1 million worth of bonds through an open offer to the existing shareholders and a bond placing to professional, institutional and private investors. The proceeds will be used as working capital for the expansion of existing businesses, especially for the money lending business and asset management business and for future opportunities to be identified by the Company.

The Group's future success lies in strategic diversification into focused areas of potential business that will broaden its income base. To pursue a long-term and sustainable growth, the Group will continue to maximise operational efficiency and synergies across all business lines to cross-sell the Group's products and services. The Group will further reinforce its position as a one-stop comprehensive financial services provider, through efficient and wise deployment of capital resources to cater the investment, wealth management and liquidity needs of sophisticated customers. Leveraging on its existing competitive edges, the Group will continue to explore new development opportunities to pursue solid business growth and thereby creating long-term value to the shareholders.

## EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group made an open offer on the basis of one unit of bond having a face value of HK\$700 each for every 6,000 existing shares held on 4 November 2013. The open offer involves issue of HK\$303,033,500 in aggregate value of bonds. Also, the Group arranged a private placement of bonds with aggregate principal amount up to HK\$303,033,500. The open offer and the bond placing were completed on 27 November 2013 and the gross proceeds, in aggregate amounted to HK\$606,067,000, were raised successfully.

## LITIGATION, CLAIMS AND CONTINGENT LIABILITY

In 2011, the Group had placed an aggregate amount of HK\$40,000,000 (the "Escrow Fund") 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 Fund had fallen due and became payable to the Group in June 2011. In July 2011, the Group has commenced legal proceedings against the two borrowers and partners of K&L Gates, claiming for the return of the Escrow Fund, plus interest and cost. Final and interlocutory judgment were entered against the two borrowers and a partner of K&L Gates in 2011. Such partner of K&L Gates was arrested by the Hong Kong Police and in 2013 he was sentenced to 12 years jail under the charge for fraud and forgery with respect to the

# MANAGEMENT DISCUSSION AND ANALYSIS

monies held in escrow accounts of K&L Gates. The legal proceedings against other partners of K&L Gates claiming for the return of escrow money are still pending for trial. Taking into account the specific facts and circumstances and the legal advice, the executive directors of the Company are of the opinion that it is probable that a judgment will be favourable to the Group, in which event each of the partners of K&L Gates will be personally liable to the Group to satisfy the judgment and hence, the amount of HK\$40,000,000 will be recovered.

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 2013, the Group has 194 (2012: 198) account executives and 136 employees (2012: 117). Total staff costs (including Directors' remuneration) were approximately HK\$70.1 million (2012: HK\$50.4 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.

To provide incentives or rewards to the staff, the Company adopted a share option scheme (the "Scheme") on 20 September 2007. During the Year, a total of 129,354,000 share options were granted to four executive directors of the Company at an exercise price of HK\$0.334 each under the terms of the Scheme and 129,354,000 share options were outstanding as at 30 September 2013.

## FINAL DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK1.30 cents per share ("Final Dividend") for the year ended 30 September 2013 (2012: HK0.38 cent per share), amounting to approximately HK\$33.8 million (2012: HK\$9.9 million), subject to the approval of the shareholders at the forthcoming annual general meeting ("AGM") of the Company to be held on 22 January 2014 (Wednesday). If approved, the Final Dividend will be paid on 21 February 2014 (Friday) to shareholders whose names appear on the register of members of the Company on 29 January 2014 (Wednesday).

## 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 20 January 2014 (Monday)
Book close dates	21 to 22 January 2014 (Tuesday & Wednesday)
Record date	22 January 2014 (Wednesday)
AGM	22 January 2014 (Wednesday)

### For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 27 January 2014 (Monday)
Book close dates	28 to 29 January 2014 (Tuesday & Wednesday)
Record date	29 January 2014 (Wednesday)
Final Dividend payment date	21 February 2014 (Friday)

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 Branch Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration before the above latest time to lodge transfers.

## CORPORATE SOCIAL RESPONSIBILITIES

As always, the Group has reached out to the community to fulfill its corporate social responsibilities all over the past year. It started with mobilising a corporate team to participate in Rotary 10K Race 2012 in November, helping the organisation to raise fund for good causes. Its staff volunteers later made visits to underprivileged senior citizens at Winter Solstice and Dragon Boat Festival, with the co-ordination of Po Leung Kuk and St. James' Settlement respectively.

During the summer, the Group provided internship opportunities to about 20 students of business, finance, economics and accounting from 7 local and overseas universities to facilitate their pursuit of a professional career in the industry. The students were exposed to different departments of the Group, which gave them some early career experience and broader perspectives in the financial field.

In September, the Group's staff once again participated in the yearly outbound volunteering activity organised by Emperor Foundation and went on a 50-people tour to Haerbin, Heilungjiang Province, where they celebrated Mid-Autumn Festival with empty-nested elderly people in a community centre. Such enthusiasm to charity was continued back in their home town when they took part in Heep Hong Society's Flag Day later the same month.



1) & 2) Volunteer trip to Haerbin 3) Heep Hong Society - Flag Day On Hong Kong Island 4) Rotary 10K Race 2012

# BIOGRAPHIES OF DIRECTORS



*Riding on its precise insights on the market trend, the Group had been able to attain a more balanced and comprehensive mix of businesses to diversify its revenue structure. We will continue to pursue strategic diversification into focused areas of potential business that will broaden its income base.*

**Daisy Yeung**  
MANAGING DIRECTOR

**Daisy Yeung**, aged 48, joined the Group in January 1996. She is the Managing Director as well as a member of the Remuneration Committee and the Nomination Committee of the Company. She is also a director of various subsidiaries of the Company and a responsible officer of Emperor Securities Limited, Emperor Futures Limited, Emperor Wealth Management Limited and Emperor Asset Management Limited under the Securities and Futures Ordinance ("SFO"). She is responsible for the formulation of corporate strategy, overseeing operations and the overall steering of the Company's management focusing in the areas of marketing and business development. Ms. Yeung has obtained a Bachelor's Degree of Science in Business Administration. She has accumulated over 17 years of management experience in securities field and has been active in driving the development of the local industry. Moreover, she is now a Vice-Chairman of The Institute of Securities Dealers Limited and a General Committee member of The Chamber of Hong Kong Listed Companies.



**Chan Shek Wah**  
EXECUTIVE DIRECTOR

**Chan Shek Wah**, aged 50, joined the Board in December 2011. He is the Executive Director of the Company. He is also the Managing Director and a responsible officer of Emperor Capital Limited under the SFO. He has over 26 years of professional experience in the financial services industry. He has been engaged in the sales, proprietary trading, structuring of equity derivatives and equity capital market products as well as the provision of corporate finance advisory services to listed issuers. Before joining the Group, he was the senior management and an executive director in several international financial institutions.



**Choi Suk Hing, Louisa**  
EXECUTIVE DIRECTOR AND COMPANY SECRETARY

**Choi Suk Hing, Louisa**, aged 49, joined the Board in March 2008. She is an Executive Director and the Company Secretary of the Company as well as the Chairperson of the Corporate Governance Committee of the Company. She is also a director of various subsidiaries of the Company and a responsible officer of Emperor Capital Limited under the SFO. Ms. Choi holds a Master's Degree in Applied Finance from Macquarie University, Australia. She is a fellow member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Choi has over 15 years of experience in the finance industry covering securities, futures and corporate finance. Before that, she had worked in the company secretary profession in both listed companies as well as professional firms for over 8 years.



**Pearl Chan**  
EXECUTIVE DIRECTOR

**Pearl Chan**, aged 40, joined the Board in June 2011. She is an Executive Director of the Company. She has been working in the corporate finance field for more than 12 years and has been a director and responsible officer of Emperor Capital Limited under the SFO. Ms. Chan holds a Bachelor of Laws Degree from University of Hong Kong and a Master's Degree in Management from Macquarie University, Australia. Ms. Chan was a practising lawyer in Hong Kong before joining the Group.

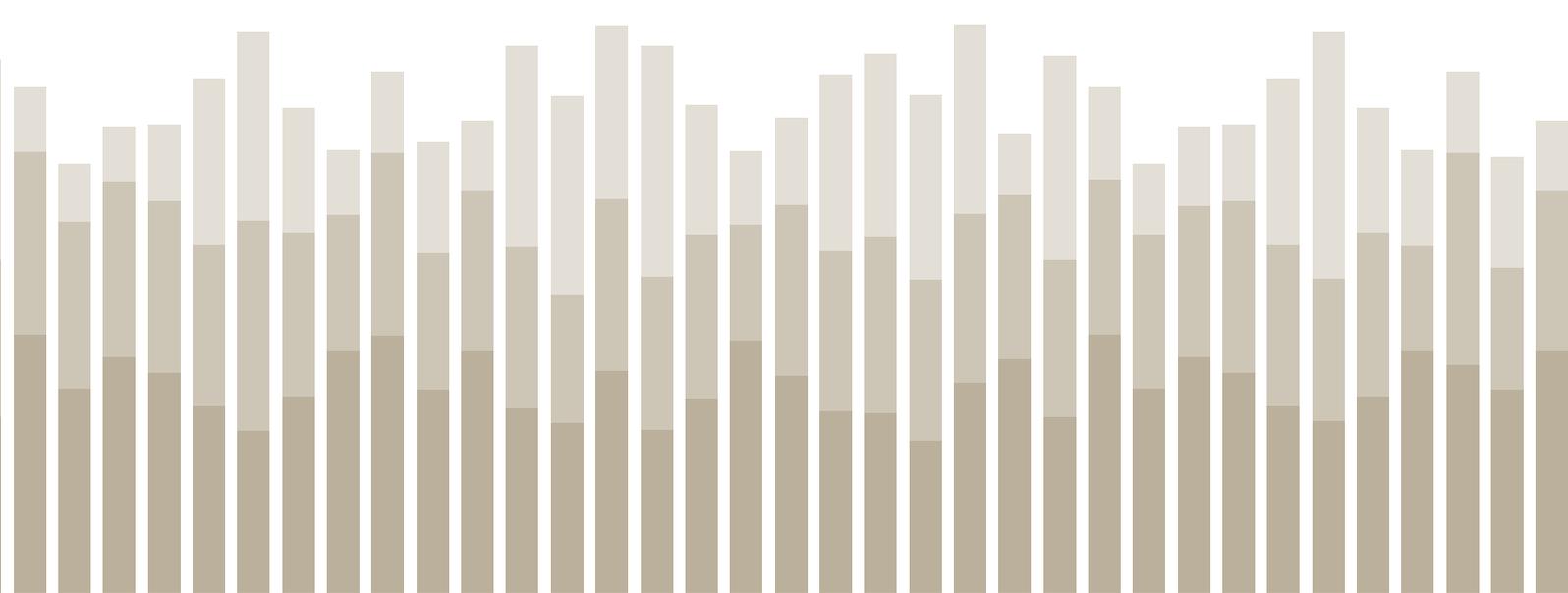
# BIOGRAPHIES OF DIRECTORS

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Kwok Chi Sun, Vincent**, aged 51, joined the Board in March 2007. He is the Chairman of the Audit Committee as well as a member of the Remuneration Committee and the Corporate Governance Committee of the Company. He holds a Bachelor's Degree in Economics from University of Sydney. Mr. Kwok is a Certified Public Accountant (Practising) and a member of both The Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in Australia. He is the sole proprietor of Vincent Kwok & Co., Certified Public Accountants. He is also an independent non-executive director of the following listed companies in Hong Kong, namely Magnificent Estates Limited (Stock Code: 201), Shun Ho Resources Holdings Limited (Stock Code: 253), Shun Ho Technology Holdings Limited (Stock Code: 219), China Digital Culture (Group) Limited (Stock Code: 8175), Rising Power Group Holdings Limited (Stock Code: 8047) and Evergreen International Holdings Limited (Stock Code 238).

**Cheng Wing Keung, Raymond**, aged 54, joined the Board in March 2007. He is the Chairman of the Nomination Committee as well as a member of the Audit Committee and the Corporate Governance Committee of the Company. He holds a Degree in Laws from the University of London and a Master's Degree in Business Administration from the University of Strathclyde. Mr. Cheng is a solicitor practising in Hong Kong and has over 21 years of experience in company secretarial affairs. He is an independent non-executive director of two listed companies in Hong Kong, namely Skyfame Realty (Holdings) Limited (Stock Code: 59) and Sino Resources Group Limited (carrying on business in Hong Kong as Sino Gp Limited) (Stock Code: 223).

**Chu Kar Wing**, aged 56, joined the Board in May 2010. He is the Chairman of the Remuneration Committee as well as a member of the Audit Committee and the Nomination Committee of the Company. He holds a Bachelor's Degree in Social Science majoring in Economics. He has extensive experience in the banking and finance sector for several well-known corporations. Mr. Chu is also an independent non-executive director of another Hong Kong listed company, China Power New Energy Development Company Limited (Stock Code: 735). Moreover, he is now the President of Canada-China Culture and Education Association.



# DIRECTORS' REPORT

The Directors of the Company present their annual report and the audited consolidated financial statements of the Group for the year ended 30 September 2013 (the "Year").

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are principally engaged in the provision of financial services including (i) brokerage services for securities, futures and options traded on the exchanges in Hong Kong, the United States, Japan and United Kingdom, as well as wealth management and asset management services; (ii) margin and initial public offering financings as well as loans and advances such as personal money lending and second mortgage loan; (iii) placing and underwriting services; and (iv) corporate finance advisory services.

The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 40.

An interim dividend of HK0.50 cent per share amounting to approximately HK\$13.0 million was paid to the shareholders during the Year. The Directors recommended the payment of a final dividend of HK1.3 cents per share for the Year amounting to approximately HK\$33.8 million subject to the approval of the shareholders at the forthcoming annual general meeting:

Annual general meeting date	:	22 January 2014 (Wednesday)
Record date for final dividend	:	29 January 2014 (Wednesday)
Final Dividend payment date	:	21 February 2014 (Friday)

## RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 43.

The Company's reserves available for distribution to shareholders as at 30 September 2013 represented the aggregate of contributed surplus (stated as "special reserve" in note 35 to the consolidated financial statement) and retained profits amounting to HK\$151.9 million and HK\$12.0 million respectively (2012: HK\$174.8 million and HK\$10.8 million).

The special reserve of the Company represents the difference between the nominal value of the ordinary shares of the subsidiaries of the Company in issue and the nominal value of the shares issued by the Company for acquisition of a subsidiary pursuant to the group reorganisation on 2 April 2007.

Under the Companies Act in 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders. However, a company cannot declare or pay a dividend or make a distribution out of contributed reserve if there are reasonable grounds for believing that:

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

# DIRECTORS' REPORT

## PROPERTY AND EQUIPMENT

During the Year, the Group acquired property and equipment at a cost of approximately HK\$1,838,000.

Details of changes in the property and equipment of the Group are set out in note 17 to the consolidated financial statements.

## SHARE CAPITAL

Details of the share capital of the Company during the Year are set out in note 30 to the consolidated financial statements. There is no movement in the share capital of the Company during the Year.

## MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the aggregate amount of turnover attributable to the Group's five largest customers represented 36% (2012: 24%) of the Group's total turnover. The largest customer accounted for 14% (2012: 12%) of the Group's total turnover.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

The Group had no major supplier due to the nature of principal activities of the Group.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the Year and up to the date of this report were:

### *Executive Directors:*

Ms. Daisy Yeung (*Managing Director*)

Mr. Chan Shek Wah

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

Subject to the service contract/appointment letter hereinafter mentioned, each Director, including the independent non-executive Directors, is subject to retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with the Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Ms. Choi Suk Hing, Louisa ("Ms. Louisa Choi"), Ms. Pearl Chan and Mr. Kwok Chi Sun, Vincent shall retire by rotation at the forthcoming annual general meeting ("AGM"). Being eligible, Ms. Louisa Choi and Ms. Pearl Chan offer themselves for re-election while Mr. Kwok Chi Sun, Vincent does not offer himself for re-election thereat.

Each of the Directors (including the Independent Non-executive Directors) has entered into a service contract/appointment letter with the Company in relation to her/his service as an Executive Director/Independent Non-executive Director (as the case may be) of the Company for an initial term up to the then forthcoming general meeting or for three years commencing from the date of service contract/appointment letter and continued thereafter until terminated by notice in writing served by either party.

# DIRECTORS' REPORT

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Continued)

Each of Ms. Daisy Yeung, Mr. Chan Shek Wah, Ms. Louisa Choi and Ms. Pearl Chan entered into an employment contract with the Group in relation to her/his service as an executive with no fixed terms, but shall be terminable by either party upon giving requisite notice.

None of the Directors proposed for re-election at the AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (a) Long position interests in the Company

#### (i) Ordinary shares of HK\$0.01 each of the Company ("Shares")

Name of Director	Capacity/ Nature of Interests	Number of Issued Shares held	Approximate percentage holding
Ms. Daisy Yeung	Beneficiary of a trust	1,739,976,907	66.99%

*Note:* The above Shares were held by Emperor Capital Group Holdings Limited, a wholly-owned subsidiary of Albert Yeung Holdings Limited ("AY Holdings"). AY Holdings was held by STC International Limited ("STC International") being the trustee of The Albert Yeung Discretionary Trust ("AY Trust"), a discretionary trust under which Ms. Daisy Yeung is one of the eligible beneficiaries.

#### (ii) Share options

Name of Director	Capacity/ Nature of Interests	Number of Underlying Shares	Approximate percentage holding
Ms. Daisy Yeung	Beneficial owner	54,546,000	2.10%
Mr. Chan Shek Wah	Beneficial owner	54,546,000	2.10%
Ms. Louisa Choi	Beneficial owner	12,468,000	0.48%
Ms. Pearl Chan	Beneficial owner	7,794,000	0.30%

*Note:* These were share options granted to the Directors under the share option scheme of the Company adopted on 20 September 2007 (became effective on 27 September 2007) as amended on 13 August 2013.

# DIRECTORS' REPORT

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES (Continued)

### (b) Long position interests in associated corporations of the Company

Name of Director	Name of associated corporations	Capacity/ Nature of interest	Deemed interest of shares held	Approximate percentage holding
Ms. Daisy Yeung	Emperor International Holdings Limited ("Emperor International")	Beneficiary of a trust	2,747,610,489 (Note)	74.93%
Ms. Daisy Yeung	Emperor Entertainment Hotel Limited ("Emperor E Hotel")	Beneficiary of a trust	812,632,845 (Note)	62.65%
Ms. Daisy Yeung	Emperor Watch & Jewellery Limited ("Emperor W&J")	Beneficiary of a trust	3,617,860,000 (Note)	52.57%
Ms. Daisy Yeung	New Media Group Holdings Limited ("New Media Group")	Beneficiary of a trust	588,440,000 (Note)	68.11%

Note: Emperor International, Emperor E Hotel, Emperor W&J and New Media Group are companies with their shares listed in Hong Kong. These respective shares were ultimately owned by AY Holdings which was in turn held by STC International, the trustee of the AY Trust. Ms. Daisy Yeung, by virtue of being one of the eligible beneficiaries of the AY Trust, had deemed interests in these shares.

Save as disclosed above, as at 30 September 2013, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as stated above, at no time during the Year was the Company, its holding company, its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or chief executives of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 September 2013, none of the Directors nor their respective associates was interested in any business which is considered to compete or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

# DIRECTORS' REPORT

## SHARE OPTIONS

The Company adopted a share option scheme ("Scheme") on 20 September 2007 (became effective on 27 September 2007) as amended on 13 August 2013. Particulars of the Scheme are set out in note 31 to the consolidated financial statements.

Summary details of the movement of the share options of the Company during the Year is set out as follows:

Name of Grantee	Date of Grant	Exercise Period	Exercise Price per Share  (HK\$)	Number of share options			Balance as at 30.09.2013
				Balance as at 01.10.2012	Granted during the Year	Lapsed during the Year	
<b>Directors</b>							
Ms. Daisy Yeung	28.01.2008	28.01.2008 to 27.01.2013 (Note 1)	0.9879 (adjusted)	3,644,100 (adjusted)	-	3,644,100	0
			0.334	N/A	13,638,000	-	13,638,000
	13.08.2013	(Note 2)	0.334	N/A	18,000,000	-	18,000,000
	13.08.2013	(Note 3)	0.334	N/A	22,908,000	-	22,908,000
Mr. Chan Shek Wah	13.08.2013	(Note 4)	0.334	N/A	13,638,000	-	13,638,000
	13.08.2013	(Note 2)	0.334	N/A	18,000,000	-	18,000,000
	13.08.2013	(Note 3)	0.334	N/A	22,908,000	-	22,908,000
Ms. Louisa Choi	13.08.2013	(Note 4)	0.334	N/A	3,120,000	-	3,120,000
	13.08.2013	(Note 2)	0.334	N/A	4,116,000	-	4,116,000
	13.08.2013	(Note 3)	0.334	N/A	5,232,000	-	5,232,000
Ms. Pearl Chan	13.08.2013	(Note 4)	0.334	N/A	1,950,000	-	1,950,000
	13.08.2013	(Note 2)	0.334	N/A	2,574,000	-	2,574,000
	13.08.2013	(Note 3)	0.334	N/A	3,270,000	-	3,270,000

### Notes:

- There is no vesting period for the options granted.
- The options shall be exercisable from the date immediately after the publication of the audited financial results of the Group for the year ended 30 September 2013 to 12 July 2018. The vesting period shall be from 13 August 2013 (date of grant) to the date of the publication of the audited financial results of the Group for the year ended 30 September 2013.
- The options shall be exercisable from the date immediately after the publication of the audited financial results of the Group for the year ending 30 September 2014 to 12 July 2018. The vesting period shall be from 13 August 2013 (date of grant) to the date of the publication of the audited financial results of the Group for the year ending 30 September 2014.
- The options shall be exercisable from the date immediately after the publication of the audited financial results of the Group for the year ending 30 September 2015 to 12 July 2018. The vesting period shall be from 13 August 2013 (date of grant) to the date of the publication of the audited financial results of the Group for the year ending 30 September 2015.

# DIRECTORS' REPORT

## SHARE OPTIONS (Continued)

During the Year, the Company granted an aggregate of 129,354,000 share options to four executive Directors under the Scheme. Among the outstanding share options, none of them are exercisable as at 30 September 2013.

The fair value of each option was HK\$0.3408 and HK\$0.3340 respectively as at the date of grant on 28 January 2008 and 13 August 2013. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

## OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at 30 September 2013, so far as is known to any Director or chief executives of the Company, the following persons or corporations (other than a Director or chief executives of the Company) had, or were deemed or taken to have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

### Long position in the Shares

Name	Capacity/ Nature of interest	Number of issued Shares interested in or deemed to be interested	Approximate percentage holding
AY Holdings	Interest in a controlled corporation	1,739,976,907 <i>(Note)</i>	66.99%
STC International	Trustee	1,739,976,907 <i>(Note)</i>	66.99%
Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung")	Founder of a discretionary trust	1,739,976,907 <i>(Note)</i>	66.99%
Ms. Luk Siu Man, Semon ("Ms. Semon Luk")	Interest of spouse	1,739,976,907 <i>(Note)</i>	66.99%
Dr. Li Kwok Po, David	Beneficial owner	129,876,000	5.00%

*Note:* The Shares were the same Shares as those set out under Section (a) of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

All interests stated above represent long positions. As at 30 September 2013, no short positions were recorded in the SFO register of the Company.

Save as disclosed above, as at 30 September 2013, the Directors or chief executives were not aware of any other person or corporation (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

### Continuing Connected Transactions

During the Year, the Group had the following transactions with connected persons as defined in the Listing Rules:

#### 1. Tenancy Agreements

Name of counterparty	Nature of transaction	(i) Date of Agreement (ii) Terms	Location of premises	Amount for the year HK\$'000
Very Sound Investments Limited (note 1)	Operating lease rentals paid (effective monthly rental: HK\$256,666.67)	(i) 28 February 2011 (ii) 1 April 2011 - 31 March 2014	24th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai Hong Kong	3,080
Headwise Investment Limited (note 1)	Operating lease rentals paid (effective monthly rental: HK\$17,982.61)	(i) 31 August 2011 (ii) 15 October 2011 - 14 September 2013	Unit 603, 6th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	206
	Operating lease rentals paid (effective monthly rental: HK\$23,727.64)	(i) 13 September 2013 (ii) 15 September 2013 - 31 March 2016	- same as above -	12
	Operating lease rentals paid (effective monthly rental: HK\$53,906.25)	(i) 20 December 2012 (ii) 1 January 2013 - 31 December 2014	Unit 604, 6th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	485
Active Pace Investment Limited (note 1)	Operating lease rentals paid (effective monthly rental: HK\$32,104.17)	(i) 31 August 2011 (ii) 15 September 2011 - 14 September 2013	Unit 606, 6th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	368
	Operating lease rentals paid (effective monthly rental: HK\$42,101.93)	(i) 13 September 2013 (ii) 15 September 2013 - 31 March 2016	- same as above -	22
Headwise Investment Limited (note 1)	Operating lease rentals paid (effective monthly rental HK\$22,520.83 for Unit 1605 and HK\$36,991.67 for Unit 2006)	(i) 31 August 2011 (ii) 15 September 2011 - 14 September 2013 (Unit 1605 - early termination of tenancy on 17 November 2012)	Unit 1605, 16th Floor and Unit 2006, 20th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	449
	Operating lease rentals paid (effective monthly rental: HK\$43,730.73)	(i) 13 September 2013 (ii) 15 September 2013 - 31 March 2016	Unit 2006, 20th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	22
Emperor Bullion Investment (Asia) Limited (note 1)	Subletting rentals paid (effective monthly rental: HK\$156,131.94)	(i) 31 March 2011 (ii) 1 April 2011 - 31 March 2014	Portion of Shop 6 on G/F, 1/F and canopy adjacent thereto, 2/F, East Ocean Court, 525 Shanghai Street, Mongkok, Kowloon	1,874

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS (Continued)

### Continuing Connected Transactions (Continued)

#### 2. Financial Services Agreement with AY Holdings

Name of counterparty	Nature of transaction	(i) Date of Agreement (ii) Terms	Amount for the year HK\$'000
AY Holdings (note 2a)	(a) Commission and brokerage on dealing in securities, futures and options trading, from acting as placing agent, underwriter or sub-underwriter and interest income from the listed members of the Emperor Group	(i) 28 September 2012 (ii) 1 October 2012 to 30 September 2015 (on normal commercial terms and at rates no more favourable than those available to other independent third parties)	23
	(b) Maximum margin loan amount to the listed members of the Emperor Group		-
	(c) Maximum IPO loan amount to the listed members of the Emperor Group		-
	(d) Maximum term loan amount to the listed members of the Emperor Group		-
	(e) Financial advisory fee from the listed members of the Emperor Group		1,740

#### 3. Financial Services Agreement with the Yeung Family

Name of counterparty	Nature of transaction	(i) Date of Agreement (ii) Terms	Amount for the year HK\$'000
Ms. Daisy Yeung (note 2b)	(a) Commission and brokerage on dealing in securities, futures and options trading, and interest income from Ms. Daisy Yeung and her associates ("Yeung Family")	(i) 28 September 2012 (ii) 1 October 2012 to 30 September 2015 (on normal commercial terms and at rates no more favourable than those available to other independent third parties)	3,156
	(b) Maximum margin loan amount to the Yeung Family		35,129
	(c) Maximum IPO loan amount to the Yeung Family		1,262
	(d) Maximum term loan amount to the Yeung Family		-
	(e) Financial advisory fee from the Yeung Family		290
	(f) Commission and fee payment to the Yeung Family		500

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS (Continued)

### Continuing Connected Transactions (Continued)

Notes:

#### 1. Tenancy Agreements

The premises under the Tenancy Agreements have been rented to the Group as its principal business premises. The counterparties of the tenancy agreements are indirectly owned by the AY Trust under which Ms. Daisy Yeung is one of the eligible beneficiaries. As such, Ms. Daisy Yeung has deemed interest in the agreements.

#### 2. Financial Services Agreements with AY Holdings and Ms. Daisy Yeung

- (a) Under this agreement, the Group has agreed to provide to other listed members of the Emperor Group (i) financial services including brokerage services for securities, futures and options trading and act as placing agent, underwriter or sub-underwriter; (ii) margin loans; (iii) IPO loans; (iv) term loans; and (v) financial advisory services. The counterparties of the agreement are companies controlled by the AY Trust of which Ms. Daisy Yeung is one of the eligible beneficiaries. As such, Ms. Daisy Yeung has deemed interest in the agreements.
- (b) Under this agreement, the Group has agreed to (i) provide financial services including brokerage services for securities, futures and options trading, margin loans, IPO loans, term loans and financial advisory services to the Yeung Family; and (ii) pay commission and fee to the Yeung family for their acting as placees for the securities underwritten or placed by the Group.

## COMPLIANCE WITH DISCLOSURE REQUIREMENTS

Regarding the related party transactions as set out in note 33 to the consolidated financial statements, all the transactions as shown in notes 10 (in respect of amount due to a related company), 13 (in respect of the management fee to related company(ies) and service charge to a related company), 28 and items under note 2 of note 33(a) are connected transactions exempted from announcement, reporting and independent shareholders' approval requirements under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above connected transactions.

### Auditor's Letter on Continuing Connected Transactions

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the group ("Disclosed CCTs") on page 23 to 24 of this annual report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

## CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed the Disclosed CCTs and the aforesaid auditor's letter and have confirmed that these transactions have been entered into by the Group:

- (i) in the ordinary and usual course of its business;
- (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

# DIRECTORS' REPORT

## CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Save as disclosed above, there was no contract of significance to which the Company, or any of its subsidiaries, holding companies and fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of the business of the Group were entered into or subsisted during the Year.

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

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

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

## EMOLUMENT POLICY

The emolument policy of the Group to reward its employees and Directors is based on their performance, qualifications, competence displayed, market comparables and the performance of the Group. Remuneration package typically comprises salary, housing allowances, contribution to pension schemes and bonus relating to the profit of the Group. Upon and after the listing of the Company's shares, the remuneration package has been extended to include share options granted under the Share Option Scheme adopted by the Company on 20 September 2007 (as amended).

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 27 to 37.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company maintained the prescribed public float under the Listing Rules.

## DONATIONS

During the Year, the Group made charitable donations amounting to approximately HK\$8,000.

## AUDITOR

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Daisy Yeung**

*Managing Director*

Hong Kong

3 December 2013

# CORPORATE GOVERNANCE REPORT

The Directors of the Company have adopted various policies to ensure compliance with the code provisions of Corporate Governance Code (the "Code") under Appendix 14 of the Listing Rules. For the Year, the Company has complied fully with the code provisions of the Code 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.

## THE BOARD

### BOARD COMPOSITION

As at 30 September 2013, the Board comprised seven Directors (four Executive Directors of which one is the Managing Director and three Independent Non-executive Directors) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The Independent Non-executive Directors will also share their valuable impartial view on matters to be discussed at the Board meetings. The biographies of the Directors are set out from pages 14 to 16 of this report under the "Biographies of Directors" section.

### CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, the Board has appointed Ms. Daisy Yeung as the Managing Director of the Company, who is responsible for the management of the Board and the day-to-day 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. In addition, the three Independent Non-executive Directors in the Board, who do not have any management contract with the Group, 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.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors are all professionals with well recognised experience and expertise in professional and/or accounting fields who provide valuable advice to the Board. They are appointed for an initial term of three years commencing from 1 March 2007 (except for Mr. Chu Kar Wing whose term commenced from 31 May 2010) and will continue thereafter until terminated by not less than three months' notice in writing served by either party.

The Company has received a confirmation of independence from each of the Independent Non-executive Directors. The Board considers each of them to be independent by reference to the factors as set out in the Listing Rules. The Independent Non-executive Directors have been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

### ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the leadership and control of the Group and is responsible for promoting the success of the Group by directing and supervising the business operations of the Group in the interests of the shareholders ("Shareholders") by formulating strategic directions and monitoring the financial and management performance of the Group.

### DELEGATION TO THE MANAGEMENT

The management team of the Company (the "Management") is led by the Executive Directors of the Board and has delegated powers and authorities to carry out the day-to-day management and operation of the Group, formulate business policies, make decision on key business issues and exercise power and authority delegated by the Board from time to time. The Management assumes full accountability to the Board for the operation of the Group.

# CORPORATE GOVERNANCE REPORT

## THE BOARD (Continued)

### DELEGATION TO THE MANAGEMENT (Continued)

There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board had given clear directions to the Management that certain matters (including the followings) must be reserved to the Board:

- Publication of final and interim results of the Company
- Dividend distribution or other distributions
- Major issues of treasury policy, accounting policy and remuneration policy
- Review on internal control system and risk management
- Changes to major group structure or Board composition requiring notification by announcement
- Publication of the announcement for notifiable transaction and non-exempted connected transaction/continuing connected transaction
- Non-exempted connected transaction/continuing connected transaction
- Proposed transaction requiring Shareholders' approval
- Capital restructuring and issue of new securities of the Company
- Financial assistance to Directors

### RELATIONSHIP BETWEEN THE BOARD MEMBERS

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relations) between each other.

### DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

### INDUCTION, SUPPORT AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the Code on Directors' training. During the Year, all Directors have participated in continuous professional development by attending seminars/reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

# CORPORATE GOVERNANCE REPORT

## THE BOARD (Continued)

### INDUCTION, SUPPORT AND PROFESSIONAL DEVELOPMENT OF DIRECTORS (Continued)

Name of Directors	Topics on training covered <sup>(Note)</sup>
Daisy Yeung	(a) & (b)
Chan Shek Wah	(a) & (b)
Choi Suk Hing, Louisa	(a), (b), (c) & (d)
Pearl Chan	(a) & (b)
Kwok Chi Sun, Vincent	(a) & (b)
Cheng Wing Keung, Raymond	(a) & (b)
Chu Kar Wing	(a) & (b)

Note: (a) corporate governance  
 (b) regulatory  
 (c) finance  
 (d) industry-specific

### DIRECTORS' ATTENDANCE AND TIME COMMITMENT

The attendance of Directors at the following meetings during the Year is set out below:

Name of Directors	Meetings attended/held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	General Meeting
<i>Executive Directors</i>						
Daisy Yeung <sup>(Note 1)</sup>	10/10	3/3	1/1	2/2	N/A	3/3
Chan Shek Wah	10/10	N/A	N/A	N/A	N/A	3/3
Choi Suk Hing, Louisa <sup>(Notes 1 &amp; 2)</sup>	10/10	3/3	N/A	N/A	1/1	3/3
Pearl Chan	10/10	N/A	N/A	N/A	N/A	2/3
<i>Independent Non-Executive Directors</i>						
Kwok Chi Sun, Vincent <sup>(Note 3)</sup>	10/10	3/3	1/1	N/A	1/1	3/3
Cheng Wing Keung, Raymond <sup>(Note 4)</sup>	10/10	3/3	N/A	2/2	1/1	3/3
Chu Kar Wing <sup>(Note 5)</sup>	10/10	3/3	1/1	2/2	N/A	3/3
<b>Total number of meetings held:</b>	10	3	1	2	1	3

#### Notes:

- Ms. Daisy Yeung and Ms. Choi Suk Hing, Louisa were invited to sit-in the Audit Committee meetings as non-members
- Chairperson of the Corporate Governance Committee
- Chairman of the Audit Committee
- Chairman of the Nomination Committee
- Chairman of the Remuneration Committee

# CORPORATE GOVERNANCE REPORT

## THE BOARD (Continued)

### DIRECTORS' ATTENDANCE AND TIME COMMITMENT (Continued)

Upon reviewing (i) the annual confirmation of the time commitment given by each Director; (ii) the directorships and major commitments of each Director; and (iii) the attendance rate of each Director on full Board and the respective board committee meetings, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during the Year.

### BOARD MEETINGS AND PROCEEDINGS

Regular Board meetings were held at approximately quarterly interval. The Directors have access to the advice and services of the Company Secretary and key officers of the company secretarial team for ensuring that the Board procedures, and all applicable rules and regulations, are followed.

With the assistance of the Company Secretary, the meeting agenda is set by the Chairperson of the meeting in consultation with other Board members. Board meeting notice was sent to the Directors at least 14 days prior to each regular Board Meeting. Board papers together with all appropriate, complete and reliable information are generally sent to all Directors at least 3 days before each Board meeting and Board Committee meeting to enable the Directors to make informed decisions.

Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Director.

If any Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, that Director will abstain from voting on the relevant Board resolution in which he/she or any of his/her associates have a material interest and that he/she shall not be counted in the quorum present at the Board meeting.

### BOARD COMMITTEES

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee.

The majority of the members of the Audit Committee, Remuneration Committee and Nomination Committee are Independent Non-executive Directors. Clear written terms of reference of all the Board Committees are given to the respective members of these Committees. Details of the Board Committees are set out below:

#### 1. **Audit Committee** (set up on 1 March 2007)

The Audit Committee consists of three Independent Non-executive Directors, namely Mr. Kwok Chi Sun, Vincent (Chairman of the Committee), Mr. Cheng Wing Keung, Raymond and Mr. Chu Kar Wing.

The specific written terms of reference of the Audit Committee is available on the Company's website. The Audit Committee is primarily responsible for (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (b) approving the remuneration and terms of engagement of external auditor; and (c) reviewing financial information and overseeing of the financial reporting system and internal control procedures. The Audit Committee held three meetings during the Year.

# CORPORATE GOVERNANCE REPORT

## THE BOARD (Continued)

### BOARD COMMITTEES (Continued)

#### 1. **Audit Committee** (set up on 1 March 2007) (Continued)

A summary of work performed by the Audit Committee during the Year is set out as follows:

- i. reviewed with the Management/finance-in-charge and/or the external auditor the effectiveness of audit process and the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual financial statements for the year ended 30 September 2012 as well as the interim financial statements for the period ended 31 March 2013;
- ii. reviewed with Management and finance-in-charge the effectiveness of the internal control system of the Group;
- iii. reviewed the non-exempt continuing connected transactions of the Group for the year ended 30 September 2012;
- iv. approved the audit plan for the Year, reviewed the external auditor's independence and approved the engagement of external auditor; and
- v. recommended the Board on the re-appointment of external auditor.

#### 2. **Remuneration Committee** (set up on 1 March 2007)

The Remuneration Committee consists of three members, namely Mr. Chu Kar Wing (Chairman of the Committee) and Mr. Kwok Chi Sun, Vincent, both being Independent Non-executive Directors, and Ms. Daisy Yeung, the Managing Director.

The specific written terms of reference of the Remuneration Committee is available on the Company's website. The primary duties of the Remuneration Committee are making recommendation to the Board on (a) the Company's policy and structure of the remuneration of Directors and senior management; (b) the remuneration of non-executive directors; and (c) the specific remuneration packages of individual Executive Directors and senior management. Details of the remuneration of each of the Directors for the Year are set out in note 11 to the consolidated financial statements. The Remuneration Committee held one meeting during the Year.

A summary of the work performed by the Remuneration Committee during the Year is set out as follows:

- i. reviewed and recommended to the Board to approve the Directors' fee; and
- ii. reviewed the current level and remuneration structure/package of the Executive Directors and senior management and recommended the Board to approve their specific packages.

# CORPORATE GOVERNANCE REPORT

## THE BOARD (Continued)

### BOARD COMMITTEES (Continued)

#### 3. **Nomination Committee** (set up on 28 March 2012)

The Nomination Committee consists of three members, namely Mr. Cheng Wing Keung, Raymond (Chairman of the Committee) and Mr. Chu Kar Wing, both being Independent Non-executive Directors, and Ms. Daisy Yeung, the Managing Director.

In May 2013, on the recommendation of the Nomination Committee, the Board re-adopted the specific written terms of reference of the Nomination Committee in light of the amendments of the Listing Rules, and the same is available on the Company's website. The Board also approved the adoption of the Board Diversity Policy. Such policy aims to achieve diversity on Board in the broadest sense in order to have a balance of skills, experience and diversity of perspectives appropriate to the business nature of the Company. Selection of candidates on the Board is based on a range of diversity perspectives, including gender, age, length of service, professional qualification and experience. The Nomination Committee will also assess the merits and contribution of any Director proposed for re-election or any candidate nominated to be appointed as Director and against the objective criteria, with due regard for the benefits of diversity on the Board that would complement the existing Board.

The primary duties of the Nomination Committee are (a) reviewing the structure, size and diversity of the Board; (b) determining the policy for the nomination of Directors and identifying potential candidates for directorship; (c) assessing the independence of Independent Non-executive Directors; (d) reviewing the time commitment of each Director; (e) reviewing the Board Diversity Policy; and (f) making recommendations to the Board on any proposed changes to the Board or selection of individual nominated for directorships or on appointment or re-appointment of Directors. The Nomination Committee held two meetings during the Year.

A summary of the work performed by the Nomination Committee during the Year is set out as follows:

- i. reviewed the structure, size and composition of the Board;
- ii. reviewed the independence of the Independent Non-executive Directors;
- iii. recommended to the Board the nomination of Directors for re-election at the annual general meeting held on 30 January 2013; and
- iv. recommended to the Board on the adoption of the Board Diversity Policy and the revised terms of reference of the Nomination Committee.

#### 4. **Corporate Governance Committee** (set up on 28 March 2012)

The Corporate Governance Committee consists of five members, namely Ms. Choi Suk Hing, Louisa (Chairperson of the Committee), the Executive Director, Mr. Kwok Chi Sun, Vincent and Mr. Cheng Wing Keung, Raymond, both being Independent Non-executive Directors, a representative from company secretarial function and a representative from finance and accounts function. The specific written terms of reference of the Corporate Governance Committee is available on the Company's website. The primary duties of the Corporate Governance Committee are (a) reviewing and monitoring the policies and practices on corporate governance and compliance with legal and regulatory requirements of the Company; (b) reviewing and monitoring the training and continuous professional development of directors and senior management; (c) reviewing and monitoring the code of conduct of Directors and relevant employees on dealings with the Company Securities; and (d) reviewing the Company's compliance with the Code and disclosure in this Report. The Corporate Governance Committee held one meeting during the Year.

# CORPORATE GOVERNANCE REPORT

## THE BOARD (Continued)

### BOARD COMMITTEES (Continued)

#### 4. Corporate Governance Committee (set up on 28 March 2012) (Continued)

A summary of the work performed by the Corporate Governance Committee during the Year is set out as follows:

- i. reviewed the Corporate Governance Policy;
- ii. reviewed the training and continuous professional development of Directors;
- iii. reviewed the policies and practices on compliance with legal and regulatory requirements;
- iv. reviewed the code of conduct applicable to Directors and relevant employees of the Group; and
- v. reviewed the Company's compliance with the Corporate Governance Code and disclosure in Corporate Governance Report.

### SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the 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 enquiries with all Directors, all of them confirmed that they have complied with the required standard of dealings as set out in the Code throughout the Year.

### ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the consolidated financial statements of the Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), the Hong Kong Companies Ordinance and the Listing Rules. The Management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions. The Directors believe that they have adopted HKFRSs, selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable and ensured the financial statements are prepared on a "going concern" basis. The auditor of the Company has made a statement about their reporting responsibilities in the Independent Auditor's Report.

The Management has provided all members of the Board with monthly updates on internal financial statements so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

### INTERNAL CONTROLS

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatements or losses.

The Management is primarily responsible for the design, implementation and maintenance of the internal control system to safeguard the Shareholders' investment and assets of the Group. The Management monitors the business activities closely and reviews monthly financial results of operations against budgets/forecast. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of financial statements are carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROLS (Continued)

The Board had conducted review from time to time of the effectiveness of the system of internal control of the Company and its subsidiaries. The review covered the major operating areas of the business of the Group, including accounts opening and handling, dealing practices, settlement and asset protection. Proper management of risks, including credit risk, market risk, liquidity risk, operational risk and compliance risk are also important to the business of the Group. The Group has implemented policies and procedures on these areas and continuous revisions to its relevant policies and procedures will be made from time to time. Monitoring of the internal control system and risk management is mainly relied on the Internal Audit Department, the Credit and Risk Control Department and Compliance Department.

During the Year, the Management had analysed the control environment and risk assessment, identified the various control systems implemented. The approach of the review includes conducting interviews with relevant Management and staff members, reviewing relevant documentation of the internal control system and evaluating findings on any deficiencies in the design of the internal controls and developing recommendations for improvement, where appropriate. The scope and findings of the review had been reported to and reviewed by the Audit Committee.

The following key control measures are also in place to monitor and control the effectiveness of the internal control system:

- i. a clear organisational structure with defined responsibilities to ensure the effective segregation of duties and controls and is kept under review;
- ii. the policies and systems on credit risk and financial risk management as set out in notes 5 and 6 to the consolidated financial statements. Information about the Group's management of its credit risk, market risk and liquidity risk is also set out under the heading of Risk Management below;
- iii. the System and Procedures on Disclosure of inside information to ensure, with the assistance of an internal work team (if required), that any material information which comes to the knowledge of any one or more officers should be promptly identified, assessed and escalated for the attention of the Board;
- iv. the establishment of a CCT Compliance Committee to monitor, control and review internally connected transactions and continuing connected transactions of the Company and ensure proper compliance with all relevant laws and regulations and the Listing Rules; and
- v. a whistle-blowing policy for employees of the Group to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

The Board and Audit Committee had conducted a review on the effectiveness of internal control system of the Group (including financial, operational, compliance controls, risk management functions) and the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Company's accounting and financial reporting function. The Board considered that its internal control system is effective and adequate and the Company had complied with the code provisions on internal control of the Code in this respect in general.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT

The Group's business, financial conditions and results may be affected by risks and uncertainties pertaining to the Group's business. The credit risk, market risk and liquidity risk are the main inherent risks explained below which could cause the Group's financial condition or results differing materially from expected or historical results.

### CREDIT RISK

The Group's Credit Committee has put in place credit management policies and procedures covering the examination of the approval of clients' trading and credit limits, approval and review of the margin lending ratio of individual stock, monitoring of credit exposures and the follow up of credit risks associated with overdue debts.

Day-to-day credit monitoring is performed by the Group's Credit and Risk Control Department in accordance with the policies and procedures approved by the Credit Committee with toleration and exception reports reviewed by responsible officers and senior management of the Group as well as by the Credit Committee at quarterly meetings.

Moreover, the Group's Internal Audit Department also conducts independent reviews on the adequacy and effectiveness of these policies and controls to ensure that the Group is operating according to the established policies, procedures and credit limits.

### MARKET RISK

If the market value of a margin client's portfolio falls below his margin loan amount and the margin client fails to meet margin calls, the Group will be exposed to the risk that the margin loan being delinquent. Similarly, if the value of the underlying products of a client's futures contract fluctuates such that the outstanding balances in his account falls below the required maintenance margin level, the Group may suffer loss if the client's account incurs loss even after liquidation of the open position.

The Management of the Group keeps close monitoring of the market condition so that immediate precautionary measures will be taken to reduce such risk that the Group may encounter. For example, the Group's Credit and Risk Control Department will monitor of the twenty securities with the highest losing percentages and those stocks classified as highly concentrated collaterals of the Group on a daily basis. In addition, follow up actions such as reducing the margin ratio for the pledged securities and requiring clients to top up their position would be taken if considered appropriate.

### LIQUIDITY RISK

As part of its ordinary brokerage activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and clients. The goal of liquidity management is to ensure that the Group maintains adequate liquid capital to fund its business commitments as well as to comply with the relevant Financial Resources Rules applying to various licensed subsidiaries.

To address the risk, the Group's Finance and Accounts Department and the senior management will review and monitor the Group's liquidity position on daily basis to ensure the availability of sufficient liquid funds. In addition, the Group has maintained stand-by banking and other facilities in order to meet any contingency in its operations. The Management believes the Group's working capital is adequate to meet its financial obligations.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS

The Company has established a shareholders' communication policy and the Board shall review it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders mainly in the following ways: (i) the holding of annual general meetings and special general meetings, if any, which may be convened for specific purpose and can provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports, circulars on the websites of the Company and the Stock Exchange as required under the Listing Rules; (iii) publication of press releases of the Company providing updated information of the Group; (iv) the availability of latest information of the Group in the Company's website; (v) meeting with investors and analysts on a regular basis and participate investor road shows and sector conference.

There is regular dialogue with institutional shareholders and general presentations are usually made when financial results are announced. Shareholders and investors are welcome to visit the Company's website or page 2 of this annual report.

In order to protect the environment and save costs for the benefit of Shareholders, the Company has introduced the electronic means of corporate communication in December 2009. Shareholders may elect to receive printed or electronic copies of corporate communication. However, Shareholders are strongly encouraged to access corporate communication from the Company through the Company's website at <http://www.emperorcapi.com>.

Separate resolutions are proposed at the general meetings for such substantial issues, including the re-election of retiring Directors. The Company's notice to Shareholders for the 2012 annual general meeting was sent to Shareholders at least 20 clear business days before the meeting and notices of special general meetings were sent to shareholders at least 10 clear business days before such meetings.

The chairperson of the annual general meeting and the chairman/chairperson of the Audit Committee and the Remuneration Committee, Nomination Committee and Corporate Government Committee and the external auditors were available at the last annual general meeting held on 30 January 2013. The Chairperson of the meeting had explained the procedures for conducting a poll during the meeting.

The forthcoming annual general meeting of the Company will be held on 22 January 2014 which will be conducted by way of poll.

## SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the Shareholders as required to be disclosed pursuant to the Code.

### **Convening a special general meeting of the Company ("SGM") and putting forward proposals at general meetings**

Pursuant to the Bye-laws of the Company, Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring a SGM to be called by the Board.

The written requisition (i) must state the object(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists.

Such requisitions will be verified with the Company's Branch Share Registrar and upon its confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene an SGM by serving sufficient notice to all Shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the SGM will not be convened as requested.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS (Continued)

### Convening a special general meeting of the Company ("SGM") and putting forward proposals at general meetings (Continued)

If Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a SGM for a day not more than two months after the date of deposit of such requisition, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a SGM, but any SGM so convened shall not be held after the expiration of 3 months from the said date of deposit of the requisition. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

Pursuant to the Bermuda Companies Act 1981, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

### Enquires from Shareholders

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited. Other Shareholders' enquiries can be directed to the Investor Relations Department of the Company whose contact details are shown on page 2 of this Annual Report.

## CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the Year.

## AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standard. Members of the Committee were of the view that the Company's auditor, Messrs. Deloitte Touche Tohmatsu is independent and has recommended the Board to re-appoint it as the Company's auditor at the forthcoming annual general meeting.

During the Year, Messrs. Deloitte Touche Tohmatsu has rendered audit services and certain non-audit services to the Company and the remuneration paid/payable to it by the Company is set out as follows:

Services rendered	Fees paid/payable
	HK\$'000
Audit services	1,330
Non-audit services:	
Review of the preliminary results announcement	60

# INDEPENDENT AUDITOR'S REPORT

**Deloitte.**  
**德勤**

德勤•關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

## **TO THE MEMBERS OF EMPEROR CAPITAL GROUP LIMITED**

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Emperor Capital Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 89, which comprise the consolidated statement of financial position as at 30 September 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

## **TO THE MEMBERS OF EMPEROR CAPITAL GROUP LIMITED (Continued)**

*(incorporated in Bermuda with limited liability)*

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 September 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

3 December 2013

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2013

	NOTES	2013 HK\$'000	2012 HK\$'000
Revenue	8	<b>434,804</b>	223,801
Other operating income		<b>9,148</b>	4,541
Staff costs	9	<b>(70,122)</b>	(50,390)
Commission expenses		<b>(114,228)</b>	(41,214)
Other expenses		<b>(69,134)</b>	(72,926)
Gain upon disposal of a subsidiary that holds available-for-sale financial assets	26	-	7,900
Finance costs	10	<b>(7,259)</b>	(36)
Share of profit of an associate		<b>3,749</b>	925
Profit before taxation	13	<b>186,958</b>	72,601
Taxation	14	<b>(30,981)</b>	(9,230)
Profit for the year		<b>155,977</b>	63,371
Other comprehensive income (expenses)			
Items that may be reclassified subsequently to profit or loss:			
Reclassification adjustment for the cumulative gain on available-for-sale financial assets from other comprehensive income to profit or loss upon disposal of a subsidiary that holds available-for-sale financial assets	22	-	(7,900)
Exchange differences arising on translation		<b>25</b>	3
Other comprehensive income for the year		<b>25</b>	(7,897)
Total comprehensive income for the year		<b>156,002</b>	55,474
Profit for the year attributable to:			
Owners of the Company		<b>155,745</b>	63,411
Non-controlling interests		<b>232</b>	(40)
		<b>155,977</b>	63,371
Total comprehensive income attributable to:			
Owners of the Company		<b>155,770</b>	55,514
Non-controlling interests		<b>232</b>	(40)
		<b>156,002</b>	55,474
Earnings per share	16		
Basic		<b>HK6.00 cents</b>	HK2.44 cents
Diluted		<b>HK6.00 cents</b>	HK2.44 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	NOTES	2013 HK\$'000	2012 HK\$'000
<b>Non-current assets</b>			
Interest in an associate	19	<b>2,311</b>	-
Property and equipment	17	<b>5,288</b>	5,694
Intangible assets	18	-	-
Other assets	20	<b>7,739</b>	4,563
Amount due from an associate	19	<b>5,987</b>	4,549
Available-for-sale financial assets	22	-	-
Loans and advances	21	<b>45,349</b>	49,714
		<b>66,674</b>	64,520
<b>Current assets</b>			
Accounts receivable	23	<b>1,160,030</b>	697,337
Loans and advances	21	<b>531,893</b>	408,247
Other debtors, deposits and prepayments		<b>21,804</b>	13,743
Bank balances and cash – trust accounts	24	<b>1,845,175</b>	497,428
Bank balances and cash – general accounts	24	<b>338,585</b>	222,176
Tax recoverable		<b>1,102</b>	-
		<b>3,898,589</b>	1,838,931
<b>Current liabilities</b>			
Accounts payable	25	<b>2,066,356</b>	621,352
Other creditors and accrued charges		<b>38,552</b>	26,033
Tax liabilities		<b>29,274</b>	6,167
Short-term bank borrowings	27	<b>310,000</b>	-
Amount due to a related company	28	<b>100,000</b>	-
Loans payable	29	<b>26,000</b>	-
		<b>2,570,182</b>	653,552
Net current assets		<b>1,328,407</b>	1,185,379
Total assets less current liabilities		<b>1,395,081</b>	1,249,899
<b>Non-current liabilities</b>			
Loans payable	29	<b>10,000</b>	-
Net assets		<b>1,385,081</b>	1,249,899

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	NOTE	2013 HK\$'000	2012 HK\$'000
Capital and reserves			
Share capital	30	<b>25,974</b>	25,974
Reserves		<b>1,359,107</b>	1,224,157
Equity attributable to owners of the Company		<b>1,385,081</b>	1,250,131
Non-controlling interest		-	(232)
Total equity		<b>1,385,081</b>	1,249,899

The consolidated financial statements on pages 40 to 89 were approved and authorised for issue by the Board of Directors on 3 December 2013 and are signed on its behalf by:

**DAISY YEUNG**

*DIRECTOR*

**CHAN SHEK WAH**

*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2013

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Capital contribution			Retained profits	Share option reserve	Total	Non-controlling interests	Total
				contribution reserve	Revaluation reserve	Translation reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 October 2011	25,974	841,266	102,529	2,004	7,900	25	233,636	1,023	1,214,357	(192)	1,214,165
Other comprehensive income for the year	-	-	-	-	(7,900)	3	-	-	(7,897)	-	(7,897)
Profit for the year	-	-	-	-	-	-	63,411	-	63,411	(40)	63,371
Total comprehensive income for the year	-	-	-	-	(7,900)	3	63,411	-	55,514	(40)	55,474
Amount transferred from special reserve to retained profits	-	-	(19,740)	-	-	-	19,740	-	-	-	-
Dividend recognised as distribution	-	-	-	-	-	-	(19,740)	-	(19,740)	-	(19,740)
At 30 September 2012	25,974	841,266	82,789	2,004	-	28	297,047	1,023	1,250,131	(232)	1,249,899
Other comprehensive income for the year	-	-	-	-	-	25	-	-	25	-	25
Profit for the year	-	-	-	-	-	-	155,745	-	155,745	232	155,977
Total comprehensive income for the year	-	-	-	-	-	25	155,745	-	155,770	232	156,002
Amount transferred from special reserve to retained profits	-	-	(22,858)	-	-	-	22,858	-	-	-	-
Dividend recognised as distribution	-	-	-	-	-	-	(22,858)	-	(22,858)	-	(22,858)
Effect of share options lapsed	-	-	-	-	-	-	1,023	(1,023)	-	-	-
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	2,038	2,038	-	2,038
At 30 September 2013	<b>25,974</b>	<b>841,266</b>	<b>59,931</b>	<b>2,004</b>	<b>-</b>	<b>53</b>	<b>453,815</b>	<b>2,038</b>	<b>1,385,081</b>	<b>-</b>	<b>1,385,081</b>

Special reserve represents the difference between the nominal value of the ordinary shares of the subsidiaries of the Company in issue and the nominal value of the shares issued by the Company for acquisition of a subsidiary pursuant to a group reorganisation on 2 April 2007.

Capital contribution reserve represents the deemed contribution arising from a fellow subsidiary waiving certain amount of management fee in previous years.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2013

	NOTE	2013 HK\$'000	2012 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		<b>186,958</b>	72,601
Adjustments for:			
Finance costs		<b>7,259</b>	36
Interest income		<b>(183,202)</b>	(101,814)
Depreciation of property and equipment		<b>2,244</b>	2,315
Share of profit of an associate		<b>(3,749)</b>	(925)
Allowance for loans and advances		<b>8,000</b>	12,000
Share-based payment expenses		<b>2,038</b>	-
Bad debt written off		-	765
Gain upon disposal of a subsidiary that holds available-for-sale financial asset		-	(7,900)
Operating cash flows before movements in working capital		<b>19,548</b>	(22,922)
Increase in accounts receivable		<b>(462,693)</b>	(186,925)
(Increase) decrease in other assets		<b>(3,176)</b>	251
Increase in loans and advances		<b>(127,281)</b>	(285,361)
Increase in other debtors, deposits and prepayments		<b>(8,061)</b>	(1,659)
Increase in bank balances and cash – trust accounts		<b>(1,347,747)</b>	(62,355)
Increase in accounts payable		<b>1,445,004</b>	77,032
Increase in other creditors and accrued charges		<b>12,519</b>	6,388
Cash used in operations		<b>(471,887)</b>	(475,551)
Hong Kong Profits Tax paid		<b>(8,823)</b>	(26,692)
PRC Tax paid		<b>(153)</b>	(33)
Interest paid		<b>(7,259)</b>	(36)
Interest received		<b>183,202</b>	101,814
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(304,920)</b>	(400,498)
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		<b>(1,838)</b>	(3,761)
Proceed of disposal of property and equipment		-	7
Net cash inflow of disposal of subsidiary	26	-	8,838
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<b>(1,838)</b>	5,084
<b>FINANCING ACTIVITIES</b>			
Drawdown on bank borrowings		<b>4,472,796</b>	112,200
Repayment of bank borrowings		<b>(4,162,796)</b>	(112,200)
Advance from a related company		<b>100,000</b>	-
Drawdown in loans payable		<b>36,000</b>	-
Dividend paid		<b>(22,858)</b>	(19,740)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>		<b>423,142</b>	(19,740)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2013

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>116,384</b>	(415,154)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<b>222,176</b>	637,327
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>25</b>	3
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<b>338,585</b>	222,176
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash – general accounts	<b>338,585</b>	222,176

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 1. GENERAL

The Company is incorporated and registered as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and acts as an investment holding company. The immediate holding company is Emperor Capital Group Holdings Limited ("Emperor Capital Holdings"), which is a limited liability company incorporated in the British Virgin Islands (the "BVI"). The ultimate holding company is Albert Yeung Holdings Limited, a limited liability company incorporated in BVI. The entire issued share capital of Albert Yeung Holdings Limited is in turn held by STC International Limited, being the trustee of The Albert Yeung Discretionary Trust (the "AY Trust"), a discretionary trust set up by Dr. Albert Yeung.

Shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 April 2007. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 36.

The consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for current reporting period.

The application of the amendments to HKFRSs in the current year has had no material impact on Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2012 cycle <sup>1</sup>
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures <sup>2</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities <sup>3</sup>
HKFRS 9	Financial instruments <sup>2</sup>
HKFRS 10	Consolidated financial statements <sup>1</sup>
HKFRS 11	Joint arrangements <sup>1</sup>
HKFRS 12	Disclosure of interests in other entities <sup>1</sup>
HKFRS 13	Fair value measurement <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee benefits <sup>1</sup>
HKAS 27 (as revised in 2011)	Separate financial statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures <sup>1</sup>
Amendments to HKAS 32	Offsetting financial assets and financial liabilities <sup>3</sup>
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets <sup>3</sup>
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting <sup>3</sup>
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine <sup>1</sup>
HK(IFRIC) – INT 21	Levies <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures - Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The executive directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may have impact on presentation of certain financial assets and financial liabilities and result in more disclosures being made with regard to offsetting financial assets and financial liabilities such as accounts receivable and payable in the future.

### HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at 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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

### HKFRS 9 Financial instruments (Continued)

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The executive directors anticipate that the application of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Except for above, the executive directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material impact on the consolidated financial statements of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by 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 value, explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

### *Allocation of total comprehensive income to non-controlling interests*

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2011 onwards).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Interest in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable arising from financial services and is recognised on the following basis:

- Commission income for broking business of securities, futures and option dealing is recorded as income when the trades are executed.
- Insurance brokerage commission is recognised when the services are rendered or on straight-line basis over the claw back period, as appropriate.
- Advisory, other corporate finance services fee income and asset management fee income are recognised when the services are rendered.
- Underwriting commission income, sub-underwriting income, placing commission income are recognised once the corresponding underlying exposure has ceased.
- Handling fee income is recognised when the relevant transactions have been arranged or the relevant services are been rendered.
- Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Equity-settled share-based payment transactions

#### *Share options granted to directors*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

### Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

### Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### **Intangible assets**

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

### **Financial instruments**

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### **Financial assets**

The Group's financial assets are classified into two categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for loans and receivables.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, loans and advances, other debtors, deposits, amount due from an associate and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

##### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss and loans and receivables.

### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable and loans and advances, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the accounts receivable and loans and advances are considered uncollectible upon the bankruptcy of customers, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Impairment of financial assets (Continued)

For impairment assessment, each receivable is reviewed individually at the end of each month. Specifically, in assessing impairment for each receivable, management estimates the present value of future cash flows which are expected to be received, taking into account the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group. Any impairment allowance is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows discounted at the loan's original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### Financial liabilities

Financial liabilities including accounts payable and other creditors are subsequently measured at amortised cost, using the effective interest method.

#### Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

#### **Derecognition**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **Impairment losses on tangible and intangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Estimated impairment of accounts receivable and loans and advances

When there is objective evidence of impairment loss, the Group estimates the future cash flows of assets for impairment testing purpose. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise in future financial periods. As at 30 September 2013, the gross carrying amount of accounts receivable is HK\$1,160,030,000 (2012: HK\$697,337,000), the gross carrying amount of loans and advances is HK\$597,242,000 (2012: HK\$469,961,000), and accumulated allowance on loans and advances of HK\$20,000,000 in aggregate was provided as at 30 September 2013 (2012: HK\$12,000,000) of which HK\$8,000,000 (2012: HK\$12,000,000) was provided for the year ended 30 September 2013. As at 30 September 2012, accounts receivable of HK\$765,000 was written off.

### Monies held in an escrow account

During the year ended 30 September 2011, the Group placed an aggregate amount of HK\$40,000,000 (the "Escrow Fund") 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 advanced to two respective borrowers as a loan which were agreed to be held in escrow by the Escrow Agent, were both in default. In July 2011, the Group has commenced legal proceedings against the two borrowers and the partners of K&L Gates, claiming for the return of the Escrow Fund, plus interest and cost. Final and interlocutory judgment were entered against the two borrowers and a partner of K&L Gates in 2011. Such partner of K&L Gates was arrested by the Hong Kong Police and in 2013 he was sentenced to 12 years jail under the charge for fraud and forgery with respect to the monies held in escrow accounts of K&L Gates. The legal proceedings against other partners of K&L Gates claiming for the return of escrow money are still pending for trial. Taking into account the specific facts and circumstances and the legal advice, the executive directors of the Company are of the opinion that it is probable that a judgment will be favourable to the Group, in which event each of the partners of K&L Gates will be personally liable to the Group to satisfy the judgment and hence, the amount of HK\$40,000,000 will be recovered.

It is currently expected that the enforcement of the judgment, if obtained, to recover the debt of HK\$40,000,000 would be prolonged to around six years from 30 September 2013 due to prolonged legal procedures (particularly taking into consideration the recent prolonged discovery process and increased complication in the procedures including the introduction of expert witnesses). A further allowance of HK\$8,000,000 resulting in an aggregate of allowance of HK\$20,000,000 (2012: HK\$12,000,000) was made in the current year that reflects the difference between HK\$40,000,000 and the present value of HK\$40,000,000. If the actual recoverable amount is less than expected, a material impairment loss may arise. Please refer to note 21 for details.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which include short-term bank borrowings, amount due to a related company, loans payable, capital and reserves, which include issued share capital and reserves as set out on the consolidated statement of financial position, consolidated statement of changes in equity and respective notes. The Group's overall strategy remains unchanged from prior year.

The management reviews the capital structure by considering the cost of capital and the risks associated with the share capital. In view of this, the Group manages its overall capital structure through the drawdown and repayment of bank borrowings, payment of dividends and issue of share capital.

Several subsidiaries of the Group (the "Regulated Subsidiaries") are registered with Securities and Futures Commission ("SFC") for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, the Regulated Subsidiaries must maintain their liquid capital in excess of HK\$3 million or 5% of their total adjusted liabilities, whichever is higher. The required information is filed with SFC on a monthly basis.

Another subsidiary of the Group is a member of the Professional Insurance Brokers Association Limited and is required to maintain a minimum net asset value of HK\$100,000 at all times.

## 6. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2013	2012
	HK\$'000	HK\$'000
<b>Financial assets</b>		
Loans and receivables (including bank balances and cash)	<b>3,945,948</b>	1,891,532
<b>Financial liabilities</b>		
Amortised cost	<b>2,550,908</b>	647,385

### Financial risk management objectives and policies

The Group's major financial instruments include other debtors and deposits, accounts receivable, loans and advances, amount due from an associate, bank balances and cash, accounts payable, short term bank borrowings, amount due to a related company and loans payable and other creditors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 6. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Market risk

##### Currency risk

Currency risk is the risk of loss due to adverse movements in foreign exchange rates relating to receivable from and payable to foreign brokers and foreign currency deposits with banks. The management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

It is the Group's policy for each operating entity to operate in local currencies as far as possible to minimise currency risks. Most of the Group's principal businesses are conducted and recorded in Hong Kong dollar, the functional currency of respective group entities, except for certain receivables from and payable to foreign brokers and bank deposits which are denominated in United States dollar, Renminbi, Japanese Yen and Singapore dollar (see notes 23, 24 and 25 for details). The executive directors of the Company considered that the effect of currency risk is insignificant as the Group has minimal exposure in Renminbi, Japanese Yen and Singapore dollar and there is the linked exchange rate system of Hong Kong dollar against United States dollar. Accordingly, no sensitivity analysis in relation to foreign currency exposure has been carried out by the management.

##### Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate accounts receivable, bank balances, loans and advances, bank borrowings and accounts payable.

The Group's cash flow interest rate risk is mainly relating to the fluctuation of best lending rate arising from the Group's accounts receivable and loans and advances and market savings interest rate arising from the Group's bank balances and accounts payable. The Group's exposure to interest rates on financial assets and financial liabilities are detailed below.

##### Financial instruments bearing variable interest rates in nature

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Assets</b>		
Accounts receivable	<b>817,680</b>	570,673
Loans and advances	<b>34,381</b>	61,085
Bank balances	<b>61,450</b>	14,979
<b>Liability</b>		
Accounts payable	<b>180,211</b>	379,710
Short-term bank borrowing	<b>310,000</b>	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 6. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

##### Interest rate risk (Continued)

##### Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period and it is assumed that the amount of the above assets and liabilities at the end of the reporting period was in existence for the whole year and all other variables were held constant throughout the respective year. A 50 basis point (2012: 50 basis point) change represents management's assessment of the reasonably possible change in interest rates in respect of variable rate accounts receivable, loans and advances, bank balances, accounts payable and short term bank borrowings.

	2013		2012	
	Change in basis points		Change in basis points	
	+50	-50	+50	-50
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Increase (decrease) in profit after tax for the year	1,766	(1,766)	1,115	(1,115)

In management's opinion, the sensitivity analysis is unrepresentative of the market interest rate risk as the year end exposure does not reflect the exposure during the year.

#### Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30 September 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has a delegated team to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the executive directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong. The Group has no significant concentration of credit risk by any single debtor as the exposure is spread over a number of individual and institutional customers, except for the loans and advances and accounts receivable as disclosed in notes 21 and 23.

Details of analysis of the credit risk exposure of loans and advances and accounts receivable are disclosed in notes 21 and 23.

Bank balances are placed in various authorised institutions and the executive directors of the Company consider the credit risk for such instruments is minimal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

#### Liquidity risk

Internally generated cash flow and bank borrowings are the sources of funds to finance the operations of the Group. The majority of the Group's banking facilities are subject to floating rate and are renewable annually. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews the major funding positions to ensure adequate financial resources are available to meet their respective financial obligations.

As at 30 September 2013, the Group has available unutilised banking facilities of approximately HK\$480 million (30 September 2012: HK\$420 million).

No analysis of maturity profile on financial liabilities is prepared. The Group's financial liabilities are repayable on demand by virtue of its nature.

#### Fair value

The executive directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values because most of the financial assets and financial liabilities have a maturity of less than 12 months from the date of advance.

## 7. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, 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 asset and 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   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 7. 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 2013

	Brokerage	Financing	Placing and underwriting	Corporate finance	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
Segment revenue - external customers	99,927	180,049	143,588	11,240	-	434,804
Inter-segment sales	-	10,850	-	350	(11,200)	-
	99,927	190,899	143,588	11,590	(11,200)	434,804

Inter-segment sales are charged at prevailing market rate.

	Brokerage	Financing	Placing and underwriting	Corporate finance	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Segment results	10,922	162,423	81,084	415	254,844
Unallocated other operating income					1,750
Unallocated corporate expenses					
- staff costs (including directors' remuneration)					(52,401)
- management fee to related companies					(540)
- service charge to a related company					(7,641)
- others					(12,803)
Share of profit of an associate					3,749
Profit before taxation					186,958

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 7. SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

#### For the year ended 30 September 2012

	Brokerage	Financing	Placing and underwriting	Corporate finance	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>						
Segment revenue - external customers	75,536	94,395	42,819	11,051	-	223,801
Inter-segment sales	-	7,019	-	-	(7,019)	-
	75,536	101,414	42,819	11,051	(7,019)	223,801

Inter-segment sales are charged at prevailing market rate.

	Brokerage	Financing	Placing and underwriting	Corporate finance	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>RESULTS</b>					
Segment results	15,375	71,952	29,121	1,690	118,138
Unallocated other operating income					581
Unallocated corporate expenses					
- staff costs (including directors' remuneration)					(35,340)
- management fee to a related company					(360)
- service charge to a related company					(6,168)
- others					(13,075)
Share of profit of an associate					925
Gain upon disposal of a subsidiary that holds available-for-sale financial assets					7,900
Profit before taxation					72,601

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. 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, gain upon disposal of a subsidiary that holds available-for-sale financial assets, management fee to related companies, central administration costs and share of profit of an associate. This is the measure reported to the executive directors of the Company for the purpose of resource allocation and performance assessment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 7. SEGMENT INFORMATION (Continued)

### Other segment information

#### For the year ended 30 September 2013

	Brokerage	Financing	Placing and underwriting	Corporate finance	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions of property and equipment	1,782	8	-	48	1,838
Depreciation of property and equipment	2,223	1	-	20	2,244
Allowance for loans and advances	-	8,000	-	-	8,000

#### For the year ended 30 September 2012

	Brokerage	Financing	Placing and underwriting	Corporate finance	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions of property and equipment	3,742	-	-	19	3,761
Depreciation of property and equipment	2,304	-	-	11	2,315
Bad debt written off	765	-	-	-	765
Allowance for loans and advances	-	12,000	-	-	12,000

### 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	
	2013	2012
	HK\$'000	HK\$'000
Hong Kong	390,004	208,327
United States	43,801	13,964
Other	999	1,510
	434,804	223,801

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 7. SEGMENT INFORMATION (Continued)

### Information about major customer

Revenue from a customer of corresponding years contributing over 10% of total revenue of the Group is as follows:

	2013 HK\$'000	2012 HK\$'000
Customer A	<b>61,900<sup>2</sup></b>	26,127 <sup>1</sup>

<sup>1</sup> Revenue mainly from financing, placing and underwriting.

<sup>2</sup> Revenue mainly from placing and underwriting.

## 8. REVENUE

	2013 HK\$'000	2012 HK\$'000
Commission and brokerage fees on dealing in securities	<b>40,552</b>	32,929
Commission and brokerage fees on dealing in futures and options contracts	<b>47,690</b>	20,324
Commission from insurance brokerage and wealth management	<b>8,532</b>	14,864
Corporate finance advisory services fee income	<b>11,240</b>	11,051
Placing and underwriting commission	<b>143,588</b>	42,819
Interest income from:		
Margin and initial public offer financing	<b>87,517</b>	38,432
Loans and advances	<b>92,201</b>	55,540
Bank deposits	<b>3,153</b>	7,417
Others	<b>331</b>	425
	<b>434,804</b>	223,801

## 9. STAFF COSTS

	2013 HK\$'000	2012 HK\$'000
Staff costs represent the amounts paid and payable to the directors and employees and comprise:		
Salaries, bonus, allowances and commission	<b>66,026</b>	48,838
Contributions to retirement benefits scheme	<b>2,058</b>	1,552
Share based payments	<b>2,038</b>	-
	<b>70,122</b>	50,390

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 10. FINANCE COSTS

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Interest on:		
Bank overdrafts and loans wholly repayable within five years	<b>2,725</b>	19
Amount due to a related company	<b>3,515</b>	-
Loans payable	<b>1,012</b>	-
Others	<b>7</b>	17
	<b>7,259</b>	36

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 7 (2012: 7) directors and the chief executive were as follows:

**For the year ended 30 September 2013**

	Directors							Total
	Daisy	Chan	Choi	Pearl	Kwok	Cheng	Chu	
	Yeung	Shek Wah	Suk Hing, Louisa	Chan	Chi Sun, Vincent	Wing Keung, Raymond	Kar Wing	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees	150	150	150	150	180	180	180	1,140
Other remuneration								
Salaries and allowances	1,665	3,722	1,899	1,570	-	-	-	8,856
Discretionary bonus (note)	1,000	1,500	612	462	-	-	-	3,574
Share based payment	859	859	197	123	-	-	-	2,038
Contributions to retirement benefits scheme	17	15	133	102	-	-	-	267
Total remuneration	<b>3,691</b>	<b>6,246</b>	<b>2,991</b>	<b>2,407</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>15,875</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 30 September 2012

	Directors							Total HK\$'000
	Daisy Yeung	Chan Shek Wah*	Choi Suk Hing, Louisa	Pearl Chan	Kwok Chi Sun, Vincent	Cheng Wing Keung, Raymond	Chu Kar Wing	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Fees	125	105	125	125	165	165	165	975
Other remuneration								
Salaries and allowances	1,614	3,510	1,812	1,552	-	-	-	8,488
Discretionary bonus (note)	1,000	700	650	500	-	-	-	2,850
Contributions to retirement benefits scheme	17	13	127	103	-	-	-	260
<b>Total remuneration</b>	<b>2,756</b>	<b>4,328</b>	<b>2,714</b>	<b>2,280</b>	<b>165</b>	<b>165</b>	<b>165</b>	<b>12,573</b>

Note: Discretionary bonus is determined as regard to the Group's operating results, individual performance and comparable market statistics.

\* Director appointed during the year ended 30 September 2012.

Miss Daisy Yeung is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as Chief Executive.

## 12. EMPLOYEES' REMUNERATION

The five individuals with the highest emoluments in the Group included four (2012: four) directors of the Company for the year ended 30 September 2013, details of whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining one (2012: one) individual for the year were as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries, allowances and benefits in kind	1,500	576
Bonus	-	2,558
Contributions to retirement benefits scheme	15	13
	<b>1,515</b>	<b>3,147</b>

The remunerations were within the following bands:

	Number of employees	
	2013	2012
HK\$1,500,001 to HK\$2,000,000	1	-
HK\$3,000,001 to HK\$3,500,000	-	1

During the year, no remuneration has been paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 13. PROFIT BEFORE TAXATION

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Included in other expenses:		
Advertising and promotion expenses	<b>6,925</b>	7,629
Auditor's remuneration	<b>1,386</b>	1,250
Depreciation of property and equipment	<b>2,244</b>	2,315
Management fee to related company(ies)	<b>823</b>	941
Service charge to a related company	<b>7,641</b>	6,168
Net exchange loss	<b>42</b>	13
Operating lease rentals in respect of		
– rented premises	<b>9,518</b>	10,309
– office equipment	<b>2,614</b>	2,996
Other equipment hiring charges	<b>9,372</b>	8,999
Legal and professional fee	<b>3,211</b>	6,190
Bad debt written off	<b>-</b>	765
Allowance for loans and advances	<b>8,000</b>	12,000
Included in other operating income:		
Handling fee income	<b>(5,597)</b>	(3,694)
Bad debt recovered	<b>(2,000)</b>	-

## 14. TAXATION

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Current year:		
Hong Kong Profits Tax provision for the year	<b>30,828</b>	9,197
PRC Enterprise Income Tax	<b>153</b>	33
	<b>30,981</b>	9,230

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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 14. TAXATION (Continued)

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>186,958</b>	72,601
Taxation at income tax rate of 16.5%	<b>30,848</b>	11,979
Tax effect of expenses not deductible for tax purpose	<b>356</b>	700
Tax effect of income not taxable for tax purpose	<b>(721)</b>	(2,637)
Utilisation of tax losses previously not recognised	<b>(90)</b>	(1,200)
Tax effect of tax losses not recognised	<b>1,136</b>	425
Tax effect of share of profit of an associate	<b>(619)</b>	(152)
Others	<b>71</b>	115
Taxation charge for the year	<b>30,981</b>	9,230

As at 30 September 2013, the Group had unused estimated tax losses of HK\$17,570,000 (2012: HK\$11,230,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

## 15. DIVIDENDS

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Recognised as distribution:		
Interim dividend paid: HK\$0.005 (2012: HK\$0.0038) per share	<b>12,988</b>	9,870
Final dividend paid in respect of 2012: HK\$0.0038 per share (2012: HK\$0.0038 in respect of 2011)	<b>9,870</b>	9,870
	<b>22,858</b>	19,740

The directors proposed payment of a final dividend of HK1.3 cents per share amounting to HK\$33,767,000 in aggregate in respect of the year ended 30 September 2013 (2012: HK0.38 cent per share amounted to HK\$9,870,000 in aggregate), which is subject to approval of the shareholders at the forthcoming annual general meeting of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 16. EARNINGS PER SHARE

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

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<b>155,745</b>	63,411
	<b>Number of shares</b>	
	<b>2013</b>	2012
	<b>'000</b>	'000
Number of ordinary shares for the purposes of basic and diluted earnings per share	<b>2,597,434</b>	2,597,434

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of the Company's exercisable share options was higher than the average market price of the Company's shares for the years ended 30 September 2013 and 2012.

## 17. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer and equipment	Air- conditioners	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST						
At 1 October 2011	7,663	1,503	4,089	12,041	816	26,112
Additions	2,664	152	118	827	-	3,761
Disposal	-	-	-	(12)	-	(12)
At 30 September 2012	10,327	1,655	4,207	12,856	816	29,861
Additions	407	147	525	759	-	1,838
At 30 September 2013	<b>10,734</b>	<b>1,802</b>	<b>4,732</b>	<b>13,615</b>	<b>816</b>	<b>31,699</b>
ACCUMULATED DEPRECIATION						
At 1 October 2011	6,131	1,246	3,378	10,446	656	21,857
Provided for the year	985	146	327	791	66	2,315
Written back on disposal	-	-	-	(5)	-	(5)
At 30 September 2012	7,116	1,392	3,705	11,232	722	24,167
Provided for the year	1,017	150	329	708	40	2,244
At 30 September 2013	<b>8,133</b>	<b>1,542</b>	<b>4,034</b>	<b>11,940</b>	<b>762</b>	<b>26,411</b>
CARRYING VALUES						
At 30 September 2013	<b>2,601</b>	<b>260</b>	<b>698</b>	<b>1,675</b>	<b>54</b>	<b>5,288</b>
At 30 September 2012	3,211	263	502	1,624	94	5,694

All the above items of property and equipment are depreciated on a straight-line basis at the rate of 20% per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 18. INTANGIBLE ASSETS

	HK\$'000
COST	
At 1 October 2011, 30 September 2012 and 30 September 2013	9,802
AMORTISATION AND IMPAIRMENT	
At 1 October 2011, 30 September 2012 and 30 September 2013	9,802
CARRYING VALUES	
At 30 September 2013	-
At 30 September 2012	-

Trading rights are amortised over 10 years from the effective day of the merger of the Stock Exchange, the HKFE and the Hong Kong Securities Clearing Company Limited in year 2000.

## 19. INTEREST IN AN ASSOCIATE

	2013 HK\$'000	2012 HK\$'000
Cost of investment in an unlisted associate	1	1
Share of post-acquisition profit (loss)	2,310	(1)
	<b>2,311</b>	-
Amount due from an associate	5,987	5,987
Less: loss allocated in excess of cost of investment	-	(1,438)
	<b>5,987</b>	4,549

As at 30 September 2012 and 2013, the Group had interest in the following associate:

Name of entity	Form of business structure	Place of incorporation	Class of share held	Proportion of nominal value of issued capital held by the Group		Principal activity
				2013	2012	
Boom High Investment Limited	Incorporated	British Virgin Islands	Ordinary shares	<b>28%</b>	28%	Trading in securities and investment in funds

The summarised financial information in respect of the Group's associate is set out below:

	2013 HK\$'000	2012 HK\$'000
Total assets	<b>29,648</b>	16,260
Total liabilities	<b>(21,395)</b>	(21,395)
Net assets (liabilities)	<b>8,253</b>	(5,135)
Group's share of net assets (liabilities) of the associate	<b>2,310</b>	(1,439)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 19. INTEREST IN AN ASSOCIATE (Continued)

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Revenue	<b>13,400</b>	3,323
Profit for the year	<b>13,389</b>	3,303
Group's share of profit of the associate for the year	<b>3,749</b>	925

The amount due from an associate is unsecured, non-interest bearing and has no fixed term of repayment.

## 20. OTHER ASSETS

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Statutory and other deposits	<b>7,739</b>	4,563

Statutory and other deposits represent deposits with various exchanges and clearing houses. They are non-interest bearing.

## 21. LOANS AND ADVANCES

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Fixed-rate loans receivable	<b>522,861</b>	368,876
Variable-rate loans receivable	<b>34,381</b>	61,085
	<b>557,242</b>	429,961
Account receivable from K&L Gates ( <i>note</i> )	<b>40,000</b>	40,000
Less: Allowance for account receivable from K&L Gates	<b>(20,000)</b>	(12,000)
	<b>20,000</b>	28,000
	<b>577,242</b>	457,961
Analysed as:		
Current	<b>531,893</b>	408,247
Non-current	<b>45,349</b>	49,714
	<b>577,242</b>	457,961

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 21. LOANS AND ADVANCES (Continued)

*Note:* During the year ended 30 September 2011, the Group placed an aggregate amount of HK\$40,000,000 (the "Escrow Fund") 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 advanced to two respective borrowers as a loan which were agreed to be held in escrow by the Escrow Agent, were both in default. As described in note 4, in July 2011, the Group has commenced legal proceedings against the two borrowers and the partners of K&L Gates, claiming for the return of the Escrow Fund, plus interest and cost. Final and interlocutory judgment were entered against the two borrowers and a partner of K&L Gates in 2011. Such partner of K&L Gates was arrested by the Hong Kong Police and in 2013 he was sentenced to 12 years jail under the charge for fraud and forgery with respect to the monies held in escrow accounts of K&L Gates. The legal proceedings against other partners of K&L Gates claiming for the return of escrow money are still pending for trial. Taking into account the specific facts and circumstances and the legal advice, the executive directors of the Company are of the opinion that it is probable that a judgment will be favourable to the Group, in which event each of the partners of K&L Gates will be personally liable to the Group to satisfy the judgment and hence, the amount of HK\$40,000,000 will be recovered. However, as the timing of recovering this amount is expected to be longer than 12 months after the end of the reporting period, the Group has recognised a further allowance of HK\$8,000,000 resulting in an aggregate allowance of HK\$20,000,000 (2012: HK\$12,000,000) at a discount rate of 12% per annum, and the Escrow Fund is presented as a non-current asset at the reporting date. Taking into account the change of estimated time of recovery to around six years from 30 September 2013 due to the prolonged legal procedures (particularly taken into consideration the recent discovery process and increased complication in the procedures including introduction of expert witnesses), the allowance was adjusted accordingly. If the actual recoverable amount is less than expected, a material impairment loss may arise.

The contractual maturity dates of the Group's fixed and variable rate loans receivable are presented as below:

	2013 HK\$'000	2012 HK\$'000
Fixed rate loans receivable:		
Within one year ( <i>note</i> )	521,609	368,456
In more than one year but no more than five years	1,252	420
	<b>522,861</b>	368,876
Variable rate loans receivable:		
Within one year ( <i>note</i> )	10,284	39,791
In more than one year but no more than five years	7,113	3,934
Over five years	16,984	17,360
	<b>34,381</b>	61,085

*Note:* Included in fixed and variable rate loans receivable were balances of HK\$2,500,000 (2012: HK\$15,000,000) and HK\$nil (2012: HK\$32,803,000) respectively which had been past due for two months (2012: five months) but not impaired. Taking into account the creditworthiness of the borrowers, the executive directors of the Company believe that no allowance for impairment is necessary. Partial repayment was made by the borrower subsequent to the end of the reporting period.

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

	2013	2012
Effective interest rate:		
Fixed-rate loans receivable	<b>0.127% per month to 4.7% per month</b>	0.28% per month to 4.7% per month
Variable-rate loans receivable	<b>Prime rate - 3% per annum to prime rate + 5% per annum</b>	Prime rate - 3% per annum to prime rate + 5% per annum

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 21. LOANS AND ADVANCES (Continued)

Included in the loans and advances as at 30 September 2013 were secured loans and advances with the aggregate amount of HK\$159,722,000 (2012: HK\$188,322,000). These secured loans and advances were secured by listed marketable securities in Hong Kong except for one secured loan which was secured with first legal charge in respect of a residential property located in Hong Kong, in which the collateral for each individual loans is sufficient to cover the loan amount on an individual basis. These loans and advances were advanced to various independent individual/corporate borrowers and will be due for repayment within one year from the date of advance. Included in the balance of loans and advances secured by listed marketable securities in Hong Kong, there was a fixed rate loan advance made to a corporate amounting to HK\$149,922,000 (2012: HK\$149,922,000), representing 25% (2012: 32%) of the gross loans and advances balance. Each of the remaining loans and advances represents less than 10% of the gross balance.

The balance of the loans and advances amounting to HK\$397,520,000 (2012: HK\$241,639,000) were unsecured. Included in the unsecured loans and advances were advances made to corporates and individuals, which are independent third parties of the Group, amounting to HK\$37,890,000 (2012: HK\$166,469,000), with second legal charges in respect of commercial and residential properties located in Hong Kong, which will be due for repayment within 1 to 28 years (2012: 1 to 29 years) from the respective loans' date of advance. In 2012, included in the mentioned loans receivable was a fixed rate loan advance to a corporate amounting to HK\$144,300,000 which represents 31% of the gross loans and advances balance and was due for repayment within 1 year from the date of advance and the balance was fully settled during the year ended 30 September 2013. The remaining loans and advances with second legal charges in respect of residential properties in Hong Kong and the other unsecured loans each represents less than 10% (2012: 10%) of the gross balance of loans and advances.

In addition, included in the loans and advances as at 30 September 2012, there was an unsecured loan advance made to a corporate, which is an independent third party of the Group, amounting to approximately HK\$5,000,000. There was an option embedded in the loan whereby the Group had the contractual right to receive either in cash or the borrower's shares after successful listing on the Growth Enterprises Market Board of the Stock Exchange at maturity of the loan. Taking into account the possibility of successful listing and the related "lock-up" period, management considered that the fair value of the embedded option is immaterial. The balance was fully settled in cash during the year ended 30 September 2013.

To minimise the Group's exposure to credit risk, there was a credit risk control team responsible for the evaluation of customers' credit rating, financial background and repayment abilities. The Group has a policy for assessing the impairment on loans and advances that are unsecured, those that are secured but without sufficient collateral and those with default or delinquency in interest or principal payment, 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 client. Taking into account the above, the executive directors of the Company believe that no allowance for impairment is necessary.

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 the corresponding carrying amount of the receivables because most of the loans and advances have a maturity of less than 12 months from the date of advance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Unlisted securities		
– Equity securities of Hong Kong Precious Metals Exchange Limited	-	-
– Equity securities in the Chinese Gold and Silver Exchange Society		
– At the beginning of the year	-	7,900
– Less: Derecognition upon disposal of a subsidiary	-	(7,900)
	-	-
	-	-

## 23. ACCOUNTS RECEIVABLE

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Accounts receivable from the business of dealing in securities:		
Clearing houses, brokers and cash clients	<b>81,212</b>	57,235
Secured margin loans	<b>924,298</b>	573,397
Accounts receivable from the business of dealing in futures contracts:		
Clearing houses and brokers	<b>154,090</b>	65,625
Accounts receivable from the business of corporate finance	<b>430</b>	1,080
	<b>1,160,030</b>	697,337

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. 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.

For secured margin loans, as at 30 September 2013, the total market value of securities pledged as collateral in respect of the loans to margin clients were approximately HK\$10,761,572,000 (2012: HK\$6,962,608,000). 98% of the balance 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 year end, and considered that no impairment allowance is necessary. The loans to margin clients bear variable interest at commercial rate and are repayable on demand. No collateral was pledged for other accounts receivable.

As at 30 September 2013, accounts receivable from foreign brokers denominated in Japanese Yen and United States dollar were approximately HK\$31,000 (2012: HK\$256,000) and HK\$121,210,000 (2012: HK\$43,942,000) respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 23. ACCOUNTS RECEIVABLE (Continued)

As at 30 September 2013, for accounts receivable due from various customers, apart from the top margin customer representing 8% (2012: 22%) of total balance, each remaining debtor represents less than 7% (2012: 10%) of the total balance of accounts receivable. The Group did not have any significant concentration of credit risk for both years.

The ageing analysis of the accounts receivable, which are past due but not impaired, are as follows:

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Past due:		
0 – 30 days	<b>1,078</b>	1,157
31 – 60 days	<b>3</b>	16
61 – 90 days	<b>5</b>	-
Over 90 days	<b>218</b>	152
Accounts receivable which were past due but not impaired	<b>1,304</b>	1,325
Accounts receivable which were neither past due nor impaired	<b>1,158,726</b>	696,012
	<b>1,160,030</b>	697,337

*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 rating, 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 testing for impairment 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 client.

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 concentration of credit risk is limited due to the customer base being large and unrelated.

Besides the bad debt written off of HK\$765,000 in 2012 as disclosed in note 13 relating to a client that has gone into bankruptcy, the executive directors of the Company believe that no other provision for impairment is necessary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 23. ACCOUNTS RECEIVABLE (Continued)

Included in accounts receivable from the business of dealing in securities are amounts due from the directors and disclosed pursuant to Section 161B of the Companies Ordinance, the details of which are as follows:

	<b>Balance at the beginning of the year</b>	<b>Balance at the end of the year</b>	<b>Maximum amount outstanding during the year</b>	<b>Market value of pledged securities at the end of the year</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Directors of the Company</b>				
Ms. Daisy Yeung				
(1.10.2012 to 30.9.2013)	–	–	1,200	900
(1.10.2011 to 30.9.2012)	–	–	–	70
Ms. Choi Suk Hing, Louisa				
(1.10.2012 to 30.9.2013)	–	–	–	–
(1.10.2011 to 30.9.2012)	–	–	–	–
Ms. Pearl Chan				
(1.10.2012 to 30.9.2013)	–	–	–	–
(1.10.2011 to 30.9.2012)	–	–	–	–
Ms. Chan Shek Wah				
(1.10.2012 to 30.9.2013)	–	–	–	–
(1.10.2011 to 30.9.2012)*	N/A	–	–	–

The above balances are repayable on demand and bear interest at commercial rates. In the opinion of directors, all amounts are expected to be recovered within 12 months after the end of the reporting period.

\* Director appointed during the year ended 30 September 2012.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 24. BANK BALANCES AND CASH

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Bank balances		
– trust accounts ( <i>Note</i> )	<b>1,845,175</b>	497,428
– general accounts and cash	<b>338,585</b>	222,176
	<b>2,183,760</b>	719,604

*Note:* The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more trust bank accounts and bear interest at commercial rate. The Group has recognised the corresponding accounts payable to respective clients and other institutions. However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

As at 30 September 2013, bank balances and cash denominated in Japanese Yen, United States dollar, Renminbi and Singapore dollar, are approximately HK\$578,000 (2012: HK\$916,000), HK\$92,111,000 (2012: HK\$83,632,000), HK\$1,442,000 (2012: HK\$1,196,000) and HK\$2,221,000 (2012: HK\$1,088,000) respectively.

The general accounts and cash comprise cash held by the Group and bank deposits bearing interest at commercial rates with original maturity of three months or less. The fair values of these assets at the end of the reporting period approximate their carrying amounts.

## 25. ACCOUNTS PAYABLE

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Accounts payable from the business of dealing in securities:		
Clearing house	-	22,715
Margin and cash clients	<b>1,805,724</b>	423,774
Accounts payable from the business of dealing in futures contracts:		
Margin clients	<b>260,632</b>	174,863
	<b>2,066,356</b>	621,352

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 certain 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 25. ACCOUNTS PAYABLE (Continued)

Included in accounts payable, amounts of HK\$1,845,175,000 and HK\$497,428,000 as at 30 September 2013 and 2012 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 payables with the deposits placed.

As at 30 September 2013, accounts payable denominated in Japanese Yen and United States dollars are approximately HK\$610,000 (2012: HK\$1,145,000) and HK\$187,634,000 (2012: HK\$124,416,000) respectively.

## 26. DISPOSAL OF A SUBSIDIARY

On 30 November 2011, the Group completed the disposal of its wholly-owned subsidiary, Emperor Gold & Silver Company Limited to a related company, details of which were set out in the Company's announcement dated 23 September 2011. Emperor Gold & Silver Company Limited, other than having a membership in The Chinese Gold & Silver Exchange Society and 136,000 shares in Hong Kong Precious Metals Exchange Limited, had no other business operations. The net assets of Emperor Gold & Silver Company Limited as at the date of disposal, being 30 November 2011, were as follows:

	HK\$'000
Consideration received:	
Total cash consideration received	14,337
Analysis of assets and liabilities over which control was lost:	
Available-for-sale financial assets	8,036
Other deposits	802
Bank balances and cash	5,499
Net assets disposed of	14,337
Gain recognised on disposal of a subsidiary:	
Consideration received	14,337
Net assets disposed of	(14,337)
Reclassification adjustment for the cumulative gain on available-for-sale financial assets from other comprehensive income to profit or loss upon disposal of a subsidiary that holds available-for-sale financial assets	7,900
Gain on disposal	7,900
Net cash inflow arising on disposal:	
Cash consideration	14,337
Less: Bank balances and cash disposed of	(5,499)
	8,838

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 27. SHORT-TERM BANK BORROWINGS

The amounts represent short-term bank borrowings of HK\$190,000,000 which were secured by a charge over client securities with market value of HK\$295,000,000 and corporate guarantee for the purpose of facilitating initial public offering and financing daily operation as at 30 September 2013, which carried interest with a range of 0.75% p.a. to HIBOR + 1.5% p.a.

The remaining balance represents on unsecured short term bank borrowings of HK\$120,000,000, which carried interest with a range of HIBOR + 1.5% p.a. to HIBOR + 2% p.a.. The balance was fully repaid in October 2013.

## 28. AMOUNT DUE TO A RELATED COMPANY

The amount is unsecured, interest bearing at 2.7% p.a. and repayable on demand. The related company is the wholly owned subsidiary of AY Trust.

## 29. LOANS PAYABLE

The amounts are advanced from independent third parties, which are unsecured, fixed interest bearing at range from 3% p.a. to 11% p.a. and repayable from the year end date as follows:

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>26,000</b>	-
In more than one year but not more than two years	<b>10,000</b>	-
	<b>36,000</b>	-

## 30. SHARE CAPITAL

	<b>Number of ordinary shares of HK\$0.01 each</b>	<b>Nominal value of ordinary shares HK\$'000</b>
Authorised:		
As at 1 October 2011, 30 September 2012 and 30 September 2013	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 October 2011, 30 September 2012 and 30 September 2013	2,597,433,816	25,974

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 31. SHARE OPTIONS

The Company adopted a share option scheme (the "Scheme") on 20 September 2007 (the "Adoption Date") which became effective on 27 September 2007 (the "Effective Date") and was then amended on 13 August 2013. The primary purpose of the Scheme is to provide incentives or rewards to the participants including the executive directors and eligible employees of the Group, for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that were valuable to the Group or any entity in which the Group held an equity interest.

Under the Scheme, the executive directors of the Company are authorised, at any time within ten years after the Effective Date, to offer to grant options to any participant to subscribe for shares in the Company at a price not less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Company's share. The total number of shares in respect of which options may be granted under the Scheme cannot exceed 10% of the total number of shares in issue on the Adoption Date. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company, if any, cannot exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any Participant shall not exceed 1% of the total number of shares in issue in any 12-month period.

An option may be exercised at any time within five years from the date of issue of the relevant options, where the acceptance date should not be later than 28 days from the date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of options.

On 13 August 2013, a total of 129,354,000 share options were granted to four directors of the Company at an exercise price of HK\$0.334 each under the terms of the Scheme. Among the outstanding share options, none of them are exercisable as at 30 September 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 31. SHARE OPTIONS (Continued)

A summary of the movements of the outstanding share options, which were granted to the executive directors of the Company under the Scheme during the years ended 30 September 2013 and 2012 and the balance at these dates is as follows:

Date of grant	Exercisable period	Performance target	Vesting period	Exercise price per share HK\$	Number of share options				
					Outstanding as at 1 October 2011 and 30 September 2012	Lapsed during the year	Granted on 13 August 2013	Outstanding as at 30 September 2013	Estimated fair value at date of grant HK\$
28 January 2008 (a)	28 January 2008 – 27 January 2013	N/A	N/A	0.9879 (adjusted)	3,644,100 (adjusted)	(3,644,100)	-	-	1,242,000
13 August 2013 (b)	Date immediately after publication of the audited financial results for the year ended 30 September 2013 to 12 July 2018	Net profit for the year not less than HK\$151 million for the financial year 2013	Date of grant to the date of publication of the audited financial results for the year ended 30 September 2013	0.334	-	-	32,346,000	32,346,000	4,291,000
	Date immediately after publication of the audited financial results for the year ending 30 September 2014 to 12 July 2018	(c)	Date of grant to the date of publication of the audited financial results for the year ending 30 September 2014	0.334	-	-	42,690,000	42,690,000	5,676,000
	Date immediately after publication of the audited financial results for the year ending 30 September 2015 to 12 July 2018	(d)	Date of grant to the date of publication of the audited financial results for the year ending 30 September 2015	0.334	-	-	54,318,000	54,318,000	7,178,000

### Notes:

- (a) The fair value of each option was HK\$0.3408 at the date of grant. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the year ended 30 September 2013, the share options with amount of HK\$1,023,000 had lapsed and the amount in share option reserve had been transferred to retained profits.

- (b) The fair value of options granted were calculated using the Black-Scholes model with Binomial Tree method. The inputs into the models are as follows:

Share price at date of grant	: HK\$0.335
Exercise price	: HK\$0.334
Expected volatility	: 54.36%
Expected life of years	: range from 0.36 years to 3.36 years
Risk free rate	: 1.10%
Expected dividend yield	: 2.65%

50% of the shares that are issued pursuant to the exercise of the share options shall be subject to a lock-up period of 6 calendar months from the relevant exercise date and the remaining 50% shall be subject to a lock-up period of 12 calendar months from the relevant exercise date. During the lock-up period, no share issued upon exercise of the share option is allowed to be trade, transferred, pledged or charged.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 31. SHARE OPTIONS *(Continued)*

*Notes: (Continued)*

- (c) Net profit for the year not less than HK\$302 million for the financial year 2014, or cumulative profit of HK\$453 million for the financial years 2013 and 2014 if the net profit of financial year 2013 is lower than HK\$151 million.
- (d) Net profit for the year not less than HK\$604 million for the financial year 2015, or cumulative profit of HK\$906 million for the financial years 2014 and 2015 if the performance target of financial year 2013 is achieved but the net profit of financial year 2014 is lower than HK\$302 million.

Expected volatility was estimated by the historical daily volatility of the share prices of the Company. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the executive directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised total expense of approximately HK\$2,038,000 (2012: nil) for the year ended 30 September 2013 in relation to share options granted by the Company.

## 32. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Hong Kong Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Hong Kong Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of independent trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7% of the employee's basic salary, depending on the length of service with the Group.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the Scheme with maximum cap at HK\$1,250, which contribution is matched by the employee.

The retirement benefit cost charged to the profit or loss represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At 30 September 2012 and 2013, no forfeited contributions arose upon employees leaving the ORSO Scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 33. RELATED PARTY TRANSACTIONS

- (a) At the end of the reporting period, the balances and transactions of the Group with related parties are set out in the consolidated statement of financial position, consolidated statement of cash flows and notes 10, 13, 22, 23, 26 and 28 to the consolidated financial statements.

During the year, the Group had the following significant transactions with related parties:

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
(i) Corporate finance advisory services fee income from related companies ( <i>notes 3 &amp; 6</i> )	<b>1,740</b>	2,210
(ii) Service charge to a related company ( <i>notes 2 &amp; 6</i> )		
– computer services	<b>704</b>	194
– administrative services and staff costs	<b>6,937</b>	5,974
	<b>7,641</b>	6,168
Management fee to related company(ies) ( <i>notes 2 &amp; 6</i> )		
– computer services	<b>540</b>	360
– administrative expenses and staff costs	<b>283</b>	581
	<b>823</b>	941
(iii) Operating lease rentals expenses to related companies ( <i>notes 3 &amp; 6</i> )	<b>6,518</b>	6,645
(iv) Commission and brokerage income from		
– a related company ( <i>notes 3 &amp; 6</i> )	<b>16</b>	52
– directors of the Company ( <i>notes 1 &amp; 3</i> )	<b>6</b>	–
(v) Placing and underwriting commission income from a related company ( <i>notes 3 &amp; 6</i> )	<b>7</b>	–
(vi) Placing and underwriting commission income to a director of the Company ( <i>notes 1 &amp; 3</i> )	<b>500</b>	–
(vii) Printing, advertising and promotion expenses to related companies ( <i>notes 2 &amp; 6</i> )	<b>759</b>	281
(viii) Accounts payable to margin and cash clients arising from business dealing in securities		
– an associate ( <i>notes 2 &amp; 4</i> )	<b>3,744</b>	1,174
– directors of the Company ( <i>notes 1 &amp; 2</i> )	<b>928</b>	211
	<b>4,672</b>	1,385
(ix) Rental and other deposits paid to related companies ( <i>notes 5 &amp; 6</i> )	<b>2,313</b>	2,110

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 33. RELATED PARTY TRANSACTIONS (Continued)

### (a) (Continued)

Notes:

- (1) For the transactions with the director(s) of the Company, the directors include a director who is one of the eligible beneficiaries of the AY Trust, a trust set up by Dr. Albert Yeung who is the deemed controlling shareholder of the Company.
  - (2) These transactions are connected transactions exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.
  - (3) Included in these transactions are discloseable continuing connected transactions (as defined under Chapter 14A of the Listing Rules) of the Company which details have been set out in the section headed "Directors' Interest in Contracts of Significance and Connected Transactions" of the Directors' Report. The directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.
  - (4) An associate represents the associate company of the Group as disclosed in note 19 to the consolidated financial statements.
  - (5) This amount represents refundable rental deposits paid for the continuing connected transactions as set out in item 1 of the section headed "Continuing Connected Transactions" under "Directors' Interest in Contracts of Significance and Connected Transactions" of the Director's Report.
  - (6) The related companies are controlled by the AY Trust.
- (b) The compensation to Directors and key management personnel is disclosed in notes 11 and 12.
- (c) During the year ended 30 September 2012, the Group purchased mortgage loans from Circle World Limited, Brightwing Development Limited and Emperor Financial Management Limited, all being related companies of the Company, for a cash consideration of approximately HK\$21,965,000. The related companies are controlled by the AY Trust. The mortgage loans bear variable interest and have second legal charges in respect of residential properties in Hong Kong, which were grouped in loans and advances as disclosed in note 21.
- (d) During the year ended 30 September 2012, the Group disposed of all the ordinary shares of Emperor Gold & Silver Company Limited, a subsidiary, to Emperor Service Group Limited, being a related company of the Company controlled by the AY Trust, at a consideration of approximately HK\$14,337,000, which was disclosed in note 26.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 34. OPERATING LEASE COMMITMENTS

At the end of each of the reporting periods, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and office equipment which fall due as follows:

	2013		2012	
	Rental premises	Hired equipment	Rental premises	Hired equipment
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	<b>6,064</b>	<b>387</b>	8,199	437
In the second to fifth years inclusive	<b>2,595</b>	<b>782</b>	3,490	1,370
	<b>8,659</b>	<b>1,169</b>	11,689	1,807

For office premises and office equipment, leases are mainly negotiated and rentals are fixed for an average term of two years.

## 35. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2013	2012
	HK\$'000	HK\$'000
Investment in a subsidiary	<b>219,003</b>	219,003
Bank balances and cash	<b>102,832</b>	1,748
Amount due from a subsidiary	<b>367,108</b>	553,268
Subordinated loan due from a subsidiary	<b>444,000</b>	280,000
Other assets	<b>133</b>	133
Total assets	<b>1,133,076</b>	1,054,152
Amount due to a related company	<b>(100,000)</b>	-
Other liabilities	<b>(1,017)</b>	(1,469)
Total liabilities	<b>(101,017)</b>	(1,469)
Net assets	<b>1,032,059</b>	1,052,683
Capital and reserves		
Share capital	<b>25,974</b>	25,974
Reserves ( <i>Note</i> )	<b>1,006,085</b>	1,026,709
Net assets	<b>1,032,059</b>	1,052,683

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 35. SUMMARY FINANCIAL INFORMATION OF THE COMPANY (Continued)

Note:

	Share capital	Share premium	Special reserve	Retained profits	Share option reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2011	25,974	840,100	194,532	7,258	1,023	1,068,887
Profit for the year	-	-	-	3,536	-	3,536
Total comprehensive income for the year	-	-	-	3,536	-	3,536
Amount transferred from special reserve to retained profits	-	-	(19,740)	19,740	-	-
Dividend recognised as distribution	-	-	-	(19,740)	-	(19,740)
At 30 September 2012	25,974	840,100	174,792	10,794	1,023	1,052,683
Profit for the year	-	-	-	196	-	196
Total comprehensive income for the year	-	-	-	196	-	196
Amount transferred from special reserve to retained profits	-	-	(22,858)	22,858	-	-
Dividend recognised as distribution	-	-	-	(22,858)	-	(22,858)
Effect of share options lapsed	-	-	-	1,023	(1,023)	-
Share based payment	-	-	-	-	2,038	2,038
At 30 September 2013	<b>25,974</b>	<b>840,100</b>	<b>151,934</b>	<b>12,013</b>	<b>2,038</b>	<b>1,032,059</b>

Special reserve represents the difference between nominal value of the ordinary shares of the subsidiaries of the Company in issue and the nominal value of the shares issued by the Company for acquisition of a subsidiary pursuant to a group reorganisation on 2 April 2007.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## 36. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 30 September 2012 and 2013 are as follows:

Name of subsidiary	Place and date of incorporation	Issued and fully paid capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			30.9.2013	30.9.2012	
			%	%	
Emperor Asset Management Limited	Hong Kong 4 July 2008	HK\$5,000,000	100	100	Provision of asset management services
Emperor Capital Limited	Hong Kong 28 September 1993	HK\$10,000,000	100	100	Provision of corporate finance advisory services
Emperor Capital (China) Limited	Hong Kong 25 May 2007	HK\$100,000	100	100	Provision of promotion and marketing services in the PRC
Emperor Capital Investment Holdings Limited*	British Virgin Islands 26 July 2006	US\$5	100	100	Investment holding
Emperor Finance Limited	Hong Kong 2 June 1994	HK\$2	100	100	Provision of money lending services
Emperor Futures Limited	Hong Kong 12 May 1989	HK\$50,000,000	100	100	Provision of futures brokerage services
Emperor Securities Limited	Hong Kong 6 July 1990	HK\$170,000,000	100	100	Provision of securities brokerage services and margin financing services
Emperor Securities Nominees Limited	Hong Kong 27 August 1996	HK\$2	100	100	Provision of securities nominee services
Emperor Wealth Management Limited	Hong Kong 23 September 2006	HK\$6,500,000	100	100	Provision of insurance and other brokerage services
英証管理諮詢(上海)有限公司*	People's Republic of China 22 September 2008	HK\$1,000,000	100	100	Business development in PRC
英皇投資諮詢(北京)有限公司*	People's Republic of China 2 March 2012	HK\$1,000,000	100	100	Business development in PRC

\* Directly held by the Company.

# The subsidiary is a wholly foreign owned enterprise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2013

## **36. PRINCIPAL SUBSIDIARIES** *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the executive directors, principally affected the results or net assets of the Group.

To give details of all subsidiaries would, in the opinion of the executive directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

## **37. EVENT AFTER THE REPORTING PERIOD**

Subsequent to the end of reporting period, the Group made an open offer on the basis of one unit of bond having a face value of HK\$700 each for every 6,000 existing shares held on 4 November 2013. The open offer involves issue of HK\$303,033,500 in aggregate value of bonds. Also, the Group arranged a private placement of bonds with aggregate principal amount up to HK\$303,033,500. The open offer and the bond placing were completed on 27 November 2013 and the gross proceeds, in aggregate amounted to HK\$606,067,000, were raised successfully.

# FINANCIAL SUMMARY

	For the period from 1 April 2008 to 30 September					
	2009	Year ended 30 September				2013
		2010	2011	2012	2013	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>RESULT</b>						
Revenue	145,443	201,931	204,439	223,801	<b>434,804</b>	
Profit (loss) before taxation	(9,198)	85,082	72,992	72,601	<b>186,958</b>	
Taxation	1,167	(13,139)	(11,413)	(9,230)	<b>(30,981)</b>	
Profit (loss) for the year	(8,031)	71,943	61,579	63,371	<b>155,977</b>	
<b>As at 30 September</b>						
	2009	2010	2011	2012	2013	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>ASSETS AND LIABILITIES</b>						
Total assets	1,187,058	2,273,716	1,801,792	1,903,451	<b>3,965,263</b>	
Total liabilities	(658,789)	(1,685,987)	(587,627)	(653,552)	<b>(2,580,182)</b>	
Net assets	528,269	587,729	1,214,165	1,249,899	<b>1,385,081</b>	