



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

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



**All-in-one
Financial
Services for You
Annual Report
2013/2014**

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CORPORATE INFORMATION AND KEY DATES

DIRECTORS

Daisy Yeung (*Managing Director*)

Chan Shek Wah

Choi Suk Hing, Louisa

Pearl Chan

Chu Kar Wing*

Poon Yan Wai*

Tse Hin Lin, Arnold*

* Independent Non-executive Directors

COMPANY SECRETARY

Choi Suk Hing, Louisa

AUDIT COMMITTEE

Poon Yan Wai (*Chairman*)

Chu Kar Wing

Tse Hin Lin, Arnold

REMUNERATION COMMITTEE

Chu Kar Wing (*Chairman*)

Daisy Yeung

Poon Yan Wai

NOMINATION COMMITTEE

Tse Hin Lin, Arnold (*Chairman*)

Daisy Yeung

Chu Kar Wing

CORPORATE GOVERNANCE COMMITTEE

Choi Suk Hing, Louisa (*Chairperson*)

Poon Yan Wai

Tse Hin Lin, Arnold

A representative from company secretarial function

A representative from finance and accounts function

AUDITOR

Deloitte Touche Tohmatsu

INVESTOR RELATIONS CONTACT

Luk Man Ching, Anna

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WEBSITE

<http://www.emperorcapi.com>

STOCK CODE

Hong Kong Stock Exchange: 717

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Hamilton HM 11

Bermuda

PRINCIPAL OFFICE

24th Floor

Emperor Group Centre

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Wanchai

Hong Kong

REGISTRAR (in Bermuda)

Codan Services Limited

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

REGISTRAR (in Hong Kong)

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 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

KEY DATES

| | |
|-----------------------------|--|
| Annual Results Announcement | 3 December 2014 |
| Book close dates | |
| - for 2015 AGM | 20 and 21 January 2015 |
| - for Final Dividend | 28 and 29 January 2015 |
| Record dates | |
| - for 2015 AGM | 21 January 2015 |
| - for Final Dividend | 29 January 2015 |
| 2015 Annual General Meeting | 21 January 2015 |
| Payment of Final Dividend | 17 February 2015 (HK2.00 cents per share) |

CORPORATE COMMUNICATIONS

This Annual Report (in both English and Chinese versions) is available to any shareholder either 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.

FINANCIAL HIGHLIGHTS

| HK\$'000 (Audited) | For the year ended 30 September | | Changes |
|---|---------------------------------|--------------|-----------------|
| | 2014 | 2013 | |
| Revenue | 546,408 | 434,804 | +25.7% |
| Financing | 311,105 | 180,049 | +72.8% |
| Brokerage | 91,616 | 99,927 | -8.3% |
| Placing & Underwriting | 127,910 | 143,588 | -10.9% |
| Corporate Finance | 15,777 | 11,240 | +40.4% |
| Profit for the year attributable to owners of the Company | 220,795 | 155,745 | +41.8% |
| Net profit margin | 40.4% | 35.8% | +4.6 pts |
| Earnings per share | | | |
| Basic | HK8.39 cents | HK6.00 cents | +39.8% |
| Diluted | HK8.09 cents | HK6.00 cents | +34.8% |
| Total dividend per share | HK2.60 cents | HK1.80 cents | +44.4% |

MANAGEMENT DISCUSSION AND ANALYSIS

Reporting Excellence

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 initial public offering (IPO) financings as well as loans and advances such as personal money lending and mortgage loan
- Placing and underwriting services
- Corporate finance advisory services

MARKET REVIEW

During the year ended 30 September 2014 (the “Year”), Hong Kong securities and derivatives markets generally remained stable as investors turned to be cautious over possible interest rate hikes in United States, along with the tightening credit conditions and deteriorating growth prospects in China. However, starting from July 2014, investor confidence has stabilised in the hope of bottoming out of local economy and potential capital inflows after imminent implementation of Shanghai-Hong Kong Stock Connect scheme. During the Year, the average daily turnover on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) was HK\$64.01 billion (2013: HK\$61.81 billion), representing an increase of 3.6% year-on-year.

IPO market in Hong Kong was vibrant on the back of a gradual global recovery, and an increase in cross-border listings of multinational corporations and spin-offs by conglomerates. During the Year, the number of new listings reached 143 (2013: 57), with HK\$240.38 billion (2013: HK\$103.64 billion) of total fundraising. The figures revealed a more-than-double year-on-year growth in both total number of new listed companies and size of fundraising, reinforcing Hong Kong’s status as one of the top fundraising destinations globally.

The tightening credit measures of the banks provide lending companies with rooms to grow. Characterised by fast and convenient application procedures, loan products from lending companies have attracted more customers who seek for flexible loan structures.



Annual Dinner 2014

Tailor made Services



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall Review

Attributable to the strong interest income growth in the financing segment, the Group achieved a remarkable growth of revenue by 25.7% to HK\$546.4 million (2013: HK\$434.8 million) during the Year despite a mild market sentiment. Profit for the year attributable to owners of the Company was HK\$220.8 million (2013: HK\$155.7 million), representing an impressive growth of 41.8%. Net profit margin rose by 4.6 percentage points to 40.4% (2013: 35.8%). Basic earnings per share was HK8.39 cents (2013: HK6.00 cents). The Group proposed a final dividend of HK2.00 cents per share (2013: HK1.30 cents). Together with the interim dividend of HK0.60 cent per share, the total dividend per share for the Year was HK2.60 cents (2013: HK1.80 cents).

Capital Structure

During the Year, 32,346,000 and 2,184,000 share options of the Company were exercised at an exercise price of HK\$0.334 and HK\$0.385 per share, respectively. The number of issued shares of the Company was then increased by 34,530,000 ordinary shares of HK\$0.01 per share to 2,631,963,816 shares. The new shares rank pari passu with the existing shares in all respects. As a result, the share capital and share premium of the Company increased by HK\$0.3 million and HK\$15.9 million respectively, and the share option reserve of the Company reduced by HK\$2.0 million.

Liquidity and Financial Resources

The Group financed its operations mainly by cash generated from operations, borrowings and proceeds from issuance of bonds. As at 30 September 2014, the Group's current assets and current liabilities were HK\$4,255.5 million and HK\$2,175.1 million (as at 30 September 2013: HK\$3,898.6 million and HK\$2,570.2 million) respectively. Bank balances and cash of the Group amounted to HK\$527.5 million (as at 30 September 2013: HK\$338.6 million), which were denominated mainly in Hong Kong dollars.

In order to support the expansion of the financing and the placing and underwriting businesses, the Company issued a total of HK\$605.7 million worth of bonds in the first half of the Year, which were 3-year unsecured guaranteed bonds denominated in Hong Kong Dollars, bearing interest rate at 5.5% per annum payable annually in arrears and maturing in November 2016. Together with such bonds, the total borrowings increased to HK\$1,325.7 million as at 30 September 2014 (as at 30 September 2013: HK\$446.0 million), resulting in a gearing ratio of 84.4% (as at 30 September 2013: 32.2%; calculated as a percentage of total borrowings over total equity of the Group). The Group's borrowings were denominated in Hong Kong dollars and carried interest rates which approximated market rates. The Group did not have any material foreign exchange exposure as at 30 September 2014.

With the Group's sufficient bank balances and cash as well as its available unutilised banking facilities of HK\$345.0 million, the Board considers the Group has sufficient working capital for its operation and future development.



MANAGEMENT DISCUSSION AND ANALYSIS



In-Depth Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

After years of efforts, the Group had successfully transformed from a traditional local brokerage house to a one-stop financial institution with wide exposure in both Hong Kong and the mainland. During the Year, the Group has received many outstanding awards from reputable organisations attributable to its dedicated services and professionalism. The awards obtained by the Group during the Year are listed as follows:

- **Capital Merits of Achievements in Banking & Finance Awards**
Capital Weekly, September 2014
- **The Greater China Super Brands Award**
East Week, September 2014
- **Hong Kong Leaders' Choice Excellent Brand of Investment Immigration**
Metro Finance, February 2014
- **Hong Kong Outstanding Enterprise**
Economic Digest, December 2013

Subsequent to the Year, the Group has been named as the "Best Brokerage House Hong Kong 2014" by Global Banking & Finance Review, a London based financial portal, to recognise its prominent position in local brokerage market.

The Group has succeeded in developing a robust business model with diversified income streams to withstand an increasingly complex market conditions. Having successfully captured the customers' increasing liquidity need, the Group had again achieved significant growth in the financing segment during the Year. The Group also tapped into the booming IPO activities and delivered solid growth in the corporate finance segment.

Financing

The Group's financing segment derives 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 business and personal needs. The loans granted to customers range from short-term unsecured loans (e.g. tax loan, bridging loan, term loan, personal loan) to long-term secured loans (e.g. mortgage loan).

In recent years, the Group has devoted considerable resources to securing new customers and capturing new business in the financing segment. Leveraging on its solid capital base, renowned reputation and widespread network, the financing segment continued to perform strongly with enhanced contributions from interest income of short to mid-term loans. Segmental revenue achieved a robust growth of 72.8% to HK\$311.1 million (2013: HK\$180.0 million), accounting for 56.9% (2013: 41.4%) of the total revenue.



The Group had received a variety of awards, including "Hong Kong Outstanding Enterprise" (left) and "Hong Kong Leaders' Choice Excellent Brand of Investment Immigration" (right), granted by Economic Digest and Metro Finance respectively

MANAGEMENT DISCUSSION AND ANALYSIS

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. During the Year, revenue generated from the brokerage services segment was HK\$91.6 million (2013: HK\$99.9 million), accounting for 16.8% (2013: 23.0%) of the total revenue.

The Group operates 12 branches, covering key commercial and popular residential areas with convenient pedestrian access. The Group also runs three liaison offices located at Beijing, Shanghai and Guangzhou respectively. As a dynamic financial institution, the Group continued to extend its product offerings on a timely basis in response to market windows. In January 2014, the Group introduced an online platform for the trading of securities listed on the New York Stock Exchange (NYSE) and the NASDAQ in the United States.

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

In the wealth management division, the Group mainly serves the mainland investors who are seeking investments under the Capital Investment Entrant Scheme. Comprising of qualified and experienced wealth management professionals, the division advises a wide array of investment services including securities, mutual funds, insurance-linked products, as well as real estate investment advisory.

Placing and Underwriting

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

During the Year, the Group successfully completed a number of fundraising transactions. Revenue from the placing and underwriting segment was HK\$127.9 million (2013: HK\$143.6 million), accounting for 23.4% (2013: 33.0%) of the 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 fundraising exercises.

During the Year, the Group acted as the Lead Manager in the IPO placing of Orient Securities International Holdings Limited which was listed on the GEM board of the Stock Exchange. The Group also participated in the underwriting syndicate in the IPO of China Everbright Bank Company Limited which was listed on the main board of the Stock Exchange.



Stock Options Investment Strategy Seminar 2014

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

During the Year, revenue from the corporate finance segment increased significantly to HK\$15.8 million (2013: HK\$11.2 million), accounting for 2.9% (2013: 2.6%) of the total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Hong Kong's leading role in global financial market is widely recognised in light of its sound market fundamentals and intensive linkages with the mainland. Against a backdrop of large worldwide investor base and abundant capital pool, the Group is optimistic to capitalise on Hong Kong's unique position as the gateway to the mainland and the Asia Pacific market. Acceleration in economic and financial reform on the mainland will provide Hong Kong, and hence the financial market participants, with emerging business opportunities. Shanghai-Hong Kong Stock Connect scheme, a cross-border investment channel lately launched in November 2014, is one of the milestones in the development of capital markets in China. In this respect, the Group endeavors to stay abreast of the latest regulatory and market development, and is well-positioned to meet the challenges and opportunities ahead.

Interest income from the money lending business will continue to serve as the Group's major revenue contributor. Riding on its strong network and renowned reputation, the Group strives to enlarge its customer base and ensure its competitive position in the market. As the financing segment grows, the Group would maintain a proactive yet prudent approach in its credit control and loan book management.

The Group has made great strides in transforming into a one-stop financial services provider which offers diversified business lines. The Group will continually work closely among all business lines to enhance the synergies and strengthen its total solution capabilities to cater for the customers' evolving needs. The Group will also implement the measures proactively to manage its capital and liquidity, and ensure efficient use of its capital across business lines to pursue sustainable growth and maximise value for shareholders amid fluctuating market environment.

MANAGEMENT DISCUSSION AND ANALYSIS

LITIGATION, CLAIMS AND CONTINGENT LIABILITY

In 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 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 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 the 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 to obtain a judgment 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.

In November 2013, the Group granted a loan of HK\$1,950,000 to a borrower. In June 2014, the borrower failed to repay the outstanding principal to the Group when it was due. As a result, the Group has commenced legal proceedings to recover the debt against the borrower and the guarantor in September 2014. Based on the opinion of the Group's legal advisors, a court judgment can be obtained in favour of the Group and against the borrower in early 2015.

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 2014, the Group has 176 (2013: 194) account executives and 135 employees (2013: 136). Total staff costs (including Directors' remuneration) were approximately HK\$100.1 million (2013: HK\$70.1 million). Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

To provide incentives or rewards to the staff, the Company adopted a share option scheme (the "Scheme") on 20 September 2007 and as amended on 13 August 2013. Under the terms of the Scheme, 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 in August 2013 and a total of 2,184,000 share options were granted to certain employees of the Company at an exercise price of HK\$0.385 each in April 2014. During the year, a total of 34,530,000 share options were exercised. After that, 97,008,000 share options were outstanding as at 30 September 2014. Details of the Scheme are set out in note 32 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE SOCIAL RESPONSIBILITIES

The Group and its staff have made efforts to serve those in need over the Year. Its annual participation in the outbound volunteering activity organized by Emperor Foundation took place in September. Its staff joined a group of nearly 40 and went to Hubei Province for a 4-day service dedicated to some underprivileged elderly in "Hubei Hong Kong Emperor Elderly Care Centre", of which the daily operation has been partially funded by Emperor Foundation since 2006, as well as a suburb welfare centre in Huangshi city, located in the southeastern region of the province.

A partnership scheme "Hoops for Hope Basketball Development Programme" was set up between Emperor Foundation and Hoops for Hope Basketball Asia. It is a year-long basketball training and life coaching course for underprivileged youngsters, including a mentorship programme which the Group has specially mobilized its staff to participate.

The Group also took part in the territory-wide Dress Casual Day 2014 staged by The Community Chest and organized an in-office Blood Donation Day with Hong Kong Red Cross.

Its annual internship programme continued to benefit university students during the summer. As part of the programme, special celebrity guests from different business sectors have been invited to share their experience in the industry as well personal financial management.

The Group was awarded Caring Company Logo 2013/2014 by the Hong Kong Council of Social Service in recognition of its long term commitment in helping build a better community.



Summer Internship Program 2014

BIOGRAPHIES OF DIRECTORS



Daisy Yeung
MANAGING DIRECTOR

The Group has made great strides in transforming into a one-stop financial services provider which offers diversified business lines. We will implement the measures proactively to manage its capital and liquidity, and ensure efficient use of its capital cross business lines to pursue sustainable growth and maximise value for shareholders amid fluctuating market environment.

Daisy Yeung, aged 49, 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. She has accumulated over 18 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. She has obtained a Bachelor's Degree of Science in Business Administration.

BIOGRAPHIES OF DIRECTORS



Chan Shek Wah
EXECUTIVE DIRECTOR

Chan Shek Wah, aged 51, joined the Board in December 2011. He is an Executive Director of the Company and a director of various subsidiaries of the Company. He is also the Managing Director and responsible officer of Emperor Capital Limited under the SFO. He has over 27 years of professional experiences 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 50, 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 has over 16 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. 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.



Pearl Chan
EXECUTIVE DIRECTOR

Pearl Chan, aged 41, 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 13 years and is a director and responsible officer of Emperor Capital Limited under the SFO. She was a practising lawyer in Hong Kong before joining the Group. Ms. Chan holds a Bachelor of Laws Degree from University of Hong Kong and a Master's Degree in Management from Macquarie University, Australia.

BIOGRAPHIES OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chu Kar Wing, aged 57, 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. 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). He has extensive experience in the banking and finance sector for several well-known corporations. Moreover, he is now the President of Canada-China Culture and Education Association. Mr. Chu holds a Bachelor's Degree in Social Science majoring in Economics.

Poon Yan Wai, aged 44, joined the Board in January 2014. 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 is now the Financial Controller, Company Secretary and Authorised Representative of a Hong Kong listed company. He has over 20 years of experience in the auditing and accounting field. He holds a Bachelor's Degree in Accountancy and a Master's Degree in Corporate Finance from the Hong Kong Polytechnic University. Mr. Poon is a fellow member of The Hong Kong Institute of Certified Public Accountants.

Tse Hin Lin, Arnold, aged 61, joined the Board in March 2014. 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 had practiced as a barrister in Hong Kong between 1987 and 1988. He was admitted as a solicitor in 1990 and founded ALT Law Offices on 1 July 2008 and has been acting as the consultant solicitor of this law firm until his retirement in October 2014. Mr. Tse has practiced commercial and corporate law, including advising on cross-border acquisitions and commercial transactions. He was previously an independent non-executive director of another Hong Kong listed company, New Media Group Holdings Limited (Stock Code: 708), and retired in November 2013. Mr. Tse holds a Bachelor's Degree in Social Science (Statistics and Geography) and also a Law Degree.

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 2014 (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 in Hong Kong including (i) 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; (ii) margin and initial public offering financings as well as loans and advances such as personal money lending and mortgage loan; (iii) placing and underwriting services; and (iv) corporate finance advisory services.

The activities of its principal subsidiaries are set out in note 37 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 41.

An interim dividend of HK0.60 cent per share amounting to approximately HK\$15.8 million was paid to the shareholders during the Year.

The Directors recommended the payment of a final dividend of HK2.00 cents per share for the Year amounting to approximately HK\$52.6 million subject to the approval of the shareholders at the forthcoming annual general meeting ("2015 AGM"):

| | | |
|--------------------------------|---|-----------------------------|
| Annual general meeting date | : | 21 January 2015 (Wednesday) |
| Record date for final dividend | : | 29 January 2015 (Thursday) |
| Final Dividend payment date | : | 17 February 2015 (Tuesday) |

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 44.

The Company's reserves available for distribution to shareholders as at 30 September 2014 represented the aggregate of contributed surplus (stated as "special reserve" in note 36 to the consolidated financial statement) and retained profits amounting to HK\$101.9 million and HK\$11.5 million respectively (2013: HK\$151.9 million and HK\$12.0 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 total cost of approximately HK\$2,128,000. 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 31 to the consolidated financial statements.

DEBENTURE

In order to support the expansion of the financing, placing and underwriting businesses of the Group, during the year, the Company issued a total of HK\$605.7 million unsecured guaranteed bonds due 2016, bearing interest rate at 5.5% per annum payable annually in arrears, details of which are set out in note 30 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 26% (2013: 36%) of the Group's total turnover. The largest customer accounted for 8% (2013: 14%) 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. Chu Kar Wing

Mr. Poon Yan Wai (*Elected on 22 January 2014*)

Mr. Tse Hin Lin, Arnold (*Appointed on 27 March 2014*)

Mr. Kwok Chi Sun, Vincent (*Retired on 22 January 2014*)

Mr. Cheng Wing Keung, Raymond (*Resigned on 27 March 2014*)

Subject to the service contract/appointment letter hereinafter mentioned, the term of office of each Director, including the independent non-executive Directors ("INED(s)"), is the period up to his/her retirement/retirement by rotation in accordance with the Bye-laws of the Company but can offer himself or herself for re-election at the relevant annual general meeting.

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(Continued)*

In accordance with the Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Chan Shek Wah and Mr. Chu Kar Wing shall retire by rotation at the 2015 AGM and, being eligible, offer themselves for re-election thereat. In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Tse Hin Lin, Arnold shall hold office until the 2015 AGM and, being eligible, offer himself for re-election thereat.

Each of the Directors (including the INEDs) has entered into a service contract/appointment letter with the Company in relation to his/her service as Executive Director/INED (as the case may be) of the Company for a term of three years commencing from the date of his/her service contract/appointment letter and shall continue thereafter until being terminated by notice in writing served by either party, subject to retirement provision set out in the Bye-laws of the Company.

Each of Ms. Daisy Yeung, Mr. Chan Shek Wah, Ms. Choi Suk Hing, Louisa and Ms. Pearl Chan entered into an employment contract with the Group in relation to his/her 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 2015 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 2014, 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 % holding |
|--|----------------------------------|------------------------------------|--------------------------|
| Ms. Daisy Yeung | Beneficiary of a trust | 1,773,516,907 (Note) | 67.38% |
| Ms. Daisy Yeung | Beneficial owner | 13,638,000 | 0.52% |
| Mr. Chan Shek Wah | Beneficial owner | 13,638,000 | 0.52% |
| Ms. Choi Suk Hing, Louisa ("Ms. Louisa Choi") | Beneficial owner | 3,120,000 | 0.12% |
| Ms. Pearl Chan | Beneficial owner | 1,950,000 | 0.07% |

Note: These 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.

DIRECTORS' REPORT

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

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

(ii) Share options

| Name of Director | Capacity/ Nature of Interests | Number of Underlying Shares | Approximate % holding |
|-------------------|----------------------------------|-----------------------------------|--------------------------|
| Ms. Daisy Yeung | Beneficial owner | 40,908,000 | 1.55% |
| Mr. Chan Shek Wah | Beneficial owner | 40,908,000 | 1.55% |
| Ms. Louisa Choi | Beneficial owner | 9,348,000 | 0.35% |
| Ms. Pearl Chan | Beneficial owner | 5,844,000 | 0.22% |

Note: These share options were 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.

(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 % holding |
|------------------|--|---------------------------------|-----------------------------------|--------------------------|
| Ms. Daisy Yeung | Emperor International Holdings Limited ("Emperor International") | Beneficiary of a trust | 2,747,610,489 | 74.83% |
| Ms. Daisy Yeung | Emperor Entertainment Hotel Limited ("Emperor E Hotel") | Beneficiary of a trust | 815,752,845 | 62.63% |
| Ms. Daisy Yeung | Emperor Watch & Jewellery Limited ("Emperor W&J") | Beneficiary of a trust | 3,617,860,000 | 52.57% |
| Ms. Daisy Yeung | New Media Group Holdings Limited ("New Media Group") | Beneficiary of a trust | 647,950,000 | 74.99% |

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 2014, 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).

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 32 to the consolidated financial statements.

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

| Name of Grantee/ Category | Date of Grant | Exercise Date/Period | Exercise Price per Share (HK\$) | Number of share options | | | Balance as at 30.09.2014 |
|------------------------------|---------------|-------------------------|--|--------------------------------|-------------------------------|---------------------------------|--------------------------------|
| | | | | Balance as at 01.10.2013 | Granted during the Year | Exercised during the Year | |
| Executive Directors | | | | | | | |
| Ms. Daisy Yeung | 13.08.2013 | (Note 1) | 0.334 | 13,638,000 | - | 13,638,000 | 0 |
| | 13.08.2013 | (Note 2) | 0.334 | 18,000,000 | - | - | 18,000,000 |
| | 13.08.2013 | (Note 3) | 0.334 | 22,908,000 | - | - | 22,908,000 |
| Mr. Chan Shek Wah | 13.08.2013 | (Note 1) | 0.334 | 13,638,000 | - | 13,638,000 | 0 |
| | 13.08.2013 | (Note 2) | 0.334 | 18,000,000 | - | - | 18,000,000 |
| | 13.08.2013 | (Note 3) | 0.334 | 22,908,000 | - | - | 22,908,000 |
| Ms. Louisa Choi | 13.08.2013 | (Note 1) | 0.334 | 3,120,000 | - | 3,120,000 | 0 |
| | 13.08.2013 | (Note 2) | 0.334 | 4,116,000 | - | - | 4,116,000 |
| | 13.08.2013 | (Note 3) | 0.334 | 5,232,000 | - | - | 5,232,000 |
| Ms. Pearl Chan | 13.08.2013 | (Note 1) | 0.334 | 1,950,000 | - | 1,950,000 | 0 |
| | 13.08.2013 | (Note 2) | 0.334 | 2,574,000 | - | - | 2,574,000 |
| | 13.08.2013 | (Note 3) | 0.334 | 3,270,000 | - | - | 3,270,000 |
| Sub-total | | | | 129,354,000 | - | 32,346,000 | 97,008,000 |
| Employees | 02.04.2014 | (Note 4) | 0.385 | - | 2,184,000 | 2,184,000 | - |
| Total | | | | 129,354,000 | 2,184,000 | 34,530,000 | 97,008,000 |

Notes:

- These options were exercised on 27 January 2014.
- Subject to fulfillment of the pre-determined vesting conditions, the options were originally exercisable from the date immediately after the publication of the audited financial results of the Group for the year ended 30 September 2014 to 12 July 2018. In accordance with the pre-determined vesting conditions, the exercise period has been changed to commencing on the date immediately after the publication of the audited financial results of the Group for the year ended 30 September 2015 to 12 July 2018.
- Subject to fulfillment of the pre-determined vesting conditions, 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.
- These options were exercised on 5 May 2014.

DIRECTORS' REPORT

SHARE OPTIONS *(Continued)*

The fair value of each option granted to the employees during the Year was HK\$0.385 as at the date of grant on 2 April 2014. 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, no option was cancelled under the Scheme.

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 2014, 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.

OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at 30 September 2014, 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 | 1,773,516,907 | 67.38% |
| STC International | Trustee | 1,773,516,907 | 67.38% |
| Dr. Yeung Sau Shing, Albert | Founder of a discretionary trust | 1,773,516,907 | 67.38% |
| Ms. Luk Siu Man, Semon | Interest of spouse | 1,773,516,907 | 67.38% |

Note: These Shares were the same Shares as those disclosed by Ms. Daisy Yeung in the capacity of beneficiary of a trust under Section (a)(i) of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.

All interests stated above represent long positions. As at 30 September 2014, no short positions were recorded in the SFO register of the Company.

Save as disclosed above, as at 30 September 2014, 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/Subletting Agreement for operation of the Group

| 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 (<i>note 1</i>) | 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 | 1,540 |
| | Operating lease rentals paid (effective monthly rental: HK\$299,444.44) | (i) 31 March 2014 (ii) 1 April 2014 - 31 March 2017 | - same as above - | 1,797 |
| Headwise Investment Limited (<i>note 1</i>) | Operating lease rentals paid (effective monthly rental: HK\$23,727.64) | (i) 13 September 2013 (ii) 15 September 2013 - 31 March 2016 | Unit 603, 6th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong | 285 |
| | 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 | 647 |
| | 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 | 525 |
| Active Pace Investment Limited (<i>note 1</i>) | Operating lease rentals paid (effective monthly rental: HK\$42,101.93) | (i) 13 September 2013 (ii) 15 September 2013 - 31 March 2016 | Unit 606, 6th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong | 506 |
| Emperor Bullion Investment (Asia) Limited (<i>note 1</i>) | 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 | 937 |
| Emperor Agency Limited (<i>note 1</i>) | Subletting rentals paid (effective monthly rental: HK\$198,333.33) | (i) 31 March 2014 (ii) 1 April 2014 - 31 March 2017 | - same as above - | 1,190 |

DIRECTORS' REPORT

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

Continuing Connected Transactions (Continued)

2. Financial Services Agreement with AY Holdings for Emperor Group

| 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 other listed members under AY Holdings ("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) | 28,205 |
| | (b) Maximum margin loan amount to Emperor Group | | 0 |
| | (c) Maximum IPO loan amount to Emperor Group | | 0 |
| | (d) Maximum term loan amount to Emperor Group | | 0 |
| | (e) Financial advisory fee from Emperor Group | | 1,740 |

3. Financial Services Agreement with Ms. Daisy Yeung for 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 the 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) | 8,926 |
| | (b) Maximum margin loan amount to the Yeung Family | | 27,862 |
| | (c) Maximum IPO loan amount to the Yeung Family | | 12,526 |
| | (d) Maximum term loan amount to the Yeung Family | | 0 |
| | (e) Financial advisory fee from the Yeung Family | | 0 |
| | (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/Subletting Agreement

The premises under the Tenancy Agreements/Subletting Agreement have been rented to the Group as its principal business premises. The counterparties of the Tenancy Agreements/Subletting Agreement are indirectly controlled 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 under AY Holdings (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 this agreement are indirectly 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 this agreement.
- (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 places for the securities underwritten or placed by the Group.

COMPLIANCE WITH DISCLOSURE REQUIREMENTS

Regarding the related party transactions as set out in note 34 to the consolidated financial statements, all transactions under this note (except items (a)(i), (iii), (iv), (v) and (vi)) 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 non-exempted 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 pages 23 to 25 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.55 of the Listing Rules, the INEDs 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 business of the Group;
- (ii) on normal commercial terms or better (as the case may be); and
- (iii) according to the agreement 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 INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs 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, 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 28 to 38.

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\$52,000.

DIRECTORS' REPORT

AUDITOR

A resolution will be submitted to the 2015 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 2014

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 2014, the Board comprised seven Directors (four Executive Directors of which one is the Managing Director and three Independent Non-executive Directors ("INEDs")) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The INEDs 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 and Senior Executives" 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 INEDs, 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 INEDs are all professionals with well recognized experience and expertise in financial/legal/accounting fields who provide valuable advice to the Board. They are appointed for an initial term of three years commencing from their respective date of appointment and continued thereafter unless terminated by notice in writing served by either party, subject to retirement provision set out in the Bye-laws of the Company.

The Company has received a confirmation of independence from each of the INEDs. The Board considers each of them to be independent by reference to the factors as set out in Rule 3.13 of the Listing Rules. The INEDs 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 Executive Committee of the Company is led by the Executive Directors (the "Management") 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 and make decision on key business issues; and shall also have all powers and authorities of the Board except the following matters as set out in a formal schedule of matters specifically 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
- Changes of group structure or Board composition requiring notification by announcement

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

DELEGATION TO THE MANAGEMENT *(Continued)*

- 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

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 directors, duty of disclosure of equity/business interest and such induction materials will also be provided to newly appointed Directors shortly upon their appointment. 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 enable 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 regarding Directors' training. During the Year, all Directors have participated in continuous professional development by attending seminars/in-house briefing/reading materials on the following topics to develop and refresh their knowledge and skills and have provided a record of training to the Company.

| Name of Directors | Topics on training covered <i>(Note)</i> |
|--|--|
| Daisy Yeung | (a) & (b) |
| Chan Shek Wah | (a) & (b) |
| Choi Suk Hing, Louisa | (a), (b), (c) & (d) |
| Pearl Chan | (a) & (b) |
| Chu Kar Wing | (a) & (b) |
| Poon Yan Wai <i>(elected on 22 January 2014)</i> | (a), (b) & (c) |
| Tse Hin Lin, Arnold <i>(appointed on 27 March 2014)</i> | (a) & (b) |
| Kwok Chi Sun, Vincent <i>(retired on 22 January 2014)</i> | (a), (b), (c) & (d) |
| Cheng Wing Keung, Raymond <i>(resigned on 27 March 2014)</i> | (a) & (b) |

Note: (a) corporate governance

(b) regulatory

(c) finance

(d) industry-specific

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.

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

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 | | | | | 2014 AGM |
|--|------------------------|--------------------|---------------------------|-------------------------|--------------------------------------|-------------|
| | Board | Audit Committee | Remuneration Committee | Nomination Committee | Corporate Governance Committee | |
| <i>Executive Directors</i> | | | | | | |
| Daisy Yeung ^(Note 1) | 18/18 | 3/3 | 1/1 | 2/2 | N/A | 1/1 |
| Chan Shek Wah | 18/18 | N/A | N/A | N/A | N/A | 1/1 |
| Choi Suk Hing, Louisa ^(Notes 1 & 2) | 18/18 | 3/3 | N/A | N/A | 1/1 | 1/1 |
| Pearl Chan | 18/18 | N/A | N/A | N/A | N/A | 1/1 |
| <i>Independent Non-Executive Directors</i> | | | | | | |
| Chu Kar Wing ^(Note 3) | 18/18 | 3/3 | 1/1 | 2/2 | N/A | 1/1 |
| Poon Yan Wai ^(Note 4) | 13/13 | 2/2 | N/A | N/A | N/A | N/A |
| Tse Hin Lin, Arnold ^(Note 5) | 10/10 | 2/2 | N/A | N/A | N/A | N/A |
| Kwok Chi Sun, Vincent ^(Note 6) | 5/5 | 1/1 | 1/1 | N/A | 1/1 | 1/1 |
| Cheng Wing Keung, Raymond ^(Note 7) | 6/8 | 1/1 | N/A | 2/2 | 1/1 | 1/1 |
| Total number of meetings held: | 18 | 3 | 1 | 2 | 1 | 1 |

Notes:

- Ms. Daisy Yeung and Ms. Choi Suk Hing, Louisa were invited to represent the Management to sit-in the Audit Committee meetings.
- Chairperson of the Corporate Governance Committee
- Chairman of the Remuneration Committee
- Mr. Poon Yan Wai was elected as Director on 22 January 2014 and was appointed as the Chairman of the Audit Committee as well as a member of Remuneration Committee and Corporate Governance Committee on the same date.
- Mr. Tse Hin Lin, Arnold was appointed as Director on 27 March 2014 and was also appointed as the Chairman of the Nomination Committee as well as a member of Audit Committee and Corporate Governance Committee on the same date.
- Mr. Kwok Chi Sun, Vincent retired as Director on 22 January 2014 and automatically ceased to act as the Chairman of the Audit Committee as well as a member of Remuneration Committee and Corporate Governance Committee on the same date.
- Mr. Cheng Wing Keung, Raymond resigned as Director on 27 March 2014 and automatically ceased to act as the Chairman of the Nomination Committee as well as a member of Audit Committee and Corporate Governance Committee on the same date.

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 as well as all applicable rules and regulations are followed.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

BOARD MEETINGS AND PROCEEDINGS *(Continued)*

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 INEDs. Clear written terms of reference of all the Board Committees are given to the respective members of these Committees. Details of the Board Committees which are in place during the Year are set out below:

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

The Audit Committee consists of three INEDs, namely Mr. Poon Yan Wai (Chairman of the Committee), Mr. Chu Kar Wing and Mr. Tse Hin Lin, Arnold.

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 the financial reporting system and internal control procedures. The Audit Committee held three meetings during the Year.

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

- i. reviewed with representatives of 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 2013 as well as the interim financial statements for the period ended 31 March 2014;
- ii. reviewed with representatives of the Management and finance-in-charge the effectiveness of the internal control system of the Group;
- iii. annual review of the non-exempt continuing connected transactions of the Group for the year ended 30 September 2013;
- iv. approved the audit plan for the financial year ended 30 September 2014, reviewed the independence of external auditor and approved the engagement of external auditor; and
- v. recommended the Board on the re-appointment of external auditor.

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

BOARD COMMITTEES (Continued)

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. Poon Yan Wai, both being INEDs, 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 made recommendation to the Board on the Directors' fee; and
- ii. reviewed and made recommendation to the Board on the remuneration structure/package and the specific packages of the Executive Directors and senior management.

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

The Nomination Committee consists of three members, namely Mr. Tse Hin Lin, Arnold (Chairman of the Committee) and Mr. Chu Kar Wing, both being INEDs, and Ms. Daisy Yeung, the Managing Director.

The specific written terms of reference of the Nomination Committee, which was re-adopted on 28 May 2013 in light of the amendments of the Listing Rules, is available on the Company's website. 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 INEDs; (d) reviewing the time commitment of each Director; (e) making recommendation to the Board on the adoption of Board Diversity Policy and reviewing such policy as appropriate; and (d) 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 diversity of the Board;
- ii. reviewed the independence of the INEDs;
- iii. recommended to the Board on nomination of retiring Directors for re-election and Mr. Poon Yan Wai for election as new director to fill the casual vacancy created by the retirement of Mr. Kwok Chi Sun, Vincent at the annual general meeting held on 22 January 2014; and
- iv. recommended to the Board on the appointment of Mr. Tse Hin Lin, Arnold as new director to fill the casual vacancy created by the resignation of Mr. Cheng Wing Keung, Raymond.

As adopted by the Board, the Board Diversity 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.

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

BOARD COMMITTEES (Continued)

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) being an Executive Director, Mr. Poon Yan Wai and Mr. Tse Hin Lin, Arnold, both being INEDs, 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 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 the code of conduct applicable to Directors and relevant employees of the Group; 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.

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 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 the 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 and other financial disclosures required under the Listing Rules and 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 selected suitable accounting policies and applied them consistently, made judgment and estimates that are prudent and reasonable and ensured the consolidated 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.

CORPORATE GOVERNANCE REPORT

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 minimize 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 consolidated financial statements are carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

The Management conducted review from time to time on 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 on 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 analyzed 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 system and procedures on disclosure of inside information is in place 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, if appropriate, escalated for the attention of the Board.

Besides, a CCT Compliance Committee is established 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.

The Board and Audit Committee had conducted a review on the effectiveness of internal control system of the Group. The review covered all material controls, 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

Credit risk refers to the risk that the borrower or counterparty may fail to perform its obligation to pay in a timely manner, or that its ability to perform such obligation may get impaired before delivery date.

The Group's Credit Committee is the ultimate credit decision-making organ of the Group, which is responsible for putting in place credit policies and procedures for approving lending, approving credit and trading limits for customers and approving individual stocks acceptable for margin lending at a specified ratio. The Group's exposure to credit risk lies mainly in two areas:

Margin financing

The trading of securities or futures may expose the Group to risk arising from price volatility which can reduce the client's ability to meet their obligations. The Credit Committee will prescribe from time to time lending limits on individual stock or on any individual customers and their respective associates by considering their creditworthiness, financial strength and the size of their positions or commitments.

The Credit Risk Control Department ("CRC Department") is responsible for the daily monitoring of changes in clients' positions, financing ratios and their accounts, and to observe strictly the approved financing and credit policies to make margin calls and perform forced liquidation, report to the management regularly and when abnormalities arise; closely monitor the unusual movements and trading halts of stocks and timely identify non-performing debts, demand higher margin requirements and step up risk control for particular customers or products.

CRC Department will monitor the over-concentration of credit risk, the Group has set policies on customer concentration risk and stock concentration risk and regularly perform stress tests on the stock concentration to assess the Group's credit risk exposure and capital adequacy and to report anomaly on any unusual price movements of clients' stock positions.

Lending portfolio

The Credit Committee sets and establishes the credit underwriting, approving, provisioning policies. All individual loans are subject to credit analysis, borrower's due diligence, risk assessment and are approved by the management according to the credit policies set by the Credit Committee. The Loans Operation Department is tasked with the daily monitoring of loan exposures, while accounts with deteriorating credit position will be independently monitored by the CRC Department. The Credit Committee meets regularly to timely review the developments and status of past due accounts and to ensure action plans are taken in a timely manner.

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

Market risks primarily include interest rate risk, foreign exchange rate risk and equity risk.

The executive board will commission the relevant departments to conduct stress testing or special review and to measure and to determine appropriate risk measures.

Interest rate risk refers to the risk resulting from changes in market interest rates. Although part of the Group's loan portfolio bears interests at a fixed rate, due to their short term maturities within one year, the interest rate risk is considered minimal. All margin financing are variable rate based. In view of a possible uptrend of the interest rates, the Group issued fixed rate debt securities in November 2013.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT *(Continued)*

MARKET RISK *(Continued)*

Foreign exchange rate risk represents exposures arises from changes in non-local currency rates. The Group's principal operations are transacted and recorded in Hong Kong dollars. The Group does not engage in leveraged foreign exchange dealing and broking. Hence the level of foreign currency exposure is considered minimal. Foreign exchange risk is managed and monitored by the Group's Finance and Accounts Department.

Equity risk arises from fluctuation in the price and volatility of equities such as stocks, equity portfolio and stock index futures. The Group does not have proprietary equity investments. On the other hand, the Group may be subject to exposure arising from underwriting commitments. The Group mitigates its risks by conducting detailed analysis of the issuer's fundamentals and pricing analysis against market condition and appetite. Risk exposure is reduced by way of internal sales and distribution and by sub-underwriting.

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 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.

OPERATIONAL RISK

Operational risk is the risk of losses arising from inadequate or failed internal processes, people, systems or external events. The Group extends operational risk to cover potential losses arising from legal and compliance breaches. Operational risk is reduced and controlled through establishing healthy internal controls, clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of and responsible for managing the operational risks of their business units on a day-to-day basis. Independent monitoring and reviews are conducted by Compliance and Group Internal Audit, which reports regularly to the Group's management and the Audit Committee of the Board.

COMMUNICATION WITH SHAREHOLDERS

The Company had 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 at <http://www.emperorcapiatal.com>.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

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 encouraged to access corporate communication from the Company through the Company's website.

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 2014 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 Managing Director acting as the chairperson of the annual general meeting and the chairman/chairperson of the Board committees and the external auditors were available at the last annual general meeting held on 22 January 2014 to answer questions from Shareholders. 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 21 January 2015 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 Hong Kong Branch Share Registrar and upon its confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a 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.

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 2 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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (Continued)

Convening a Special General Meeting of the Company ("SGM") and Putting Forward Proposals at General Meetings (Continued)

Pursuant to the Bermuda Companies Act 1981 (as amended), either any number of the registered Shareholders holding at the date of the deposit of the requisition 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 annual 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 6 weeks before the meeting in case of a requisition requiring notice of a resolution or not less than 1 week before the meeting in the case of any other requisition. Provided that if an annual general meeting is called for a date 6 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 Hong Kong Branch Share Registrar, 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 are no significant changes 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:

| Service rendered | Fees paid/payable HK\$'000 |
|--|-------------------------------|
| Audit services | 1,500 |
| 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 41 to 95, which comprise the consolidated statement of financial position as at 30 September 2014, 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 (Cap. 622) (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 2014, 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 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2014

| | NOTES | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------|------------------|------------------|
| Revenue | 8 | 546,408 | 434,804 |
| Other operating income | | 18,034 | 9,148 |
| Staff costs | 9 | (100,123) | (70,122) |
| Commission expenses | | (87,725) | (114,228) |
| Other expenses | | (69,999) | (69,134) |
| Finance costs | 10 | (40,402) | (7,259) |
| Gain upon deemed disposal of a subsidiary | 26 | 2,525 | - |
| Share of profit of an associate | 19 | 422 | 3,749 |
| Share of loss of a joint venture | 20 | (13) | - |
| Profit before taxation | 13 | 269,127 | 186,958 |
| Taxation | 14 | (48,332) | (30,981) |
| Profit for the year | | 220,795 | 155,977 |
| Other comprehensive income (expenses) | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation | | - | 25 |
| Total comprehensive income for the year | | 220,795 | 156,002 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 220,795 | 155,745 |
| Non-controlling interests | | - | 232 |
| | | 220,795 | 155,977 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 220,795 | 155,770 |
| Non-controlling interests | | - | 232 |
| | | 220,795 | 156,002 |
| Earnings per share | 16 | | |
| Basic | | HK8.39 cents | HK6.00 cents |
| Diluted | | HK8.09 cents | HK6.00 cents |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

| | NOTES | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------|------------------|------------------|
| Non-current assets | | | |
| Property and equipment | 17 | 5,399 | 5,288 |
| Intangible assets | 18 | - | - |
| Other assets | 21 | 7,308 | 7,739 |
| Interest in an associate | 19 | 2,733 | 2,311 |
| Amount due from an associate | 19 | 5,987 | 5,987 |
| Interest in a joint venture | 20 | 536 | - |
| Loans and advances | 22 | 73,513 | 45,349 |
| Available-for-sale investment | 26 | - | - |
| | | 95,476 | 66,674 |
| Current assets | | | |
| Accounts receivable | 23 | 1,681,956 | 1,160,030 |
| Loans and advances | 22 | 858,911 | 531,893 |
| Other debtors, deposits and prepayments | | 22,816 | 21,804 |
| Bank balances and cash – trust accounts | 24 | 1,164,249 | 1,845,175 |
| Bank balances and cash – general accounts | 24 | 527,546 | 338,585 |
| Tax recoverable | | 7 | 1,102 |
| | | 4,255,485 | 3,898,589 |
| Current liabilities | | | |
| Accounts payable | 25 | 1,301,188 | 2,066,356 |
| Other creditors and accrued charges | | 85,341 | 38,552 |
| Tax liabilities | | 68,599 | 29,274 |
| Short-term bank borrowings | 27 | 710,000 | 310,000 |
| Amount due to a related company | 28 | - | 100,000 |
| Loans payable | 29 | 10,000 | 26,000 |
| | | 2,175,128 | 2,570,182 |
| Net current assets | | 2,080,357 | 1,328,407 |
| Total assets less current liabilities | | 2,175,833 | 1,395,081 |
| Non-current liabilities | | | |
| Loans payable | 29 | - | 10,000 |
| Bonds issued | 30 | 605,699 | - |
| Net assets | | 1,570,134 | 1,385,081 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2014

| | NOTE | 2014 HK\$'000 | 2013 HK\$'000 |
|----------------------|------|------------------|------------------|
| Capital and reserves | | | |
| Share capital | 31 | 26,320 | 25,974 |
| Reserves | | 1,543,814 | 1,359,107 |
| Total equity | | 1,570,134 | 1,385,081 |

The consolidated financial statements on pages 41 to 95 were approved and authorised for issue by the Board of Directors on 3 December 2014 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 2014

| | Attributable to owners of the Company | | | | | | | | | |
|---|---------------------------------------|---------------------------|-----------------------------|----------------------------------|---------------------------------|------------------------------|----------------------------------|-------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 | Capital | | Retained profits HK\$'000 | Share option reserve HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total HK\$'000 |
| | | | | contribution reserve HK\$'000 | Translation reserve HK\$'000 | | | | | |
| At 1 October 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 | 25,974 | 841,266 | 59,931 | 2,004 | 53 | 453,815 | 2,038 | 1,385,081 | - | 1,385,081 |
| Other comprehensive income for the year | - | - | - | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | - | - | 220,795 | - | 220,795 | - | 220,795 |
| Total comprehensive income for the year | - | - | - | - | - | 220,795 | - | 220,795 | - | 220,795 |
| Amount transferred from special reserve to retained profits | - | - | (49,981) | - | - | 49,981 | - | - | - | - |
| Dividend recognised as distribution | - | - | - | - | - | (49,981) | - | (49,981) | - | (49,981) |
| Recognition of equity-settled share based payments | - | - | - | - | - | - | 2,594 | 2,594 | - | 2,594 |
| Issue of ordinary shares upon exercise of share options (notes 31 & 32) | 346 | 15,931 | - | - | - | - | (4,632) | 11,645 | - | 11,645 |
| At 30 September 2014 | 26,320 | 857,197 | 9,950 | 2,004 | 53 | 674,610 | - | 1,570,134 | - | 1,570,134 |

Special reserve represents the difference between the nominal value of the ordinary shares of the subsidiary 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 2014

| | NOTES | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------|---------------------|------------------|
| OPERATING ACTIVITIES | | | |
| Profit before taxation | | 269,127 | 186,958 |
| Adjustments for: | | | |
| Finance costs | | 40,402 | 7,259 |
| Interest income | | (320,081) | (183,202) |
| Depreciation of property and equipment | | 2,017 | 2,244 |
| Share of profit of an associate | | (422) | (3,749) |
| Share of loss of a joint venture | | 13 | - |
| Allowances for loans and advances | | 2,203 | 8,000 |
| Share-based payment expenses | | 2,594 | 2,038 |
| Operating cash flows before movements in working capital | | (4,147) | 19,548 |
| Increase in accounts receivable | | (521,926) | (462,693) |
| Decrease (increase) in other assets | | 431 | (3,176) |
| Increase in loans and advances | | (357,385) | (127,281) |
| Increase in other debtors, deposits and prepayments | | (1,012) | (8,061) |
| Increase (decrease) in bank balances and cash – trust accounts | | 680,926 | (1,347,747) |
| (Decrease) increase in accounts payable | | (765,168) | 1,445,004 |
| Increase in other creditors and accrued charges | | 46,789 | 12,519 |
| Cash used in operations | | (921,492) | (471,887) |
| Hong Kong Profits Tax paid | | (7,912) | (8,823) |
| PRC Tax paid | | - | (153) |
| Interest paid (excluding bond interest) | | (12,233) | (7,259) |
| Interest received | | 320,081 | 183,202 |
| NET CASH USED IN OPERATING ACTIVITIES | | (621,556) | (304,920) |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (2,128) | (1,838) |
| Acquisition of investment in a joint venture | 20 | (549) | - |
| NET CASH USED IN INVESTING ACTIVITIES | | (2,677) | (1,838) |
| FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 11,645 | - |
| Drawdown on bank borrowings | | 20,692,074 | 4,472,796 |
| Repayment of bank borrowings | | (20,292,074) | (4,162,796) |
| (Repayment to) advance from a related company | | (100,000) | 100,000 |
| (Repayment of) drawdown in loans payable | | (26,000) | 36,000 |
| Bonds borrowing proceeds | 30 | 606,067 | - |
| Bonds issuing cost paid | 30 | (500) | - |
| Interest paid on bonds issuing | 30 | (28,037) | - |
| Dividend paid | | (49,981) | (22,858) |
| NET CASH FROM FINANCING ACTIVITIES | | 813,194 | 423,142 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2014

| | 2014 | 2013 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 188,961 | 116,384 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 338,585 | 222,176 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | - | 25 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 527,546 | 338,585 |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Bank balances and cash – general accounts | 527,546 | 338,585 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

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 the 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. Yeung Sau Shing, Albert.

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 principal subsidiaries are set out in note 37.

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 Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year.

| | |
|--|---|
| Amendments to HKFRSs | Annual improvements to HKFRSs 2009-2011 cycle |
| Amendments to HKFRS 7 | Disclosures – Offsetting financial assets and financial liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance |
| HKFRS 10 | Consolidated financial statements |
| HKFRS 11 | Joint arrangements |
| HKFRS 12 | Disclosure of interests in other entities |
| HKFRS 13 | Fair value measurement |
| HKAS 19 (as revised in 2011) | Employee benefits |
| HKAS 27 (as revised in 2011) | Separate financial statements |
| HKAS 28 (as revised in 2011) | Investments in associates and joint ventures |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

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

(Continued)

Amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The Group has applied the amendments to HKFRS 7 "Disclosures – Offsetting financial assets and financial liabilities" for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

- (a) recognised financial instruments that are set off in accordance with HKAS 32: "Financial instruments: Presentation"; and
- (b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's financial assets and financial liabilities that subject to enforceable master arrangement or similar agreement such as accounts receivable, accounts payable and deposits with clearing houses. Detailed disclosures are set out in note 6.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impacts of the application of HKFRS 10 and HKFRS 12 are set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) Int -12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee.

Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors of the Company reviewed and assessed the nature of the Group's investees in accordance with the requirements of HKFRS 10 and concluded that the application of the amendments has had no material impact on the Group's consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements in relation to the Group's interests in an associate (notes 19, 20 and 37 for details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

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

(Continued)

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. In addition, HKFRS 13 requires that the fair value measurement of a non-financial asset should take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (notes 17 and 30 for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

| | |
|--|--|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment entities ¹ |
| Amendments to HKFRS 11 | Accounting for acquisitions of interests in joint operations ⁵ |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation ⁵ |
| Amendments to HKAS 19 | Defined benefit plans: Employee contributions ² |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory effective date of HKFRS 9 and transition disclosures ³ |
| Amendments to HKAS 32 | Offsetting financial assets and financial liabilities ¹ |
| Amendments to HKAS 36 | Recoverable amount disclosures for non-financial assets ¹ |
| Amendments to HKAS 39 | Novation of derivatives and continuation of hedge accounting ¹ |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2010-2012 cycle ⁴ |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2011-2013 cycle ² |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 cycle ⁵ |
| Amendments to HKAS 27 | Equity method in separate financial statements ⁵ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture ⁵ |
| HKFRS 9 | Financial instruments ³ |
| HKFRS 15 | Revenue from contracts with customers ⁶ |
| HK(IFRIC) – Int 21 | Levies ¹ |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

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

(Continued)

HKFRS 13 Fair value measurement *(Continued)*

- ¹ Effective for annual periods beginning on or after 1 January 2014.
- ² Effective for annual periods beginning on or after 1 July 2014.
- ³ Effective for annual periods beginning on or after 1 January 2018.
- ⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
- ⁵ Effective for annual periods beginning on or after 1 January 2016.
- ⁶ Effective for annual periods beginning on or after 1 January 2017.

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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

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

Amendments to HKAS 32 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 HKAS 32 requires retrospectively application. The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements.

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, as 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

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, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, or, when applicable, the cost on initial recognition of an investment in an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in associates and joint venture

Associates are entities 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate and joint venture 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 or joint venture. When the Group's share of losses of associates or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 associates or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Equity-settled share-based payment transactions

Share options granted to directors and employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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 of items of income or expense that are taxable or deductible in other years and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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, associates and joint venture, 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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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).

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

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

Debt 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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, other creditors, short-term bank borrowings, amount due to a related company, loan payable and bond issued are subsequently measured at amortised cost, using the effective interest method.

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 2014

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 2014, the gross carrying amount of accounts receivable is HK\$1,681,956,000 (2013: HK\$1,160,030,000), the gross carrying amount of loans and advances is HK\$914,627,000 (2013: HK\$557,242,000), and accumulated allowance on loans and advances of HK\$2,203,000 in aggregate was provided as at 30 September 2014 (2013: HK\$nil).

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 Funds") with a solicitor firm in Hong Kong, namely, K&L Gates, as an escrow agent (the "Escrow Agent"), of which HK\$25,000,000 and HK\$15,000,000 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 Funds, plus interest and costs. Final and interlocutory judgement were entered against 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 the escrow accounts in 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 to obtain a judgment 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 five years from 30 September 2014 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), resulting in an aggregate of allowance of HK\$20,000,000 (2013: HK\$20,000,000) 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 22 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Financial assets | | |
| Loans and receivables (including bank balances and cash) | 4,334,978 | 3,945,948 |
| Financial liabilities | | |
| Amortised cost | 2,712,228 | 2,550,908 |

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 2014

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|----------------------------|------------------|------------------|
| Assets | | |
| Accounts receivable | 1,477,110 | 817,680 |
| Loans and advances | 60,723 | 34,381 |
| Bank balances | 893,956 | 61,450 |
| Liability | | |
| Accounts payable | 944,741 | 180,211 |
| Short-term bank borrowings | 710,000 | 310,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market 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 (2013: 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.

| | 2014 | | 2013 | |
|--|------------------------|----------|------------------------|----------|
| | 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 | 5,886 | (5,886) | 1,316 | (1,316) |

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 2014 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 22 and 23.

Details of analysis of the credit risk exposure of loans and advances and accounts receivable are disclosed in notes 22 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 2014

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 2014, the Group has available unutilised banking facilities of approximately HK\$345 million (30 September 2013: HK\$480 million).

Except for the 3 years unsecured bonds maturing in November 2016, the Group's financial liabilities are repayable on demand or within one month by virtue of its nature.

Fair value

Except as detailed in the following table, 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:

As at 30 September 2014

| | Carrying amount HK\$'000 | Fair value HK\$'000 |
|--------------|-----------------------------|------------------------|
| Bonds issued | 605,699 | 600,225 |

This liabilities are classified under Level 2 in the fair value hierarchy.

Financial asset and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statements of financial position; or
- not offset in the consolidated statements of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and brokers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with HKSCC and brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

As at 30 September 2014

| | Gross amounts of recognised financial assets HK\$'000 | Gross amounts of recognised financial assets set off in the statement of financial position HK\$'000 | Net amounts of financial assets presented in the statement of financial position HK\$'000 | Related amounts not set off in the statement of financial position | | Net amount HK\$'000 |
|---|---|--|---|--|------------------------------|---------------------|
| | | | | Financial instruments HK\$'000 | Collateral received HK\$'000 | |
| Financial assets | | | | | | |
| Amount due from clearing house, brokers and brokerage clients | 1,718,754 | (134,284) | 1,584,470 | (1,544,603) | (39,147) | 720 |
| Deposit placed with clearing house | 20,832 | - | 20,832 | - | - | 20,832 |

| | Gross amounts of recognised financial liabilities HK\$'000 | Gross amounts of recognised financial liabilities set off in the statement of financial position HK\$'000 | Net amounts of financial liabilities presented in the statement of financial position HK\$'000 | Related amounts not set off in the statement of financial position | | Net amount HK\$'000 |
|---|--|---|--|--|-----------------------------|---------------------|
| | | | | Financial instruments HK\$'000 | Collateral pledged HK\$'000 | |
| Financial liabilities | | | | | | |
| Amount due to clearing house, brokers and brokerage clients | 1,234,996 | (134,284) | 1,100,712 | (1,100,712) | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

As at 30 September 2013

| | Gross amounts of recognised financial assets set off in the statement of financial position HK\$'000 | Gross amounts of recognised financial assets set off in the statement of financial position HK\$'000 | Net amounts of financial assets presented in the statement of financial position HK\$'000 | Related amounts not set off in the statement of financial position | | Net amount HK\$'000 |
|---|---|---|--|--|---------------------------------|------------------------|
| | | | | Financial instruments HK\$'000 | Collateral received HK\$'000 | |
| Financial assets | | | | | | |
| Amount due from clearing house, brokers and brokerage clients | 1,108,168 | (116,154) | 992,014 | (900,324) | (60,844) | 30,846 |
| Deposit place with clearing house | 13,496 | - | 13,496 | - | - | 13,496 |

| | Gross amounts of recognised financial liabilities set off in the statement of financial position HK\$'000 | Gross amounts of recognised financial liabilities set off in the statement of financial position HK\$'000 | Net amounts of financial liabilities presented in the statement of financial position HK\$'000 | Related amounts not set off in the statement of financial position | | Net amount HK\$'000 |
|--|--|--|---|--|--------------------------------|------------------------|
| | | | | Financial instruments HK\$'000 | Collateral pledged HK\$'000 | |
| Financial liabilities | | | | | | |
| Amount due to HKSCC, brokers and brokerage clients | 1,921,878 | (116,154) | 1,805,724 | (1,805,724) | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

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, other assets 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

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 2014

| | Brokerage HK\$'000 | Financing HK\$'000 | Placing and underwriting HK\$'000 | Corporate finance HK\$'000 | Elimination HK\$'000 | Total HK\$'000 |
|--------------------------------------|-----------------------|-----------------------|---|----------------------------------|-------------------------|-------------------|
| REVENUE | | | | | | |
| Segment revenue - external customers | 91,616 | 311,105 | 127,910 | 15,777 | - | 546,408 |
| Inter-segment sales | - | 42,214 | 16,918 | - | (59,132) | - |
| | 91,616 | 353,319 | 144,828 | 15,777 | (59,132) | 546,408 |

Inter-segment sales are charged at prevailing market rates.

| | Brokerage HK\$'000 | Financing HK\$'000 | Placing and underwriting HK\$'000 | Corporate finance HK\$'000 | Total HK\$'000 |
|---|-----------------------|-----------------------|---|----------------------------------|-------------------|
| RESULTS | | | | | |
| Segment results | | 13,212 | 262,710 | 72,848 | 354,225 |
| Unallocated other operating income | | | | | 2,751 |
| Unallocated corporate expenses | | | | | (61,979) |
| - staff costs (including directors' remuneration) | | | | | (334) |
| - management fee to related companies | | | | | (9,500) |
| - service charge to a related company | | | | | (18,970) |
| - others | | | | | 2,525 |
| Gain upon deemed disposal of a subsidiary | | | | | (13) |
| Share of loss of a joint venture | | | | | 422 |
| Share of profit of an associate | | | | | |
| Profit before taxation | | | | | 269,127 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 30 September 2013

| | Brokerage HK\$'000 | Financing HK\$'000 | Placing and underwriting HK\$'000 | Corporate finance HK\$'000 | Elimination HK\$'000 | Total HK\$'000 |
|--------------------------------------|-----------------------|-----------------------|---|----------------------------------|-------------------------|-------------------|
| REVENUE | | | | | | |
| Segment revenue - external customers | 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 rates.

| | Brokerage HK\$'000 | Financing HK\$'000 | Placing and underwriting HK\$'000 | Corporate finance HK\$'000 | Total 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 |

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 deemed disposal of a subsidiary, management fee to related companies, central administration costs, share of loss of a joint venture 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 2014

7. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 30 September 2014

| | Brokerage HK\$'000 | Financing HK\$'000 | Placing and underwriting HK\$'000 | Corporate finance HK\$'000 | Total HK\$'000 |
|--|-----------------------|-----------------------|---|----------------------------------|-------------------|
| Additions of property and equipment | 2,128 | - | - | - | 2,128 |
| Depreciation of property and equipment | 2,017 | - | - | - | 2,017 |
| Allowances for loans and advances | - | 2,203 | - | - | 2,203 |

For the year ended 30 September 2013

| | Brokerage HK\$'000 | Financing HK\$'000 | Placing and underwriting HK\$'000 | Corporate finance HK\$'000 | Total 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 |

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 | |
|---------------|------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Hong Kong | 518,606 | 390,004 |
| United States | 27,429 | 43,801 |
| Other | 373 | 999 |
| | 546,408 | 434,804 |

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

Information about major customer

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|------------|------------------|---------------------|
| Customer A | - ¹ | 61,900 ² |

Notes:

1. No single customer amount to more than 10% of the Group's revenue.
2. Revenue mainly from placing and underwriting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

8. REVENUE

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Commission and brokerage fees on dealing in securities | 45,590 | 40,552 |
| Commission and brokerage fees on dealing in futures and options contracts | 32,360 | 47,690 |
| Commission from insurance brokerage and wealth management | 4,690 | 8,532 |
| Corporate finance advisory services fee income | 15,777 | 11,240 |
| Placing and underwriting commission | 127,910 | 143,588 |
| Interest income from: | | |
| Margin and initial public offer financing | 164,065 | 87,517 |
| Loans and advances | 147,040 | 92,201 |
| Bank deposits | 8,972 | 3,153 |
| Others | 4 | 331 |
| | 546,408 | 434,804 |

9. STAFF COSTS

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Staff costs represent the amounts paid and payable to the directors and employees and comprise: | | |
| Salaries, bonus, allowances and commission | 95,373 | 66,026 |
| Contributions to retirement benefits scheme | 2,156 | 2,058 |
| Share based payments | 2,594 | 2,038 |
| | 100,123 | 70,122 |

10. FINANCE COSTS

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Interest on: | | |
| Bank overdrafts and loans wholly repayable within five years | 7,415 | 2,725 |
| Amount due to a related company | 1,815 | 3,515 |
| Loans payable | 3,000 | 1,012 |
| Bonds issued | 28,170 | - |
| Others | 2 | 7 |
| | 40,402 | 7,259 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 9 (2013: 7) directors and the chief executive were as follows:

For the year ended 30 September 2014

| | Directors | | | | | | | | | Total HK\$'000 |
|--|----------------------------|------------------------------|---|---------------------------|-----------------------------|-----------------------------|--------------------------------------|---|---|-------------------|
| | Daisy Yeung HK\$'000 | Chan Shek Wah HK\$'000 | Choi Suk Hing, Louisa HK\$'000 | Pearl Chan HK\$'000 | Chu Kar Wing HK\$'000 | Poon Yan Wai HK\$'000 | Tse Hin Lin Arnold HK\$'000 | Kwok Chi Sun, Vincent HK\$'000 | Cheng Wing Keung, Raymond HK\$'000 | |
| Fees | 150 | 150 | 150 | 150 | 190 | 134 | 102 | 56 | 88 | 1,170 |
| Other remuneration | | | | | | | | | | |
| Salaries and allowances | 1,752 | 3,911 | 1,992 | 1,719 | - | - | - | - | - | 9,374 |
| Discretionary bonus (<i>note</i>) | 6,055 | 6,805 | 1,842 | 1,134 | - | - | - | - | - | 15,836 |
| Share based payment | 1,016 | 1,016 | 233 | 146 | - | - | - | - | - | 2,411 |
| Contributions to retirement benefits scheme | 17 | 16 | 139 | 143 | | | | | | 315 |
| Total remuneration | 8,990 | 11,898 | 4,356 | 3,292 | 190 | 134 | 102 | 56 | 88 | 29,106 |

For the year ended 30 September 2013

| | Directors | | | | | | | | | Total HK\$'000 |
|--|----------------------------|------------------------------|---|---------------------------|-----------------------------|-----------------------------|--------------------------------------|---|---|-------------------|
| | Daisy Yeung HK\$'000 | Chan Shek Wah HK\$'000 | Choi Suk Hing, Louisa HK\$'000 | Pearl Chan HK\$'000 | Chu Kar Wing HK\$'000 | Poon Yan Wai HK\$'000 | Tse Hin Lin Arnold HK\$'000 | Kwok Chi Sun, Vincent HK\$'000 | Cheng Wing Keung, Raymond HK\$'000 | |
| Fees | 150 | 150 | 150 | 150 | 180 | 0 | 0 | 180 | 180 | 1,140 |
| Other remuneration | | | | | | | | | | |
| Salaries and allowances | 1,665 | 3,722 | 1,899 | 1,570 | - | - | - | - | - | 8,856 |
| Discretionary bonus (<i>note</i>) | 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 | 3,691 | 6,246 | 2,991 | 2,407 | 180 | 0 | 0 | 180 | 180 | 15,875 |

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

Ms. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

12. EMPLOYEES' REMUNERATION

The five individuals with the highest emoluments in the Group included four (2013: four) directors of the Company for the year ended 30 September 2014, details of whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining one (2013: one) individual for the year were as follows:

| | 2014 | 2013 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Salaries, allowances and benefits in kind | 336 | 1,500 |
| Bonus | 2,134 | - |
| Contributions to retirement benefits scheme | 15 | 15 |
| | 2,485 | 1,515 |

The remunerations were within the following bands:

| | Number of employees | |
|--------------------------------|----------------------------|------|
| | 2014 | 2013 |
| HK\$2,000,001 to HK\$2,500,000 | 1 | - |
| HK\$1,500,001 to HK\$2,000,000 | - | 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.

13. PROFIT BEFORE TAXATION

| | 2014 | 2013 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Profit before taxation has been arrived at after charging (crediting): | | |
| Included in other expenses: | | |
| Advertising and promotion expenses | 5,353 | 6,925 |
| Auditor's remuneration | 1,570 | 1,386 |
| Depreciation of property and equipment | 2,017 | 2,244 |
| Management fee to related companies | 334 | 823 |
| Service charge to a related company | 9,500 | 7,641 |
| Net exchange loss | 97 | 42 |
| Operating lease rentals in respect of | | |
| - rented premises | 9,775 | 9,518 |
| - office equipment | 2,543 | 2,614 |
| Other equipment hiring charges | 9,807 | 9,372 |
| Legal and professional fee | 1,358 | 3,211 |
| Allowances for loans and advances | 2,203 | 8,000 |
| Included in other operating income: | | |
| Handling fee income | (15,181) | (5,597) |
| Bad debt recovered | - | (2,000) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

14. TAXATION

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Current year: | | |
| Hong Kong Profits Tax provision for the year | 47,742 | 30,828 |
| PRC Enterprise Income Tax | 590 | 153 |
| | 48,332 | 30,981 |

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%.

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:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Profit before taxation | 269,127 | 186,958 |
| Taxation at income tax rate of 16.5% | 44,406 | 30,848 |
| Tax effect of expenses not deductible for tax purpose | 2,045 | 356 |
| Tax effect of income not taxable for tax purpose | (889) | (721) |
| Utilisation of tax losses previously not recognised | - | (90) |
| Tax effect of tax losses not recognised | 3,024 | 1,136 |
| Tax effect of share of profit of an associate | (67) | (619) |
| Others | (187) | 71 |
| Taxation charge for the year | 48,332 | 30,981 |

As at 30 September 2014, the Group had unused estimated tax losses of HK\$36,243,000 (2013: HK\$17,570,000) 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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Recognised as distribution: | | |
| Interim dividend paid: HK\$0.006 (2013: HK\$0.005) per share | 15,793 | 12,988 |
| Final dividend paid in respect of 2013: HK\$0.013 per share (2013: HK\$0.0038 in respect of 2012) | 34,188 | 9,870 |
| | 49,981 | 22,858 |

The directors proposed the payment of a final dividend of HK2.00 cents per share amounting to HK\$52,639,000 in aggregate in respect of the year ended 30 September 2014 (2013: final dividend paid in respect of the year ended 30 September 2013 HK1.30 cents per share amounted to HK\$34,188,000 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 2014

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:

| | 2014 | 2013 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Earnings | | |
| Earnings for the purpose of basic and diluted earnings per share | 220,795 | 155,745 |

| | 2014 | 2013 |
|--|------------------|-----------|
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 2,631,964 | 2,597,434 |
| Effect of dilutive potential ordinary shares: | | |
| Share Options of the Company | 97,008 | - |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 2,728,972 | 2,597,434 |

Note: The weighted average number of ordinary shares adopted in the calculation of the diluted earnings per share for the year of 2014 have been adjusted to reflect the share options granted and outstanding as at 30 September 2014. In the prior year, the computation of diluted earnings per share did not assume the exercise of the company's outstanding share options because the exercise price of those share options was higher than the average market price of the Company's share for that year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

17. PROPERTY AND EQUIPMENT

| | Leasehold improvements HK\$'000 | Furniture and fixtures HK\$'000 | Office equipment HK\$'000 | Computer and other equipment HK\$'000 | Total HK\$'000 |
|--------------------------|---------------------------------------|--|---------------------------------|--|-------------------|
| COST | | | | | |
| At 1 October 2012 | 10,327 | 1,655 | 5,023 | 12,856 | 29,861 |
| Additions | 407 | 147 | 525 | 759 | 1,838 |
| At 30 September 2013 | 10,734 | 1,802 | 5,548 | 13,615 | 31,699 |
| Additions | 1,005 | 96 | 575 | 452 | 2,128 |
| At 30 September 2014 | 11,739 | 1,898 | 6,123 | 14,067 | 33,827 |
| ACCUMULATED DEPRECIATION | | | | | |
| At 1 October 2012 | 7,116 | 1,392 | 4,427 | 11,232 | 24,167 |
| Provided for the year | 1,017 | 150 | 369 | 708 | 2,244 |
| At 30 September 2013 | 8,133 | 1,542 | 4,796 | 11,940 | 26,411 |
| Provided for the year | 1,039 | 94 | 725 | 159 | 2,017 |
| At 30 September 2014 | 9,172 | 1,636 | 5,521 | 12,099 | 28,428 |
| CARRYING VALUES | | | | | |
| At 30 September 2014 | 2,567 | 262 | 602 | 1,968 | 5,399 |
| At 30 September 2013 | 2,601 | 260 | 752 | 1,675 | 5,288 |

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

18. INTANGIBLE ASSETS

| | HK\$'000 |
|--|----------|
| COST | |
| At 1 October 2012, 30 September 2013 and 30 September 2014 | 9,802 |
| AMORTISATION AND IMPAIRMENT | |
| At 1 October 2012, 30 September 2013 and 30 September 2014 | 9,802 |
| CARRYING VALUES | |
| At 30 September 2014 | - |
| At 30 September 2013 | - |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

19. INTEREST IN AN ASSOCIATE

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|--------------------------------|------------------|
| Cost of investment in the unlisted associate | 1 | 1 |
| Share of post-acquisition profit and other comprehensive income | 2,732 | 2,310 |
| | 2,733 | 2,311 |
| Amount due from an associate | 5,987 | 5,987 |

As at 30 September 2013 and 2014, 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 |
|--|----------------------------|------------------------|---------------------|---|------|---|
| | | | | 2014 | 2013 | |
| Boom High Investment Limited ("Boom High") | Incorporated | British Virgin Islands | Ordinary shares | 28% | 28% | Trading in securities and investment in funds |

The summarised financial information in respect of the Group's associate that is not individually material is set out below:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|--------------------------------|------------------|
| Total assets | 31,157 | 29,648 |
| Total liabilities | (21,395) | (21,395) |
| Net assets | 9,762 | 8,253 |
| Group's share of net assets of the associate | 2,733 | 2,311 |

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|--------------------------------|------------------|
| Revenue | 10,580 | 13,400 |
| Profit for the year | 1,509 | 13,389 |
| Group's share of profit of the associate for the year | 422 | 3,749 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

20. INTEREST IN A JOINT VENTURE

Details of the Group's investment in a joint venture are as follows:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|--------------------------------|------------------|
| Cost of investment in a joint venture | 549 | - |
| Share of post-acquisition loss and other comprehensive expense | (13) | - |
| | 536 | - |

| 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 |
|--|----------------------------|------------------------|---------------------|---|------|--------------------|
| | | | | 2014 | 2013 | |
| Emperor Shiyang Finance Limited ("ESFL") | Incorporated | Hong Kong | Ordinary share | 55% | Nil | Money lending |

Note: As of 30 September 2014, the Group held 55 shares, representing 55% interests in the joint venture. The shares provide the Group with the share of returns from the joint venture.

Pursuant to the contractual agreement, unanimous consent of the parties sharing control is required for all the key financing and operating decisions in the joint venture. As of 30 September 2014, the Group held 55% of the shares of the joint venture and the other 45% shares are held by a third party. The arrangement of sharing of control is contractually agreed by both parties. As such, the interest of the Group in ESFL is classified as a joint venture.

The summarised financial information in respect of the Group's joint venture is set out below. The joint venture is accounted for using the equity method in these consolidated financial statements.

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|--------------------------------|------------------|
| Net assets | 975 | - |
| Group's share of net assets of the joint venture | 536 | - |

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|--------------------------------|------------------|
| Loss for the year | 25 | - |
| Group's share of loss of the joint venture for the year | 13 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

21. OTHER ASSETS

| | 2014 HK\$'000 | 2013 HK\$'000 |
|------------------------------|------------------|------------------|
| Statutory and other deposits | 7,308 | 7,739 |

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

22. LOANS AND ADVANCES

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Fixed-rate loans receivable | 853,713 | 522,861 |
| Variable-rate loans receivable | 60,914 | 34,381 |
| | 914,627 | 557,242 |
| Less: Individually assessed impairment allowances | (2,203) | - |
| | 912,424 | 557,242 |
| Other receivable from K&L Gates (<i>note</i>) | 40,000 | 40,000 |
| Less: Allowance for other receivable from K&L Gates | (20,000) | (20,000) |
| | 20,000 | 20,000 |
| | 932,424 | 577,242 |
| Analysed as: | | |
| Current | 858,911 | 531,893 |
| Non-current | 73,513 | 45,349 |
| | 932,424 | 577,242 |

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 were 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 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 the escrow accounts in K&L Gates. The legal proceedings against the 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 to obtain a judgment 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 an aggregate allowance of HK\$20,000,000 (2013: HK\$20,000,000) at a discount rate of 12% per annum, and the Escrow Fund is presented as a non-current asset as at the reporting date. Taking into account the change of estimated time of recovery to around five years from 30 September 2014 due to the prolonged legal procedures (particularly taking into consideration the recent discovery process and increased complication in the procedures including the introduction of expert witnesses), the allowance remained unchanged accordingly. If the actual recoverable amount is less than expected, a material impairment loss may arise.

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For the year ended 30 September 2014

22. LOANS AND ADVANCES (Continued)

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Fixed-rate loans receivable: | | |
| Within one year (<i>note</i>) | 820,718 | 521,609 |
| In more than one year but no more than five years | 30,983 | 1,252 |
| | 851,701 | 522,861 |

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Variable-rate loans receivable: | | |
| Within one year | 38,193 | 10,284 |
| In more than one year but no more than five years | 6,463 | 7,113 |
| Over five years | 16,067 | 16,984 |
| | 60,723 | 34,381 |

Note: No loans receivable balance had been past due and impaired as at 30 September 2014. Therefore, no allowance for impairment is necessary. As at 30 September 2013, included in fixed-rate loans receivable was balance of HK\$2,500,000 which had been past due for two months but not impaired. Taking into account the creditworthiness of the borrowers, the executive directors of the Company believed that no allowance for impairment was necessary as at 30 September 2013.

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

| | 2014 | 2013 |
|--------------------------------|---|---|
| Effective interest rates: | | |
| Fixed-rate loans receivable | 0.246% per month to 4.7% per month | 0.127% per month to 4.7% per month |
| Variable-rate loans receivable | Prime rate - 3% per annum to prime rate + 5% per annum | Prime rate - 3% per annum to prime rate + 5% per annum |

Included in the loans and advances as at 30 September 2014 were secured loans and advances with the aggregate amount of HK\$167,722,000 (2013: HK\$159,722,000). These secured loans and advances were secured by listed marketable securities in Hong Kong except for two (2013: one) secured loans which were secured with first legal charge in respect of respective residential properties located in Hong Kong, and the collateral for each individual loan is sufficient to cover the loan amount on an individual basis. They 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 receivable, one fixed-rate loan advance which was secured by listed marketable securities in Hong Kong was made to a corporate amounting to HK\$149,922,000 (2013: HK\$149,922,000), representing 16% (2013: 25%) of the gross loans and advances balance. Each of the remaining loans and advances represents less than 10% (2013: 10%) of the gross balance.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

22. LOANS AND ADVANCES (Continued)

The balance of the loans and advances amounting to HK\$744,702,000 (2013: HK\$397,520,000) were unsecured. Included in the unsecured loans and advances, there were advances made to corporates and individuals, which are independent third parties of the Group, amounting to HK\$79,668,000 (2013: HK\$37,890,000), with second legal charges in respect of commercial and residential properties located in Hong Kong, which will be due for repayment within 1 to 27 years (2013: 1 to 28 years) from the respective loans' date of advance. Included in the balance of loans receivable, one fixed-rate unsecured loan advance was made to a corporate amounting to HK\$150,000,000 (2013: nil) which represents 16% (2013: nil) of the gross loans and advances balance. 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% (2013: 10%) of the gross balance of loans and advances.

To minimise the Group's exposure to credit risk, credit risk control team is 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 have made allowance for impairment of HK\$2,203,000 as at 30 September 2014 (2013: nil).

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

23. ACCOUNTS RECEIVABLE

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Accounts receivable from the business of dealing in securities: | | |
| Clearing houses, brokers and cash clients | 55,240 | 81,212 |
| Secured margin loans | 1,545,371 | 924,298 |
| Accounts receivable from the business of dealing in futures contracts: | | |
| Clearing houses and brokers | 80,182 | 154,090 |
| Accounts receivable from the business of corporate finance | 1,163 | 430 |
| | 1,681,956 | 1,160,030 |

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.

For secured margin loans, as at 30 September 2014, the total market value of securities pledged as collateral in respect of the loans to margin clients were approximately HK\$11,096,307,000 (2013: HK\$10,761,572,000). 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 the 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.

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For the year ended 30 September 2014

23. ACCOUNTS RECEIVABLE (Continued)

As at 30 September 2014, accounts receivable from foreign brokers denominated in Japanese Yen and United States dollar were approximately HK\$35,000 (2013: HK\$31,000) and HK\$70,397,000 (2013: HK\$121,210,000) respectively.

As at 30 September 2014, for accounts receivable due from various customers, amounts due from the top two margin customers represented 18% and 11% respectively (2013: 8% and 7%) of total balance of accounts receivable. Apart from the above, no concentration of accounts receivable from each remaining debtor who represented less than 7% (2013: 7%) of the total balance of accounts receivable.

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

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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|--|------------------|------------------|
| Past due: | | |
| 0 – 30 days | 3,288 | 1,078 |
| 31 – 60 days | 11 | 3 |
| 61 – 90 days | 5 | 5 |
| Over 90 days | 236 | 218 |
| Accounts receivable which were past due but not impaired | 3,540 | 1,304 |
| Accounts receivable which were neither past due nor impaired | 133,045 | 234,428 |
| | 136,585 | 235,732 |

Note: To minimise the Group's exposure to credit risk, there is a credit risk control team responsible for the evaluation of the customers' credit ratings, financial background and repayment abilities. Management had set up the credit limits for each individual customer which are subject to regular review by the management. Any extension of credit beyond these approval limits has to be approved by relevant level of management on an individual basis according to the exceeded amount. The Group has a policy for reviewing impairment of accounts receivable without sufficient collateral and those with default or delinquency in interest or principal payment. The assessment is based on an evaluation of the collectability and ageing analysis of the accounts and on management's judgment including the current creditworthiness, collateral value and the past collection history of each customer.

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

The executive directors of the Company believe that no provision for impairment is necessary as the fair values of the securities collateral held by the Group for these balance are generally in excess to the relevant carrying amounts as at 30 September 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

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 78 of schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32), the details of which are as follows:

| | Balance at the beginning of the year | Balance at the end of the year | Maximum amount outstanding during the year | Market value of pledged securities at the end of the year |
|---------------------------------|---|---|---|--|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Directors of the Company | | | | |
| Ms. Daisy Yeung | | | | |
| (1.10.2013 to 30.9.2014) | - | - | - | - |
| (1.10.2012 to 30.9.2013) | - | - | 1,200 | 900 |
| Ms. Choi Suk Hing, Louisa | | | | |
| (1.10.2013 to 30.9.2014) | - | - | 90 | - |
| (1.10.2012 to 30.9.2013) | - | - | - | - |
| Ms. Pearl Chan | | | | |
| (1.10.2013 to 30.9.2014) | - | - | - | - |
| (1.10.2012 to 30.9.2013) | - | - | - | - |
| Mr. Chan Shek Wah | | | | |
| (1.10.2013 to 30.9.2014) | - | - | - | - |
| (1.10.2012 to 30.9.2013) | - | - | - | - |

The above balances were repayable on demand and bore interest at commercial rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

24. BANK BALANCES AND CASH

| | 2014 HK\$'000 | 2013 HK\$'000 |
|----------------------------------|------------------|------------------|
| Bank balances | | |
| - trust accounts (<i>Note</i>) | 1,164,249 | 1,845,175 |
| - general accounts and cash | 527,546 | 338,585 |
| | 1,691,795 | 2,183,760 |

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' money are maintained in one or more trust bank accounts and bore interest at commercial rates. 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 2014, bank balances and cash denominated in Japanese Yen, United States dollar, Renminbi and Singapore dollar, are approximately HK\$517,000 (2013: HK\$578,000), HK\$159,348,000 (2013: HK\$92,111,000), HK\$10,681,000 (2013: HK\$1,442,000) and HK\$2,446,000 (2013: HK\$2,221,000) 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

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Accounts payable from the business of dealing in securities: | | |
| Clearing house | 63,724 | - |
| Margin and cash clients | 1,036,988 | 1,805,724 |
| Accounts payable from the business of dealing in futures contracts: | | |
| Margin clients | 200,476 | 260,632 |
| | 1,301,188 | 2,066,356 |

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

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

Included in accounts payable, amounts of HK\$1,164,249,000 and HK\$1,845,175,000 as at 30 September 2014 and 2013 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 2014, accounts payable denominated in Japanese Yen and United States dollar are approximately HK\$553,000 (2013: HK\$610,000) and HK\$183,131,000 (2013: HK\$187,634,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

26. DEEMED DISPOSAL OF A SUBSIDIARY

On 26 March 2014, the Group's wholly-owned subsidiary, Emperor Investment Fund Limited ("EIFL") has issued 99 ordinary shares at issue price HK\$0.01 per share. The Group has been allotted 14 shares together with the 1 share previously owned, resulting in holding 15 shares after allotment. The other 85 shares were allotted to a related person. As a result, the Group's interests in EIFL has been materially diluted to 15% thus result in a deemed disposal of the subsidiary. EIFL had no business operations. The net liabilities of EIFL as at the date of deemed disposal, being 26 March 2014, were as follows:

| | HK\$'000 |
|---|----------|
| Analysis of assets and liabilities over which control was lost: | |
| Amount due from fellow subsidiaries | 475 |
| Other creditors | (3,000) |
| Net liabilities disposed of | (2,525) |
| Gain recognised on disposal of a subsidiary: | |
| Consideration received | - |
| Net liabilities disposed of | 2,525 |
| Gain on disposal | 2,525 |

In the opinion of the directors of the Company, the remaining equity interests held by the Group in EIFL are with a primary objective for capital appreciation and recognised as an available-for-sale investment.

The directors of the Company consider the fair value of the EIFL as at 30 September 2014 is approximate to zero with reference to the net liabilities of EIFL.

27. SHORT-TERM BANK BORROWINGS

The amounts represent short-term bank borrowings of HK\$140,000,000 which were secured by a charge over client securities with market value of HK\$331,875,000 and corporate guarantee for the purpose of facilitating initial public offering and financing daily operation as at 30 September 2014, which carried interest with a HIBOR + 1.50% p.a..

The remaining balance represents on unsecured short term bank borrowings of HK\$570,000,000, which carried interest with a range of HIBOR + 1.65% p.a. to HIBOR + 2.15% p.a..

28. AMOUNT DUE TO A RELATED COMPANY

The amount as at 30 September 2013 is unsecured, interest bearing at 2.7% p.a. and repayable on demand. The related company is a 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:

| | 2014 HK\$'000 | 2013 HK\$'000 |
|---|------------------|------------------|
| Within one year | 10,000 | 26,000 |
| In more than one year but not more than two years | - | 10,000 |
| | 10,000 | 36,000 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

30. BONDS ISSUED

| | 2014 | 2013 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Non-current | | |
| Corporate bonds – Open offer (<i>note(a)</i>) | 302,849 | – |
| Corporate bonds – Placing (<i>note(b)</i>) | 302,850 | – |
| | 605,699 | – |

Notes:

- (a) On 27 November 2013, the Group issued corporate bonds in principal amount of HK\$303,033,500 by way of open offer. The bonds carries a fixed annual interest rate of 5.5% with a maturity period of 3 years, and the interest will be paid annually in arrears on 27 November in each year with the first interest payment date on 27 November 2014. Pursuant to the bond instrument, the Group may, at any time, before the maturity date of the bonds, redeem the bonds by giving not less than 10 business days written notice at 100% of the principal amount of such bonds together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder(s) shall not have the right to request the Company to redeem the bonds prior to the maturity date of the bonds.
- (b) On 27 November 2013, the Group issued bonds in principal amount of HK\$303,033,500 by way of placing. The bonds carry a fixed annual interest rate of 5.5% with a maturity period of 3 years, and the interest will be paid annually in arrears on 27 November in each year with the first interest payment date on 27 November 2014. Pursuant to the placing instrument, the Group may, at any time, before the maturity date of the bonds, redeem the bonds by giving not less than 10 business days written notice at 100% of the principal amount of such bonds together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder(s) shall not have the right to request the Company to redeem the bonds prior to the maturity date of the bonds.

31. SHARE CAPITAL

| Note | Number of ordinary shares of HK\$0.01 each | | Nominal value of ordinary shares | |
|---------------------------------------|---|-----------------|-------------------------------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | HK\$'000 | | HK\$'000 | HK\$'000 |
| Authorised: | | | | |
| At beginning of year | 500,000,000,000 | 500,000,000,000 | 5,000,000 | 5,000,000 |
| At end of year | 500,000,000,000 | 500,000,000,000 | 5,000,000 | 5,000,000 |
| Issued and fully paid: | | | | |
| At beginning of year | 2,597,433,816 | 2,597,433,816 | 25,974 | 25,974 |
| Exercise of share options (32b, e) | 34,530,000 | – | 346 | – |
| At end of year | 2,631,963,816 | 2,597,433,816 | 26,320 | 25,974 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

32. 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 are valuable to the Group or any entity in which the Group hold an equity interest.

Under the Scheme (as amended), 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. The Board may determine in its absolute discretion whether the right to exercise an option is subject to or conditional upon the achievement of specified performance target(s) relating to the Company or to the grantee and/or the satisfaction of such other conditions as the Board may in its absolute discretion determine to be appropriate.

Subject to the condition that may be set by the Board upon granting of share options, an option may be exercised at any time 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, of which 32,346,000 share options were exercised during the year. For the remaining outstanding share options, none of them are exercisable as at 30 September 2014.

On 2 April 2014, a total of 2,184,000 share options were granted to certain employees of the Company at an exercise price of HK\$0.385 each under the terms of the Scheme. All these share options were exercised on 5 May 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

32. SHARE OPTIONS (Continued)

A summary of the movements of the outstanding share options, which were granted to the directors of the Company under the Scheme during the years ended 30 September 2014 and 2013 and the balance at these dates is as follows:

For the year ended 30 September 2014

| Date of grant | Exercisable period | Performance target | Vesting period | Exercise price per share HK\$ | Number of share options | | | | Estimated fair value at date of grant HK\$'000 | |
|----------------|---|--------------------|---|-------------------------------|-------------------------------------|------------------------|-------------------------|---------------------------|--|-------------------------------------|
| | | | | | Outstanding as at 30 September 2013 | Lapsed during the year | Granted on 4 April 2014 | Exercised during the year | | Outstanding as at 30 September 2014 |
| 13 August 2013 | Date immediately after the publication of the audited financial results for the year ended 30 September 2013 to 12 July 2018 (b) | (c) | 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 (a) |
| | Date immediately after the publication of the audited financial results for the year ending 30 September 2015 to 12 July 2018 (d) | (e) | Date of grant to the date of publication of the audited financial results for the year ending 30 September 2015 | 0.334 | 42,690,000 | - | - | - | 42,690,000 | 5,676 (a) |
| | Date immediately after the publication of the audited financial results for the year ending 30 September 2015 to 12 July 2018 | (f) | 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 (a) |
| 2 April 2014 | Commencing from the acceptance date of the share options by the Grantees to 2 April 2019 | N/A | Immediately vested | 0.385 | - | - | 2,184,000 | 2,184,000 | - | 183 (g) |

For the year ended 30 September 2013

| Date of grant | Exercisable period | Performance target | Vesting period | Exercise price per share HK\$ | Number of share options | | | | Estimated fair value at date of grant HK\$'000 | |
|-----------------|---|--------------------|---|-------------------------------|-------------------------------------|------------------------|---------------------------|---------------------------|--|-------------------------------------|
| | | | | | Outstanding as at 30 September 2012 | Lapsed during the year | Granted on 13 August 2013 | Exercised during the year | | Outstanding as at 30 September 2013 |
| 28 January 2008 | 28 January 2008 - 27 January 2013 | N/A | N/A | 0.9879 | 3,644,100 (adjusted) | (3,644,100) (adjusted) | - | - | - | 1,242 (h) |
| 13 August 2013 | Date immediately after the publication of the audited financial results for the year ended 30 September 2013 to 12 July 2018 | (c) | 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 (a) |
| | Date immediately after the publication of the audited financial results for the year ended 30 September 2014 to 12 July 2018 | (e) | Date of grant to the date of publication of the audited financial results for the year ended 30 September 2014 | 0.334 | - | - | 42,690,000 | - | 42,690,000 | 5,676 (a) |
| | Date immediately after the publication of the audited financial results for the year ending 30 September 2015 to 12 July 2018 | (f) | 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 (a) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

32. SHARE OPTIONS (Continued)

Notes:

- (a) 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 | : 4.92 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 option, 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 traded, transferred, pledged or charged.

- (b) The options were exercised on 27 January 2014.
- (c) Achievement of target net profit for the financial year 2013, which had been achieved.
- (d) Subject to the fulfillment of the pre-determined vesting conditions, the share options were originally exercisable from the date immediately after the publication of the audited financial results of the Group for the year ended 30 September 2014 to 12 July 2018. In accordance with the pre-determined vesting conditions, the exercise period has been changed to commencing on the date immediately after the publication of the audited financial results of the Group for the year ended 30 September 2015 to 12 July 2018.
- (e) Achievement of target net profit for the financial year 2014, or achievement of cumulative target net profit for the financial years 2014 and 2015.
- (f) Achievement of cumulative target net profit for the financial years 2014 and 2015.
- (g) 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\$0.38 |
| Exercise price | : HK\$0.385 |
| Expected volatility | : 33.57% |
| Expected life of years | : 3 years |
| Risk free rate | : 1.977% |
| Expected dividend yield | : 5.186% |

The options were exercised on 5 May 2014.

- (h) 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, these share options had lapsed and the relevant balance of the share option reserve of HK\$1,023,000 had been transferred to retained profits.
- (i) Achievement of target net profit for the financial year 2015 if target net profit for financial year 2014 has been achieved, or achievement of cumulative target net profit for the financial years 2014 and 2015 if target net profit for financial year 2014 has not been achieved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

32. SHARE OPTIONS *(Continued)*

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 expenses of approximately HK\$2,594,000 (2013: HK\$2,038,000) for the year ended 30 September 2014 in relation to share options granted by the Company.

33. 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 and HK\$1,500 after 31 May 2014, which contribution is matched by the employee.

The retirement benefit costs charged to the profit or loss represent 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 2013 and 2014, no forfeited contributions arose upon employees leaving the ORSO Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

34. RELATED PARTY TRANSACTIONS

(a) Other than disclosed in notes 10 and 28, the Group had the following significant transactions with related parties (with items (ii), (iii), (vii) and (viii) below included in notes 13 and 25 to the consolidated financial statements):

| | 2014 | 2013 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| (i) Corporate finance advisory services fee income from related companies (<i>notes 3 & 6</i>) | 1,740 | 1,740 |
| (ii) Service charge to a related company (<i>notes 2 & 6</i>) | | |
| - computer services | 1,365 | 704 |
| - administrative services and staff costs | 8,135 | 6,937 |
| | 9,500 | 7,641 |
| Management fee to related companies (<i>notes 2 & 6</i>) | | |
| - administrative expenses and staff costs | 602 | 823 |
| (iii) Operating lease rentals expenses to related companies (<i>notes 3 & 6</i>) | 7,426 | 6,518 |
| (iv) Commission and brokerage income from | | |
| - a related company (<i>notes 3 & 6</i>) | 8 | 16 |
| - a director of the Company (<i>notes 1 & 3</i>) | 1 | 6 |
| (v) Placing and underwriting commission income from a related company (<i>notes 3 & 6</i>) | 28,197 | 7 |
| (vi) Placing and underwriting commission expenses to a director of the Company (<i>notes 1 & 3</i>) | 500 | 500 |
| (vii) Printing, advertising and promotion expenses to related companies (<i>notes 2 & 6</i>) | 1,651 | 759 |
| (viii) Accounts payable to margin and cash clients arising from business dealing in securities | | |
| - an associate (<i>notes 2 & 4</i>) | 673 | 3,744 |
| - directors of the Company (<i>notes 1 & 2</i>) | 1,600 | 928 |
| | 2,273 | 4,672 |
| (ix) Rental and other deposits paid to related companies (<i>notes 5 & 6</i>) | 2,442 | 2,313 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

34. RELATED PARTY TRANSACTIONS (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. Yeung Sau Shing, Albert 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 item 1 of the section headed "Continuing Connected Transactions" under "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) The associate is the associate company of the Group as disclosed in note 19 to the consolidated financial statements.
 - (5) This amount represents refundable rental and other deposits paid for the tenancy agreements 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 ultimately controlled by the AY Trust.
- (b) The compensation to Directors and key management personnel was disclosed in notes 11 and 12.

35. 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:

| | 2014 | | 2013 | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Rental premises HK\$'000 | Hired equipment HK\$'000 | Rental premises HK\$'000 | Hired equipment HK\$'000 |
| Within one year | 10,450 | 402 | 6,064 | 387 |
| In the second to fifth years inclusive | 11,151 | 493 | 2,595 | 782 |
| | 21,601 | 895 | 8,659 | 1,169 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

36. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

| | 2014 | 2013 |
|--|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Investment in a subsidiary | 219,003 | 219,003 |
| Bank balances and cash | 3,987 | 102,832 |
| Amount due from a subsidiary | 950,744 | 367,108 |
| Subordinated loan due from a subsidiary | 444,000 | 444,000 |
| Other assets | 152 | 133 |
| Total assets | 1,617,886 | 1,133,076 |
| Amount due to a related company | - | (100,000) |
| Other creditors and accrued charges | (28,350) | - |
| Tax liabilities | (455) | (1,017) |
| Total liabilities | (28,805) | (101,017) |
| Total assets less current liabilities | 1,589,081 | 1,032,059 |
| Non-current liabilities | | |
| Bonds issued | (593,225) | - |
| Net assets | 995,856 | 1,032,059 |
| Capital and reserves | | |
| Share capital | 26,320 | 25,974 |
| Reserves (<i>Note</i>) | 969,536 | 1,006,085 |
| Net assets | 995,856 | 1,032,059 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

36. SUMMARY FINANCIAL INFORMATION OF THE COMPANY (Continued)

Note:

| | Share capital HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 | Retained profits HK\$'000 | Share option reserve HK\$'000 | Total HK\$'000 |
|---|---------------------------|---------------------------|-----------------------------|------------------------------|----------------------------------|-------------------|
| At 1 October 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) | - |
| Recognition of equity-settled share based payments | - | - | - | - | 2,038 | 2,038 |
| At 30 September 2013 | 25,974 | 840,100 | 151,934 | 12,013 | 2,038 | 1,032,059 |
| Loss for the year | - | - | - | (461) | - | (461) |
| Total comprehensive expense for the year | - | - | - | (461) | - | (461) |
| Amount transferred from special reserve to retained profits | - | - | (49,981) | 49,981 | - | - |
| Dividend recognised as distribution | - | - | - | (49,981) | - | (49,981) |
| Recognition of equity-settled share based payments | - | - | - | - | 2,594 | 2,594 |
| Issue of ordinary shares upon exercise of share options | 346 | 15,931 | - | - | (4,632) | 11,645 |
| At 30 September 2014 | 26,320 | 856,031 | 101,953 | 11,552 | - | 995,856 |

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 2014

37. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 30 September 2013 and 2014 are as follows:

| Name of subsidiary | Place of incorporation/operation | Issued and fully paid capital | Proportion of nominal value of issued share capital held by the Company | | Principal activities |
|-------------------------------------|----------------------------------|-------------------------------|---|-------------|--|
| | | | 30.9.2014 % | 30.9.2013 % | |
| Emperor Asset Management Limited | Hong Kong | HK\$7,000,000 | 100 | 100 | Provision of asset management services |
| Emperor Capital Limited | Hong Kong | HK\$10,000,000 | 100 | 100 | Provision of corporate finance advisory services |
| Emperor Capital (China) Limited | Hong Kong | HK\$100,000 | 100 | 100 | Provision of promotion and marketing services |
| Emperor Finance Limited | Hong Kong | HK\$2 | 100 | 100 | Money lending |
| Emperor Futures Limited | Hong Kong | HK\$50,000,000 | 100 | 100 | Provision of futures brokerage services |
| Emperor Securities Limited | Hong Kong | HK\$370,000,000 | 100 | 100 | Provision of securities brokerage services and margin financing services |
| Emperor Securities Nominees Limited | Hong Kong | HK\$2 | 100 | 100 | Provision of securities nominee services |
| Emperor Wealth Management Limited | Hong Kong | 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 | 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 | HK\$1,000,000 | 100 | 100 | Business development in PRC |
| 英皇投資諮詢(深圳)有限公司* | People's Republic of China | HK\$500,000 | 100 | 100 | Business development in PRC |

* The subsidiary is a wholly foreign owned enterprise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2014

37. 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.

FINANCIAL SUMMARY

| | Year ended 30 September | | | | 2014 HK\$'000 |
|------------------------|-------------------------|------------------|------------------|------------------|------------------|
| | 2010 HK\$'000 | 2011 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | |
| RESULT | | | | | |
| Revenue | 201,931 | 204,439 | 223,801 | 434,804 | 546,408 |
| Profit before taxation | 85,082 | 72,992 | 72,601 | 186,958 | 269,127 |
| Taxation | (13,139) | (11,413) | (9,230) | (30,981) | (48,332) |
| Profit for the year | 71,943 | 61,579 | 63,371 | 155,977 | 220,795 |

| | As at 30 September | | | | 2014 HK\$'000 |
|-------------------------------|--------------------|------------------|------------------|------------------|--------------------|
| | 2010 HK\$'000 | 2011 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | |
| ASSETS AND LIABILITIES | | | | | |
| Total assets | 2,273,716 | 1,801,792 | 1,903,451 | 3,965,263 | 4,350,961 |
| Total liabilities | (1,685,987) | (587,627) | (653,552) | (2,580,182) | (2,780,827) |
| Net assets | 587,729 | 1,214,165 | 1,249,899 | 1,385,081 | 1,570,134 |