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

(Incorporated in Bermuda with limited liability)

(Stock Code: 717)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 30 SEPTEMBER 2013

FINANCIAL HIGHLIGHTS

HK\$'000 (Audited)

	2013 <i>Per reported</i>	For the year ended 30 September		
		2013 <i>Excluding allowance for loan receivable¹</i>	2012	Changes
Revenue	434,804	434,804	223,801	+94.3%
– Brokerage	99,927	99,927	75,536	+32.3%
– Financing	180,049	180,049	94,395	+90.7%
– Placing & Underwriting	143,588	143,588	42,819	+235.3%
– Corporate Finance	11,240	11,240	11,051	+1.7%
Profit for the year attributable to owners of the Company	155,745	163,745	75,411	+117.1%
Net profit margin	35.8%	37.7%	33.7%	+4.0 pts
Earnings per share (basic & diluted)	HK6.0 cents	HK6.3 cents	HK2.9 cents	+117.2%
Total dividend per share	HK1.8 cents	HK1.8 cents	HK0.76 cent	+136.8%

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

* For identification purpose only

The board of directors (the “Board” or the “Directors”) of Emperor Capital Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 September 2013 (the “Year”) together with comparative figures for the corresponding year in 2012 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue	4	434,804	223,801
Other operating income		9,148	4,541
Staff costs		(70,122)	(50,390)
Commission expenses		(114,228)	(41,214)
Other expenses		(69,134)	(72,926)
Gain upon disposal of a subsidiary that holds available-for-sale financial assets		–	7,900
Finance costs	5	(7,259)	(36)
Share of profit of an associate		3,749	925
Profit before taxation	6	186,958	72,601
Taxation	7	(30,981)	(9,230)
Profit for the year		155,977	63,371
Other comprehensive income (expenses)			
Items that may be reclassified subsequently to profit or loss:			
Reclassification adjustment for the cumulative gain on available-for-sale financial assets from other comprehensive income to profit or loss upon disposal of a subsidiary that holds available-for-sale financial assets		–	(7,900)
Exchange differences arising on translation		25	3
Total comprehensive income for the year		156,002	55,474
Profit for the year attributable to:			
Owners of the Company		155,745	63,411
Non-controlling interests		232	(40)
		155,977	63,371
Total comprehensive income attributable to:			
Owners of the Company		155,770	55,514
Non-controlling interests		232	(40)
		156,002	55,474
Earnings per share	9		
Basic and diluted		HK6.00 cents	HK2.44 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current assets			
Interest in an associate		2,311	–
Property and equipment		5,288	5,694
Intangible assets		–	–
Other assets		7,739	4,563
Amount due from an associate		5,987	4,549
Available-for-sale financial assets		–	–
Loans and advances	11	<u>45,349</u>	<u>49,714</u>
		<u>66,674</u>	<u>64,520</u>
Current assets			
Accounts receivable	10	1,160,030	697,337
Loans and advances	11	531,893	408,247
Other debtors, deposits and prepayments		21,804	13,743
Bank balances and cash – trust accounts		1,845,175	497,428
Bank balances and cash – general accounts		338,585	222,176
Tax recoverable		<u>1,102</u>	–
		<u>3,898,589</u>	<u>1,838,931</u>
Current liabilities			
Accounts payable	12	2,066,356	621,352
Other creditors and accrued charges		38,552	26,033
Tax liabilities		29,274	6,167
Short-term bank borrowings		310,000	–
Amount due to a related company		100,000	–
Loans payable		<u>26,000</u>	–
		<u>2,570,182</u>	<u>653,552</u>
Net current assets		<u>1,328,407</u>	<u>1,185,379</u>
Total assets less current liabilities		<u>1,395,081</u>	<u>1,249,899</u>
Non-current liabilities			
Loans payable		<u>10,000</u>	–
Net assets		<u>1,385,081</u>	<u>1,249,899</u>
Capital and reserves			
Share capital		25,974	25,974
Reserves		<u>1,359,107</u>	<u>1,224,157</u>
Equity attributable to owners of the Company		1,385,081	1,250,131
Non-controlling interest		–	<u>(232)</u>
Total equity		<u>1,385,081</u>	<u>1,249,899</u>

Notes:

1. Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

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

2. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied a number of amendments to HKFRSs issued by the HKICPA that are mandatorily effective for current reporting period.

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

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

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

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

² Effective for annual periods beginning on or after 1 January 2015.

³ Effective for annual periods beginning on or after 1 January 2014.

Notes: (Continued)

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

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

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

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

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

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

HKFRS 9 Financial instruments

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

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes: (Continued)

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

HKFRS 9 Financial instruments (Continued)

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

Except for the 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. Segment information

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

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

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

Notes: (Continued)

3. Segment information (Continued)

Segment revenue and results

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

For the year ended 30 September 2013

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

Inter-segment sales are charged at prevailing market rate.

	Brokerage <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Placing and underwriting <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Total <i>HK\$'000</i>
RESULTS					
Segment results	<u>10,922</u>	<u>162,423</u>	<u>81,084</u>	<u>415</u>	<u>254,844</u>
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					<u>186,958</u>

Notes: (Continued)

3. Segment information (Continued)

Segment revenue and results (Continued)

For the year ended 30 September 2012

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

Inter-segment sales are charged at prevailing market rate.

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

The accounting policies of the reportable segments are the same as the Group's accounting policies used in consolidated financial statements of the Group. Segment profit represents the profit earned by each segment without allocation of central administrative staff costs (including directors' remuneration but excluding staff commission expenses), unallocated other operating income, gain upon disposal of a subsidiary that holds available-for-sale financial assets, management fee to related companies, central administration costs and share of profit of an associate. This is the measure reported to the executive directors of the Company for the purpose of resource allocation and performance assessment.

Notes: (Continued)

3. Segment information (Continued)

Other segment information

	Brokerage <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Placing and underwriting <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended					
30 September 2013					
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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the year ended					
30 September 2012					
Additions of property and equipment	3,742	-	-	19	3,761
Depreciation of property and equipment	2,304	-	-	11	2,315
Bad debt written off	765	-	-	-	765
Allowance for loans and advances	-	12,000	-	-	12,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical information

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

	Revenue	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	390,004	208,327
United States	43,801	13,964
Others	999	1,510
	<u>434,804</u>	<u>223,801</u>

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

Information about major customer

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

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

¹ Revenue mainly from financing, placing and underwriting.

² Revenue mainly from placing and underwriting.

Notes: (Continued)

4. Revenue

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

5. Finance costs

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

Notes: (Continued)

6. Profit before taxation

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

7. Taxation

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

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

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

Notes: (Continued)

8. Dividends

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

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

9. Earnings per share

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

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

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

Notes: (Continued)

10. Accounts receivable

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

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

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

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

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

Notes: (Continued)

10. Accounts receivable (Continued)

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

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

Note: To minimise the Group's exposure to credit risk, there is a credit risk control team responsible for the evaluation of the customers' credit rating, financial background and repayment abilities. Management had set up the credit limits for each individual customer which will be subject to regular review by the management. Any extension of credit beyond these approved limits has to be approved by relevant level of management on individual basis according to the exceeded amount. The Group has a policy for testing for impairment on 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 aging analysis of the accounts and on management's judgment including the current creditworthiness, collateral value and the past collection history of each client.

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

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

Notes: (Continued)

11. Loans and advances

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

Note: During the year ended 30 September 2011, the Group placed an aggregate amount of HK\$40,000,000 (the “Escrow Fund”) with a solicitor firm in Hong Kong, namely, K&L Gates, as an escrow agent (the “Escrow Agent”), of which HK\$25,000,000 and HK\$15,000,000 advanced to two respective borrowers as a loan which were agreed to be held in escrow by the Escrow Agent, were both in default. In July 2011, the Group has commenced legal proceedings against the two borrowers and the partners of K&L Gates, claiming for the return of the Escrow Fund, plus interest and cost. Final and interlocutory judgment were entered against the two borrowers and a partner of K&L Gates in 2011. Such partner of K&L Gates was arrested by the Hong Kong Police and in 2013 he was sentenced to 12 years jail under the charge for fraud and forgery with respect to the monies held in escrow accounts of K&L Gates. The legal proceedings against other partners of K&L Gates claiming for the return of escrow money are still pending for trial. Taking into account the specific facts and circumstances and the legal advice, the executive directors of the Company are of the opinion that it is probable that a judgment will be favourable to the Group, in which event each of the partners of K&L Gates will be personally liable to the Group to satisfy the judgment and hence, the amount of HK\$40,000,000 will be recovered. However, as the timing of recovering this amount is expected to be longer than 12 months after the end of the reporting period, the Group has recognised a further allowance of HK\$8,000,000 resulting in an aggregate allowance of HK\$20,000,000 (2012: HK\$12,000,000) at a discount rate of 12% per annum, and the Escrow Fund is presented as a non-current asset at the reporting date. Taking into account the change of estimated time of recovery to around six years from 30 September 2013 due to the prolonged legal procedures (particularly taken into consideration the recent discovery process and increased complication in the procedures including introduction of expert witnesses), the allowance was adjusted accordingly. If the actual recoverable amount is less than expected, a material impairment loss may arise.

Notes: (Continued)

11. Loans and advances (Continued)

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

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

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

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

	2013	2012
Effective interest rate:		
Fixed-rate loans receivable	0.127% per month to 4.7% per month	0.28% 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 2013 were secured loans and advances with the aggregate amount of HK\$159,722,000 (2012: HK\$188,322,000). These secured loans and advances were secured by listed marketable securities in Hong Kong except for one secured loan which was secured with first legal charge in respect of a residential property located in Hong Kong, in which the collateral for each individual loan is sufficient to cover the loan amount on an individual basis. These loans and advances were advanced to various independent individual/corporate borrowers and will be due for repayment within one year from the date of advance. Included in the balance of loans and advances secured by listed marketable securities in Hong Kong, there was a fixed-rate loan advance made to a corporate amounting to HK\$149,922,000 (2012: HK\$149,922,000), representing 25% (2012: 32%) of the gross loans and advances balance. Each of the remaining loans and advances represents less than 10% of the gross balance.

Notes: (Continued)

11. Loans and advances (Continued)

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

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

To minimise the Group's exposure to credit risk, there was a credit risk control team responsible for the evaluation of customers' credit rating, financial background and repayment abilities. The Group has a policy for assessing the impairment on loans and advances that are unsecured, those that are secured but without sufficient collateral and those with default or delinquency in interest or principal payment, on an individual basis. The assessment is based on a close monitoring and evaluation of the collectability of individual account and on management's judgment, including the current creditworthiness of the borrowers, collateral value and the past collection history of each individual client. Taking into account of the above, the executive directors of the Company believe that no allowance for impairment is necessary.

The fair values of the Group's loans and advances at the end of the reporting period, determined based on the present value of the estimated future cash flows discounted using the prevailing market rates at the end of each reporting period, approximate the corresponding carrying amount of the receivables because most of the loans and advances have a maturity of less than 12 months from the date of advance.

Notes: (Continued)

12. Accounts payable

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

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

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

Included in accounts payable, amounts of HK\$1,845,175,000 and HK\$497,428,000 as at 30 September 2013 and 2012 respectively were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these accounts payable with the deposits placed.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Established in 1993, the Group is a renowned Hong Kong based financial institution providing a wide range of financial services including (i) brokerage services for securities, futures and options traded on the exchanges in Hong Kong, the United States, Japan and the United Kingdom, as well as wealth management and asset management services; (ii) provision of margin and IPO financings as well as loans and advances such as personal money lending and second mortgage loan; (iii) placing and underwriting services; and (iv) corporate finance advisory services.

Market Review

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

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

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

Financial Review

Overall Review

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

Capital Structure, Liquidity and Financial Resources

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

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

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

Business Review

During the Year, the Group had pushed forward strategic transformation from a traditional local brokerage house to a one-stop financial institution. Riding on its precise insights and judgment of the market development trend, the Group had been able to pursue a more balanced mix of businesses to diversify its revenue structure amid the ever-changing financial landscape. Over the recent years, the Group had successfully switched its focus of development from brokerage to financing business in a progressive manner. With well-established network and clientele, the Group had capitalised on strong demand for loan products from both Hong Kong and the mainland customers.

Brokerage

The Group provides brokerage services for securities, futures and options traded on the exchanges in Hong Kong, the United States, Japan and the United Kingdom as well as wealth management and asset management services. Taking advantages of a widened product spectrum, revenue generated from the brokerage services segment achieved 32.3% growth to HK\$99.9 million (2012: HK\$75.5 million), accounting for 23.0% (2012: 33.8%) of the Group's total revenue.

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

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

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

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

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

Financing

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

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

Placing and Underwriting

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

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

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

Corporate Finance

The division holds a full corporate finance licence under the Securities and Futures Ordinance, allowing it to advise on Takeovers Code related transactions and undertake sponsor work for IPO on top of general corporate finance advisory services. Apart from IPO-related services, the Group offers institutional clients with advisory and financing services for corporate transactions including placing, rights issue, corporate restructuring, merger and acquisition and pre-IPO financing.

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

Outlook

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

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

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

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

EVENT AFTER THE REPORTING PERIOD

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

LITIGATION, CLAIMS AND CONTINGENT LIABILITY

In 2011, the Group had placed an aggregate amount of HK\$40,000,000 (the "Escrow Fund") with a solicitor firm in Hong Kong, namely, K&L Gates, as an escrow agent (the "Escrow Agent"), of which HK\$25,000,000 and HK\$15,000,000 were advanced to two respective borrowers as a loan which were agreed to be held in escrow by the Escrow Agent. The Escrow Fund had fallen due and became payable to the Group in June 2011. In July 2011, the Group has commenced legal proceedings against the two borrowers and partners of K&L Gates, claiming for the return of the Escrow Fund, plus interest and cost. Final and interlocutory judgment were entered against the two borrowers and a partner of K&L Gates in 2011. Such partner of K&L Gates was arrested by the Hong Kong Police and in 2013 he was sentenced to 12 years jail under the charge for fraud and forgery with respect to the monies held in escrow accounts of K&L Gates. The legal proceedings against other partners of K&L Gates claiming for the return of escrow money are still pending for trial. Taking into account the specific facts and circumstances and the legal advice, the executive directors of the Company are of the opinion that it is probable that a judgment will be favourable to the Group, in which event each of the partners of K&L Gates will be personally liable to the Group to satisfy the judgment and hence, the amount of HK\$40,000,000 will be recovered.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2013, the Group has 194 (2012: 198) account executives and 136 employees (2012: 117). Total staff costs (including Directors' remuneration) were approximately HK\$70.1 million (2012: HK\$50.4 million). Employees' remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to retirement benefit scheme, medical insurance and other fringe benefits.

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

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at AGM

Latest time to lodge transfers	4:30 p.m. on 20 January 2014 (Monday)
Book close date	21 January 2014 (Tuesday)
Record date	22 January 2014 (Wednesday)
AGM	22 January 2014 (Wednesday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

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

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

CORPORATE GOVERNANCE

Corporate Governance Code

During the Year, the Company had complied with all the code provisions of the Corporate Governance Code under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”), except with the deviation from code provision A.2.1 which requires the roles of chairman and chief executive officer be separate and not be performed by the same individual. Currently, the Board has appointed Ms. Daisy Yeung as the Managing Director of the Company, who also assumes the responsibility to lead the Board and ensure the Board works effectively. The Board is of the opinion that the current structure functions effectively and does not intend to make any change thereof.

Model Code for Securities Transactions

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

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

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

REVIEW OF ANNUAL RESULTS

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

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 3 December 2013

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

<i>Executive Directors:</i>	Ms. Daisy Yeung Mr. Chan Shek Wah Ms. Choi Suk Hing, Louisa Ms. Pearl Chan
<i>Independent Non-Executive Directors:</i>	Mr. Kwok Chi Sun, Vincent Mr. Cheng Wing Keung, Raymond Mr. Chu Kar Wing