



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

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

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2008**

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 31 March 2008 together with comparative figures for the corresponding year in 2007 as follows:

These audited consolidated financial statements have been reviewed by the audit committee of the Company, which comprises three independent non-executive Directors.

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 March*

	<i>Notes</i>	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
Revenue	4	<b>185,259</b>	123,691
Other operating income		<b>3,188</b>	2,162
Staff costs		<b>(29,697)</b>	(13,624)
Commission expenses		<b>(40,004)</b>	(32,853)
Other expenses		<b>(28,748)</b>	(21,048)
Depreciation and amortisation		<b>(1,322)</b>	(1,447)
Finance costs	5	<b>(33,627)</b>	(26,871)
Gain on disposal of intangible assets		<b>701</b>	–
Share of loss of an associate		<b>(371)</b>	–
Profit before taxation	6	<b>55,379</b>	30,010
Taxation	7	<b>(9,437)</b>	(5,914)
Profit for the year		<b>45,942</b>	24,096
Dividends	8	<b>7,215</b>	–
Earnings per share			
Basic	9	<b>HK7.39 cents</b>	HK8.53 cents
Diluted		<b>N/A</b>	N/A

## CONSOLIDATED BALANCE SHEET

As at 31 March

	<i>Notes</i>	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
<b>Non-current assets</b>			
Investment in an associate		–	–
Property and equipment		<b>3,413</b>	2,124
Intangible assets		<b>317</b>	771
Other assets		<b>4,229</b>	4,448
Amount due from an associate		<b>1,001</b>	–
Available-for-sale financial assets		<b>136</b>	136
		<u><b>9,096</b></u>	<u>7,479</u>
<b>Current assets</b>			
Trade receivables	10	<b>290,812</b>	161,520
Loans and advances		–	19,000
Other debtors, deposits and prepayments		<b>5,479</b>	7,122
Amount due from a former fellow subsidiary		–	272,756
Investments held for trading		<b>2,163</b>	–
Tax recoverable		<b>376</b>	–
Bank balances and cash – trust		<b>173,445</b>	119,367
Bank balances and cash – general		<b>250,224</b>	70,028
		<u><b>722,499</b></u>	<u>649,793</u>
<b>Current liabilities</b>			
Trade payables	11	<b>233,844</b>	162,968
Other creditors and accrued charges		<b>17,392</b>	12,145
Tax liabilities		<b>3,909</b>	989
Short-term bank borrowings		–	54,400
		<u><b>255,145</b></u>	<u>230,502</u>
<b>Net current assets</b>		<u><b>467,354</b></u>	<u>419,291</u>
<b>Total assets less current liabilities</b>		<u><b>476,450</b></u>	<u>426,770</u>
<b>Capital and reserves</b>			
Share capital		<b>7,215</b>	127,000
Reserves		<b>468,947</b>	299,705
<b>Total capital and reserves</b>		<u><b>476,162</b></u>	<u>426,705</u>
<b>Non-current liability</b>			
Deferred taxation		<b>288</b>	65
		<u><b>476,450</b></u>	<u>426,770</u>

Notes:

## 1. Group reorganisation and basis of presentation of consolidated financial statements

Under the group reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Group Reorganisation"), the Company has become the holding company of the Group on 2 April 2007. Details of the reorganisation were set out in the paragraph headed "Statutory and General Information – Reorganisation" in Appendix V to the prospectus dated 11 April 2007 issued by the Company (the "Prospectus"). The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 24 April 2007.

The Group resulting from the above mentioned reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" as if the group structure under the Group Reorganisation had been in existence throughout the two years ended 31 March 2008.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values.

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

## 2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRS")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	Interim financial reporting and impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

Notes: (Continued)

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) - Int 12	Service concession arrangements <sup>3</sup>
HK(IFRIC) - Int 13	Customer loyalty programmes <sup>4</sup>
HK(IFRIC) - Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008.

The Directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group except for the adoption of HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements. HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

## 3. Business and geographical segments

### Business segments

The Group is principally engaged in four main operating divisions, namely, broking, financing, placing and underwriting, and corporate finance. These divisions are the basis on which the Group reports its primary segment information.

Notes: (Continued)

### 3. Business and geographical segments (Continued)

#### Business segments (Continued)

Principal activities are as follows:

Broking	–	Provision of securities, options, futures, insurance and other wealth management products broking services
Financing	–	Provision of margin financing and money lending services
Placing and underwriting	–	Provision of placing and underwriting services
Corporate finance	–	Provision of corporate finance advisory

All of the activities of the Group are based in Hong Kong and all of the Group's revenue is derived from Hong Kong. Accordingly, no analysis by geographical segments is presented.

#### For the year ended 31 March 2008

	Broking HK\$'000	Financing HK\$'000	Placing and underwriting HK\$'000	Corporate finance HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
Segment revenue	121,759	51,764	11,386	350	–	185,259
Inter-segment sales	95	2,660	2,333	50	(5,138)	–
	<u>121,854</u>	<u>54,424</u>	<u>13,719</u>	<u>400</u>	<u>(5,138)</u>	<u>185,259</u>

Inter-segment sales are charged at prevailing market rate.

#### RESULTS

Segment results	<u>69,476</u>	<u>18,809</u>	<u>5,321</u>	<u>314</u>		93,920
Unallocated other operating income						833
Unallocated corporate expenses						(39,003)
Share of loss of an associate						(371)
Profit before taxation						55,379
Taxation						(9,437)
Profit for the year						<u>45,942</u>

Notes: (Continued)

**3. Business and geographical segments (Continued)**

**Business segments (Continued)**

*As at 31 March 2008*

	<b>Broking</b> <i>HK\$'000</i>	<b>Financing</b> <i>HK\$'000</i>	<b>Placing and underwriting</b> <i>HK\$'000</i>	<b>Corporate finance</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>ASSETS</b>					
Segment assets	241,272	219,710	–	11,234	472,216
Unallocated corporate assets					259,379
Consolidated total assets					731,595
<b>LIABILITIES</b>					
Segment liabilities	224,628	–	–	11,000	235,628
Unallocated corporate liabilities					19,805
Consolidated total liabilities					255,433
<b>OTHER INFORMATION</b>					
Additions to property and equipment	2,121	–	–	–	2,121
Amortisation of intangible assets	355	–	–	–	355
Depreciation of property and equipment	965	–	–	2	967
Gain on disposal of intangible assets	701	–	–	–	701

Notes: (Continued)

**3. Business and geographical segments (Continued)**

**Business segments (Continued)**

For the year ended 31 March 2007

	Broking HK\$'000	Financing HK\$'000	Placing and underwriting HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>				
Revenue	<u>73,430</u>	<u>45,808</u>	<u>4,453</u>	<u>123,691</u>
No inter-segment sales during the year.				
<b>RESULTS</b>				
Segment results	<u>35,709</u>	<u>18,938</u>	<u>1,508</u>	56,155
Unallocated other operating income				1,065
Unallocated corporate expenses				<u>(27,210)</u>
Profit before taxation				30,010
Taxation				<u>(5,914)</u>
Profit for the year				<u>24,096</u>
<i>As at 31 March 2007</i>				
<b>ASSETS</b>				
Segment assets	<u>233,243</u>	<u>73,987</u>	<u>–</u>	307,230
Unallocated corporate assets				<u>350,042</u>
Consolidated total assets				<u>657,272</u>
<b>LIABILITIES</b>				
Segment liabilities	<u>163,740</u>	<u>54,400</u>	<u>–</u>	218,140
Unallocated corporate liabilities				<u>12,427</u>
Consolidated total liabilities				<u>230,567</u>
<b>OTHER INFORMATION</b>				
Additions to property and equipment	135	–	–	135
Amortisation of intangible assets	386	–	–	386
Depreciation of property and equipment	<u>1,061</u>	<u>–</u>	<u>–</u>	<u>1,061</u>

Notes: (Continued)

**4. Revenue**

	<b>2008</b>	2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
Commission and brokerage fees on securities and equity options dealing	<b>99,559</b>	44,272
Commission and brokerage fees on dealing in futures and options contracts	<b>14,237</b>	25,836
Commission from insurance brokerage and wealth management	<b>871</b>	–
Corporate finance advisory services fee income	<b>350</b>	–
Placing and underwriting commission	<b>11,386</b>	4,453
Interest income from:		
Margin and initial public offer financing	<b>51,534</b>	35,918
Loans and advances	<b>230</b>	9,890
Bank deposits	<b>6,960</b>	3,173
Others	<b>132</b>	149
	<b>185,259</b>	123,691

**5. Finance costs**

	<b>2008</b>	2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on:		
Bank overdrafts and loans wholly repayable within five years	<b>31,645</b>	23,065
Amount due to a controlling shareholder company	<b>1,310</b>	–
Subordinated loan from a former fellow subsidiary	–	3,227
Others	<b>672</b>	579
	<b>33,627</b>	26,871



Notes: (Continued)

**6. Profit before taxation**

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	355	386
Auditors' remuneration	1,149	600
Depreciation of property and equipment	967	1,061
Operating lease rentals in respect of		
– rented premises	2,594	1,889
– equipment	150	67
Other equipment rental expense	4,495	2,487
Listing expenses	–	5,384
Net exchange (gain) loss	(153)	26
Handling fee income	(2,123)	(1,274)
Provision (write back) for bad and doubtful debts	533	(187)
Fair value change of investments held for trading	(180)	–
	<u><u>          </u></u>	<u><u>          </u></u>

**7. Taxation**

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current year:		
Hong Kong Profits Tax		
– provision for the year	9,350	5,953
– overprovision for prior year	(136)	(17)
Deferred taxation		
– charge (credit) for the year	223	(22)
	<u>          </u>	<u>          </u>
	<u><u>9,437</u></u>	<u><u>5,914</u></u>

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both years.

Notes: (Continued)

## 8. Dividends

	<b>2008</b> <i>HK\$'000</i>
Recognised as distribution:	
2008 interim dividend of HK\$0.01 per share	7,215

The Directors do not recommend payment of a final dividend for the year ended 31 March 2008. During the year, special dividend of HK\$178.5 million and HK\$38.5 million were paid by Emperor Securities Limited and Emperor Futures Limited respectively to their then shareholders prior to the Group Reorganisation.

## 9. Earnings per share

The calculation of the basic earnings per share attributable to equity holders of the Company is based on the following data:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Earnings for the purposes of basic earnings per share, being profit for the year attributable to equity holders of the Company	<u>45,942</u>	<u>24,096</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>621,896,913</u>	<u>282,635,636</u>

In determining the weighted average number of ordinary shares for the purpose of calculating basic earnings per share, the shares that were in issue immediately prior to the listing of the Company's shares on the Stock Exchange, which were issued pursuant to the Group Reorganisation, are treated as if they had been in issue throughout the two years ended 31 March 2008.

No diluted earnings per share was presented because the exercise price of the Company's share options was higher than the average market price for the year ended 31 March 2008, and the Company had no outstanding share options throughout the year ended 31 March 2007.

Notes: (Continued)

**10. Trade receivables**

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Trade receivables from the business of dealing in futures contracts:		
Clearing houses and brokers	<b>20,593</b>	12,605
Trade receivables from the business of dealing in securities:		
Clearing houses, brokers and cash clients	<b>43,673</b>	34,240
Secured margin loans	<b>227,196</b>	114,792
Less: Impairment allowance on trade receivables from the business of dealing in securities:		
Cash clients	<b>(22)</b>	(25)
Secured margin loans	<b>(628)</b>	(92)
	<b>290,812</b>	161,520

The settlement terms of trade receivables arising from the business of dealing in securities are two days after trade date, and trade receivables arising from the business of dealing in futures contracts are one day after trade date.

The aged analysis of the trade receivables which were past due but not impaired at the balance sheet date were as follows:

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>1,052</b>	434
31 – 60 days	<b>174</b>	54
61 - 90 days	<b>270</b>	107
Over 90 days	<b>17</b>	10
	<b>1,513</b>	605

Loans to margin clients are secured by clients' pledged securities and repayable on demand. Included in trade receivables, HK\$219,710,000 (2007: HK\$61,152,000) bear variable interest at prime rate with a spread. No aged analysis is disclosed as in the opinion of the Directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

As at 31 March 2008 and 2007, the total market value of securities pledged as collateral in respect of the loans to margin clients were approximately HK\$657,811,000 and HK\$415,101,000 respectively, while no collateral pledged from other trade receivables.

Notes: (Continued)

**10. Trade receivables (Continued)**

As at 31 March 2008, trade receivables denominated in Japanese Yen and United States dollars were approximately HK\$758,000 (as at 31 March 2007: HK\$3,097,000) and HK\$9,690,000 (as at 31 March 2007: HK\$5,600,000) respectively.

The fair values of the balances included in the accounts at each balance sheet date approximate the corresponding carrying amounts.

**11. Trade payables**

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$000</i>
Trade payables from the business of dealing in futures contracts:		
Margin clients	<b>35,089</b>	27,376
Trade payables from the business of dealing in securities:		
Margin and cash clients	<b>187,755</b>	135,592
Trade payables from the business of corporate finance	<b>11,000</b>	–
	<b><u>233,844</u></b>	<b><u>162,968</u></b>

Trade payables to margin clients arising from the business of dealing in futures contracts are margin deposits received from clients for their trading of these contracts. The excess of the outstanding amounts over the required margin deposits stipulated is non-interest bearing and repayable to clients on demand. Trade payables to certain margin and cash clients arising from the business of dealing in securities bear variable interest at commercial rates, and repayable on demand subsequent to settlement date. As at 31 March, 2008 included in the total trade payables, HK\$142,317,000 (as at 31 March 2007: HK\$102,117,000) were interest bearing whereas HK\$91,527,000 (as at 31 March 2007: HK\$60,851,000) were non-interest bearing. No aged analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of this business.

The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date.

Included in trade payables amounts of HK\$173,445,000 and HK\$119,367,000 as at 31 March 2008 and 2007 respectively were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

As at 31 March 2008, trade payables denominated in Japanese Yen and United States dollars were approximately HK\$483,000 (as at 31 March 2007: HK\$3,392,000) and HK\$13,187,000 (as at 31 March 2007: HK\$12,835,000) respectively.

The fair values of the trade payables at each balance sheet date approximate to the corresponding carrying amounts.

## **DIVIDEND**

An interim dividend of HK\$0.01 per share was declared and paid during the Year. The Directors do not recommend payment of a final dividend for the Year.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **The Market**

The Hong Kong stock market remained robust although experienced high volatility throughout 2007, attributed to the US sub-prime mortgage crisis which brought uncertainties to the global financial markets, and macro-tightening measures in the Mainland to forestall its overheating economy. Despite these concerns, investors were found optimistic, backed by speculation over China's fast economic growth and RMB's gradual appreciation.

Nonetheless, 2007 was a record-making year for the Hong Kong stock market that the turnover of the securities traded on Stock Exchange as well as Hang Seng Index ("HSI") reached historical highs. For the year 2007, the total securities market turnover reached an unprecedented HK\$21,506.3 billion, representing an increase of 158.1% as compared with HK\$8,332.6 billion in the previous year. The HSI and the Hang Seng China Enterprises Index ("H-shares Index") closed at record highs of 31,638 and 20,400 respectively on 30 October 2007. The securities market turnover was HK\$5,901 billion for the first quarter of 2008.

Hong Kong being ranked the third global financial centre, behind only London and New York by the Global Financial Centres Index in 2007, the Hong Kong stock market continued to attract capital inflows and supported a buoyant initial public offering ("IPO") market. As at 31 December 2007, 1,241 companies were listed on the Stock Exchange. Among them, 84 new companies were newly listed and a total of HK\$590.4 billion were being raised.

Hong Kong derivatives market recorded an active year in 2007. There are 88.0 million HSI futures and options contracts traded in 2007 and 28.1 million contracts for the first quarter of 2008. The turnover of stock options reached 46.0 million contracts in 2007 and 15.8 million contracts for the first quarter of 2008. H-shares Index products also achieved strong growth, with the volume of H-shares Index Futures and Options reached 10.8 million contracts in 2007 and 3.6 million contracts for the first quarter of 2008.

### **Overview**

The Group was spun off from its listed parent Emperor International Holdings Limited ("Emperor International") and became separately listed on the Main Board of the Stock Exchange on 24 April 2007. The Group positions itself as a preferred brokerage house of quality services for clients and provides a wide range of financial services including brokerage services for securities and options traded on the Stock Exchange and futures and options traded on the exchanges in Hong Kong, Japan and the US. It also provides margin and IPO financing as well as loans and advances to clients in Hong Kong. The Group's services further expand to corporate finance advisory and wealth management services.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Overview** *(Continued)*

The Group recorded for the Year a turnover of approximately HK\$185.3 million, grew up 49.8% from approximately HK\$123.7 million in the previous financial year. Profit before tax reached approximately HK\$55.4 million (2007: HK\$30.0 million) and profit for the year climbed 90.5% to approximately HK\$45.9 million from approximately HK\$24.1 million previously. Earnings per share were 7.39 HK cents, compared with 8.53 HK cents in 2007, at the time before the Group issued shares pursuant to its own IPO.

Total assets of the Group increased 11.3% to approximately HK\$731.6 million (2007: HK\$657.3 million).

### **Securities Brokerage**

Commission income derived from securities brokerage, placing and underwriting remained core contributions to the Group's revenue, accounted for 59.8% of total revenue (2007: 39.4%).

The new heights in the market turnover, the HSI and the H-shares Index resulted in a heavily-traded market. Meanwhile, the high level of IPO activities was followed by a booming secondary market. Revenue from the segment jumped by 127.7% to approximately HK\$110.9 million (2007: HK\$48.7 million).

Despite of industry competition, the Group had a pool of loyal clients. The Group had expanded its research team with extensive studies on individual stocks and the underlying markets. The Group had also launched an online trading platform during the Year, providing customers greater access to the stock market and investment opportunities. The platform is well received by clients as it seamlessly integrates multiple channels for the placement of stock orders, access to market news and the ability to conduct account enquiries. It also enhances the Group to expand its customer base by offering brokerage services effectively to customers outside Hong Kong.

### **Futures and Options Dealing**

The Group dealt in futures and options traded in Hong Kong as well as commodity futures traded in Japan and US markets. Commodities prices had been at high levels since 2007 that the market did not expect much room for further increase. The commodities markets were less volatile and investors had switched their investment focus from commodities and futures markets to other arenas. Moreover, the margin deposits as required by Hong Kong Futures Exchange had increased significantly during the Year resulted in higher investment cost which had discouraged investors' trading. Consequently, it led to lower turnover from futures and options dealing.

As such, the commission income derived from futures and options dealing dropped by 44.9% to approximately HK\$14.2 million (2007: HK\$25.8 million). The segment accounted by 7.7% of total revenue (2007: 20.9%).

## MANAGEMENT DISCUSSION AND ANALYSIS (*Continued*)

### *Loans and Financing*

The segment comprised of interest income from margin and IPO financing as well as loans and advances. The volatility of the equity market had encouraged investors, especially retail clients, to seek returns from IPO market. On the other hand, the Group had adopted a cautious approach in assessing loan and financing to and tightened its credit control.

Total income from the segment increased 13.1% to approximately HK\$51.8 million from approximately HK\$45.8 million in 2007. The segment contributed 28.0% to the total revenue for the Year (2007: 37.0%).

### **Outlook**

The Hong Kong markets, in the months following its reporting period, had been adversely affected by sub-prime mortgage crises. The issues, originated in the United States, has spread to Europe and have become the major hurdles for growth in the investment markets. The drastic write-down of financial institutions for sub-prime mortgage loss is followed by tightening credit standards, which hurting the investment growth and aggravated the severity of economic downturn.

Dragged by the weak performance of the overseas markets, the performance of Hong Kong markets had been under considerable pressure. The inflation rate in China and her overheated economy had led to stricter austerity measures by the Central Government and, the A-share market in the mainland had experienced a sharp correction in 2008 which the Hong Kong stock market had slumped to recent months low. The Group expected the markets to experience some adjustments in 2008 but the long-term outlook would remain positive given the underlying economic strength and high liquidity of China stocks in anticipation of the Renminbi-asset appreciation. Stock valuation had been adjusted to reasonable and more attractive levels which would lend support to stock market. A stabilised stock market performance and the sustained economic growth in the Mainland are expected to create genuine and ongoing demand for investment products.

During the Year, the Group has launched its wealth management services, allowing its clients to diversify their portfolio to other investment products including funds and insurance-related products. The Group is also extending its investment products to cater the economic growth in overseas markets, especially Southeast Asia and Taiwan. The later is believed to be a high-growth market followed by the recent president election and capture investment focus. The wealth management section, currently in investment stage, is determined to cope with growing customer demand and to facilitate the high-net-worth clients to seize investment opportunities and enhance the quality of client assets under management.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Outlook** *(Continued)*

To stay competitive and prepare for future growth, the Group has strengthened its presence by opening new branches in Hong Kong to cater for retail customers. It will have a higher profile through marketing programmes and organisation of investor seminars. Following the reporting period, the Group has launched a three-storey financial services centre in Mongkok, Hong Kong to offer one-stop services for mass market. The centre, houses the services and products provided by the Group as well as Emperor Financial Group which is privately run by Emperor Group. With this one-stop services centre concept, investors will be allowed more convenience in accessing different kinds of financial services and products provided by the Group (such as brokerage and wealth management) and those provided by the Emperor Financial Group (such as forex and bullion trading). The Group has planned to set up more financial centres in Hong Kong to provide comprehensive investment products and services for clients with various focus and needs.

To provide a full range of financial services for corporate clients, the Group completed its acquisition of Emperor Capital Limited (“ECL”) from Emperor International in March 2008. ECL is a licensed corporation under Securities and Futures Ordinance to provide corporate finance advisory services. The division would cover IPO-related services as well as secondary market financing services such as placing, rights issues and provision of other corporate advisory services. The acquisition would extend the Group’s mission to corporate financial advisory services and enable the Group to complete its offering of securities and financial services.

The Group has also recruited a team of China-focused executives to explore business opportunities across different products and services in a move to tap into the lucrative Mainland China market. The Group has planned to open its first investment consultancy centre in Shanghai, China in 2008. These moves would allow the Group to extend its reach to Mainland retail and corporate clients in the offering of brokerage, financing, corporate finance and other services while enhancing its corporate image.

The Chinese economic development, which has been heaping up significantly during this year, is expected to benefit the Hong Kong financial markets. The Group hopes to continue to improve its service standards and enhance its profitability through economy of scale. The Group will also strive to explore both the domestic and international markets and expand its institutional and retail clientele by leveraging on its goodwill, networking and utilising its competitive edges.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group financed its operations by shareholders’ equity, cash generated from operations, and short-term bank borrowings.



## **LIQUIDITY AND FINANCIAL RESOURCES** *(Continued)*

As at 31 March 2008, the Group had no bank borrowings and zero gearing ratio was resulted (as at 31 March 2007: 0.127) (calculated based on the basis of total bank and other borrowings over total equity).

The prior year amount represented short-term bank borrowings of approximately HK\$54,400,000 which were repayable on demand and secured by a charge over securities subscribed under IPO as at 31 March 2007. The bank borrowings carried interest at HIBOR plus a spread and were denominated in Hong Kong dollars.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2008, the Group has 97 (as at 31 March 2007:56) account executives and 79 employees (as at 31 March 2007:55). Total staff costs (including directors' remuneration) were approximately HK\$29.7 million (2007: HK\$13.6 million). Employees' remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to retirement benefit scheme, medical allowances and other fringe benefits.

## **CONTINGENT LIABILITY**

The Group did not have any significant contingent liability at the balance sheet date.

## CAPITAL STRUCTURE

The movements in the Company's authorised and issued share capital during the period from 27 June 2006 (date of incorporation) to 31 March 2008 are as follow:

	<i>Notes</i>	<b>Number of ordinary shares of HK\$0.01 each</b>	<b>Nominal value of ordinary shares HK\$'000</b>
Authorised:			
Upon incorporation	(a)	10,000,000	100
Increase in authorised share capital	(c)	499,990,000,000	4,999,900
		<u>500,000,000,000</u>	<u>5,000,000</u>
As at 31 March 2008			
Issued and fully paid:			
Issue of shares	(b) & (d)	10,000,000	100
Issue of shares arising from Group Reorganisation	(d)	272,635,636	2,726
Issue of shares by way of preferential offer to the shareholders of EIHL and public offer	(e)	318,635,636	3,187
Issue of shares	(f)	120,240,000	1,202
		<u>721,511,272</u>	<u>7,215</u>
As at 31 March 2008			

### *Notes:*

- (a) On 27 June 2006, the Company was incorporated in Bermuda with authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each.
- (b) On 11 July 2006, 10,000,000 unpaid shares of HK\$0.01 each were issued to Emperor International.
- (c) Pursuant to resolutions in writing of the sole shareholder of the Company passed on 2 April 2007, the authorised share capital of the Company was increased from HK\$100,000 to HK\$2,826,356.36 and then to HK\$5,000,000,000 divided into 500,000,000,000 shares of a par value of HK\$0.01 each by the creation of a total of 499,990,000,000 shares.
- (d) On 2 April 2007, the Company allotted and issued 272,635,636 shares of HK\$0.01 each, credited as fully paid, to Emperor International and credited as fully paid at par the 10,000,000 shares issued nil paid by the Company to Emperor International on 11 July 2006 referred to (b) above, in consideration of the transfer by Emperor International to the Company of its interest in Profit Ascent Group Limited, a direct wholly owned subsidiary of the Company immediately after the Group Reorganisation.

- (e) On 24 April 2007, 318,635,636 shares of HK\$0.01 each of the Company were issued at HK\$0.38 each by way of preferential offer to the shareholders of Emperor International and public offer. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.
- (f) Pursuant to a placing agreement dated 16 November 2007 made between Charron Holdings Limited ("Charron"), the controlling shareholder of the Company, and Emperor Securities Limited (the "Placing Agent"), the Placing Agent agreed to place to independent private investors 120,240,000 shares of HK\$0.01 each in the Company held by Charron at a price of HK\$0.97 per share.

Pursuant to a subscription agreement also dated 16 November 2007 between the Company and Charron, Charron agreed to subscribe for 120,240,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.97 per share. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 20 September 2007 and rank pari passu with other shares in issue in all respects. The subscription was completed on 30 November 2007.

The amount of share capital at 31 March 2007 of HK\$127,000,000 represented the aggregate issued share capital of Emperor Securities Limited, Emperor Securities Nominees Limited, Emperor Futures Limited, Emperor Gold & Silver Company Limited and Famous Winner Holdings Limited as at that date.

#### **USE OF IPO PROCEEDS FROM LISTING**

The net proceeds from the Company's IPO amounted to approximately HK\$110.7 million. These net proceeds were partially applied during the period from the listing date up to the date of this announcement and such application is consistent with the proposed usage of the net proceeds set forth in the Prospectus.

#### **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 March 2008 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2008. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

#### **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.

## **CORPORATE GOVERNANCE**

### **Code on Corporate Governance Practices**

As the Board has adopted various policies for the purpose to ensure compliance with all provisions of the Code on Corporate Governance Practice under Appendix 14 of the Listing Rules, except with the deviation from code provision A.2.1 which requires the roles of chairman and chief executive officer be separate and not be performed by the same individual. Currently, the Board has appointed Ms. Daisy Yeung as the Managing Director of the Company, who also assumes the responsibility to lead the Board and ensure the Board works effectively. The Board is of the opinion that the current structure functions effectively and does not intend to make any change thereof.

### **Model Code for Securities Transactions**

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

## **PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement is published on the Stock Exchange’s website (<http://www.hkex.com.hk>) and the Company’s website (<http://www.emp717.com>). The annual report will be dispatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**Yeung, Daisy**  
*Managing Director*

Hong Kong, 8 July 2008

*As at the date of this announcement, Ms. Yeung, Daisy is the managing Director; Mr. Chan Pak Lam, Tom and Ms. Choi Suk Hing, Louisa are the executive Directors; Mr. Fung Chi Kin, Mr. Kwok Chi Sun, Vincent and Mr. Cheng Wing Keung, Raymond are independent non-executive Directors.*

\* *For identification purpose only*