英皇證券集團有限公司*

Emperor Capital Group Limited

(Incorporated in Bermuda with limited liability)

Stock code : 717

2006/2007 Annual Report

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Yeung, Daisy *(Managing Director)*
Chan Pak Lam, Tom
Yeung Kun Lee, Sunny
Fung Chi Kin*
Kwok Chi Sun, Vincent*
Cheng Wing Keung, Raymond*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Chan Yuk Chun, ACS

QUALIFIED ACCOUNTANT

Tsang Pui Yee, Vanessa, CPA, FCCA

AUDIT COMMITTEE

Kwok Chi Sun, Vincent *(Chairman)*
Fung Chi Kin
Cheng Wing Keung, Raymond

REMUNERATION COMMITTEE

Chan Pak Lam, Tom *(Chairman)*
Kwok Chi Sun, Vincent
Cheng Wing Keung, Raymond

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

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

REGISTRAR (in Bermuda)

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

REGISTRAR (in Hong Kong)

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Limited

WEBSITE

http://www.emp717.com

STOCK CODE

717

MANAGEMENT DISCUSSION AND ANALYSIS

THE MARKET

Hong Kong and the global economy have both recorded a satisfactory performance in 2006, followed by continuous improvement in the first quarter of 2007.

For the financial year ended 31 March 2007, the total turnover of the Hong Kong stock market reached HK$9,672 billion, representing an increase of 81.2% as compared with HK$5,337 billion in the previous period. The market capitalisation of Hang Seng Index ("HSI") reported a year-on-year growth of 44.0% to HK$13,442 billion. The market capitalisation of Hong Kong stock market ranked sixth in the world and second largest in Asia at the end of 2006.

In 2006, Hong Kong became the second largest initial public offering ("IPO") centre in the world, after London and surpassing New York. As at 31 March 2007, there were 983 companies listed on the main board of The Stock Exchange of Hong Kong Limited (the "SEHK"), including 57 new companies which had together raised HK$340 billion.

Hong Kong futures were heavily traded with contract volume increased to 13.6 million for the year under review from 10.5 million in the prior year. While the contract volume of HSI options climbed over 50% to 5.1 million for the year from 3.4 million previously.

Outside Hong Kong, the global economy had also been performing strongly. The US futures markets had an annual turnover of approximately 2.0 billion futures contracts, accounting for approximately 39% of the global volume, the major futures exchanges while Japan's commodity exchanges had also performed remarkably well.

OPERATION OVERVIEW

Emperor Capital Group Limited (the "Company") and its subsidiaries (collectively refer to as the "Group") were spun off from its listed parent Emperor International Holdings Limited ("EIHL") and became separately listed on the main board of the SEHK under the stock code of 717 on 24 April 2007.

Established in 1993, 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, 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.

For the year under review, the Group recorded a turnover of approximately HK$123.7 million, an increase of 30.2% from HK$95.0 million in the previous year. Profit for the year, after the one-off listing expenses of approximately HK5.4 million, totalled HK$24.1 million with earnings per share of 8.5 HK cents, as against HK$26.0 million and 9.2 HK cents respectively for the previous year. The Group is in investment stage, the drop in profit margin was due to increased expenditure on expanding its workforce and operations which were expected to enhance its profitability and boost its market share in the future.

Serving mainly retail customers, the Group had approximately 20,000 clients at the end of the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Securities Brokerage, Placing and Underwriting

Total commission income derived from securities brokerage, placing and underwriting, rose 34.5% to HK$52.0 million for the year under review from HK$38.7 million for the previous year, thanks to the boom in securities trading on the SEHK with average daily turnover for the year jumped to HK$30.1 billion from HK$16.7 billion in the prior year. The securities brokerage revenue contributed a total of 42.0% to the Group's revenue (2006: 40.7%).

Backed by our team of professional marketing executives and an in-house research department, the Group's securities brokerage business covers services including securities listed and traded on the SEHK, equity research, application for IPO new issues and other nominee services. Despite intense competition from its peers and retail banks in the territory, the Group managed to keep a long-standing history with its customers providing quality services.

Futures and Options Dealing

The commission income derived from futures and options dealing doubled to HK$25.8 million for the year, up from HK$12.9 million previously. It contributed 20.9% of the total revenue for the year, against 13.6% in 2006. Apart from dealing in futures and options traded on the SEHK, the Group has also actively dealt in commodity futures traded outside Hong Kong, which contributed a large portion of the segment's revenue.

Loans and Financing

The segment comprises of interest income from margin and IPO financing as well as loans and advances. Public fervour for IPOs had been strong during the year with overwhelming response to the fund raising exercises of sizable H shares and red chips. In addition to margin financing, the Group also provides loans and advances to clients.

Total income from the segment was up 5.3% to HK$45.8 million from HK$43.5 million in 2006. The segment contributed 37.0% to the total revenue for the year (2006: 45.7%) as a result of the Group's effort to balance and diversify its business portfolio. The business was expected to contribute steady income to the Group with satisfactory return.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2007, the Group's gearing ratio was 0.127 (2006: Nil) (calculated based on the basis of total bank and other borrowings over total equity).

The Group's total short-term bank borrowings amounted to approximately HK$54,400,000 (2006: Nil) as at 31 March 2007. The Group's short-term bank borrowings were utilised for IPO financing and secured by a charge over securities subscribed under IPO as at 31 March 2007 (2006: Nil). The bank borrowings carry interest at HIBOR plus a spread and are denominated in Hong Kong dollar.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND REMUNERATION POLICY

As at 31 March 2007, the Group has 56 (2006: 40) account executives and 55 employees (2006: 46). Total staff costs (including directors' remuneration) were approximately HK$13.6 million (2006: HK$10.6 million). Employees' remuneration were determined in accordance with individuals' responsibilities, performances and experiences. 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 Company was incorporated in Bermuda on 27 June 2006 with an authorised share capital of HK$100,000 divided into 10,000,000 shares of HK$0.01 each. 10,000,000 unpaid shares of HK$0.01 was issued to the subscriber EIHL on 11 July 2006.

The share capital of the Group as at 31 March 2007 and 2006 represented the aggregate issued share capital of Emperor Securities Limited ("ESL"), Emperor Securities Nominees Limited, Emperor Futures Limited ("EFL"), Emperor Gold & Silver Company Limited and Famous Winner Holdings Limited at each balance sheet date.

Pursuant to resolutions in writing of the sole shareholder passed on 2 April 2007, the authorised share capital of the Company was increased from HK$100,000 to HK$2,826,356.36 divided into 282,635,636 shares of a par value of HK$0.01 each by creation of a further 272,635,636 shares.

In consideration of the transfer by EIHL to the Company of the interest in Profit Ascent Group Limited, on 2 April 2007, the Company:

(i) allotted and issued 272,635,636 shares, credited as fully paid, to EIHL at the request of Emperor Financial Services (Hong Kong) Limited ("EFSL") and Joybridge Services Limited, an immediate holding company of EFSL, and a wholly owned subsidiary of EIHL; and

(ii) credited as fully paid at par the 10,000,000 shares issued by the Company to EIHL.

On 2 April 2007, written resolutions of the sole shareholder of the Company passed to approve the matters set out in the paragraph headed "Resolutions in writing of the sole shareholder passed on 2 April 2007" in Appendix V to the prospectus dated 11 April 2007 issued by the Company (the "Prospectus"), pursuant to which the authorised share capital of the Company was increased from HK$2,826,356.36 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 further 499,717,364,364 shares.

On 24 April 2007, 318,635,636 shares of HK$0.01 each of the Company were issued at HK$0.38 by way of preferential offer to the shareholders of EIHL and public offer. On the same date, the Company's shares were listed on the main board of the SEHK.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF IPO PROCEEDS

The net proceeds from the Company's IPO amounted to approximately HK$111 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.

OUTLOOK

The HSI, in the months following its reporting period, had experienced its traded high of over 23,000 points with heavy daily turnover of over HK$100 billion. Mainland China's economy continues to boom with fixed investment and individual consumption recording strong growth. Market sentiment is generally positive towards the outlook as investors expect funds from the Qualified Domestic Institutional Investor (QDII) programme launched by the People's Republic of China ("PRC") government to boost share prices in the territory. The QDII scheme was launched in 2006 by the PRC government to help reduce the Mainland China's growing foreign reserves and amid pressure to revalue the yuan. Recently, Mainland China has used it as an outlet for eager domestic investors, who have sent mainland markets rising, by allowing financial firms and banks to offer QDII funds holding foreign equities. Positive QDII sentiment also pushed up a number of blue chips to their peaks since listing.

The management of the Group believes these all will benefit the industry and its brokerage and futures dealing operations. To capture the growing potentials, the Group will strengthen its presence by opening new branches in Hong Kong to cater retail customers while also tapping into the institutional sales market. We also expect to have a higher profile in Hong Kong and PRC through marketing programme and organising investor seminars. The Group will also increase its research resources and capability to cope with growing customer demand.

To strengthen its foothold in futures trading, the Group plans to enhance its professional commodities sales team and forge alliances with overseas commodities brokers. Commodities futures brokerage is expected to become one of the Group's growth drivers in the future with sufficient volatility notably in oil and gold and other commodities as well as a bullish outlook in long term despite market fluctuations.

As investors nowadays have grown increasingly sophisticated, the Group believes in providing tailor-made and quality investment solutions for its customers. The Group will continue to exercise caution in granting loans with regular assessments of investment portfolio and on individual borrowers. The Group has also planned to launch its wealth management operations to offer investment consultancy services. The management expects to enhance the Group's profitability through economy of scale and rationalise its cost structure so as to weather abrupt changes in market conditions. The provision of quality services remains our major strategies for customer and business development.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Yeung, Daisy

Managing Director

Aged 41, is the Managing Director of the Company and a responsible officer of both ESL and EFL licensed under the Securities Futures Ordinance ("SFO"). She is responsible for the formulation of corporate strategy, overseeing operations and the overall steering of the Company's management focusing on the areas of marketing and business development. She has obtained a Bachelor's Degree of Science in Business Administration from the University of San Francisco in 1988. Ms. Yeung has over 10 years' experience in securities and futures business. Ms. Yeung joined the Group in 1996.

Chan Pak Lam, Tom

Executive Director

Aged 44, is an Executive Director of the Company. He is responsible for the formulation of corporate strategy and the overall steering of the Company's management focusing on the areas of compliance and support function. He graduated from the University of Keele in Britain with a Bachelor's Degree of Social Science with principal subjects in economics and law. He is a lawyer in Hong Kong by profession. He has over 10 years' experience in forex trading, securities and respective financial field. Mr. Chan has been involved in the management of the Group since 1994.

Yeung Kun Lee, Sunny

Executive Director

Aged 74, is an Executive Director of the Company and a responsible officer of ESL licensed under the SFO. He has over 20 years' experience in the securities business and is responsible for sales and marketing. He first joined the Group in July 1991 and had been with the Group until July 2005. He rejoined the Group in February 2006.

Fung Chi Kin

Independent Non-executive Director

Aged 58, is the managing director of Fung Chi Kin Consulting Limited. Prior to establishing his own firm in 2003, Mr. Fung had served over 30 years with Po Sang Bank Limited and had been the vice chairman until Po Sang Bank Limited merged with Bank of China (Hong Kong) Limited. Before he left BOC International Holdings Limited as chief administration officer in 2003, Mr. Fung had also served BOCI Securities as general manager. Mr. Fung is currently the honorary permanent president of The Chinese Gold & Silver Exchange Society and has been an international advisor of Shanghai Gold Exchange. He also acts as an independent non-executive director of two listed companies in Hong Kong, namely Chaoda Modern Agriculture (Holdings) Limited and New Times Group Holdings Limited. Mr. Fung was appointed as an Independent Non-executive Director in March 2007.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Kwok Chi Sun, Vincent

Independent Non-executive Director

Aged 44, is the sole proprietor of Vincent Kwok & Co., Certified Public Accountants. He holds a Bachelor's Degree in Economics from University of Sydney. Mr. Kwok is a Certified Public Accountant (Practising) and a member of both the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in Australia. He is an independent non-executive director of the following listed companies in Hong Kong, namely, Union Bridge Holdings Limited, KanHan Technologies Group Limited, Magnificent Estates Limited, Shun Ho Resources Holdings Limited and Shun Ho Technology Holdings Limited. Mr. Kwok was appointed as an Independent Non-executive Director of the Company in March 2007.

Cheng Wing Keung, Raymond

Independent Non-executive Director

Aged 47, is a solicitor practising in Hong Kong. He holds a Degree in Laws from the University of London and a Master's Degree in Business Administration from the University of Strathclyde. He has over 10 years of experience in company secretarial affairs. He is an associate member of The Institute of Chartered Secretaries and Administrators in UK and The Hong Kong Institute of Chartered Secretaries in Hong Kong. He is also an independent non-executive director of two listed companies in Hong Kong, namely China Investment Fund Company Limited and Skyfame Realty (Holdings) Limited. Mr. Cheng was appointed as an Independent Non-executive Director of the Company in March 2007.

SENIOR MANAGEMENT

Wong Chi Hung

Aged 42, is a director and responsible officer of both ESL and EFL licensed under the SFO. He is responsible for overseeing operations in the areas of dealing, marketing, administration and business development. He has over 10 years' experience in securities and futures business. Mr. Wong joined the Group in June 1994.

Tam Wing Tai, William

Aged 31, is the credit risk control manager of the Group. He is responsible for overseeing the operations of the credit risk control department which mainly involves in margin call supervision, execution of forced liquidation and approval of credit line. He has over 4 years' experience in credit risk control in both securities and futures industry. Mr. Tam joined the Group in February 2003.

Choi Kwan Wing

Aged 30, is the legal consultant and head of compliance department of the Group. She obtained a Bachelor's Degree of Laws from the University of Hong Kong and is a practising solicitor in Hong Kong. Ms. Choi has over 6 years' legal experience in the private sector. Ms. Choi provides legal advice in commercial law and civil litigations to the Group and is responsible for formulating compliance policies and advising on the implementation of these policies. She joined the Group in November 2006.

BIOGRAPHIES OF DIRECTORS AND SENIOR EXECUTIVES

Chan Yuk Chun

Aged 45, is the Company Secretary of the Company. She has over 10 years' experience in company secretarial field. Ms. Chan holds a Bachelor's Degree in Laws from University of London and a Master's Degree in Corporate Finance from The Hong Kong Polytechnic University. She is an associate member of The Hong Kong Institute of Chartered Secretaries. She was appointed as the company secretary of the Company in August 2006.

Tsang Pui Yee, Vanessa

Aged 31, is the Qualified Accountant of the Company. She has over 8 years' experience in finance and accounting fields. Prior to joining the Group, Ms. Tsang was the qualified accountant, company secretary and financial controller of a listed company which provides financial services in Hong Kong. She holds a Master's Degree in Corporate Finance from The Hong Kong Polytechnic University. She is a fellow of the Association of Chartered Certified Accountants and also a member of The Hong Kong Institute of Certified Public Accountants. She joined the Group in February 2007.

DIRECTORS' REPORT

The directors of the Company (the "Directors" or the 'Board") present their annual report and the audited combined financial statements of the Company and of the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are to provide a wide range of financial services in Hong Kong, including brokerage services for securities, futures and options traded on the exchanges in Hong Kong, the US and Japan. The Group also provides margin and IPO financings as well as loans and advances to its clients in Hong Kong.

The activities of its principal subsidiaries are set out in note 30 to the combined financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2007 are set out in the combined income statement on page 39.

The Directors of the Company do not recommend the payment of a dividend.

DISTRIBUTABLE RESERVES

As at 31 March 2007, the Company has no reserve available for distribution.

PROPERTY AND EQUIPMENT

During the year, the Group acquired property and equipment at a cost of approximately HK$135,000.

Details of changes in the property and equipment of the Group are set out in note 15 to the combined financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 8 to the financial statements of the Company.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

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

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Managing Director:

Yeung, Daisy	(appointed on 11 July 2006)

Executive Directors:

Chan Pak Lam, Tom	(appointed on 11 July 2006)
Yeung Kun Lee, Sunny	(appointed on 6 November 2006)
Wong Chi Hung	(appointed on 1 November 2006 and resigned on 10 November 2006)

Independent Non-executive Directors:

Fung Chi Kin	(appointed on 1 March 2007)
Kwok Chi Sun, Vincent	(appointed on 1 March 2007)
Cheng Wing Keung	(appointed on 1 March 2007)

Subject to the service contracts hereinafter mentioned, the term of office of each Director, including the Independent Non-executive Directors, is the period to his/her retirement by rotation in accordance with the Bye-laws of the Company.

In accordance with the Bye-laws 86(2) and 87(1) and 87(2) of the Company's Bye-laws, Mr. Chan Pak Lam, Tom, Mr. Yeung Kun Lee, Sunny, Mr. Fung Chi Kin, Mr. Kwok Chi Sun, Vincent and Mr. Cheng Wing Keung, Raymond retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

On 1 March 2007, each of the Directors (including the Independent Non-executive Directors) entered into a service contract with the Company in relation to her/his service as an Executive Director/ Independent Non-executive Director of the Company, for an initial term of three years commencing from 1 March 2007 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of Ms. Yeung, Daisy, Mr. Chan Pak Lam, Tom and Mr. Yeung Kun Lee, Sunny entered into a service contract with the Company in relation to her/his service as an executive with no fixed terms, but shall be terminable by the Company upon giving one to two months' notice.

Save as disclosed above, as at 31 March 2007, none of the Directors has a service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

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

As at 31 March 2007, none of the Directors, chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which she/he is taken or deemed to have taken under such provisions of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the SEHK.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2007, none of the Director nor her/his associates was interested in any business which is considered to compete or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules").

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As the shares of the Company were listed on the main board of the SEHK on 24 April 2007, so far as is known to any Director or chief executive of the Company, no substantial shareholder who had interests and short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as other notified to the Company as at 31 March 2007.

Immediate following the listing of shares of the Company on the SEHK on 24 April 2007, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than a Director or chief executive of the Company) who had interests and short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:–

Long position in ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity/ Nature of interest	Number of ordinary shares interested or deemed to be interested (long position)	Approximate percentage holding
Charron Holdings Ltd. ("Charron") (Note)	Beneficial owner	325,320,564	54.11%
Jumbo Wealth Limited ("Jumbo Wealth") (Note)	Trustee	325,320,564	54.11%
GZ Trust Corporation ("GZ Trust") (Note)	Trustee	325,320,564	54.11%
Mr. Albert Yeung Sau Shing ("Mr. Albert Yeung") (Note)	Founder of the Trust	325,320,564	54.11%
Ms. Luk Siu Man, Semon ("Ms. Semon Luk") (Note)	Family interest	325,320,564	54.11%
Penta Investment Advisers Ltd.	Investment Manager	101,104,000	16.82%
Mr. John Zwaanstra	Interest in a controlled corporation	101,104,000	16.82%

Note: 325,320,564 shares, representing 54.11% of the shares of the Company, were registered in the name of Charron. The entire issued share capital of Charron was held by Jumbo Wealth on trust for The A&A Unit Trust, a unit trust under the Albert Yeung Discretionary Trust ("Trust"). The Trust is a discretionary trust, with GZ Trust as its trustee and set up by Mr. Albert Yeung. Mr. Albert Yeung, as founder of the Trust, was deemed to be interested in the total of 325,320,564 shares held by Charron. By virtue of the aforesaid interest of Mr. Albert Yeung, Ms. Semon Luk (spouse of Mr. Albert Yeung) was also deemed to be interested in the above 325,320,564 shares.

Save as disclosed above, as at 31 March 2007 and immediate following the listing of the shares of the Company on 24 April 2007, the Directors or chief executives of the Company were not aware of any other person or corporation (other than the Directors and chief executives of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTION

A. CONNECTED TRANSACTIONS

1. Corporate Guarantees and securities granted by EIHL and its subsidiaries in favour of the Group

EIHL was the sole shareholder of the Company before 23 April 2007. EIHL or its various subsidiaries had provided corporate guarantees or pledges against their properties to secure the repayment obligations under the loans and credit facilities advanced by financial institutions to members of the Group. The Albert Yeung Discretionary Trust (a discretionary trust set up by Mr. Albert Yeung, a deemed substantial shareholder of the Company) also beneficially owned 813,310,411 shares (ie. 57.55%) of the issued share capital of EIHL as at 31 March 2007. EIHL is therefore an associate of Mr. Albert Yeung under the Listing Rules and the transaction constitutes a connected transaction as defined under the Listing Rules.

As at the date of the listing of shares of the Company, the above arrangements have been terminated and the Group's banking facilities are no longer subject to any guarantees or securities given EIHL and its subsidiaries.

2. Financial assistance from Distinct Rich Limited

Pursuant to the an agreement dated 1 March 2004 ("Subordinated Loan Agreement") made between ESL, the then wholly-owned subsidiary of EIHL and became an indirectly wholly-owned subsidiary of the Company under the reorganisation on 2 April 2007), Distinct Rich Limited (a wholly-owned subsidiary of EIHL) and the Securities and Futures Commission ("SFC"), Distinct Rich Limited agreed to extend a revolving credit facility of HK$220 million to ESL for a term of two years commencing from 1 March 2004. This loan (the "Subordinated Loan") is unsecured and bears interest at prime rate as quoted from time to time by The Hongkong and Shanghai Banking Corporation Limited which, in the opinion of the Directors, is comparable to the market rate. The Subordinated Loan has been used to fund the IPO loans extended to clients and/or meet the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) requirements for the IPO financing business of ESL. As approved by the SFC on 27 February 2006, the expiry date of the Subordinated Loan Agreement was extended to 29 February 2008.

On 31 March 2007, the Subordinated Loan Agreement was terminated by mutual agreement between the parties thereto and the parties have confirmed that their respective rights and obligations under the Subordinated Loan Agreement were released and discharged without liability. The amount of loan interest paid in respect of the Subordinated Loan for the year ended 31 March 2007 approximately HK$3,227,000.

The Albert Yeung Discretionary Trust (a discretionary trust set up by Mr. Albert Yeung, a deemed substantial shareholder of the Company upon the listing of the shares of the Company on 24 April 2007) also beneficially owned 813,310,411 shares (ie. 57.55%) of the issued share capital of EIHL as at 31 March 2007. EIHL is therefore an associate of Mr. Albert Yeung and the transaction constitutes a connected transaction as defined under the Listing Rules upon the listing of the shares of the Company on 24 April 2007.

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

A. CONNECTED TRANSACTIONS *(Continued)*

3. Interest income from IPO financing

During the year, the Group had provided IPO financings in its ordinary and usual course of business to the connected persons as defined in the Listing Rules. The maximum IPO loan amount granted to the connected persons and respective interest income received by the Group for the year are summarised as follows:

Name of connected persons	**Maximum IPO loan amount** HK$'000	**Interest income from IPO financing** HK$'000
Ms. Yeung, Daisy and her associates (Note a & c)	590,094	1,098
Mr. Lee Wai Shing and his associates (Note b & c)	31,091	184

Note:

(a) Ms. Daisy Yeung is the Managing Director of the Company.

(b) Mr. Lee Wai Shing is director of a subsidiary of the Company.

(c) The terms of these IPO financings are arrived at arm's length negotiation which are on normal commercial terms and at rates no more favourable than those offered to other independent third parties.

B. CONTINUING CONNECTED TRANSACTIONS

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

Name of connected persons	**Nature of transaction**	**Terms**	**Amount for the year ended 31 March 2007** HK$'000
Very Sound Investments Limited (note 1)	Operating lease rentals paid	10 December 2006 to 9 December 2008 (exclusive of rates, management fees and other outgoings charges)	1,369
EIHL and its associates (note 2)	Commission and interest income from margin financing	1 April 2006 to 31 March 2009 (on normal commercial terms and at rates no more favourable than those offered to other independent third parties)	117

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

B. CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Name of connected persons	**Nature of transaction**	**Terms**	**Amount for the year ended 31 March 2007** HK$'000
	Maximum margin loan amount	1 April 2006 to 31 March 2009 (on normal commercial terms and at rates no more favourable than those offered to other independent third parties)	109
Ms. Yeung, Daisy and her associates (note 3)	Commission and interest income from margin financing	1 April 2006 to 31 March 2009 (on normal commercial terms and at rates no more favourable than those offered to other independent third parties)	1,632
	Maximum margin loan amount	1 April 2006 to 31 March 2009 (on normal commercial terms and at rates no more favourable than those offered to other independent third parties)	16,563
Mr. Lee Wai Shing and his associates (note 4)	Commission and interest income from margin financing	1 April 2006 to 31 March 2009 (on normal commercial terms and at rates no more favourable than those offered to other independent third parties)	271
	Maximum margin loan amount	1 April 2006 to 31 March 2009 (on normal commercial terms and at rates no more favourable than those offered to other independent third parties)	2,882

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

B. CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Notes:

1. Tenancy Agreements

Pursuant to an agreement ("Previous Tenancy Agreement") dated 19 July 2006 entered into between Very Sound Investments Limited ("Very Sound"), a subsidiary of EIHL and ESL, a wholly-owned subsidiary of the Company, Very Sound agreed to lease to the Group a portion of 24th Floor of Emperor Group Centre, 288 Hennessy Road, Wanchai in Hong Kong with a total gross floor area of approximately 7,006 square feet as the Group's head office at a monthly rental of HK$98,000, exclusive of rates and management fees. The tenancy commenced on 20 January 2006 and was terminated with effect from 9 December 2006 by mutual consent of the parties pursuant to a surrender agreement dated 14 February 2007. ESL entered into another tenancy agreement on 14 February 2007 ("New Tenancy Agreement", the Previous Tenancy Agreement and the New Tenancy Agreement collectively referred to as the "Tenancy Agreements") with Very Sound pursuant to which Very Sound agreed to lease the entire 24th Floor of Emperor Group Centre with a total gross floor area of 9,323 square feet to Emperor Securities at a monthly rental of HK$150,000. The new tenancy has a two-year term commencing on 10 December 2006 and ending on 9 December 2008.

The Albert Yeung Discretionary Trust (a discretionary trust set up by Mr. Albert Yeung, a deemed substantial shareholder of the Company upon the listing of the shares of the Company on 24 April 2007) also beneficially owned 813,310,411 shares (ie. 57.55%) of the issued share capital of EIHL as at 31 March 2007. EIHL is therefore an associate of Mr. Albert Yeung and the transaction constitutes a continuous connected transaction as defined under the Listing Rules upon the listing of the shares of the Company on 24 April 2007.

The Directors expected the annual cap for the Tenancy Agreements would be HK$1.4 million, HK$1.8 million and HK$1.3 million for the years ended/ending 31 March 2007, 31 March 2008 and 31 March 2009 respectively. The annual cap is set based on the total rental payable by the Group to Very Sound pursuant to the terms of the Tenancy Agreements. On such basis, the applicable percentage ratios as defined in Rule 14A.10(10) of the Listing Rules (other than the profits ratio) exceed 2.5% but are less than 25% and the annual cap do not exceed HK$10,000,000. Accordingly, the Tenancy Agreements will fall within the exemption under Rule 14A.34(2) of the Listing Rules and no independent shareholders' approval will be required.

The Directors (including the Independent Non-executive Directors) consider that the Tenancy Agreements were entered into in the ordinary and usual course of the Group's business and is on normal commercial terms and in accordance with the terms of agreement governing such transactions which are fair and reasonable and in the interests of the Company and the shareholders as a whole. The total rental paid under the Tenancy Agreements for the year did not exceed the expected cap.

A waiver of strict compliance with the relevant Listing Rules requirements to publish announcement of the Tenancy Agreements has been obtained by the Company on 30 March 2007.

DIRECTORS' REPORT

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

B. CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Notes: *(Continued)*

2. EIHL Financial Services Agreement

Subsequent to the financial year ended 31 March 2007, the Company entered into an agreement ("EIHL Financial Services Agreement") on 2 April 2007 with EIHL, pursuant to which the Group agreed to (i) provide financial services including brokerage services for securities, futures and options trading and acting as placing agent, underwriter or sub-underwriter; and (ii) provide margin loans from time to time to EIHL and its subsidiaries ("EIHL Group") and its associates on normal commercial terms and at rates no more favourable than those offered to other Independent Third Parties (as defined in the Listing Rules) for a term of three years commencing from 1 April 2006 up to 31 March 2009. Items (i) and (ii) are collectively referred to as the "EIHL Financial Services").

EIHL and its associates become connected persons of the Company under Chapter 14A of the Listing Rules upon the listing of shares of the Company on 24 April 2007 (as mentioned in paragraph (1) above) and the transactions contemplated under the EIHL Financial Services Agreement constitute continuous connected transactions under Chapter 14A of the Listing Rules.

In determining the annual caps for the EIHL Financial Services Agreement, the Directors have categorised the transactions under the EIHL Financial Services Agreement into two types:

a. commission, brokerage and interest income to be received from the EIHL Group and its associates for providing EIHL Financial Services; and

b. margin loans to be provided by the Group to EIHL Group and its associates.

The Directors expected the annual caps for the EIHL Financial Services Agreement for each of the three years ended/ending 31 March 2009 are set out as follows:–

	For the year ended/ending 31 March		
	2007	**2008**	**2009**
	HK$'000	HK$'000	HK$'000
(i) Commission and interest income	1,600	1,700	1,700
(ii) Maximum margin loan amount	1,600	1,600	1,600
Total	3,200	3,300	3,300

The Directors (including the Independent Non-executive Directors) consider that the EIHL Financial Services Agreement was entered into in the ordinary and usual course of the Group's business and is on normal commercial terms and in accordance with the terms of agreement governing such transactions which are fair and reasonable and in the interests of the Company and the shareholders as a whole. The total service fees received for the year did not exceed the expected caps.

The applicable percentage ratios as defined in Rule 14A.10(10) of the Listing Rules (other than the profits ratio) exceed 2.5% but are less than 25% and the annual cap do not exceed HK$10,000,000. Accordingly, the EIHL Financial Services Agreement will fall within the exemption under Rule 14A.34(2) of the Listing Rules and no independent shareholders' approval will be required.

A waiver of strict compliance with the relevant Listing Rules requirements to publish announcement of the EIHL Financial Services Agreement has been obtained by the Company on 30 March 2007.

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

B. CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Notes: *(Continued)*

3. Financial Services agreement with the Yeung Family

Subsequent to the financial year ended 31 March 2007, the Company entered into an agreement ("Yeung's Financial Services Agreement") on 2 April 2007 with Ms. Yeung, Daisy pursuant to which the Group agreed to (i) provide financial services including brokerage services for securities, futures and options trading and acting as placing agent, underwriter or sub-underwriter; and (ii) provide margin loans from time to time on normal commercial terms and at rates no more favourable to the Yeung Family than those offered to other Independent Third Parties (as defined in the Listing Rules) for a term of three years commencing from 1 April 2006 up to 31 March 2009. Items (i) and (ii) are collectively referred to as the "Yeung's Financial Services"). Under the Yeung's Financial Services Agreement, the Group has also agreed to pay commission and fee to the Yeung Family for their acting as placees for the securities underwritten or placed by the Group on normal commercial terms and at rates no more favourable to the Yeung Family than rates charged by other Independent Third Parties.

Under the Yeung's Financial Services Agreement, members of the Yeung Family include Ms. Yeung, Daisy and her associates. Ms. Yeung, Daisy is the Managing Director of the Company and the other members of the Yeung Family are defined as her associates under the Listing Rules. Upon the listing of shares of the Company on 24 April 2007, Ms. Yeung, Daisy and her associates become connected persons of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Yeung's Financial Services Agreement constitute continuous connected transactions under Chapter 14A of the Listing Rules.

In determining the annual caps for the Yeung's Financial Services Agreement, the Directors have categorised the transactions under the Yeung's Financial Services Agreement into three types:

a. commission, brokerage and interest income to be received from the Yeung Family for providing the Yeung's Financial Services; and

b. margin loans to be provided to the Yeung Family; and

c. commission and fee to be paid to the Yeung Family for their acting as placees for securities underwritten or placed by the Group.

The Directors expected the annual caps for the Yeung's Financial services Agreement for each of the three years ended/ending 31 March 2009 are set out as follows:–

		For the year ended/ending 31 March		
		2007	**2008**	**2009**
		HK$'000	HK$'000	HK$'000
(i)	Commission and interest income	2,500	2,900	3,100
(ii)	Maximum margin loan amount	31,000	31,000	31,000
(iii)	Commission and fee payment	22	24	27
Total		33,522	33,924	34,127

The Directors (including the Independent Non-executive Directors) consider that the Yeung's Financial Services Agreement was entered into in the ordinary and usual course of the Group's business and is on normal commercial terms and in accordance with the terms of agreement governing such transactions which are fair and reasonable and in the interests of the Company and the shareholders as a whole. The total service fees received for the year did not exceed the expected caps.

Since the applicable percentage ratios as defined in Rule 14A.10(10) of the Listing Rules (other than the profits ratio) calculated with reference to the annual caps under the Yeung's Financial Services Agreement exceed 2.5% but are less than 25% and the annual cap exceed HK$10,000,000. Accordingly, the Yeung's Financial Services Agreement is subject to reporting, announcement and independant shareholders' approval of the Listing Rules.

A waiver of strict compliance with the relevant Listing Rules requirements to publish announcement and independent shareholders' approval of the Yeung's Financial Services Agreement has been obtained by the Company on 30 March 2007.

DIRECTORS' REPORT

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

B. CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Notes: *(Continued)*

4. Financial services agreement with the Lee Family

Subsequent to the financial year ended 31 March 2007, the Company entered into an agreement ("Lee's Financial Services Agreement") on 2 April 2007 with Mr. Lee Wai Shing, pursuant to which the Group agreed to (i) provide financial services including brokerage services for securities, futures and options trading and acting as placing agent, underwriter or sub-underwriter; and (ii) provide margin loans from time to time on normal commercial terms and at rates no more favourable to the Lee Family than those offered to other Independent Third Parties (as defined in the Listing Rules) for a term of three years commencing from 1 April 2006 up to 31 March 2009. Items (i) and (ii) are collectively referred to as the "Lee's Financial Services").

Under the Lee's Financial Services Agreement, members of the Lee Family include Mr. Lee Wai Shing and his associates. Mr. Lee Wai Shing is a director of a subsidiary of the Company and the other members of the Lee Family are defined as his associates under the Listing Rules. Upon the listing of shares of the Company on 24 April 2007, Mr. Lee Wai Shing and his associates become connected persons of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Lee's Financial Services Agreement constitute continuous connected transactions under Chapter 14A of the Listing Rules.

In determining the annual caps for the Lee's Financial Services Agreement, the Directors have categorised the transactions under the Lee's Financial Services Agreement into two types:

a. commission, brokerage and interest income to be received from the Lee Family for providing the Lee's Financial Services; and

b. margin loans to be provided to the Lee Family.

The Directors expected the annual caps for the Lee's Financial Services Agreement for each of the three years ended/ending 31 March 2009 are set out as follows:–

		For the year ended/ending 31 March		
		2007	**2008**	**2009**
		HK$'000	HK$'000	HK$'000
(i)	Commission and interest income	710	710	710
(ii)	Maximum margin loan amount	4,800	4,800	4,800
Total		5,510	5,510	5,510

The Directors (including the Independent Non-executive Directors) consider that the Lee's Financial Services Agreement was entered into in the ordinary and usual course of the Group's business and is on normal commercial terms and in accordance with the terms of agreement governing such transactions which are fair and reasonable and in the interests of the Company and the shareholders as a whole. The total service fees received for the year did not exceed the expected caps.

The applicable percentage ratios as defined in Rule 14A.10(10) of the Listing Rules (other than the profits ratio) exceed 2.5% but are less than 25% and the annual cap do not exceed HK$10,000,000. Accordingly, the Lee's Financial Services Agreement will fall within the exemption under Rule 14A.34(2) of the Listing Rules and therefore is exempt from independent shareholders' approval requirements but subject to the reporting and announcement requirements.

A waiver of strict compliance with the relevant Listing Rules requirements to publish announcement of the Lee's Financial Services Agreement has been obtained by the Company on 30 March 2007.

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

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the Board of Directors. The Independent Non-executive Directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

EMOLUMENT POLICY

The emolument policy of the senior executives of the Group is approved by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are approved by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 23 to 26.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

During the year, the Group made charitable donations amounting to approximately HK$1,000,000.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 29 to the combined financial statements.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Emperor Capital Group Limited

Yeung, Daisy
Managing Director

Hong Kong
16 July 2007

CORPORATE GOVERNANCE REPORT

As the Group was spun-off from EIHL with its shares successfully listed on the SEHK in April, 2007, the Directors of the Company has adopted various policies for the purpose to ensure compliance with all provisions of the Code on Corporate Governance Practice (the "Code") 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.

THE BOARD

The Board is responsible to lead the business operations of the Group in the interests of the shareholders by formulating strategic directions and monitoring the financial and management performance of the Group.

As at 31 March 2007, the Board comprised six Directors (three Executive Directors and three Independent Non-executive Directors) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The Independent Non-executive Directors will also share their valuable impartial view on matters to be discussed on the Board meetings. The biographies of the Directors are set out on pages 7 to 8 of this report under the Biographies of Directors and Senior Executives Section.

Code provision A.2.1. requires the roles of chairman and chief executive officer should be separate and not be performed by the same individual. Currently, the Board has appointed Ms. Yeung, Daisy as the Managing Director of the Company, who also assumes the responsibility to ensure the Board works effectively, being properly briefed on issues arising at board meetings and to receive adequate, complete and reliable information. As there are three Independent Non-executive Directors in the Board, who do not have any management contract with the Group and provide independent and impartial opinion to the issues to be considered by the Board. The Board is of the opinion that the current structure functions effectively and does not intend to make any change thereof.

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

There are policies in place to ensure all Board members work effectively and discharge his/her responsibility by providing timely, reliable and sufficient information on issues to be discussed at Board meetings and taking into account any matters to be proposed by the Directors to the agenda for each Board meeting.

The Independent Non-executive Directors are appointed for a term of three years, with all the terms being renewed automatically for successive terms of one year each commencing from the date next after the expiry of the then current terms, unless terminated by not less than three months' notice in writing served by either party. Pursuant to the Bye-laws of the Company, every Director shall be subject to retirement by rotation at least once every three years in order to comply with the requirement of the Code.

CORPORATE GOVERNANCE REPORT

An induction of their duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group has been provided to all Directors shortly upon their appointments as Directors of the Company.

A procedure has been approved by the Board to enable Directors to seek independent professional advice at the Company's expenses in appropriate circumstances.

The Company has adopted a code of conduct regarding securities transactions by Directors and senior executives on no less terms than the required standard of dealings set out in Appendix 10 of the Listing Rules prior to the listing of its shares on the SEHK. Having made specific enquiry to all Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings and the code of conduct.

REMUNERATION COMMITTEE

The Board has set up a Remuneration Committee in March 2007, which is chaired by the Executive Director, Mr. Chan Pak Lam, Tom, together with two Independent Non-executive Directors, Mr. Kwok Chi Sun, Vincent and Mr. Cheng Wing Keung, Raymond. The major responsibility of the Remuneration Committee is assisting the Board to attract, retain and motivate the high calibre executives, and making recommendations on the establishment of a formal and transparent procedure for developing remuneration policy. Details of the remuneration of each of the Directors for the year ended 31 March 2007 are set out in note 9 to the combined financial statements. An introduction of the terms of reference of the Remuneration Committee to all committee members has been conducted in March 2007 and a copy of such terms of reference is available in the Company's website: www.emp717.com.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

AUDIT COMMITTEE

The Board has set up an Audit Committee in March 2007, which consists of three Independent Non-executive Directors, Mr. Kwok Chi Sun, Vincent (Chairman of the Committee), Mr. Fung Chi Kin and Mr. Cheng Wing Keung, Raymond. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditors, to approve the remuneration and terms of engagement of external auditor, review financial information and oversight of the financial reporting system and internal control procedures. An introduction of the terms of reference of the Audit Committee to all committee members has been conducted in March 2007 and a copy of such terms of reference is available in the Company's website: www.emp717.com.

INTERNAL CONTROL

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

The internal control system involves with the major operating areas of the business of the Group, including accounts opening and handling, dealing practices, settlement and asset protection and anti-money laundering. Proper management of risks, including credit risk, market risk, liquidity risk, operational risk and compliance risk are also important to the business of the Group. The Group has implemented policies and procedures on these areas and continuous revisions to its relevant policies and procedures will be made from time to time. Monitoring of the internal control system and risk management is mainly relied on the internal audit department, the credit risk control department and compliance department.

The internal audit department is assigned with the task to perform regular reviews on selected systems of the Group and will report audit review findings or irregularities, if any, to management and advise on the implementation of necessary steps of systems to enhance operational or financial controls.

The credit risk control department of the Group is responsible for overseeing the credit risk control function of the Group, detecting any trading irregularity, recommending credit and trading limit, compiling the list of clients subject to margin calls and reporting for follow-up actions.

The compliance department is responsible for assisting management in formulating policies and procedures with regard to the applicable regulatory requirements relevant to the Group's operation and handling of complaints.

COMMUNICATION WITH SHAREHOLDERS

The Directors considered the communication with the shareholders are mainly in the following ways: (i) the annual general meeting to be held in each year which provide an opportunity for the shareholders to communicate directly to the Board; (ii) the annual report and/or circular to be issued as required under the Listing Rules providing up-dated information of the Group; and (iii) the shareholders and investors are welcome to visit our website for the latest information of the Group

Separate resolutions will be proposed at the forthcoming annual general meeting on each substantial separate issues, including the election of individual directors as required under the Listing Rules.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:-

Service rendered	**fees paid/payable** HK$'000
Audit services	600
Non-audit services	
Acted as reporting accountants for IPO	2,820
Internal control review services	2,800
Other	60

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS OF THE COMPANY

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

TO THE MEMBERS OF EMPEROR CAPITAL GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements of Emperor Capital Group Limited (the "Company") set out on pages 29 to 36, which comprise the balance sheet as at 31 March 2007, and the income statement and the statement of changes in equity for the period from 27 June 2006 (date of incorporation) to 31 March 2007, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE COMPANY

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2007 and of its loss for the period from 27 June 2006 (date of incorporation) to 31 March 2007 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
16 July 2007

INCOME STATEMENT OF THE COMPANY

For the period from 27 June 2006 (date of incorporation) to 31 March 2007

	Notes	HK$'000
Administrative expenses		5,471
Loss before taxation	6	5,471
Taxation	7	–
Loss for the period		5,471

BALANCE SHEET OF THE COMPANY

At 31 March 2007

	Notes	HK$'000
Current assets		
Prepayments		1,685
Current liabilities		
Accrued charges		659
Amount due to a fellow subsidiary	9	6,497
		7,156
Net current liabilities		(5,471)
Capital and reserve		
Share capital	8	–
Accumulated loss		(5,471)
Total capital and reserve		(5,471)

The financial statements on pages 29 to 36 were approved and authorised for issue by the Board of Directors on 16 July 2007 and are signed on its behalf by:

Yeung, Daisy
DIRECTOR

Chan Pak Lam, Tom
DIRECTOR

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

For the period from 27 June 2006 (date of incorporation) to 31 March 2007

	Share capital HK$'000	Accumulated loss HK$'000	Total HK$'000
At 27 June 2006 (date of incorporation)	–	–	–
Loss for the period, represents total recognised expenses for the period	–	(5,471)	(5,471)
At 31 March 2007	–	(5,471)	(5,471)

NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

For the period from 27 June 2006 (date of incorporation) to 31 March 2007

1. GENERAL

The Company is incorporated and registered as an exempted company with limited liability on 27 June 2006 under the Companies Act 1981 of Bermuda (as amended) and acts as an investment holding company. Its ultimate holding company is Charron Holdings Limited, a limited company incorporated in the British Virgin Islands.

Its shares have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 24 April 2007. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company's financial statements are presented in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company.

Under a group reorganisation to rationalise the structure of the group in preparation for the listing of the Company's shares on the SEHK (the "Group Reorganisation"), the Company has become the holding company of its subsidiaries pursuant to the Group Reorganisation on 2 April 2007. Details of the Group Reorganisation are 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").

2. BASIS OF PREPARATION

As at 31 March 2007, the Company had net current liabilities of HK$5,471,000. As explained in note 10 to the financial statements of the Company, the Company completed its initial public offering of shares in Hong Kong on 24 April 2007 and raised net proceeds of approximately HK$111,000,000 based on which the directors consider that there are sufficient financial resources available to the Company to meet its liabilities as and when they fall due and to carry on its business in the foreseeable future. Accordingly, the directors have prepared the financial statements on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued the following standards, amendment or interpretations ("INTs") that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or INTs will have no material impact on the results and the financial position of the Company.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 23 (Revised)	Borrowing costs[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[4]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC) – INT 12	Service concession arrangements[7]

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.
[5] Effective for annual periods beginning on or after 1 November 2006.
[6] Effective for annual periods beginning on or after 1 March 2007.
[7] Effective for annual periods beginning on or after 1 January 2008.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Hong Kong Companies Ordinance.

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at fair value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liability

Financial liability of the Company represents an amount due to a fellow subsidiary is subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in income statement.

5. CASH FLOW STATEMENT

The Company had no cash transaction in the period as all of its transactions were with a fellow subsidiary and are settled via inter-company accounts. Accordingly, in the opinion of the directors, the presentation of a cash flow statement would provide no additional useful information to the users of the financial statements.

6. LOSS BEFORE TAXATION

	HK$'000
Loss before taxation has been arrived at after charging:	
Auditor's remuneration	9
Directors' remuneration	–
Listing expenses	5,384

7. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company has no assessable profit for the period.

8. SHARE CAPITAL

	Authorised HK$'000	**Issued and unpaid** HK$'000
Ordinary shares of HK$0.01 each		
– on incorporation and balance at 31 March 2007	100	–
Shown in the financial statements at 31 March 2007		–

The Company was incorporated on 27 June 2006 with an authorised share capital of HK$100,000 divided into 10,000,000 shares of HK$0.01 each. 10,000,000 unpaid shares of HK$0.01 were issued to the subscriber, Emperor International Holdings Limited ("EIHL") on 11 July 2006.

9. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount is of non-trade nature, non-interest bearing, unsecured and repayable on demand. The fair value of the balance at balance sheet date approximates the carrying amount.

10. SUBSEQUENT EVENTS

The following events took place subsequent to 31 March 2007:

(a) Pursuant to resolutions in writing of the sole shareholder passed on 2 April 2007, the authorised share capital of the Company was increased from HK$100,000 to HK$2,826,356.36 divided into 282,635,636 shares of a par value of HK$0.01 each by creation of a further 272,635,636 shares.

(b) In consideration of the transfer by EIHL to the Company of its interest in Profit Ascent Group Limited, the Company on 2 April 2007:

(i) allotted and issued 272,635,636 shares, credited as fully paid, to EIHL at the request of Emperor Financial Services (Hong Kong) Limited ("EFSL") and Joybridge Services Limited, an immediate holding company of EFSL, and a wholly owned subsidiary of EIHL; and

(ii) credited as fully paid at par the 10,000,000 shares issued by the Company to EIHL (see note 8 to the financial statements).

10. SUBSEQUENT EVENTS *(Continued)*

(c) On 2 April 2007, written resolutions of the sole shareholder of the Company passed to approve the matters set out in the paragraph headed "Resolutions in writing of the sole shareholder passed on 2 April 2007" in Appendix V to the Prospectus, pursuant to which the authorised share capital of the Company was increased from HK$2,826,356.36 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 further 499,717,364,364 shares.

(d) On 24 April 2007, 318,635,636 shares of HK$0.01 each of the Company were issued at HK$0.38 by way of preferential offer to the shareholders of EIHL and public offer. On the same date, the Company's shares were listed on the main board of the SEHK.

INDEPENDENT AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS

Deloitte.
德勤

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

TO THE DIRECTORS OF EMPEROR CAPITAL GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the combined financial statements of Emperor Capital Group Limited (the "Company") and the entities detailed in note 30 to the combined financial statements (which subsequently became subsidiaries on 2 April 2007) now became the subsidiaries of the Company (collectively referred to as the "Group") set out on pages 39 to 73, which have been prepared in accordance with the basis of preparation and significant accounting policies set out in notes 1 and 3 to the combined financial statements and comprise the combined balance sheet as at 31 March 2007, and the combined income statement, the combined statement of changes in equity and the combined cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE COMBINED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these combined financial statements in accordance with the basis of preparation and significant accounting policies set out in notes 1 and 3 to the combined financial statements and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the combined financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

INDEPENDENT AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITY *(Continued)*

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

OPINION

In our opinion, the combined financial statements for the year ended 31 March 2007 have been properly prepared in accordance with the basis of preparation and significant accounting policies set out in notes 1 and 3 to the combined financial statements and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
16 July 2007

COMBINED INCOME STATEMENT

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	6	**123,691**	95,026
Other operating income		**2,162**	1,857
Staff costs	7	**(13,624)**	(10,623)
Other operating and administrative expenses		**(53,901)**	(34,951)
Depreciation and amortisation		**(1,447)**	(1,530)
Finance costs	8	**(26,871)**	(19,152)
Gain on disposal of intangible assets		**–**	373
Profit before taxation	11	**30,010**	31,000
Taxation	12	**(5,914)**	(5,010)
Profit for the year		**24,096**	25,990
Dividends	13	**–**	–
Earnings per share			
Basic	14	**HK8.53 cents**	HK9.20 cents
Diluted	14	**N/A**	N/A

COMBINED BALANCE SHEET

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property and equipment	15	**2,124**	3,050
Intangible assets	16	**771**	1,157
Other assets	17	**4,448**	4,308
Loans and advances	18	**–**	17,000
Available-for-sale financial assets	19	**136**	–
		7,479	25,515
Current assets			
Trade receivables	20	**161,520**	165,042
Loans and advances	18	**19,000**	80,596
Other debtors, deposits and prepayments	25	**7,122**	3,791
Amount due from a fellow subsidiary	25	**272,756**	168,805
Tax recoverable		**–**	358
Bank balances and cash – trust	21	**119,367**	97,845
Bank balances and cash – general	21	**70,028**	34,013
		649,793	550,450
Current liabilities			
Trade payables	22	**162,968**	166,511
Other creditors and accrued charges	25	**12,145**	6,745
Tax liabilities		**989**	13
Short-term bank borrowings	23	**54,400**	–
		230,502	173,269
Net current assets		**419,291**	377,181
Total assets less current liabilities		**426,770**	402,696
Capital and reserves			
Share capital	24	**127,000**	127,000
Reserves		**299,705**	275,609
Total capital and reserves		**426,705**	402,609
Non-current liability			
Deferred taxation	12	**65**	87
		426,770	402,696

The financial statements on pages 39 to 73 were approved and authorised for issue by the Board of Directors on 16 July 2007 and are signed on its behalf by:

Yeung, Daisy
DIRECTOR

Chan Pak Lam, Tom
DIRECTOR

COMBINED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Share capital HK$'000	Capital contribution reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2005	87,000	2,004	13	247,615	336,632
Transfer to profit or loss on sale of available-for-sale financial assets	–	–	(13)	–	(13)
Profit for the year	–	–	–	25,990	25,990
Total recognised income and expenses for the year	–	–	(13)	25,990	25,977
Shares issued	40,000	–	–	–	40,000
At 31 March 2006	127,000	2,004	–	273,605	402,609
Profit and total recognised income for the year	–	–	–	24,096	24,096
At 31 March 2007	127,000	2,004	–	297,701	426,705

Capital contribution reserve represents the contribution from a fellow subsidiary for waiver of certain amount of management fee in previous years.

COMBINED CASH FLOW STATEMENT

For the year ended 31 March 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**30,010**	31,000
Adjustments for:		
Interest expenses	**26,871**	19,152
Depreciation	**1,061**	1,145
Amortisation of intangible assets	**386**	386
Net realised gain on available-for-sale financial asset	**–**	(6)
Write back for bad and doubtful debts	**(187)**	–
Gain on disposal of intangible assets	**–**	(373)
Operating cash flows before movements in working capital	**58,141**	51,304
Decrease (increase) in trade receivables	**3,709**	(65,892)
(Increase) decrease in other assets	**(140)**	252
Decrease in loans and advances	**78,596**	6,730
(Increase) decrease in other debtors, deposits and prepayments	**(3,331)**	351
Increase in bank balances and cash – trust accounts	**(21,522)**	(10,414)
(Decrease) increase in trade payables	**(3,543)**	56,382
Increase in other creditors and accrued charges	**5,400**	2,200
Cash generated from operations	**117,310**	40,913
Hong Kong Profits Tax refunded	**–**	249
Hong Kong Profits Tax paid	**(4,602)**	(8,763)
Interest paid	**(26,871)**	(20,799)
NET CASH FROM OPERATING ACTIVITIES	**85,837**	11,600
INVESTING ACTIVITIES		
Purchase of property and equipment	**(135)**	(1,036)
Proceeds on disposal of intangible assets	**–**	1,468
Purchase of available-for-sale financial asset	**(136)**	–
Proceeds from disposal of available-for-sale financial asset	**–**	19
(Increase) decrease in amount due from a fellow subsidiary	**(103,951)**	123,492
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(104,222)**	123,943

COMBINED CASH FLOW STATEMENT

For the year ended 31 March 2007

	2007 HK$'000	2006 HK$'000
FINANCING ACTIVITIES		
Drawdown on bank borrowings	**54,400**	–
Advance of subordinated loan from a fellow subsidiary	**550,000**	1,040,000
Repayment of subordinated loan from a fellow subsidiary	**(550,000)**	(1,200,000)
Proceeds from issue of shares	**–**	40,000
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**54,400**	(120,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**36,015**	15,543
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR	**34,013**	18,470
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	**70,028**	34,013
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances – general accounts and cash	**70,028**	34,013

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 March 2007

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF COMBINED FINANCIAL STATEMENTS

The Company is incorporated and registered as an exempted company with limited liability on 27 June 2006 under the Companies Act 1981 of Bermuda (as amended) and its shares have been listed on the Stock Exchange of Hong Kong Limited (the "SEHK") with effect from 24 April 2007. Its ultimate holding company is Charron Holdings Limited, a company which is incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section of the annual report.

The Company's financial statements are presented in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company.

Under the group reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the SEHK (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 Group resulting from the above mentioned reorganisation is regarded as a continuing entity. Accordingly, the combined 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 2007.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in the note 30 to the combined financial statements.

2. EARLY ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the combined financial statements, the Group has adopted all the Hong Kong Financial Reporting Standards that are effective for accounting periods beginning on or prior to 1 April 2006.

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued the following standards, amendment and interpretations ("INTs") that have be issued but are not yet effective. The Group has considered the following standards, amendment and INTs but does not expect they will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 23 (Revised)	Borrowing costs[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[4]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[5]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC) – INT 12	Service concession arrangements[7]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.
[5] Effective for annual periods beginning on or after 1 November 2006.
[6] Effective for annual periods beginning on or after 1 March 2007.
[7] Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have been prepared under the historical cost convention.

The combined financial statements have been prepared in accordance with the following accounting policies which conform with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the combined financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Merger accounting for business combinations under common control

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations". In applying merger accounting, financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined income statement includes the results of each of the combining entities or businesses from 1 April 2005 or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

All significant intra-group transactions and balances have been eliminated on combination.

Revenue recognition

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

- Commission income for broking business is recorded as income on a trade-date basis.
- Underwriting commission income, sub-underwriting income and placing commission are recognised when the services are rendered.
- Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Leasing

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

The Group as lessee

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise.

Retirement benefit costs

Payments to the Group's retirement benefits scheme which are defined contribution plans are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets represent the trading rights, with which the holders have the rights to trade on the SEHK and Hong Kong Futures Exchange Limited ("HKFE"). On initial recognition, intangible assets acquired separately are recognised at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income statement.

Financial assets

The Group's financial assets are classified into one of the two categories, including available-for-sale financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, loans and advances, other debtors, deposits, amount due from a fellow subsidiary and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade payables, other creditors and short-term bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include other deposits, trade receivables, loans and advances, amount due from a fellow subsidiary, bank balances, trade and others payables and short-term bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign exchange risk

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

Interest rate risk

For the loans and advances, and short-term bank borrowings, they are carried at fixed interest rates and variable interest rates respectively. The Group currently does not have a fair value interest rate hedging policy or cash flow interest rate hedging policy. However, the management closely monitors its exposure to future cash flow as a result of change on market interest rate in particular the effect on future cash flow, and will consider hedging changes in market interest rates should the need arises.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended 31 March 2007

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the management reviews the recoverable amount for each individual account receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is effectively controlled and significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of clients and foreign brokers.

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing house or brokers and clients. To address the risk, the treasury team works closely with the settlement division on monitoring the liquidity gap.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

Broking	–	Broking of securities, options and futures
Financing	–	Provision of margin financing and money lending services
Placing and underwriting	–	Provision of placing and underwriting services

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

	Broking HK$'000	Financing HK$'000	Placing and underwriting HK$'000	2007 Total HK$'000
REVENUE	**73,430**	**45,808**	**4,453**	**123,691**
RESULTS				
Segment results	**35,709**	**18,938**	**1,508**	**56,155**
Unallocated other operating income				**1,065**
Unallocated corporate expenses				**(27,210)**
Profit before taxation				**30,010**
Taxation				**(5,914)**
Profit for the year				**24,096**

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Broking HK$'000	Financing HK$'000	Placing and underwriting HK$'000	2007 Total HK$'000
ASSETS				
Segment assets	**233,243**	**73,987**	**–**	**307,230**
Unallocated corporate assets				**350,042**
Combined total assets				**657,272**
LIABILITIES				
Segment liabilities	**163,740**	**54,400**	**–**	**218,140**
Unallocated corporate liabilities				**12,427**
Combined total liabilities				**230,567**
OTHER INFORMATION				
Additions of property and equipment	**135**	**–**	**–**	**135**
Amortisation of intangible assets	**386**	**–**	**–**	**386**
Depreciation of property and equipment	**1,061**	**–**	**–**	**1,061**

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

	Broking HK$'000	Financing HK$'000	Placing and underwriting HK$'000	2006 Total HK$'000
REVENUE	46,371	43,460	5,195	95,026
RESULTS				
Segment results	23,043	24,308	1,009	48,360
Unallocated other operating income				923
Unallocated corporate expenses				(18,283)
Profit before taxation				31,000
Taxation				(5,010)
Profit for the year				25,990
ASSETS				
Segment assets	267,768	97,596	3,635	368,999
Unallocated corporate assets				206,966
Combined total assets				575,965
LIABILITIES				
Segment liabilities	168,411	–	141	168,552
Unallocated corporate liabilities				4,804
Combined total liabilities				173,356
OTHER INFORMATION				
Additions of property and equipment	1,036	–	–	1,036
Amortisation of intangible assets	386	–	–	386
Depreciation of property and equipment	1,145	–	–	1,145

6. REVENUE

	2007 HK$'000	2006 HK$'000
Commission and brokerage on securities and equity options dealing	**44,272**	32,305
Commission and brokerage on dealing in futures and options contracts	**25,836**	12,876
Placing and underwriting commission	**4,453**	5,195
Interest income from:		
Margin and initial public offer financing	**35,918**	24,120
Loans and advances	**9,890**	19,340
Bank deposits	**3,173**	1,119
Others	**149**	71
	123,691	95,026

7. STAFF COSTS

	2007 HK$'000	2006 HK$'000
Staff costs represent the amounts paid and payable to the directors and employees and comprises:		
Salaries, bonus, allowances and commission	**13,024**	10,167
Contributions to retirement benefits scheme	**600**	456
	13,624	10,623

8. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on:		
Bank overdrafts and loans wholly repayable within five years	**23,065**	13,815
Subordinated loan from a fellow subsidiary	**3,227**	5,337
Others	**579**	–
	26,871	19,152

9. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the directors were as follows:

	Chan Pak Lam, Tom HK$'000	**Yeung, Daisy HK$'000**	**Yeung Kun Lee, Sunny HK$'000**	**2007 Total HK$'000**
Fees	**–**	**–**	**–**	**–**
Other remuneration				
Salaries, allowances and benefits in kind	**729**	**654**	**165**	**1,548**
Discretionary bonus	**–**	**300**	**–**	**300**
Contributions to retirement benefits scheme	**30**	**17**	**–**	**47**
Commission	**–**	**598**	**61**	**659**
Total remuneration	**759**	**1,569**	**226**	**2,554**

	Chan Pak Lam, Tom HK$'000	Yeung, Daisy HK$'000	Yeung Kun Lee, Sunny HK$'000	2006 Total HK$'000
Fees	–	–	–	–
Other remuneration				
Salaries, allowances and benefits in kind	–	552	78	630
Discretionary bonus	–	64	–	64
Contributions to retirement benefits scheme	–	17	–	17
Commission	–	782	29	811
Total remuneration	–	1,415	107	1,522

9. DIRECTORS' REMUNERATION *(Continued)*

Prior to 30 September 2006, a director of the Company was employed by EIHL, an intermediate holding company of the Company, and its subsidiaries other than the Group (hereinafter referred to as "EIHL Group") and served both the Group and EIHL Group. Prior to 30 September 2006, EIHL Group paid the following amounts to this executive director of the Company for his services provided to the Group (the "Payment") and such amount were recharged through management fee to a fellow subsidiary. Details of the Payment are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and other benefits		
Executive director	**123**	323

On 11 July 2006, Mr. Chan Pak Lam, Tom has been appointed as executive director of the Company. On 6 November 2006, Mr. Yeung Kun Lee, Sunny was appointed as executive director of the Company.

On 1 November 2006, Mr. Wong Chi Hung was appointed as executive director of the Company and subsequently resigned on 10 November 2006.

On 1 March 2007, Ms. Yeung, Daisy was appointed as managing director of the Company; Mr. Cheng Wing Keung, Raymond, Mr. Kwok Chi Sun, Vincent and Mr. Fung Chi Kin were appointed as independent non-executive directors of the Company.

No remunerations were paid to independent non-executive directors during the current and prior years.

10. EMPLOYEES' REMUNERATION

The five individuals with the highest emoluments in the Group, included two directors of the Company for the year ended 31 March 2007 and one director for the year ended 31 March 2006, details of whose emolument is included in the disclosures in note 9 above. The emoluments of the remaining individuals for the years were as follows:

	2007	2006
	HK$'000	HK$'000
Salaries, bonus, allowances and benefits in kind	**951**	1,066
Contributions to retirement benefits scheme	**55**	65
Commission	**1,652**	889
	2,658	2,020

10. EMPLOYEES' REMUNERATION *(Continued)*

Their remuneration were within the following bands:

	Number of employees 2007	2006
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**1**	–

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

11. PROFIT BEFORE TAXATION

	2007 HK$'000	2006 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Commission	**32,853**	21,214
Amortisation of intangible assets	**386**	386
Auditor's remuneration	**600**	484
Depreciation of property and equipment	**1,061**	1,145
Exchange loss	**26**	171
Operating lease rentals in respect of		
– rented premises	**1,889**	1,706
– equipment	**67**	243
Other equipment rental expense	**2,487**	2,355
Listing expenses	**5,384**	–
Handling fee income	**(1,274)**	(1,371)
Write back for bad and doubtful debts	**(187)**	–

12. TAXATION

	2007 HK$'000	2006 HK$'000
Current year:		
Hong Kong Profits Tax		
– provision for the year	**5,953**	4,981
– overprovision for prior year	**(17)**	(24)
Deferred taxation		
– (credit) charge for the year	**(22)**	53
	5,914	5,010

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

The taxation for the year can be reconciled to the profit before taxation per the combined income statement as follows:

	2007 HK$'000	2006 HK$'000
Profit before taxation	**30,010**	31,000
Taxation at income tax rate of 17.5%	**5,252**	5,425
Tax effect of expenses not deductible for tax purpose	**1,165**	72
Tax effect of income not taxable for tax purpose	**(556)**	(550)
Overprovision in prior year	**(17)**	(24)
Other differences	**70**	87
Taxation for the year	**5,914**	5,010

12. TAXATION *(Continued)*

The following are the major deferred tax liabilities recognised and the movements thereon during the current and prior year:

	Accelerated tax depreciation HK$'000
At 1 April 2005	34
Charged to income statement	53
At 31 March 2006 and 1 April 2006	87
Credited to income statement	(22)
At 31 March 2007	65

13. DIVIDENDS

No dividends have been paid or declared by the Company and its subsidiaries during the years ended 31 March 2007 and 2006.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the combined profit attributable to equity holders of the Company for the year and on the number of 282,635,636 (2006: 282,635,636) shares in issue during the year on the assumption that the Group Reorganisation had been effective on 1 April 2005.

No diluted earnings per share has been presented for the years ended 31 March 2007 and 2006 as there were no potential ordinary shares at both balance sheet dates.

15. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furnitures and fixtures	Office equipment	Computer and equipment	Air-conditioners	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 April 2005	2,898	893	2,435	7,320	489	14,035
Additions	–	18	73	945	–	1,036
At 31 March 2006	2,898	911	2,508	8,265	489	15,071
Additions	–	–	4	131	–	135
At 31 March 2007	2,898	911	2,512	8,396	489	15,206
ACCUMULATED DEPRECIATION						
At 1 April 2005	1,846	743	1,846	6,085	356	10,876
Provided for the year	289	44	268	506	38	1,145
At 31 March 2006	2,135	787	2,114	6,591	394	12,021
Provided for the year	262	44	196	521	38	1,061
At 31 March 2007	2,397	831	2,310	7,112	432	13,082
CARRYING VALUES						
At 31 March 2007	501	80	202	1,284	57	2,124
At 31 March 2006	763	124	394	1,674	95	3,050

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

16. INTANGIBLE ASSETS

	HK$'000
COST	
At 1 April 2005	22,595
Disposal	(9,595)
At 31 March 2006 and 31 March 2007	13,000
AMORTISATION AND IMPAIRMENT	
At 1 April 2005	19,957
Charged for the year	386
Eliminated on disposal	(8,500)
At 31 March 2006	11,843
Charged for the year	386
At 31 March 2007	12,229
CARRYING VALUES	
At 31 March 2007	771
At 31 March 2006	1,157

Trading rights are amortised over 10 years being the period of the trading rights transferable from 6 March 2000, the effective day of the merger of the SEHK, the HKFE and the Hong Kong Securities Clearing Company Limited.

17. OTHER ASSETS

	2007 HK$'000	2006 HK$'000
Statutory and other deposits	**4,448**	4,308

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

The fair values of these assets at each balance sheet date approximate their carrying amounts.

18. LOANS AND ADVANCES

	2007 HK$'000	2006 HK$'000
Fixed-rate loan receivables	**19,000**	66,966
Variable-rate loan receivables	**–**	30,630
	19,000	97,596
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)		
– Fixed-rate loan receivables	**19,000**	49,966
– Variable-rate loan receivables	**–**	30,630
	19,000	80,596
Non-current assets (receivable after 12 months from the balance sheet date)		
– Fixed-rate loan receivables	**–**	17,000
	19,000	97,596

Loans and advances are secured by pledged marketable securities with an aggregate carrying value of approximately HK$103,071,000 and HK$698,681,000 at 31 March 2007 and 2006 respectively.

The ranges of effective interest rate (which are equal to contractual interest rates) on the Group's loan receivables are as follows:

	2007	2006
Effective interest rate:		
Fixed-rate loan receivables	**1% per month**	1% per month to 2.5% per month
Variable-rate loan receivables	**–**	Prime rate + 3% per annum

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

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007 **HK$'000**	2006 HK$'000
Unlisted securities		
– Equity securities of the Hong Kong Precious Metals Exchange Limited	**136**	–
– Equity securities in the Chinese Gold and Silver Exchange Society	**1,300**	1,300
Less: Impairment for unlisted securities	**(1,300)**	(1,300)
Total	**136**	–

The unlisted investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. TRADE RECEIVABLES

	2007 **HK$'000**	2006 HK$'000
Trade receivables from the business of dealing in futures contracts:		
Clearing houses and brokers	**12,605**	13,796
Trade receivables from the business of dealing in securities:		
Clearing houses, brokers and clients	**34,240**	61,556
Secured margin loans	**114,792**	89,994
Less: Impairment allowance on trade receivables	**(117)**	(304)
	161,520	165,042

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.

Except for the loans to margin clients as mentioned below, all the trade receivables arising from the business of dealing in securities and futures contracts aged within 30 days.

Loans to margin clients are secured by clients' pledged securities, repayable on demand and 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.

20. TRADE RECEIVABLES *(Continued)*

Included in secured margin loans, there is an amount receivable from a fellow subsidiary of nil and HK$85,000 at 31 March 2007 and 2006 respectively. The balances are secured by pledged securities and repayable on demand, and bear variable interest at commercial rates which are similar to the rates offered to other margin clients.

As at 31 March 2007 and 2006, the total market value of securities pledged as collateral in respect of the loans to margin clients approximately HK$415,101,000 and HK$1,023,952,000 respectively.

As at 31 March 2007, trade receivables denominated in Japanese Yen and United States dollars, are approximately HK$3,097,000 (2006: HK$1,083,000) and HK$5,600,000 (2006: HK$4,328,000) respectively.

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

21. BANK BALANCES AND CASH

	2007 **HK$'000**	2006 HK$'000
Bank balances		
– general accounts and cash	**70,028**	34,013
– trust accounts (note)	**119,367**	97,845
	189,395	131,858

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

As at 31 March 2007, bank balances and cash denominated in Japanese Yen and United States dollars, are approximately HK$296,000 (2006: nil) and HK$7,237,000 (2006: HK$50,000) respectively.

The bank balances bear interest at commercial rate with maturity of three months or less. The fair values of these assets at the balance sheet date approximate their carrying amounts.

22. TRADE PAYABLES

	2007 HK$'000	2006 HK$'000
Trade payables from the business of dealing in futures contracts:		
Margin clients	**27,376**	19,463
Trade payables from the business of dealing in securities:		
Margin and cash clients	**135,592**	147,048
	162,968	166,511

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. No aged analysis is disclosed as in the opinion of 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.

Trade payables to clearing house and brokers are non-interest bearing and repayable on demand subsequent to settlement date. Trade payables to certain margin and cash clients bear variable interest at commercial rates, and repayable on demand subsequent to settlement date. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of dealing in securities and share margin financing.

Included in trade payables amounts of HK$119,367,000 and HK$97,845,000 at 31 March 2007 and 2006 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.

Included in trade payables to margin clients arising from the business dealing in securities, there is an amount payable to a fellow subsidiary of nil and HK$155,000 at 31 March 2007 and 2006 respectively.

As at 31 March 2007, trade payables denominated in Japanese Yen and United States dollars, are approximately HK$3,392,000 and HK$12,835,000 respectively. As at 31 March 2006, all trade payables were denominated in Hong Kong dollars.

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

23. SHORT-TERM BANK BORROWINGS

The amounts represent short-term bank borrowings of HK$54,400,000 which is repayable on demand and secured by a charge over securities subscribed under initial public offering as at 31 March 2007 (2006: nil).

The bank borrowings carry interest at HIBOR plus a spread and are denominated in Hong Kong dollars.

24. SHARE CAPITAL

The Company was incorporated in Bermuda on 27 June 2006 with an authorised share capital of HK$100,000 divided into 10,000,000 shares of HK$0.01 each. 10,000,000 unpaid shares of HK$0.01 was issued to the subscriber, EIHL on 11 July 2006.

On 24 October 2006, Profit Ascent Group Limited ("PAGL") issued 1 unpaid ordinary share to the subscriber.

On 29 September 2005, Emperor Futures Limited ("EFL") issued 40,000,000 ordinary shares of HK$1 each for a total consideration of HK$40,000,000 to its then shareholders.

The share capital of the Group as at 31 March 2007 and 2006 represented the aggregate issued share capital of Emperor Securities Limited ("ESL"), Emperor Securities Nominees Limited ("ESNL"), EFL, Emperor Gold & Silver Company Limited ("EGSL") and Famous Winner Holdings Limited ("FWHL") at each balance sheet date.

25. OTHER FINANCIAL ASSETS AND LIABILITIES

THE GROUP

Other debtors, deposits and prepayments

The amounts include a rental deposit paid to a fellow subsidiary of HK$577,000 and nil at 31 March 2007 and 2006 respectively.

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

Amount due from a fellow subsidiary

The amount is of non-trade nature, non-interest bearing, unsecured and repayable on demand, the amount is settled subsequent to the year ended 31 March 2007. The fair value of the balance at each balance sheet date approximates the carrying amount.

Other creditors and accrued charges

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

26. RETIREMENT BENEFITS SCHEME

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

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

As at 31 March 2007 and 2006, forfeited contributions of nil and HK$11,000 respectively, which arose upon employees leaving the ORSO Scheme, are available to reduce the contributions payable in future years.

27. RELATED PARTY TRANSACTIONS

At each balance sheet date, the balances of the Group with related parties are set out in the combined balance sheet and notes 8, 9, 20, 22 and 25 to the combined financial statements.

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

		2007	2006
		HK$'000	HK$'000
(i)	Subordinated loan interest to a fellow subsidiary	**3,227**	5,337
(ii)	Sundry income from a related company in respect of share of operating lease rentals *(Note)*	**–**	321
(iii)	Commission paid to the associates of directors	**–**	39
(iv)	Management fee to a fellow subsidiary		
	– computer services	**391**	419
	– administrative services and staff costs	**979**	970
		1,370	1,389
(v)	Operating lease rentals expenses to a fellow subsidiary	**1,369**	1,195
(vi)	Commission and brokerage income from		
	– fellow subsidiaries	**112**	733
	– directors and their associates	**1,395**	1,398
(vii)	Client interest income from		
	– fellow subsidiaries	**5**	63
	– directors and their associates	**1,932**	561

Note: The related company has the same beneficial owner as that of the Company.

Compensation of key management personnel

The compensation of key management personnel was disclosed in note 9 to the combined financial statements.

28. OPERATING LEASE COMMITMENTS

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

	2007		2006	
	Rental premises HK$'000	**Hired equipment HK$'000**	Rental premises HK'000	Hired equipment HK'000
Within one year	**2,278**	**64**	120	67
In the second to fifth years inclusive	**1,389**	**81**	–	145
	3,667	**145**	120	212

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

29. SUBSEQUENT EVENTS

The following events took place subsequent to 31 March 2007:

(a) ESL and EFL declare dividends to their then shareholders of HK$178.5 million and HK$38.5 million respectively.

(b) In consideration of the transfer from Emperor Financial Services (Hong Kong) Limited ("EFSL") of its 100% equity interest in ESL, ESNL, EFL, EGSL and FWHL to PAGL, on 2 April 2007, PAGL:

  (i) allotted and issued four shares, credited as fully paid, to EFSL; and

  (ii) credited as fully paid at par 1 share issued by PAGL to EFSL (see *note 24 to the combined financial statements*).

(c) Pursuant to resolutions in writing of the sole shareholder passed on 2 April 2007, the authorised share capital of the Company was increased from HK$100,000 to HK$2,826,356.36 divided into 282,635,636 shares of a par value of HK$0.01 each by creation of a further 272,635,636 shares.

29. SUBSEQUENT EVENTS *(Continued)*

(d) In consideration of the transfer by EIHL to the Company of its interest in PAGL, on 2 April 2007, the Company:

(i) allotted and issued 272,635,636 shares, credited as fully paid, to EIHL at the request of EFSL and Joybridge Services Limited, an immediate holding company of EFSL, and a wholly owned subsidiary of EIHL; and

(ii) credited as fully paid at par the 10,000,000 shares issued by the Company to EIHL (see *note 24 to the combined financial statements*),

(e) On 2 April 2007, written resolutions of the sole shareholder of the Company passed to approve the matters set out in the paragraph headed "Resolutions in writing of the sole shareholder passed on 2 April 2007" in Appendix V to the Prospectus, pursuant to which the authorised share capital of the Company was increased from HK$2,826,356.36 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 further 499,717,364,364 shares.

(f) On 24 April 2007, 318,635,636 shares of HK$0.01 each of the Company were issued at HK$0.38 by way of preferential offer to the shareholders of EIHL and public offer. On the same date, the Company's shares were listed on the main board of the SEHK.

30. PRINCIPAL SUBSIDIARIES

Details of the companies which subsequently became subsidiaries of the Company following the Group Reorganisation are as follows:

Name of subsidiary	Place and date of incorporation	Issued and fully paid capital	Proportion of nominal value of issued share capital held by the Company Directly %	Proportion of nominal value of issued share capital held by the Company Indirectly %	Principal activities
Emperor Futures Limited	Hong Kong 12 May 1989	HK$50,000,000	–	100	Provision of futures brokerage services
Emperor Gold & Silver Company Limited	Hong Kong 3 March 1994	HK$7,000,000	–	100	Holding of membership in the Hong Kong Precious Metals Exchange Limited and The Chinese Gold & Silver Exchange Society
Emperor Securities Limited	Hong Kong 6 July 1990	HK$70,000,000	–	100	Provision of securities brokerage services and margin financing services
Emperor Securities Nominees Limited	Hong Kong 27 August 1996	HK$2	–	100	Provision of securities nominee services
Famous Winner Holdings Limited	Hong Kong 10 September 1999	HK$2	–	100	Signing agent for tenancy agreement
Profit Ascent Group Limited	British Virgin Islands 26 July 2006	US$5	100	–	Investment holding

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

FINANCIAL SUMMARY

	For the year ended 31 March			
	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULT				
Revenue	72,393	68,517	95,026	**123,691**
Profit before taxation	11,136	37,390	31,000	**30,010**
Taxation	(3,895)	(6,821)	(5,010)	**(5,914)**
Profit for the year	7,241	30,569	25,990	**24,096**

	As at 31 March			
	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES				
Total assets	394,514	614,835	575,965	**657,272**
Total liabilities	(89,627)	(278,203)	(173,356)	**(230,567)**
Net assets	304,887	336,632	402,609	**426,705**

The results and summary of assets and liabilities for each of the three years ended 31 March 2006 which were extracted from the Prospectus have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on the SEHK, had been in existence throughout those years.