



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

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



Second Interim Report

2008/2009

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## MANAGEMENT DISCUSSION AND ANALYSIS

Emperor Capital Group Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) provides a wide range of financial services including brokerage services for securities and futures and options traded on the exchanges in Hong Kong, Japan, the United States and the United Kingdom. It also provides margin and IPO financing as well as loans and advances to clients in Hong Kong. Its services further extended to corporate finance advisory and wealth management services.

The continuous negative news from international banks since late 2007 had fuelled investors with pessimistic sentiments and triggered panic selling in global equity markets. The worsening global financial crisis, frozen credit markets, announcements of declining corporate earnings over 2008 had also weakened investor confidence. Funds as well as retail clients continued to cash out their investments and deleverage their portfolios for the sake of cash and other low risk instruments. A widespread sell-off was triggered in the global as well as Asian markets, which were particularly weak in the second half of 2008 with investors becoming more prudent.

Meanwhile, Hong Kong had experienced a slow-down in domestic consumption and exports. Gross Domestic Product Index had declined by 7.8% in real terms from a year earlier. Private consumption expenditure contracted by 5.5% in real terms in the first quarter of 2009 from the same period of the previous year, following the 4.1% decline in the fourth quarter of 2008. Exports of services were down 8.2% year-on-year in real terms in the first quarter of 2009. These all had adversely impacted on the market sentiment and trading activities. At 31 March 2009, Hang Seng Index (“HSI”) closed at 16,740 points, down by nearly 40% from a year ago. Average daily trading volume of HSI also shrunk to HK\$40.0 billion on 31 March 2009 on the back of weak market sentiment compared to HK\$74.5 billion a year ago.

During the 12 months ended 31 March 2009 (the “Period”), the Group recorded revenue of approximately HK\$82.1 million (2008: HK\$185.3 million) and a loss for the Period of approximately HK\$26.6 million (2008: profit of HK\$45.9 million). Loss per share was 3.68 HK cents, compared to earnings per share of 7.39 HK cents in the previous period. Such loss was primarily attributable to the persistent widespread economic and financial uncertainty globally and in Hong Kong, which resulted in a decrease in turnover and an increase in impairment on trade receivables of the Group. Excluding such increased impairment, the Group recorded operating profit of approximately HK\$10.8 million for the Period.

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

During the Period, the Group had launched a three-storey financial service centre in Mongkok, Kowloon, in conjunction with the privately run Emperor Financial Group, in line with its commitment to offer full-range financial services to customers. The centre offers customers a wide range of financial services and products including brokerage, wealth management, forex and bullion trading.

The Group had also organised during the Period seminars and talks to investors and customers in Hong Kong as well as Guangzhou, PRC to raise investment awareness of the public and the popularity of the Group.

### **Brokerage**

The Group provides brokerage services for securities, options, futures, insurance and other wealth management products. During the Period, trading on The Stock Exchange of Hong Kong Limited ("SEHK") had significantly decreased and hence the securities and futures business of the Group had dropped following the outbreak of the economic turmoil. The segment recorded revenue of approximately HK\$49.2 million (2008: HK\$121.8 million), and remained core contributor to the Group's revenue, accounting for 59.9% of total revenue.

The Group had expanded the range of services to its customers during the Period. The launch of iTrade Service enabled the Group to offer HSI, MHI, HHI and MCH index and option trading services on an integrated platform. It has also extended the scope of trading services to US futures market, providing a wide range of trading services on FX futures, metal futures, energy futures, agricultural futures and equity index futures.

To extend its customers reach, the Group had also broadened its service on online trading platform to trading futures and contracts on London Metal Exchange. The Group saw a growing popularity of its online trading system, which offers customers greater access to the stock market and investment opportunities.

To stay competitive in the market, the Group endeavours to take advantage of the quieter markets to expand its business to capture future growth opportunities. The Group had launched its wealth management services, allowing its clients to diversify their portfolio to other investment products including funds and insurance related products. The wealth management section, currently in investment stage, is determined to cope with growing customer demand and facilitate clients to seize investment opportunities and enhance the quality and diversification of client assets.



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

### **Loans and Financing**

The segment comprises interest income from margin and IPO financing as well as loans and advances. During the Period, only 44 companies were newly listed on SEHK and have raised a total of HK\$34.33 billion new capital, against 79 listings and raising of HK\$303.4 billion a year ago. The weak market sentiment had discouraged financing and fund raising exercises while a number of companies had cancelled their IPOs during the subscription period or postponed their planned listings.

Income from the segment amounted to approximately HK\$19.8 million (2008: HK\$51.8 million), with decreasing demand for financing and margin activities in the markets. The segment contributed 24.1% to the total revenue.

Owing to the global adverse investment condition, the Group saw an increase in impairment on trade receivables from the Group's margin financing business. The Group has taken measures and will continue to improve its credit control.

### **Placing and Underwriting**

The Group offers placing and underwriting services. During the Period, the segment contributed revenue of approximately HK\$9.4 million (2008: HK\$11.4 million), representing 11.5% of total revenue. The team acted as agent of placing exercises and underwriters of fund-raising exercises. It will actively seek mandates for fundraising opportunities from local and mainland enterprises.

### **Corporate Finance**

The division holds a full corporate finance licence under the Securities and Futures Ordinance for advising on Takeovers Code related transactions and undertaking sponsor work for IPOs in addition to general corporate finance advisory services. Its services cover IPO-related services as well as secondary market financing services such as placing, rights issues and provision of corporate finance advisory services including merger and acquisition.

During the Period, the segment contributed revenue of approximately HK\$3.7 million (2008: HK\$0.4 million) and accounted for 4.5% of the Group's total revenue. Despite the slackened IPO activities in Hong Kong, the division had successfully sponsored a client to launch its IPO in July 2008 with overwhelming response of subscription. The division had also participated in a number of corporate financing and restructuring exercises for companies.

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

### **Risk Management**

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

#### ***Credit risk***

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

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

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

#### ***Market risk***

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

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



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

### **Risk Management (continued)**

#### ***Liquidity risk***

As part of its ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and clients. The goal of liquidity management is to enable the Group to adequately fund such business commitments as well as to comply with relevant financial resources rules applying to various licensed subsidiaries.

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

#### **Outlook**

The Group remained cautious about the market outlook with the turbulent global credit markets continues to affect the financial markets. The international financial markets are undergoing a fundamental volatility and reorganisation following the unveiling of rescue plans of financial institutions by the US government. Despite the global investment sentiment is believed to remain challenging with a contracted global economy, some markets have seen to have stabilised and rallied with some rebounds.

The Group would manage its cost structure and conduct its business prudently. The Group believes that survival is the key to staying in the business amid the rapid changing market environments and challenges. It will continue to review and improve its credit control and maintain a healthy liquidity and financial position. The Group would also incessantly improve its trading channels and platforms to foster greater efficiencies and enhance customer experiences. The management will continue to streamline the internal operations and sustain an appropriate cost containment discipline in order to improve its performance.

The management believes that mainland China, in the long term, would be a major investment focus. China is believed to be one of the markets least affected by the economic turmoil, and the recent announcement by the PRC government on proactive plans to stimulate domestic economy would take the country to a modest recovery.

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

### **Outlook (continued)**

The Group has developed a team of China-focused executives to explore business opportunities across different products and services in a move to tap into the lucrative mainland China market. We have recently launched a new line of service to our clients who wish to immigrate to Hong Kong under the Capital Investment Entrant Scheme. Our professionals would assist them to invest capital in different permissible investment assets such as equities, funds or real estates depending on client's need and market conditions through our one-stop investment platform. The Group hopes to extend its reach to corporate as well as retail clients of mainland China in the offering of brokerage, financing, corporate finance and other services while enhancing its corporate image.

Looking forward, the Group targets to diversify its revenue mix through strengthening existing business and sourcing new income streams. The Group will also strive to explore both the domestic and international markets and expand its institutional and retail clientele by leveraging on its goodwill, networking and utilising its competitive edges.

### **Capital Structure, Liquidity and Financial Resources**

There is no change in the capital structure of the Group for the Period.

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

As at 31 March 2009, the Group's current assets and current liabilities were approximately HK\$759.6 million (2008: HK\$722.5 million) and HK\$322.3 million (2008: HK\$255.1 million) respectively. The Group had no bank borrowings and zero gearing ratio was resulted (calculated based on the basis of total bank and other borrowings over total equity). Its available unutilized banking facilities were approximately HK\$80 million.

With the Group's sufficient bank balances and cash of approximately HK\$311.2 million (2008: HK\$250.2 million) as well as its existing banking facilities, the directors of the Company consider the Group has sufficient working capital for its operations and the future development of the Group.





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

### **Significant Investments**

During the Period, the Group disposed of all unlisted investment funds and a loss on such disposal of approximately HK\$10,000 was recorded. As at 31 March 2009, the Group did not have any significant investments.

### **Capital Expenditures**

During the Period, the Group incurred capital expenditures of approximately HK\$5.8 million, which was financed by the Group's internal resources. As at 31 March 2009, the Group has operating lease commitment of approximately HK\$9.8 million.

### **Foreign Exchange Exposure**

As at 31 March 2009, the Group did not have any material foreign exchange exposure.

### **Contingent Liability**

As at 31 March 2009, the Group did not have any significant contingent liability.

### **Employees and Remuneration Policy**

As at 31 March 2009, the Group has 141 (2008: 97) account executives and 71 employees (2008: 79). Total staff costs (including directors' remuneration) were approximately HK\$26.1 million (2008: HK\$29.7 million). Employees' remuneration was determined in accordance with individual's responsibility, performance and experience. Staff benefits include contributions to retirement benefit scheme, medical allowances and other fringe benefits.

### **INTERIM DIVIDEND**

The board of directors (the "Board" or the "Directors") of the Company do not recommend the payment of an interim dividend for the financial year ending 30 September 2009.

The Board of the Company announces the unaudited consolidated second interim results of the Group for the twelve months ended 31 March 2009 (the "Period") together with the comparative figures for the twelve months ended 31 March 2008. This second interim report is prepared due to the change of financial year end date from 31 March to 30 September, details of which were set out in the announcement of the Company dated 25 March 2009.

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the 12 months ended 31 March	
		2009 (unaudited) HK\$'000	2008 (audited) HK\$'000
Revenue	3	<b>82,099</b>	185,259
Other operating income		<b>3,394</b>	3,188
Staff costs		<b>(26,144)</b>	(29,697)
Commission expenses		<b>(13,084)</b>	(40,004)
Other expenses		<b>(33,335)</b>	(28,215)
Depreciation and amortisation		<b>(1,877)</b>	(1,322)
Finance costs		<b>(460)</b>	(33,627)
Impairment on trade receivables	6(c)	<b>(37,350)</b>	(533)
Loss on disposal of unlisted investment funds		<b>(10)</b>	–
Gain on disposal of intangible assets		–	701
Share of loss of an associate		<b>(395)</b>	(371)
(Loss) profit before taxation		<b>(27,162)</b>	55,379
Taxation	4	<b>611</b>	(9,437)
(Loss) profit for the period		<b>(26,551)</b>	45,942
Dividends		–	7,215
(Loss) earnings per share			
– Basic	5	<b>(HK3.68 cents)</b>	HK7.39 cents
– Diluted		<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

		As at	
		31 March 2009 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Investment in an associate		–	–
Property and equipment		7,735	3,413
Intangible assets		–	317
Other assets		4,122	4,229
Amount due from an associate		606	1,001
Available-for-sale financial assets		136	136
		<b>12,599</b>	9,096
<b>Current assets</b>			
Trade receivables	6	209,283	290,812
Loans and advances	7	10,000	–
Other debtors, deposits and prepayments		4,942	5,479
Investments held for trading		–	2,163
Tax recoverable		617	376
Bank balances and cash – trust		223,581	173,445
Bank balances and cash – general		311,171	250,224
		<b>759,594</b>	722,499
<b>Current liabilities</b>			
Trade payables	8	310,244	233,844
Other creditors and accrued charges		12,050	17,392
Tax liabilities		–	3,909
		<b>322,294</b>	255,145
<b>Net current assets</b>		<b>437,300</b>	467,354
<b>Total assets less current liabilities</b>		<b>449,899</b>	476,450
<b>Capital and reserves</b>			
Share capital		7,215	7,215
Reserves		442,396	468,947
<b>Total capital and reserves</b>		<b>449,611</b>	476,162
<b>Non-current liability</b>			
Deferred taxation		288	288
		<b>449,899</b>	476,450

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (audited) HK\$'000	Share premium (audited) HK\$'000	Special reserve (audited) HK\$'000	Capital contribution reserve (audited) HK\$'000	Retained profits (audited) HK\$'000	Share option reserve (audited) HK\$'000	Total (audited) HK\$'000
At 1 April 2007	127,000	-	-	2,004	297,701	-	426,705
Arising from group reorganisation	(127,000)	-	127,000	-	-	-	-
Issue of shares for acquisition of a subsidiary pursuant to group reorganisation	2,826	-	(2,826)	-	-	-	-
Issue of shares by way of preferential and public offers	3,187	117,895	-	-	-	-	121,082
Listing expenses	-	(10,405)	-	-	-	-	(10,405)
Issue of shares to controlling shareholder	1,202	115,431	-	-	-	-	116,633
Transaction costs attributable to issue of shares to controlling shareholder	-	(1,625)	-	-	-	-	(1,625)
Recognition of equity-settled share based payments	-	-	-	-	-	2,045	2,045
Profit for the period	-	-	-	-	45,942	-	45,942
Dividend paid by subsidiaries prior to group organisation	-	-	-	-	(217,000)	-	(217,000)
Dividend recognised as distribution	-	-	-	-	(7,215)	-	(7,215)
At 31 March 2008	7,215	221,296	124,174	2,004	119,428	2,045	476,162

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Special reserve (unaudited) HK\$'000	Capital contribution reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Total (unaudited) HK\$'000
At 1 April 2008	7,215	221,296	124,174	2,004	119,428	2,045	476,162
Loss for the period	-	-	-	-	(26,551)	-	(26,551)
At 31 March 2009	7,215	221,296	124,174	2,004	92,877	2,045	449,611

### Notes:

1. Special reserve represents the difference between the nominal value of the ordinary shares of the subsidiaries of the Company in issue and the nominal value of the shares issued by the Company for acquisition of a subsidiary pursuant to group reorganisation on 2 April 2007.
2. Capital contribution reserve represents the contribution from a related company of the Company for waiver of certain amount of management fee in previous years.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	For the 12 months ended	
	31 March	
	2009	2008
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Net cash from (used in) operating activities	<b>66,819</b>	(46,107)
Net cash (used in) from investing activities	<b>(5,872)</b>	279,233
Net cash used in financing activities	–	(52,930)
Net increase in cash and cash equivalents	<b>60,947</b>	180,196
Cash and cash equivalents at the beginning of the period	<b>250,224</b>	70,028
Cash and cash equivalents at the end of the period	<b>311,171</b>	250,224

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated second interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies adopted in the preparation of the unaudited condensed consolidated second interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 March 2008.

The following new interpretations have been issued and effective for the Group’s financial year beginning 1 April 2008. The adoption of these interpretations had no material effect on the result or financial position of the Group for the current and prior accounting periods.

HK (IFRIC) – INT 12	Service Concession Arrangements
HK (IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The following new standards, amendments to standards and interpretations have been issued by HKICPA but are not effective for the financial year beginning 1 April 2008 and have not been early adopted. The Directors anticipate that the application of these standards or interpretations will have no material impact on the results or financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HK (IFRIC) – INT 13	Customer Loyalty Programmes
HK (IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK (IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) – INT 17	Distributions of Non-cash Assets to Owners
HK (IFRIC) – INT 18	Transfers of Assets from Customers

*HKFRS represents Hong Kong Financial Reporting Standard*

*IFRIC represents the International Financial Reporting Interpretations Committee*



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Business and geographical segments

#### *Business segments*

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

Principal activities are as follows:

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

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

#### For the twelve months ended 31 March 2009

	Broking (unaudited) HK\$'000	Financing (unaudited) HK\$'000	Placing and underwriting (unaudited) HK\$'000	Corporate finance (unaudited) HK\$'000	Elimination (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
<b>REVENUE</b>						
Revenue	49,193	19,781	9,410	3,715	-	82,099
Inter-segment sales	-	186	-	-	(186)	-
	<u>49,193</u>	<u>19,967</u>	<u>9,410</u>	<u>3,715</u>	<u>(186)</u>	<u>82,099</u>

Inter-segment sales are charged at prevailing market rate.

#### RESULTS

Segment results	<u>22,775</u>	<u>(17,990)</u>	<u>8,701</u>	<u>776</u>		<u>14,262</u>
Unallocated other operating income						2,114
Unallocated corporate expenses						(43,143)
Share of loss of an associate						<u>(395)</u>
Loss before taxation						<u>(27,162)</u>
Taxation						<u>611</u>
Loss for the period						<u>(26,551)</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Business and geographical segments (continued)

#### *Business segments (continued)*

For the twelve months ended 31 March 2008

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

Inter-segment sales are charged at prevailing market rate.

#### **RESULTS**

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





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. Revenue

	For the 12 months ended 31 March	
	2009 (unaudited) HK\$'000	2008 (audited) HK\$'000
Commission and brokerage fees on dealing in securities and equity options	37,311	99,559
Commission and brokerage fees on dealing in futures and options contracts	8,602	14,237
Commission from insurance brokerage and wealth management	1,260	871
Corporate finance advisory services fee income	3,715	350
Placing and underwriting commission	9,410	11,386
Interest income from:		
Margin and initial public offer financing	17,733	51,534
Loans and advances	2,048	230
Bank deposits	1,996	6,960
Others	24	132
	<b>82,099</b>	<b>185,259</b>

### 4. Taxation

No Hong Kong Profits Tax is provided as the Group had no assessable profits arising in Hong Kong for the Period (2008: 16.5%).

### 5. (Loss) Earnings Per Share

The calculation of basic loss per share for the twelve months ended 31 March 2009 is based on the loss for the period attributable to equity holders of the Company of approximately HK\$26,551,000 (2008: profit of HK\$45,942,000) and on the weighted average number of 721,511,272 ordinary shares (2008: 621,896,913) in issue during the Period.

No diluted (loss) earnings per share was presented because the exercise price of the Company's share options was higher than the average market price of the Company's shares during both periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Trade Receivables

The aged analysis of the trade receivables which were past due but not impaired are as follows:

	As at	
	31 March 2009 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
0 – 30 days	4,167	1,052
31 – 60 days	2	174
61 – 90 days	2	270
Over 90 days	29	17
	<b>4,200</b>	1,513
Trade receivables which were neither past nor impaired	<b>205,038</b>	266,883
Gross impaired trade receivables	<b>38,045</b>	23,066
<i>Less: Impairment on trade receivables (Note c)</i>	<b>(38,000)</b>	(650)
	<b>209,283</b>	290,812

*Notes:*

- (a) No aged analysis for loans to margin clients is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of shares margin financing.
- (b) As at 31 March 2009 and 31 March 2008, the total market value of securities pledged as collateral in respect of the loans to margin clients were approximately HK\$688,237,000 and HK\$657,811,000 respectively.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Trade Receivables (continued)

(c) The movement in the impairment on trade receivables:

	As at	
	31 March 2009 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
Balance at the beginning of the period	650	117
Impairment recognised	37,350	533
Balance at the end of the period	<u>38,000</u>	<u>650</u>

As at 31 March 2009, the impairment represented individually impaired trade receivables of HK\$38,000,000 (2008: HK\$650,000) with an aggregate gross balance of HK\$38,045,000 (2008: HK\$23,066,000) due to margin clients' default or delinquency in interest or principal payments.

### 7. Loans and Advances

	As at	
	31 March 2009 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
Unsecured fixed-rate loan receivables	<u>10,000</u>	–

Carrying amount analysed for reporting purpose:

Current assets (receivable within 12 months from the period end date)

– Unsecured fixed-rate loan receivables	<u>10,000</u>	–
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The effective interest rate (which are equal to contractual interest rates) on the Group's loan receivables is 25% per annum (2008: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 8. Trade Payables

	As at	
	31 March 2009 (unaudited) HK\$'000	31 March 2008 (audited) HK\$'000
Trade payables from the business of dealing in futures contracts: Margin clients	54,491	35,089
Trade payables from the business of dealing in securities:		
Margin and cash clients	226,607	187,755
Clearing house and brokers	29,146	–
Trade payables from the business of corporate finance	–	11,000
	<b>310,244</b>	<b>233,844</b>

No aged analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of these businesses.

Included in trade payables amounts of HK\$223,581,000 and HK\$173,445,000 at 31 March 2009 and 2008 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 9. Related party transactions

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

	For the 12 months ended	
	31 March	
	2009 (unaudited) HK\$'000	2008 (audited) HK\$'000
(i) Advisory income from related companies	<b>2,055</b>	320
(ii) Commission and brokerage income from		
– a related company	–	141
– directors and their associates	<b>1,034</b>	3,505
(iii) Client interest income from directors and their associates	<b>653</b>	1,072
(iv) Management fee to related companies		
– computer services	<b>1,374</b>	245
– administrative services and staff cost	<b>2,285</b>	1,631
(v) Operating lease rentals expenses to related companies	<b>3,563</b>	1,999
(vi) Printing, advertising and promotion expenses to related companies	<b>457</b>	1,033
(vii) Secretarial fee expenses to a related company	<b>200</b>	–
(viii) Underwriting and placing commission income from related companies	–	3,560
(ix) Commission paid to the associates of a director	–	124
(x) Interest expenses paid to a controlling shareholder	–	1,310

Note: Certain directors, key management personnel and a substantial shareholder of the Company have significant influence or are deemed to have significant influence in the above related companies.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Operating lease commitments

As at 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at			
	31 March 2009		31 March 2008	
	Rental premises (unaudited) HK\$'000	Hired equipment (unaudited) HK\$'000	Rental premises (audited) HK\$'000	Hired equipment (audited) HK\$'000
Within one year	<b>5,094</b>	<b>148</b>	1,967	153
In the second to fifth years inclusive	<b>4,334</b>	<b>286</b>	230	434
	<b>9,428</b>	<b>434</b>	2,197	587



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

As at 31 March 2009, the interests and short positions of the Directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") of the issued share capital of the Company were as follows:

### (i) Long positions in ordinary shares of HK\$0.01 each of the Company

Name of Director	Capacity/ Nature of interest	Number of shares	Approximate percentage of the issued share capital
Ms. Daisy Yeung ( <i>Note</i> )	Beneficiary of a trust	325,322,302	45.09%

*Note:* The 325,322,302 shares, representing 45.09% of the share capital of the Company, were held by Win Move Group Limited ("Win Move"). The entire issued share capital of Win Move was indirectly held by STC International Limited ("STC International"), being the trustee of The Albert Yeung Discretionary Trust ("AY Trust"), a discretionary trust under which Ms. Daisy Yeung is one of the eligible beneficiaries.

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

### (ii) Long positions in underlying shares of the Company

Name of Director	Capacity/ Nature of interest	Number of underlying shares	Approximate percentage of the issued share capital
Ms. Daisy Yeung ( <i>Note</i> )	Beneficial owner	3,000,000	0.42%
Mr. Chan Pak Lam, Tom ( <i>Note</i> )	Beneficial owner	3,000,000	0.42%

*Note:* These are share options granted to the Directors on 28 January 2008 pursuant to the share option scheme adopted by the Company and became effective on 27 September 2007 and are exercisable from 28 January 2008 to 27 January 2013 at a price of HK\$1.20 per share. There is no vesting period for the options granted.

Save as disclosed above, as at 31 March 2009, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## SHARE OPTIONS

The Company adopted a share option scheme ("Share Option Scheme") at the annual general meeting held on 20 September 2007 to provide incentive or rewards to participants including the Directors and eligible employees of the Group.

Under the Share Option Scheme, the Directors are authorized, at any time within ten years after 27 September 2007, the date where the Share Option Scheme become effective, to grant options to any participant to subscribe for shares in the Company at a price not less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing prices of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. A nominal consideration of HK\$1 is payable on acceptance of the grant of options.





## SHARE OPTIONS (continued)

Details of movements in the number of share options are set out below:

Name of grantee	Date of grant	Exercise period	Exercise price of the share option	No. of share options outstanding as at 1 April 2008	No. of share options outstanding as at 31 March 2009
Ms. Daisy Yeung	28 January 2008	28 January 2008 – 27 January 2013	HK\$1.2	3,000,000	3,000,000
Mr. Chan Pak Lam, Tom	28 January 2008	28 January 2008 – 27 January 2013	HK\$1.2	3,000,000	3,000,000

During the Period, no options was granted, lapsed, exercised or cancelled under the Share Option Scheme.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2009, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company were as follows:

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

Name of shareholder	Capacity/ Nature of interest	Number of shares interested or deemed to be interested	Approximate percentage of the issued share capital
Win Move (Note)	Beneficial owner	325,322,302	45.09%
Million Way Holdings Limited ("Million Way") (Note)	Interested in a controlled corporation	325,322,302	45.09%
STC International (Note)	Trustee	325,322,302	45.09%
Dr. Yeung Sau Shing, Albert ("Dr. Yeung") (Note)	Founder of a trust	325,322,302	45.09%
Ms. Luk Siu Man, Semon ("Ms. Luk") (Note)	Family	325,322,302	45.09%

## **INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (continued)**

### **Long position in ordinary shares of HK\$0.01 each of the Company (continued)**

*Note:* The shares were held by Win Move. The entire issued share capital of Win Move was held by Million Way which was in turn wholly-owned by STC International, being the trustee of the AY Trust. STC International was deemed to be interested in the 325,322,302 shares held by Win Move as trustee of the AY Trust. Dr. Yeung, as founder of the AY Trust, was deemed to be interested in the 325,322,302 shares. By virtue of being the spouse of Dr. Yeung, Ms. Luk was also deemed to be interested in the said shares.

Save as disclosed above, as at 31 March 2009, the Directors are not aware of any other person or corporation (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, any interest 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.

## **CORPORATE GOVERNANCE**

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

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

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

The Company had adopted the Model Code as set out in Appendix 10 of the Listing Rules as the rules governing dealings by the Directors in the listed securities of the Company. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Period.



## REVIEW OF SECOND INTERIM REPORT

These condensed consolidated second interim financial statements as set out in this interim report had not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but the report had been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors of the Company.

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

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

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

Hong Kong, 25 May 2009

As at the date of this report, the Board of the Company comprised:

*Executive Directors:*

Ms. Daisy Yeung (*Managing Director*)

Mr. Chan Pak Lam, Tom

Ms. Choi Suk Hing, Louisa

*Independent Non-executive Directors:*

Mr. Fung Chi Kin

Mr. Kwok Chi Sun, Vincent

Mr. Cheng Wing Keung, Raymond