



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

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



**PUT FORWARD**  
TO ANOTHER  
STAGE

INTERIM REPORT 2014/2015

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# FINANCIAL HIGHLIGHTS

HK\$'000 (Unaudited)

|   | Six months ended 31 March |              | Changes          |
|---|---------------------------|--------------|------------------|
|   | 2015                      | 2014         |                  |
| Total revenue   | <b>289,255</b>            | 223,763      | <b>+29.3%</b>    |
| Financing   | <b>154,376</b>            | 127,797      | <b>+20.8%</b>    |
| Brokerage   | <b>51,261</b>             | 46,513       | <b>+10.2%</b>    |
| Placing & Underwriting                                      | <b>61,096</b>             | 43,380       | <b>+40.8%</b>    |
| Corporate Finance   | <b>22,522</b>             | 6,073        | <b>+270.9%</b>   |
| Profit for the period attributable to owners of the Company | <b>147,221</b>            | 71,046       | <b>+107.2%</b>   |
| Net profit margin   | <b>50.9%</b>              | 31.8%        | <b>+19.1ppts</b> |
| Earnings per share  |                           |              |                  |
| Basic   | <b>HK5.59 cents</b>       | HK2.72 cents | <b>+105.5%</b>   |
| Diluted   | <b>HK5.39 cents</b>       | HK2.71 cents | <b>+98.9%</b>    |
| Dividend per share  | <b>HK0.70 cent</b>        | HK0.60 cent  | <b>+16.7%</b>    |

# MANAGEMENT DISCUSSION AND ANALYSIS

Established in 1993, Emperor Capital Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") is a renowned Hong Kong based financial institution providing a wide range of financial services including (i) commercial and personal lending as well as margin and initial public offering ("IPO") financing; (ii) brokerage, wealth management and asset management; (iii) placing and underwriting services for listed issuers; and (iv) corporate finance advisory services.

## MARKET REVIEW

During the six months ended 31 March 2015, (the "Period"), the Hong Kong stock market was active on the back of ample liquidity from the Mainland and improvements in corporate earnings. China's regulators suggested a new round of financial reforms, which also buoyed investor confidence in the Chinese economy. Following the launch of the landmark Shanghai-Hong Kong Stock Connect program in November 2014, which aimed to provide mutual stock market access, investors in Hong Kong and Shanghai have started cross trading shares. Securities turnover in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has since increased as investors sought opportunities arising from the massive valuation gap between Hong Kong and Shanghai listed companies. During the Period, the average daily turnover on the Stock Exchange was HK\$83.55 billion (2014: HK\$63.65 billion), representing a remarkable increase of 31.3% compared with the same period last year.

Investment activities are encouraged amid an optimistic market environment, stimulating strong liquidity needs and loan demands from potential investors. In recent years, lending companies have sought to increase their exposure and brand awareness through strengthened marketing efforts. With flexible borrowing procedures and tailor-made arrangements, demand for both personal and commercial loans from licensed money lenders continued to grow. In February 2015, the Hong Kong Monetary Authority lowered the cap of loan-to-value ratio to 60.0% for properties worth less than HK\$7.0 million, to safeguard banking stability associated with residential mortgage lending. Hence, more potential borrowers are expected to obtain mortgage loans from licensed money lenders.

## FINANCIAL REVIEW

### *Overall Review*

With strong performances across all segments, the Group's total revenue registered a growth of 29.3% to HK\$289.3 million (2014: HK\$223.8 million). Profit for the period attributable to owners of the Company surged by 107.2% to HK\$147.2 million (2014: HK\$71.0 million), which is mainly attributable to the increase in commission income from placing and underwriting activities and interest income from the money lending business. Net profit margin rose by 19.1 percentage points to 50.9% (2014: 31.8%). Basic earnings per share was HK5.59 cents (2014: HK2.72 cents). The board of directors (the "Board" or the "Directors") of the Company declared an interim dividend of HK0.70 cent per share (2014: HK0.60 cent).

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

The Group financed its operations mainly by cash generated from operations, borrowings and proceeds from issuance of bonds. As at 31 March 2015, the Group's current assets and current liabilities were HK\$7,033.3 million and HK\$4,849.8 million (as at 30 September 2014: HK\$4,255.5 million and HK\$2,175.1 million), respectively. The Group's bank balances and cash amounted to HK\$409.2 million (as at 30 September 2014: HK\$527.5 million), which were denominated mainly in Hong Kong dollars.

As at 31 March 2015, there was a total of HK\$605.7 million (30 September 2014: HK\$605.7 million) 3-year unsecured guaranteed bonds denominated in Hong Kong dollars, bearing interest rate at 5.5% per annum payable annually in arrears and maturing in November 2016. The total of short-term bank borrowings and loans payable of the Group increased to HK\$3,255.0 million (30 September 2014: HK\$720.0 million) mainly to support the IPO financing business, out of which HK\$2,505.0 million was repaid in April 2015. These borrowings were denominated in Hong Kong dollars and carried interest rates approximated market rates. Together with the bonds, the total borrowings of the Group amounted to HK\$3,860.7 million (as at 30 September 2014: HK\$1,325.7 million), resulting in a gearing ratio of 231.9% (as at 30 September 2014: 84.4%; calculated as a percentage of total borrowings over total equity of the Group). The Group did not have any material foreign exchange exposure as at 31 March 2015.

With the Group's sufficient bank balances and cash, its available unutilised banking facilities of HK\$40.0 million as well as the total net proceeds of approximately HK\$1,281.5 million from the right issue and the placing which are expected to be received by the end of May 2015, the Board considers the Group has sufficient working capital for its operation and future development.

## **BUSINESS REVIEW**

Leveraging its integrated business model, the Group strives to capture the full synergies across business lines and derive maximum benefits. The Group has realigned its long-term growth objectives and sharpened its focus on the financing segment, paving a way for continued growth and success. During the Period, the Group strengthened its position in the commercial lending market. Building on its strong network and renowned reputation, coupled with the effectiveness of marketing campaigns, the Group has further enlarged its customer base and ensured its competitive position in the market. Tapping an increasing demand for loan products driven by rising investment activities, financing segment income soared to a new record high during the Period.

## **Financing**

The Group's financing segment derives interest income from commercial and personal lending as well as margin and IPO financing. The loans granted to customers range from short-term unsecured loans (e.g. tax loan, bridging loan, term loan, personal loan) to long-term secured loans (e.g. mortgage loan). Built on a renowned reputation for delivering professional and personalised loan services, the Group has developed a niche in the loan market, providing corporate and retail clients with tailored liquidity solutions to meet their corporate goals and personal needs.

The Group has aggressively accelerated expansion of the financing segment, by strengthening customer relationships, optimising revenue potential and boosting the efficiency of capital allocation. During the Period, the financing segment continued to perform strongly, with enhanced contributions from interest income of short to mid-term loans. Segmental revenue achieved a robust growth of 20.8% to HK\$154.4 million (2014: HK\$127.8 million), accounting for 53.4% (2014: 57.1%) of total revenue.

## **Brokerage**

The Group provides brokerage services for securities, futures and options traded on exchanges in Hong Kong, the United States, Japan and the United Kingdom, as well as wealth management and asset management services. During the Period, revenue generated from the brokerage services segment increased by 10.2% to HK\$51.3 million (2014: HK\$46.5 million), accounting for 17.7% (2014: 20.8%) of total revenue.

The Group operates 11 branches, covering key commercial and popular residential areas with convenient pedestrian access. The Group also runs three liaison offices, in Beijing, Shanghai and Guangzhou. As a dynamic financial institution, the Group continues to expand its product offerings on a timely basis, in response to market opportunities. In November 2014, the Group started to offer Northbound trading services, for customers to access the Shanghai-Hong Kong Stock Connect initiative.

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

Effective from 15 January 2015, the Hong Kong government has suspended new applications under the Capital Investment Entrant Scheme (“CIES”). Despite the suspension, the Group has strived to unlock the investment potential from existing CIES customers, and attract new CIES customers who had processed applications prior to the suspension being announced. Comprising qualified and experienced wealth management professionals, the Group's wealth management division provides advice regarding a wide array of investment services, including securities, mutual funds, insurance-linked products, and real estate investment.

### ***Placing and Underwriting***

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

Transactions in secondary markets have become active, in the light of an improved economic outlook and favourable sentiment. During the Period, the Group successfully completed a number of fundraising transactions. Revenue from the placing and underwriting segment grew by 40.8% to HK\$61.1 million (2014: HK\$43.4 million), accounting for 21.1% (2014: 19.4%) of total revenue. The Group served as placing agents in many equity and debt placement deals and IPO-related transactions. The Group also participated in rights issue fundraising exercises.

During the Period, the Group acted as Joint Bookrunner and Joint Lead Manager in the share offer for the IPO of Global International Credit Group Limited, which was listed on the Main Board of the Stock Exchange in December 2014.

### ***Corporate Finance***

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

During the Period, revenue from the corporate finance segment increased significantly by 270.9% to HK\$22.5 million (2014: HK\$6.1 million), accounting for 7.8% (2014: 2.7%) of total revenue.

## **OUTLOOK**

Accelerating economic and financial reforms on the Mainland will reinforce Hong Kong's position as an ideal investment destination for Chinese investors, and as a platform for overseas investors to gain access to the Mainland. Serving as a positive catalyst for both the Shanghai and Hong Kong exchanges, the Shanghai-Hong Kong Stock Connect scheme has boosted securities turnover at the Stock Exchange on trading days during April this year, beating the previous record set in 2007. The sources of investment from China will be further widened through the forthcoming Shenzhen-Hong Kong Stock Connect, which is pending approval by regulators of the two markets. Moving towards a cross-border market, the Group is well-positioned to seize the enormous opportunities arising from increased outbound capital from the Mainland.

In view of more stringent conventional bank lending requirements, licensed and non-bank money lenders provide one of the best alternatives for potential borrowers to obtain efficient and flexible liquidity solutions. This drives an increasing demand for loan services from money lenders, and creates huge potential for the Group to further expand its financing segment. The Group will strive to sharpen its edge and increase its penetration in the money lending market, whilst seeking to strengthen its lending capacity to enhance overall profitability. With a strong track record and solid business fundamentals, the Group is poised to expand its horizons and scale new heights in the years to come, aiming to maximise returns and value for shareholders.

### **RISK MANAGEMENT**

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

#### ***Credit Risk***

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

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

#### ***Margin financing***

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

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



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

### *Lending portfolio*

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

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

### **Market Risk**

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

### ***Liquidity Risk***

As part of its ordinary brokerage activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and clients. The goal of liquidity management is to ensure that the Group maintains adequate liquid capital to fund its business commitments as well as to comply with the relevant Financial Resources Rules applying to various licensed subsidiaries.

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

### ***Operational Risk***

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

### LITIGATION, CLAIMS AND CONTINGENT LIABILITY

In 2011, the Group had placed an aggregate amount of HK\$40,000,000 (the "Escrow Fund") with a solicitor firm in Hong Kong, namely, K&L Gates, as an escrow agent (the "Escrow Agent"), of which HK\$25,000,000 and HK\$15,000,000 were advanced to two respective borrowers as a loan which were agreed to be held in escrow by the Escrow Agent. The Escrow Fund had fallen due and became payable to the Group in June 2011. In July 2011, the Group had commenced legal proceedings against the two borrowers and partners of K&L Gates, claiming for the return of the Escrow Fund, plus interests and costs. In April 2015, the Group had reached a confidential settlement with K&L Gates and withdrawn the claim. It is considered that the settlement has caused no material impact to the Group.

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

### EVENT AFTER THE REPORTING PERIOD

On 26 March 2015, the Company announced to raise approximately HK\$658.0 million before expenses, by way of rights issue of 1,315,981,908 rights shares ("Rights Shares") at the subscription price of HK\$0.50 per rights share. Moreover, the Company proposed to raise approximately HK\$650.0 million before expenses by way of placing of a maximum number of 1,300,000,000 placing shares, as to 400,000,000 placing shares by RaffAello Securities (HK) Limited ("RaffAello Securities") on an underwritten basis and the balance by the placing agents, RaffAello Securities and Emperor Securities Limited, on a best effort basis. The rights issue and the placing are expected to be completed by the end of May 2015.

### EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2015, the Group had 172 (2014: 195) account executives and 134 employees (2014: 126). Total staff costs (including Directors' remuneration) were approximately HK\$40.0 million (2014: HK\$43.2 million). Employees' remuneration was determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits.

## INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK0.70 cent per share (2014: HK0.6 cent per share) for the financial year ending 30 September 2015 ("Interim Dividend"), amounting to approximately HK\$36.74 million taking into account the expected completion by the end of May 2015 of the rights issue and the placing as announced on 26 March 2015 (2014: HK\$15.8 million). The Interim Dividend will be paid on 19 June 2015 (Friday) to shareholders whose names appear on the register of members of the Company on 9 June 2015 (Tuesday).

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the Interim Dividend, from 8 June 2015 (Monday) to 9 June 2015 (Tuesday), during which period no share transfer will be effected.

In order to qualify for the Interim Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 5 June 2015 (Friday).

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|  | Notes | Six months ended 31 March       |                                 |
|--|-------|---------------------------------|---------------------------------|
|  |       | 2015<br>(unaudited)<br>HK\$'000 | 2014<br>(unaudited)<br>HK\$'000 |
| Revenue  | 4     | <b>289,255</b>                  | 223,763                         |
| Other operating income                               |       | <b>11,644</b>                   | 7,738                           |
| Staff costs  |       | <b>(40,053)</b>                 | (43,255)                        |
| Commission expenses                                  |       | <b>(37,793)</b>                 | (37,367)                        |
| Other expenses                                       |       | <b>(38,789)</b>                 | (38,394)                        |
| Finance costs  |       | <b>(20,558)</b>                 | (19,915)                        |
| Share of profit (loss) of associate(s)               |       | <b>10,506</b>                   | (1,803)                         |
| Profit before taxation                               | 5     | <b>174,212</b>                  | 90,767                          |
| Taxation   | 6     | <b>(26,991)</b>                 | (19,721)                        |
| Profit and total comprehensive income for the period |       | <b>147,221</b>                  | 71,046                          |
| Earnings per share                                   | 7     |                                 |                                 |
| - Basic  |       | <b>HK5.59 cents</b>             | HK2.72 cents                    |
| - Diluted  |       | <b>HK5.39 cents</b>             | HK2.71 cents                    |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  |       | As at                                       |   |
|--|-------|---|---|
|  |       | 31 March<br>2015<br>(unaudited)<br>HK\$'000 | 30 September<br>2014<br>(audited)<br>HK\$'000 |
|  | Notes |   |   |
| <b>Non-current assets</b>                    |       |   |   |
| Property and equipment                       |       | 5,115                                       | 5,399   |
| Intangible assets                            |       | -   | -   |
| Other assets                                 |       | 7,919                                       | 7,308   |
| Interest in an associate                     |       | 13,689                                      | 2,733   |
| Amount due from an associate                 |       | 5,987                                       | 5,987   |
| Interest in a joint venture                  |       | 536   | 536   |
| Loans and advances                           | 9     | 53,672                                      | 73,513  |
|  |       | <b>86,918</b>                               | <b>95,476</b>                                 |
| <b>Current assets</b>                        |       |   |   |
| Accounts receivable                          | 10    | 4,461,051                                   | 1,681,956                                     |
| Loans and advances                           | 9     | 1,011,107                                   | 858,911                                       |
| Other debtors, deposits and prepayments      |       | 41,692                                      | 22,816  |
| Bank balances and cash – trust accounts      |       | 1,110,262                                   | 1,164,249                                     |
| Bank balances and cash – general accounts    |       | 409,193                                     | 527,546                                       |
| Tax recoverable                              |       | 16  | 7   |
|  |       | <b>7,033,321</b>                            | <b>4,255,485</b>                              |
| <b>Current liabilities</b>                   |       |   |   |
| Accounts payable                             | 11    | 1,491,337                                   | 1,301,188                                     |
| Other creditors and accrued charges          |       | 59,331                                      | 85,341  |
| Tax liabilities                              |       | 44,156                                      | 68,599  |
| Short-term bank borrowings                   |       | 3,245,000                                   | 710,000                                       |
| Loans payable                                |       | 10,000                                      | 10,000  |
|  |       | <b>4,849,824</b>                            | <b>2,175,128</b>                              |
| <b>Net current assets</b>                    |       | <b>2,183,497</b>                            | <b>2,080,357</b>                              |
| <b>Total assets less current liabilities</b> |       | <b>2,270,415</b>                            | <b>2,175,833</b>                              |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

|                                |       | As at                                       |   |
|--------------------------------|-------|---|---|
|                                | Notes | 31 March<br>2015<br>(unaudited)<br>HK\$'000 | 30 September<br>2014<br>(audited)<br>HK\$'000 |
| <b>Non-current liabilities</b> |       |   |   |
| Bonds issued                   |       | 605,699                                     | 605,699                                       |
|                                |       | <b>605,699</b>                              | 605,699                                       |
| <b>Net assets</b>              |       | <b>1,664,716</b>                            | 1,570,134                                     |
| <b>Capital and reserves</b>    |       |   |   |
| Share capital                  |       | 26,320                                      | 26,320  |
| Reserves                       |       | 1,638,396                                   | 1,543,814                                     |
| <b>Total equity</b>            |       | <b>1,664,716</b>                            | 1,570,134                                     |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Special<br>reserve<br>HK\$'000 | Capital<br>contribution<br>reserve<br>HK\$'000 | Translation<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Share<br>option<br>reserve<br>HK\$'000 | Total<br>HK\$'000 |
|--|------------------------------|------------------------------|--------------------------------|--|------------------------------------|---------------------------------|--|-------------------|
| At 1 October 2013 (audited)                                    | 25,974                       | 841,266                      | 59,931                         | 2,004  | 53                                 | 453,815                         | 2,038                                  | 1,385,081         |
| Profit for the period  |                              |                              |                                |  |                                    | 71,046                          |  | 71,046            |
| Amount transferred from special reserve to<br>retained profits |                              |                              | (34,187)                       |  | -                                  | 34,187                          |  | -                 |
| Dividend recognised as distribution                            |                              |                              |                                |  |                                    | (34,187)                        |  | (34,187)          |
| Effect of share options exercised                              | 324                          | 12,519                       |                                |  |                                    |                                 | (2,038)                                | 10,805            |
| At 31 March 2014 (unaudited)                                   | 26,298                       | 853,785                      | 25,744                         | 2,004  | 53                                 | 524,861                         | -                                      | 1,432,745         |

|                                     | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Special<br>reserve<br>HK\$'000 | Capital<br>contribution<br>reserve<br>HK\$'000 | Translation<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Share<br>option<br>reserve<br>HK\$'000 | Total<br>HK\$'000 |
|-------------------------------------|------------------------------|------------------------------|--------------------------------|--|------------------------------------|---------------------------------|--|-------------------|
| At 1 October 2014 (audited)         | 26,320                       | 857,197                      | 9,950                          | 2,004  | 53                                 | 674,610                         | -                                      | 1,570,134         |
| Profit for the period               |                              |                              |                                |  |                                    | 147,221                         |  | 147,221           |
| Dividend recognised as distribution |                              |                              |                                |  |                                    | (52,639)                        |  | (52,639)          |
| At 31 March 2015 (unaudited)        | 26,320                       | 857,197                      | 9,950                          | 2,004  | 53                                 | 769,192                         | -                                      | 1,664,716         |



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|   | <b>Six months ended 31 March</b>                     |  |
|---|--|--|
|   | <b>2015</b><br><b>(unaudited)</b><br><b>HK\$'000</b> | <b>2014</b><br><b>(unaudited)</b><br><b>HK\$'000</b> |
| Net cash used in operating activities                       | <b>(2,608,335)</b>                                   | (457,814)  |
| Net cash from (used in) investing activities                | <b>12,919</b>  | (1,801)  |
| Net cash from financing activities                          | <b>2,477,063</b>                                     | 493,297  |
| Net (decrease) increase in cash and cash equivalents        | <b>(118,353)</b>                                     | 33,682   |
| Cash and cash equivalents as at the beginning of the period | <b>527,546</b>                                       | 338,585  |
| Cash and cash equivalents as at the end of the period       | <b>409,193</b>                                       | 372,267  |
| Analysis of the balances of cash and cash equivalents       |  |  |
| Bank balances and cash – general accounts                   | <b>409,193</b>                                       | 372,267  |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

Except for the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA, which are mandatory for the accounting periods beginning on or after 1 October 2014, the accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 30 September 2014.

|   |   |
|---|---|
| Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 27 | Investment entities   |
| Amendments to HKAS 19                           | Defined benefit plans: Employee Contribution                      |
| Amendments to HKAS 32                           | Offsetting financial assets and financial liabilities             |
| Amendments to HKAS 36                           | Recoverable amount disclosures for non-financial assets           |
| Amendments to HKAS 39                           | Novation of derivatives and continuation of hedging<br>accounting |
| Amendments to HKFRSs                            | Annual improvements to HKFRSs 2010-2012 cycle                     |
| Amendments to HKFRSs                            | Annual improvements to HKFRSs 2011-2013 cycle                     |
| HK(IFRIC) - INT 21                              | Levies  |

The executive directors of the Company anticipate that the adoption of these new and revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

|  |  |
|--|--|
| Amendments to HKFRS 11                       | Accounting for acquisitions of interests in joint operations <sup>1</sup>                          |
| Amendments to HKAS 16 and HKAS 38            | Clarification of acceptable methods of depreciation and amortization <sup>1</sup>                  |
| Amendments to HKFRS 9 and HKFRS 7            | Mandatory effective date of HKFRS 9 and transition disclosures <sup>3</sup>                        |
| Amendments to HKFRSs                         | Annual Improvements to HKFRSs 2012-2014 cycle <sup>1</sup>   |
| Amendments to HKAS 27                        | Equity method in separate financial statements <sup>1</sup>  |
| Amendments to HKFRS 10 and HKAS 28           | Sale or contribution of assets between an investor and its associate or joint venture <sup>1</sup> |
| HKFRS 9                                      | Financial instruments <sup>3</sup>   |
| HKFRS 15                                     | Revenue from contracts with customers <sup>2</sup>   |
| HKFRS 14                                     | Regulatory deferral accounts <sup>4</sup>  |
| Amendments to HKAS 1                         | Disclosure initiative <sup>1</sup>   |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidation exception <sup>1</sup>                             |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>4</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

## 3. SEGMENT INFORMATION

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 3. SEGMENT INFORMATION *(Continued)*

### Segment Revenue and Results

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

#### For the six months ended 31 March 2015

|                      | Financing<br>(unaudited)<br>HK\$'000 | Brokerage<br>(unaudited)<br>HK\$'000 | Placing<br>and<br>underwriting<br>(unaudited)<br>HK\$'000 | Corporate<br>finance<br>(unaudited)<br>HK\$'000 | Elimination<br>(unaudited)<br>HK\$'000 | Total<br>(unaudited)<br>HK\$'000 |
|----------------------|--------------------------------------|--------------------------------------|---|---|--|----------------------------------|
| <b>REVENUE</b>       |                                      |                                      |   |   |  |                                  |
| Segment revenue      |                                      |                                      |   |   |  |                                  |
| - external customers | 154,376                              | 51,261                               | 61,096  | 22,522  | -                                      | 289,255                          |
| Inter-segment sales  | 16,248                               | -                                    | -   | -   | (16,248)                               | -                                |
|                      | <b>170,624</b>                       | <b>51,261</b>                        | <b>61,096</b>   | <b>22,522</b>                                   | <b>(16,248)</b>                        | <b>289,255</b>                   |

Inter-segment sales are charged at prevailing market rate.

### RESULTS

|   |         |        |        |        |  |                |
|---|---------|--------|--------|--------|--|----------------|
| Segment results                                 | 134,092 | 12,747 | 39,330 | 17,507 |  | 203,676        |
| Unallocated other operating income              |         |        |        |        |  | 3,871          |
| Unallocated corporate expenses                  |         |        |        |        |  |                |
| - staff costs (include Directors' remuneration) |         |        |        |        |  | (27,246)       |
| - management fee to related companies           |         |        |        |        |  | (166)          |
| - service charge to a related company           |         |        |        |        |  | (5,746)        |
| - others  |         |        |        |        |  | (10,683)       |
| Share of profit of an associate                 |         |        |        |        |  | 10,506         |
| Profit before taxation                          |         |        |        |        |  | <b>174,212</b> |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 3. SEGMENT INFORMATION *(Continued)*

### Segment Revenue and Results *(Continued)*

For the six months ended 31 March 2014

|                      | Financing<br>(unaudited)<br>HK\$'000 | Brokerage<br>(unaudited)<br>HK\$'000 | Placing<br>and<br>underwriting<br>(unaudited)<br>HK\$'000 | Corporate<br>finance<br>(unaudited)<br>HK\$'000 | Elimination<br>(unaudited)<br>HK\$'000 | Total<br>(unaudited)<br>HK\$'000 |
|----------------------|--------------------------------------|--------------------------------------|---|---|--|----------------------------------|
| <b>REVENUE</b>       |                                      |                                      |   |   |  |                                  |
| Segment revenue      |                                      |                                      |   |   |  |                                  |
| - external customers | 127,797                              | 46,513                               | 43,380  | 6,073   | -                                      | 223,763                          |
| Inter-segment sales  | 13,484                               | -                                    | 16,917  | -   | (30,401)                               | -                                |
|                      | 141,281                              | 46,513                               | 60,297  | 6,073   | (30,401)                               | 223,763                          |

Inter-segment sales are charged at prevailing market rate.

### RESULTS

|   |         |       |        |     |  |          |
|---|---------|-------|--------|-----|--|----------|
| Segment results                                 | 106,222 | 8,550 | 14,686 | 557 |  | 130,015  |
| Unallocated other operating income              |         |       |        |     |  | 1,496    |
| Unallocated corporate expenses                  |         |       |        |     |  |          |
| - staff costs (include Directors' remuneration) |         |       |        |     |  | (24,231) |
| - management fee to related companies           |         |       |        |     |  | (161)    |
| - service charge to a related company           |         |       |        |     |  | (5,197)  |
| - others  |         |       |        |     |  | (9,352)  |
| Share of loss of associates                     |         |       |        |     |  | (1,803)  |
| Profit before taxation                          |         |       |        |     |  | 90,767   |

No total assets and liabilities by reportable and operating segments is disclosed as such amounts are not regularly provided to the CODM for review.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 4. REVENUE

|   | <b>Six months ended 31 March</b>                     |  |
|---|--|--|
|   | <b>2015</b><br><b>(unaudited)</b><br><b>HK\$'000</b> | <b>2014</b><br><b>(unaudited)</b><br><b>HK\$'000</b> |
| Commission and brokerage fees on dealing in securities                    | <b>32,052</b>  | 24,639   |
| Commission and brokerage fees on dealing in futures and options contracts | <b>11,862</b>  | 15,071   |
| Commission from insurance brokerage and wealth management                 | <b>3,869</b>   | 2,763  |
| Corporate finance advisory services fee income                            | <b>22,522</b>  | 6,073  |
| Placing and underwriting commission                                       | <b>61,096</b>  | 43,380   |
| Interest income from:   |  |  |
| Margin and initial public offer financing                                 | <b>95,256</b>  | 57,929   |
| Loans and advances  | <b>59,120</b>  | 69,868   |
| Bank deposits   | <b>3,478</b>   | 4,040  |
|   | <b>289,255</b>                                       | 223,763  |

## 5. PROFIT BEFORE TAXATION

|  | <b>Six months ended 31 March</b>                     |  |
|--|--|--|
|  | <b>2015</b><br><b>(unaudited)</b><br><b>HK\$'000</b> | <b>2014</b><br><b>(unaudited)</b><br><b>HK\$'000</b> |
| Profit before taxation has been arrived at after charging (crediting): |  |  |
| Included in other expenses:  |  |  |
| Depreciation of property and equipment                                 | <b>1,083</b>   | 990  |
| Allowance and written off for loans and advances                       | <b>2,500</b>   | -  |
| Included in other operating income:                                    |  |  |
| Written back for loans and advances                                    | <b>(500)</b>   | -  |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 6. TAXATION

|  | <b>Six months ended 31 March</b> |             |
|--|----------------------------------|-------------|
|  | <b>2015</b>                      | 2014        |
|  | <b>(unaudited)</b>               | (unaudited) |
|  | <b>HK\$'000</b>                  | HK\$'000    |
| Current period:                                |                                  |             |
| Hong Kong Profits Tax provision for the period | <b>26,839</b>                    | 19,568      |
| PRC Enterprise Income Tax                      | <b>152</b>                       | 153         |
|  | <b>26,991</b>                    | 19,721      |

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

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

## 7. EARNINGS PER SHARE

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

|   | <b>Six months ended 31 March</b> |             |
|---|----------------------------------|-------------|
|   | <b>2015</b>                      | 2014        |
|   | <b>(unaudited)</b>               | (unaudited) |
|   | <b>HK\$'000</b>                  | HK\$'000    |
| <b>Earnings</b>   |                                  |             |
| Earnings for the purposes of basic and diluted earnings per share | <b>147,221</b>                   | 71,046      |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 7. EARNINGS PER SHARE *(Continued)*

|  | <b>Six months ended 31 March</b> |             |
|--|----------------------------------|-------------|
|  | <b>2015</b>                      | 2014        |
|  | <b>(unaudited)</b>               | (unaudited) |
|  | <b>'000</b>                      | <b>'000</b> |
| <b>Number of shares</b>  |                                  |             |
| Weighted average number of ordinary shares for the purpose of basic earnings per share   | <b>2,631,964</b>                 | 2,608,808   |
| Effect of dilutive potential ordinary shares:<br>Share options of the Company            | <b>97,008</b>                    | 13,801      |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <b>2,728,972</b>                 | 2,622,609   |

The weighted average number of ordinary shares adopted in the calculation of the diluted earnings per share for the six months ended 31 March 2015 and 31 March 2014 have been adjusted to reflect the share options granted and outstanding as at 31 March 2015 and 31 March 2014.

## 8. DIVIDENDS

|   | <b>Six months ended 31 March</b> |                 |
|---|----------------------------------|-----------------|
|   | <b>2015</b>                      | 2014            |
|   | <b>(unaudited)</b>               | (unaudited)     |
|   | <b>HK\$'000</b>                  | <b>HK\$'000</b> |
| Recognised as distribution:   |                                  |                 |
| Final dividend of HK2.0 cents per share for the year ended 30 September 2014 paid during the Period (year ended 30 September 2013: HK1.3 cents) | <b>52,639</b>                    | 34,187          |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 9. LOANS AND ADVANCES

|   | As at                                       |   |
|---|---|---|
|   | 31 March<br>2015<br>(unaudited)<br>HK\$'000 | 30 September<br>2014<br>(audited)<br>HK\$'000 |
| Fixed-rate loans receivable                       | 1,008,722                                   | 893,713                                       |
| Variable-rate loans receivable                    | 57,760                                      | 60,914  |
|   | <b>1,066,482</b>                            | 954,627                                       |
| Less: Individually assessed impairment allowances | (1,703)                                     | (22,203)                                      |
|   | <b>1,064,779</b>                            | 932,424                                       |
| Analysed as:                                      |   |   |
| Current   | 1,011,107                                   | 858,911                                       |
| Non-current                                       | 53,672                                      | 73,513  |
|   | <b>1,064,779</b>                            | 932,424                                       |

*Note:* In April 2015, the Group has reached a confidential settlement with K&L Gates and withdrawn the claim. Detailed information is set out in the paragraph headed "Litigation, Claims and Contingent Liability" on page 10 of this report.

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

|   | As at                                       |   |
|---|---|---|
|   | 31 March<br>2015<br>(unaudited)<br>HK\$'000 | 30 September<br>2014<br>(audited)<br>HK\$'000 |
| Fixed-rate loans receivable:                      |   |   |
| Within one year                                   | 975,245                                     | 820,718                                       |
| In more than one year but no more than five years | 31,774                                      | 30,983  |
|   | <b>1,007,019</b>                            | 851,701                                       |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 9. LOANS AND ADVANCES (Continued)

|   | As at<br>31 March<br>2015<br>(unaudited)<br>HK\$'000 | 30 September<br>2014<br>(audited)<br>HK\$'000 |
|---|--|---|
| Variable-rate loans receivable:                   |  |   |
| Within one year                                   | 35,862   | 38,193  |
| In more than one year but no more than five years | 5,440  | 6,463   |
| Over five years                                   | 16,458   | 16,067  |
|   | <b>57,760</b>  | <b>60,723</b>                                 |

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

|                                | As at<br>31 March 2015<br>(unaudited)                     | 30 September 2014<br>(audited)                            |
|--------------------------------|---|---|
| Effective interest rate:       |   |   |
| Fixed-rate loans receivable    | 0.246% per month to<br>4.7% per month                     | 0.246% per month to<br>4.7% per month                     |
| Variable-rate loans receivable | Prime rate - 3% per annum to<br>Prime rate + 5% per annum | Prime rate - 3% per annum to<br>Prime rate + 5% per annum |

Included in the loans and advances as at 31 March 2015 were secured loans and advances with the aggregate amount of HK\$168,722,000 (30 September 2014: HK\$167,722,000). These secured loans and advances were secured by listed marketable securities in Hong Kong except for four (30 September 2014: two) secured loans which were secured with first legal charge in respect of residential properties located in Hong Kong, in which the collateral for each individual loan is sufficient to cover the loan amount on an individual basis. These loans and advances were advanced to various independent individual/ corporate borrowers and will be due for repayment within one year from the date of advance.

The balance of the loans and advances amounting to HK\$896,057,000 (30 September 2014: HK\$744,702,000) were unsecured. Included in the unsecured loans and advances, there were advances made to corporates and individuals, which are independent third parties of the Group, amounting to HK\$94,505,000 (30 September 2014: HK\$79,668,000), with second legal charges in respect of commercial and residential properties located in Hong Kong, which will be due for repayment within 1 to 26 years (30 September 2014: 1 to 27 years) from the respective loans' date of advance.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 9. LOANS AND ADVANCES *(Continued)*

To minimise the Group's exposure to credit risk, credit risk control team is responsible for the evaluation of customers' credit rating, financial background and repayment abilities. The Group has a policy for assessing impairment on loans and advances that are unsecured, those that are secured but without sufficient collateral and those with default or delinquency in interest or principal payment, on individual basis. The assessment is based on a close monitoring and evaluation of the collectability of individual account and on management's judgment, including the current creditworthiness of the borrowers, collateral value and the past collection history of each individual client.

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

## 10. ACCOUNTS RECEIVABLE

|  | As at                                       |   |
|--|---|---|
|  | 31 March<br>2015<br>(unaudited)<br>HK\$'000 | 30 September<br>2014<br>(audited)<br>HK\$'000 |
| Accounts receivable from the business of dealing in securities:        |   |   |
| Clearing houses, brokers and cash clients                              | 199,338                                     | 55,240  |
| Secured margin loans   | 1,560,458                                   | 1,545,371                                     |
| Initial public offer margin loan                                       | 2,515,703                                   | -   |
| Accounts receivable from the business of dealing in futures contracts: |   |   |
| Clearing houses and brokers  | 183,482                                     | 80,182  |
| Accounts receivable from the business of corporate finance             | 2,070                                       | 1,163   |
|  | <b>4,461,051</b>                            | 1,681,956                                     |

The settlement terms of accounts receivable, except for secured margin loans, arising from the business of dealing in securities are two days after trade date, and of accounts receivable arising from the business of dealing in futures contracts are one day after trade date.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 10. ACCOUNTS RECEIVABLE *(Continued)*

For secured margin loans, as at 31 March 2015, the total market value of securities pledged as collateral in respect of the loans to margin clients were approximately HK\$18,867,666,000 (30 September 2014: HK\$11,096,307,000). 98% of the balance were secured by sufficient collateral on an individual basis. Management has assessed the market value of the pledged securities of each individual customer who has margin shortfall as at year end, and considered that no impairment allowance is necessary. The loans to margin clients bear variable interest at commercial rate and are repayable on demand. No collateral was pledged for other accounts receivable.

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

|  | As at                                       |   |
|--|---|---|
|  | 31 March<br>2015<br>(unaudited)<br>HK\$'000 | 30 September<br>2014<br>(audited)<br>HK\$'000 |
| Past due:  |   |   |
| 0-30 days  | 3,031                                       | 3,288   |
| 31-60 days   | 5,047                                       | 11  |
| 61-90 days   | 21  | 5   |
| Over 90 days   | 267   | 236   |
| Accounts receivable which were past due but not impaired     | <b>8,366</b>                                | 3,540   |
| Accounts receivable which were neither past due nor impaired | <b>376,524</b>                              | 133,045                                       |
|  | <b>384,890</b>                              | 136,585                                       |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 11. ACCOUNTS PAYABLE

|   | As at                                       |   |
|---|---|---|
|   | 31 March<br>2015<br>(unaudited)<br>HK\$'000 | 30 September<br>2014<br>(audited)<br>HK\$'000 |
| Accounts payable from the business of dealing in securities:        |   |   |
| Clearing house  | 62  | 63,724  |
| Margin and cash clients   | 1,249,917                                   | 1,036,988                                     |
| Accounts payable from the business of dealing in futures contracts: |   |   |
| Margin clients  | 241,358                                     | 200,476                                       |
|   | <b>1,491,337</b>                            | <b>1,301,188</b>                              |

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

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

Included in accounts payable, amounts of HK\$1,110,262,000 and HK\$1,164,249,000 as at 31 March 2015 and 30 September 2014 respectively were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

## 12. FAIR VALUE MEASUREMENT ON FINANCIAL INSTRUMENTS

The executive directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the respective end of the reporting period approximate their corresponding fair values.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 13. RELATED PARTY TRANSACTIONS

(a) During the Period, the Group had the following significant transactions with the related parties:

|          |   | <b>Six months ended 31 March</b> |                    |
|----------|---|----------------------------------|--------------------|
|          |   | <b>2015</b>                      | <b>2014</b>        |
|          |   | <b>(unaudited)</b>               | <b>(unaudited)</b> |
|          |   | <b>HK\$'000</b>                  | <b>HK\$'000</b>    |
| (i)      | Corporate finance advisory services fee income from related companies                   | <b>1,570</b>                     | 870                |
| (ii) (a) | Service charge to a related company   |                                  |                    |
|          | - computer services   | <b>773</b>                       | 622                |
|          | - administrative services and staff costs   | <b>4,973</b>                     | 4,575              |
|          |   | <b>5,746</b>                     | 5,197              |
| (ii) (b) | Management fee to related companies   |                                  |                    |
|          | - administrative services and staff costs   | <b>166</b>                       | 161                |
| (iii)    | Operating lease rentals expenses to related companies                                   | <b>3,937</b>                     | 3,458              |
| (iv)     | Printing, advertising and promotion expenses to related companies                       | <b>619</b>                       | 582                |
| (v)      | Commission and brokerage income from  |                                  |                    |
|          | - related companies   | <b>31</b>                        | -                  |
|          | - director of the Company   | <b>1</b>                         | 1                  |
|          |   | <b>32</b>                        | 1                  |
| (vi)     | Underwriting commission expenses paid to an immediate holding Company                   | -                                | 500                |
| (vii)    | Interest expenses paid to a related company   | -                                | 436                |
| (viii)   | Accounts payable to margin and cash clients arising from business dealing in securities |                                  |                    |
|          | - an associate  | <b>3,768</b>                     | 10,444             |
|          | - directors of the Company  | <b>2,165</b>                     | 74                 |
|          |   | <b>5,933</b>                     | 10,518             |
| (ix)     | Rental and other deposits paid to related companies                                     | <b>2,467</b>                     | 2,208              |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

## 13. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) The key management personnel of the Company are the Directors of the Company. The remuneration paid to them during the period are as follows:

|                               | Six months ended 31 March       |                                 |
|-------------------------------|---------------------------------|---------------------------------|
|                               | 2015<br>(unaudited)<br>HK\$'000 | 2014<br>(unaudited)<br>HK\$'000 |
| Fees                          | 600                             | 570                             |
| Salaries and other emoluments | 11,517                          | 20,648                          |
|                               | <b>12,117</b>                   | <b>21,218</b>                   |

*Note:*

The related companies are companies indirectly controlled by Albert Yeung Holdings Limited ("AY Holdings") which is the ultimate controlling shareholder of the Company.

## 14. OPERATING LEASE COMMITMENTS

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

|  | As at   |   |   |   |
|--|---|---|---|---|
|  | 31 March 2015                                 |   | 30 September 2014                           |   |
|  | Rental<br>premises<br>(unaudited)<br>HK\$'000 | Hired<br>equipment<br>(unaudited)<br>HK\$'000 | Rental<br>premises<br>(audited)<br>HK\$'000 | Hired<br>equipment<br>(audited)<br>HK\$'000 |
| Within one year                        | 8,806   | 392   | 10,450                                      | 402   |
| In the second to fifth years inclusive | 7,507   | 301   | 11,151                                      | 493   |
|  | <b>16,313</b>                                 | <b>693</b>                                    | <b>21,601</b>                               | <b>895</b>                                  |

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

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

As at 31 March 2015, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules were as follows:

### (A) LONG POSITION INTERESTS IN THE COMPANY

#### (i) Ordinary shares of HK\$0.01 each of the Company ("Shares")

| Name of Director          | Capacity/<br>Nature of Interests | Number of<br>Issued<br>Shares held | Approximate<br>percentage<br>holding |
|---------------------------|----------------------------------|------------------------------------|--------------------------------------|
| Ms. Daisy Yeung           | Beneficiary of a trust           | 3,089,498,815<br>(Note 1)          | 78.25%<br>(Note 2)                   |
| Ms. Daisy Yeung           | Beneficial owner                 | 12,000,000                         | 0.46%                                |
| Mr. Chan Shek Wah         | Beneficial owner                 | 13,638,000                         | 0.52%                                |
| Ms. Choi Suk Hing, Louisa | Beneficial owner                 | 3,120,000                          | 0.12%                                |
| Ms. Pearl Chan            | Beneficial owner                 | 1,950,000                          | 0.07%                                |

#### Notes:

- 1,773,516,907 Shares out of these Shares were held by Emperor Capital Group Holdings Limited ("Emperor Capital Holdings"), a wholly-owned subsidiary of AY Holdings. The remaining 1,315,981,908 Shares represent the Rights Shares undertaken and underwritten by Emperor Capital Holdings. AY Holdings was held by STC International Limited ("STC International") being the trustee of The Albert Yeung Discretionary Trust (the "AY Trust"), a discretionary trust under which Ms. Daisy Yeung is one of the eligible beneficiaries.
- The percentage is calculated based on the number of issued Shares as enlarged by the issuance of the Rights Shares.



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

## (A) LONG POSITION INTERESTS IN THE COMPANY *(Continued)*

### (ii) Share options

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

*Note:* These were share options granted to the Directors under the share option scheme of the Company adopted on 20 September 2007 (became effective on 27 September 2007) as amended on 13 August 2013.

## (B) LONG POSITION INTERESTS IN ASSOCIATED CORPORATIONS OF THE COMPANY

| Name of Director | Name of<br>associated<br>corporation                             | Capacity/<br>Nature of interests | Deemed<br>interest of<br>shares held | Approximate<br>percentage<br>holding |
|------------------|--|----------------------------------|--------------------------------------|--------------------------------------|
| <u>Shares</u>    |  |                                  |                                      |                                      |
| Ms. Daisy Yeung  | Emperor International Holdings Limited ("Emperor International") | Beneficiary of a trust           | 2,747,610,489                        | 74.83%                               |
| Ms. Daisy Yeung  | Emperor Entertainment Hotel Limited ("Emperor E Hotel")          | Beneficiary of a trust           | 816,287,845                          | 62.67%                               |
| Ms. Daisy Yeung  | Emperor Watch & Jewellery Limited ("Emperor W&J")                | Beneficiary of a trust           | 3,617,860,000                        | 52.57%                               |

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

### (B) LONG POSITION INTERESTS IN ASSOCIATED CORPORATIONS OF THE COMPANY *(Continued)*

| Name of Director  | Name of associated corporation | Capacity/Nature of interests | Amount (HK\$) |
|-------------------|--------------------------------|------------------------------|---------------|
| <u>Debentures</u> |                                |                              |               |
| Ms. Daisy Yeung   | Emperor International          | Beneficiary of a trust       | 270,000,000   |

*Note:* Emperor International, Emperor E Hotel and Emperor W&J are companies with their shares listed in Hong Kong. These respective shares/debentures were ultimately owned by AY Holdings which was in turn held by STC International, the trustee of the AY Trust. Ms. Daisy Yeung, by virtue of being one of the eligible beneficiaries of the AY Trust, is deemed to be interested in the said shares/debentures.

Save as disclosed above, as at 31 March 2015, none of the Directors or chief executives of the Company and their associate(s) 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 (then amended on 13 August 2013) 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.

On 13 August 2013, the Company granted certain share option to the Executive Directors. Details of movements in the number of share options during the Period are set out below:

| Name of Grantee           | Exercise Date/Period | Exercise Price per Share (HK\$) | Number of share options  |                             |                          |
|---------------------------|----------------------|---------------------------------|--------------------------|-----------------------------|--------------------------|
|                           |                      |                                 | Balance as at 01.10.2014 | Exercised during the Period | Balance as at 31.03.2015 |
| Ms. Daisy Yeung           | (Note 1)             | 0.334                           | 18,000,000               | -                           | 18,000,000               |
|                           | (Note 2)             | 0.334                           | 22,908,000               | -                           | 22,908,000               |
| Mr. Chan Shek Wah         | (Note 1)             | 0.334                           | 18,000,000               | -                           | 18,000,000               |
|                           | (Note 2)             | 0.334                           | 22,908,000               | -                           | 22,908,000               |
| Ms. Choi Suk Hing, Louisa | (Note 1)             | 0.334                           | 4,116,000                | -                           | 4,116,000                |
|                           | (Note 2)             | 0.334                           | 5,232,000                | -                           | 5,232,000                |
| Ms. Pearl Chan            | (Note 1)             | 0.334                           | 2,574,000                | -                           | 2,574,000                |
|                           | (Note 2)             | 0.334                           | 3,270,000                | -                           | 3,270,000                |

Notes:

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

During the Period, no option was granted or cancelled under the Share Option Scheme.

## OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at 31 March 2015, so far as is known to any Director or chief executives of the Company, the following persons or corporations (other than a Director or chief 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 THE SHARES**

| <b>Name</b>            | <b>Capacity/<br/>Nature of interest</b>  | <b>Number of issued<br/>Shares interested<br/>in or deemed<br/>to be interested</b> | <b>Approximate<br/>percentage<br/>holding</b> |
|------------------------|--|---|---|
| AY Holdings            | Interest in a controlled corporation   | 3,089,498,815<br><i>(Note 1)</i>  | 78.25%<br><i>(Note 2)</i>                     |
| STC International      | Trustee  | 3,089,498,815<br><i>(Note 1)</i>  | 78.25%<br><i>(Note 2)</i>                     |
| Dr. Albert Yeung       | Founder of a discretionary trust   | 3,089,498,815<br><i>(Note 1)</i>  | 78.25%<br><i>(Note 2)</i>                     |
| Ms. Luk Siu Man, Semon | Interest of spouse   | 3,089,498,815<br><i>(Note 1)</i>  | 78.25%<br><i>(Note 2)</i>                     |
| RaffAello Securities   | Interests to underwriter under an underwriting and placing agreement to acquire Shares | 400,000,000   | 7.62%<br><i>(Note 2)</i>                      |

#### *Notes:*

- The above Shares were the same Shares as those set out under Section (a)(i) of "Directors' and Chief Executives' Interests and Short Positions in Securities" above.*
- The percentage is calculated based on the number of issued Shares as enlarged by issuance of the Rights Shares.*

All interests stated above represent long positions. As at 31 March 2015, no short positions were recorded in the SFO register of the Company.

Save as disclosed above, as at 31 March 2015, the Directors were not aware of any person or corporation (other than the Directors and chief executives of the Company) who had, or were deemed or taken to have, any interests or short positions in 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**

During the Period, the Company had complied with all code provisions of the Corporate Governance Code under Appendix 14 of the Listing Rules, except with the deviation from code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, the Board has appointed Ms. Daisy Yeung as the Managing Director of the Company, who is responsible for the management of the Board and the day-to-day management of the business of the Group. 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 its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the Period.

## **CHANGES IN INFORMATION OF DIRECTORS**

The changes in Directors' information since the date of the 2013/2014 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

On the recommendation of the Remuneration Committee, the Board had reviewed and revised the remuneration of the Executive Directors with effect from 1 January 2015 based on the performance, experience, ability and responsibility of the individuals and with reference to the market rates. The total emoluments of the Executive Directors of the Company, namely Ms. Daisy Yeung, Mr. Chan Shek Wah, Ms. Choi Suk Hing, Louisa and Ms. Pearl Chan for the six months ended 31 March 2015 were approximately HK\$2,901,400, HK\$4,959,000, HK\$2,185,900 and HK\$1,770,200 respectively. These amounts comprise basic salaries, allowance and director's fee accrued in respect of his/her service during the Period as well as performance related incentive payment (related to previous year's performance) and retirement benefits scheme contribution during the Period.

## REVIEW OF INTERIM REPORT

The condensed consolidated financial statements as set out in this interim report had not been audited nor reviewed by the Company's auditor, Deloitte Touche Tohmatsu, but this report had been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors of the Company, namely Mr. Chu Kar Wing, Mr. Poon Yan Wai and Mr. Tse Hin Lin, Arnold.

## 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, 19 May 2015

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

*Executive Directors:*

Ms. Daisy Yeung  
Mr. Chan Shek Wah  
Ms. Choi Suk Hing, Louisa  
Ms. Pearl Chan

*Independent Non-executive Directors:*

Mr. Chu Kar Wing  
Mr. Poon Yan Wai  
Mr. Tse Hin Lin, Arnold

This Interim Report (in both English and Chinese versions) is available to any shareholder in printed form and on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.emperorcapi.com>). In order to protect the environment, the Company highly recommends shareholders to elect to receive electronic copy of this Interim Report. Upon written request, a free printed version of Corporate Communication will be sent to shareholders who have elected to receive electronic copies but for any reason have difficulty in receiving or gaining access to any Corporate Communication through the Company's website. Shareholders may have the right to change their choice of receipt of our future Corporate Communications at any time by reasonable notice in writing to the Company or the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited, by post at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com).