
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set out in the section headed "Risk factors" on pages 17 to 26 of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS

The Group provides a wide range of financial services in Hong Kong, including brokerage services for securities, futures and options traded on the exchanges in Hong Kong, Japan and the US. The Group also provides margin and initial public offer financings as well as loans and advances to its clients in Hong Kong.

Stockbroking

The Group's stockbroking business is carried out by Emperor Securities which executes trades on behalf of its clients in securities listed and traded on the Stock Exchange. Emperor Securities also participates in underwriting and placing of securities listed or to be listed on the Stock Exchange. For each of the three years ended 31 March 2006 and the nine months ended 31 December 2005 and 2006, commission income from stockbroking business accounted for approximately 45.23%, 46.05%, 34.00%, 34.45% and 32.76% respectively of the Group's total turnover. As at 31 December 2006, the Group had about 3,692 active securities clients whose accounts have recorded activities for purchase and/or sale of securities in the past twelve months. These active securities clients include 2,995 cash clients and 697 margin clients, approximately 98.62% of which are retail investors and the remaining 1.38% are corporate clients.

Futures and options brokerage

Emperor Futures provides brokerage services for futures and options traded on the Futures Exchange, commodities and currency futures traded on exchanges in the US and commodities futures traded on exchanges in Japan. For each of the three years ended 31 March 2006 and the nine months ended 31 December 2005 and 2006, commission income from futures and options broking accounted for approximately 6.32%, 3.86%, 13.55%, 13.38% and 22.63% respectively of the Group's total turnover. As at 31 December 2006, the Group had about 369 active futures clients whose accounts have recorded open and/or close position of futures contracts transactions in the past twelve months. These active futures clients include approximately 98.37% of retail investors and the remaining 1.63% are corporate clients.

SUMMARY

Financing

Emperor Securities also offers margin and initial public offer financings to its clients who wish to purchase securities on a margin basis. As at 31 December 2006, the Group had about 697 active margin clients whose margin securities trading accounts have recorded activities for purchase and/or sale of securities in the past twelve months. For each of the three years ended 31 March 2006 and the nine months ended 31 December 2005 and 2006, interest income derived from the Group's margin and initial public offer financings business accounted for approximately 13.12%, 13.19%, 25.38%, 23.03% and 31.09% of the Group's total turnover respectively.

In addition to margin and initial public offer financings, Emperor Securities also provides loans and advances to its clients, which are term loans secured by stocks listed on the Stock Exchange. For each of the three years ended 31 March 2006 and the nine months ended 31 December 2005 and 2006, interest income derived from such loans and advances accounted for approximately 29.84%, 26.43%, 20.35%, 21.07% and 6.99% of the Group's total turnover respectively.

The Directors are of the view that the Group has the following competitive advantages:

- the Group's brokerage business has commenced for more than 12 years with stable business development;
- the Group has a recognised brand and strong client base;
- the Group's management team has extensive experience in the securities dealing and financial services industry;
- the Group possesses a competent and dedicated team of professionals; and
- the Group always strives to remain healthy and vibrant by constantly equipping its front line employees through regular professional training and the Directors believe that the main reason for the Group's success in retaining its position in the fiercely competitive industry is its ability to remain lean and efficient.

DISCIPLINARY ACTIONS

The Group's operations are subject to the securities laws, rules and regulations promulgated by the SFC and other relevant regulatory authorities in Hong Kong. In the past, SFC has instigated the following public disciplinary actions against the existing or former licensed persons of the Group for non-compliance with the relevant rules and regulations:

- In July 2001, SFC announced that it had suspended the registrations of a former dealer's representative of Emperor Securities and Emperor Futures, Mr Poon Pong Wah, for 30 months;
- In November 2001, SFC made a public reprimand against Ms. Fan Man Seung, Vanessa in her capacity as the then dealing director of Emperor Securities;

SUMMARY

- In March 2007, SFC publicly reprimanded and fined Ms. Yan Yuk Hing, Liza, a licensed representative of Emperor Securities and Emperor Futures, for failing to keep sufficiently accurate and contemporaneous written record of client's orders; and
- In March 2007, SFC fined Ms. Wong Man Suen (formerly known as Wong Yuen Yu) for making unsolicited calls when employed as a licensed representative of Emperor Futures.

PENDING INVESTIGATION CASES INSTIGATED BY THE SFC

Emperor Futures and/or Emperor Securities are currently subject to two investigation cases and the SFC has informed that it has completed one investigation case and has proposed disciplinary actions against Emperor Securities including public reprimand and pecuniary penalty. Emperor Securities has made a submission to seek to mitigate the SFC's proposed disciplinary actions; whatever the outcome, the Directors believe that the proposed disciplinary actions would not have a material adverse impact on the business, financial position or performance of the Group. SFC is yet to conclude the result of its investigation into the remaining pending investigation case in respect of the internal control systems of Emperor Securities and Emperor Futures as regards cold calling activities. After considering the area of concern as identified by the SFC in that investigation case, the Directors do not anticipate that any actions, if taken, by the SFC would have a material adverse impact on the business, financial position or performance of the Group.

Internal Control Systems

The internal control systems of Emperor Securities and Emperor Futures had certain weaknesses or require further enhancements, as revealed in, among others, the past regulatory visits and the two reports issued by the Reviewing Firm on the review of certain internal control systems of the Company, Emperor Securities and Emperor Futures undertaken recently. Emperor Securities and Emperor Futures have significantly enhanced their systems in response to, among others, the weaknesses identified by the regulators or the Reviewing Firm in its two reports issued in November 2006, the First Report, and January 2007, the Second Report, respectively. Save as disclosed in the section headed "Business – Review of internal control systems" of this prospectus, the Reviewing Firm is satisfied that the remedial measures as recommended have been taken up by the Company to address the significant weaknesses identified by the Reviewing Firm in the First Report and the Second Report.

The Directors are of the view that after effecting the remedial work on the significant weaknesses identified by the Reviewing Firm in the First Report and the Second Report, the current internal control systems of Emperor Securities and Emperor Futures have been significantly enhanced and are effective to enable the Group to, among others, carry out business in an orderly manner and to safeguard its and clients' assets. The management of the Group would oversee the effective implementation of the internal control systems. However, many of the internal control systems adopted by Emperor Securities and Emperor Futures have a short period of implementation and their effectiveness in implementation is yet to be proven. Further refinement may be required and the management is committed to perform review of the control systems from time to time to further improve their effectiveness. Internal controls, no matter how well designed and operated, can provide only reasonable assurance of achieving an entity's control objective. The likelihood of achievement is affected by limitations inherent to internal controls. These include the realities that human judgement in decision-making can be faulty and that breakdowns in internal controls can occur because of human failures such as simple errors or mistakes. Continuous training would be conducted to increase the acceptance of the newly and significantly changed internal control systems and policies. Additionally, internal controls, whether manual or automated, can be circumvented by the collusion of two or more people or inappropriate management override.

SUMMARY

TRADING RECORD

The following is a summary of the audited combined results of the Group for each of the three years ended 31 March 2006 and the nine months ended 31 December 2005 and 2006 extracted from the accountants' report, the text of which is set out in appendix I to this prospectus. The audited combined results are prepared on the basis of presentation set out in the accountants' report in appendix I to this prospectus. This summary should be read in conjunction with the accountants' report set out in appendix I to this prospectus – see pages 187 to 220 of this prospectus.

| | Year ended 31 March | | | Nine months ended 31 December 2005 | Nine months ended 31 December 2006 |
|--|---------------------|--------------------|-------------------|---------------------------------------|---------------------------------------|
| | 2004 | 2005 | 2006 | 2005 | 2006 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | (Unaudited) | |
| Revenue | 72,393 | 68,517 | 95,026 | 60,756 | 94,606 |
| Other operating income | 2,047 | 4,094 | 1,857 | 1,332 | 1,888 |
| (Impairment allowances)/write back for bad and doubtful debts | (8,034) | 9,870 | – | – | (34) |
| Staff costs | (10,818) | (11,015) | (10,623) | (7,872) | (8,100) |
| Other operating and administrative expenses | (32,302) | (28,495) | (34,951) | (23,579) | (40,958) |
| Depreciation and amortisation | (3,120) | (1,615) | (1,530) | (1,218) | (1,111) |
| Finance costs | (1,031) | (4,013) | (19,152) | (9,878) | (22,206) |
| Gain on disposal of property and equipment | – | 47 | – | – | – |
| Gain on disposal of intangible assets | – | – | 373 | 238 | – |
| Impairment loss on intangible assets | (8,000) | – | – | – | – |
| Profit before taxation | 11,135 | 37,390 | 31,000 | 19,779 | 24,085 |
| Taxation | (3,895) | (6,821) | (5,010) | (3,471) | (4,926) |
| Profit for the year/period | <u>7,240</u> | <u>30,569</u> | <u>25,990</u> | <u>16,308</u> | <u>19,159</u> |
| Dividends | <u>7</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| Earnings per share | <u>2.56 cents</u> | <u>10.82 cents</u> | <u>9.20 cents</u> | <u>5.77 cents</u> | <u>6.78 cents</u> |

Notes:

- Revenue mainly comprises commission income earned from brokerage services in respect of securities, equity options, futures and options contracts, and interest income from margin and initial public offer financing activities and loan advances.
- The calculation of earnings per Share is based on the Group's net profit for the above years/period and on the assumption that 282,635,636 Shares were in issue throughout the years/period under review.

SUMMARY

DIVIDENDS

Dividends of HK\$6,936 were declared by Famous Winner for the year ended 31 March 2004 and paid to its then shareholders in cash. No dividend was paid or declared by the Group during the two years ended 31 March 2006.

On 2 April 2007, Emperor Securities and Emperor Futures declared and paid special interim dividends of HK\$178.5 million and HK\$38.5 million respectively to their then shareholders.

The declaration of future dividends will be at the discretion of the Directors and will depend on, among others, the Group's earnings, financial conditions, cash requirements and availability, and other factors as the Directors may deem relevant. Accordingly, potential investors should note that the historical dividend payments should not be regarded as an indication of future dividend policy.

FUTURE PLANS AND PROSPECTS

The Group will continue to leverage on its competitive edge in the retail segment to further enlarge its client base. The Group intends to expand its sales and marketing team by recruiting professional sales personnel from the market. The Group will also continue to seek suitable locations and recruit quality branch managers to expand the Group's branch network.

The Securities and Futures (Financial Resources) (Amendment) Rules 2006 (the "New FRR Rules") which was gazetted on 15 May 2006 came into operation on 1 October 2006. This New FRR Rules impose a higher haircut percent to non-index constituent stocks to those securities firms that repledge clients' collateral to banks. In addition, securities firms, whether repledging client's collateral or not, will be subject to 100% haircut percentage for warrants. The Group may on one hand, require more capital to strengthen its margin financing business. On the other hand, the Group sees this as a business opportunity to expand the margin financing business. The Group may capture those clients who may drop out from other smaller securities firms which, with a weaker financial support, cannot maintain the same level of business under the New FRR Rules.

The Group's long term plan is to develop the institutional sales segment. The Group intends to build up a professional institutional sales team and further develop its research team to provide institutional investors with quality sales services and research reports.

The significant rise in the price of oil, gold and other precious metals in the past couple of years had attracted investors' interest in the commodities futures market. In response to the changing market sentiment, a team of professional commodities sales personnel and alliance with overseas commodities brokers have been set up. The Group expects that the commodities market will continue to be one of the focuses of the world economy in the years to come and will be giving full support, in terms of management and financial resources, to build up this emerging business segment of the Group.

SUMMARY

In terms of the prospect of the Group's business, the Company expects its business will continue to grow as a result of the Hong Kong Government's determination to boost the development of the financial services market in Hong Kong to enhance Hong Kong's position as an international financial center as well as the close economic relationship between Hong Kong and the PRC. Since the PRC economy has been developing rapidly, the demand of the PRC enterprises for capital raising and other financial services keeps increasing. As such, the close economic relationship between Hong Kong and the PRC will definitely benefit the securities industry in Hong Kong and hence the Group's business.

Hong Kong stock market was the 6th largest in the world and the 2nd largest in Asia in terms of market capitalisation as at the end of December 2006¹. In terms of initial public offering fund raised in 2006, Hong Kong ranked 2nd in the world. A wide variety of products are traded in the Hong Kong stock market, ranging from ordinary shares to options, warrants, Real Estate Investment Trusts (REITs) and debt securities. Hong Kong is therefore a prominent and obvious platform for funds from the PRC in view of the wide range of investment products traded in Hong Kong.

As at the end of December 2006, 1,173 companies were listed on the Main Board and the GEM Board of the Stock Exchange, with a market capitalisation of HK\$13,338 billion. Among them, 367 were PRC enterprises, the market capitalisation of which amounted to about 50.3% of the aggregate market capitalisation of all shares listed on the Stock Exchange. Hong Kong offers a choice for the PRC enterprises to get listed and raise funds.

The securities industry in Hong Kong remained buoyant in the second half of 2006 with market capitalisation and market turnover reached record high. After rising 13.8% in the last quarter of 2006, as compared to the third quarter of 2006, the HSI rose to close to 20,000 level, at the end of December 2006. The market capitalisation also exceeded HK\$13,000 billion in December 2006 and the average Stock Exchange daily turnover was sharply boosted by 85% to HK\$33.9 billion in 2006 from approximately HK\$18.3 billion in 2005. Initial public offering in Hong Kong continued to be active during the last quarter of 2006 with 24 initial public offering on the Main Board and 1 on GEM, compared with 10 on the Main Board and 1 on GEM during the third quarter of 2006. The total amount of equity funds raised through initial public offering was HK\$195 billion during the last quarter of 2006, compared with HK\$32.6 billion during the third quarter of 2006. The Company expects the securities industry in Hong Kong will continue to grow, thereby benefiting the Group's business.

Notes:

¹ Market Capitalisation of the World's Top Stock Exchanges published at SFC's website.

SUMMARY

USE OF PROCEEDS OF THE SHARE OFFER

The net proceeds of the Share Offer, after deduction of expenses, are estimated to amount to approximately HK\$111 million (calculated based on the Offer Price of HK\$0.38). In view of the potential growth of the Group's business as mentioned in the section of "Future plans and prospects" above, a stronger capital base and working capital position is required to support the ongoing growth of the Group's businesses. The Directors intend to apply the net proceeds as follows:–

- as to approximately HK\$104 million to fund and develop its ordinary businesses, which may include placing and underwriting activities as well as the margin and initial public offer financing businesses;
- as to approximately HK\$5 million for opening new branches, upgrading the Group's computer system, recruiting qualified personnel to expand its sales team to serve the retail and institutional stock brokerage business as well as expanding its research team and advertising; and
- as to the balance of approximately HK\$2 million as general working capital of the Group.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short term deposits with licensed financial institutions in Hong Kong.

SHARE OFFER STATISTICS

| | Based on an Offer Price of HK\$0.38 |
|---|--|
| Market capitalisation (<i>Note 1</i>) | HK\$228 million |
| Historical price-earnings multiple (<i>Note 2</i>) | 4.1 times |
| Adjusted net tangible asset value per Share (<i>Note 3</i>) | 88 cents |

Notes:

1. The calculation of market capitalisation at the Offer Price is based on 601,271,272 Shares expected to be in issue immediately following completion of the Share Offer.
2. The calculation of the price/earnings multiple is based on the historical earnings per Share of approximately 9.20 cents for the year ended 31 March 2006, the Offer Price of HK\$0.38 per Share and 282,635,636 Shares in issue after the Reorganisation.
3. The adjusted net tangible asset value per Share is based on the net tangible assets attributable to equity holders of the Company, the estimated net proceeds from the Share Offer and 601,271,272 Shares expected to be in issue immediately following completion of the Share Offer. On 2 April 2007, Emperor Securities and Emperor Futures declared and paid special interim dividends approximated to HK\$217,000,000 in total to their then shareholders, which are wholly owned by EIHL. Taking the financial effects of this event into account, the unaudited proforma adjusted net tangible assets per Share will be reduced by HK\$0.36. Details of the calculation are set out in the paragraph headed "Unaudited pro forma adjusted net tangible assets" in appendix II to this prospectus.

SUMMARY

RISK FACTORS

The Directors consider that the Group's business is subject to a number of risk factors which can be summarised as follows:

Risks associated with the Group

- Risk of compliance failure
- Credit risks
- Risk of financing business
- Reliance on stockbroking commission and securities financing
- Reliance on major clients
- Competition in the securities industry
- Risk of underwriting business
- Risk of error trading
- Risk of operational system failure
- Competition from internet securities trading
- The Hong Kong stock market
- The US and Japan futures markets
- Reliance on key management personnel
- Foreign exchange exposure
- Collection of deposit placed with brokerage firms in Japan and the US
- Dividend policy
- Licensing of trademarks

SUMMARY

Risks associated with the industry

- High level of liquidity required
- Rules amendments and changes of the Code of Conduct to address risks arising from securities margin financing
- Amendments to the rules and procedures of HKCC
- Grant of new trading rights

Risks associated with Hong Kong

- Macroeconomic considerations

Risks associated with the Shares

- Marketability and possible price volatility of the Shares
- Dilution of Shareholders' equity interests

Risks associated with the prospectus

- Forward-looking statements