

# TANRICH

TANRICH FINANCIAL HOLDINGS LIMITED  
敦沛金融控股有限公司\*

Stock Code: 812



**2014**  
ANNUAL  
REPORT

**MAXIMIZING**  
POTENTIAL GROWTH



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Dr. YIP Man Fan (*Chairman*)

Mr. KWOK Kam Hoi (*Deputy Chairman and Chief Executive Officer*)

Mr. TSUNOYAMA Toru

Ms. WONG, Vicky Lai Ping

Mr. LIN Peng

#### *Independent Non-executive Directors*

Mr. MA, Andrew Chiu Cheung

Mr. YU King Tin

Mr. LAM Kwok Cheong

### AUDIT COMMITTEE

Mr. MA, Andrew Chiu Cheung (*Chairman*)

Mr. YU King Tin

Mr. LAM Kwok Cheong

### REMUNERATION COMMITTEE

Mr. YU King Tin (*Chairman*)

Mr. MA, Andrew Chiu Cheung

Mr. LAM Kwok Cheong

Mr. TSUNOYAMA Toru

Ms. WONG, Vicky Lai Ping

### NOMINATION COMMITTEE

Dr. YIP Man Fan (*Chairman*)

Mr. MA, Andrew Chiu Cheung

Mr. YU King Tin

Mr. LAM Kwok Cheong

Ms. WONG, Vicky Lai Ping

### AUTHORISED REPRESENTATIVE

Mr. KWOK Kam Hoi

Miss FUNG Suk Han

### COMPANY SECRETARY

Miss FUNG Suk Han

### REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda



## CORPORATE INFORMATION

<b>HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG</b>	Rooms 1601, 1606-08 16/F., Central Plaza 18 Harbour Road Wanchai Hong Kong
<b>BERMUDA PRINCIPAL SHARE REGISTRAR</b>	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda
<b>BRANCH SHARE REGISTRAR IN HONG KONG</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>AUDITOR</b>	Mazars CPA Limited <i>Certified Public Accountants</i> 42nd Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
<b>LEGAL ADVISER AS TO HONG KONG LAW</b>	PHILLIPS Solicitors 3506, Tower 1 Lippo Centre 89 Queensway, Central Hong Kong
<b>LISTING INFORMATION</b>	The Stock Exchange of Hong Kong Limited Stock Code: 812
<b>WEBSITE</b>	<a href="http://www.tanrich-group.com">www.tanrich-group.com</a>

## DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Dr. Yip Man Fan**, aged 61, is the Chairman of the Company and the founder of the Group. He is also the Chairman of nomination committee of the Company. Dr. Yip is also a director of certain subsidiaries of the Company, namely Tanrich Financial (Management) Limited, Tanrich Investment Management Limited, Tanrich Finance Limited, Tanrich Investments Limited, Tanrich Promotion Limited and Tanrich Properties Agency Limited. Dr. Yip has been in the securities and futures broking businesses for over 30 years. He is responsible for business development, corporate strategies and policies setting of the Group. Dr. Yip was awarded a doctoral degree in commerce (Honoris Causi) from The University of West Alabama in 2007. He also received the World Outstanding Chinese Award from United World Chinese Association in 2008. Dr. Yip was the past President of Lions Club of the Peak, Hong Kong. He also received the Melvin Jones Fellow award for dedicated Humanitarian Services of Lions Clubs International Foundation.

**Mr. Kwok Kam Hoi**, aged 62, is the Deputy Chairman and Chief Executive Officer of the Company. Mr. Kwok is also a director of each subsidiary of the Company. He joined the Group in October 1995. He is responsible for business development, corporate strategies and policies setting of the Group. Mr. Kwok actively contributed to the Group's restructuring and business growth. Before joining the Group, he was a vice president of J.P. Morgan & Co., Incorporated where he has worked for 16 years. Mr. Kwok is a graduate of The Chinese University of Hong Kong in business management. He is also a member of the Hong Kong Securities and Investment Institute and a member of the financial and treasury services committee of the Hong Kong General Chamber of Commerce.

**Mr. Tsunoyama Toru**, aged 59, is an executive director of the Company. He is a member of remuneration committee of the Company. Mr. Tsunoyama is also a director of certain subsidiaries of the Company, namely Tanrich Financial (Management) Limited, Tanrich Investment Management Limited, Tanrich Finance Limited, Tanrich Investments Limited, Tanrich Promotion Limited and Tanrich Properties Agency Limited. He joined the Group in May 1991 and is an advisor on the Japanese commodity futures activities of the Group. He has 35 years' experience in the commodity futures field. Mr. Tsunoyama is a law graduate of Kyoto Sangyo University, Japan.

**Ms. Wong, Vicky Lai Ping**, aged 54, is an executive director of the Company. She is also a member of remuneration committee and nomination committee of the Company. She is also a director of its main subsidiaries, namely Tanrich Financial (Management) Limited, Tanrich Investment Management Limited, Tanrich Finance Limited, Tanrich Investments Limited, Tanrich Promotion Limited, Tanrich Properties Agency Limited, Tanrich Securities Company Limited and Tanrich Wealth Management Limited. Ms. Wong joined the Group in 1990, is the head of the Group's human resources and administration department. She is responsible for human resources and administration policies setting, and has more than 30 years' experience in the area. Ms. Wong is also the head of the Group's corporate communication and customer relations departments, responsible for implementing strategies in the realms of the Group's brand communications, corporate social responsibility and customer relations. Ms. Wong has been actively enhancing the brand awareness of the Group. She holds a master's degree in business administration from the University of Leicester, U.K.



## DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS (Continued)

**Mr. Lin Peng**, aged 48, is an executive director of the Company. Mr. Lin joined the Group in October 2011 and is also the Deputy Chief Executive Officer and Corporate Development Director of the Group. He is also a director of main subsidiaries of the Company and is responsible for the implementation of Group's strategic plan, corporate development activities and overseeing the operation of the Company. He has over 21 years' experiences in banking and finance as well as financial servicing industry. Prior to joining the Group, Mr. Lin was an executive director and the chief operating officer of Finet Group Limited, and also worked for Infocast Limited as the senior vice president and chief financial officer. Mr. Lin has served with multinational enterprises and multi-industries in China, Hong Kong and North America. He has extensive knowledge in securities trading, corporate finance, merger and acquisition, bond issuance, direct investments, and financial servicing. Mr. Lin holds a bachelor's degree in finance from Xiamen University in PRC and a master's degree in business administration from Ivey School of Business, University of Western Ontario.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ma, Andrew Chiu Cheung**, aged 72, has been an independent non-executive director of the Company since April 2005. Mr. Ma is the Chairman of audit committee and a member of remuneration committee and nomination committee of the Company. He is a founder and former director of AMA CPA Limited (formerly known as Andrew Ma DFK (CPA) Limited). He is presently a director of Mayee Management Limited. He has more than 30 years' experience in the fields of accounting, auditing and finance. He received his bachelor's degree in economics from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of The Institute of Chartered Accountants in England & Wales, The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Directors and The Taxation Institute of Hong Kong. He is currently also an independent non-executive director of Asia Financial Holdings Limited, Beijing Properties (Holdings) Limited, C.P. Pokphand Co. Ltd., China Resources Power Holdings Company Limited and Chong Hing Bank Limited. He was an independent non-executive director of Asian Citrus Holdings Limited.

**Mr. Yu King Tin**, aged 48, has been an independent non-executive director of the Company since October 2004. Mr. Yu is the Chairman of remuneration committee and a member of audit committee and nomination committee of the Company. He has more than 20 years' experience in the areas of auditing, taxation, financial management and advisory services. Mr. Yu is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, a Certified Tax Advisor and a member of the Society of Registered Financial Planner. He holds a bachelor's degree in law from Peking University and a master's degree in corporate finance from the Hong Kong Polytechnic University. He is currently one of the senior management in the finance department of a conglomerate in Hong Kong and has worked in various organizations, being international certified public accountants firm and listed companies in Hong Kong. Mr. Yu is currently an independent non-executive director of Emperor Entertainment Hotel Limited.

## DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. Lam Kwok Cheong**, aged 60, has been an independent non-executive director of the Company since November 2013. Mr. Lam is a member of audit committee, remuneration committee and nomination committee of the Company. He is a Justice of the Peace, a holder of Bronze Bauhinia Star (BBS) and a solicitor of the High Court of Hong Kong Special Administrative Region. He holds a Bachelor of Laws degree from the University of Hong Kong and has been a solicitor practicing for over 31 years. Mr. Lam is currently a member of the Buildings Ordinance Appeal Tribunal Panel, a member of the Panel of Adjudicators, Obscene Articles Tribunal, an Ex-Officio Member of Heung Yee Kuk New Territories, a Civil Celebrant of Marriages, a China-appointed Attesting Officer and a fellow of The Hong Kong Institute of Directors. He is a non-executive director of Wing Lee Holdings Limited and an independent non-executive director of Sparkle Roll Group Limited, of which shares of these companies are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was also an independent non-executive director of Wing Lee Holdings Limited, Same Time Holdings Limited (now known as "GCL New Energy Holdings Limited") and 21 Holdings Limited, shares of these companies listed on the main board of the Stock Exchange.

### SENIOR MANAGEMENT

**Mr. Chan Lee Yeung**, aged 65, is a Director of Tanrich Securities Company Limited ("TSCL"), Tanrich Wealth Management Limited and Tanrich Asset Management Limited ("TAML"), and a responsible officer of TSCL, TAML and Tanrich Futures Limited ("TFL"). Mr. Chan has been in the securities business for 42 years. He joined the Group in July 1991.

**Mr. Chen Yu Xing**, aged 49, is a Director of Tanrich Capital Limited ("TCL") and Tanrich-FundStreet Limited. He joined the Group in 2007. Mr. Chen has more than 20 years' management experience and expertise in the information technology industry. He joined T-Systems in 2001 as a senior executive manager in Switzerland and, starting from 2004, went on to hold several important positions in the company's international business, including deputy general manager of the division Systems Integration International, engagement manager for Asia and the U.S.A., program management officer of a global post merger integration project and director of mergers and acquisitions in China. Between 1991 and 2001, Mr. Chen worked as a senior manager in several swiss firms in the information technology industry. Mr. Chen holds a bachelor's degree of computer sciences and a degree of executive master in business administration and engineering.

**Mr. Cheung Yin Ling**, aged 41, is a Director of TCL and is responsible for the business development and operation of TCL. Mr. Cheung is a Certified Public Accountant qualified under the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants, a MBA graduate of New York University in Finance and Economics and holds a Bachelor degree in Accounting and Travel Industry Management from University of Hawaii. Mr. Cheung has over 10 years' experience in the field of corporate finance and investment banking. Prior to joining the Group in July 2014, he had worked in investment banks and the corporate finance arms of Big Four international accounting firms in the area of corporate finance advisory, pre-IPO advisory, debt restructurings and mergers and acquisitions. Mr. Cheung is a responsible officer licensed and registered with the Securities and Futures Commission.



## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT (Continued)

**Ms. Lau, Elaine Yim Ling**, aged 52, the Managing Director and a responsible officer of TFL. She is also the Business Development Director (Retail Division) of the Group and is focusing on developing commodity futures business and a variety of financial services. She also invests plenty of time on training staff because she recognizes that a well trained investment consultant team is of utmost importance for the ever growing of the Company. Ms. Lau has joined the Group since 1990. Over these past 23 years, she spared time on learning new ideas and attained two master's degrees respectively from Newport University, USA and University of South Australia. She is now studying a doctoral degree in Huaqiao University, China. She had been invited by the Hong Kong ET Business College as the guest lecturer for teaching commodity and options. Her essay or writing can always be found on the popular financial magazine or newspaper.

**Mr. Nip Yiu Chuen**, aged 46, is a Director of TFL and TAML. He is also a responsible officer of TSCL, TFL and TAML. He is also the Head of Operations of the Group and is responsible for the management and development of dealing and operations of the Group. Mr. Nip has 23 years' financial experience particularly in securities and derivatives trading and operations. Prior to joining the Group in 2008, he was the chief operating officer and responsible officer of Nanhua Futures (Hong Kong) Co., Limited and was responsible for establishing and managing the operations departments in Hong Kong.

**Ms. Tam, Carrie Kar Bo**, aged 44, joined the Group in 2011 as the Financial Controller and appointed as a member of the Executive Committee of the Company in October 2012. Ms. Tam has worked for international accountancy firm and well known securities houses for over 20 years and experienced in the field of auditing and accounting in financial services industry. Ms. Tam obtained a Bachelor's Degree of Arts in Accountancy and a Master's Degree in Professional Accountancy in The Hong Kong Polytechnic University. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

**Miss Fung Suk Han**, aged 40, is the Company Secretary of the Company. She joined the Group in October 2010. Miss Fung has 17 years' experience in company secretarial field. She is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She holds a Master Degree in Business Administration from The Open University of Hong Kong.

## CHAIRMAN'S STATEMENT

During the reporting period, the global economies were at their recovery stage, enterprises' business environment still encountered many challenges with the market showing considerable concern about the future policy direction of U.S. Federal Reserves. This is because its bombardment may affect the financial markets. The economic instability in China and Europe had adversely affected the retail and overall economic development of Hong Kong. With more and more PRC enterprises establishing footholds in Hong Kong, industry competition continued to intensify. The increase in operating costs made the running of business more difficult. Nevertheless, the Group is full of confidence about its future. By riding on the attitude of pursuing changes in a stable manner with proactive and innovative approaches to business, the Group will continue to achieve excellent results.

With the continuous increase in rental expenses and staff costs, the business environment of the Group is becoming more and more difficult. Coupled with the intense price competition in the industry, those factors posed a negative impact on the traditional retail brokerage business, and business reform becomes the Group's inevitable task. With the change in market demand, the Group focuses more on the one-stop shop wealth management business whereby it provides more different types of investment products in meeting clients' needs. Our business targets have also further expanded from general retail clients to premium and high net-worth clients.

In recent years, the Group has also actively developed its investment banking business, strengthened its services and cooperation with institutional investor clients in Mainland China. With the rapid development of its various businesses, the Group had gradually transformed into financial institutions, providing diversified products and services.

With the further opening up and escalation of the Mainland China's market, its market potential is enormous. The Group will proactively grasp the opportunities as a result of the close relationship between Hong Kong and Mainland China and the Shanghai-Hong Kong Stock Connect. It will actively expand its business networks in Mainland China to grasp more market share. Furthermore, to complement with its future development needs, the Group went through a thorough comprehensive update of its wealth management system to enable full support among its related businesses and equip ourselves for future business growth.

With over 20 years of management experience, the Group believes that so long as the objective is clear, the strategies are correct, and coupled with strong and dedicated management, the Group will boldly welcome any challenges in the future and will create long-term value for shareholders. The Group will continue to look for more talents with extensive industry experience, recruit and expand its sales team, enhance its frontline sales capability, explore and identify more partners to achieve its continuous development in the long run.

Finally, on behalf of the board of directors, I would like to extend my heartfelt gratitude to our shareholders, business partners and customers for their continuous and full support and trust to the Group. Also, I would like to thank the board of directors and our staff for their dedication and hard work in the past year.

**Yip Man Fan**

*Chairman*

Hong Kong, 29 September 2014



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year under review, even though overall market sentiment was slightly improved, the global economy remains uncertain for investors, with concerns over the tapering of US monetary policies and weakened growth in China and other advanced economies. Rising inflation, intensified competition in the industry and the avalanche of regulations are the main challenges that the Group were facing.

The Group recorded a turnover of HK\$69.9 million (2013: HK\$55.2 million) and a loss before tax of HK\$17.6 million (2013: HK\$32.5 million). The turnover increased 26.7% compared to the corresponding period of last year. The net assets of the Group as at 30 June 2014 increased to HK\$163.0 million (2013: HK\$161.8 million).

### Brokerage, margin financing and wealth management

The local stock market exhibited considerable volatility amid concerns over the normalization process of US monetary policy and the macro-financial prospects of the PRC economy. During the financial year ended 30 June 2014, the average daily turnover of Hong Kong securities market was HK\$60.0 billion (2013: HK\$59.8 billion), staying flat as compared to the same period of last year. Our securities dealing out-performed the market because the Group served as placing agents in many equity and debt placements deals in this year. Securities brokerage commission recorded an increase of 113.0% as compared with last year.

Nevertheless, the turnover generated from futures broking recorded a decline of 67.6% to HK\$4.0 million (2013: HK\$12.4 million), offsetting the increase of income from securities broking. Such a substantial drop was mainly attributable to drop in brokerage from Non-Hong Kong Futures Exchange Trade and established clients' weaker interest in day trade margin.

Securities margin financing remained another major source of income for the Group. Interest income from margin financing decreased by 22.3% to HK\$9.3 million (2013: HK\$12.0 million). Due to volatility of the stock market, the Group imposed and reviewed credit policy more frequently to avoid loan delinquency and set tight limit on margin lending ratio. As expected, interest income on margin loan for this year had dropped correspondingly. Credit risk exposure will continue to be our key focus in margin lending activities.

The turnover derived from wealth management business increased drastically to HK\$10.9 million (2013: HK\$6.8 million). Such increase was mainly attributable to recruitment of new sales team and expansion of new distribution channel through franchising model in order to rapidly expand customer base and trading volume of the wealth management business. The wealth management team will further strengthen the unit trusts and investment-linked products intermediary services to attract new clients, and to increase channeling revenue from other independent financial advisor companies and partners.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (Continued)

#### Brokerage, margin financing and wealth management (Continued)

In the wealth management division, the team for Capital Investment Entrant Scheme (“CIES”) also served investors who were mostly from PRC seeking investment opportunities in securities, mutual funds, investment-linked products and real estate investment. The team has started to provide positive results to the Group in this year. This team will continue to explore investment opportunities in popular countries and regions, in addition to the existing investment immigration services for Hong Kong, the United States, the United Kingdom, St. Kitts and Nevis (Federation of Saint Kitts and Nevis), and provide immigration consulting and related services for Singapore, Canada and Grenada.

#### Insurance agency

In view of the avalanche of the stringent regulations issued by related regulatory authorities and falling income from single premium insurance products especially for high net-worth clients, the turnover derived from insurance broking during the reporting year decreased by 40.6% to HK\$7.7 million (2013: HK\$13.0 million).

The insurance team will continue to identify strategic business partners and develop the PRC market, especially new-developed regions outside Guangdong Province. The division will expand its business network, with expectation that it will bring additional revenue to the Group.

#### Corporate finance

During the year, Hong Kong initial public offering (“IPO”) fundraising activities witnessed a boom since the last quarter of 2013. The corporate finance team successfully sponsored a company listed in the Growth Enterprise Market (“GEM”) board of the Stock Exchange during the period. Segment turnover maintained at similar level as last year at HK\$5.8 million (2013: HK\$5.7 million). Our revenue from Hong Kong IPO sponsorship fee income has decreased whereas income from advisory on Private Equity fund raising activities increased after our establishment of the China Business Development team in this year. This new team started to bring in positive results in this segment.

The Group expects that more IPO activities and other equity fund raising exercises will be carried out in the coming period and it will continue to explore more opportunities of being appointed as financial advisers, placing agents and sponsors to diversify revenue stream.

#### Money lending

The Group was less active in the money lending business during the reporting year, after the full settlement of the loans and advances to Cheung Wan in July 2013. The Group will continue to solicit new financing business and diligently review the loan approval policy including credit terms, collateral pledging and market conditions.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (Continued)

#### Proprietary trading

Segment profit of HK\$0.9 million in proprietary trading mainly represents mark-to-market gain in securities market. Proprietary trading was not active in this period and the Group has suspended trading in the futures market since late 2012 due to high volatility.

#### Prospects

Hong Kong is a well-regulated and highly transparent financial market for different types of investors. With close linkage with PRC, enterprises in PRC continued to play a dominant role in the local stock market. Further to the announcement of launching of the pilot programme Shanghai-Hong Kong Stock Connect by The Stock Exchange of Hong Kong Limited (SEHK), Shanghai Stock Exchange (SSE), China Securities Depository and Clearing Corporation Limited (ChinaClear) and Hong Kong Securities Clearing Company Limited (HKSCC), this new cross-border investment channel will enable investors in Hong Kong and the PRC to trade a specified range of listed stocks in each market through their respective local securities companies. This mutual stock market access enables PRC investors (including individual investors) to trade eligible Hong Kong-listed stocks directly.

It is anticipated that due to a greater amount of investment options available, the Shanghai-Hong Kong Stock Connect will strengthen both the stock market of Shanghai and Hong Kong. It is particularly beneficial to the Group with cross-border business and full license in Hong Kong regulated activities and the related trading platform. We will keep on putting full effort to solicit more deals in coming years.

The Group has successfully developed a robust business model with diversified income source. With increasing demand in online trading, we will devote more resources to build up quantitative trading channel and to fine-tune the existing operating systems to suit market needs.

In the year ahead, the Group will continue to implement stringent cost controls over operation and business lines. The Group will accelerate the pace of reformation, transforming from a retail brokerage firm to becoming a one-stop wealth management centre.

### FINANCIAL REVIEW

#### Liquidity, financial resources and gearing ratio

As at 30 June 2014, the Group had total cash and bank balances including pledge deposits of HK\$78.3 million (2013: HK\$40.8 million), while net current assets amounted to HK\$49.9 million (2013: HK\$65.4 million). The current ratio as a ratio of current assets to current liabilities was 1.2 (2013: 1.7).

The Group met its daily operating obligations from its internal resources. The finance costs were mainly incurred for margin financing business. To support margin financing business, the Group had short term interest-bearing borrowings of HK\$187.9 million (2013: HK\$72.5 million) at the end of the reporting period and with gearing ratio of 115.3% (2013: 44.8%). Gearing ratio represents the ratio of total borrowings to the total equity of the Group. The interest-bearing borrowings are subject to floating interest rates with reference to the costs of funds of the banks.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (Continued)

### Banking facilities and charges on assets

As at 30 June 2014, the Group had aggregate banking facilities of HK\$302.9 million (2013: HK\$396.1 million). The drawdown of certain banking facilities of HK\$297.4 million (2013: HK\$390.6 million) is subject to the market value of the marketable securities pledged and the margin deposits placed. The Group pledged certain investments in listed securities and other financial assets of HK\$107.5 million (2013: HK\$87.9 million) and fixed deposits of HK\$2.0 million (2013: HK\$2.0 million) for the facilities.

### Material investments

The Group maintained its investment in equity shares as disclosed in Annual Report 2013. No provision for impairment of the Group's investment has made to the profit or loss (2013: HK\$3.0 million provision for investment in one of its investment in Japan market).

### Contingencies

The Group has no material contingent liabilities as at 30 June 2014.

### Commitments

As at 30 June 2014, the Group had no material capital commitment.

### Exposure to fluctuations in exchange rates and related hedges

As at 30 June 2014, the Group has no material exposure to fluctuations in exchange rates.

## EMPLOYEE

As at 30 June 2014, the Group had a total of 74 employees. The Group operates different remuneration schemes for account executives and other supporting staff respectively. Account executives are remunerated on the basis of on-target-earning packages comprising base pay and allowances, commission and/or bonus. All supporting and general staff are also entitled to the year-end and the performance discretionary bonuses. The Company has share option schemes under which the Company may grant options to eligible persons to subscribe for shares in the Company as a long-term incentive scheme.

The Group provides training programs for the staff to enhance their skills and knowledge in products, regulations and compliance. For the year under audit, the Group has conducted in-house training of 12 Continuous Professional Training hours for the licensed persons.



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

Good corporate governance practices improve transparency of the Company, optimize the Company's performance, and help to create a corporate environment conducive to the efficient and sustainable growth. The Company strives to maintain a sound corporate governance system which could add value to the stakeholders.

During the year ended 30 June 2014 (the "Year"), the Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers set out in Appendix 10 (the "Model Code") to the Listing Rules during the Year. The Company has made specific enquiry with each Director and was confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Year. Employees and consultants who are privy to price sensitive information are required to follow the Model Code.

## THE BOARD

### The Board Composition

During the Year, the Board comprised 8 Directors, including 5 Executive Directors and 3 Independent Non-executive Directors, namely:

#### *Executive Directors:*

Dr. Yip Man Fan (*Chairman*)  
Mr. Kwok Kam Hoi (*Deputy Chairman and Chief Executive Officer*)  
Mr. Tsunoyama Toru  
Ms. Wong, Vicky Lai Ping  
Mr. Lin Peng

#### *Independent Non-executive Directors:*

Dr. Lam, Andy Siu Wing, JP (retired on 12 November 2013)  
Mr. Ma, Andrew Chiu Cheung  
Mr. Yu King Tin  
Mr. Lam Kwok Cheung (appointed on 12 November 2013)

The Board has a balance of skills and experience and details of the biography of each Director has been disclosed under the section "DIRECTORS AND SENIOR MANAGEMENT" in this report.

Directors were appointed for a specific term where Executive Directors were appointed for a period of 2 years and Independent Non-executive Directors were appointed for 1 year. At least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at least once every three years.

## CORPORATE GOVERNANCE REPORT

### THE BOARD (Continued)

#### The Board Composition (Continued)

During the Year, the Company arranged for appropriate cover on Directors' and officers liability insurance policy to indemnify the Directors and officers for liabilities arising from the corporate activities. The coverage and the amount insured under such policy are reviewed annually by the Company. No legal actions were made against any of the Directors in relation to their duties performed for the Company during the Year.

The Board is responsible for directing the strategic objectives of the Group and overseeing the management of the business, with the ultimate goal of maximizing the shareholders' value and long-term success of the Company while the day-to-day management of business and operations are delegated to the Chief Executive Officer, respective Board committees and senior management of the Group.

To the best knowledge of the Directors, there are no relationships among the Board members, including financial, business, family or other material/relevant relationships.

#### Independent Non-executive Directors

During the Year, the Board has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules in having at least 3 Independent Non-executive Directors (representing at least one-third of the Board). The Independent Non-executive Directors, all of whom are independent of the management of the Group's businesses, are highly experienced professionals with substantial experience in areas such as legal, accounting and financial management.

The Company has received annual written confirmation from each Independent Non-executive Director of his independence to the Group and considers that all the Independent Non-executive Directors were acting independently throughout the Year.

Mr. Ma, Andrew Chiu Cheung and Mr. Yu King Tin have been serving as an independent non-executive Director for more than 9 years. The Board is of the view that both of them have demonstrated their ability to provide independent views to the Company's affairs and are able to continue to fulfill their role as required. The Board, through the assessment and recommendation by the Nomination Committee, recommended the re-election of Mr. Yu King Tin as an independent non-executive Director at the forthcoming annual general meeting.

#### Directors' Continuing Professional Development

Directors' training is an ongoing process. During the Year, Directors received regular updates on changes and development to the Group's business and to legislative and regulatory environments in which the Group operate. All Directors are encouraged to attend external forum or training courses on relevant topics which count towards Continuous Professional Development training. The Directors also disclose to the Company their interests as directors or other offices in other public companies in a timely manner and provide updates to the Company on any subsequent changes.



## CORPORATE GOVERNANCE REPORT

### THE BOARD (Continued)

#### Directors' Continuing Professional Development (Continued)

The record of the trainings of the Directors, on a named basis, is set out as below:

	Reading articles, newspapers, journal and/or updates	Attending trainings and/or seminars
<b>Executive Directors:</b>		
Dr. Yip Man Fan	✓	–
Mr. Kwok Kam Hoi	✓	✓
Mr. Tsunoyama Toru	✓	✓
Ms. Wong, Vicky Lai Ping	✓	✓
Mr. Lin Peng	✓	✓
<b>Independent Non-executive Directors:</b>		
Dr. Lam, Andy Siu Wing, JP (retired on 12 November 2013)	✓	–
Mr. Ma, Andrew Chiu Cheung	✓	✓
Mr. Yu King Tin	✓	✓
Mr. Lam Kwok Cheong (appointed on 12 November 2013)	✓	✓

#### Board meetings

The Board meets regularly for discussing and determining the strategies of the Group, setting directions and monitoring the performance of the Group. Notice of not less than 14 days are given to all Directors in writing for all regular meetings. Each Director can access the advices and services of the Company Secretary and is invited to include any matters in the agenda of the regular meetings. Agenda and materials for discussion in the meetings are circulated to all Directors at least 3 days prior to the date of the meetings.

Directors, who have declared a conflict of interest in the proposed transactions or issues to be discussed, would not be counted in the quorum of the relevant meeting and would abstain from voting on the relevant resolution.

Senior management may be invited to attend the meetings to make presentations and answer the Board's enquiries. All draft and finalized minutes of each meeting are circulated to all Directors for comment within reasonable time after the meeting has been held.

During the Year, the Board held 4 regular meetings and the attendance of each Director is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

## CORPORATE GOVERNANCE REPORT

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer of the Company are currently held by Dr. Yip Man Fan (“Dr. Yip”) and Mr. Kwok Kam Hoi (“Mr. Kwok”) respectively. The roles of Chairman and Chief Executive Officer are segregated and there are no relationships between Dr. Yip and Mr. Kwok. The duties of the Chairman and the Chief Executive Officer are clearly established in writing. The Chairman provides leadership for the Board and ensures that there is clear division of responsibilities at the board level. The Chief Executive Officer is responsible for overseeing the day-to-day management of the Company, supervising the businesses of the Group and ensuring that the Board committees work smoothly and effectively.

### BOARD COMMITTEES

The Company currently has 4 committees, namely the Audit Committee, Executive Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company’s affairs. All committees have been provided with sufficient resources to discharge their respective duties and all committee members may seek external professional advices, if necessary, at the costs of the Group.

#### Audit Committee

The Audit Committee currently comprises all 3 Independent Non-executive Directors, namely Mr. Ma, Andrew Chiu Cheung, who acts as the chairman, Mr. Yu King Tin and Mr. Lam Kwok Cheong (appointed on 12 November 2013).

The duties of the Audit Committee include, inter alias, monitoring the integrity of financial statements and the accounting policies and practices, making recommendations to the Board on the appointment, re-appointment and removal of external auditors, reviewing the Company’s financial controls, internal controls and risk management systems. The chairman of the Audit Committee is an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. The Audit Committee meets at least twice a year to discuss and review the internal control, financial information and relevant matters. The proceedings of the Audit Committee meetings are the same as the Board meetings. Terms of reference of the Audit Committee is currently available on the HKExnews website and the Company’s website.

During the Year, the Audit Committee has reviewed the audit/review planning memorandums, the annual results for the financial year ended 30 June 2013 and the interim results for the six months ended 31 December 2013. The Audit Committee has also reviewed and followed up the findings and recommendations of the internal controls and management letter points made by our internal audit of the Company and the external auditor, Mazars CPA Limited (“Mazars”), respectively.

The Audit Committee has reviewed the financial statements for the year ended 30 June 2014 together with Mazars. The Audit Committee has also reviewed the resources, qualifications and experience of the employees of the Group’s accounting and financial reporting function, and their training programmes and budget at their meeting on 29 September 2014, and was satisfied with their adequacy and effectiveness.



## CORPORATE GOVERNANCE REPORT

### **BOARD COMMITTEES** (Continued)

#### **Audit Committee** (Continued)

The Audit Committee held 4 meetings during the Year and the attendance of each member is listed under the heading “ATTENDANCE SUMMARY” below on a named basis.

#### **Executive Committee**

The Executive Committee currently comprises 3 members, including 2 Executive Directors and the Financial Controller of the Company, namely Mr. Lin Peng, Ms. Wong, Vicky Lai Ping and Ms. Tam, Carrie Kar Bo respectively. Ms. Tam, Carrie Kar Bo is the convener of the Executive Committee.

The Board adopted terms of reference of the Executive Committee setting out its role and responsibilities. The Executive Committee is responsible for establishing, implementation and monitoring the Company’s strategic plans and operations of all business units of the Company to achieve the long-term and short-term business goals of the Group. It meets from time to time as and when required and is accountable to the Board for the performance of all businesses. Minutes of all meetings of the Executive Committee are circulated among the Board and the businesses resolved in the Executive Committee meetings would be put forward and ratified at the next regular Board meeting.

The Executive Committee is also responsible for performing the corporate governance duties including (i) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company’s policies and practices in compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review the Company’s compliance with the CG code and disclosure in the Corporate Governance Report.

The Executive Committee held 4 meetings during the Year and the attendance of each member is listed under the heading “ATTENDANCE SUMMARY” below on a named basis.

#### **Remuneration Committee**

The Remuneration Committee currently consists of 5 members, including all 3 Independent Non-executive Directors, namely Mr. Yu King Tin, who acts as the chairman, Mr. Ma, Andrew Chiu Cheung and Mr. Lam Kwok Cheong (appointed on 12 November 2013), and 2 Executive Directors, namely Mr. Tsunoyama Toru and Ms. Wong, Vicky Lai Ping.

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES (Continued)

#### Remuneration Committee (Continued)

The responsibilities and authorities of the Remuneration Committee is clearly stated in its terms of reference, including but not limited to recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management and review and approval of the compensation package to the Executive Directors and the senior management. The Board together with the Remuneration Committee monitor the performance of the Executive Directors and the senior management. Such division of responsibilities ensures a balance of power. The Remuneration Committee shall meet at any time when necessary. Terms of reference of the Remuneration Committee is currently available on the HKExnews website and the Company's website.

During the Year, the Remuneration Committee has reviewed and approved the performance bonus policy to the Executive Directors and reviewed the remuneration package of all Directors and the senior management. Details of remuneration of each Director are disclosed in note 6 to the consolidated financial statements.

The Remuneration Committee held 1 meeting during the Year and the attendance of each member is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

#### Nomination Committee

The Nomination Committee currently consists of 5 members, including 2 Executive Directors, namely Dr. Yip Man Fan, who acts the chairman, and Ms. Wong, Vicky Lai Ping; and all 3 Independent Non-executive Directors, namely Mr. Ma, Andrew Chiu Cheung, Mr. Yu King Tin and Mr. Lam Kwok Cheong (appointed on 12 November 2013).

The main duties of the Nomination Committee include, inter alia, reviewing the structure size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment and removal of directors. Terms of reference of the Nomination Committee is currently available on the HKExnews website and the Company's website.

During the Year, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, assessed the independence of independent non-executive directors and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Nomination Committee held 1 meeting during the Year and the attendance of each member is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.



## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES (Continued)

#### Summary of the Board Diversity Policy

The Company has adopted a board diversity policy on 23 September 2013 setting out the objectives and the factors to be considered for achieving the diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy and competence, and the candidates will be considered against certain objective criteria such as gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and length of services, etc. The Nomination Committee has assessed the composition of the Board against these aspects and has come to the conclusion that it is a balanced board of directors.

### ATTENDANCE SUMMARY

The following table shows the attendance of each individual member of the Board and the board committees at the regular Board meetings, the respective board committee meetings and the annual general meeting held on 12 November 2013 ("2013 AGM") held during the Year:

Name of members of the Board/the Board Committees	Attendance/Number of meetings held					2013 AGM
	Board meeting	Audit Committee meeting	Executive Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	
<b>Executive Directors:</b>						
Dr. Yip Man Fan ( <i>Chairman</i> )	4/4	N/A	N/A	N/A	1/1	1/1
Mr. Kwok Kam Hoi ( <i>Deputy Chairman and Chief Executive Officer</i> )	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Tsunoyama Toru	3/4	N/A	N/A	1/1	N/A	1/1
Ms. Wong, Vicky Lai Ping	4/4	N/A	4/4	1/1	1/1	1/1
Mr. Lin Peng	4/4	N/A	4/4	N/A	N/A	1/1
<b>Independent Non-executive Directors:</b>						
Dr. Lam, Andy Siu Wing, JP ( <i>Note 1</i> )	1/1	1/1	N/A	0/0	1/1	1/1
Mr. Ma, Andrew Chiu Cheung	4/4	4/4	N/A	1/1	1/1	1/1
Mr. Yu, King Tin	4/4	4/4	N/A	1/1	1/1	1/1
Mr. Lam, Kwok Cheong ( <i>Note 2</i> )	3/3	3/3	N/A	1/1	0/0	0/0
<b>Financial Controller:</b>						
Ms. Tam, Carrie Kar Bo	N/A	N/A	4/4	N/A	N/A	N/A

#### Notes:

- Dr. Lam, Andy Siu Wing, JP retired as an Independent Non-executive Director with effect from the conclusion of 2013 AGM. His attendance is shown with reference to the numbers of the meetings held during the Year before his cessation as an Independent Non-executive Director and the chairman of the Audit Committee, members of the Remuneration Committee and the Nomination Committee.
- Mr. Lam Kwok Cheong was appointed as an Independent Non-executive Director with effect from the conclusion of 2013 AGM. His attendance is shown with reference to the numbers of the meetings held during the Year before his appointment as an Independent Non-executive Director and members of the Audit Committee, the Remuneration Committee and the Nomination Committee.



## **CORPORATE GOVERNANCE REPORT**

### **INTERNAL CONTROL**

The Legal & Compliance Department (“L&C”) is responsible for an adequate internal control system to facilitate effective and efficient operations, to protect the Group’s assets and to ensure the accuracy and reliability of the financial information that the Company employs in its business or releases to the public. The Company conducts regular reviews of the effectiveness of the Group’s internal controls. The scope of these reviews includes, amongst others, finance, operations, regulation compliance and risk management.

A Compliance Review Report was reviewed and considered by the Audit Committee on 29 September 2014. The compliance review covered the areas of regulatory compliance, internal control of operations and financial resources maintenance of the 6 major businesses of the Group, namely securities broking and margin financing, futures broking, wealth management, asset management, insurance agency and corporate finance services. No material exceptions have been noted and L&C shall keep monitoring the follow up work of the minor deviations as stated in the Compliance Review Report.

### **DIRECTORS’ RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The Board acknowledges the responsibility for preparing the accounts which gives a true and fair view, appropriate accounting policies are selected and applied consistently and judgment and estimates were made prudently and reasonably on a going concern basis.

The reporting responsibilities of the Company’s external auditor in relation to the financial reporting are set out under the section “INDEPENDENT AUDITOR’S REPORT” in this annual report.

### **AUDITOR’S REMUNERATION**

The re-appointment of Mazars as the external auditor of the Group was approved by the shareholders of the Company (the “Shareholders”) at 2013 AGM. The fee paid/payable to Mazars amounted to HK\$1,000,000 for audit service rendered to the Group for the year ended 30 June 2014. Save as herein disclosed, no services have been rendered by Mazars other than statutory audits during the Year.

### **COMPANY SECRETARY**

Miss Fung Suk Han (“Miss Fung”) was appointed as the Company Secretary of the Company on 1 July 2013. She is a full time employee of the Company and has day-to-day knowledge of the Company’s affairs.

During the Year, Miss Fung undertook not less than 15 hours of relevant professional training.



## CORPORATE GOVERNANCE REPORT

### COMMUNICATION WITH SHAREHOLDERS

The Group has been devoted to maintaining effective communications with its Shareholders and the general public with an aim to improve the transparency of the Group and to provide them with channels to appraise the position of the Group. During the Year, 2013 AGM was held and the notice of 2013 AGM was given to the Shareholders at least 20 clear business days before the meeting. The Chairman of the Board, the chairmen of the audit, remuneration and nomination committees and other all members of the Board and the external auditor were all present at 2013 AGM to answer the questions from the Shareholders. Each substantially separate issue was dealt with in a separate resolution so that the Shareholders were able to comprehend the matter easily.

Annual and interim reports and any significant events of the Company fall to be disclosed in accordance with the disclosure requirements under the Listing Rules and other applicable regulatory requirements have been published in a timely manner through the websites of the Company and HKExnews.

The Company has adopted a Shareholders' Communication Policy and will review it on a regular basis to ensure its effectiveness. The purpose of this policy is to ensure the Shareholders be provided with prompt and equal access to information about the Company (including but not limited to its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

In addition, the senior management conducted luncheons with the media regularly. During the luncheons, our senior management would discuss with the media on the developments of the Group rendering the Shareholders and the general public to have a better understanding of the businesses of the Group. The Group endeavours to have interactive communications with the Shareholders.

### SHAREHOLDERS' RIGHTS

The Company holds an annual general meeting every year and may hold a general meeting known as a special general meeting whenever necessary. Pursuant to Bye-laws 58 of the Company, Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to convene such meeting, the requisitionists themselves may do so in the same manner.

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS' RIGHTS (Continued)

Proposals at Shareholders' meetings may be put forward by the members of the Company holding at the date of the submission of the proposals not less than one-tenth (10%) of such of the paid-up capital of the Company as at the date of the submission carries the right of voting at general meetings of the Company. The submission of the proposals must be made within 3 business days after a notice of the Shareholders' meeting have been served to all registered Shareholders by the Board. The proposals must be written and must state the objects of the proposals, and must be signed by the proposers, and mailed and deposited at Rooms 1601, 1606-1608, 16/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the attention of the Company Secretary of the Company; and may consist of several documents in like form, each signed by one or more proposers. The Company will verify the requisition and upon confirmation that the requisition is proper and in order, the Board will update the resolutions by serving sufficient notice in accordance with the statutory requirements to all registered shareholders, provided that the proposers have deposited a sum of money reasonably sufficient to meet the Company's expenses involved in publishing supplementary circular and updating related resolutions. Alternatively, if the requisition has been verified as not in order, the proposer will be advised of this outcome and accordingly, no resolution will be updated as requested.

The Group values feedback from its Shareholders on its efforts to promote transparency and foster investor relationships. Shareholders' enquiries, comments and suggestions to the Board or the Company are welcome and can be addressed to the Company Secretary by mail to Rooms 1601, 1606-1608, 16/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

### INVESTOR RELATIONS

During the Year, there was no change in the Company's memorandum of association and Bye-laws of which may be found in the websites of the Company and HKExnews.

### SOCIAL RESPONSIBILITY

The Group has been serving the community with a dedication to developing harmonious relationships with our community members and helping those in need. Over the years, the Group worked in partnership with different organizations (charitable organizations, environmental groups, government), actively participating in a diverse range of charitable activities, supporting education, protecting the environment and promoting low carbon living.

The Group has been supporting charities with persistent effort. Apart from raising fund for families and children welfare services through participating Walk for Millions organized by The Community Chest of Hong Kong, the Group strongly supports "Give and Gain Day 2014" and encourage its staff to help those in need through volunteering. The Group was awarded "5 Years Plus Caring Company Logo" by the Hong Kong Council of Social Service for its remarkable long-term commitment of charity. The Group was also successfully awarded as a "Heart to Heart" company by the Hong Kong Federation of Youth Group for five consecutive years and was awarded "Bronze Certificate" by the Social Welfare Department in recognition of its continuous effort in voluntary work and contribution to society for three consecutive years.



## CORPORATE GOVERNANCE REPORT

### **SOCIAL RESPONSIBILITY** (Continued)

The Group believes that education is fundamental to community development. Supporting educational programmes in the community is one of the key focus areas of our community investment. Starting from 2011, the Group has set a three-year-target for sponsoring the Fresh Fish Traders' School's "Academic Improvement Awards", in order to reward the Top 3 students with the greatest improvement in each class. The Group encourages those students to study hard and strive to be our future leaders. In addition to providing scholarships, the Group actively provides children's learning supporting services through volunteering activities. The Group's corporate volunteer team helps in raising children's awareness of conservancy and low carbon living by participating in the "Zero Carbon Building" volunteering activity.

The Group is committed to minimizing the environmental impact by reducing waste, saving energy, using resources more efficiently and effectively and promoting environmentally responsible business practices. In response to the programme "2013 Hong Kong Awards for Environmental Excellence" led by the Environmental Campaign Committee, the Group has implemented a series of environmental measures to accomplish the goal of reducing, reusing and recycling waste since June 2011. The Group was successfully awarded the Energywise and Wastewise Labels and the "Certificate of Merit" among the Financial, Legal and Business Consulting Services Sector for two consecutive years in recognition of its efforts in green business practices and contribution to environmental protection.



## DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 30 June 2014.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 12 to the consolidated financial statements.

An analysis of the Group's performance for the year by business segment is set out in note 3 to the consolidated financial statements. The activities of the Group are mainly carried out in Hong Kong.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 35.

The Directors do not recommend the payment of a final dividend (2013: Nil).

### RESERVES

Movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 36 to 37 and note 29 to the consolidated financial statements respectively.

As at 30 June 2014, the reserves of the Company available for distribution to Shareholders amounted to HK\$Nil (2013: HK\$Nil).

### DONATIONS

During the year, the Group made charitable and other donations amounted to HK\$6,200 (2013: HK\$8,500).

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 10 to the consolidated financial statements.

### SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 27 to the consolidated financial statements.

### FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 102.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.



## DIRECTORS' REPORT

### DIRECTORS

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

*Executive Directors:*

Dr. Yip Man Fan (*Chairman*)  
Mr. Kwok Kam Hoi (*Deputy Chairman and Chief Executive Officer*)  
Mr. Tsunoyama Toru  
Ms. Wong, Vicky Lai Ping  
Mr. Lin Peng

*Independent Non-executive Directors:*

Dr. Lam, Andy Siu Wing, JP (retired on 12 November 2013)  
Mr. Ma, Andrew Chiu Cheung  
Mr. Yu King Tin  
Mr. Lam Kwok Cheong (appointed on 12 November 2013)

In accordance with Bye-law 87 of the Company, Mr. Kwok Kam Hoi, Ms. Wong, Vicky Lai Ping and Mr. Yu King Tin will, retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM").

### DIRECTORS' SERVICE CONTRACTS

None of the Directors have entered into nor is proposing to enter into a service contract with the Company or its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management are set out in the section "DIRECTORS AND SENIOR MANAGEMENT" of this report.

### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 30 June 2014, the connected transactions and continuing connected transactions undertaken by the Group are included in the transactions set out in note 31(a) to the consolidated financial statements, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Independent Non-executive Directors have reviewed the continuing connected transaction in note 31(a) to the consolidated financial statements and have confirmed that the continuing connected transaction has been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.



## DIRECTORS' REPORT

### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (Continued)

The auditor of the Company has reviewed the continuing connected transaction during the year as set out in note 31(a) to the consolidated financial statements and confirmed that the transaction:

- (i) was approved by the Board of Directors of the Company;
- (ii) where applicable, was in accordance with the pricing policies of the Company;
- (iii) has been entered into in accordance with the relevant agreements governing the transaction; and
- (iv) has not exceeded the caps stated in the relevant announcement.

### RELATED PARTY TRANSACTIONS

The Group also entered into certain transactions with parties regarded as “related parties” under the applicable accounting standards. Details of these transactions are set out in note 31(b) to the consolidated financial statements.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as those disclosed under “CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS” and “RELATED PARTY TRANSACTIONS” above, no contracts of significance in relation to the Group’s businesses to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### MANAGEMENT CONTRACTS

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



## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2014, the interests of the Directors, the chief executive and their respective associates in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

#### Interests in long positions in the shares and underlying shares of the Company

Name of Directors	Number of ordinary shares held			Number of underlying shares (Note 3)	Total
	Personal interests	Family interests	Other interests		
Dr. Yip Man Fan	102,484,000	30,000,000 (Note 1)	480,000,000 (Note 2)	–	612,484,000
Mr. Kwok Kam Hoi	14,300,000	–	–	–	14,300,000
Mr. Tsunoyama Toru	140,200,000	–	–	–	140,200,000
Ms. Wong, Vicky Lai Ping	7,000,000	–	–	600,000	7,600,000
Mr. Lin Peng	300,000	–	–	600,000	900,000
Mr. Ma, Andrew Chiu Cheung	2,152,000	–	–	–	2,152,000
Mr. Yu King Tin	2,042,000	–	–	–	2,042,000

#### Notes:

- Shares are held by Ms. Tang Yuk Lan, the spouse of Dr. Yip Man Fan ("Dr. Yip").
- Shares are held by discretionary trusts of which Dr. Yip and members of his family are beneficiaries.
- These interests represent the interests in the underlying shares in respect of share options granted by the Company to the Directors as beneficial owners.

Save as disclosed above, as at 30 June 2014, none of the Directors, the chief executive or their respective associates had any personal, family, corporate or other 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) which had been entered in the register kept 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.



## DIRECTORS' REPORT

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the "SHARE OPTION SCHEMES" below and in note 28 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Directors or their respective spouse or children under the age of 18, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under the age of 18 to acquire such rights in any other body corporate.

### SHARE OPTION SCHEMES

#### 2004 Share Option Scheme

The 2004 share option scheme (the "2004 Share Option Scheme") was adopted on 30 January 2004. The summary of the 2004 Share Option Scheme is as follows:

1. The purposes of the 2004 Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants, business associates and advisors and to promote the success of the Group.
2. The participants of the 2004 Share Option Scheme include all employees, executive or non-executive directors, consultants, business associates and advisors of the Company or any of its subsidiaries.
3. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to the date of the latest grant shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.
4. Share options may be exercised in accordance with the terms of the 2004 Share Option Scheme at any time during a period not less than one year and not more than ten years from the date of grant of the relevant option.
5. No consideration for the grant of an option is required to be paid upon acceptance of the option.
6. The exercise price for the shares shall be determined by the Board of Directors, but shall not be less than the highest of (i) the closing price of each share as stated in the Stock Exchange daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares.
7. The 2004 Share Option Scheme was terminated on 12 November 2013. Options granted under the 2004 Share Option Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the 2004 Share Option Scheme.
8. The total number of shares issuable upon exercise of outstanding options are 4,820,000, representing 0.405% of the existing issued share capital of the Company as at the date of this report.



## DIRECTORS' REPORT

### SHARE OPTION SCHEMES (Continued)

#### 2004 Share Option Scheme (Continued)

Details of the share options outstanding as at 30 June 2014 which have been granted under the 2004 Share Option Scheme are as follows:

	Number of shares issuable under the options			Exercise price HK\$	Grant date	Exercise period	Closing price per share immediately before the grant date HK\$
	As at 01/07/2013 ('000)	Lapsed during the year (Note 1) ( '000)	As at 30/06/2014 ( '000)				
Directors:							
Ms. Wong, Vicky Lai Ping	600	-	600	0.3550	14/11/2012	14/11/2013- 13/11/2022	0.350
Mr. Lin Peng	600	-	600	0.3550	14/11/2012	14/11/2013- 13/11/2022	0.350
Continuous contract employees	2,400	-	2,400	0.1675	04/01/2007	04/01/2008- 03/01/2017	0.165
	200	-	200	0.8880	04/01/2011	04/01/2012- 03/01/2021	0.840
	1,200	(180)	1,020	0.3550	14/11/2012	14/11/2013- 13/11/2022	0.350
<b>Total</b>	<b>5,000</b>	<b>(180)</b>	<b>4,820</b>				

#### Notes:

- Share options have lapsed in accordance with the terms and conditions of the 2004 Share Option Scheme following the resignation of employees.
- No share options were granted, exercised or cancelled under the 2004 Share Option Scheme during the year.



## DIRECTORS' REPORT

### SHARE OPTION SCHEMES (Continued)

#### 2013 Share Option Scheme

At the annual general meeting of the Company held on 12 November 2013, the shareholders of the Company approved the adoption of a new share option scheme (the "2013 Share Option Scheme"). The summary of the 2013 Share Option Scheme is as follows:

1. The purposes of the 2013 Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants, business associates and advisors and to promote the success of the Group.
2. The participants of the 2013 Share Option Scheme include all employees, executive or non-executive directors, consultants, business associates and advisors of the Company or any of its subsidiaries.
3. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to the date of the latest grant shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.
4. Share options may be exercised in accordance with the terms of the 2013 Share Option Scheme at any time during a period not less than one year and not more than ten years from the date of grant of the relevant option.
5. No consideration for the grant of an option is required to be paid upon acceptance of the option.
6. The exercise price for the shares shall be determined by the Board of Directors, but shall not be less than the highest of (i) the closing price of each share as stated in the Stock Exchange daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares.
7. The 2013 Share Option Scheme is valid and effective for 10 years from the date of adoption.
8. During the year, no share option was granted, exercised, cancelled or lapsed under the 2013 Share Option Scheme.



## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the persons (other than Directors and chief executive of the Company whose interests or short positions have been disclosed above) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are as follows:

#### Interests in long positions in the shares of the Company

Name	Note	Capacity and nature of interest	Number of ordinary shares held	Approximate % of holding
Fame Harvest Group Limited	1, 2	Beneficial owner	480,000,000	40.29%
Bank of East Asia (Trustees) Limited	2	Trustee	480,000,000	40.29%
Ms. Tang Yuk Lan	3	Interest of spouse	612,484,000	51.41%

#### Notes:

1. Fame Harvest Group Limited, incorporated in the British Virgin Islands, is wholly owned by Bank of East Asia (Trustees) Limited as the trustee of The Yip Man Fan Family Trust (the "Trust"). Dr. Yip is the founder of the Trust.
2. Under Part XV of the SFO, Bank of East Asia (Trustees) Limited is taken to have an interest in the 480,000,000 ordinary shares held by Fame Harvest Group Limited. These shares are the same block of shares.
3. Ms. Tang Yuk Lan is the spouse of Dr. Yip. Under Part XV of the SFO, each of Dr. Yip and Ms. Tang Yuk Lan is taken to have an interest in the shares held by each other. These shares therefore duplicate each other.

Save as disclosed above, as at 30 June 2014, the Company has not been notified of any substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under Section 336 of the SFO.

### UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Change of information of the Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

- Mr. Lam Kwok Cheong resigned as an independent non-executive director of Same Time Holdings Limited (stock code: 451) with effect from 9 May 2014.
- Mr. Lam Kwok Cheong was redesignated as a non-executive director of Wing Lee Holdings Limited (stock code: 876) with effect from 20 June 2014.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



## DIRECTORS' REPORT

### PRE-EMPTIVE RIGHTS

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

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 30 June 2014, the percentage of the Group's turnover attributable to the Group's largest client and the five largest clients in aggregate were 9.5% and 30.4% respectively. None of the Directors of the Company; or any of their associates; or any shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) have any beneficial interest in any of the Group's five largest customers.

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

### PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

### AUDITOR

The consolidated financial statements have been audited by Mazars CPA Limited, who will retire and, being eligible, offer itself for re-appointment in the forthcoming AGM.

By order of the Board

**Kwok Kam Hoi**

*Deputy Chairman and Chief Executive Officer*

Hong Kong, 29 September 2014



## INDEPENDENT AUDITOR'S REPORT



To the shareholders of

**Tanrich Financial Holdings Limited**

*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Tanrich Financial Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) set out on pages 35 to 101, which comprise the consolidated and the Company’s statements of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **AUDITOR’S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITY (Continued)

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

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

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 29 September 2014

#### **Chan Chi Ming Andy**

Practising Certificate number: P05132



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2014

	Note	2014 HK\$'000	2013 HK\$'000 (Restated)
<b>Turnover and revenue</b>	2	<b>69,912</b>	55,175
Other revenue and income	4	<b>10,390</b>	16,087
Employee benefit expenses	5	<b>(34,196)</b>	(36,703)
Depreciation and amortisation		<b>(1,356)</b>	(1,303)
Commission expenses		<b>(32,685)</b>	(26,459)
Other operating expenses		<b>(28,276)</b>	(37,455)
Finance costs	5	<b>(1,163)</b>	(1,631)
Share of result of an associate	13	<b>(251)</b>	(167)
Share of results of joint ventures	14	<b>(21)</b>	(14)
<b>Loss before tax</b>	5	<b>(17,646)</b>	(32,470)
Income tax expense	7	<b>(93)</b>	–
<b>Loss for the year attributable to equity holders of the Company</b>	8	<b>(17,739)</b>	(32,470)
<b>Other comprehensive income for the year</b>			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign subsidiaries and associate		<b>(71)</b>	302
Change in fair value of available-for-sale financial assets		<b>19,062</b>	5,084
		<b>18,991</b>	5,386
<b>Total comprehensive income (loss) for the year attributable to equity holders of the Company</b>		<b>1,252</b>	(27,084)
<b>Loss per share</b>			
– Basic and diluted (HK cents)	9	<b>(1.49)</b>	(2.73)



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2014

	Attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Share premium HK\$'000	*Capital reserve HK\$'000	Foreign exchange reserve HK\$'000	Accumulated losses HK\$'000	Total reserve HK\$'000	
At 1 July 2012	119,147	77,482	9,794	40,836	1,275	(59,686)	69,701	188,848
Loss for the year	-	-	-	-	-	(32,470)	(32,470)	(32,470)
Exchange difference on translation of financial statements of foreign subsidiaries and associate, net of tax	-	-	-	-	302	-	302	302
Available-for-sale financial assets Change in fair value, net of tax	-	5,084	-	-	-	-	5,084	5,084
Other comprehensive income for the year	-	5,084	-	-	302	-	5,386	5,386
Total comprehensive loss for the year	-	5,084	-	-	302	(32,470)	(27,084)	(27,084)
At 30 June 2013	119,147	82,566	9,794	40,836	1,577	(92,156)	42,617	161,764



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2014

	Attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Share premium HK\$'000	*Capital reserve HK\$'000	Foreign exchange reserve HK\$'000	Accumulated losses HK\$'000	Total reserve HK\$'000	
At 1 July 2013	119,147	82,566	9,794	40,836	1,577	(92,156)	42,617	161,764
Loss for the year	-	-	-	-	-	(17,739)	(17,739)	(17,739)
Exchange difference on translation of financial statements of foreign subsidiaries and associate, net of tax	-	-	-	-	(71)	-	(71)	(71)
Available-for-sale financial assets Change in fair value, net of tax	-	19,062	-	-	-	-	19,062	19,062
Other comprehensive income for the year	-	19,062	-	-	(71)	-	18,991	18,991
<b>Total comprehensive income for the year</b>	-	19,062	-	-	(71)	(17,739)	1,252	1,252
<b>At 30 June 2014</b>	<b>119,147</b>	<b>101,628</b>	<b>9,794</b>	<b>40,836</b>	<b>1,506</b>	<b>(109,895)</b>	<b>43,869</b>	<b>163,016</b>

\* The capital reserve of the Group represents the difference between the nominal value of the shares issued by the Company for the acquisition of the subsidiaries and the nominal value of the ordinary shares of these subsidiaries in issue as at 30 June 2001 which were converted into deferred non-voting share capital on 11 January 2002.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	4,854	1,252
Intangible assets	11	100	100
Interests in an associate	13	670	715
Interests in joint ventures	14	878	899
Available-for-sale financial assets	15	102,911	83,920
Other financial assets	16	–	5,905
Other non-current assets	17	3,578	3,567
Loans and advances	18	106	–
		<b>113,097</b>	96,358
<b>Current assets</b>			
Loans and advances	18	85	18,589
Financial assets at fair value through profit or loss	19	5,873	7,084
Other financial assets	16	7,663	–
Accounts receivable	20	188,757	81,909
Deposits, prepayments and other receivables	21	5,971	9,483
Pledged deposits	22	2,017	2,013
Cash and bank balances	22	76,323	38,809
		<b>286,689</b>	157,887
<b>Current liabilities</b>			
Amount due to a related company	23	24,000	24,000
Interest-bearing borrowings	24	163,900	48,500
Accounts payable	25	31,093	8,784
Other payables and accrued charges		17,684	11,197
Tax payable		93	–
		<b>236,770</b>	92,481
<b>Net current assets</b>		<b>49,919</b>	65,406
<b>NET ASSETS</b>		<b>163,016</b>	161,764
<b>Capital and reserves</b>			
Share capital	27	119,147	119,147
Reserves		43,869	42,617
<b>TOTAL EQUITY</b>		<b>163,016</b>	161,764

Approved and authorised for issue by the Board of Directors on 29 September 2014

**Kwok Kam Hoi**  
Director

**Tsunoyama Toru**  
Director



## STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Interests in subsidiaries	12	104,855	115,700
Available-for-sale financial assets	15	82,368	66,924
Other financial assets	16	–	5,905
		<b>187,223</b>	188,529
<b>Current assets</b>			
Financial assets at fair value through profit or loss	19	5,847	5,323
Other financial assets	16	7,663	–
Deposits, prepayments and other receivables	21	454	154
Pledged deposits	22	774	769
Cash and bank balances	22	1,018	3,381
		<b>15,756</b>	9,627
<b>Current liabilities</b>			
Interest-bearing borrowings	24	39,000	35,500
Other payables and accrued charges		963	892
		<b>39,963</b>	36,392
<b>Net current liabilities</b>		<b>(24,207)</b>	(26,765)
<b>NET ASSETS</b>		<b>163,016</b>	161,764
<b>Capital and reserves</b>			
Share capital	27	119,147	119,147
Reserves	29	43,869	42,617
<b>TOTAL EQUITY</b>		<b>163,016</b>	161,764

Approved and authorised for issue by the Board of Directors on 29 September 2014

**Kwok Kam Hoi**  
Director

**Tsunoyama Toru**  
Director



## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Loss before tax		(17,646)	(32,470)
Depreciation and amortisation		1,356	1,303
Loss on disposal of property, plant and equipment		4	–
Impairment loss on available-for-sale financial assets		–	3,000
Loss on disposal of available-for-sale financial assets		56	–
Gain on redemption upon maturity of other financial assets		–	(3,044)
Allowance for bad and doubtful debts, net		(1,270)	3,447
Change in fair value of loans and advances		–	(5,300)
Bad and doubtful debts written off		2,077	–
Gain on deemed disposal of an associate		(167)	(61)
Share of result of an associate		251	167
Share of results of joint ventures		21	14
Exchange difference on other financial assets		7	(14)
Interest income		(1,772)	(1,822)
Interest expenses		1,163	1,631
Dividend income		(2,733)	(2,632)
Changes in working capital:			
Other non-current assets		(11)	15
Loans and advances		18,398	615
Financial assets at fair value through profit or loss		1,211	(634)
Accounts receivable		(107,655)	44,839
Deposits, prepayments and other receivables		3,512	(1,338)
Short-term loan for margin financing		115,400	(37,000)
Accounts payable		22,309	(11,633)
Amount due to a related company		–	24,000
Other payables and accrued charges		6,487	1,594
Cash generated from (used in) operations		40,998	(15,323)
Hong Kong Profits Tax paid		–	(326)
Interest received		1,772	1,822
Interest paid		(1,163)	(1,631)
<b>Net cash from (used in) operating activities</b>		<b>41,607</b>	<b>(15,458)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from redemption upon maturity of other financial assets		–	18,570
Dividend received		2,733	2,632
Payments made on total return swap agreement		(1,765)	(1,854)
Proceeds from disposal of available-for-sale financial assets		15	–
Purchase of property, plant and equipment		(4,962)	(578)
<b>Net cash (used in) from investing activities</b>		<b>(3,979)</b>	<b>18,770</b>
<b>Net increase in cash and cash equivalents</b>		<b>37,628</b>	<b>3,312</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>40,822</b>	<b>37,218</b>
Effect of exchange rate changes		(110)	292
<b>Cash and cash equivalents at end of year</b>	22	<b>78,340</b>	<b>40,822</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## CORPORATE INFORMATION

Tanrich Financial Holdings Limited (the “Company”) is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## 1. PRINCIPAL ACCOUNTING POLICIES

### Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2013 consolidated financial statements except for the adoption of the following new/revised HKFRSs effective from the current year that are relevant to the Group. A summary of the principal accounting policies adopted by the Group is set out below.

### Adoption of new/revised HKFRSs

#### HKFRS 10: *Consolidated financial statements*

HKFRS 10, which replaces the requirements in HKAS 27 relating to the preparation of consolidated financial statements and HK(SIC)-Int 12, introduces a single control model to determine whether an investee should be consolidated. It changes the definition of control by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

In accordance with the transitional provisions of HKFRS 10, the Group reassessed the control conclusion for its investees at the date of initial application. The exercise does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at that date.

#### HKFRS 11: *Joint arrangements*

HKFRS 11, which replaces HKAS 31 and HK(SIC)-Int 13, divides joint arrangements into joint operations and joint ventures. Such classification is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, legal form, contractual terms and other facts and circumstances.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement while a joint venture is a joint arrangement whereby those parties have rights to the net assets of the arrangement. Joint operations are recognised on a line-by-line basis to the extent of the joint operator’s interest while joint ventures are accounted for using the equity method. Proportionate consolidation is no longer allowed.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Adoption of new/revised HKFRSs (Continued)

#### HKFRS 11: *Joint arrangements* (Continued)

As a result of the adoption of HKFRS 11, the Group has re-evaluated its involvement in its joint arrangements and has reclassified the investment from jointly controlled entities to joint ventures. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the amounts recognised.

#### HKFRS 12: *Disclosure of interests in other entities*

HKFRS 12 sets out in a single standard all the disclosure requirements relevant to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosures required by HKFRS 12 are more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, those disclosures are set out in notes 13 and 14.

#### HKFRS 13: *Fair value measurement*

This new standard improves consistency by providing a single source of guidance for fair value measurement and disclosures about fair value measurement when such measurement is required or permitted by other HKFRSs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with the transitional provisions, the standard has been applied prospectively. Apart from the additional disclosures about fair value measurements for the current year, the application of the new standard does not have any material impact on the amounts recognised.

### Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies.

### Basis of consolidation

The consolidated financial statements comprise financial statements of the Company and all of its subsidiaries as at 30 June each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less impairment losses. The carrying amounts of the investments are reduced to their recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but no control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

The Group's investment in associate or joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Goodwill

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary. Goodwill arising on an acquisition of an associate or a joint venture is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or joint venture.

Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill on acquisitions of associates or joint ventures is included in interests in associates or joint ventures. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

In respect of a subsidiary, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as a bargain purchase. In respect of an associate or joint venture, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately as income.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	Over the unexpired term of lease
Furniture, fixtures and office equipment	20%
Computer equipment	33 $\frac{1}{3}$ %



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Other intangible assets

The Group holds two trading rights on the Stock Exchange and two trading rights on The Hong Kong Futures Exchange Limited (the “Futures Exchange”). One trading right on the Stock Exchange was purchased during the year ended 30 June 2003 while the remaining three trading rights are recorded at zero book value. The useful life of the trading right acquired in 2003 is estimated to be ten years, and its cost is amortised over the estimated useful life on a straight line basis.

### Financial instruments

#### *Recognition and derecognition*

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group’s contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expired.

#### *Classification and measurement*

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

#### 1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Classification and measurement (Continued)

##### 1) Financial assets at fair value through profit or loss (Continued)

Financial assets are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

##### 2) Loans and receivables

Loans and receivables including accounts and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

##### 3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Classification and measurement (Continued)*

#### 4) Financial liabilities

The Group's financial liabilities include accounts and other payables, amount due to a related company and interest-bearing borrowings. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

#### 5) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within other payables and accrued charges at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher of (i) the amount initially recognised, less accumulated amortisation, and (ii) the amount of the provision, if any, that is required to settle the commitment at the end of the reporting period.

#### *Impairment of financial assets*

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the accounts receivable and loans receivable are considered uncollectible, it is written off against the allowance account.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss where there is objective evidence that the asset is impaired and is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Impairment of financial assets (Continued)*

If in a subsequent period, an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale financial instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

### Trust accounts

Trust accounts maintained by the Group to hold clients' monies are treated as off-statement of financial position items and offset against accounts payable.

### Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

*Commission income on dealing in securities, futures contracts and options* is recognised on the transaction dates when the contracts are executed.

*Commission income on sale of unit trusts, investment-linked and insurance products* is recognised in the period when services are rendered.

*Underwriting commission income, sub-underwriting commission income, placing commission and sub-placing commission* are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed.

*Corporate finance advisory fees* are recognised when the services are rendered and on the basis of the stage of completion of each individual project.

*Insurance agency fees and investment immigration consulting services fees* are recognised when the services are rendered.

*Net income from sale of investments held for trading and futures contracts* are recognised on the transaction date for realised profit or loss whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period.

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

*Interest income* from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Foreign currency translation (Continued)

The results and financial position of all the Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position and, where applicable, goodwill arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at that end of the reporting period;
- Income and expenses for each statement of comprehensive income are translated at average exchange rate;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity; and
- On partial disposals, which includes partial disposal of associates that do not result in the Group losing significant influence, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

### Impairment of non-financial assets

At each end of the reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, investments in subsidiaries and other non-current assets maybe impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalised as part of the cost of those assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **Leases**

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

### **Employee benefits**

#### *Short term employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### *Defined contribution plans*

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

#### *Long service payments*

The Group's net obligation in respect of long service payment under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, associate and joint ventures, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of the parent of the Group.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

### Key sources of estimation uncertainty

#### *Allowance for bad and doubtful debts*

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers are to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of the reporting period, the carrying amount of accounts receivable after provision for impairment amounted to HK\$188,757,000 (2013: HK\$81,909,000).

#### *Impairment of investments and receivables*

The Group assesses annually if investments in subsidiaries have suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the entities and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

#### *Fair value estimation*

The Group's other financial assets have been valued based on the discounted cash flow which is the estimated amount that the issuer would receive or pay to terminate the SWAP agreement at the end of reporting period, taking in account observable interest rates. The fair value of the other financial assets at the end of the reporting period was HK\$7,663,000 (2013: HK\$5,905,000).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12: <i>Investment Entities</i>	1 January 2014
Amendments to HKAS 32: <i>Presentation</i> – <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to HKAS 36: <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to HKAS 39: <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
HK(IFRIC) – Int 21: <i>Levies</i>	1 January 2014
Amendments to HKAS 19 (2011): <i>Defined Benefit Plans</i> – <i>Employee Contributions</i>	1 July 2014
Various HKFRSs: <i>Annual Improvements Project</i> – <i>2010-2012 Cycle</i>	1 July 2014, with limited exceptions
Various HKFRSs: <i>Annual Improvements Project</i> – <i>2011-2013 Cycle</i>	1 July 2014, with limited exceptions
Amendments to HKAS 16 and HKAS 38: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to HKAS 16 and HKAS 41: <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to HKAS 27 (2011): <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to HKFRS 11: <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
HKFRS 14: <i>Regulatory Deferral Accounts</i>	1 January 2016
HKFRS 15: <i>Revenue from Contracts with Customers</i>	1 January 2017
HKFRS 9 (2014): <i>Financial Instruments</i>	1 January 2018
Amendments to HKFRS 9, HKFRS 7 and HKAS 39: <i>Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)</i>	No mandatory effective date determined but is available for adoption

The directors do not anticipate the adoption of these new and revised HKFRSs will have any material impact on the results of the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 2. TURNOVER AND REVENUE

The principal activities of the Group comprise:

- broking index, commodity and currency futures, options and securities, agency services for unit trusts, investment-linked and insurance products for its clients;
- provision of margin financing, underwriting and placements, corporate finance advisory services, asset management services, insurance agency services, investment immigration consulting services and money lending;
- trading in listed securities on the Stock Exchange, equity index, currency and commodity futures contracts on the Futures Exchange or overseas exchanges on its own account.

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Brokerage commission:		
– securities dealing	<b>30,664</b>	14,397
– futures and options dealing	<b>4,024</b>	12,401
– distribution of unit trusts, investment-linked and insurance products	<b>10,874</b>	6,766
Advisory and insurance agency fees:		
– corporate finance and advisory	<b>5,793</b>	5,708
– insurance agency	<b>7,735</b>	13,020
– investment immigration consulting	<b>541</b>	600
Interest income:		
– securities margin financing	<b>9,320</b>	12,001
– loans and advances	<b>54</b>	977
Proprietary trading:		
– net results from proprietary trading in listed securities	<b>907</b>	699
– net results from proprietary trading in futures contracts	<b>–</b>	(11,394)
	<b>69,912</b>	55,175



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 3. SEGMENT INFORMATION

The directors have been identified as the chief operating decision makers to evaluate the performance of operating segments based on the Group's internal reporting in respect of these segments. Segment assets and liabilities are not disclosed as they are not considered as crucial for resources allocation and thereby not being regularly provided to the directors.

### Business segments

The directors consider wealth management, brokerage and margin financing, insurance agency, corporate finance, money lending and proprietary trading are the Group's major operating segments. The principal activities of these divisions are as follows:

Wealth management, brokerage and margin financing	Provision of brokerage services in trading in securities, futures contracts and options and margin financing services, and distribution of unit trusts, MPF products, mutual funds and investment-linked products, provision of investment immigration consulting services, underwriting and placements
Insurance agency	Provision of insurance agency and broking services
Corporate finance	Provision of corporate finance advisory services
Money lending	Provision of corporate and personal financing services
Proprietary trading	Proprietary trading in securities on the Stock Exchange, listed equity index futures contracts on the Futures Exchange and index, currency and commodity futures contracts on overseas exchanges



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 3. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

	2014						
	Wealth management, brokerage and margin financing	Insurance agency	Corporate finance	Money lending	Proprietary trading	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover and revenue</b>	55,423	7,735	5,793	54	907	-	69,912
Commission expenses	(25,872)	(6,811)	-	-	(2)	-	(32,685)
<b>Results</b>	<b>(2,736)</b>	<b>(1,981)</b>	<b>(2,705)</b>	<b>(810)</b>	<b>905</b>	<b>90</b>	<b>(7,237)</b>
Unallocated expenses, represented							
central administration costs							(10,304)
Gain on deemed disposal of							
an associate							167
Share of result of an associate							(251)
Share of results of joint ventures							(21)
Income tax expense							(93)
<b>Loss for the year</b>							<b>(17,739)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 3. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

	2013						
	Wealth management, brokerage and margin financing HK\$'000	Insurance agency HK\$'000	Corporate finance HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
<b>Turnover and revenue</b>	46,165	13,020	5,708	977	(10,695)	–	55,175
Commission expenses (Restated)	(13,018)	(11,095)	(1,936)	–	(410)	–	(26,459)
<b>Results</b>	(5,861)	(1,166)	(5,008)	3,906	(11,105)	(1,777)	(21,011)
Unallocated expenses, represented							
central administration costs							(11,383)
Impairment loss on available-for-sale							
financial assets							(3,000)
Gain on redemption upon maturity of							
other financial assets							3,044
Gain on deemed disposal of							
an associate							61
Share of result of an associate							(167)
Share of results of joint ventures							(14)
<b>Loss for the year</b>							<b>(32,470)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 4. OTHER REVENUE AND INCOME

	2014 HK\$'000	2013 HK\$'000
Dividend income	2,733	2,632
Handling income	1,177	318
Interest income	1,772	1,822
Licence fee income	1,300	260
Management fee income	1,210	960
Gain on redemption upon maturity of other financial assets	–	3,044
Gain on deemed disposal of an associate	167	61
Sundry income	761	573
Change in fair value of loans and advances	–	5,300
Reversal of allowance for bad and doubtful debts	1,270	1,117
	<b>10,390</b>	<b>16,087</b>

## 5. LOSS BEFORE TAX

	2014 HK\$'000	2013 HK\$'000
This is stated after charging (crediting):		
<b>(a) Employee benefit expenses</b>		
Salaries, commission and allowances	33,158	35,522
Contributions to retirement benefit schemes (Note 30)	1,038	1,181
	<b>34,196</b>	<b>36,703</b>
<b>(b) Other items</b>		
Auditor's remuneration	1,000	980
Operating lease payments on premises	8,553	8,533
(Reversal of) Allowance for bad and doubtful debts		
– Accounts receivable	(1,270)	4,564
– Other receivables	–	(1,117)
Bad and doubtful debts written off	2,077	–
Change in fair value		
– Loans and advances	–	(5,300)
Impairment loss on available-for-sale financial assets	–	3,000
<b>(c) Finance costs</b>		
Interest expenses for securities broking and margin financing wholly repayable within five years	573	1,102
Other interest expenses	590	529
	<b>1,163</b>	<b>1,631</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' emoluments

The analysis of the aggregate amount of emoluments received or receivable by the Company's directors is as follows:

Name of director	2014				
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Employer's contributions to retirement benefit schemes HK\$'000	Total HK\$'000
<b>Executive directors:</b>					
Yip Man Fan	-	1,089	50	34	1,173
Kwok Kam Hoi	55	1,051	51	34	1,191
Tsunoyama Toru	-	967	45	34	1,046
Wong, Vicky Lai Ping	-	1,010	181	33	1,224
Lin Peng	-	1,200	194	15	1,409
<b>Independent non-executive directors:</b>					
Lam, Andy Siu Wing (Note)	83	-	-	-	83
Ma, Andrew Chiu Cheung	220	-	-	-	220
Yu King Tin	207	-	-	-	207
Lam Kwok Cheong (Note)	130	-	-	-	130
	<b>695</b>	<b>5,317</b>	<b>521</b>	<b>150</b>	<b>6,683</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

#### Directors' emoluments (Continued)

The analysis of the aggregate amount of emoluments received or receivable by the Company's directors is as follows: (Continued)

Name of director	2013				
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Employer's contributions to retirement benefit schemes HK\$'000	Total HK\$'000
<b>Executive directors:</b>					
Yip Man Fan	–	1,127	101	34	1,262
Kwok Kam Hoi	229	901	102	34	1,266
Tsunoyama Toru	–	988	89	34	1,111
Wong, Vicky Lai Ping	–	925	75	34	1,034
Lin Peng	–	802	88	11	901
<b>Independent non-executive directors:</b>					
Lam, Andy Siu Wing	227	–	–	–	227
Ma, Andrew Chiu Cheung	209	–	–	–	209
Yu King Tin	208	–	–	–	208
	873	4,743	455	147	6,218

Note:

Dr. Lam, Andy Siu Wing, JP retired on 12 November 2013 and Mr. Lam Kwok Cheung was appointed independent non-executive director of the Company with effect from 12 November 2013.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

#### Five highest paid employees' emoluments

Of the five individuals with the highest emoluments, four (2013: three) were directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining one (2013: two) individual is as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other benefits	1,585	2,160
Discretionary bonus	–	519
Contributions to retirement benefit schemes	15	30
	<b>1,600</b>	<b>2,709</b>

	Number of individuals	
The emoluments fell within the following bands:	2014	2013
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	1
	<b>1</b>	<b>2</b>

In addition to the directors' emoluments disclosed above, certain directors were granted share options under the Company's share option schemes. The details of these benefits in kind are disclosed under the section of Share Option Schemes in the Directors' Report and note 28 to the financial statements.

No emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 30 June 2014 and 2013. There were no arrangements under which a director waived or agreed to waive any remuneration for the years ended 30 June 2014 and 2013.

### 7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% on a subsidiary's estimated assessable profits arising from Hong Kong during the year ended 30 June 2014. Hong Kong Profits Tax has not been provided for other entities within the Group as they either incurred losses for taxation purpose or their estimated assessable profits for the year are wholly absorbed by unrelieved tax losses brought forward from previous years. Hong Kong Profits Tax has not been provided as the Group incurred losses for taxation purpose for the year ended 30 June 2013.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 7. TAXATION (Continued)

The income tax provision in respect of operations in Mainland China, if applicable, is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. Mainland China Enterprise Income Tax has not been provided as the estimated assessable profits for the year from the operations in Mainland China are wholly absorbed by unrelieved tax losses brought forward from previous years.

In the opinion of the directors, the Group did not subject to taxation in any other jurisdiction.

	2014 HK\$'000	2013 HK\$'000
<b>Current tax</b>		
Hong Kong Profits Tax		
Current year	93	–

	2014 HK\$'000	2013 HK\$'000
<b>Reconciliation of tax expense</b>		
Loss before tax	(17,646)	(32,470)
Income tax at applicable tax rate of 16.5% (2013: 16.5%)	(2,912)	(5,357)
Non-deductible expenses	440	1,499
Tax exempt revenue	(823)	(1,065)
Unrecognised tax losses	4,645	5,490
Unrecognised temporary difference	(92)	58
Utilisation of previously unrecognised tax losses	(1,286)	(625)
Effect of different tax rate of PRC subsidiaries	121	–
Total tax expense for the year	93	–

### 8. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the loss for the year attributable to equity holders of the Company of HK\$17,739,000 (2013: HK\$32,470,000), a loss of HK\$14,192,000 (2013: HK\$31,202,000) has been dealt with in the financial statements of the Company.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for the year of HK\$17,739,000 (2013: HK\$32,470,000) and the weighted average number of 1,191,476,000 (2013: 1,191,476,000) ordinary shares in issue during the year.

No diluted loss per share is presented for the year 2014 and 2013 as conversion of the Company's share options would result in an anti-dilutive effect. Therefore, diluted loss per share is the same as basic loss per share in 2014 and 2013.

### 10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Reconciliation of carrying amount					
– year ended 30 June 2013					
At 1 July 2012	33	203	40	1,651	1,927
Additions	365	8	4	201	578
Depreciation	(89)	(102)	(21)	(1,041)	(1,253)
At 30 June 2013	309	109	23	811	1,252
Reconciliation of carrying amount					
– year ended 30 June 2014					
At 1 July 2013	309	109	23	811	1,252
Additions	3,899	213	33	817	4,962
Disposal	–	(4)	–	–	(4)
Depreciation	(526)	(68)	(13)	(749)	(1,356)
At 30 June 2014	3,682	250	43	879	4,854
At 30 June 2013					
Cost	7,918	1,186	2,020	9,015	20,139
Accumulated depreciation	(7,609)	(1,077)	(1,997)	(8,204)	(18,887)
	309	109	23	811	1,252
At 30 June 2014					
Cost	4,041	1,389	1,588	9,832	16,850
Accumulated depreciation	(359)	(1,139)	(1,545)	(8,953)	(11,996)
	3,682	250	43	879	4,854

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 11. INTANGIBLE ASSETS

	Group		
	Trading Licenses HK\$'000	Goodwill HK\$'000 (Note)	Total HK\$'000
Reconciliation of carrying amount			
– year ended 30 June 2013			
At 1 July 2012	50	100	150
Amortisation	(50)	–	(50)
At 30 June 2013	–	100	100
<b>Reconciliation of carrying amount</b>			
<b>– year ended 30 June 2014</b>			
At 1 July 2013	–	<b>100</b>	<b>100</b>
Amortisation	–	–	–
<b>At 30 June 2014</b>	<b>–</b>	<b>100</b>	<b>100</b>
At 30 June 2013			
Cost	600	100	700
Accumulated amortisation	(600)	–	(600)
	–	100	100
<b>At 30 June 2014</b>			
Cost	<b>600</b>	<b>100</b>	<b>700</b>
Accumulated amortisation	<b>(600)</b>	–	<b>(600)</b>
	<b>–</b>	<b>100</b>	<b>100</b>

Note: Goodwill is allocated to the Group's cash generating units identified according to operating and business segment.

In August 2010, the Group acquired 100% equity interests in Tanrich Properties Agency Limited ("TPAL") at an aggregate consideration of HK\$100,000. The excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed of HK\$100,000 is recognised as goodwill.

At the end of the reporting period, the Group assessed the recoverable amount of the goodwill, which approximates its carrying value and determined that no goodwill was impaired.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 12. INTERESTS IN SUBSIDIARIES

	Note	Company	
		2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost		<b>65,237</b>	65,237
Provision for impairment loss	(i)	<b>(65,237)</b>	(65,237)
		-	-
Amount due from a subsidiary	(ii)	<b>145,653</b>	148,117
Provision for impairment loss	(i)	<b>(40,798)</b>	(32,417)
		<b>104,855</b>	115,700

Note:

- (i) Because certain subsidiaries recorded losses and decline in net assets value, management is of opinion that the investments in subsidiaries and amount due from a subsidiary are not fully recoverable. Provision for impairment losses have been made to reflect the expected recoverable amount having assessed the financial information of the subsidiaries.
- (ii) The amount due from a subsidiary is unsecured, interest-free and has no fixed repayment term. The carrying amount of the amount due approximates its fair value.

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ place of operation	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
Tanrich Financial (Management) Limited ("TFML")	British Virgin Islands/ Hong Kong	US\$10,000 (divided into 10,000 ordinary shares of US\$1 each)	100%	-	Investment holding and proprietary trading
Tanrich Asset Management Limited ("TAML")	Hong Kong/ Hong Kong	HK\$30,000,000 ordinary shares and HK\$6,000,000 non-voting deferred shares	-	100%	Provision of asset management services, distribution of unit trusts and mutual funds



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 12. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ place of operation	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
Tanrich Capital Limited ("TCL")	Hong Kong/ Hong Kong	HK\$25,000,000 ordinary shares	–	100%	Provision of corporate finance advisory services
Tanrich Finance Limited ("TFIN")	Hong Kong/ Hong Kong	HK\$1,000 ordinary shares and HK\$10,000 non-voting deferred shares	–	100%	Provision of corporate and personal financing services
Tanrich Futures Limited ("TFL")	Hong Kong/ Hong Kong	HK\$20,000,000 ordinary shares and HK\$10,000,000 non-voting deferred shares	–	100%	Futures broking and proprietary trading
Tanrich Securities Company Limited ("TSCL")	Hong Kong/ Hong Kong	HK\$80,000,000 ordinary shares and HK\$25,000,000 non-voting deferred shares	–	100%	Securities broking, securities margin financing and distribution of unit trusts and mutual funds
Tanrich Wealth Management Limited ("TWML")	Hong Kong/ Hong Kong	HK\$17,000,000 ordinary shares	–	100%	Distribution of investment-linked products, MPF products, provision of personal financial consulting and planning services and provision of insurance agency and broking services
Tanrich Investments Limited ("TIL")	Hong Kong/ Hong Kong	HK\$1 ordinary share	–	100%	Investment holding
Tanrich Investment Management Limited ("TIML")	Hong Kong/ Hong Kong	HK\$1,000,000 ordinary shares	–	100%	Investment holding



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 12. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ place of operation	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
Tanrich Promotion Limited ("TPL")	Hong Kong/ Hong Kong	HK\$300,000 ordinary shares	–	100%	Provision of advertising services
TPAL	Hong Kong/ Hong Kong	HK\$10,000 ordinary share	–	100%	Property agency
TOP Commodity Capital Management Limited ("TOP")	Hong Kong/ Hong Kong	HK\$150,000 ordinary shares	–	100%	Investment holding
敦沛科技發展 (深圳)有限公司	Wholly Foreign Owned Enterprise in The People's Republic of China ("China")	Registered capital of HK\$5,000,000	–	100%	Provision of corporate finance advisory services
敦沛 (大連)投資管理 有限公司	Wholly Foreign Owned Enterprise in China	Registered capital of HK\$6,000,000	–	100%	Not yet commenced business

In accordance with Articles of Association of each of TAML, TFIN, TFL and TSCL, holders of non-voting deferred shares are entitled to a fixed non-cumulative dividend at a rate of Hong Kong one cent (HK\$0.01) per non-voting deferred share when the profit exceeds HK\$100 billion in any financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 13. INTERESTS IN AN ASSOCIATE

	Group	
	2014 HK\$'000	2013 HK\$'000
Share of net assets	670	715
Goodwill	2,774	2,774
Provision for impairment loss	(2,774)	(2,774)
	-	-
	<b>670</b>	715

The investment in an associate represents 25.64% (2013: 33.58%) of the issued ordinary share capital of FundStreet AG ("FundStreet"), a company engaged in fund management in Switzerland which is incorporated in Zurich, Switzerland. The associate has its financial year ended on 31 December. The associate is accounted for using the equity method in the consolidated financial statements.

In view of continuous losses recorded in FundStreet, it was determined that the carrying amount of goodwill is irrecoverable.

#### Financial information of the associate

Financial information of the associate is set out below, which represents amounts shown in the associate's management accounts prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purpose and differences in accounting policies and fair value adjustment, if any.

	Group	
	2014 HK\$'000	2013 HK\$'000
<b>Financial position at 30 June</b>		
Non-current assets	1,759	1,650
Current assets	1,481	1,311
Current liabilities	(626)	(831)
Net assets	2,614	2,130
Group's share of net assets of associate	670	715
<b>Operating results for the year ended 30 June</b>		
Revenue	2,845	2,161
Loss and total comprehensive loss for the year	(750)	(437)
Group's share of loss of associate for the year	(251)	(167)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 14. INTERESTS IN JOINT VENTURES

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>878</b>	899

Details of the Group's interests in the joint ventures are as follows:

<b>Name of joint ventures</b>	<b>Place of incorporation/ operation</b>	<b>Particulars of issued and paid up ordinary share capital</b>	<b>Percentage of equity interests attributable to the Group</b>			<b>Principal activities</b>
			<b>Group's effective interest</b>	<b>Held by the Group</b>	<b>Held by an associate</b>	
Tanrich-FundStreet Limited ("TFSL")	Hong Kong/ Hong Kong	HK\$2,000,000	60%	51%	35%	Investment holding
Tanrich Fund Investment Management (Cayman) Limited, a wholly owned subsidiary of TFSL	Cayman Islands/ Hong Kong	US\$10,000	60%	51%	35%	Not yet commenced business

Both joint ventures have their financial year ended on 30 June.

Pursuant to the memorandum of understanding entered into between the Group and FundStreet, the board of directors of TFSL is to be composed of five members, of which two directors are appointed by the Group. Any change to the board composition is to be unanimously agreed by all shareholders of TFSL and any board resolution is to be unanimously agreed by all directors. As a result, none of the participating parties has unilateral control over the economic activity, TFSL is considered as a joint venture and is accounted for using the equity method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 14. INTERESTS IN JOINT VENTURES (Continued)

#### Financial information of the joint ventures

Financial information of the joint ventures is set out below, which represents amounts shown in TFSL's consolidated financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purpose and differences in accounting policies and fair value adjustment, if any.

	Group	
	2014 HK\$'000	2013 HK\$'000
<b>Financial position at 30 June</b>		
Current assets	1,763	1,822
Current liabilities	(42)	(60)
Net assets	1,721	1,762
Group's share of net assets of joint ventures	878	899

	Group	
	2014 HK\$'000	2013 HK\$'000
Included in above:		
Cash and bank balances	1,748	1,808

	Group	
	2014 HK\$'000	2013 HK\$'000
<b>Operating results for the year ended 30 June</b>		
Revenue	–	–
Loss and total comprehensive loss for the year	(42)	(26)
Group's share of loss of the joint ventures for the year	(21)	(14)

There are no capital commitment and contingent liabilities in relation to the joint ventures themselves.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Non-current</b>				
Equity investments – unlisted, at cost (Note i)	14,268	14,339	-	-
Impairment loss	(13,021)	(13,021)	-	-
	1,247	1,318	-	-
Equity investments – listed in Hong Kong at fair value (Note ii)	101,664	82,602	82,368	66,924
	102,911	83,920	82,368	66,924

Notes:

- (i) Given the equity investments are unlisted, the range of fair value estimated is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed, the directors are of the opinion that their fair values cannot be reliably measured. The Group has no intention to dispose of these investments.
- (ii) Fair values are determined with reference to quoted market bid prices.

The Group and the Company have pledged listed investments of aggregate carrying amount of HK\$101,664,000 (2013: HK\$82,602,000) and HK\$82,368,000 (2013: HK\$66,924,000) respectively to banks as collateral for the banking facilities granted to the Company and a subsidiary.

At the end of the reporting period, the carrying amount of interests in the following company exceeded 10% of total assets of the Group and the Company.

Name	Place of incorporation/ place of operation	Class of share held	Percentage of interests held		Principal activities
			Group	Company	
Hong Kong Exchanges and Clearing Limited	Hong Kong/ Hong Kong	Ordinary share	0.06%	0.05%	Owns and operates the only stock exchange and futures exchange in Hong Kong, and their related clearing houses

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 16. OTHER FINANCIAL ASSETS

	Group and Company	
	2014	2013
	HK\$'000	HK\$'000
Derivatives – total return swap agreement (“SWAP”) designated as at fair value through profit or loss (Note 36)		
– non-current	–	5,905
– current	7,663	–
	<b>7,663</b>	5,905

### 17. OTHER NON-CURRENT ASSETS

	Group	
	2014	2013
	HK\$'000	HK\$'000
Reserve fund deposits with the Futures Exchange	1,543	1,534
Statutory deposits with the Stock Exchange	1,735	1,733
Statutory deposits with the Securities and Futures Commission (“SFC”)	100	100
Contributions to the Central Clearing and Settlement System Guarantee Fund	100	100
Admission fees paid to the Hong Kong Securities Clearing Company Limited	100	100
	<b>3,578</b>	3,567



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 18. LOANS AND ADVANCES

	Group			
	2014	2013		
At amortised cost and total	At amortised cost	At fair value	At amortised cost	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans and advances				
Unsecured	385	–	256	256
Secured	–	18,386	141	18,527
	385	18,386	397	18,783
Change in fair value/Allowance for bad and doubtful debts	(194)	–	(194)	(194)
	191	18,386	203	18,589
Current portion of loans and advances	(85)	(18,386)	(203)	(18,589)
	106	–	–	–

Secured loans and advances were granted to its clients by the Group based on credit assessment and terms of such loans and advances were offered subject to their pledged collateral.

At the end of the reporting period, loans and advances carry effective interest rates ranging from nil to 8% (2013: nil to 8%) and are within the respective maturity dates (2013: within the respective maturity dates).

### Change in fair value/Allowance for bad and doubtful debts

	2014	2013		
	Bad and doubtful debts and total	Fair value loss	Bad and doubtful debts	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July	194	5,300	194	5,494
Decrease (Note i)	–	(5,300)	–	(5,300)
<b>At 30 June</b>	194	–	194	194

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 18. LOANS AND ADVANCES (Continued)

#### Change in fair value/Allowance for bad and doubtful debts (Continued)

- (i) As disclosed in the Company's announcement dated 17 December 2011, the subsidiary of Cheung Wan (Groups) Energy Development Limited ("Cheung Wan") received a notice from the Guizhou Provincial People's Government General Office for a proposed suspension of its mining business. The Company held the view that the notice constituted breaches of warranties, amongst others, under the loan agreement as a default that materially and adversely affected the business of Cheung Wan, its financial condition or its ability to perform its obligations under the loan agreement.

Due to the said material breaches of the loan agreement, the Group initiated legal proceedings against Cheung Wan and the relevant parties. Fair value loss was recognised in 2012 to reflect the expected recoverable amount after having assessed the available financial information of the two borrowers and taking into consideration the view of legal adviser.

As indicated in the Company's announcement dated 24 July 2013, on 23 July 2013, the subsidiary of the Company, Cheung Wan and the relevant parties entered into a settlement agreement (the "Settlement Agreement") in relation to the full and final settlement of all civil legal proceedings concerning the loan. The loan was settled in full on 23 July 2013 and fair value loss was reversed on 30 June 2013.

- (ii) The directors assessed the fair value/recoverability of loans and advances at the end of the reporting period individually with reference to the borrowers' past collection history and current creditworthiness. An aggregate amount due from borrowers of HK\$194,000 (2013: HK\$194,000) was determined to be impaired as a result of the assessment. In the directors' opinion, there was no deterioration in the collectability of the remaining amount of HK\$191,000 (2013: HK\$18,589,000) and thus no additional allowance was considered necessary.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	Group		Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Listed securities in Hong Kong	(i), (ii)	5,847	7,025	5,847	5,323
Listed securities outside Hong Kong	(i)	26	59	-	-
		<b>5,873</b>	7,084	<b>5,847</b>	5,323

Notes:

- (i) Fair values of the listed securities are determined with reference to quoted market bid price.
- (ii) The Group and the Company have pledged certain listed securities of HK\$5,847,000 (2013: HK\$5,323,000) to a bank as collateral for the banking facilities granted to the Company.

### 20. ACCOUNTS RECEIVABLE

	Note	Group	
		2014 HK\$'000	2013 HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	(i)	3,784	4,880
– securities margin clients	(ii)	65,385	61,712
– securities subscription clients	(iii)	113,966	3,297
– securities and options clearing houses and brokers	(iii)	1,431	4,238
– futures clearing house and brokers	(iv)	2,783	5,564
Accounts receivable arising from the provision of corporate finance advisory services	(v)	51	500
Accounts receivable arising from the provision of investment-linked and insurance products agency services	(vi)	1,357	1,718
		<b>188,757</b>	81,909



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 20. ACCOUNTS RECEIVABLE (Continued)

#### Settlement terms

The settlement terms of accounts receivable arising from the ordinary course of business of broking in securities are two or three trading days after the transaction dates.

Accounts receivable arising from the subscription of IPO of listed companies in Hong Kong on behalf of clients are settled upon the share allotments of such listed companies.

Accounts receivable arising from the ordinary course of business of broking in index, commodity and currency futures contracts represent the margin deposits maintained with futures clearing house, options clearing house or brokers to meet the margin requirements of open contracts. Margin calls from clearing house and brokers are settled on a daily basis. The excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts receivable arising from the provision of corporate finance advisory services and investment-linked and insurance products agency services are repayable within 30 days.

Notes:

- (i) At the end of the reporting period, the ageing analysis of accounts receivable from securities cash clients was as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
Current	113	18
Overdue:		
Within 30 days	3,608	4,862
31 – 90 days	63	–
91 – 180 days	–	–
Over 180 days	3,384	3,384
	<b>7,168</b>	8,264
Allowance for bad and doubtful debts	<b>(3,384)</b>	(3,384)
	<b>3,784</b>	4,880

The movements in the provision for impairment of accounts receivable from securities cash clients were as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1 July	3,384	1,000
Increase in allowance	–	2,384
At 30 June	<b>3,384</b>	3,384



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 20. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

- (ii) At the end of the reporting period, the ageing analysis of accounts receivable from securities margin clients was as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current	<b>45,698</b>	34,147
Overdue:		
Within 30 days	<b>13,234</b>	15,665
31 – 90 days	<b>6,453</b>	77
91 – 180 days	–	–
Over 180 days	–	12,823
	<b>65,385</b>	62,712
Allowance for bad and doubtful debts	–	(1,000)
	<b>65,385</b>	61,712

Accounts receivable from securities margin clients are secured by their pledged securities, repayable on demand and bear interests at commercial rates. Credits are extended to securities margin clients subject to the marginable value of the listed securities pledged with the Group. The margin ratios are reviewed and determined periodically. At the end of the reporting period, fair value of marketable securities pledged by securities margin clients was HK\$265,161,000 (2013: HK\$207,230,000).

The movements in the provision for impairment of accounts receivable from securities margin clients were as follow:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
At 1 July	<b>1,000</b>	–
Increase in allowance	–	1,000
Amount recovered	<b>(1,000)</b>	–
At 30 June	–	1,000

- (iii) At the end of the reporting period, accounts receivable from securities subscription clients, securities and options clearing houses and brokers were not yet due.

The Group maintains margin deposits with the options clearing house in respect of clients' monies in the ordinary course of business of option broking. At the end of reporting period, deposits not otherwise dealt with in consolidated financial statements amounted to HK\$3,883,000 (2013: HK\$1,716,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 20. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

- (iv) Accounts receivable from futures clearing house and brokers did not include clients' monies deposited in the futures clearing house in Hong Kong amounted HK\$6,393,000 (2013: HK\$4,043,000), which was not dealt with in the consolidated financial statements. At the end of the reporting period, accounts receivable from futures clearing house and brokers were all aged within 30 days and repayable on demand.

The movements in the provision for impairment of accounts receivable from futures clearing house and brokers were as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1 July	480	–
Increase in allowance	–	480
Amount recovered	(270)	–
At 30 June	210	480

- (v) At the end of the reporting period, the ageing analysis of accounts receivable arising from the provision of corporate finance advisory services was as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
Current	18	500
Overdue:		
Within 30 days	–	–
31-90 days	33	–
91-180 days	–	–
Over 180 days	–	700
	51	1,200
Allowance for bad and doubtful debts	–	(700)
	51	500

The movements in the provision for impairment of accounts receivable arising from the provision of corporate finance advisory services were as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1 July	700	–
Increase in allowance	2,077	700
Amount written off	(2,777)	–
At 30 June	–	700



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 20. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

- (vi) At the end of the reporting period, the ageing analysis of accounts receivable arising from the provision of investment-linked and insurance products agency services was as follows:

	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current	<b>1,258</b>	1,556
Overdue:		
Within 30 days	<b>19</b>	2
31-90 days	<b>77</b>	–
91-180 days	<b>2</b>	–
Over 180 days	<b>1</b>	160
	<b>1,357</b>	1,718
Allowance for bad and doubtful debts	–	–
	<b>1,357</b>	1,718

The movements in the provision for impairment of accounts receivable from provision of investment-linked and insurance products agency services were as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
At 1 July	–	57
Amount written off	–	(57)
At 30 June	–	–

Accounts receivable with carrying amount of HK\$23,490,000 (2013: HK\$32,589,000) are past due but not impaired. The management is of the opinion that no provision for impairment is necessary in respect of the overdue amount as all the balances have been fully settled subsequently or were being settled according to the agreed repayment schedules. The Group does not hold any collateral or other credit enhancements over these balances other than accounts receivable from securities margin clients.

Accounts receivable are neither past due nor impaired at the end of the reporting period for which the Group believes that the amounts are recoverable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Deposits, prepayments and other receivables	5,150	7,711	454	154
Due from a related company (Note)	821	1,772	-	-
	<b>5,971</b>	<b>9,483</b>	<b>454</b>	<b>154</b>

Note:

The related company is Tanrich (Hong Kong) Holdings Limited ("THKHL") in which directors of the Company, Dr. Yip Man Fan and Mr. Tsunoyama Toru, have indirect beneficial interest. The amount due represents staff costs and office overhead expenses paid on THKHL's behalf. The maximum amount outstanding during the year is HK\$2,719,000.

#### Allowance for bad and doubtful debts

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1 July	-	1,117
Impairment losses reversed	-	(1,117)
<b>At 30 June</b>	<b>-</b>	<b>-</b>

The directors assessed the collectability of other receivables at the end of the reporting period individually with reference to the borrowers' past collection history and current creditworthiness. In the directors' opinion, there was no indication of deterioration in the collectability of the remaining amount of HK\$5,971,000 (2013: HK\$9,483,000) and thus no additional allowance was considered necessary.

### 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Pledged deposits	2,017	2,013	774	769
Cash and bank balances	76,323	38,809	1,018	3,381
As stated in the consolidated statement of cash flows	<b>78,340</b>	<b>40,822</b>	<b>1,792</b>	<b>4,150</b>

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the end of the reporting period, trust monies not otherwise dealt with in the consolidated financial statements amounted to HK\$336,958,000 (2013: HK\$84,157,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 23. AMOUNT DUE TO A RELATED COMPANY – THE GROUP

On 3 August 2011, TFML entered into an agreement with Union Light Investment Limited (“Union Light”) which has obtained credit facility granted by a bank in Hong Kong amounted to HK\$170,000,000 and has agreed to grant such facility to TFML and its subsidiaries for working capital and business development. TFML would subject to the same terms and conditions under the banking facility granted to Union Light. Both Union Light and TFML are under the common directorship of Dr. Yip Man Fan and Mr. Tsunoyama Toru.

On 6 June 2013, the facility was renewed and the facility limit was revised to HK\$150,000,000. The agreement between TFML and Union Light was revised on 4 July 2013. Further on 21 February 2014, the facility was renewed with no change in terms and the facility limit. The agreement between TFML and Union Light was still applicable.

During the year, a total amount of HK\$24,000,000 (2013: HK\$49,000,000) had been utilised by TSCL and TFML which was revolved from 2013 (2013: under 3 withdrawals). At 30 June 2014, a balance of HK\$24,000,000 was utilised and outstanding (2013: HK\$24,000,000). The amount due is unsecured, interest bearing at 2.46% (2013: 2.46%) per annum and wholly repayable within 3 months. The repayment schedule was extended to 29 September 2014 in August 2014.

### 24. INTEREST-BEARING BORROWINGS

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans, secured and wholly repayable				
within 12 months	<b>163,900</b>	48,500	<b>39,000</b>	35,500

The bank loans were borrowed principally for the purpose of providing margin financing and IPO financing to clients. The interest rates on the loans range from 0.75% to 1.8% (2013: 1.02% to 1.72%) per annum. The bank loans were fully repaid in July 2014 except for a balance of HK\$3,000,000 which had its repayment schedule has been extended to September 2014 in August 2014.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 25. ACCOUNTS PAYABLE

	Note	Group	
		2014 HK\$'000	2013 HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	(i)	1,387	782
– securities margin clients	(i)	–	365
– futures clients	(ii)	2,761	4,764
– securities clearing house	(i)	25,268	–
Accounts payable arising from the provision of investment-linked and insurance products agency services	(iii)	1,677	2,873
	(iv)	31,093	8,784

Notes:

- (i) The settlement terms of accounts payable arising from the ordinary course of business of broking in securities in respect of cash clients, margin clients and clearing house are two or three trading days after the transaction dates.
- (ii) Accounts payable arising from the ordinary course of business broking in index, commodity and currency futures contracts represent the margin deposits received from clients for their trading in futures contracts. The excess over the required margin deposits stipulated are repayable to clients on demand.
- (iii) Accounts payable arising from the provision of investment-linked and insurance products agency services are payable within 30 days.
- (iv) Accounts payable are stated net of clients' segregated assets of HK\$347,234,000 (2013: HK\$89,916,000).
- (v) No ageing analysis is disclosed in respect of accounts payable. In the opinion of the directors, an ageing analysis does not give additional value in view of the businesses' nature.
- (vi) Interest with reference to savings rate of financial institutions is payable to accounts payable arising from the ordinary course of business of securities broking subject to their balances maintained with the Group. All other categories of accounts payable are non-interest-bearing.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 26. DEFERRED TAXATION

#### Recognised deferred tax assets (liabilities) of the Group

	Assets		Liabilities	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Depreciation allowances	-	-	(211)	(125)
Tax losses	211	125	-	-
Deferred tax assets (liabilities)	211	125	(211)	(125)
Offset deferred tax assets and liabilities	(211)	(125)	211	125
<b>Net deferred tax assets (liabilities)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Unrecognised deferred tax assets arising from

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Deductible temporary differences	61	96	-	-
Tax losses	254,482	235,393	63,487	58,459
	<b>254,543</b>	<b>235,489</b>	<b>63,487</b>	<b>58,459</b>

Both the tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits therefrom.

### 27. SHARE CAPITAL

	2014		2013	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.1 each				
At 1 July and 30 June	2,000,000	200,000	2,000,000	200,000
<b>Issued and fully paid:</b>				
At 1 July and 30 June	1,191,476	119,147	1,191,476	119,147

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 28. SHARE OPTION SCHEME

At the annual general meeting of the Company held on 12 November 2013, the shareholders of the Company approved the adoption of a new share option scheme (the “2013 Share Option Scheme”) and the termination of the share option scheme which was adopted by the Company on 30 January 2004 (the “2004 Share Option Scheme”). The 2013 Share Option Scheme is valid and effective for 10 years from the date of adoption. Options granted under the 2004 Share Option Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the 2004 Share Option Scheme.

During the year, no share option was granted under the 2013 Share Option Scheme.

Movements in the number of share options outstanding during the year under the 2004 Share Option Scheme are as follows:

Exercise price	Number of options ('000)				Total
	HK\$0.168	HK\$0.141	HK\$0.888	HK\$0.355	
At 1 July 2012	2,400	100	200	–	2,700
Lapsed	–	(100)	–	–	(100)
Granted	–	–	–	2,400	2,400
At 30 June 2013 and 1 July 2013	2,400	–	200	2,400	5,000
Lapsed	–	–	–	(180)	(180)
<b>At 30 June 2014</b>	<b>2,400</b>	<b>–</b>	<b>200</b>	<b>2,220</b>	<b>4,820</b>

At the end of the reporting period, the weighted average remaining contractual life of the Company’s share options was 5.7 years (2013: 6.7 years).

As at 30 June 2014 and 2013, all share options outstanding are exercisable.

Details of the movements in the 2004 Share Option Scheme are set out in the Directors’ Report on pages 28 to 30.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 29. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out below:

Company	Investment revaluation reserve HK\$'000	Share premium HK\$'000 (Note (ii))	Contributed surplus HK\$'000 (Note (i))	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2012	53,426	9,554	65,059	(58,338)	69,701
Loss for the year	-	-	-	(31,202)	(31,202)
Other comprehensive income for the year					
Available-for-sale financial assets					
Change in fair value	4,118	-	-	-	4,118
Total comprehensive loss for the year	4,118	-	-	(31,202)	(27,084)
At 30 June 2013	57,544	9,554	65,059	(89,540)	42,617
At 1 July 2013	<b>57,544</b>	<b>9,554</b>	<b>65,059</b>	<b>(89,540)</b>	<b>42,617</b>
Loss for the year	-	-	-	(14,192)	(14,192)
Other comprehensive income for the year					
Available-for-sale financial assets					
Change in fair value	15,444	-	-	-	15,444
<b>Total comprehensive income for the year</b>	<b>15,444</b>	<b>-</b>	<b>-</b>	<b>(14,192)</b>	<b>1,252</b>
<b>At 30 June 2014</b>	<b>72,988</b>	<b>9,554</b>	<b>65,059</b>	<b>(103,732)</b>	<b>43,869</b>

Note:

### (i) Contributed surplus

Contributed surplus represents the difference between the aggregate net asset value of subsidiaries acquired as a result of the reorganisation and the nominal amount of the Company's shares issued for the acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company may not declare or pay a dividend, or make a distribution out of the contributed surplus, if there are reasonable grounds for believing that (i) it would, or would after the payment, be unable to pay its liabilities as they become due; or (ii) the realised value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

### (ii) Share premium

The share premium account of the Company of HK\$9,554,000 (2013: HK\$9,554,000) can be distributed in the form of fully paid bonus shares pursuant to the Companies Act 1981 of Bermuda.

### (iii) Distributable reserves

As at the end of the reporting period, in the opinion of the directors, there is no reserve of the Company available for distribution to shareholders subject to the restriction stated above (2013: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 30. RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution retirement scheme (the “ORSO Scheme”) and a mandatory provident fund scheme (the “MPF Scheme”) which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance and the Mandatory Provident Fund Ordinance.

Contributions to the ORSO Scheme depend on employees’ service years, and range from five to seven per cent of their basic salaries and commissions.

Employees under the ORSO Scheme are entitled fully to the employer’s contributions upon completion of ten service years, or at a reduced scale upon completion of three to nine service years. Forfeited contributions by the qualified employees who left the scheme prior to vesting fully in such contributions are used to reduce the Group’s contributions.

Contributions to the MPF Scheme are calculated at five percent of the relevant income of each employee subject to a maximum amount of HK\$1,500 per month (HK\$1,250 per month before 1 June 2014). All statutory contributions under the MPF Scheme are immediately fully vested on the employees.

The aggregate employer’s contributions, net of forfeited contributions, which have been dealt with in profit or loss for the year amounted to:

	<b>2014</b>	2013
	<b>HK\$’000</b>	HK\$’000
Gross employer’s contributions	<b>1,046</b>	1,187
Less: Forfeited contributions utilised to offset employer’s contributions for the year	<b>(8)</b>	(6)
Net employer’s contributions charged to profit or loss	<b>1,038</b>	1,181



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 31. CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the consolidated financial statements, there are related party transactions entered into by the Group during the year, details of which are set out below:

### (a) Continuing connected transactions

TFML entered into a licence agreement with THKHL (an associate of the Company's chairman, Dr. Yip Man Fan, is connected person of the Company) on 16 April 2013, for allowing THKHL to occupy and use the office space of the Group's principal place of business as located at 16/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The term of use is for 1 year commencing from 8 April 2013 to 5 May 2014 with a monthly licence fee of HK\$130,000. Licence free period is granted from 8 April 2013 to 5 May 2013. The Annual Cap of the licence fee and licence fee received for the year is as follows:

	Annual cap HK\$'000	Licence fee HK\$'000
From 8 April 2013 to 30 June 2013	260	260
<b>From 1 July 2013 to 5 May 2014</b>	<b>1,300</b>	<b>1,300</b>

The licence agreement was expired on 5 May 2014 and not renewed thereafter.

Relevant disclosures about the above transactions which constitute continuing connected transactions have been made in the Directors' Report of this annual report.

### (b) Other related party transactions

Related party relationship	Nature of transaction	2014 HK\$'000	2013 HK\$'000
Key management personnel, excluding directors	Salaries, commission and allowances	5,573	6,418
	Contributions to retirement benefit schemes	98	111
A related company THKHL (Note i)	Licence fee received (Note a)	(1,300)	(260)
	Management fee received	(960)	(960)
	Motor vehicle lease payment	240	240
Union Light Investment Limited (Note ii)	Interest payment	591	526

Other than those disclosed in note 31(a), no other connected transactions are required to be reported under the Listing Rules.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 31. CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS (Continued)

#### (b) Other related party transactions (Continued)

Notes:

- (i) During the year, the Group charged and paid to a related company, THKHL management fee of HK\$80,000 per month and lease payment of HK\$20,000 per month for the management and personnel supportive services provided by the Group and for the use of a motor vehicle respectively.
- (ii) The Group paid interest expense of HK\$591,000 to Union Light pursuant to the agreement as detailed in note 23.

### 32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group	Loans and receivables HK\$'000	Assets at fair value through profit or loss			Total HK\$'000
		Designated at initial recognition HK\$'000	Held for trading HK\$'000	Available-for-sale HK\$'000	
<b>Financial assets</b>					
Available-for-sale financial assets	-	-	-	102,911	102,911
Other financial assets	-	7,663	-	-	7,663
Loans and advances	191	-	-	-	191
Financial assets at fair value through profit or loss	-	-	5,873	-	5,873
Accounts receivable	188,757	-	-	-	188,757
Financial assets included in deposits, prepayments and other receivables	5,971	-	-	-	5,971
Other non-current assets	3,578	-	-	-	3,578
Pledged deposit	2,017	-	-	-	2,017
Cash and bank balances	76,323	-	-	-	76,323
<b>At 30 June 2014</b>	<b>276,837</b>	<b>7,663</b>	<b>5,873</b>	<b>102,911</b>	<b>393,284</b>

Group	Financial liabilities at amortised cost HK\$'000
<b>Financial liabilities</b>	
Amount due to a related company	24,000
Interest-bearing borrowings	163,900
Accounts payable	31,093
Financial liabilities included in other payables and accrued charges	17,684
<b>At 30 June 2014</b>	<b>236,677</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 32. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Group	Assets at fair value through profit or loss				Total HK\$'000
	Loans and receivables HK\$'000	Designated at initial recognition HK\$'000	Held for trading HK\$'000	Available- for-sale HK\$'000	
<b>Financial assets</b>					
Available-for-sale financial assets	-	-	-	83,920	83,920
Other financial assets	-	5,905	-	-	5,905
Loans and advances	203	18,386	-	-	18,589
Financial assets at fair value through profit or loss	-	-	7,084	-	7,084
Accounts receivable	81,909	-	-	-	81,909
Financial assets included in deposits, prepayments and other receivables	9,483	-	-	-	9,483
Other non-current assets	3,567	-	-	-	3,567
Pledged deposit	2,013	-	-	-	2,013
Cash and bank balances	38,809	-	-	-	38,809
At 30 June 2013	135,984	24,291	7,084	83,920	251,279

Group	Financial liabilities at amortised cost HK\$'000
<b>Financial liabilities</b>	
Amount due to a related company	24,000
Interest-bearing borrowings	48,500
Accounts payable	8,784
Financial liabilities included in other payables and accrued charges	11,197
At 30 June 2013	92,481

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 32. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Company	Assets at fair value through profit or loss				Total HK\$'000
	Loans and receivables HK\$'000	Designated	Held for	Available-	
		at initial recognition HK\$'000	trading HK\$'000	for-sale HK\$'000	
<b>Financial assets</b>					
Available-for-sale financial assets	-	-	-	82,368	82,368
Other financial assets	-	7,663	-	-	7,663
Financial assets at fair value through profit or loss	-	-	5,847	-	5,847
Amount due from a subsidiary	104,855	-	-	-	104,855
Financial assets included in deposits, prepayment and other receivables	454	-	-	-	454
Pledged deposits	774	-	-	-	774
Cash and bank balances	1,018	-	-	-	1,018
<b>At 30 June 2014</b>	<b>107,101</b>	<b>7,663</b>	<b>5,847</b>	<b>82,368</b>	<b>202,979</b>

Company	Financial liabilities at amortised cost HK\$'000
<b>Financial liabilities</b>	
Interest-bearing borrowings	39,000
Financial liabilities included in other payables and accrued charges	963
<b>At 30 June 2014</b>	<b>39,963</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 32. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Company	Loans and receivables HK\$'000	Assets at fair value through profit or loss			Total HK\$'000
		Designated at initial recognition HK\$'000	Held for trading HK\$'000	Available- for-sale HK\$'000	
<b>Financial assets</b>					
Available-for-sale financial assets	-	-	-	66,924	66,924
Other financial assets	-	5,905	-	-	5,905
Financial assets at fair value through profit or loss	-	-	5,323	-	5,323
Amount due from a subsidiary	115,700	-	-	-	115,700
Financial assets included in deposits, prepayment and other receivables	154	-	-	-	154
Pledged deposits	769	-	-	-	769
Cash and bank balances	3,381	-	-	-	3,381
At 30 June 2013	120,004	5,905	5,323	66,924	198,156

Company	Financial liabilities at amortised cost HK\$'000
<b>Financial liabilities</b>	
Interest-bearing borrowings	35,500
Financial liabilities included in other payables and accrued charges	892
At 30 June 2013	36,392



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: interest-rate risk, credit risk, foreign exchange risk, liquidity risk and equity price risk. The Group's overall risk control focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Risk Control Committee ("RCC") is responsible for establishing and reviewing credit policies and procedures to minimise systematic and non-systematic credit and financial risks of the Group. The RCC is also responsible for assessing the risk of long term investments and proprietary trading.

### Interest-rate risk

The Group had short-term borrowings for providing margin financing to clients, with interest rates fixed with the banks upon withdrawal. Hence, the Group has minimal interest-rate risk exposure in this regard. The interest rate risk exposure arises mainly from margin financing to the Group's securities margin clients and loans and advances to entities. The interest rates charged and margin ratio allowed to the Group's securities margin clients are determined with reference to the terms from the banks while the interest rate for loans and advances are fixed. The Group determined the interest rate for loans and advances with appropriate premium to deal with interest-rate risk.

Management considers that the Company has limited exposure to interest rate risk relating to the margin financing to the Group's securities margin clients and the loans and advances to entities as the changes in interest rates for these items are minimal.

### Credit risk

The Group is exposed to credit risk for all financial assets that a client or counterparty in a transaction may default on settlement. The Group's credit policy for securities margin clients are set out in note 20 to the consolidated financial statements. The maximum exposure equals to the carrying amount of the account receivables less the market value of the underlying pledged securities.

As the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

At the end of the reporting period, the Company is exposed to concentration of credit risk where 100% (2013: 100%) of amount due from a subsidiary is originated from one subsidiary. The carrying amount of amount due from a subsidiary recorded in the financial statements, which is net of impairment losses, represents the Company's exposure to credit risk.

The Group's other financial assets, including bank balances, loans and advances, other non-current assets and deposits, prepayment and other receivables have a maximum exposure of credit risk without taking account of any collateral held or other credit enhancements equal the carrying amounts of these instruments.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

### Credit risk (Continued)

The Group's bank balances are placed with credit-worthy banks and financial institutions in Hong Kong and in China. The Group and the Company's investment in SWAP is placed with a credit-worthy bank in the United Kingdom.

### Foreign currency risk

The Group's foreign currency exposures arise mainly from the exchange rate movements of United States dollar.

The Group considers the risk exposure to foreign currency fluctuation would be minimal as long as the Hong Kong dollar remains pegged to the United States dollar. The analysis is performed on the same basis for 2013.

### Liquidity risk

The Group manages to maintain its liquidity position at a prudent and adequate liquidity level. The directors monitor the cash flows daily to ensure sufficient funds available. The senior management would also review the liquidity level in compliance with the statutory requirements for the licensed subsidiaries.

The remaining undiscounted contractual maturity profile of the Group and the Company's non-derivative financial liabilities at the end of the reporting period, based on the earliest date on which the Group is required to settle, is summarised below:

	2014			2013		
	Less than 3 months or on demand HK\$'000	3 to 12 months HK\$'000	Total HK\$'000	Less than 3 months or on demand HK\$'000	3 to 12 months HK\$'000	Total HK\$'000
<b>Group</b>						
Amount due to a related company	24,000	-	24,000	24,000	-	24,000
Interest-bearing borrowings	163,900	-	163,900	48,500	-	48,500
Accounts payable	31,093	-	31,093	8,784	-	8,784
Other payables and accrued charges	15,963	1,721	17,684	10,253	944	11,197
	<b>234,956</b>	<b>1,721</b>	<b>236,677</b>	91,537	944	92,481
<b>Company</b>						
Interest-bearing borrowings	39,000	-	39,000	35,500	-	35,500
Other payables and accrued charges	741	222	963	678	214	892
	<b>39,741</b>	<b>222</b>	<b>39,963</b>	36,178	214	36,392



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

#### Liquidity risk (Continued)

At the end of the reporting period, pursuant to the corporate guarantee provided by the Company granted to the subsidiaries, the possible undiscounted contractual cash outflow was HK\$75,500,000 (2013: HK\$13,000,000), which is classified as “Less than 3 months or on demand” under the maturity profile.

#### Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risks arising from individual equity investments classified as available-for-sale investments and investments held for trading as at 30 June 2014, details of which have been set out in notes 15 and 19 to the consolidated financial statements respectively. The Group’s listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the Stock Exchange at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	2014		2013	
	30 June	High/Low from 1 July 2013 to 30 June 2014	30 June	High/Low from 1 July 2012 to 30 June 2013
Hong Kong – Hang Seng Index	23,190	24,039/20,147	20,803	23,822/18,877

#### Sensitivity analysis

The sensitivity analysis below has been determined assuming that the reasonably possible changes in the fair value of equity investments, with all other variables held constant had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The analysis is performed on the same basis for 2013.

At the end of the reporting period, if the equity price had been 5% (2013: 5%) higher/lower with all other variables held constant, the Group’s loss before tax would be decreased/increased by HK\$294,000 (2013: HK\$354,000). Investment revaluation reserve would be increased/decreased by HK\$5,083,000 (2013: HK\$4,130,000) as a result of changes in fair value of listed available-for-sale investments. For sensitivity analysis on available-for-sale investments, no account has been taken of factors such as impairment which might impact on profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 34. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis at 30 June 2014 and 30 June 2013 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair value measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- \* Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- \* Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- \* Level 3 (lowest level): unobservable inputs for the asset or liability.

### Assets measured at fair value

	Total	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>30 June 2014</b>				
Available-for-sale financial assets				
Listed securities	101,664	101,664	-	-
Other financial assets				
SWAP	7,663	-	7,663	-
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	5,847	5,847	-	-
Listed securities outside Hong Kong	26	26	-	-



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 34. FAIR VALUE MEASUREMENTS (Continued)

#### Assets measured at fair value (Continued)

	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
30 June 2013				
Available-for-sale financial assets				
Listed securities	82,602	82,602	–	–
Other financial assets				
SWAP	5,905	–	5,905	–
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	7,025	7,025	–	–
Listed securities outside Hong Kong	59	59	–	–
Loans and advances	18,386	–	–	18,386

#### Movements in Level 3 fair value measurements of financial assets

The movement represents the repayment of loans and advances.

During the years ended 30 June 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

#### Description of the valuation techniques and inputs used in Level 2 fair value measurement

The valuation technique used to determine the fair value of the SWAP is the discounting cashflow based methodologies which is the estimated amount that the issuer would receive or pay to terminate the SWAP agreement at the end of reporting period, taking into account observable interest rates.

#### Valuation processes of the Group

The directors determines the policies and procedures for both recurring and non-recurring fair value measurement. In estimating the fair value of an asset or a liability, the directors use market-observable data to the extent it is available. Where Level 1 inputs are not available, the directors would engage third party qualified valuer to perform the valuation for significant assets and liabilities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

## 35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to support the Group's growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, future capital requirement of the Group and investment opportunities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives policies or processes during the years ended 30 June 2014 and 30 June 2013.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities and futures dealings and broking, corporate finance and investment advisory services and insurance agency and broking services which are regulated entities under the SFC, the Hong Kong Confederation of Insurance Brokers and Professional Insurance Brokers Association Limited and subject to the respective minimum capital requirements.

The Group monitors capital using a gearing ratio, which is total borrowings divided by the total shareholders' equity. The Group's policy is to maintain the gearing ratio at a reasonable level. As at the end of the reporting period, there were borrowings of HK\$187.9 million (2013: HK\$72.5 million) for financing the operations of the Group which resulted in a gearing ratio of 115.3% (2013: 44.8%).

## 36. COMMITMENTS

### Commitments under operating leases

The Group lease a number of properties under operating leases, which typically run for an initial period of 1 to 3 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>10,104</b>	7,480
In the second to fifth year inclusive	<b>17,851</b>	153
	<b>27,955</b>	7,633



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 36. COMMITMENTS (Continued)

#### Other commitments

In April 2010, the Company entered into the five-year SWAP agreement with a bank in the United Kingdom with notional amount of US\$10 million. The underlying instrument of the SWAP is a capital guaranteed fund.

Pursuant to the SWAP agreement, the Company is obliged to make quarterly payments to the bank. The amount to be paid is calculated on the notional amount with reference to LIBOR from time to time. Upon maturity of the SWAP, the Company is entitled to receiving the return on the underlying instrument depending on its performance.

The SWAP is accounted for by the Group in accordance with HKAS 39 accordingly and included in other financial assets under note 16 of the consolidated statement of financial position.

### 37. CONTINGENT LIABILITIES

The Company had issued corporate guarantee of HK\$55,000,000 (2013: HK\$55,000,000) and unlimited guarantee for a facility amounted to HK\$65,500,000 (2013: HK\$65,500,000) for banking facilities granted to subsidiaries from banks, which were utilised to the extent of HK\$75,500,000 (2013: HK\$13,000,000) at the end of the reporting period.

The Company has not recognised any deferred income for the corporate guarantee given in respect of the banking facilities for subsidiaries as their fair value cannot be reliably measured and their transactions price was zero.

At the end of the reporting period, the directors do not consider probable that a claim will be made against the Company under any of the guarantee.

### 38. COMPARATIVE FIGURES

Comparative figures of the consolidated statements of comprehensive income and note 3 of these financial statements have been reclassified as disclosed below.

Conforming to current year's presentation, expenses of HK\$975,000 that was included in other operating expenses in 2013 Annual Report have been reclassified to commission expenses under the segments of wealth management, brokerage and margin financing and corporate finance. The revised presentation reflects more appropriately the nature of these items. These reclassifications have no effect on the reported financial position, results or cash flows of the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2014

### 39. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company entered into a Subscription Agreement (as defined in the Company's announcement date 15 August 2014) with Southwest Securities International Investment Limited ("SWS"), pursuant to which the Company has conditionally agreed to issue, and SWS has conditionally agreed to subscribe for 1,245,124,409 Subscription Shares (as defined in the Company's announcement date 15 August 2014) (at HK\$0.28 per Subscription Share, amounted to approximately HK\$349 million), representing approximately 51% of the enlarged issued share capital (assuming all outstanding share options have been exercised) of the Company.

Completion is conditional upon the fulfilment of the conditions precedent of the Subscription Agreement. If any of the conditions precedent of the Subscription Agreement is not fulfilled (or waived as applicable) on or before 31 December 2014 or such later date as the Company and SWS may agree in writing, the Subscription Agreement shall lapse and become null and void immediately (other than the rights and obligations already accrued). Details of the Subscription Agreement and the conditions are included in the Company's announcement dated 15 August 2014.

A Special General Meeting of the Company was held on 19 September 2014, at which the ordinary resolution in relation to the increase of authorised share capital of the Company and to allot and issue the Subscription Shares to SWS were passed by the Shareholders of the Company.

Further information and details of events after the reporting period are included in the Company's announcements.



## FIVE-YEAR FINANCIAL SUMMARY

### RESULTS:

	Financial year ended 30 June				
	2010	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	68,147	109,636	67,238	55,175	<b>69,912</b>
Loss before tax	(32,708)	5,666	(45,008)	(32,470)	<b>(17,646)</b>
Income tax credit (expenses)	(753)	(1,091)	12	–	<b>(93)</b>
Loss for the year	(33,461)	4,575	(44,996)	(32,470)	<b>(17,739)</b>
<b>Attributable to:</b>					
Equity holders of the Company	(33,455)	4,596	(44,996)	(32,470)	<b>(17,739)</b>
Non-controlling interests	(6)	(21)	–	–	<b>–</b>
	(33,461)	4,575	(44,996)	(32,470)	<b>(17,739)</b>
Dividends	–	–	–	–	<b>–</b>

### ASSETS AND LIABILITIES:

	Assets and liabilities as at 30 June				
	2010	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	121,925	150,293	109,026	96,358	<b>113,097</b>
Current assets	185,337	272,630	195,668	157,887	<b>286,689</b>
Total assets	307,262	422,923	304,694	254,245	<b>399,786</b>
Current liabilities	(84,864)	(154,083)	(115,846)	(92,481)	<b>(236,770)</b>
Non-current liabilities	–	–	–	–	<b>–</b>
Total liabilities	(84,864)	(154,083)	(115,846)	(92,481)	<b>(236,770)</b>
Net total assets	222,398	268,840	188,848	161,764	<b>163,016</b>
Current ratio	2.18	1.77	1.69	1.71	<b>1.21</b>
Gearing ratio	18%	41%	45%	45%	<b>115%</b>