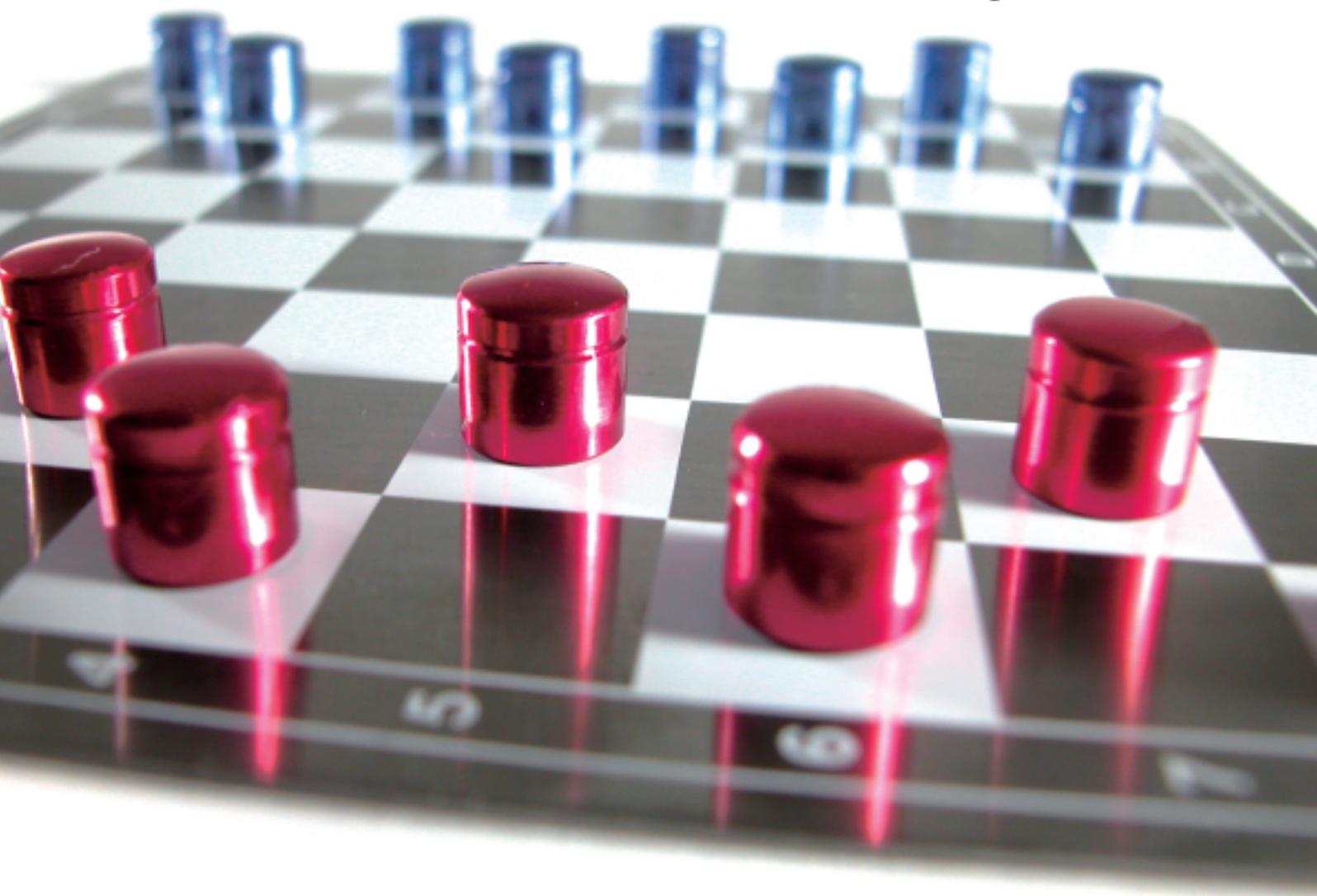


# Financial Power for the Future...

Annual Report 2007



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## &gt;&gt;&gt; CORPORATE INFORMATION

**Board of Directors***Executive Directors*

Mr. YIP Man Fan (*Chairman*)  
Mr. KWOK Kam Hoi (*Deputy Chairman,*  
*resigned as Chief Executive on 1 August 2006*)  
Mr. TSUNOYAMA Toru  
Ms. WONG, Vicky Lai Ping (*appointed on 1 July 2006*)

*Independent Non-executive Directors*

Dr. LAM, Andy Siu Wing, JP  
Mr. MA, Andrew Chiu Cheung  
Mr. YU King Tin

**Audit Committee**

Dr. LAM, Andy Siu Wing, JP (*Chairman*)  
Mr. MA, Andrew Chiu Cheung  
Mr. YU King Tin

**Remuneration Committee**

Dr. LAM, Andy Siu Wing, JP (*Chairman*)  
Mr. MA, Andrew Chiu Cheung  
Mr. YU King Tin  
Mr. TSUNOYAMA Toru  
Ms. WONG, Vicky Lai Ping (*appointed on 1 July 2006*)  
Mr. KWOK Kam Hoi (*resigned on 1 November 2006*)

**Authorised Representatives**

Mr. KWOK Kam Hoi  
Ms. CHEUNG, Fendi Chung Yee

**Company Secretary and  
Qualified Accountant**

Ms. CHEUNG, Fendi Chung Yee

**Registered Office**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

**Head Office and Principal  
Place of Business  
in Hong Kong**

16th Floor, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

**Bermuda Principal  
Share Registrar**

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

**>>> CORPORATE INFORMATION****Hong Kong Branch  
Share Registrar**

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East, Wanchai  
Hong Kong

**Auditors**

Mazars CPA Limited  
*Certified Public Accountants*  
34th Floor, The Lee Gardens  
33 Hysan Avenue, Causeway Bay  
Hong Kong

**Listing Information**

The Stock Exchange of Hong Kong Limited  
Stock Code: 812

**Website**

[www.tanrich.com](http://www.tanrich.com)



# TO MANAGE A HIGH-FLYING CORPORATION

>>> Directors and Senior Management

## >>> DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Yip Man Fan**, aged 53, is the chairman of the Company and the founder of the Group. Mr. Yip is also a director of certain subsidiaries of the Company, namely Tanrich Financial (Management) Limited ("TFML"), Tanrich Futures Limited ("TFL"), Tanrich Securities Company Limited ("TSCL") and Tanrich Financial Group (China) Limited ("TFC") and a responsible officer of TFL. Mr. Yip has been in the securities and futures broking businesses for 25 years. He is responsible for business development, corporate strategies and policies setting of the Group. Mr. Yip was the past President of Lions Club of the Peak, Hong Kong. He has also received the Melvin Jones Fellow award for dedicated Humanitarian Services of Lions Clubs International Foundation.

**Mr. Kwok Kam Hoi**, aged 55, is the deputy chairman 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 Institute and a member of the financial services committee of Hong Kong Coalition of Service Industries, which is the Service Policy Think-Tank of the Hong Kong General Chamber of Commerce.

**Mr. Tsunoyama Toru**, aged 52, is an executive director of the Company and a director of certain subsidiaries of the Company, namely TFML and Tanrich Finance Limited. He joined the Group in May 1991 and is an advisor on the Japanese commodity futures activities of the Group. He has 28 years' experience in the commodity futures field. Mr. Tsunoyama is a law graduate of Kyoto Sangyo University, Japan.

**Ms. Wong, Vicky Lai Ping**, aged 47, is an executive director of the Company. Ms. Wong is also the head of the Group's human resources and administration division and has 25 years' experience in the area. She joined the Group in 1990 and is responsible for human resources and administration policies setting, corporate communications and corporate social responsibility of the Group. Ms. Wong also actively contributed to enhancing brand awareness of the Group. She holds a master's degree in business administration from the University of Leicester, U.K.

### Independent Non-executive Directors

**Dr. Lam, Andy Siu Wing, JP**, aged 56, has been an independent non-executive director of the Company since October 2001. Dr. Lam is an American Certified Public Accountant, a Certified Fraud Examiner, a Chartered Secretary and a Chartered Marketer. He holds a master's degree in business administration from Oklahoma City University, USA and a doctoral degree from The University of Bolton, UK. Dr. Lam has more than 20 years' experience in finance, corporate administration, marketing and strategic planning. He has been appointed by Hong Kong Government as a Justice of the Peace and sits on a number of boards and committees. Dr. Lam had served as a member of the Administrative Appeals Board, Urban Services Appeals Board, Board of Review (Inland Revenue Ordinance), Action Committee Against Narcotics, an adjudicator of Immigration Tribunal and Registration of Persons Tribunal. Currently he is a member of the Hong Kong Housing Authority, a member of the Chinese Medicine Practitioner Board of the Chinese Medicine Council of Hong Kong, a member of the Appeal Board on Public Meetings and Processions and an adjudicator of the Obscene Articles Tribunal. Dr. Lam has also sat on the board of several listed companies in Hong Kong, Canada and the United States of America.

**Mr. Ma, Andrew Chiu Cheung**, aged 65, has been an independent non-executive director of the Company since April 2005. Mr. Ma is a director of Andrew Ma DFK (CPA) Limited. He has more than 30 years' experience in accounting 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 and a fellow member (practising) of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of The Hong Kong Institute of Directors and The Taxation Institute of Hong Kong. He is currently also an independent non-executive director of several other listed companies in Hong Kong.

## >>> DIRECTORS AND SENIOR MANAGEMENT

**Mr. Yu King Tin**, aged 41, has been an independent non-executive director of the Company since October 2004. Mr. Yu has 17 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 and a member of the Society of Registered Financial Planner. He holds a bachelor's degree in law from the 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 organisations, being the Inland Revenue Department, international CPA firms and a listed company in Hong Kong.

### Senior Management

**Mr. Chan Shik Hong**, aged 58, is the general manager of the Group. Mr. Chan joined the Group in December 2005 and has worked in the banking industry for over 30 years with extensive experience in investment banking management. Mr. Chan joined Banque Paribas, Hong Kong Branch in 1979 and was the senior manager of the commodity & trade finance division and developed trade services in the PRC, Korea and Taiwan. He was subsequently promoted to assistant general manager of Banque Paribas, Hong Kong Branch in 1992 and was responsible for overseeing the global operations of the Greater China Region. He also successfully established an internal system of risk management and organized a series of staff training at one of the largest banks in Macau.

**Ms. Cheung, Fendi Chung Yee**, aged 38, is the company secretary and the qualified accountant of the Company. Ms. Cheung joined the Group in October 2005 and has more than 10 years' experience in a wide range of financial and company secretarial matters. Ms. Cheung has worked for international accountancy firms and companies listed in Hong Kong before joining the Group. Ms. Cheung holds a Bachelor's Degree of Arts in Accountancy and is a fellow member of the Association of Chartered Certified Accountant. She is also an associate member of each of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

**Mr. Pun Tit Shan**, aged 46, is a director of TSCL and TFL, and a responsible officer of TSCL, Tanrich Asset Management Limited ("TAML") and TFL. Mr. Pun has 23 years' experience in the financial field. Prior to joining the Group in April 2002, he was the dealing director of BOCI Commodities and Futures Limited and the vice president of BOCI Securities Limited. Mr. Pun has been a director of the Board of Hong Kong Futures Exchange Limited and Hong Kong Stock Exchange Options Clearing House Limited for 4 years. Additionally, Mr. Pun was a panel member of the Derivatives Market Consultative Panel of Hong Kong Exchange and Clearing Limited and a member of the Professional Education Committee and the Membership Committee of Hong Kong Securities Institute.

**Mr. Chan Lee Yeung**, aged 58, is a director of TSCL, Tanrich Wealth Management Limited and TAML, and a responsible officer of TSCL and TAML. Mr. Chan has been in the securities business for 35 years. He joined the Group in July 1991.

**Mr. Lee, Simon Hung Kwong**, aged 42, is a senior vice president of the sales division of TFL. He is also a director and a responsible officer of TFL. Mr. Lee joined the Group in 1990 and has 21 years' experience in the futures business. He holds a diploma in business management jointly awarded by Hong Kong Management Association and Lingnan University, Hong Kong.

## >>> DIRECTORS AND SENIOR MANAGEMENT

**Ms. Li Wai Kuen**, aged 47, is a director and a responsible officer of Tanrich Capital Limited (“TCL”). Before joining the Group in October 2002, Ms. Li worked for the Listing Division of the Stock Exchange of Hong Kong Limited, CEF Capital Limited, Yuanta Securities (Hong Kong) Company Limited and CSC Asia Limited. Ms. Li has 16 years’ experience in the field of corporate finance and holds a master’s degree in business administration from York University, Canada.

**Mr. Chen Yu Xing**, aged 42, is a director of TCL and joined the Group in 2007. Mr. Chen has more than 15 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 a 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 in computer sciences and a degree of executive master in business administration and engineering.

# TO LEAD FOR THE RIGHT DIRECTION

>>> Chairman's Statement



## >>> CHAIRMAN'S STATEMENT

The 2007 financial year was another encouraging period for Tanrich Group. Capitalizing on the stock market in Hong Kong and the PRC which experienced overwhelming growth over the past 12 months, most of the Group's business segments continued to deliver encouraging results, while the securities broking and margin financing business, and the insurance agency business stood out in particular. In the case of the former, our management's dedicated efforts have resulted in record high turnover. Such an achievement can certainly be regarded as recognition from customers of our ability to provide expert advice and services which have been accentuated by the bullish stock markets. Moreover, acknowledgment should be given to the Group's spokespersons who have played an important role in winning the confidence of both the media and their audiences.

During the year, we also saw progress made in the wealth management and insurance agency business as well as proprietary trading. Foreseeing growth potential in the former, the Group has decided to commit more resources in developing its sales force along with support activities in research and analysis.

In order to stay ahead of an ever changing investment environment, constant review of existing product offerings to cope with increasingly sophisticated customer needs will be paramount; hence the motivation behind the launch of our Exchange Traded Fund ("ETF"), one of the first local financial institutions to present such a product to domestic investors. We believe that from our in-depth analysis and recommendations offered on ETF, our clients can reach their investment goals and at the same time allow us to provide reasonable returns to shareholders.

Apart from the retail segment, it is crucial for the Group to explore new business opportunities, especially corporate investments within the greater China region. We are confident that by investigating such avenues, the Group will further generate sound investment returns for shareholders. Corresponding to this strategic direction, we are considering different options though our primary goal remains the same: realize long-term returns. In fact, some investment projects have already commenced and are part of our new corporate investment strategy which encompasses three major areas:

**Acquisition.** The Group envisages potential in China's financial market and believes that we should be able to utilize the expertise gained from our operations in Hong Kong and adapt it on the Mainland. That said, we are exploring opportunities which will enable us to acquire interests in financial and futures companies in China, thus allowing us to access the country effectively and expeditiously. In July 2007, the Group entered into three memoranda of understanding with three separate pawn broking companies in the PRC. Our plan is to establish a pawn broking business network in China. We are also looking at acquiring a futures company in China.

**Private Equity Investment.** Other than extending our brokerage-related business in China, the Group is also interested in investing in both listed and private Hong Kong and Mainland companies that possess untapped growth. In the case of listed companies, the Group can benefit from stock price appreciation, whereas with private companies, significant returns can be realized when such entities are successfully floated. After weighing several options, the Group in July 2007, acquired 20% interests in a private company engaged in the development and provision of optical character recognition systems.

**Fund Management.** The Group will partner with different fund managers to manage a pool of funds and invest in either Class A shares or H-Shares, or in various property projects in China.

Looking ahead, with the implementation of QDII, rapid economic growth in China and strong corporate earnings, we are convinced that local stock markets will remain active. Other than retail operations, we will look carefully into the corporate investment side in the coming year. With several new initiatives already in the pipeline, we are confident in the Group's ability to continue generating satisfactory returns.

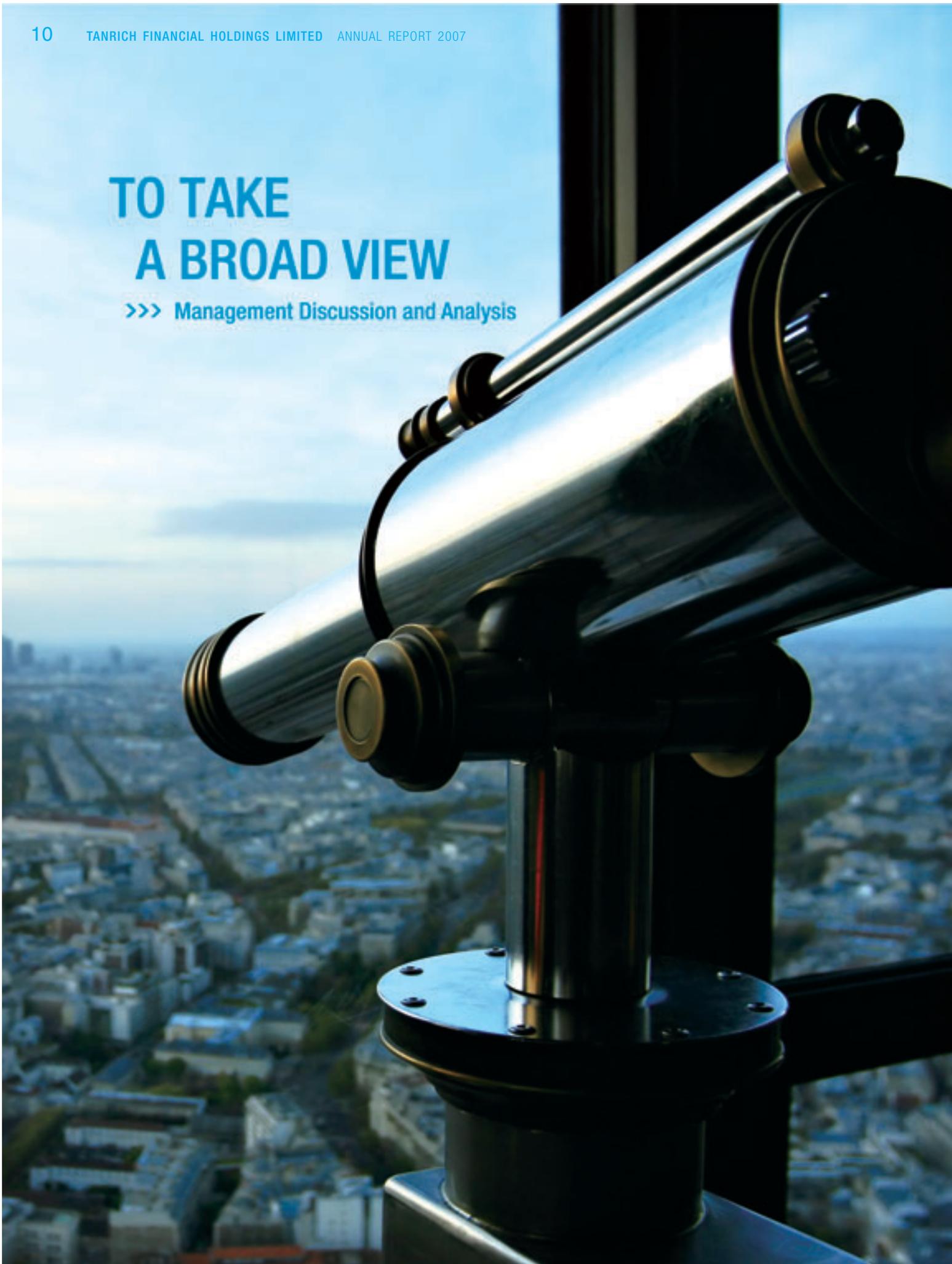
On behalf of the Board of Directors, I would like to express my sincere gratitude to our business partners, customers and shareholders for their on-going support. I would also like to thank my fellow board members and colleagues for their dedication and contributions during the past financial period. I will look forward to an even more prosperous year ahead and reaping still greater returns for our stakeholders.

**Yip Man Fan**  
*Chairman*

Hong Kong, 27 September 2007

# TO TAKE A BROAD VIEW

>>> Management Discussion and Analysis



## >>> MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year ended 30 June 2007, the Group's operating results have shown encouraging improvement. Turnover of the Group for the year ended 30 June 2007 was HK\$102.4 million, representing an increase of 47.7% as compared with last year. The profit attributable to equity holders of the Company also increased by 2.3 times from HK\$4.3 million to HK\$14.0 million. Most of the business segments improved under the efforts from the management, especially the securities broking and margin financing business.

#### Futures broking

Due to the overwhelming expansion in securities market in Hong Kong and in the PRC for the past year, investors focused more on dealing in securities than investing in commodities markets. The commission income derived from broking in futures contracts for the year dropped to HK\$32.7 million from HK\$36.2 million by 9.7%. Despite the slight decrease in turnover, the management continued to review the control system and to improve the efficiency of the supporting operation. The operating costs were further cut down and the segment loss decreased to HK\$0.4 million. Rebate commission policy was reviewed and was effective from April 2007 to give incentive to the sales force.

#### Securities broking and margin financing

The turnover from securities broking and margin financing business for the year achieved a record high of HK\$22.5 million representing an increase of 120.3% from last year. The segment also recorded a profit of HK\$4.7 million before provision for doubtful debts of HK\$2.0 million which was brought forward from 2002 (2006 restated loss: HK\$0.6 million). The satisfactory performance was partly contributed by the buoyant conditions of Hong Kong stock market that the average daily turnover in value for the period from July 2006 to June 2007 was HK\$51.0 billion while last year was only HK\$26.1 billion. Not only the market condition, but the recognition of the professional advices and services from our customers was also an important factor. The Group's spokespersons have gained the confidence of both the media and their audiences. They are frequently interviewed by the media and their professional views and recommendations in investment columns are sought after.

#### Corporate finance

The turnover of corporate finance business fluctuates subject to the completion of sponsor activities. Accordingly, the segment turnover dropped by 71.6% to HK\$0.7 million. The loss also increased to HK\$3.8 million.

Tanrich Capital Limited, an indirect wholly owned subsidiary of the Company, has obtained sole sponsor status during the year. With such status, the corporate finance team can provide wider financial advisory services to the potential clients and the management expects that this business may further mature in near future.

#### Wealth management and insurance agency

During the year, wealth management and insurance agency business generated revenue of HK\$24.3 million which is 2.4 times to last year. The increase was mainly from insurance agency and the net agency commission rate for insurance agency business is slim. As such, the segment loss for the period narrowed by only 20.2% to HK\$1.2 million. It is expected that the growth potential of wealth management and financial planning business to be prosperous, the Group is committed to put more resources in developing the sales force and the supporting activity in research and analysis.

## >>> MANAGEMENT DISCUSSION AND ANALYSIS

### Money lending

The Group advanced new short-term loans of HK\$18.0 million during the year and generated revenue of HK\$1.7 million. As the net interest rate decreased, the segment profit dropped to HK\$1.0 million compared with HK\$1.6 million of last year.

It is the Group's policy to capture profit generating opportunities by identifying credit worthy corporate clients with a view to provide money lending services.

### Proprietary trading

As the Hong Kong stock market has been booming rapidly since the second half of 2006, the Group traded in Hong Kong listed securities more frequently. The turnover of proprietary trading increased by 1.3 times to HK\$20.5 million with a profit of HK\$2.5 million. The Group maintained a strong team on research and analysis, the trading decisions on Hong Kong listed securities were made on reasonable analysis of the market and companies information. The investment committee, comprising certain members of the Board and in-house financial analysts, is responsible for managing the investment activities and no small cap companies would be invested. The investment portfolio is also closely monitored by senior management.

## PROSPECTS

Through the implementation of QDII, Mainland institutions and individuals have new channels to invest overseas, which creates opportunities for our financial service sector. With the rapid economic growth in China and strong corporate earnings outlook, both the HSI and HSCEI have breached the historical record of 27,000 and 16,000 respectively. Despite the fluctuation recently, we keep our optimistic view over the local market in long term. To cope with ever increasing trading transactions by our customers, the Group has put in more resources to upgrade the internet trading system and planned to launch the new system in the second half of 2007. The management is confident that the internet trading system would resolve the limitation of human dealing procedures and improve the efficiency.

Commodity market showed high volatility in the past few months. We believe the upward trend is not over due to the scarcity of resources and the collapse of US Dollars. As such, we have recently launched Exchange Traded Fund ("ETF") trading services for our clients to capture the growth potentials in commodity investments. Tanrich is one of the first local financial institutions in promoting such services to domestic investors. We believe our in-depth analysis and recommendation on respective ETF could help our clients to achieve their investment goals. Reaching a win-win situation with our clients, we also expect the new business will provide fruitful returns to our shareholders.

The management finds the competition of the broking and agency market more and more severe. It is necessary for the Group to explore new business opportunities. The Group will put more resources in investments and looks for long term returns. The material investments and proposed investments after the year end date were further discussed in "MATERIAL INVESTMENTS AND CAPITAL COMMITMENTS" below.

## >>> MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Liquidity, financial resources and gearing ratio

The Group has maintained a healthy and stable financial position. The subsidiaries licensed by the Securities and Futures Commission (the "SFC") fully complied with the financial resources rules promulgated by the SFC. As at 30 June 2007, the Group had total cash and bank balances of HK\$94.0 million (2006: HK\$67.1 million), while net current assets amounted to HK\$156.4 million (2006: HK\$101.7 million). Due to the short-term IPO loans from banks spanning the year end date, the current ratio as a ratio of current assets to current liabilities was only 1.7 (2006: 3.1). The increase in cash and bank balances are mainly due to the realization of listed investments and the proceeds from issue of 40,000,000 new shares in the Company ("Shares").

On 8 May 2007, the Company placed 40,000,000 new Shares to independent third parties at a price of HK\$0.6 per share. The net proceeds of approximately HK\$23.7 million will mainly be used to finance the development of the Group's existing money lending business and investment and acquisition business as well as future capital expenditures of the Group, with the remainder for the Group's general working capital requirement.

At the balance sheet date, the Group had bank borrowings of HK\$156.0 million for financing clients' subscriptions of new issue of companies undergoing IPO exercises which resulted in a gearing ratio of 65.4% (2006: Nil). The gearing ratio represented the ratio of total borrowings to the total equity of the Group.

Pursuant to the ordinary resolutions passed at the special general meeting of the Company on 1 August 2007, an amount standing to the credit of the share premium account of the Company was applied in paying up new Shares in full at par, such Shares, were credited as fully paid, to be allotted and distributed among members of the Company in the proportion of one new Share for every existing one Share then held.

Pursuant to subscription agreement dated 10 August 2007, the Company placed 27,000,000 Shares at a price of HK\$1.4 per Share to an independent third party for a total net proceeds of approximately HK\$37.8 million which will be used for financing the development of the investment and acquisition business including the pawn broking business.

#### Banking facilities and charges on assets

As at 30 June 2007, the Group had aggregate banking facilities of HK\$51.0 million. The drawdown of certain banking facilities of HK\$45.0 million is subject to the market value of the marketable securities pledged. At the balance sheet date, the market value of the clients' pledged securities amounted to approximately HK\$389.5 million. The Company has provided corporate guarantees for the facilities of HK\$50.5 million granted to its subsidiaries from banks. There were also facilities from banks for assisting in financing the subscriptions of new issue of HK\$156.0 million at the year end date, of which HK\$140.0 million was under corporate guarantee from the Company. All the banking facilities were denominated in Hong Kong dollars and subject to commercial floating interest rates. There were no seasonal factors affecting the Group's borrowing requirements.

The Company pledged certain investments in listed securities of HK\$44.2 million as the collateral of the banking facilities (2006: HK\$40.2 million). The subsidiaries also pledged bank deposits of HK\$1.0 million (2006: HK\$1.3 million) for foreign exchange deferred trading and general banking facilities.

Save as disclosed above, no other assets were pledged or under charge for any purposes.

## >>> MANAGEMENT DISCUSSION AND ANALYSIS

### MATERIAL INVESTMENTS AND CAPITAL COMMITMENTS

During the year, the Group realized certain listed securities classified as available-for-sale financial assets in the balance sheet with a profit of HK\$19.7 million. The remaining listed investments have been appreciated with reference to the closing market price per share from HK\$49.95 to HK\$110.60 which increased the equity by HK\$42.8 million.

The Group invested as to 20% interests in a private company in July 2007 which is engaged in the development and provision of optical character recognition system for providing technology and solution of license plate number and container number recognition to fleet management, container terminals and intelligent traffic system worldwide. Other than the Group, two private equity companies are its strategic investors. In the long run, the private company may go public when its financial position and the market environment fit. The management expected this investment would contribute profit of millions of dollars to the Group each year.

On 14 March 2007, the Group entered into a placing agreement to subscribe for 50,000,000 new shares in a listed company (the "Listed Company") at a placing price of HK\$0.1 per share. The listed company together with its subsidiaries are mainly engaged in the development and operation of back end electronic receipt/payment and data recording and processing software system and manufacturing and distribution of the associated commercial applications in the PRC. The total amount for the investment is HK\$5.0 million and the placing was completed on 24 July 2007. The closing price of the Listed Company's share was HK\$0.54 on 25 September 2007, being the last trading date immediately prior to the date of this report.

In July 2007, the Group entered into three memoranda of understanding (the "MOUs") with three pawn broking companies in the PRC. According to the MOUs, the Group would invest in the three pawn broking companies with controlling stake. Pawn broking companies in the PRC focus on corporate customers instead of retail customers and the collateral in pawn is mainly land and buildings, machinery and motor vehicles, as such they are considered as an alternate source of financing to banks in the PRC. The Directors believe that, if the proposed investments in the three pawn broking companies can materialize, it will be an encouraging strategic expansion of the business of the Group. The Group plans to build up a network of pawn broking business in various provinces of the PRC. It will enhance the business of the Group in areas such as pawn broking in the PRC and can enhance the profits of the Group as a whole.

Save as the above, the Group has no committed plan on any major investments or acquisition of capital assets in the foreseeable future.

### CONTINGENT LIABILITIES

As disclosed previously, the Group was engaged in arbitration proceedings, with an independent third party, concerning, inter alia, the alleged unauthorised trading of futures contracts by an ex-employee of the Group. Such contingent claims did not have any further progress during the year ended 30 June 2007 and accordingly, the directors of the Company ("Directors") maintained the same opinion as in previous year that it is not currently possible to estimate the eventual outcome of the above claim and having taken appropriate legal advice, the Directors consider it is not necessary to make any provision in this regard.

## >>> MANAGEMENT DISCUSSION AND ANALYSIS

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has exposure to foreign exchange fluctuation as a result of placing margin deposits in JPY with two designated futures commission merchants in Japan on behalf of its clients in Hong Kong. According to the Group's hedging policy, the Group hedges at least 80% of its net foreign exchange exposure with USD/JPY foreign exchange deferred trading in order to minimise its foreign exchange risk.

As at 30 June 2007, the Group had a total margin deposit placed with the two designated futures commission merchants of approximately JPY203.9 million and a bank deposit of approximately JPY0.4 million, total JPY being equivalent to approximately HK\$13.0 million. This amount has been properly hedged with USD/JPY foreign exchange deferred trading.

### STAFF

At the year end date, the Group had a total of 137 full-time employees. The Group operates different remuneration schemes for account executives and other supporting and general staff respectively. Account executives are remunerated on the basis of on-target-earning packages comprising base pay or drawing, commission and/or bonus. All supporting and general staff is also entitled to year-end discretionary bonuses. The Group also provides training programs for the staff to enhance their skills and products, regulatory and compliance knowledge.

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.

# TO OPTIMIZE RETURNS IN EQUILIBRIUM

>>> Corporate Governance Report



## >>> CORPORATE GOVERNANCE REPORT

### COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company strives to attain and maintain good corporate governance and transparency and believes it is important to enhancing the shareholders' value. The Company has complied with all the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year except the following.

#### Chairman and chief executive officer

Provision A.2.1 of the Code requires the management of the Board and the day-to-day management of business be performed by separate individuals. The office as chief executive officer was vacated following the re-designation of the directorship of Mr. Kwok Kam Hoi on 1 August 2006. To maintain proper segregation of duties and balance of power and authority, different functions of the operation are now managed by respective members of the Board and senior management of the Group. The Executive Directors, without the Chairman, and the in-charge of all departments meet monthly for discussing and determining the business and operation issues.

#### Retirement by rotation

Provision A.4.2 of the Code requires every director be subject to retirement by rotation at least once every three years. The chairman of the Board was appointed for a term of two years, and was not subject to rotation or taken into account in determining the number of directors to retire in each annual general meeting ("AGM") in accordance with the Bye-laws of the Company prior to the AGM of the shareholders of the Company held on 19 December 2006 ("2006 AGM"). A resolution was passed at the 2006 AGM to amend the Bye-laws of the Company to comply with this provision so that every Director shall be subject to retirement at least once every three years.

### THE BOARD AND CORPORATE GOVERNANCE STRUCTURE

#### The Board and the board committees

The Board is responsible for directing the strategic objectives of the Group and overseeing the management of the business. The Directors are responsible for leadership and control of the Group.

The Chairman is responsible for the management of the Board. The day-to-day management of business is performed by other Executive Directors and the general manager of the Company (the "GM"). The duties and responsibilities of each Executive Director and the GM are clearly established in writing. The Board together with the Remuneration Committee monitor the performance of the Executive Directors and the senior management of the Company. Such division of responsibilities can ensure a balance of power.

There are a number of board committees established under the Board to carry out the directions and strategies set by the Board. The overall corporate governance structure of the Company is depicted in the following chart:



## >>> CORPORATE GOVERNANCE REPORT

### Composition of the Board

The Board comprised seven (7) Directors, including four (4) Executive Directors and three (3) Independent Non-executive Directors, namely:

#### *Executive Directors:*

Mr. Yip Man Fan, *Chairman*

Mr. Kwok Kam Hoi, *Deputy Chairman (resigned as Chief Executive on 1 August 2006)*

Mr. Tsunoyama Toru

Ms. Wong, Vicky Lai Ping (*appointed on 1 July 2006*)

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

Dr. Lam, Andy Siu Wing, JP

Mr. Ma, Andrew Chiu Cheung

Mr. Yu King Tin

The Board has a balance of skills and experience and the details of the biography of each Director has been disclosed under the section "DIRECTORS AND SENIOR MANAGEMENT". The Company has arranged appropriate directors and officers' insurance for their personal liability in their capacity as Directors and officers of the Company.

There was no relationship among the Board members. Each Director was appointed with specific period term and at least one-third of the Directors at each AGM (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.

### Proceedings of Board meetings

The Board meets regularly with intervals of not more than four months for discussing and determining the strategies of the Group, setting directions and monitoring the performance of the Group. All Directors are informed in writing for all regular meetings with proper notice period. The secretary of the Company is responsible to fix a day which fits most of the Directors' schedules. Agenda and materials for discussion in the meetings are circulated to all Directors at least three days prior to the date of the regular meetings.

Directors, who have declared to have a conflict of interests or material interests in the proposed transactions or issues to be discussed, would not be counted in the quorum of 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 Directors' enquiries. All draft and finalised minutes of each meeting are sent to all Directors for comment within reasonable time after the meeting is held.

During the year, there were four (4) regular meetings held with procedures fully complied with the Code and the attendance of each Director is listed under the heading "Attendance summary" below on a named basis.

### Independence of Independent Non-executive Directors

The Company has received written confirmation from each Independent Non-executive Director of his independence to the Group. The Company is in the opinion that all the Independent Non-executive Directors were acting independently throughout the financial year.

### Model Code of the Listing Rules

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. 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 financial year.

## >>> CORPORATE GOVERNANCE REPORT

### Nomination of Directors

The Company does not have a nomination committee. The Board is responsible for all matters relating to the appointment of Directors, either to fill a casual vacancy or as an addition to the existing Board. Suitable candidates are proposed to the full Board for consideration of appointment. Any Directors so appointed shall hold office only until the next AGM and shall then be re-elected at that meeting in accordance with the Bye-laws of the Company.

### Audit Committee

The Audit Committee comprised three (3) Independent Non-executive Directors, namely:

Dr. Lam, Andy Siu Wing, JP, *Chairman*

Mr. Ma, Andrew Chiu Cheung

Mr. Yu King Tin

The Board adopted clear terms of reference including authority and duties of the committee. The duties of the Audit Committee include, inter alia, monitoring the integrity of financial statements and review the appropriateness of 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. All the Independent Non-executive Directors are qualified accountants with extensive experience in financial management. The Audit Committee meets at least twice a year to discuss and review the internal control, the financial information and relevant matters.

During the year, the Audit Committee has reviewed the review/audit planning memorandums and the results for the interim period ended 31 December 2006 and the financial year ended 30 June 2007. 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 team and the external auditors respectively.

Moores Rowland Mazars ("MRM") resigned as the auditors of the Group with effect from 31 May 2007. Such resignation is solely due to the reorganisation of MRM, resulting in the key personnel of MRM previously servicing the Group have joined Mazars CPA Limited ("Mazars CPA") with effect from 1 June 2007. The Audit Committee recommended to engage Mazars CPA on 8 June 2007 to fill the vacancy from the resignation of MRM as the auditors of the Company and to hold office until the conclusion of the forthcoming AGM of the Company.

Audit Committee held four (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 was composed of three (3) Independent Non-executive Directors and two (2) Executive Directors, namely:

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

Dr. Lam, Andy Siu Wing, JP, *Chairman*

Mr. Ma, Andrew Chiu Cheung

Mr. Yu King Tin

#### *Executive Directors:*

Mr. Tsunoyama Toru

Ms. Wong, Vicky Lai Ping (*appointed on 1 July 2006*)

Mr. Kwok Kam Hoi (*resigned on 1 November 2006*)

## >>> CORPORATE GOVERNANCE REPORT

The responsibilities and authorities of the Remuneration Committee are clearly stated in the 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 Executive Directors and senior management. The Remuneration Committee shall meet once a year, the least.

During the financial year, the Remuneration Committee has reviewed the remuneration package of all Directors and the senior management and proposed adjustments on certain Directors and the senior management with reference to their performance, duties and responsibilities. The Chairman was consulted in the meeting about their proposals. Detailed remuneration of each Director could be referred to note 6 to the financial statements.

The Remuneration Committee held one (1) meeting in 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 is composed of all Executive Directors, the GM, the Financial Controller and certain heads of major business divisions of the Company. Members of the Executive Committee are appointed by the Executive Directors for the establishment, implementation and review of strategies and policies to achieve the long-term and short-term business goals of the Group. The Executive Committee meets regularly and is accountable to the Board for the performance of all businesses.

### Risk and Credit Control Committee ("RCCC")

RCCC is composed of certain directors of the Group, the GM, the associate director of Legal and Compliance Department and the Financial Controller. RCCC is responsible for establishing and reviewing credit policies and procedures to minimize the systematic and non-systematic credit and financial risks of the Group. RCCC is also responsible for assessing the risks of investments of non-daily business. RCCC meets regularly and reports to the Board from time to time.

### Attendance summary

The following table shows the attendance of each individual member of the Board and the respective board committees at the Board and the respective board committees meetings held during the financial year:

Name of members of the Board/the respective Board Committees	Attendance/Number of meetings held				
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Executive Committee meeting	Risk and Credit Control Committee meeting
<i>Executive Directors:</i>					
Yip Man Fan	4/4	N/A	N/A	10/11	N/A
Kwok Kam Hoi	4/4	N/A	N/A	10/11	9/11
Tsunoyama Toru	3/4	N/A	1/1	10/11	8/11
Wong, Vicky Lai Ping	4/4	N/A	1/1	11/11	N/A
<i>Independent Non-executive Directors:</i>					
Lam, Andy Siu Wing, JP	4/4	4/4	1/1	N/A	N/A
Ma, Andrew Chiu Cheung	4/4	4/4	1/1	N/A	N/A
Yu King Tin	4/4	4/4	1/1	N/A	N/A

## >>> CORPORATE GOVERNANCE REPORT

### CORPORATE COMMUNICATIONS

For the last year, the Group worked hard to improve the communications with the Shareholders and the general public with an aim to improve the transparency of the business development and provide them with more information to appraise the position of the Group.

Directors, including Executive and Independent Non-executive Directors, were present at the 2006 AGM to answer questions from our Shareholders. The senior management conducted luncheons with the media quarterly. During the luncheons, the media had opportunities to discuss with our senior management face to face for new developments of the markets and of the Group. Our spokespersons also appeared in various media, including seminars, newspapers and magazines and TV programs, to explain the nature of different investment products to let the investors determine the most appropriate investment strategies.

### INTERNAL CONTROL

Internal audit function was assumed by the Legal and Compliance Department to review the system of internal control including financial, operational and compliance controls. Internal audit will be performed on the Group's major businesses on a rotation basis. An internal audit report on securities broking business was reviewed and considered by the Audit Committee and recommendations were made to the Board.

### EXTERNAL AUDITORS

The Board acknowledges the responsibility for preparing the accounts which gives a true and fair view. In preparing the accounts which give 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. It is the responsibility of the external auditors to form an independent opinion on the financial statements of the Group to be reported to the Shareholders of the Company.

Mazars CPA were appointed as the external auditors of the Group during the year to fill the vacancy left by MRM as a result of its reorganisation. The fee for audit service for the year ended 30 June 2007 was HK\$835,000. No services was rendered by MRM or Mazars CPA other than the statutory audits during the financial year.

By order of the Board

**Kwok Kam Hoi**

*Deputy Chairman*

Hong Kong, 27 September 2007

## >>> DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of the Company and its subsidiaries for the year ended 30 June 2007.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 13 to the financial statements.

An analysis of the Group's performance for the year by business segment is set out in note 3 to the 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 income statement on page 32.

The Directors recommended the payment of a final dividend of 1 HK cent (2006: Nil) per share for the financial year ended 30 June 2007, totaling HK\$5,593,000 (2006: Nil), to its shareholders whose names appear on the register of members at the close of business on Thursday, 1 November 2007 subject to the final approval at the annual general meeting to be held on Thursday, 1 November 2007. The dividends are expected to be paid on or before Thursday, 8 November 2007.

### RESERVES

Movements in reserves of the Group and of the Company during the year are set out in note 26 to the financial statements.

As at 30 June 2007, the reserves of the Company available for distribution to Shareholders amounted to HK\$93,391,000 (2006: HK\$77,526,000).

### DONATIONS

During the year, the Group made charitable and other donations amounted to HK\$49,480 (2006: Nil).

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

### SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 24 to the 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 72.

### 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*

Mr. Yip Man Fan (Chairman)  
Mr. Kwok Kam Hoi (Deputy Chairman, resigned as Chief Executive on 1 August 2006)  
Mr. Tsunoyama Toru  
Ms. Wong, Vicky Lai Ping (appointed on 1 July 2006)

#### *Independent Non-executive Directors*

Dr. Lam, Andy Siu Wing, JP  
Mr. Ma, Andrew Chiu Cheung  
Mr. Yu King Tin

In accordance with Bye-law 87 of the Company, Mr. Tsunoyama Toru, Dr. Lam, Andy Siu Wing, JP and Mr. Ma, Andrew Chiu Cheung will, retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

### DIRECTORS' SERVICE CONTRACTS

None of the directors has entered into or 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 the Directors and the Senior Management are set out in the section "DIRECTORS AND SENIOR MANAGEMENT" of this report.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year ended 30 June 2007, the Group had connected transactions as defined under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") but are exempt from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A.31 of the Listing Rules. Details of these transactions are set out in note 28 to the financial statements.

### 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 28 to the financial statements.

Save as the above, no contracts of significance in relation to the Group's business 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.

## >>> DIRECTORS' REPORT

### 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2007, the interests of the Directors of the Company 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 Companies (the "Model Code") contained in the Listing Rules were as follows:

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

	Number of ordinary shares held			Number of underlying shares (Note 3)	Total
	Personal interests	Family interests	Other interests		
Yip Man Fan	4,000,000	7,500,000 (Note 1)	120,000,000 (Note 2)	—	131,500,000
Kwok Kam Hoi	2,000,000	—	—	2,000,000	4,000,000
Tsunoyama Toru	25,340,000	—	—	860,000	26,200,000
Wong, Vicky Lai Ping	—	—	—	2,070,000	2,070,000
Lam, Andy Siu Wing, JP	—	—	—	200,000	200,000
Ma, Andrew Chiu Cheung	—	—	—	200,000	200,000
Yu King Tin	—	—	—	200,000	200,000

#### Notes:

- Shares are held by Ms. Tang Yuk Lan, the spouse of Mr. Yip Man Fan.
- Shares are held by discretionary trusts of which Mr. Yip Man Fan 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 2007, none of the Directors, the chief executives 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, 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 Company's directors, their respective spouse or children under the age of 18 to acquire such rights in any other body corporate.

### SHARE OPTION SCHEMES

#### a) Pre-Listing Share Option Scheme ("Pre-Listing Scheme")

The Pre-Listing Scheme was adopted on 7 January 2002. The summary of the Pre-Listing Scheme is as follows:

1. The purpose of the Pre-Listing Scheme is to enable the Company to grant share options to eligible persons as an incentive or reward for their contributions to the Group.
2. The participants of the Pre-Listing Scheme include any employee, executive or non-executive director or bona fide consultant 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, unless shareholders' approval has been obtained in general meeting.
4. Share options may be exercised in accordance with the terms of the Pre-Listing Scheme at any time during a period commencing one year from the date of grant of the option and expiring on the earlier of the last day of (i) a ten year period from the date of grant of the option or (ii) ten years from the adoption date.
5. A non-refundable consideration of HK\$1 for the grant of each lot of options is required to be paid by each grantee upon acceptance of the option.
6. The subscription price of the shares shall be determined by the Board of Directors, but shall not be less than the higher of (i) the closing price of each share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option; and (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.
7. The Pre-Listing Scheme will expire on the last day of ten years from the adoption date.
8. The total number of shares issuable upon exercise of the outstanding options was 6,456,000, which represented 2.4% of the existing issued share capital of the Company as at the year end date.

## >>> DIRECTORS' REPORT

### a) Pre-Listing Share Option Scheme ("Pre-Listing Scheme") (Continued)

Details of the share options outstanding as at 30 June 2007 which have been granted under the Pre-Listing Scheme are as follows:

	Number of shares issuable under the options				As at 30 June 2007 (Note 5)	Subscription price HK\$	Weighted average closing price HK\$ (Note 6)	Grant date	Exercisable from	Exercisable until
	As at 1 July 2006	Granted during the year	Exercised during the year	Lapsed during the year						
<b>Directors:</b>										
Yip Man Fan	2,000,000	—	2,000,000	—	—	0.72	2.35	22 February 2002	22 February 2003	7 January 2012
	2,000,000	—	2,000,000	—	—	0.61	2.35	19 December 2005	19 December 2006	7 January 2012
Kwok Kam Hoi	2,000,000	—	—	—	2,000,000	0.72	—	22 February 2002	22 February 2003	7 January 2012
Tsunoyama Toru	1,950,000	—	1,090,000	—	860,000	0.72	2.23	22 February 2002	22 February 2003	7 January 2012
	2,000,000	—	2,000,000	—	—	0.61	2.35	19 December 2005	19 December 2006	7 January 2012
Wong, Vicky Lai Ping	300,000	—	—	—	300,000	0.72	—	22 February 2002	22 February 2003	7 January 2012
	300,000	—	300,000	—	—	0.61	1.42	19 December 2005	19 December 2006	7 January 2012
	—	1,000,000	—	—	1,000,000	0.65	—	3 July 2006	3 July 2007	7 January 2012
Continuous contract	5,280,000	—	4,150,000	220,000	910,000	0.72	1.73	22 February 2002	22 February 2003	7 January 2012
employees	1,000,000	—	800,000	200,000	—	0.61	2.16	19 December 2005	19 December 2006	7 January 2012
	—	500,000	—	—	500,000	0.65	—	3 July 2006	3 July 2007	7 January 2012
Bona fide consultants	140,000	—	—	—	140,000	0.72	—	22 February 2002	22 February 2003	7 January 2012
of the Group	800,000	—	800,000	—	—	0.61	2.02	19 December 2005	19 December 2006	7 January 2012
	—	746,000	—	—	746,000	0.67	—	4 January 2007	4 January 2008	7 January 2012

#### Notes:

1. The closing price immediately before the date on which the options granted on 22 February 2002 was HK\$0.65.
2. The closing price immediately before the date on which the options granted on 19 December 2005 was HK\$0.60.
3. The closing price immediately before the date on which the options granted on 3 July 2006 was HK\$0.65.
4. The closing price immediately before the date on which the options granted on 4 January 2007 was HK\$0.66.
5. Share options lapsed in accordance with the terms and conditions of the Pre-Listing Scheme following the resignation of employees.
6. Weighted average closing price represented the weighted average closing price of the shares in the Company immediately before the dates on which the options were exercised.

## >>> DIRECTORS' REPORT

### b) Post-Listing Share Option Scheme ("Post-Listing Scheme")

The Post-Listing Scheme was adopted on 30 January 2004. The summary of the Post-Listing Scheme is as below:

1. The purposes of the Post-Listing 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 Post-Listing 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 shares in issue, unless shareholders' approval has been obtained in general meeting.
4. Share options may be exercised in accordance with the terms of the Post-Listing 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's 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 Post-Listing Scheme will expire on 29 January 2014.
8. The total number of shares issuable upon exercise of outstanding options was 8,243,000, representing 3.1% of the existing issued share capital of the Company as at the year end date.

## >>> DIRECTORS' REPORT

### b) Post-Listing Share Option Scheme ("Post-Listing Scheme") (Continued)

Details of the share options outstanding as at 30 June 2007 which have been granted under the Post-Listing Scheme are as follows:

	Number of shares issuable under the options					Exercise price HK\$	Weighted average closing price HK\$	Grant date	Exercisable from	Exercisable until
	As at 1 July 2006	Granted during the year	Exercised during the year	Lapsed during the year	As at 30 June 2007					
					(Note 4)		(Note 5)			
Directors:										
Kwok Kam Hoi	2,000,000	—	2,000,000	—	—	0.67	1.26	27 April 2004	27 April 2005	26 April 2014
Wong, Vicky Lai Ping	270,000	—	—	—	270,000	0.67	—	27 April 2004	27 April 2005	26 April 2014
	—	500,000	—	—	500,000	0.67	—	4 January 2007	4 January 2008	3 January 2017
Lam, Andy Siu Wing, JP	—	200,000	—	—	200,000	1.84	—	1 June 2007	1 June 2008	31 May 2017
Ma, Andrew Chiu Cheung	—	200,000	—	—	200,000	1.84	—	1 June 2007	1 June 2008	31 May 2017
Yu King Tin	—	200,000	—	—	200,000	1.84	—	1 June 2007	1 June 2008	31 May 2017
Continuous contract	7,412,000	—	6,338,000	652,000	422,000	0.67	1.66	27 April 2004	27 April 2005	26 April 2014
employees	—	5,300,000	—	—	5,300,000	0.67	—	4 January 2007	4 January 2008	3 January 2017
Consultants/Advisors	3,056,000	—	2,905,000	—	151,000	0.67	1.48	27 April 2004	27 April 2005	26 April 2014
	—	1,000,000	—	—	1,000,000	0.67	—	4 January 2007	4 January 2008	3 January 2017

#### Notes:

1. The closing price immediately before the date on which the options granted on 27 April 2004 was HK\$0.67.
2. The closing price immediately before the date on which the options granted on 4 January 2007 was HK\$0.66.
3. The closing price immediately before the date on which the options granted on 1 June 2007 was HK\$1.95.
4. Share options lapsed in accordance with the terms and conditions of the Post-Listing Scheme following the resignation of employees.
5. Weighted average closing price represented the weighted average closing price of the shares in the Company immediately before the dates on which the options were exercised.

Pursuant to the ordinary resolutions passed at the special general meeting of the Company on 1 August 2007, the allotment and issue of bonus shares to the Shareholders in the proportion of one new share for every existing one share ("Bonus Issue") then held was approved. As a result of the Bonus Issue, adjustments have been made to the exercise price and the number of outstanding options granted under the share option schemes with effect from 7 August 2007. The adjusted outstanding options of the Pre-Listing Scheme and the Post-Listing Scheme as at the year end date were 12,912,000 and 16,486,000 respectively.

## >>> DIRECTORS' REPORT

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

As at 30 June 2007, the persons (other than Directors and chief executives 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:

Name of shareholders	Note	Number of ordinary shares held	Percentage of holding
Aceland Holdings Ltd.	1, 2 & 4	120,000,000	45.39%
Redwood Pacific Limited	2 & 4	120,000,000	45.39%
HSBC International Trustee Limited	3 & 4	120,000,000	45.39%
Tang Yuk Lan	5	131,500,000	49.74%

*Notes:*

1. Aceland Holdings Ltd. is the trustee of The Yip Unit Trust, which holds 45.39% of the shareholdings of the Company.
2. Redwood Pacific Limited is the trustee of The Yip Man Fan Unit Trust, which holds 100% of those units in The Yip Unit Trust.
3. HSBC International Trustee Limited is the trustee of The Yip Man Fan Family Trust, which holds 99.99% of the units in The Yip Man Fan Unit Trust.
4. Under Part XV of the SFO, each of Redwood Pacific Limited, and HSBC International Trustee Limited is taken to have an interest in the same 120,000,000 ordinary shares held by Aceland Holdings Ltd., on trust for The Yip Unit Trust. These shares therefore duplicate each other.
5. Ms. Tang Yuk Lan is the spouse of Mr. Yip Man Fan. Under Part XV of the SFO, each of Mr. Yip Man Fan and Ms. Tang Yuk Lan is taken to have an interest in the shares held by each other. These shares therefore duplicate each other.

### 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 of the Company.

### MAJOR CUSTOMERS AND SUPPLIERS

Income from the Group's five largest customers in aggregate contributed to less than 30% of the Group's total income during the year.

Contracts with the five largest suppliers of the Group combined by value which are not of a capital nature, contributed to less than 30% in value of supplies purchased during the year.

### 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.

## >>> DIRECTORS' REPORT

### AUDITORS

The financial statements for the years ended 30 June 2005 and 30 June 2006 were audited by Messrs. PricewaterhouseCoopers and Messrs. Moores Rowland Mazars respectively. During the year, Messrs. Moores Rowland Mazars resigned as a result of their reorganisation. Messrs. Mazars CPA Limited were appointed as auditors of the Company. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Mazars CPA Limited.

By order of the Board

**Kwok Kam Hoi**

*Deputy Chairman*

Hong Kong, 27 September 2007

## >>> INDEPENDENT AUDITORS' REPORT

To the members 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 (collectively referred to as "the Group") set out on pages 32 to 71, which comprise the consolidated and the Company's balance sheet as at 30 June 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

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

### Auditors' responsibility

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

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

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

### Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs the Company and of the Group as at 30 June 2007 and of the Group's profit 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, 27 September 2007

**Fung Shiu Hang**  
Practising Certificate number: P04793

## &gt;&gt;&gt; CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>Turnover</b>	2	102,364	69,287
Other revenue	2	6,020	4,720
Other income	4	21,182	18,847
Employee benefit expenses	5	(42,514)	(41,752)
Brokerage and agency commission		(24,598)	(12,128)
Cost of investments held for trading sold		(18,164)	(5,191)
Other operating expenses		(27,819)	(25,167)
Finance costs	5	(2,463)	(1,027)
<b>Profit before taxation</b>	5	14,008	7,589
Taxation	7	(30)	(3,328)
<b>Profit for the year</b>		13,978	4,261
<b>Attributable to:</b>			
Equity holders of the Company	8	13,978	4,242
Minority interests		—	19
		13,978	4,261
<b>Dividends</b>	9	5,593	—
<b>Earnings per share</b>	10		(Restated)
— Basic (HK cents)		3.4	1.1
— Diluted (HK cents)		3.3	N/A

## &gt;&gt;&gt; CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2007

	2007 HK\$'000	2006 HK\$'000
<b>Total equity at 1 July</b>	<b>151,461</b>	128,196
Change in fair value of available-for-sale financial assets	52,573	37,309
Realisation upon disposal of available-for-sale financial assets	(19,744)	(18,305)
Profit for the year	13,978	4,261
<b>Total recognised income and expense</b>	<b>46,807</b>	23,265
Issue of shares under share option schemes	16,344	—
Issue of new shares, net of expenses	23,914	—
<b>Total equity at 30 June</b>	<b>238,526</b>	151,461
<b>Total recognised income and expense for the year</b>		
Attributable to :		
Equity holders of the Company	46,807	23,246
Minority interests	—	19
	<b>46,807</b>	23,265

## &gt;&gt;&gt; CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	1,483	1,897
Intangible assets	12	350	410
Available-for-sale financial assets	14	78,172	45,255
Other non-current assets	15	2,000	2,000
Loans and advances	16	106	159
		<b>82,111</b>	<b>49,721</b>
<b>Current assets</b>			
Loans and advances	16	5,149	5,080
Investments held for trading	17	7,916	3,500
Accounts receivable	18	264,341	50,080
Other receivables	19	22,433	23,505
Pledged deposits	20	1,039	1,275
Cash and bank balances	20	92,983	65,875
		<b>393,861</b>	<b>149,315</b>
<b>Current liabilities</b>			
Interest-bearing borrowings	21	156,000	—
Accounts payable	22	51,734	22,738
Other payables and accrued charges		12,506	7,661
Taxation payable		17,206	17,176
		<b>237,446</b>	<b>47,575</b>
<b>Net current assets</b>		<b>156,415</b>	<b>101,740</b>
<b>Net assets</b>		<b>238,526</b>	<b>151,461</b>
<b>Capital and reserves</b>			
Share capital	24	26,438	20,000
Reserves	26	212,088	131,461
<b>Total equity</b>		<b>238,526</b>	<b>151,461</b>

Approved and authorised for issue by the Board of Directors on 27 September 2007.

Kwok Kam Hoi  
DirectorTsunoyama Toru  
Director

## &gt;&gt;&gt; BALANCE SHEET

At 30 June 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>Non-current assets</b>			
Interests in subsidiaries	13	146,708	100,637
Available-for-sale financial assets	14	63,263	40,210
		<b>209,971</b>	<b>140,847</b>
<b>Current assets</b>			
Investments held for trading	17	7,916	3,500
Other receivables	19	94	91
Cash and bank balances		6,913	965
		<b>14,923</b>	<b>4,556</b>
<b>Current liabilities</b>			
Other payables and accrued charges		465	219
Amount due to a subsidiary		—	3,513
		<b>465</b>	<b>3,732</b>
<b>Net current assets</b>		<b>14,458</b>	<b>824</b>
<b>Net assets</b>		<b>224,429</b>	<b>141,671</b>
<b>Capital and reserves</b>			
Share capital	24	26,438	20,000
Reserves	26	197,991	121,671
<b>Total equity</b>		<b>224,429</b>	<b>141,671</b>

Approved and authorised for issue by the Board of Directors on 27 September 2007.

Kwok Kam Hoi  
DirectorTsunoyama Toru  
Director

**>>> CONSOLIDATED CASH FLOW STATEMENT**

Year ended 30 June 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		14,008	7,589
Amortisation		60	60
Depreciation		2,381	1,658
Loss on disposal of property, plant and equipment		209	211
Interest income		(2,440)	(1,839)
Interest expense		2,463	1,027
Dividend income		(1,930)	(1,476)
Gain on disposal of available-for-sale financial assets		(19,673)	(18,238)
Provision for bad and doubtful debts		2,065	—
Changes in working capital:			
Loans and advances		(16)	8,761
Investments held for trading		(4,416)	(2,561)
Accounts receivable		(216,326)	15,647
Other receivables		1,072	(2,333)
Margin financing for IPO subscriptions		156,000	—
Accounts payable		28,996	(1,335)
Other payables and accrued charges		3,041	260
Cash (used in) generated from operating activities		(34,506)	7,431
Purchase of Tax Reserve Certificates		—	(4,571)
Hong Kong Profits Tax paid		—	(42)
Interest received		2,440	1,839
Interest paid		(2,463)	(1,027)
<b>Net cash (used in) generated from operating activities</b>		<b>(34,529)</b>	<b>3,630</b>
<b>INVESTING ACTIVITIES</b>			
Dividends received		1,930	1,476
Proceeds from disposal of available-for-sale financial assets		19,673	24,020
Purchase of available-for-sale financial assets		(88)	—
Proceeds from disposal of property, plant and equipment		—	38
Purchase of property, plant and equipment		(372)	(333)
<b>Net cash generated from investing activities</b>		<b>21,143</b>	<b>25,201</b>
<b>FINANCING ACTIVITIES</b>			
Issue of share capital		40,258	—
<b>Net cash generated from financing activities</b>		<b>40,258</b>	<b>—</b>
<b>Net increase in cash and cash equivalents</b>		<b>26,872</b>	<b>28,831</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>67,150</b>	<b>38,319</b>
<b>Cash and cash equivalents at end of year</b>	<i>20</i>	<b>94,022</b>	<b>67,150</b>

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 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 financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards (“HKAS”), Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong. In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Companies Ordinance.

The accounting policies adopted in the current year are consistent with those of the previous year. During the year, the Group started to adopt new requirements of HKAS 39 and HKFRS 4 (Amendments) “Financial Guarantee Contracts”. The adoption of these amendments did not have significant effects on the financial statements of the Group and the Company.

##### Basis of measurement

The financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets and investments held for trading, which are measured at fair value as explained in the principal accounting policies.

##### Basis of consolidation

The consolidated financial statements comprise the 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 the Company and on 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.

Minority interests represents the portion of profit or loss and net assets not held by the Group and is presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from equity holders of the parent. Losses applicable to the minority in excess of the minority’s interests in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. In acquiring minority interests, the excess of the cost of acquisition over the share of the fair value of the net assets acquired is recognised as goodwill while any excess of the share of the fair value of the net assets acquired over the cost of acquisition is recognised immediately in the income statement. Disposals of minority interests resulting in gains and losses for the Group are recorded in the income statement.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Subsidiaries

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefit from its activities.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to their recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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. All other repairs and maintenance are charged to income statement during the year in which they are incurred.

Depreciation of leasehold improvements is calculated to write off their cost less accumulated impairment losses over the unexpired periods of the leases or their expected useful lives to the Group whichever is shorter.

Depreciation is provided to write off the cost less accumulated impairment losses of other property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Furniture, fixtures and office equipment	20%
Computer equipment	33 $\frac{1}{3}$ %

#### 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. The carrying value of this trading right is reviewed for impairment annually or more frequently when there is indication that the carrying value may not be recoverable.

#### Financial instruments

Financial assets and financial liabilities are recognised 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 the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *Investments held for trading*

Investments held for trading are carried at fair value, with any resultant gain and loss recognised in profit or loss. Investments 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 designated and effective as hedging instruments.

##### *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 years to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

##### *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 equity is transferred to the income statement. 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.

##### *Impairment of financial assets*

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost 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.

When an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss, is transferred from equity to income statement. Reversal of impairment loss of available-for-sale equity instrument is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

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.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### Financial liabilities

The Group's financial liabilities include accounts and other payables, bank loans and other borrowings and obligations under finance leases. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

##### 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 trade and other payable at fair value, where such information is available, otherwise, it is recognised at consideration received and receivable. Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

##### Trust accounts

Trust accounts maintained by the Group to hold clients' monies are treated as off-balance sheet items and offset against accounts payable.

##### Cash equivalents

For the purpose of consolidated cash flow statement, 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, net of bank overdrafts.

##### 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.

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

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

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

*Proceeds from sale of investments held for trading and future contracts* are recognised on the transaction date when the relevant sale and purchase contract is entered into.

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

*Interest income* is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected useful life of the financial instrument) to the net carrying amount of the financial asset.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 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 and presentation 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 the income statement.

#### Impairment of non-financial assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether its property, plant and equipment, intangible asset and investment in subsidiaries have suffered an impairment loss 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 immediately.

#### Borrowing costs

Borrowing costs are recognised as an expense when incurred.

#### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### 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 income statement on a straight-line basis over the term of the relevant lease.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### *Leases (Continued)*

Lease incentives are recognised in income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

#### Employee benefits

##### *Defined contribution plans*

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

##### *Long service payment*

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

#### Share-based payment transactions

##### *Equity-settled transactions*

The Group's employees, including directors and other persons including consultants, advisor and agents etc. receive remuneration in the form of share-based payment transactions, whereby they rendered services in exchange for share options. The cost of such transactions is measured by reference to the fair value of share options granted at the transaction date. The fair value is determined using the binomial model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares in the Company.

The cost of equity-settled transactions is expensed, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting period"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, with a corresponding adjustment to the reserve within equity.

#### 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 balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an 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, it is not accounted for.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Taxation (Continued)

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 balance sheet date. 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.

#### Related parties

A party is related to the Group if:

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or;
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

#### Critical accounting estimates and judgements

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these financial statements, the following summarise estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year.

#### Allowance for bad and doubtful debts

The provision 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 judgment 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 balance sheet date, the accounts receivable, net of provision, amounted to HK\$264,341,000 (2006: HK\$50,080,000).

#### Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current year, which the Group has not early adopted. The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRS, but are not yet in a position to reasonably estimate their impact on the Group's financial statements.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 2. TURNOVER AND REVENUE

The principal activities of the Group comprise:

- broking index, commodity and currency futures and securities for its clients on Tokyo Grain Exchange (“TGE”), Tokyo Commodity Exchange (“TOCOM”), the Futures Exchange, the Stock Exchange and other overseas exchanges such as Chicago Mercantile Exchange and New York Board of Trade etc.;
- provision of margin financing, corporate finance advisory services, agency services for unit trusts and insurance-linked products, and money lending;
- trading in listed securities on the Stock Exchange, listed equity index futures contracts on the Futures Exchange and listed currency and commodity futures contracts on overseas exchanges on its own account.

	2007 HK\$'000	2006 HK\$'000
Brokerage commission:		
— commodity and currency futures contracts on overseas exchanges	32,447	35,848
— index futures contracts on the Futures Exchange	234	340
— securities dealing	15,089	6,763
Advisory, wealth management and insurance agency fees:		
— corporate finance and advisory	700	2,461
— commission on sale of unit trusts and insurance-linked products	24,304	9,957
Interest income:		
— securities margin financing	7,394	3,443
— loans and advances	1,696	1,654
Proprietary trading in listed securities		
— gross proceeds from sale of investments held for trading	19,244	5,547
Net results from proprietary trading in futures contracts:		
— on the Futures Exchange	1,612	(1,941)
— on overseas exchanges	(356)	5,215
<b>Turnover</b>	<b>102,364</b>	<b>69,287</b>
Dividend income from listed securities	1,930	1,476
Interest income	2,440	1,839
Management fee income	960	960
Loan arrangement fee income	158	143
Sundry income	532	302
<b>Other revenue</b>	<b>6,020</b>	<b>4,720</b>
<b>Revenue</b>	<b>108,384</b>	<b>74,007</b>

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 3. SEGMENT INFORMATION

#### Business segments

In accordance with the Group's internal financial reporting, management has determined that business segments be presented as the primary reporting format. As less than 10% of the consolidated turnover and consolidated operating results of the Group are derived from customers outside Hong Kong, and over 90% of the Group's assets are originated from business decisions and operations based in Hong Kong, no geographical segment reporting is provided.

For management purposes, the Group is currently divided into six operating divisions, namely, futures broking, securities broking and margin financing, corporate finance, wealth management and insurance agency, money lending and proprietary trading. These divisions are the basis on which the Group reports its primary segmental information. The principal activities of these divisions are as follows:

Futures broking	:	Provision of agency and broking services in trading in Japanese commodity futures contracts, US commodity and currency futures contracts and Hong Kong index futures contracts
Securities broking and margin financing	:	Provision of securities broking and margin financing services
Corporate finance	:	Provision of corporate finance services
Wealth management and insurance agency	:	Distribution of unit trusts, mutual funds, insurance-linked products, provision of personal financial consulting and planning services, and provision of insurance agency and broking services
Money lending	:	Provision of corporate and personal financing services
Proprietary trading	:	Proprietary trading in listed securities on the Stock Exchange, listed equity index futures contracts on the Futures Exchange and listed currency and commodity futures contracts on overseas exchanges

Segment assets consist primarily of intangible assets, property, plant and equipment, receivables and operating cash, excluding corporate assets and taxation. Segment liabilities consist of payables and operating liabilities, excluding corporate liabilities and taxation. Capital expenditure comprises additions to intangible assets and property, plant and equipment.

## &gt;&gt;&gt; NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

## 3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	2007							Consolidated HK\$'000
	Futures broking HK\$'000	Securities broking and margin financing HK\$'000	Corporate finance HK\$'000	Wealth management and insurance agency HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	
<b>Turnover</b>	32,681	22,483	700	24,304	1,696	20,500	—	102,364
Brokerage and agency commission	(2,222)	(93)	—	(20,789)	—	(1,494)	—	(24,598)
<b>Results</b>	(442)	2,721	(3,847)	(1,197)	1,038	2,511	(6,449)	(5,665)
Gain on disposal of available-for-sale financial assets								19,673
Taxation								(30)
<b>Profit for the year</b>								13,978
<b>Assets</b>								
Segment assets	56,801	284,437	2,470	6,726	8,357	17,456	99,725	475,972
Total assets								475,972
<b>Liabilities</b>								
Segment liabilities	27,491	186,488	145	4,125	31	—	1,960	220,240
Taxation								17,206
Total liabilities								237,446
<b>Other segment information:</b>								
Capital expenditure	1,952	165	5	6	—	—	48	2,176
Depreciation	2,186	138	18	26	—	—	13	2,381
Amortisation	—	60	—	—	—	—	—	60

## &gt;&gt;&gt; NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

## 3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	2006							Consolidated HK\$'000
	Futures broking HK\$'000	Securities broking and margin financing HK\$'000	Corporate finance HK\$'000	Wealth management and insurance agency HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	
<b>Turnover</b>	36,188	10,206	2,461	9,957	1,654	8,821	—	69,287
Brokerage and agency commission	(2,822)	(21)	—	(8,031)	—	(1,254)	—	(12,128)
<b>Results</b>	(8,534)	(562)	(1,862)	(1,500)	1,567	2,510	(2,268)	(10,649)
Gain on disposal of available-for-sale financial assets								18,238
Taxation								(3,328)
<b>Profit for the year</b>								4,261
<b>Assets</b>								
Segment assets	69,008	43,917	4,727	9,970	6,327	12,750	52,337	199,036
Total assets								199,036
<b>Liabilities</b>								
Segment liabilities	19,955	6,423	38	2,826	19	—	1,138	30,399
Taxation								17,176
Total liabilities								47,575
<b>Other segment information:</b>								
Capital expenditure	242	47	11	9	—	—	24	333
Depreciation	1,185	401	17	42	—	—	13	1,658
Amortisation	—	60	—	—	—	—	—	60

## &gt;&gt;&gt; NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

## 4. OTHER INCOME

	2007 HK\$'000	2006 HK\$'000
Gain on disposal of available-for-sale financial assets	19,673	18,238
Change in fair value of investments held for trading	1,509	—
Exchange gain, net	—	492
Reversal of provision for bad and doubtful debts	—	117
	<b>21,182</b>	<b>18,847</b>

## 5. PROFIT BEFORE TAXATION

	2007 HK\$'000	2006 HK\$'000
This is stated after charging:		
(a) Finance costs		
Interest expense for securities broking and margin financing wholly repayable within five years	2,463	1,027
(b) Other item		
Employee benefit expenses:		
— salaries, commission and allowances	41,498	40,836
— contributions to retirement benefit schemes	1,016	916
	<b>42,514</b>	<b>41,752</b>
Auditors' remuneration	835	760
Amortisation of intangible assets	60	60
Depreciation:		
— on owned property, plant and equipment	2,381	1,658
— charged by a related company	—	572
Loss on disposal of property, plant and equipment	209	211
Operating lease payments on premises	4,739	6,338
Provision for bad and doubtful debts	2,065	—

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

#### Directors' emoluments

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

Name of director	2007					
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to retirement benefit schemes HK\$'000	Compensation for loss of office as a director HK\$'000	Total HK\$'000
<b>Executive directors:</b>						
Yip Man Fan	—	1,382	115	34	—	1,531
Kwok Kam Hoi	—	1,229	102	34	—	1,365
Tsunoyama Toru	—	1,088	90	33	—	1,211
Wong, Vicky Lai Ping (Note (i))	—	837	68	33	—	938
<b>Independent non- executive directors:</b>						
Lam, Andy Siu Wing, JP	194	—	—	—	—	194
Ma, Andrew Chiu Cheung	184	—	—	—	—	184
Yu King Tin	180	—	—	—	—	180
	558	4,536	375	134	—	5,603

Name of director	2006					
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to retirement benefit schemes HK\$'000	Compensation for loss of office as a director HK\$'000	Total HK\$'000
<b>Executive directors:</b>						
Yip Man Fan	—	1,382	115	34	—	1,531
Kwok Kam Hoi	—	1,229	102	32	—	1,363
Tsunoyama Toru	—	1,075	90	34	—	1,199
Lee, Edmund Kit Ming (Note (ii))	—	63	—	1	501	565
<b>Independent non- executive directors:</b>						
Lam, Andy Siu Wing, JP	180	—	—	—	—	180
Ma, Andrew Chiu Cheung	180	—	—	—	—	180
Yu King Tin	180	—	—	—	—	180
Sun Shuyi (Note (iii))	121	—	—	—	—	121
	661	3,749	307	101	501	5,319

**Note:**

- (i) Appointed on 1 July 2006.
- (ii) Resigned on 7 July 2005.
- (iii) Resigned on 3 March 2006.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

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

#### Five highest paid employees' emoluments

Of the five (2006: five) individuals with the highest emoluments, three (2006: three) were directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other two (2006: two) individuals are as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries and other benefits	2,418	2,098
Contributions to retirement benefit schemes	24	24
	<b>2,442</b>	<b>2,122</b>

	Number of individuals	
	2007	2006
The emoluments fell within the following bands:		
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	2	1
	<b>2</b>	<b>2</b>

In additions 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 "SHARE OPTION SCHEMES" in the Directors' Report.

Except as disclosed above, 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 during the year. There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

### 7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% (2006: 17.5%) on the Group's estimated assessable profits arising from Hong Kong during the year.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 7. TAXATION (Continued)

The amount of taxation charged to the consolidated income statement represents:

	2007 HK\$'000	2006 HK\$'000
Current taxation:		
Hong Kong Profits Tax — Current year	30	62
Deferred taxation:		
Origination and reversal of temporary differences	—	(20)
Reversal of previously recognised tax losses	—	3,286
	—	3,266
Total tax charge for the year	30	3,328

#### Reconciliation of tax charge

	2007 HK\$'000	2006 HK\$'000
Profit before taxation	14,008	7,589
Income tax at applicable tax rate of 17.5% (2006: 17.5%)	2,451	1,328
Non-deductible expenses	707	88
Tax exempt revenue	(4,053)	(3,689)
Unrecognised tax losses	2,080	2,238
Unrecognised temporary difference	58	147
Utilisation of previously unrecognised tax losses	(1,213)	—
De-recognition of previously recognised deferred tax assets	—	3,214
Others	—	2
Total tax charge for the year	30	3,328

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

Of the profit for the year attributable to equity holders of the Company of HK\$13,978,000 (2006: HK\$4,242,000), a profit of HK\$15,865,000 (2006: HK\$432,000) is dealt with in the financial statements of the Company.

**>>> NOTES TO THE FINANCIAL STATEMENTS***Year ended 30 June 2007***9. DIVIDENDS**

	2007 HK\$'000	2006 HK\$'000
Proposed final dividend of 1 HK cent (2006: Nil) per share	5,593	—

The final dividend in respect of 2007 has been proposed by the directors after the balance sheet date. The proposed dividend is not accounted for until it has been approved at the forthcoming annual general meeting.

**10. EARNINGS PER SHARE**

The calculation of basic and diluted earnings per share are based on the profit attributable to equity holders of the Company for the year of HK\$13,978,000 (2006: HK\$4,242,000).

The basic earnings per share is based on the weighted average number of ordinary shares of 412,453,676 (2006 restated: 400,000,000) in issue during the year.

The diluted earnings per share is based on 426,012,688 (2006: N/A) shares which is the weighted average number of ordinary shares during the year adjusted for the number of dilutive potential shares under the share option schemes. No diluted earnings per share was presented in 2006 as there was an anti-dilutive effect after adjusting for the effects of all dilutive potential ordinary shares.

The weighted average number of ordinary shares adopted in the calculations of the basic earnings per share for 2007 and 2006 and the diluted earnings per share for 2007 has been adjusted to reflect the impact of the bonus issue effected subsequent to the balance sheet date.

## &gt;&gt;&gt; NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

## 11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reconciliation of carrying amount — year ended 30 June 2006					
At beginning of year	1,523	351	724	1,006	3,604
Additions	90	3	37	203	333
Disposals	(251)	(53)	(16)	(62)	(382)
Depreciation	(586)	(116)	(313)	(643)	(1,658)
At balance sheet date	776	185	432	504	1,897
Reconciliation of carrying amount — year ended 30 June 2007					
At beginning of year	776	185	432	504	1,897
Additions	1,946	—	40	190	2,176
Disposals	(205)	—	(4)	—	(209)
Depreciation	(1,697)	(76)	(202)	(406)	(2,381)
At balance sheet date	820	109	266	288	1,483
At 1 July 2006					
Cost	3,195	767	1,915	4,210	10,087
Accumulated depreciation	(2,419)	(582)	(1,483)	(3,706)	(8,190)
	776	185	432	504	1,897
At 30 June 2007					
Cost	4,745	755	1,896	4,399	11,795
Accumulated depreciation	(3,925)	(646)	(1,630)	(4,111)	(10,312)
	820	109	266	288	1,483

## &gt;&gt;&gt; NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

## 12. INTANGIBLE ASSETS

	<b>Group</b> <i>HK\$'000</i>
Reconciliation of carrying amount — year ended 30 June 2006	
At beginning of year	470
Amortisation	(60)
At balance sheet date	410
Reconciliation of carrying amount — year ended 30 June 2007	
At beginning of year	410
Amortisation	(60)
<b>At balance sheet date</b>	<b>350</b>
At 1 July 2006	
Cost	600
Accumulated amortisation	(190)
	410
At 30 June 2007	
Cost	600
Accumulated amortisation	(250)
	<b>350</b>

## &gt;&gt;&gt; NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

## 13. INTERESTS IN SUBSIDIARIES

		Company	
		2007	2006
		HK\$'000	HK\$'000
<b>Non-current</b>			
Interests in subsidiaries			
Unlisted shares, at cost		65,237	65,237
Amount due from a subsidiary	<i>Note</i>	81,471	35,400
		<b>146,708</b>	<b>100,637</b>
<b>Current</b>			
Amount due to a subsidiary		—	3,513

*Note:*

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 subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation/ place of operation	Issued and fully paid share 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	100%	—	Investment holding
Tanrich Futures Limited ("TFL")	Hong Kong/ Hong Kong	HK\$30,000,000 (divided into 20,000,000 ordinary shares and 10,000,000 non-voting deferred shares of HK\$1 each)	—	100%	Futures broking
Tanrich Securities Company Limited ("TSCL")	Hong Kong/ Hong Kong	HK\$80,000,000 (divided into 55,000,000 ordinary shares and 25,000,000 non-voting deferred shares of HK\$1 each)	—	100%	Securities broking, securities margin financing, underwriting and investment advisory services

## &gt;&gt;&gt; NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

## 13. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ place of operation	Issued and fully paid share capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
Tanrich Asset Management Limited ("TAML")	Hong Kong/ Hong Kong	HK\$16,000,000 (divided into 10,000,000 ordinary shares and 6,000,000 non-voting deferred shares of HK\$1 each)	—	100%	Distribution of unit trusts, mutual funds, insurance-linked products, provision of personal financial consulting and planning services and provision of insurance agency and broking services
Tanrich Finance Limited ("TFIN")	Hong Kong/ Hong Kong	HK\$11,000 (divided into 1,000 ordinary shares and 10,000 non-voting deferred shares of HK\$1 each)	—	100%	Provision of corporate and personal financing services
Tanrich Capital Limited ("TCL")	Hong Kong/ Hong Kong	HK\$16,000,000 (divided into 16,000,000 ordinary shares of HK\$1 each)	—	100%	Provision of corporate finance advisory services
Tanrich Wealth Management Limited ("TWML")	Hong Kong/ Hong Kong	HK\$6,000,000 (divided into 6,000,000 ordinary shares of HK\$1 each)	—	100%	Distribution of insurance-linked products and provision of insurance agency and broking services
Tanrich Financial Group (China) Limited ("TFC")	Hong Kong/ Hong Kong	HK\$1,000,000 (divided into 1,000,000 ordinary shares of HK\$1 each)	—	100%	Inactive

In accordance with Articles of Association of each of TFL, TSCL, TAML and TFIN, holders of non-voting deferred shares are entitled to a fixed non-cumulative dividend at a rate of 1 HK cent (HK\$0.01) per non-voting deferred share when the profit exceeds HK\$100,000 million in any financial year.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>Non-current</b>				
Equity investments — non-listed	88	—	—	—
Equity investments — listed in Hong Kong	78,084	45,255	63,263	40,210
	<b>78,172</b>	45,255	<b>63,263</b>	40,210

The Company pledged listed investments of aggregate carrying amount of HK\$44,240,000 (2006: HK\$40,210,000) to a bank as collateral for the banking facilities granted to a subsidiary of the Company.

At the balance sheet date, 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	Principal activities	Issued and fully paid share capital	Percentage of interests held	
				Group	Company
Hong Kong Exchanges and Clearing Limited	Hong Kong/ Hong Kong	Owns and operates the only stock exchange and futures exchange in Hong Kong, and their related clearing houses	HK\$1,068,959,346 (divided into 1,068,959,346 Ordinary shares of HK\$1 each)	0.07%	0.05%

### 15. OTHER NON-CURRENT ASSETS

	Group	
	2007 HK\$'000	2006 HK\$'000
Reserve fund deposits with the Hong Kong Futures Exchange Clearing Corporation Limited	1,500	1,500
Statutory deposits with the Stock Exchange	200	200
Statutory deposits with the Securities and Futures Commission	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>2,000</b>	2,000

## &gt;&gt;&gt; NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

## 16. LOANS AND ADVANCES

	Group	
	2007 HK\$'000	2006 HK\$'000
Loans and advances		
Unsecured	255	239
Secured	5,000	5,000
	5,255	5,239
Current portion of loans and advances	(5,149)	(5,080)
	106	159

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

## 17. INVESTMENTS HELD FOR TRADING

	Group and Company	
	2007 HK\$'000	2006 HK\$'000
Listed securities in Hong Kong	7,916	3,500

## 18. ACCOUNTS RECEIVABLE

	Note	Group	
		2007 HK\$'000	2006 HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
— securities cash clients	(i)	7,077	1,808
— securities margin clients	(ii)	38,549	20,545
— securities subscription clients	(iii)	182,674	—
— securities clearing houses and brokers		1,631	856
— futures clearing houses and brokers	(iv)	34,081	26,388
Accounts receivable arising from the provision of corporate finance advisory services		36	150
Accounts receivable arising from the provision of unit trusts and insurance-linked products agency services		293	333
		264,341	50,080

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 18. ACCOUNTS RECEIVABLE *(Continued)*

#### Credit policy for margin lending activities

Accounts receivable from securities margin clients represent loans granted to such clients by TSCL. These loans are collateralised by listed securities pledged to TSCL.

Credit limit is set for each client based on their financial and trading credibility and is approved according to the authority set by the Credit Control Committee ("CCC"). Clients are allowed to trade only after the accounts opening and credit limit approval processes have been completed. Loans are granted to securities margin clients on the condition that they pledged approved securities with TSCL.

All approved securities are assigned with special margin ratios, which are determined by the CCC, for calculating the stock margin values. CCC reviews and determines the margin ratios on a periodic basis.

If any amount of loan outstanding is higher than the eligible securities margin value, TSCL would call for additional funds from the respective securities margin client.

Credit Control Working Group is responsible for monitoring the margin call on a daily basis and reviewing the overall risk and credit control on a monthly basis. CCC decides the actions to be taken for the securities margin clients should they fail to meet the margin call, based on the margin call amount, the pledged securities value, the clients' credit worthiness and the overdue period.

The Directors also monitor the margin call amount. Provision is made for loans which are considered doubtful.

#### Settlement terms

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

Accounts receivable arising from the subscription of initial public offerings 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 houses or brokers to meet the margin requirements of open contracts. Margin calls from clearing houses 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, unit trusts and insurance-linked products agency services are repayable within 30 days.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 18. ACCOUNTS RECEIVABLE (Continued)

#### Settlement terms (Continued)

Note:

- (i) At the balance sheet date, the ageing analysis of accounts receivable from securities cash clients was as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Current	5,889	1,808
Overdue within 30 days	1,188	—
	<b>7,077</b>	1,808

No provision was made for overdue receivables from cash clients in 2007 and 2006.

- (ii) At the balance sheet date, the ageing analysis of accounts receivable from securities margin clients was as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Current	33,567	17,992
Overdue:		
Within 30 days	4,982	49
31 — 90 days	—	—
91 — 180 days	—	133
Over 180 days	1,953	2,371
	<b>40,502</b>	20,545
Provision for bad and doubtful debts	(1,953)	—
	<b>38,549</b>	20,545

Accounts receivable from securities margin clients are secured by their pledged securities, repayable on demand and bear interests at commercial rates.

- (iii) At the balance sheet date, the accounts receivable from securities subscription clients were not yet due.
- (iv) Accounts receivable from the futures clearing houses and brokers did not include a deposit of HK\$1,470,000 (2006: HK\$1,154,000) in respect of the clients' monies deposited therein.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 19. OTHER RECEIVABLES

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Deposits, prepayments and other receivables	5,319	4,437	94	91
Tax Reserve Certificates issued by the Inland Revenue Department	17,114	17,114	—	—
Due from a related company	—	1,954	—	—
	<b>22,433</b>	23,505	<b>94</b>	91

### 20. CASH AND CASH EQUIVALENTS

	Group	
	2007 HK\$'000	2006 HK\$'000
Cash and bank balances	92,983	65,875
Pledged deposits	1,039	1,275
As stated in the consolidated cash flow statement	<b>94,022</b>	67,150

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the balance sheet date, trust monies not otherwise dealt with in the financial statements amounted to HK\$86,189,000 (2006: HK\$41,958,000).

The Group pledged bank deposits to secure foreign exchange deferred trading and general banking facilities granted to subsidiaries of the Company.

### 21. INTEREST-BEARING BORROWINGS

	Group	
	2007 HK\$'000	2006 HK\$'000
Bank loans, secured and wholly repayable within 12 months	156,000	—

The bank loans were borrowed principally for the purpose of providing margin financing to securities subscription clients. The weighted average effective interest rate on the loans is 5.37% p.a. (2006: N/A).

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 22. ACCOUNTS PAYABLE

	Group	
	2007	2006
	HK\$'000	HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:		
— securities cash clients	20,097	4,260
— securities margin clients	851	188
— futures clients	24,233	16,957
— clearing houses	6,474	1,232
Accounts payable arising from the provision of unit trusts and insurance-linked products agency services	79	101
	<b>51,734</b>	<b>22,738</b>

The settlement terms of accounts payable from the ordinary course of business of broking in securities in respect of cash clients and margin clients are two trading days after the transaction dates.

Accounts payable arising from the ordinary course of business of 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.

Accounts payable arising from the provision of unit trusts and insurance-linked products agency services are repayable within 30 days.

Accounts payable are stated net of clients' segregated assets of HK\$87,659,000 (2006: HK\$43,112,000).

### 23. DEFERRED TAXATION

Recognised deferred tax assets (liabilities)

Group	Assets		Liabilities	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation allowances	—	—	(36)	(25)
Tax losses	36	25	—	—
Deferred tax assets (liabilities)	36	25	(36)	(25)
Offset deferred tax assets and liabilities	(36)	(25)	36	25
<b>Net tax assets (liabilities)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 23. DEFERRED TAXATION (Continued)

Unrecognised deferred tax assets arising from

Group	2007 HK\$'000	2006 HK\$'000
Deductible temporary differences	1,255	861
Tax losses	71,745	61,443
<b>At balance sheet date</b>	<b>73,000</b>	<b>62,304</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 can utilize the benefits therefrom.

### 24. SHARE CAPITAL

	2007		2006	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>				
1,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	100,000	1,000,000	100,000
<b>Issued and fully paid:</b>				
At beginning of year	200,000	20,000	200,000	20,000
Issue of shares under share option schemes (Note (i))	24,383	2,438	—	—
Issue of new shares (Note (ii))	40,000	4,000	—	—
<b>At balance sheet date</b>	<b>264,383</b>	<b>26,438</b>	<b>200,000</b>	<b>20,000</b>

Note:

- (i) During the year, share options granted under the share option schemes were exercised to subscribe for 24,383,000 ordinary shares of HK\$0.1 each of the Company at the exercise prices ranging from HK\$0.61 to HK\$0.72 per share.
- (ii) On 22 May 2007, an aggregate of 40,000,000 ordinary shares of HK\$0.1 each of the Company were issued to independent investors at the price of HK\$0.60 per share.

All these shares issued during the year rank pari passu in all respects with the then existing shares.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 25. SHARE OPTION SCHEMES

#### (a) Pre-Listing Share Option Scheme ("Pre-Listing Scheme")

Pursuant to a share option scheme of the Company, which was adopted on 7 January 2002, the directors of the Company may, at their absolute discretion, grant share options to eligible persons including directors, employees or bona fide consultants of the Group to take up options for share subscription in the Company subject to the terms and conditions stipulated therein and the Listing Rules. A nominal consideration at HK\$1 is paid by the grantees for each lot of share options granted. Share options may be exercised in accordance with the terms of the Pre-Listing Scheme at any time during the period commencing one year from the option grant date and expiring on the earlier of the last day of (i) a ten year period from the option grant date and (ii) ten years from the adoption date.

Movements in the number of share options outstanding during the year are as follows:

Subscription price	Number of options ('000)				Total
	HK\$0.61	HK\$0.72	HK\$0.65	HK\$0.67	
	2007				
At beginning of year	6,100	11,670	—	—	17,770
Granted	—	—	1,500	746	2,246
Exercised	(5,900)	(7,240)	—	—	(13,140)
Lapsed	(200)	(220)	—	—	(420)
<b>At balance sheet date</b>	<b>—</b>	<b>4,210</b>	<b>1,500</b>	<b>746</b>	<b>6,456</b>

Subscription price	Number of options ('000)		Total
	HK\$0.61	HK\$0.72	
	2006		
At beginning of year	—	14,110	14,110
Granted	6,100	—	6,100
Lapsed	—	(2,440)	(2,440)
<b>At balance sheet date</b>	<b>6,100</b>	<b>11,670</b>	<b>17,770</b>

At the balance sheet date, the weighted average remaining contractual life of the Company's share options was 4.5 years (2006: 5.5 years). Details of the movements in the Pre-Listing Scheme are set out in the Directors' Report on pages 25 and 26.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 25. SHARE OPTION SCHEMES (Continued)

#### (b) Post-Listing Share Option Scheme ("Post-Listing Scheme")

Another share option scheme of the Company was adopted on 30 January 2004. The directors of the Company may, at their absolute discretion, grant share options to eligible persons including directors, employees, advisors, business associates and consultants of the Group and associated companies to subscribe for shares in the Company subject to the terms and conditions stipulated therein and the Listing Rules. No consideration is paid or payable for the acceptance of the share options granted. Share options may be exercised in accordance with the terms of the Post-Listing Scheme at any time during the period not to be less than one year and not to exceed ten years from the grant dates of the relevant options.

Movements in the number of share options outstanding during the year are as follows:

Exercise price	Number of options ('000)					
	2007			2006		
	HK\$0.67	HK\$1.84	Total	HK\$0.80	HK\$0.67	Total
At beginning of year	12,738	—	12,738	2,600	16,464	19,064
Granted	6,800	600	7,400	—	—	—
Exercised	(11,243)	—	(11,243)	—	—	—
Lapsed	(652)	—	(652)	(2,600)	(3,726)	(6,326)
At balance sheet date	7,643	600	8,243	—	12,738	12,738

At the balance sheet date, the weighted average remaining contractual life of the Company's share options was 9.3 years (2006: 7.8 years). Details of the movements in the Post-Listing Scheme are set out in the Directors' Report on pages 27 and 28.

#### (c) Fair value of share options

The directors assessed and considered that the fair value of share options granted under the share option schemes at the grant date is immaterial in the financial statements.

## &gt;&gt;&gt; NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

## 26. RESERVES

Group	Investment revaluation reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note (i))</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2005	26,214	17,137	40,836	24,028	108,215	(19)	108,196
Change in fair value of available- for-sale financial assets	37,309	—	—	—	37,309	—	37,309
Realisation upon disposal of available-for-sale financial assets	(18,305)	—	—	—	(18,305)	—	(18,305)
Profit for the year	—	—	—	4,242	4,242	19	4,261
At 30 June 2006	45,218	17,137	40,836	28,270	131,461	—	131,461
At 1 July 2006	45,218	17,137	40,836	28,270	131,461	—	131,461
Change in fair value of available- for-sale financial assets	52,573	—	—	—	52,573	—	52,573
Realisation upon disposal of available-for-sale financial assets	(19,744)	—	—	—	(19,744)	—	(19,744)
Profit for the year	—	—	—	13,978	13,978	—	13,978
Issue of shares under share option schemes	—	13,906	—	—	13,906	—	13,906
Issue of new shares, net of expenses	—	19,914	—	—	19,914	—	19,914
At 30 June 2007	78,047	50,957	40,836	42,248	212,088	—	212,088
<b>Representing:</b>							
2007 proposed final dividend <i>(note 9)</i>	—	—	—	5,593	5,593	—	5,593
Reserves	78,047	50,957	40,836	36,655	206,495	—	206,495
	78,047	50,957	40,836	42,248	212,088	—	212,088

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 26. RESERVES (Continued)

Company	Investment revaluation reserve HK\$'000	Share premium HK\$'000 (Note (iii))	Contributed surplus HK\$'000 (Note (ii))	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2005	2,978	17,137	65,059	12,035	97,209
Change in fair value of available-for-sale financial assets	24,030	—	—	—	24,030
Profit for the year	—	—	—	432	432
At 30 June 2006	27,008	17,137	65,059	12,467	121,671
At 1 July 2006	27,008	17,137	65,059	12,467	121,671
Change in fair value of available-for-sale financial assets	45,769	—	—	—	45,769
Realisation upon disposal of available-for-sale financial assets	(18,894)	—	—	—	(18,894)
Profit for the year	—	—	—	15,865	15,865
Issue of shares under share option schemes	—	13,906	—	—	13,906
Issue of new shares, net of expenses	—	19,674	—	—	19,674
<b>At 30 June 2007</b>	<b>53,883</b>	<b>50,717</b>	<b>65,059</b>	<b>28,332</b>	<b>197,991</b>
<b>Representing:</b>					
2007 proposed final dividend (note 9)	—	—	—	5,593	5,593
Reserves	53,883	50,717	65,059	22,739	192,398
	<b>53,883</b>	<b>50,717</b>	<b>65,059</b>	<b>28,332</b>	<b>197,991</b>

Note:

(i) **Capital reserve**

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.

(ii) **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.

(iii) **Share premium**

The share premium account of the Company of HK\$50,717,000 (2006: HK\$17,137,000) can be distributed in the form of fully paid bonus shares pursuant to the Companies Act 1981 of Bermuda.

(iv) **Distributable reserve**

As at the balance sheet date, in the opinion of the directors of the Company, the reserves of the Company available for distribution to shareholders amounted to HK\$93,391,000 (2006: HK\$77,526,000) subject to the restriction stated above.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 27. 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 ranges from five to nine per cent of their basic salaries.

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\$1,000 per month. 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 the income statement for the year amounted to:

	2007 HK\$'000	2006 HK\$'000
Gross employer's contributions	1,088	1,262
Less : forfeited contributions utilised to offset employer's contributions for the year	(72)	(346)
Net employer's contributions charged to income statement	1,016	916

### 28. RELATED PARTY TRANSACTIONS

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

Related party relationship	Nature of transaction	2007 HK\$'000	2006 HK\$'000
Key management personnel, excluding directors	Short-term employee benefits	6,110	5,866
A related company — THKHL ( <i>Note</i> )	Management fee received	(960)	(960)

*Note:*

During the year, the Group charged a related company, Tanrich (Hong Kong) Holdings Limited ("THKHL"), management fee of HK\$80,000 per month for the management and personnel supportive services provided by the Group. THKHL is controlled by a combination of certain directors of the Company.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: credit risk, interest-rate risk, foreign exchange risk and liquidity 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 and Credit Control Committee ("RCCC") is responsible for establishing and reviewing credit policies and procedures to minimise systematic and non-systematic credit and financial risks of the Group. RCCC is also responsible for assessing the risk of long term investments and proprietary trading.

#### Interest-rate risk

The Group had short-term borrowings for the subscription of new shares, with an interest rate 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 the margin financing to the Group's securities margin clients and the loans and advances to entities. The interest rates charged and the margin ratio allowed to the Group's securities margin clients were 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 the interest-rate risk.

#### Credit risk

The Group is exposed to credit risk for all financial assets that a client or counter party in a transaction may default when settlement. The Group's credit policy for securities margin clients are set out in note 18 to the financial statements. The maximum exposure equals to the carrying amount of the account receivables less the market value of the underlying pledged securities.

The maximum exposure of other financial assets equals to their respective carrying amounts.

#### Foreign currency risk

The Group has exposure to foreign exchange fluctuation as a result of placing margin deposits in Japanese Yen with two designated futures commission merchants in Japan on behalf of its clients in Hong Kong. According to the Group's hedging policy, the Group hedges at least 80% of its net foreign exchange exposure with USD/JPY foreign exchange deferred trading in order to minimise its foreign exchange risk.

#### 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 financial controller and the relevant senior management would also review the liquidity level in compliance with the statutory requirements for the licensed subsidiaries.

#### Fair value

The fair value of the Group's available-for-sale financial assets and investments held for trading approximated to their carrying value at the balance sheet date.

## >>> NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2007

### 30. COMMITMENTS

#### Capital expenditure commitments

	Group	
	2007 HK\$'000	2006 HK\$'000
Contracted but not provided net of deposits paid in the financial statements for the purchase of computer equipment	836	276
Contracted to acquire listed shares as available-for-sale financial assets (Note 32(c))	5,000	—
	<b>5,836</b>	276

#### Commitments under operating leases

The Group lease a number of properties under operating leases, which typically run for an initial period of 2 to 3 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
Within one year	3,389	4,567
In the second to fifth year inclusive	39	3,337
	<b>3,428</b>	7,904

### 31. CONTINGENT LIABILITIES

- (a) The Company had corporate guarantee of HK\$190,500,000 (2006: HK\$99,500,000) for bank facilities granted to subsidiaries from banks, which were utilised to the extent of HK\$156,000,000 (2006: Nil) at the balance sheet date.

The Company also guaranteed the liabilities of one of its subsidiaries up to an aggregate amount of not less than HK\$10,000,000 (2006: HK\$10,000,000) in order to comply with the requirement of unencumbered assets contained in the GEM Listing Rules.

As at the balance sheet date, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured and the transaction price was nil.

- (b) As disclosed in the 2006 annual report, the Group was engaged in arbitration proceedings, with an independent third party, concerning, inter alia, the alleged unauthorised trading of futures contracts by an ex-employee of the Group. Such contingent claims did not have any further progress during the year ended 30 June 2007 and accordingly, the directors maintained the same opinion as in previous year that it is not currently possible to estimate the eventual outcome of the above claim and having taken appropriate legal advice, the directors of the Company consider it is not necessary to make any provision in this regard.

## >>> NOTES TO THE FINANCIAL STATEMENTS

*Year ended 30 June 2007*

### 32. POST BALANCE SHEET EVENTS

Other than disclosed elsewhere in these financial statements, the following post balance sheet events were conducted:

- (a) Pursuant to the ordinary resolution passed at the special general meeting (“SGM”) on 1 August 2007, a bonus issue of shares was granted to shareholders whose names appeared on the Register on 1 August 2007 on the basis of one new share of HK\$0.1 each, credited as fully paid, for every one share then held.
- (b) Pursuant to the subscription agreement dated 10 August 2007, the Company agreed to conditionally place 27,000,000 ordinary shares at a price of HK\$1.4 per share.
- (c) Pursuant to the sale and purchase agreements dated 5 July 2007 and 17 July 2007 respectively, the Group agreed to conditionally acquire an aggregate of 52,976 shares of a loan borrower of the Group, at a total consideration of approximately HK\$6,407,000. The acquisition was completed after 30 June 2007.
- (d) Pursuant to the agreement with the placing agent dated 14 March 2007, the Group agreed to conditionally subscribe for 50,000,000 shares of a listed company in Hong Kong at HK\$0.1 each. The acquisition was completed after 30 June 2007.

### 33. COMPARATIVE FIGURES

Certain comparative amounts regarding segment information and earnings per share have been restated to conform with the current year’s presentation.

## >>> FIVE-YEAR FINANCIAL SUMMARY

The following is a summary of the published results and of the assets and liabilities of the Group for each of the five years ended 30 June 2007.

### RESULTS:

	Financial Year Ended 30 June				
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000
Turnover	126,689	132,373	78,741	69,287	102,364
Profit (Loss) before taxation	12,495	28,853	(11,848)	7,589	14,008
Taxation	(2,271)	(2,585)	737	(3,328)	(30)
Profit (Loss) for the year	10,224	26,268	(11,111)	4,261	13,978
<b>Attributable to:</b>					
Equity holders of the Company	10,224	26,282	(11,056)	4,242	13,978
Minority interests	—	(14)	(55)	19	—
	10,224	26,268	(11,111)	4,261	13,978
Dividends	4,000	4,000	—	—	5,593

### ASSETS AND LIABILITIES:

	Assets and liabilities as at 30 June				
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000 (Restated)	2007 HK\$'000
Non-current assets	30,011	30,018	49,611	49,721	82,111
Current assets	149,726	181,257	127,306	149,315	393,861
Total assets	179,737	211,275	176,917	199,036	475,972
Current liabilities	(73,313)	(75,410)	(48,701)	(47,575)	237,446
Non-current liabilities	(3)	(56)	(20)	—	—
Total liabilities	(73,316)	(75,466)	(48,721)	(47,575)	237,446
Net total assets	106,421	135,809	128,196	151,461	238,526
Current ratio	2.04	2.40	2.61	3.14	1.66
Gearing ratio	0%	0%	0%	0%	65.4%