



# TANRICH

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

ANNUAL REPORT 2005

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# 2005

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## OUR VISION

In a spirit of flexibility and creativity, we are committed to sustaining our development in Greater China and becoming a powerful and highly competitive provider of professional financial and money management services. By capitalising on Hong Kong's unique position as an international financial and investment hub, we have dedicated ourselves to becoming the ideal partner of our clients in their investment and money management.

## OUR MISSION

To design astute financial strategies by thoroughly understanding clients' needs, employ innovative techniques for the analysis of financial information, and render excellent value added services beyond time zones and geographical boundaries to make our clients feel entirely satisfied

To create a corporate brand name of value by adopting a client-oriented policy, which will be financially rewarding to our shareholders and employees, and our clients themselves as well

To foster internal interaction and sharing of knowledge in order to enhance personal and corporate development. To achieve this aim, we will provide ongoing training to employees in every area so that they can realize their full potential

To constantly upgrade our knowledge and techniques in information technology as a solid foundation to sustain the Group's continued growth

To make every effort to fulfill our social responsibilities and pay back to the community

# Corporate Information

## **Board of Directors**

### *Executive Directors*

Mr. YIP Man Fan (*Chairman*)

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

Mr. TSUNOYAMA Toru

Mr. LEE Kit Ming, Edmund

*(Managing Director, appointed on 12 January 2005 and resigned on 7 July 2005)*

Mr. LEE Chi Shing, Caesar (*appointed on 1 November 2004 and resigned on 30 June 2005*)

### *Independent Non-Executive Directors*

Mr. LAM, Andy Siu Wing, JP

Mr. SUN Shuyi (*appointed on 21 September 2004*)

Mr. YU King Tin (*appointed on 14 October 2004*)

Mr. MA Chiu Cheung, Andrew (*resigned on 30 September 2004 and reappointed on 14 April 2005*)

## **Audit Committee**

Mr. LAM, Andy Siu Wing, JP (*Chairman*)

Mr. YU King Tin

Mr. MA Chiu Cheung, Andrew

## **Remuneration Committee**

Mr. LAM, Andy Siu Wing, JP (*Chairman*)

Mr. YU King Tin

Mr. MA Chiu Cheung, Andrew

Mr. KWOK Kam Hoi

Mr. TSUNOYAMA Toru

## **Company Secretary and Qualified Accountant**

Ms. TSANG Pui Yee, Vanessa

## **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

# Corporate Information

## **Bermuda Principal Share Registrar**

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

## **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

## **Principal Bankers**

Standard Chartered Bank  
The Hongkong and Shanghai Banking Corporation Limited  
Wing Lung Bank Limited  
Bank of America (Asia) Ltd.  
Bank of China (Hong Kong) Limited

## **Auditors**

PricewaterhouseCoopers  
*Certified Public Accountants*  
22nd Floor, Prince's Building  
Central, Hong Kong

## **Legal Adviser**

Sidley Austin Brown & Wood  
39th Floor, Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

## **Listing Information**

The Stock Exchange of Hong Kong Limited  
Stock Code: 812

## **Website**

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



## **Chairman's Statement**

**Established in 1990, the Group has strived to offer comprehensive and diversified financial services and investment portfolio to our dedicated clients.**

# Chairman's Statement

Established in 1990, Tanrich Financial Holdings Limited (the "Company") and its subsidiaries ("Tanrich" or the "Group") have strived to offer comprehensive and diversified financial services and investment portfolio to our dedicated clients. Growing alongside with the Hong Kong financial market, Tanrich has witnessed the ups and downs of the financial sectors in the last decade. Thanks to our strong management expertise, diversified product portfolio as well as excellent customer services, Tanrich has gained a foothold in Hong Kong financial industry.

Despite the rebounding of the Hong Kong economy, the rising interest rate, surging oil price and the impact of austerity measures implemented by the PRC Government led to a challenging business environment for the Group. In addition, keen market competition also brought forth adverse impacts on the Group's business performance.

Amidst such difficult market condition and challenging business environment, the Group successfully maintained its leading position with a dominating market share and remained as the leading brokerage company for Japanese commodity futures in terms of trading volume in Hong Kong.

During the year under review, the Group continued to strengthen its diversified business development strategy and implement stringent cost control measures while

enhancing its risk management capabilities. Notwithstanding the decrease in overall turnover, the Group achieved remarkable progress in certain business segments, including money lending services, wealth management and insurance agency businesses and corporate finance business.

The Group retains a strong presence in Hong Kong, while maintaining healthy balance sheet and financial position. With improving economic and investment market environment, together with increasing number of Mainland initial public offering ("IPO") activities and Renminbi exchange rate adjustment, the Group is confident of the promising prospect and potential of financial market in the Greater China region in the long run.

Looking ahead, the Group will exert tremendous efforts in further enhancing its risk management and internal control, which is pivotal to the Group's sustainable long-term growth. Besides, the Group's well-established Risk Control Committee and Credit Control Committee endeavor to enhance, formulate and execute suitable yet prudent credit control and risk management policies, with the view of ensuring robust business growth and maximizing returns to shareholders.

## Chairman's Statement

By leveraging on its solid business foundation, leading market position in the Japanese commodity futures market, effective cost controls, proactive marketing communications initiatives, stringent credit control as well as prominent research supports, Tanrich is committed to achieving its mission and becoming a leading full-fledged financial services group in Hong Kong, providing unrivalled and meticulous services to its clients.

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to valuable shareholders, customers and our dedicated staff for their support and encouragement.

On behalf of the Board,

**Yip Man Fan**

*Chairman*

Hong Kong, 29 September 2005

# Management Discussion and Analysis

Despite rising interest rates, oil price hikes and the cooling measures imposed on the PRC economy in the first half of 2005, the steady upturn of Hong Kong's economy continued to be sustained...

# Management Discussion and Analysis

## BUSINESS REVIEW

### Overview

Despite rising interest rates, oil price hikes and the cooling measures imposed on the PRC economy in the first half of 2005, the steady upturn of Hong Kong's economy continued to be sustained by positive economic outlook, Macao gambling-linked stocks, speculations of the Renminbi's re-valuation and Mainland IPO activities. All of which attracted hot money into Hong Kong financial markets and boosted activities in both the property and the equity markets. As a result, the Hang Seng Index surged to a high of 14,287 in June 2005 from a low of 11,933 in July 2004 and the average monthly trading volume on The Stock Exchange of Hong Kong Limited (the "SEHK") increased to HK\$331.8 billion for the year under review as compared to the corresponding period in 2004 of HK\$316.8 billion.

In this increasingly favourable economic and investment climate, we met both new and existing opportunities with a focus on diversifying our revenues and product mix, and continuing to strengthen our core businesses in futures and securities broking, margin financing, wealth management, insurance agency and corporate finance.

Japan's Tokyo Grain Exchange ("TGE") and Tokyo Commodity Exchange ("TOCOM") have been in operation since 1952 and 1984 respectively and are amongst the largest commodity futures markets in the world. As investors' interests in the Japanese futures market shifted to other investment alternatives, the volume of trade in Hong Kong's Japanese futures shrank by 26.0% in terms of the number of contracts even though that of overseas markets were still expanding.

In Hong Kong's TGE market, the Group is still the largest broker for Japanese commodity futures in terms of trading volume. Despite the decrease in activity of the

TGE futures market in Hong Kong, Tanrich still maintained its dominant with 59.0% market share of TGE futures in Hong Kong in terms of trading volume for the year ended 30 June 2005.

## OPERATION REVIEW

### Futures

Following the boost of Hong Kong's economy, the unemployment rate went down from a high of 7.3% in January 2004 to a low of 5.7% in June 2005. The rebound of labour market resulted from the sustained growth of every industry, especially in the financial and property sectors. Needless to say, Tanrich's high caliber and competent account executives who had strong client base were the targets of our competitors' recruitment efforts and even those of banks. In addition to the shrinkage of the Japanese futures market in Hong Kong, Tanrich also suffered from the departure of a number of account executives, of directly and significantly affecting the Group's commission income derived from the Japanese futures turnover, which dropped by 46.9% to HK\$53.0 million from HK\$99.7 million for the same period of last year. The Group's operating loss amounted to HK\$11.0 million for the financial year under review while it recorded an operating profit of HK\$15.6 million for the corresponding period of last year.

We have always recognised that frontline employees are the essential assets of the Group's businesses. After having been selected by a centralised recruitment program, new recruits have to go through a series of extensive training programs in various areas including but not limited to operation, regulation and product knowledge. These programs aim to strengthen our sales force to provide all-round and professional financial services to the clients. We are confident that our sales force, be it in terms of size or their customised professional service, will continue to improve.

# Management Discussion and Analysis

## Securities Broking and Margin Financing

Although the capital market was supported by buoyant fund raising activities in the primary and secondary stock markets, the category A and B stock exchange participants, which represent the top 65 amongst of all stock exchange participants in Hong Kong, dominated at least 80.0% of the market share throughout the year and even up to 88.8% in June 2005. This reflected the retail investors' preference for the sizeable fund. Due to our tightened credit control system, the Group's total turnover of securities broking and margin financing businesses for the financial year ended 30 June 2005 decreased by 25.2% to HK\$9.5 million (2004: HK\$12.7 million) and recorded an operating profit of about HK\$1.8 million, dropping by 21.7% compared with the corresponding period of last year. This result shows that we succeeded in providing more protection to our clients. We will continue to expand our client base by seizing the opportunities brought forth PRC investors' increasing interest in Hong Kong's stock market.

## Money Lending

The Group captured some profit generating opportunities by identifying credit worthy corporate clients with a view to provide money lending services. The Group always aims to maintain prudent and conservative money lending policies and strict credit control systems in which the borrower's credit worthiness and background, as well as the collateral's quality and value, is thoroughly assessed. The turnover of the Group's money lending business for the financial year ended 30 June 2005 increased markedly from HK\$1.8 million to HK\$3.5 million and we also achieved an operating profit of approximately HK\$3.5 million, an increase of 94.4% compared to the corresponding period of last year.

## Proprietary Trading

Due to the unexpected surge in oil prices and the price fluctuations in the equities, currency and commodities markets, Tanrich took a more prudent approach in its proprietary trading and thus its turnover dropped remarkably by 94.0% to HK\$0.9 million and recorded a small loss of HK\$0.1 million for the financial year ended 30 June 2005.

## Wealth Management and Insurance Agency

The fast-growing wealth management and insurance agency businesses continue to be an integral part of our plan to diversify our income streams. With a high savings-to-income ratio and a relatively low penetration of wealth management and insurance agency services, the potential of the wealth management and insurance agency industry is enormous. During the year under review, the turnover of the Group's wealth management and insurance agency businesses grew by 3.7 times to HK\$8.9 million and its operation loss fell by 55.4% to HK\$1.3 million in 2005 when compared to that of same period of last year. As a distributor of comprehensive financial products managed by over 30 international asset management companies, we will continue to expand our client base.

# Management Discussion and Analysis

## Corporate Finance

The Group's corporate finance business is expected to be one of its core businesses in the long-term even though it is still in its developing stage. Notwithstanding that its turnover increased by 157.1% to HK\$1.8 million for the year under review as compared with HK\$0.7 million for the corresponding period in 2004, the Group suffered an operating loss of HK\$4.0 million (2004: loss of HK\$2.5 million) because more human resources were invested for expansion in this business segment. During the year under review, we executed a number of corporate finance transactions and have been engaged as joint sponsor for two proposed listing companies. We are dedicated to focusing our main efforts towards exploring business opportunities to strengthen our corporate finance business.

## Internal Control & Risk Management

During the year, Tanrich enhanced and modified its credit control and risk management policies and procedures to reflect changes in the markets and business strategies. These enhanced policies and procedures can more comprehensively identify, monitor and control risk exposure by using of administration and information systems and thus ultimately to maximise returns to clients and shareholders. In today's volatile financial markets, risk management and internal control are indispensable key factors to sustaining long-term growth of the Group's businesses.

## Risk Control Committee

This Risk Control Committee, comprising members of the Board of Directors, the Financial Controller of the Group and the Associate Director of legal and compliance division of the Group has to develop and implement business risk minimisation policies and procedures so as to confine business risks, formulate credit and risk control policies and procedures of Tanrich Securities Company Limited ("TSC"), an indirect wholly-owned subsidiary of the Company.

## Credit Control Committee

Comprising members of the Board of Directors, the Financial Controller of the Group and the Associate Director of legal and compliance division of the Group, the main task of the Credit Control Committee is to administer the credit control policies and procedures formulated by this committee.

## FINANCIAL REVIEW

### Liquidity, Financial Resources, Gearing Ratio and Capital Structure

The Group's financial policy is to maintain a healthy and sound 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 2005, the Group had total cash and bank balances of HK\$38.3 million (2004: HK\$53.6 million), while net current assets amounted to HK\$66.0 million (2004: HK\$104.6 million). The strong liquidity of the Group is proven by its current ratio, that being current assets divided by current liabilities, of 2.4 times which remained unchanged from last year.

As at 30 June 2005 and 30 June 2004, the Group had no bank borrowings which resulted in a zero gearing ratio. The gearing ratio represents the ratio of total borrowings to the total equity of the Group.

As at 30 June 2005 and 30 June 2004, the Group had aggregate banking facilities of HK\$106.0 million, composed of HK\$85.0 million, the draw down of which is subject to the pledged value of marketable securities, and HK\$21.0 million general banking facilities.

These banking facilities were secured by clients' pledged securities, certain non-trading investments of the Group, and corporate guarantees issued by the Company. All banking facilities were denominated in Hong Kong dollars and based on commercial floating interest rates. There were no seasonal factors in our borrowing requirements.

# Management Discussion and Analysis

During the year end review, the Company has not issued any additional shares or made share repurchases.

## Significant Investments Held and Material Acquisition and Disposal

As at 30 June 2005, the Group had 1,306,000 shares of listed securities of Hong Kong Exchanges and Clearing Limited with a fair value of HK\$26.3 million (2004: HK\$20.9 million). An unrealised gain of HK\$5.4 million (2004: HK\$7.2 million) was recorded in the Group's investment revaluation reserve for the financial year ended 30 June 2005.

During the year under review, there was no material acquisition or disposal of investments, subsidiaries and associated companies.

## Material Investments

As far as practical and up to the date of this analysis, the Group does not have any plans for major investments or acquisitions of capital assets.

## Charge on Group Assets

Marketable securities with an aggregate value of approximately HK\$26.2 million (2004: HK\$8.0 million) were pledged as collateral for banking facilities. These marketable securities were beneficially owned by a subsidiary of the Company.

The subsidiaries of the Company pledge bank deposits as collateral to authorised institutions from time to time for foreign exchange deferred trading and banking facilities. As at 30 June 2005, they have pledged bank deposits of HK\$1,000,000 (2004: HK\$1,560,000) and HK\$500,000 (2004: HK\$1,763,000) to authorised institutions for foreign exchange deferred trading and banking facilities respectively.

## Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group is exposed to foreign exchange fluctuation as a result of placing margin deposits in Japanese Yen with three 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 80.0% 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 2005, the Group's total margin deposit placed with the three designated futures commission merchants was 145.0 million Japanese Yen and had a bank deposit of 10.4 million Japanese Yen, total Japanese Yen being equivalent to HK\$10.9 million. This amount was fully hedged with USD/JPY foreign exchange deferred trading.

## Contingent Liabilities

As at 30 June 2005, the Company has guaranteed banking facilities of HK\$105.5 million granted to two of its subsidiaries. The banking facilities were applied in the normal course of their business activities. The Company has also guaranteed the liabilities of one of its subsidiaries up to an aggregate amount of not less than HK\$10.0 million in order to comply with the requirement of unencumbered assets contained in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the SEHK (the "GEM Listing Rules").

As at 30 June 2005, an independent third party and Tanrich Futures Limited ("TFL"), an indirect wholly-owned subsidiary of the Company, were engaged in arbitration proceedings concerning, inter alia, the alleged unauthorised trading of futures contracts by an ex-employee of TFL. TFL was in the course of defending the said arbitration proceedings. In the event that the defence of the arbitration proceedings is unsuccessful, TFL may be held liable for an amount in the region of HK\$1.5 million to HK\$2.5 million, inclusive of interest

# Management Discussion and Analysis

and legal costs. Exchange of correspondence is currently in process between two parties and no conclusion was reached as at 30 June 2005. It is not currently possible to estimate the eventual outcome of the claim and based on legal advice to date, the directors of the Company consider that no provision needs to be made in the accounts.

## STAFF

As at 30 June 2005, the Group had a total of 186 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 fixed salary, commission and/or bonus. Other supporting and general staff are offered basic salary and year-end discretionary bonus subject to the business results of the Group. Employees' remuneration excluding directors' emoluments amounted to HK\$45.2 million for the year under review (2004: HK\$53.4 million). The Group ensures that the remuneration paid to its employees is competitive and employees are rewarded within the general framework of the Group's salary and bonus system. The Group also provides training programs for the staff to enhance their skills and knowledge of products and regulations.

## OUTLOOK

In view of such challenging market environment, Tanrich will deploy a considerable amount of resources in fortifying its leading position in the financial services industry while enhancing service quality and product variety. The Group will continue to pursue for excellent product quality, impeccable services and higher standard of operation efficiency by adopting stringent quality controls and internal risk management systems.

By leveraging on its core competencies, diversified product portfolio and healthy financial position, the Group will further strengthen its sales and marketing

team as well as recruit eligible staff. By providing centralised training to our dedicated staff and organising recruitment programs, the Group is strived to offer cross-product selling opportunity and comprehensive investment services to our valuable clients.

In addition, the establishment of market promotion team will further strengthen brand equity and research capabilities by exploring and promoting various communication channels, such as TV, newspapers and internets. Through such marketing initiatives, the Group is able to promote the corporate image for its new services and cross-product selling opportunity.

With improving operating efficiency, the Group targets to launch more powerful and advanced futures and securities trading systems in the coming years. In addition, the Group will upgrade its management standards and operational processes to refine its operational techniques, so as to strengthen the Group's core competence.

While consolidating its existing business foundation, Tanrich will proactively seek after new business opportunities, paving its way for strategic business expansion and propelling future growth. The Group will cooperate with different business partners and renowned financial institutions to explore potential products and services in the Greater China region.

Looking ahead, Tanrich will capitalise on the immense potential generated from the booming economic and investment market as well as the recent appreciation of Renminbi. By reinforcing its quality management and board members, the Group is optimistic towards the promising prospect and potential of financial market in the Greater China region in the long run. Tanrich is well-poised to achieving even greater success in the coming future, and ultimately, creating fruitful returns to its supportive shareholders.

# Directors' Report

The directors submit their report together with the audited accounts of the Company and its subsidiaries for the year ended 30 June 2005.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 17 to the accounts.

An analysis of the Group's performance for the year by business segments is set out in note 3 to the accounts. 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 profit and loss account on page 31.

The directors do not recommend the payment of a final dividend.

## RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 27 to the accounts.

As at 30 June 2005, the reserves of the Company available for distribution to shareholders amounted to HK\$80,072,000 (2004: HK\$76,057,000).

## DONATIONS

During the year the Group did not make any charitable and other donations.

## FIXED ASSETS

Details of movements in fixed assets of the Group are set out in note 14 to the accounts.

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 25 to the accounts.

## 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 pages 77-78.

## 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

The directors during the year and up to the date of this report were:

### *Executive Directors*

Mr. YIP Man Fan	(Chairman)
Mr. KWOK Kam Hoi	(Deputy Chairman and Chief Executive)
Mr. TSUNOYAMA Toru	
Mr. LEE Kit Ming, Edmund	(Managing Director, appointed on 12 January 2005 and resigned on 7 July 2005)
Mr. LEE Chi Shing, Caesar	(appointed on 1 November 2004 and resigned on 30 June 2005)

# Directors' Report

## Independent Non-executive Directors

Mr. LAM, Andy Siu Wing, JP	
Mr. SUN Shuyi	<i>(appointed on 21 September 2004)</i>
Mr. YU King Tin	<i>(appointed on 14 October 2004)</i>
Mr. MA Chiu Cheung, Andrew	<i>(resigned on 30 September 2004 and reappointed on 14 April 2005)</i>

In accordance with bye-law 87 of the Company, Mr. SUN Shuyi and Mr. YU King Tin will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") and considers the independent non-executive directors to be independent.

## EMOLUMENT

### Emolument Policy

The emolument policy for the employees including directors and senior management of the Group is appropriate for the duties and in line with market practice in the financial service sector. No individual director and senior management of the Group would be involved in deciding his own remuneration.

## Long-term Incentive Schemes

The long-term incentive scheme of the Group include cash bonus subject to the results of the Group and share options, which are offered as rewards for the contributions of good performers and key employees of the Group. The details of share option schemes of the Company are set out in "Share Option Schemes" on pages 19 to 23 and note 26 to the accounts.

## Retirement Benefit Schemes

Particulars of the retirement benefit schemes of the Group are set out in note 12 to the accounts.

## Basis of Directors' Emoluments

The directors' emoluments were determined by the consideration of the factors including job duties, job responsibilities, results of the Company, market competitiveness and the individuals.

## Directors' and Employees' Emoluments

Particulars of the directors' and employees' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 11 to the accounts.

## Remuneration Committee

The Board has established a Remuneration Committee in January 2005. One of its primary objectives is to ensure formal and transparent procedures for overseeing and developing policies on the remuneration packages of directors and senior management of the Company. The Remuneration Committee's authority and duties are set out in written terms of reference, which specify that it must comprise at least three members, the majority of whom are independent non-executive directors. The Remuneration Committee comprises three independent non-executive directors, namely Mr. LAM, Andy Siu Wing, JP (Chairman), Mr. MA Chiu Cheung, Andrew and Mr. YU King Tin and two executive directors, namely Mr. KWOK Kam Hoi and Mr. TSUNOYAMA Toru.

# Directors' Report

## DIRECTORS' SERVICE CONTRACTS

Except the service contracts entered into between the Company and Mr. TSUNOYAMA Toru on 1 August 2003 and both Mr. YIP Man Fan and Mr. KWOK Kam Hoi on 30 January 2004, 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.

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 26 to 29.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year ended 30 June 2005, members of the Group entered into (or continued to be party to) a transaction which was "connected transaction" as defined by the Listing Rules but which is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31 of the Listing Rules. Details of such transaction are as follows:

Pursuant to a share facilities and services agreement (the "Share Facilities and Services Agreement") dated 7 January 2002 entered into between Tanrich (Hong Kong) Holdings Limited ("THKHL"), which is beneficially owned as to 80% by Mr. YIP Man Fan, 15% by TSUNOYAMA Toru and 5% by Ms. TANG Yuk Lan, and which is also controlled by a combination of directors of the Company and TFL, TSCL, Tanrich Asset Management Limited ("TAML"), Tanrich Capital Limited ("TCL") and Tanrich Finance Limited ("TFIN") (collectively the "Licensees"), each a subsidiary of the Company, THKHL allows the Licensees to use certain of THKHL's administrative facilities and services at a fee based on the gross floor area occupied by the Group. For the year ended 30 June 2005, the fees, represented the usage of fixed assets and share of renovation expenses, incurred by the Group

in respect of this arrangement amounted to approximately HK\$2,276,000 (2004: HK\$2,247,000). The amount has been included in "depreciation" as disclosed in note 30(a) to the accounts.

Save as disclosed 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.

## 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 EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2005, the interests and short positions of the directors and chief executive of the Company or their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed

# Directors' Report

Companies (the "Model Code") contained in the Listing Rules, were as follows:

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

Name of directors / chief executive	Number of ordinary shares				No. of underlying shares held under share options of the Company (Note 3)	Total	Percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests			
Yip Man Fan	–	7,500,000 (Note 1)	–	120,000,000 (Note 2)	2,000,000	129,500,000	64.75%
Kwok Kam Hoi	–	–	–	–	4,000,000	4,000,000	2.00%
Tsunoyama Toru	22,500,000	–	–	–	1,950,000	24,450,000	12.23%
Lee Kit Ming, Edmund	–	–	–	–	1,000,000	1,000,000	0.50%
Lee Chi Shing, Caesar	–	–	–	–	1,000,000	1,000,000	0.50%

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 underlying shares in respect of share options granted by the Company to the directors and chief executive of the Company as beneficial owners, the details of which are set out in "Share Option Schemes" on pages 19 to 23 and note 26 to the accounts.

Save as disclosed above, as at 30 June 2005, none of the directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code of the Listing Rules.

# Directors' Report

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the "Share Option Schemes" disclosures on pages 19 to 23 and in note 26 to the accounts, 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 18 years of age, 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 18 years of age to acquire such rights in any other body corporate.

## SHARE OPTION SCHEMES

### 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 available for issue is 13,410,000, which represents 6.7% of the existing issued share capital of the Company as at the date of this report.
4. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to the date of the latest grant shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.
5. 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.
6. 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.
7. 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 SEHK'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 SEHK's daily quotation sheets for the five business days immediately preceding the date of grant of the option.
8. The Pre-Listing Scheme will expire on the last day of ten years from the adoption date.

## Directors' Report

Details of the share options outstanding as at 30 June 2005 which have been granted under the Pre-Listing Scheme are as follows:

	Number of share options				Held at 30 June 2005	Sub- scription price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1 July 2004	Granted during the year	Exercised during the year	Lapsed during the year					
Directors:									
Yip Man Fan	2,000,000	–	–	–	2,000,000	0.72	22 February 2002	22 February 2003	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	–	–	–	1,950,000	0.72	22 February 2002	22 February 2003	7 January 2012
Continuous contract employees	8,800,000	–	–	810,000	7,990,000	0.72	22 February 2002	22 February 2003	7 January 2012
Bona fide consultants of the Group	290,000	–	–	120,000	170,000	0.72	22 February 2002	22 February 2003	7 January 2012

Notes:

- The closing price immediately before the date on which the option was granted was HK\$0.65.
- Share options had lapsed in accordance with the terms and conditions of the Pre-Listing Scheme following the resignation of employees and cessation of consultancy services.

# Directors' Report

## 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 available for issue is 16,474,000, representing 8.2% of the existing issued share capital of the Company as at the date of this report.
4. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to the date of the latest grant shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.
5. 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.
6. No consideration for the grant of an option is required to be paid upon acceptance of the option.
7. The subscription 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 SEHK'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 SEHK'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.
8. The Post-Listing Scheme will expire on 29 January 2014.

# Directors' Report

	Number of share options					Sub- scription price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1 July 2004	Granted during the year	Exercised during the year	Lapsed during the year	Held at 30 June 2005				
Directors:									
Kwok Kam Hoi	2,000,000	–	–	–	2,000,000	0.67	27 April 2004	27 April 2005	26 April 2014
Lee Kit Ming, Edmund	–	1,000,000	–	–	1,000,000	0.80	1 February 2005	1 February 2006	31 January 2015
Lee Chi Shing, Caesar	–	1,000,000	–	–	1,000,000	0.80	1 February 2005	1 February 2006	31 January 2015
Continuous contract employees	13,038,000	–	–	1,954,000	11,084,000	0.67	27 April 2004	27 April 2005	26 April 2014
Consultants/Advisors	3,576,000	–	–	196,000	3,380,000	0.67	27 April 2004	27 April 2005	26 April 2014
Continuous contract employees	–	600,000	–	–	600,000	0.80	1 February 2005	1 February 2006	31 January 2015

#### Notes:

- The closing price immediately before the date on which the option granted on 27 April 2004 was HK\$0.67.
- The closing price immediately before the date on which the option granted on 1 February 2005 was HK\$0.81.
- Share options had lapsed in accordance with the terms and conditions of the Post-Listing Scheme following the resignation of employees and cessation of consultancy services.
- Share options for two directors, Mr. Lee Chi Shing, Caesar and Mr. Lee Kit Ming, Edmund, had lapsed on 28 September 2005 and will lapse on 5 October 2005 respectively in accordance with the terms and conditions of the Post-Listing Scheme following their resignation.

# Directors' Report

The financial impact of share options granted under the Pre-Listing and Post-Listing Schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess price per share over the nominal value of the shares is recorded by the Company in the share premium reserve. Options which are lapsed or cancelled prior to their exercise date are deleted from the register of outstanding options.

The directors are of the view that the theoretical value of the share options granted, which depends on a number of variables including the expected volatility of share price, are either difficult to ascertain or can only

be ascertained subject to a number of speculative assumptions. Accordingly, the directors believed that any calculation of the value of the options will not be meaningful and may be misleading to the shareholders in these circumstances.

## OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, the persons, (other than directors and chief executive of the Company whose interests or short positions have been disclosed above) who have 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	Percentage of holding
Aceland Holdings Ltd.	1 & 2	120,000,000	60.00%
Redwood Pacific Limited	2 & 4	120,000,000	60.00%
HSBC International Trustee Limited	3 & 4	120,000,000	60.00%
Tang Yuk Lan	5	127,500,000	63.75%

Notes:

1. Aceland Holdings Ltd. is the trustee of The Yip Unit Trust, which holds 60% 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.

# Directors' Report

Saved as disclosed above, as at 30 June 2005, the Company had not been notified of any other interests or short positions representing 5% or more of 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.

## ADVANCE TO AN ENTITY UNDER RULE 13.13 OF THE LISTING RULES

As at 30 June 2005, the Group had a loan receivable of HK\$14 million (the "Loan") incurred in an ordinary course of business, due from an independent third party, Gofield Property Development Limited ("GPD"), which represented 7.9 % of the total assets of the Group. Pursuant to the loan agreements, the interest of the Loan in respect of each interest period is chargeable at a rate of 12 per cent per annum. If applicable, default interest will be chargeable at a rate of 18 per cent per annum. The Loan is secured by an assignment, mortgage and charge in respect of GPD's rights to certain sales receivables, a charge over certain property assets and a personal guarantee from a director of GPD. Pursuant to a supplemental loan agreement dated 8 August 2005 entered into by both parties concerned, the repayment date of the loan receivable of HK\$14 million has been extended to 18 July 2006.

Details of this transaction have been disclosed by the Company in shareholders' circulars dated 10 August 2004, 7 February 2005 and 12 September 2005.

## PRE-EMPTIVE RIGHTS

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

## MAJOR CUSTOMERS

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

The Group is a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

## 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 Company's directors.

## CORPORATE GOVERNANCE

The Company had complied with the Code of Best Practice as set out in Appendix I4 to the Listing Rules throughout the accounting period covered by the annual report, which was in force until 1 January 2005, except that the independent non-executive directors of the Company have no fixed terms of office, but will retire from office on a rotation basis in the forthcoming annual general meetings in accordance with the Company's bye-laws.

# Directors' Report

As the Code of Best Practice set out in Appendix 14 to the Listing Rules was replaced by Code on Corporate Governance Practice (the "Code"), which subject to transitional arrangements became effective on 1 January 2005, the Company has taken actions to comply with the provisions of the Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code of the Listing Rules as the Company's code of conduct of dealing in securities of the Company by directors. Having made specific enquiry with all directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code throughout the financial year.

## AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited accounts for the financial year ended 30 June 2005, in conjunction with the external auditors.

## AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Kwok Kam Hoi**

*Chief Executive*

Hong Kong, 29 September 2005

# Directors and Senior Management

## Executive Directors

**Mr. Yip Man Fan**, aged 51, is the chairman of the Company and the founder of the Group. Mr. Yip is also a director of TFML, TFL, TSCL, Tanrich Financial Group (China) Limited ("TFC") and a responsible officer of TFL. He is a member of the Risk Control Committee and Credit Control Committee. Mr. Yip has been in the securities and futures broking businesses for over 23 years. He is responsible for business development, corporate strategies and policies 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 53, is the deputy chairman of the Company and the chief executive of the Group. Mr. Kwok is also a director of every subsidiary of the Company. He joined the Group in October 1995. He is responsible for business development, corporate strategies, policies and overall management of the Group. He is a member of the Risk Control Committee and Credit Control Committee. Mr. Kwok has 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 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 50, is an executive director of the Company and its subsidiaries, TFML and TFIN. He joined the Group in May 1991 and is an advisor on the Japanese commodity futures activities of the Group. He is also a member of the Risk Control Committee and the Credit Control Committee. He has over 26 years of experience in the commodity futures field. Mr. Tsunoyama is a law graduate of Kyoto Sangyo University, Japan.

## Independent Non-executive Directors

**Mr. Lam, Andy Siu Wing**, JP aged 54, has been an independent non-executive director of the Company since October 2001. Mr. 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. Mr. Lam has over 20 years of 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. Mr. Lam had served as a member of the Administrative Appeals Board, Urban Services Appeals Board, Board of Review (Inland Revenue Ordinance), an adjudicator of Immigration Tribunal and Registration of Persons Tribunal. Currently he is a member of the Hong Kong Housing Authority Audit Sub-committee, a member of the Action Committee Against Narcotics, a member of the Chinese Medicine Practitioner Board of the Chinese Medicine Council of Hong Kong and an adjudicator of the Obscene Articles Tribunal. Mr. Lam has also sat on the board of several listed companies on the SEHK.

## Directors and Senior Management

**Mr. Ma Chiu Cheung, Andrew**, age 63, 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 about 33 years of experience in accounting and finance. He received his bachelor's degree majoring in economics from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow of the Institute of Chartered Accountants in England & Wales and a fellow and a CPA member (practising) of the Hong Kong Institute of Certified Public Accountants. He was the past president of Rotary Club of Hong Kong Island West. Currently, he is the president of The Hong Kong Federation of Youth Groups, vice president of Chiu Yang Residents Association Limited and vice-president of Hong Kong Chiu Chow Chamber of Commerce Limited. He is currently an independent non-executive director of several listed companies on the SEHK.

**Mr. Sun Shuyi**, aged 65, has been an independent non-executive director of the Company since September 2004. He has been serving in the State-owned Asset Supervision and Administration Commission (Sub-ministry level) (國有資產監督管理委員會) under the State Council since 2003 and the Tenth Session of the Chinese People's Political Consultative Conference. He was the Deputy Secretary and Deputy Department Head of the Central Enterprise Working Committee (中央企業工作委員會) from 1999 to 2003. From 1993 to 1999, Mr. Sun acted as the Deputy Office Head and Deputy Director of the Personnel Department of the Central Guidance Panel on Financial Affairs (中央財經領導小組) and a member of the Central Large Enterprise Working Committee (中央大型企業工作委員會). From 1988 to 1993, he was the Deputy Head of the Finance Management Department and the Deputy Head and Head of the Production System Department (生產體制司) of the State System Reform Commission (國家體改委). Mr. Sun graduated from the University of Science and Technology of China in 1963 and is a Senior

Engineer and a member of the Chinese Institute of Certified Public Accountants. He is currently an independent non-executive director of several listed companies on the SEHK.

**Mr. Yu King Tin**, aged 39, has been an independent non-executive director of the Company since October 2004. Mr. Yu has over 15 years of 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 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. Pun Tit Shan**, aged 44, is a director of TSCL and TFL, and a responsible officer of TSCL, TAML and TFL. Mr. Pun has over 21 years of 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 had 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 committee member of the Professional Education Committee and Membership Committee of Hong Kong Securities Institute.

## Directors and Senior Management

**Mr. Chan Lee Yeung**, aged 55, is a director and responsible officer of both of TSCL and TAML. Mr. Chan has been in the securities business for over 33 years. He joined the Group in July 1991.

**Ms. Lau Yim Ling, Elaine**, aged 43, is a marketing director of the Group and a senior vice president of the sales division of TFL. She is also a director and responsible officer of TFL. Ms. Lau joined the Group in November 1990 and has over 18 years of experience in the futures business. She holds two master's degrees in business administration, one from Newport University, USA and the other from University of South Australia.

**Mr. Lee Hung Kwong, Simon**, aged 40, is a senior vice president of the sales division of TFL. He is also a director and responsible officer of TFL. Mr. Lee joined the Group in November 1990 and has over 19 years of experience in the futures business. He holds a diploma in business management jointly awarded by Hong Kong Management Association and Lingnan University, Hong Kong.

**Mr. Cheung Nai Shun, Robert**, aged 46, is a senior vice president of the sales division of TFL. Mr. Cheung joined the Group in November 1990 and has been in the futures business for over 19 years.

**Ms. Li Wai Kuen**, aged 45, is a director and responsible officer of TCL. Before joining the Group in October 2002, Ms. Li worked for the Listing Division of the SEHK, CEF Capital Limited, Yuanta Securities (Hong Kong) Company Limited and CSC Asia Limited. Ms. Li has over 14 years of experience in the field of corporate finance and holds a master's degree in business administration from York University, Canada.

**Mr. Sit Kar Kin, Kenneth**, aged 39, is a director and responsible officer of TCL. Mr. Sit joined the Group in March 2003 and has over 12 years of experience in corporate finance and direct investment, with emphasis in structuring PRC deals and projects including but not limited to mergers and acquisitions, initial public offerings and other financial advisory services. Prior to joining the Group, Mr. Sit had worked for a number of investment banks including Kingsway Capital Limited, BOCI Asia Limited, China Everbright Capital Limited and Nikko Securities Co., (Asia) Limited. Mr. Sit holds a master's degree in business administration from Bradford University, UK and a bachelor's degree from Bath University, U.K.

**Mr. Zhang Shu Zhi**, aged 39, is a director of TFC. Mr. Zhang is also a general manager in China Nuclear Investments Limited, Shenzhen Nuclear Investments Holding Limited and Hong Kong Nuclear Investments Holding Limited. He has over 16 years of experience in financial and investment businesses. Mr. Zhang holds a master's degree in accountancy from the Hong Kong Polytechnic University and a bachelor's degree in literature from the Wuhan University.

**Ms. Tsang Pui Yee, Vanessa**, aged 30, is a company secretary and qualified accountant of the Company, and a financial controller of the Group. She is also a member of the Risk Control Committee and the Credit Control Committee. She joined the Group in February 2001 and has over 8 years of experience in finance and accounting. She is a member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. She also holds a master's degree in corporate finance from the Hong Kong Polytechnic University.

## Directors and Senior Management

**Ms. Wong Lai Ping**, aged 45, is an associate director of the Group's human resources and corporate services division. She joined the Group in June 1990 and has over 23 years' experience in the area of administration and human resources. Ms. Wong holds a diploma in business management jointly awarded by Hong Kong Management Association and Lingnan University, Hong Kong.

**Ms. Tsang Chee Ping Catherine**, aged 36, is an associate director of the Group's legal and compliance division. She is also a member of the Risk Control Committee and the Credit Control Committee. Ms. Tsang has 13 years of experience in the auditing and regulatory compliance areas. Prior to joining the Group in February 2004, Ms. Tsang worked for the Securities and Futures Commission for over five years. Ms. Tsang holds a bachelor's degree and a master's degree in business administration from Coventry University and the University of Birmingham, UK, respectively. She is also a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

**Ms. Chan Lai Ling**, aged 42, is a senior manager of the TFL's settlement division. Ms. Chan joined the Group in November 1990 and has over 17 years' experience in futures settlement.

**Ms. Wong Yuen Ling**, aged 37, is a manager of TSCL's settlement division. Ms. Wong joined the Group in January 1999 and has over 15 years' experience in securities settlement.

**Miss Mok Kit Ling**, aged 30, is a manager of the Group's investment services and products department. She is also a member of market promotion team of the Group. She has over 6 years' experience in research, investment and fund management. Prior to joining the Group in March 2005, she was an assistant fund manager of Seng Heng Capital Asia and a senior associate in the venture capital division of ING Barings. Miss Mok holds a bachelor's degree in economics and finance from the University of Hong Kong and also has a professional qualification of Chartered Financial Analyst (CFA).

# Auditors' Report

## **AUDITORS' REPORT TO THE SHAREHOLDERS OF TANRICH FINANCIAL HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

We have audited the accounts on pages 31 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of the accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts 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.

### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 29 September 2005

# Consolidated Profit and Loss Account

For the year ended 30 June 2005

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	3	77,696	132,373
Other revenues	3	3,668	7,025
		<u>81,364</u>	<u>139,398</u>
Staff costs	4	52,560	70,132
Operating leases on land and buildings		7,860	8,124
Brokerage and agency commission		11,930	10,462
Provision for bad and doubtful debts		45	516
Other operating expenses	5	20,456	21,131
		<u>92,851</u>	<u>110,365</u>
Operating (loss)/profit		(11,487)	29,033
Finance costs	6	(361)	(325)
Gain on disposal of non-trading investments		–	145
(Loss)/profit before taxation		(11,848)	28,853
Taxation	7	737	(2,585)
(Loss)/profit after taxation		(11,111)	26,268
Minority interests		55	14
(Loss)/profit attributable to shareholders	8	<u>(11,056)</u>	<u>26,282</u>
Dividends	9	–	4,000
(Loss)/earnings per share			
– Basic (HK cents)	10	<u>(5.5)</u>	<u>13.1</u>
– Diluted (HK cents)	10	<u>(5.4)</u>	<u>–</u>

# Consolidated Balance Sheet

As at 30 June 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>Non-current assets</b>			
Intangible assets	13, 2(c)	470	530
Fixed assets	14	3,604	3,132
Other assets	15	14,543	3,262
Non-trading investments	16	26,251	20,896
Loans and advances	18	14,000	135
Deferred tax assets	28	3,286	3,325
		<b>62,154</b>	31,280
<b>Current assets</b>			
Loans and advances	18	–	20,238
Accounts receivable	19	65,727	101,227
Deposits, prepayments and other receivables	20	3,996	4,944
Non-trading investments	21	5,782	–
Trading securities	22	939	–
Cash and bank balances	23	38,319	53,586
		<b>114,763</b>	179,995
<b>Current liabilities</b>			
Accounts payable	24	24,073	44,934
Other payables and accrued charges		7,472	12,393
Taxation payable		17,156	18,083
		<b>48,701</b>	75,410
<b>Net current assets</b>		<b>66,062</b>	104,585
<b>Total assets less current liabilities</b>		<b>128,216</b>	135,865
<b>Financed by:</b>			
Share capital	25	20,000	20,000
Reserves	27	108,215	115,773
Shareholders' fund		<b>128,215</b>	135,773
<b>Minority interests</b>		<b>(19)</b>	36
<b>Non-current liabilities</b>			
Deferred tax liabilities	28	20	56
		<b>128,216</b>	135,865

**Kwok Kam Hoi**  
Director

**Tsunoyama Toru**  
Director

# Balance Sheet

As at 30 June 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	17	99,637	97,537
Non-trading investments	16	16,180	12,880
		<u>115,817</u>	<u>110,417</u>
<b>Current assets</b>			
Cash and bank balances		1,391	2,777
Other receivable		1	–
		<u>1,392</u>	<u>2,777</u>
<b>Current liabilities</b>			
		–	–
<b>Net current assets</b>			
		<u>1,392</u>	<u>2,777</u>
<b>Total assets less current liabilities</b>			
		<u>117,209</u>	<u>113,194</u>
<b>Financed by:</b>			
Share capital	25	20,000	20,000
Reserves	27	97,209	93,194
		<u>117,209</u>	<u>113,194</u>

**Kwok Kam Hoi**  
Director

**Tsunoyama Toru**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2005

	Note	2005 HK\$'000	2004 HK\$'000
Total equity as at 1 July		<b>135,773</b>	106,421
Change in fair value of non-trading investments	27	<b>5,498</b>	7,215
Reserves transferred to profit and loss account upon disposal of non-trading investments		<b>—</b>	(145)
		<b>141,271</b>	113,491
(Loss)/profit for the year	27	<b>(11,056)</b>	26,282
Dividends	9	<b>(2,000)</b>	(4,000)
Total equity as at 30 June		<b>128,215</b>	135,773

# Consolidated Cash Flow Statement

For the year ended 30 June 2005

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Cash flow from operating activities		
(Loss)/profit before taxation	<b>(11,848)</b>	28,853
Adjustments for:		
Dividend income	<b>(1,246)</b>	(2,978)
Interest income	<b>(4,445)</b>	(2,598)
Interest expenses	<b>361</b>	325
Amortisation of intangible assets	<b>60</b>	60
Provision for bad and doubtful debts	<b>45</b>	516
Depreciation of owned fixed assets	<b>1,873</b>	1,719
Gain on disposal of non-trading investments	<b>-</b>	(145)
Loss on disposal of fixed assets	<b>1</b>	1
Operating (loss)/profit before working capital changes	<b>(15,199)</b>	25,753
Decrease in other assets	<b>-</b>	100
Decrease/(increase) in loans and advances	<b>6,346</b>	(19,686)
Decrease/(increase) in accounts receivable	<b>35,482</b>	(19,733)
Increase in trading securities	<b>(939)</b>	-
Decrease/(increase) in deposits, prepayments and other receivables	<b>773</b>	(119)
Decrease in accounts payable	<b>(20,861)</b>	(7,190)
(Decrease)/increase in other payables and accrued charges	<b>(6,348)</b>	4,592
Net cash used in operations	<b>(746)</b>	(16,283)
Purchase of tax reserve certificate issued by		
Inland Revenue Department	<b>(11,281)</b>	(1,262)
Hong Kong profits tax paid	<b>(188)</b>	-
Interests received	<b>4,621</b>	2,348
Interests paid	<b>(361)</b>	(325)
Net cash used in operating activities	<b>(7,955)</b>	(15,522)
Investing activities		
Purchase of fixed assets	<b>(929)</b>	(2,215)
Proceeds from disposal of fixed assets	<b>10</b>	-
Proceeds from disposal of non-trading investments	<b>-</b>	9,495
Dividends received	<b>1,246</b>	2,978
Acquisitions of non-trading investments	<b>(5,639)</b>	-
Net cash (used in)/generated from investing activities	<b>(5,312)</b>	10,258

# Consolidated Cash Flow Statement

For the year ended 30 June 2005

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Financing activities		
Dividends paid	<b>(2,000)</b>	(4,000)
Decrease in pledged deposits to banks	<b>1,823</b>	974
Capital contribution to a subsidiary by a minority shareholder	<b>–</b>	50
	<hr/>	<hr/>
Net cash used in financing activities	<b>(177)</b>	(2,976)
	<hr/>	<hr/>
Decrease in cash and cash equivalents	<b>(13,444)</b>	(8,240)
	<hr/>	<hr/>
Cash and cash equivalents at 1 July	<b>50,263</b>	58,503
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<b>36,819</b>	50,263
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<b>36,819</b>	50,263
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation with the consolidated balance sheet		
Cash and bank balances shown in the consolidated balance sheet	<b>38,319</b>	53,586
Less: pledged deposits to banks	<b>(1,500)</b>	(3,323)
	<hr/>	<hr/>
Cash and cash equivalents in the cash flow statement	<b>36,819</b>	50,263
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Accounts

## 1. BASIS OF PREPARATION

The audited accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, non-trading investments, trading securities and derivative financial instruments are stated at fair value.

The accounting policies and methods of computation used in the preparation of the audited accounts are consistent with those used in the annual accounts for the year ended 30 June 2004.

## 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 30 June.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (b) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the Board of Directors; or to cast majority of votes at the meetings of the Board of Directors.

### (c) Intangible assets

The subsidiaries of the Company hold two trading rights on The Stock Exchange of Hong Kong Limited ("SEHK") and two trading rights on the Hong Kong Futures Exchange Limited ("HKFE"). The trading rights are recognised as intangible assets on the balance sheet. One trading right on the SEHK was purchased in fiscal year 2003 and it is recorded at the purchase cost and amortised using the straight-line method over its estimated useful life of ten years. Other three trading rights are recorded at zero book value. Where an indication of impairment exists, the carrying amount of the intangible asset is assessed and written down immediately to its recoverable amount.

# Notes to the Accounts

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

### (d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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.

Other tangible fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Furniture and fixtures	20%
Office equipment	20%
Computer equipment	33 <sup>1</sup> / <sub>3</sub> %

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and, where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

### (e) Other assets

Other assets held in a long term basis are stated at cost less accumulated impairment losses deemed necessary by the directors.

# Notes to the Accounts

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

### (f) Investments

#### *Non-trading investments*

Investments which are held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

When there is objective evidence that individual investments are impaired the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

#### *Trading securities*

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

### (g) Provision for bad and doubtful debts

Provision is made against accounts receivable and loans and advances to the extent that they are considered to be doubtful. Accounts receivable and loans and advances in the balance sheet are stated net of such provision.

### (h) Trust accounts

Trust accounts maintained by the subsidiaries of the Company to hold clients' monies are treated as the off-balance sheet items and disclosed in a note to the accounts.

### (i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, balances with banks with original maturity less than three months and bank overdrafts.

### (j) Provisions and contingent liabilities

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 will be required to settle the obligation, and a reliable estimate of the amount can be made.

# Notes to the Accounts

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

### (j) Provisions and contingent liabilities *(Continued)*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

### (k) Revenue recognition

All commission income related to securities and futures trading are recorded in the accounts based on trade dates. Accordingly, only those transactions which trade dates fall within the accounting year have been taken into account.

Commission income on sale of unit trusts and insurance-linked products is recognised on an accrual basis 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.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

### (l) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of intangible assets, fixed assets, accounts receivable and operating cash and exclude items such as taxation.

Segment liabilities comprise accounts payable and operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to intangible assets and fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

# Notes to the Accounts

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

### (m) Employee benefit

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrued to employees. An accrual is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity or paternity leave are recognised when the absences occur.

#### (ii) *Profit sharing and bonus plans*

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

#### (iii) *Retirement benefit schemes*

The Group offers a defined contribution retirement scheme and a mandatory provident fund scheme, the assets of which are generally held in separate trustee-administered funds. These pension plans are generally funded by payments from employees and by the Group.

The Group's contributions to the defined contribution retirement scheme and the mandatory provident fund scheme are expensed as incurred. The contributions to the defined contribution scheme are reduced by past contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

#### (iv) *Equity compensation benefits*

Share options of the Company are granted to certain directors, employees and advisors and consultants of the Group under the share option schemes. Equity compensation benefits resulting from the issue of share options to the Group's directors, employees and advisors and consultants at less than the fair value at which those instruments would be issued to a third party are not recognised in the Group's accounts until such time as the share options are exercised. Upon the exercise of the share options, proceeds from the resulting shares issued are recorded by the Company in the share capital and share premium account as appropriate.

### (n) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

# Notes to the Accounts

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

### (o) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from depreciation on fixed assets. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

### (p) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. All exchange differences arising are dealt with in the profit and loss account.

### (q) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

# Notes to the Accounts

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

### (r) Off-balance sheet financial instruments

Off-balance sheet financial instruments include listed equity index futures contracts, listed currency futures contracts, listed commodity futures contracts and foreign exchange deferred trading undertaken by the Group in the equity and foreign exchange markets. These instruments are recorded on the Group's balance sheet on a trade date basis. The accounting for these instruments is dependent upon whether the transactions are undertaken for dealing purposes or to hedge risk.

Listed equity index, currency and commodity futures contracts undertaken for trading purposes are marked to market. Fair values are obtained periodically from quoted market prices. The gains and losses arising from trading in listed equity index, currency and commodity futures contracts are recognised in the profit and loss account as profit/(loss) on proprietary trading in futures contracts.

Unrealised gains on trading derivatives which are marked to market are included in "other receivables". Unrealised losses on transactions which are marked to market are included in "other payables".

Foreign exchange deferred trading designated as hedges is valued on an equivalent basis to the assets, liabilities or net positions which they are hedging. Any profit or loss is recognised in the same period as that arising from the related assets, liabilities or positions.

The Group's criteria for an off-balance sheet financial instrument to be classified as a hedge include:

- (i) the transaction must be reasonably expected to match or eliminate a significant portion of the risk inherent in the position being hedged; and
- (ii) there is adequate documentary evidence of the intent to hedge at the outset of the transaction.

### (s) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005.

# Notes to the Accounts

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

### (s) Recently issued accounting standards *(Continued)*

The Group is in the process of making an assessment of the impact of these new HKFRSs, and has so far concluded that the following HKFRSs will have the following significant financial or presentation effects on the Group's accounts upon adoption in the areas as briefly described below:

#### 1. *HKFRS 2 "Share-based payment"*

Under HKFRS 2 "Share-based payment", the Group will be required to determine the fair value of all share-based payments to employees and directors as remuneration and recognise as expenses in the profit and loss account. This treatment will result in a reduction in profit as such items have not been recognised as expenses under the current accounting policy. Under the specific transitional provisions of HKFRS 2, this treatment will apply to equity-settled share-based payment transactions where shares, share options or other equity instruments were granted after 7 November 2002 and had not vested on 1 January 2005 and to liabilities arising from share-based payment transactions existing on 1 January 2005.

#### 2. *HKAS 39 "Financial instruments: Recognition and Measurement"*

Classification of investments

The current accounting policy on investments is set out in Note 2(f) above. Upon adoption of HKAS 39, all investments of the Group are classified into one of the following two categories:

- i) at fair value through profit or loss securities are measured at fair value with changes in fair value recognised in the profit and loss account;
- ii) available-for-sale securities are measured at fair value, with changes in fair value reported in the equity reserve directly.

Upon first-time adoption of HKAS 39, the Group will reclassify its investment securities into the above two categories. Majority of the Group's investments are classified as available-for-sale. The changes in fair value of available-for-sale securities will cause volatility to the equity reserve.

Derivatives

The current accounting policy on derivatives is set out in Note 2(r) above. Upon adoption of HKAS 39, all derivatives are recognised separately as either financial assets or liabilities in the balance sheet and measured at fair value. The accounting for changes in the fair value of derivatives are recognised as follows:

For a derivative designated as fair value hedge, the gain or loss is recognised in the profit and loss account in the period of change together with the associated loss or gain on the hedged item;

# Notes to the Accounts

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

### (s) Recently issued accounting standards *(Continued)*

#### 2. HKAS 39 “Financial instruments: Recognition and Measurement” *(Continued)*

##### Derivatives *(Continued)*

For a derivative designated as cash flow hedge, the gain or loss on the derivative associated with the effective portion of the hedge is initially recognised in equity reserve and subsequently released into the profit and loss account in line with the recognition of the element of the recognised asset or liability which is being hedged. Any ineffective portion is recognised in the profit and loss account as it arises; and

For other derivatives (including for dealing purpose and for economic hedging purpose which do not qualify for hedge accounting), the gain or loss is recognised in the profit and loss account.

Volatility in income will become higher due to stricter requirements to qualify for hedge accounting treatment. The volatility in equity reserve will also increase due to change in fair value of derivatives designated as cash flow hedges.

##### Provisions for bad and doubtful debts

The current accounting policy on accounts receivable and loans and advances provisions is set out in Note 2(g). Upon adoption of HKAS 39, accounts receivable and loans and advances are measured by amortised cost where the carrying amount of the asset is computed by discounting the future cash flows to the present value using the original effective interest rate. Where objective evidence of impairment exists, the recoverable amount of an asset is calculated by discounting the future cash flows to the present value using the original effective interest rate taking into account the value of collateral, if any. The difference between the carrying amount and the recoverable amount of the asset is recognised as impairment.

All changes in the accounting policies will be reported by the Group in accordance with the transitional provisions in the respective standards.

## 3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in broking index, commodity and currency futures contracts and securities for its clients mainly on the following exchanges:

- Tokyo Grain Exchange (“TGE”);
- Tokyo Commodity Exchange (“TOCOM”);
- the HKFE;
- the SEHK; and
- other overseas exchanges (such as Chicago Mercantile Exchange and New York Board of Trade etc).

The Group transacted commodity and currency futures contracts through external exchange participants of TGE, TOCOM or other overseas exchanges on behalf of clients.

# Notes to the Accounts

## 3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group also provides other related financial services including margin financing, securities underwriting, financial advisory services, corporate finance services, agency services for unit trusts and insurance-linked products, and money lending. The Group also trades listed securities on the SEHK, listed equity index futures contracts on the HKFE and listed currency and commodity futures contracts on overseas exchanges on its own account.

The breakdown of the turnover and revenue line is as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
TURNOVER		
Brokerage commission:		
– commodity futures contracts on TGE and TOCOM	<b>37,539</b>	77,303
– commodity and currency futures contracts on other overseas exchanges	<b>14,594</b>	21,499
– index futures contracts on the HKFE	<b>139</b>	431
– securities dealing	<b>5,703</b>	8,821
Advisory, wealth management and insurance agency fees:		
– corporate finance and advisory	<b>1,812</b>	715
– commission on sale of unit trust and insurance-linked products	<b>8,907</b>	2,439
Interest income:		
– securities margin financing	<b>3,616</b>	3,589
– loans and advances	<b>3,515</b>	1,844
– deposits with clearing houses and brokers	<b>56</b>	–
– bank deposits and others	<b>874</b>	754
Proprietary trading in listed securities	<b>(202)</b>	–
Proprietary trading in futures contracts:		
– on the HKFE	<b>(305)</b>	1,449
– on overseas exchanges	<b>1,448</b>	13,529
	<b>77,696</b>	132,373
OTHER REVENUES		
Dividend income	<b>1,246</b>	2,978
Exchange gains	<b>866</b>	2,219
Management fee income <i>(Note 30(b))</i>	<b>960</b>	960
Loan arrangement fee income	<b>357</b>	580
Other income	<b>239</b>	288
	<b>3,668</b>	7,025
Total turnover and revenues	<b>81,364</b>	139,398

# Notes to the Accounts

## 3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

### Business segments

For management purposes, the Group is currently divided into seven operating divisions, namely, futures broking, securities broking, securities margin financing, corporate finance, wealth management and insurance agency services, 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 of Japanese commodity futures contracts, US commodity and currency futures contracts and Hong Kong index futures contracts
Securities broking	–	provision of securities broking services
Securities margin financing	–	provision of securities margin financing services
Corporate finance	–	provision of corporate finance services
Wealth management and insurance agency services	–	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 SEHK, listed equity index futures contracts on the HKFE and listed currency and commodity futures contracts on overseas exchanges

# Notes to the Accounts

## 3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

### Business segments *(Continued)*

Segment information about these businesses is presented below:

	2005								
	Futures broking HK\$'000	Securities broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Wealth management and insurance agency services HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>	<u>52,968</u>	<u>5,826</u>	<u>3,694</u>	<u>1,833</u>	<u>8,914</u>	<u>3,515</u>	<u>941</u>	<u>5</u>	<u>77,696</u>
<b>RESULTS</b>	<u>(11,053)</u>	<u>1,080</u>	<u>724</u>	<u>(4,042)</u>	<u>(1,308)</u>	<u>3,531</u>	<u>(110)</u>	<u>(309)</u>	<u>(11,487)</u>
Finance costs									(361)
Taxation									737
Minority interests									<u>55</u>
Loss attributable to shareholders									<u>(11,056)</u>
<b>ASSETS</b>									
Segment assets	60,371	15,237	40,043	4,741	2,822	14,712	15,481	20,224	173,631
Taxation									<u>3,286</u>
Total assets									<u>176,917</u>
<b>LIABILITIES</b>									
Segment liabilities	24,437	4,437	817	210	1,343	83	-	218	31,545
Taxation									<u>17,176</u>
Total liabilities									<u>48,721</u>
Capital expenditure	1,708	287	181	110	-	-	-	70	2,356
Depreciation	1,071	332	211	86	68	-	-	105	1,873
Amortisation	<u>-</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60</u>

# Notes to the Accounts

## 3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

### Business segments *(Continued)*

	2004								Consolidated HK\$'000
	Futures broking HK\$'000	Securities broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Wealth management and insurance agency services HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	
<b>TURNOVER</b>	99,668	9,032	3,675	735	2,441	1,843	14,978	1	132,373
<b>RESULTS</b>	15,552	1,527	789	(2,503)	(2,930)	1,843	13,380	1,375	29,033
Finance costs									(325)
Gain on disposal of non-trading investments									145
Taxation									(2,585)
Minority interests									14
Profit attributable to shareholders									26,282
<b>ASSETS</b>									
Segment assets	89,826	11,061	51,875	5,157	3,854	21,145	6,805	18,227	207,950
Taxation									3,325
Total assets									211,275
<b>LIABILITIES</b>									
Segment liabilities	47,478	5,322	2,540	92	1,555	32	–	308	57,327
Taxation									18,139
Total liabilities									75,466
Capital expenditure	1,323	219	89	8	137	–	–	439	2,215
Depreciation	1,172	331	134	8	63	–	–	11	1,719
Amortisation	–	60	–	–	–	–	–	–	60

# Notes to the Accounts

## 3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

### Geographical segments

No geographical reporting is provided as less than 10% of the consolidated turnover and consolidated trading results of the Group are derived from markets outside Hong Kong and over 90% of the Group's assets are originated from business decisions and operations based in Hong Kong.

## 4. STAFF COSTS

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Salaries, commissions and allowances	<b>50,294</b>	63,539
Contributions to retirement benefit schemes <i>(Note 12)</i>	<b>1,205</b>	1,040
Rental expenses on staff quarter	<b>144</b>	5,294
Others	<b>917</b>	259
	<b>52,560</b>	70,132

Staff costs include directors' emoluments *(Note 11)*.

# Notes to the Accounts

## 5. OTHER OPERATING EXPENSES

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Advertising and market development	<b>1,725</b>	1,597
Amortisation of intangible assets	<b>60</b>	60
Auditors' remuneration		
– Current year	<b>1,108</b>	950
– Overprovision in prior years	<b>–</b>	(58)
Building management fees	<b>1,137</b>	1,078
Depreciation of owned fixed assets	<b>1,873</b>	1,719
Depreciation charges paid to a related company (Note 30(a))	<b>2,276</b>	2,247
Legal and professional fees	<b>1,537</b>	1,875
Loss on disposal of fixed assets	<b>1</b>	1
Recruitment	<b>407</b>	427
Repairs and maintenance	<b>767</b>	786
Telecommunication costs	<b>2,843</b>	2,967
Trading fees	<b>105</b>	187
Other administrative and miscellaneous expenses	<b>6,617</b>	7,295
	<b>20,456</b>	21,131

## 6. FINANCE COSTS

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Interest on short term bank loans and bank overdrafts wholly repayable within five years	<b>361</b>	325

# Notes to the Accounts

## 7. TAXATION

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the year (2004: 17.5% on the estimated assessable profit).

The amount of taxation (credited)/charged to the consolidated profit and loss account represents:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Current taxation:		
Hong Kong profits tax	–	4,695
Overprovision for tax in previous year	<b>(740)</b>	–
Deferred taxation relating to the origination and reversal of temporary differences ( <i>Note 28</i> )	<b>3</b>	(2,110)
	<u>          </u>	<u>          </u>
Taxation (credit)/charge	<b><u>(737)</u></b>	<b><u>2,585</u></b>

Reconciliation between taxation (credit)/charge and accounting (loss)/profit at Hong Kong profits tax rate is as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
(Loss)/profit before taxation	<b><u>(11,848)</u></b>	<u>28,853</u>
Calculated at a taxation rate of 17.5% (2004: 17.5%)	<b>(2,073)</b>	5,049
Income not subject to taxation	<b>(346)</b>	(627)
Expenses not deductible for taxation purposes	<b>40</b>	9
Unrecognised tax losses for the current year	<b>2,418</b>	1,034
Recognition of prior years' tax losses	<b>(41)</b>	(2,880)
Overprovision for tax in previous year	<b>(740)</b>	–
Unrecognised deductible temporary difference	<b>5</b>	–
	<u>          </u>	<u>          </u>
Taxation (credit)/charge	<b><u>(737)</u></b>	<b><u>2,585</u></b>

# Notes to the Accounts

## 8. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The (loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$2,715,000 (2004: profit of HK\$3,790,000).

## 9. DIVIDENDS

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Interim dividend paid: Nil (2004: HK1 cent) per ordinary share	-	2,000
Final dividend proposed: Nil (2004: HK1 cent) per ordinary share	-	2,000
	<u>-</u>	<u>2,000</u>
	<u>-</u>	<u>4,000</u>

## 10. (LOSS)/EARNINGS PER SHARE

The calculations of the basic and diluted (loss)/earnings per share is based on the Group's loss attributable to shareholders of approximately HK\$11,056,000 (2004: profit of HK\$26,282,000).

The basic (loss)/earnings per share is based on the weighted average number of 200,000,000 (2004: 200,000,000) ordinary shares in issue during the year. The diluted (loss)/earnings per share is based on 200,000,000 (2004: 200,000,000) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 4,086,000 (2004: Nil) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

# Notes to the Accounts

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' emolument of the Company

The emoluments of every director of the Company for the year ended 30 June 2005 are set out below:

Name of Director	Fees HK\$'000	Salaries and other benefits (note 1) HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to retirement benefit schemes HK\$'000	Compensation for loss of office as director HK\$'000	Total HK\$'000
<b>Executive directors:</b>						
Yip Man Fan	–	1,728	–	34	–	1,762
Kwok Kam Hoi	–	1,536	–	29	–	1,565
Tsunoyama Toru	–	1,344	–	34	–	1,378
Lee Kit Ming, Edmund (note 2)	–	950	–	6	–	956
Lee Chi Shing, Caesar (note 3)	–	840	–	16	300	1,156
<b>Non-executive directors:</b>						
Lam, Andy Siu Wing	180	–	–	–	–	180
Sun Shuyi (note 4)	140	–	–	–	–	140
Yu King Tin (note 5)	129	–	–	–	–	129
Ma Chiu Cheung, Andrew (note 6)	83	–	–	–	–	83

The emoluments of every director of the Company for the year ended 30 June 2004 are set out below:

Name of Director	Fees HK\$'000	Salaries and other benefits (note 1) HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to retirement benefit schemes HK\$'000	Compensation for loss of office as director HK\$'000	Total HK\$'000
<b>Executive directors:</b>						
Yip Man Fan	–	7,032	2,879	34	–	9,945
Kwok Kam Hoi	–	1,555	1,440	29	–	3,024
Tsunoyama Toru	–	1,456	1,440	33	–	2,929
Sin Wai Chiu Joseph	–	518	–	2	–	520
<b>Non-executive directors:</b>						
Lam, Andy Siu Wing	180	–	–	–	–	180
Ma Chiu Cheung, Andrew	180	–	–	–	–	180

# Notes to the Accounts

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

### Directors' emolument of the Company (Continued)

Notes:

1. Other benefits include housing benefits and unused annual leaves.
2. Appointed on 12 January 2005 and resigned on 7 July 2005.
3. Appointed on 1 November 2004 and resigned on 30 June 2005.
4. Appointed on 21 September 2004.
5. Appointed on 14 October 2004.
6. Resigned on 30 September 2004 and reappointed on 14 April 2005.

In addition to the directors' emoluments disclosed above, certain directors were granted share options under the Company's share option schemes. The details of these benefits in kind are disclosed under the section Share Option Schemes in the Directors' Report and Note 26 to the accounts. During the year, no options were exercised and no benefits arising from the granting of these share options were included in the directors' emoluments disclosed above or recognised in the profit and loss account.

### Employees' emoluments

The six (2004: five) individuals whose emoluments were the highest in the Group for the year include four directors (2004: three directors) whose emoluments are reflected in the analysis presented above. Of the six individuals, two were paid the same during the year. The emoluments payable to the remaining two (2004: two) individuals during the year are as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Salaries and other benefits	<b>1,920</b>	1,920
Bonuses	<b>–</b>	57
Contributions to retirement benefit schemes	<b>24</b>	24
	<b><u>1,944</u></b>	<u>2,001</u>

The emoluments fell within the following bands:

	<b>Number of individuals</b>	
	<b>2005</b>	2004
Nil to HK\$1,000,000	<b>2</b>	1
HK\$1,000,001 to HK\$1,500,000	<b>–</b>	1
	<b><u>2</u></b>	<u>2</u>

# Notes to the Accounts

## 12. 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 Mandatory Provident Fund Ordinance.

Contributions to the ORSO Scheme are based on percentage ranging from five to nine per cent of the basic salary of the employees depending upon the length of employment.

The employees under ORSO Scheme are entitled to 100 per cent of the employer's contributions after 10 years of completed services, or at a reduced scale after completion of three to nine years' services. 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 per cent of the relevant income of each employee up 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 profit and loss account for the year amounted to:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Gross employer's contributions	<b>1,522</b>	1,535
Less: Forfeited contributions utilised to offset employer's contributions for the year	<b>(317)</b>	(495)
Net employer's contributions charged to profit and loss account	<b><u>1,205</u></b>	<u>1,040</u>

# Notes to the Accounts

## 13. INTANGIBLE ASSETS

	<b>Group</b> <i>HK\$'000</i>
COST	
At 1 July 2004 and 30 June 2005	600
ACCUMULATED AMORTISATION	
At 1 July 2004	70
Charge for the year	60
At 30 June 2005	130
CARRYING AMOUNT	
At 30 June 2005	470
At 30 June 2004	530

# Notes to the Accounts

## 14. FIXED ASSETS

	Group				Total HK\$'000
	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	
COST					
At 1 July 2004	2,073	745	1,611	3,851	8,280
Additions	1,701	93	288	274	2,356
Disposal	–	–	–	(16)	(16)
<b>At 30 June 2005</b>	<b>3,774</b>	<b>838</b>	<b>1,899</b>	<b>4,109</b>	<b>10,620</b>
ACCUMULATED DEPRECIATION					
At 1 July 2004	1,662	336	818	2,332	5,148
Charge for the year	589	151	357	776	1,873
Disposal	–	–	–	(5)	(5)
<b>At 30 June 2005</b>	<b>2,251</b>	<b>487</b>	<b>1,175</b>	<b>3,103</b>	<b>7,016</b>
NET BOOK VALUE					
<b>At 30 June 2005</b>	<b>1,523</b>	<b>351</b>	<b>724</b>	<b>1,006</b>	<b>3,604</b>
At 30 June 2004	411	409	793	1,519	3,132

# Notes to the Accounts

## 15. OTHER ASSETS

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Reserve fund deposits with the Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC")	<b>1,500</b>	1,500
Statutory deposits with the SEHK	<b>200</b>	200
Statutory deposits with the Securities and Futures Commission	<b>100</b>	100
Contributions to the Central Clearing and Settlement System Guarantee Fund	<b>100</b>	100
Admission fees paid to the Hong Kong Securities Clearing Company Limited	<b>100</b>	100
Tax reserve certificate issued by Inland Revenue Department	<b>12,543</b>	1,262
	<b>14,543</b>	3,262

## 16. NON-TRADING INVESTMENTS

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Listed equities in Hong Kong, at fair value	<b>26,251</b>	20,896	<b>16,180</b>	12,880

A subsidiary of the Company has pledged listed investments of aggregate carrying amount of HK\$26,251,000 (2004: HK\$8,016,000) to a bank as collateral for the banking facilities.

At 30 June 2005, the carrying amount of interests in the following company exceeded 10% of total assets of the Group and the Company:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	% interest held	
				Group	Company
Hong Kong Exchanges and Clearing Limited	Hong Kong	Investment holding	Ordinary shares of HK\$1 each	0.12%	0.08%

# Notes to the Accounts

## 17. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Unlisted shares, at cost	<b>65,237</b>	65,237
Amounts due from subsidiaries	<b>34,400</b>	32,300
	<b>99,637</b>	97,537

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The following is a list of the subsidiaries as at 30 June 2005. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ place of operation	Principal activities	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	
				Direct	Indirect
Tanrich Financial (Management) Limited ("TFML")	British Virgin Islands/ Hong Kong	Investment holding	US\$10,000	100%	–
Tanrich Futures Limited ("TFL")	Hong Kong/Hong Kong	Futures broking	HK\$30,000,000 (divided into 20,000,000 ordinary shares and 10,000,000 non-voting deferred shares of HK\$1 each)	–	100%
Tanrich Securities Company Limited ("TSCL")	Hong Kong/Hong Kong	Securities broking, securities margin financing, underwriting and investment advisory services	HK\$80,000,000 (divided into 55,000,000 ordinary shares and 25,000,000 non-voting deferred shares of HK\$1 each)	–	100%

# Notes to the Accounts

## 17. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ place of operation	Principal activities	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	
				Direct	Indirect
Tanrich Asset Management Limited ("TAML")	Hong Kong/Hong Kong	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	HK\$13,000,000 (divided into 7,000,000 ordinary shares and 6,000,000 non-voting deferred shares of HK\$1 each)	–	100%
Tanrich Finance Limited ("TFIN")	Hong Kong/Hong Kong	Provision of corporate and personal financing services	HK\$11,000 (divided into 1,000 ordinary shares and 10,000 non-voting deferred shares of HK\$1 each)	–	100%
Tanrich Capital Limited ("TCL")	Hong Kong/Hong Kong	Provision of corporate finance advisory services	HK\$12,000,000 (divided into 12,000,000 ordinary shares of HK\$1 each)	–	100%
Tanrich Financial Group (China) Limited ("TFC")	Hong Kong/Hong Kong	Provision of professional advisory services	HK\$1,000,000 (divided into 1,000,000 ordinary shares of HK\$1 each)	–	95%

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 Hong Kong one cent (HK\$0.01) per non-voting deferred share when the profit exceeds HK\$100,000 million in any financial year.

# Notes to the Accounts

## 18. LOANS AND ADVANCES

	Group	
	2005 HK\$'000	2004 HK\$'000
Loans and advances – unsecured	–	27
– secured	<b>14,000</b>	20,346
	<b>14,000</b>	20,373
Current portion of loans and advances	–	(20,238)
	<b>14,000</b>	135

Loans and advances are granted to the clients by the subsidiaries of the Company based on credit assessment. Their size and terms are offered subject to their pledged collateral.

## 19. ACCOUNTS RECEIVABLE

	Group	
	2005 HK\$'000	2004 HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:		
– securities cash clients	<b>2,777</b>	3,102
– securities margin clients	<b>32,725</b>	49,037
– securities clearing house and brokers	<b>243</b>	3,227
– futures clearing house and brokers		
– HKFECC	<b>488</b>	601
– brokers for commodity futures contracts on TGE and TOCOM	<b>10,194</b>	24,579
– brokers for commodity and currency futures contracts on other overseas exchanges	<b>19,052</b>	19,904
Accounts receivable arising from the provision of corporate finance advisory services	<b>53</b>	30
Accounts receivable arising from the provision of unit trusts and insurance-linked products agency services	<b>195</b>	747
	<b>65,727</b>	101,227

The accounts receivable from the HKFECC excludes a deposit of HK\$872,000 (2004: HK\$1,170,000) relating to the clients' monies.

# Notes to the Accounts

## 19. ACCOUNTS RECEIVABLE *(Continued)*

### Credit policy for margin lending activities

Accounts receivable from securities margin clients represents loans granted to the securities margin clients by a subsidiary of the Company, TSCL. These loans are collateralised by stocks pledged to TSCL.

Credit limit is set for each client based on their financial and trading credibility. The credit limit is approved by the credit control committee working group ("CCCWG"). The clients are allowed to trade only after the account opening and credit limit approval process have been completed. Loans are granted to securities margin clients on the condition that they pledge approved stocks with TSCL.

All approved stocks are assigned with specific margin ratios, which are determined by the credit control committee ("CCC"), for calculating the stock margin values. CCC reviews and determines the margin ratios for the stock collaterals with reference to the recommendations from CCCWG on a periodic basis.

If the amount of loan outstanding is higher than the eligible stock margin value, TSCL will call additional funds from the securities margin clients.

CCCWG is responsible for monitoring the margin call on a daily basis. It reviews the overall risk and credit control on a monthly basis. CCC decides the actions to be taken for the clients, should the securities margin clients 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 to be doubtful.

### Settlement terms

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

Accounts receivable from securities margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. As at 30 June 2005 and 30 June 2004, included in the accounts receivable from securities margin clients were overdue margin calls of HK\$4,666,000 and HK\$8,628,000 respectively.

# Notes to the Accounts

## 19. ACCOUNTS RECEIVABLE (Continued)

### Settlement terms (Continued)

The ageing analysis of the overdue margin calls was as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within 30 days	1	4,639
31 – 90 days	–	991
91 – 180 days	973	–
Over 180 days	3,692	2,998
	<u>4,666</u>	<u>8,628</u>

No provision was made for overdue margin calls as at 30 June 2005 and 30 June 2004.

The settlement terms of accounts receivable arising from the ordinary course of business of broking in securities transactions are two days after the trade date of those transactions. As at 30 June 2005 and 30 June 2004, included in the accounts receivable from securities cash clients were receivables not settled on settlement dates of HK\$95,000 and HK\$876,000 respectively.

The ageing analysis of the accounts receivables from securities cash clients and corporate finance advisory services which were not settled on settlement dates was as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within 30 days	21	142
31 – 90 days	–	84
91 – 180 days	–	–
Over 180 days	74	680
	<u>95</u>	<u>906</u>

No provision was made for these receivables not settled on settlement dates as at 30 June 2005 (2004: HK\$650,000).

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

# Notes to the Accounts

## 20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group	
	2005 HK\$'000	2004 HK\$'000
Rental and other deposits	3,038	3,525
Prepayments and other receivables	958	1,419
	<u>3,996</u>	<u>4,944</u>

## 21. NON-TRADING INVESTMENTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Listed equities in Hong Kong, at fair value	<u>5,782</u>	<u>–</u>

## 22. TRADING SECURITIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Listed warrants in Hong Kong, at fair value	<u>939</u>	<u>–</u>

## 23. CASH AND BANK BALANCES

The subsidiaries of the Company maintain trust accounts with authorised institutions as a result of their normal business transactions. At 30 June 2005, trust accounts not otherwise dealt with in these accounts amounted to HK\$52,577,000 (2004: HK\$41,789,000).

The subsidiaries of the Company pledge bank deposits as collateral to authorised institutions from time to time for foreign exchange deferred trading and banking facilities. At 30 June 2005, they have pledged bank deposits of HK\$1,000,000 (2004: HK\$1,560,000) and HK\$500,000 (2004: HK\$1,763,000) to authorised institutions for foreign exchange deferred trading and banking facilities respectively.

# Notes to the Accounts

## 24. ACCOUNTS PAYABLE

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:		
– securities cash clients	<b>3,544</b>	4,366
– securities margin clients	<b>251</b>	2,150
– futures clients	<b>19,829</b>	38,308
– clearing house	<b>397</b>	–
Accounts payable arising from the provision of unit trusts and insurance-linked products agency services	<b>52</b>	110
	<b>24,073</b>	44,934

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 days after the trade date of those transactions.

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 of futures contracts. The excess over the required margin deposit stipulated are repayable to clients on demand.

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

The accounts payable are stated net of clients' segregated assets of HK\$53,449,000 (2004: HK\$42,959,000).

## 25. SHARE CAPITAL

	<b>Ordinary share of HK\$0.1 each</b>	
	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
At 1 July 2004 and 30 June 2005	1,000,000,000	100,000
Issued and fully paid:		
At 1 July 2004 and 30 June 2005	200,000,000	20,000

# Notes to the Accounts

## 26. SHARE OPTION SCHEMES

### Pre-Listing Share Option Scheme

Pursuant to a share option scheme of the Company (the "Pre-Listing Scheme") which was adopted on 7 January 2002, the directors of the Company may, at their absolute discretion, invite employees including directors, or bona fide consultants of the Group to take up options to subscribe for shares in the Company. 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 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.

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

	Number of options ('000)	
	2005	2004
At 1 July	15,040	18,280
Granted (note (a))	—	—
Lapsed (note (b))	(930)	(3,240)
At 30 June (note (c))	<u>14,110</u>	<u>15,040</u>

Note:

- (a) Pursuant to the Pre-Listing Scheme, share options were granted to certain directors, employees and bona fide consultants of the Group on 22 February 2002 at the subscription price of HK\$0.72 per share which can be exercised at any time from 22 February 2003 to 7 January 2012. Total consideration of HK\$113 was received in respect of the share options granted. During the year, there was no share option granted and no respective consideration was received.
- (b) During the year, a total of 930,000 (2004: 3,240,000) share options had lapsed in accordance with the terms and conditions of the Pre-Listing Scheme following the resignation of employees and cessation of consultancy services.
- (c) Share options outstanding at the end of the year have the following terms:

	Number of options ('000)		Vested percentages	
	2005	2004	2005	2004
Directors	5,950	5,950	100%	100%
Other employees	7,990	8,800	100%	100%
Bona fide consultants	170	290	100%	100%
	<u>14,110</u>	<u>15,040</u>		

# Notes to the Accounts

## 26. SHARE OPTION SCHEMES (Continued)

### Post-Listing Share Option Scheme

Another share option scheme of the Company was adopted on 30 January 2004 (the "Post-Listing Scheme"). The Board of the Company may, at their absolute discretion, grant share options to eligible persons including any director, employee, consultant, business associate and advisor of the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein. 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 date of grant of the relevant option.

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

Exercise price	Number of options ('000)			2004 Total
	HK\$0.80	HK\$0.67	Total	
At 1 July	–	18,614	18,614	–
Granted (note (a))	2,600	–	2,600	18,614
Lapsed (note (b))	–	(2,150)	(2,150)	–
At 30 June (note (c))	<u>2,600</u>	<u>16,464</u>	<u>19,064</u>	<u>18,614</u>

Note:

- (a) Pursuant to the Post-Listing Scheme, share options were granted to certain directors, employees and advisors and consultants of the Group on 27 April 2004 at the subscription price of HK\$0.67 per share which can be exercised at any time from 27 April 2005 to 26 April 2014.

During the year, a total of 2,600,000 share options were granted to certain directors and employees of the Group on 1 February 2005 at the subscription price of HK\$0.80 per share which can be exercised at any time from 1 February 2006 to 31 January 2015. No respective consideration was received.

- (b) During the year, a total of 2,150,000 (2004: Nil) share options had lapsed in accordance with the terms and conditions of the Post-Listing Scheme following the resignation of employees and cessation of consultancy services.

# Notes to the Accounts

## 26. SHARE OPTION SCHEMES (Continued)

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

(c) Share options outstanding at the end of the year have the following terms:

Exercise price	Number of options ('000)			2004 Total	Vested percentages		
	2005		2004 Total		2005		2004 Total
	HK\$0.80	HK\$0.67		Total	HK\$0.80	HK\$0.67	
Directors	2,000	2,000	4,000	2,000	0%	100%	0%
Other employees	600	11,084	11,684	13,038	0%	100%	0%
Advisors and consultants	-	3,380	3,380	3,576	-	100%	0%
	<u>2,600</u>	<u>16,464</u>	<u>19,064</u>	<u>18,614</u>			

# Notes to the Accounts

## 27. RESERVES

	<b>Group</b>				<b>Total</b> HK\$'000
	<b>Investment revaluation reserve</b> HK\$'000	<b>Share premium</b> HK\$'000	<b>Capital reserve</b> (Note (a)) HK\$'000	<b>Retained earnings</b> HK\$'000	
At 1 July 2003	13,646	17,137	40,836	14,802	86,421
Surplus on revaluation of non-trading investments	7,215	–	–	–	7,215
Reserves transferred to profit and loss account upon disposal of non-trading investments	(145)	–	–	–	(145)
Profit for the year	–	–	–	26,282	26,282
Dividends paid					
– 2003, final	–	–	–	(2,000)	(2,000)
– 2004, interim	–	–	–	(2,000)	(2,000)
At 30 June 2004	<u>20,716</u>	<u>17,137</u>	<u>40,836</u>	<u>37,084</u>	<u>115,773</u>
At 1 July 2004	20,716	17,137	40,836	37,084	115,773
Surplus on revaluation of non-trading investments	5,498	–	–	–	5,498
Loss for the year	–	–	–	(11,056)	(11,056)
Dividends paid					
– 2004, final	–	–	–	(2,000)	(2,000)
<b>At 30 June 2005</b>	<b><u>26,214</u></b>	<b><u>17,137</u></b>	<b><u>40,836</u></b>	<b><u>24,028</u></b>	<b><u>108,215</u></b>

# Notes to the Accounts

## 27. RESERVES (Continued)

	<b>Company</b>				<b>Total</b> HK\$'000
	<b>Investment revaluation reserve</b> HK\$'000	<b>Share premium</b> HK\$'000	<b>Contributed surplus</b> (Note (b)) HK\$'000	<b>Retained earnings</b> HK\$'000	
At 1 July 2003	(801)	17,137	65,059	11,530	92,925
Surplus on revaluation of non-trading investments	624	–	–	–	624
Reserves transferred to profit and loss account upon disposal of non-trading investments	(145)	–	–	–	(145)
Profit for the year	–	–	–	3,790	3,790
Dividends paid					
– 2003, final	–	–	–	(2,000)	(2,000)
– 2004, interim	–	–	–	(2,000)	(2,000)
At 30 June 2004	<u>(322)</u>	<u>17,137</u>	<u>65,059</u>	<u>11,320</u>	<u>93,194</u>
At 1 July 2004	(322)	17,137	65,059	11,320	93,194
Surplus on revaluation of non-trading investments	3,300	–	–	–	3,300
Profit for the year	–	–	–	2,715	2,715
Dividends paid					
– 2004 final	–	–	–	(2,000)	(2,000)
<b>At 30 June 2005</b>	<b><u>2,978</u></b>	<b><u>17,137</u></b>	<b><u>65,059</u></b>	<b><u>12,035</u></b>	<b><u>97,209</u></b>

Note:

### (a) 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 shares of the subsidiaries in issue at 30 June 2001, which were converted into deferred non-voting share capital on 11 January 2002.

# Notes to the Accounts

## 27. RESERVES (Continued)

### (b) 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.

### (c) Distributable reserve

As at 30 June 2005, in the opinion of the directors of the Company, the reserves of the Company available for distribution to shareholders amounted to HK\$80,072,000 (2004: HK\$76,057,000) subject to the restriction stated above.

## 28. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The movement on the deferred tax (assets)/liabilities account is as follows:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
At 1 July	<b>(3,269)</b>	(1,159)
Deferred taxation charged/(credited) to profit and loss account (Note 7)	<b>3</b>	(2,110)
At 30 June	<b>(3,266)</b>	(3,269)

Deferred income tax assets are recognised for tax losses and deductible temporary difference arising from decelerated depreciation on fixed assets carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 30 June 2005, the Group has unrecognised tax losses and deductible temporary difference amounted to HK\$29,913,000 (2004: HK\$16,710,000) and HK\$28,000 (2004: Nil) respectively to carry forward against future taxable income. These tax losses do not expire under the current tax legislation.

# Notes to the Accounts

## 28. DEFERRED TAXATION (Continued)

The movement in deferred tax assets and liabilities (prior to offsetting) during the year is as follows:

Deferred tax liabilities	Accelerated tax depreciation	
	2005 HK\$'000	2004 HK\$'000
At 1 July	142	122
Charged to profit and loss account	128	20
At 30 June	270	142

Deferred tax assets	Unused depreciation allowances		Unused tax losses		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At 1 July	–	13	3,411	1,268	3,411	1,281
Credited/(charged) to profit and loss account	285	(13)	(160)	2,143	125	2,130
At 30 June	285	–	3,251	3,411	3,536	3,411

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2005 HK\$'000	2004 HK\$'000
Deferred tax assets	(3,286)	(3,325)
Deferred tax liabilities	20	56
	<u>(3,266)</u>	<u>(3,269)</u>

The amounts shown in the balance sheet include the following:

	2005 HK\$'000	2004 HK\$'000
Deferred tax assets to be recovered after more than 12 months	<u>(3,006)</u>	<u>(2,695)</u>
Deferred tax liabilities to be settled after more than 12 months	<u>1</u>	<u>15</u>

# Notes to the Accounts

## 29. COMMITMENTS AND CONTINGENT LIABILITIES

### (i) Commitments under operating leases

As at 30 June 2005, the Group has future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and quarters provided to staff as follows:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Not later than one year	<b>8,432</b>	8,493
Later than one year and not later than five years	<b>12,408</b>	5,642
	<b>20,840</b>	14,135

### (ii) Capital commitments for property, plant and equipment

	<b>Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Contracted but not provided for	<b>276</b>	503

### (iii) Other commitments

As at 30 June 2005, the Company has undertaken to guarantee the banking facilities of HK\$105.5 million (2004: HK\$105.5 million) granted to two of its subsidiaries. The banking facilities were applied in their normal courses of business activities. The Company has also guaranteed the liabilities of one of its subsidiaries up to an aggregate amount of not less than HK\$10.0 million in order to comply with the requirement of unencumbered assets contained in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the SEHK.

# Notes to the Accounts

## 29. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

### (iv) Off-balance sheet financial instruments

The following table provides a detailed breakdown of the contractual or notional amounts and the fair values of a subsidiary of the Company's off-balance sheet financial instruments outstanding at year end:

	<b>Contract/notional amounts</b> <i>HK\$'000</i>	<b>Group Fair value assets/(liabilities)</b> <i>HK\$'000</i>
At 30 June 2005		
Currency futures contracts – Trading	96,775	917
Commodity futures contracts – Trading	450	(19)
Foreign exchange deferred trading – Hedging	20,006	56
At 30 June 2004		
Equity index futures contracts – Trading	6,760	(106)
Currency futures contracts – Trading	68,950	(61)
Foreign exchange deferred trading – Hedging	31,200	133

The notional amounts of these financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, are not a representation of the Group's exposure to the price or currency risks. The financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices or foreign exchange rates relative to their terms.

Market risks associated with the futures contracts arise due to the possible movements in indices and securities values underlying these instruments. Other market and credit risks include the possibility that there may be an illiquid market for the futures contracts, that the changes in the values of the futures contracts may not directly correlate with changes in the values of the underlying currencies, commodities, indices, or securities; or that the counterparty to a futures contract defaults on its obligation to perform under the terms of the contract.

# Notes to the Accounts

## 29. COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

### (v) Contingent liabilities

As at 30 June 2005, an independent third party and TFL, an indirect wholly-owned subsidiary of the Company, were engaged in arbitration proceedings concerning, inter alia, the alleged unauthorised trading of futures contracts by an ex-employee of TFL. TFL was in the course of defending the said arbitration proceedings. In the event that the defence of the arbitration proceedings is unsuccessful, TFL may be held liable for an amount in the region of HK\$1.5 million to HK\$2.5 million, inclusive of interest and legal costs. Exchange of correspondence is currently in process between two parties and no conclusion was reached as at 30 June 2005. It is not currently possible to estimate the eventual outcome of the above claim and based on legal advice to date, the directors of the Company consider that no provision needs to be made in the accounts.

## 30. RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operation decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

During the year, the Group had the following transactions with a related company, Tanrich (Hong Kong) Holdings Limited ("THKHL") and its subsidiaries, Union Light Investment Limited ("ULIL"). These related companies are all controlled by a combination of certain directors of the Company. These transactions arose in the ordinary course of the Group's business.

		<b>Group</b>	
	Note	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Depreciation	(a)	<b>2,276</b>	2,247
Management fee income	(b)	<b>(960)</b>	(960)
Rental expenses on staff quarter	(c)	<b>-</b>	5,160
		<b>_____</b>	<b>_____</b>

- (a) The amount represented the depreciation charges paid to THKHL that should be borne by the Group for its use of fixed assets and share of renovation expenses. The depreciation charge was calculated on the direct cost allocation method.
- (b) The amount represented the staff cost charged to THKHL at HK\$80,000 per month for the management and personnel supportive services provided by the Group.
- (c) The amount represented the rental expenses paid by a subsidiary of the Company to ULIL for the provision of accommodation to a director of the Company. The monthly rental of the premise was determined with reference to open market rentals. This tenancy agreement was terminated on 30 June 2004.

## 31. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 29 September 2005.

## Five Year Financial Summary

The following is a summary of the published results and of the assets and liabilities of the Group for the five years ended 30 June 2005 prepared on the basis set out in the note below.

### RESULTS:

	Financial Year Ended 30 June				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	
Turnover	<u>123,445</u>	<u>161,295</u>	<u>126,689</u>	<u>132,373</u>	<b><u>77,696</u></b>
Operating profit/(loss)	28,565	38,897	12,893	29,033	<b>(11,487)</b>
Non-operating profit/(loss)	34,200	–	–	145	<b>–</b>
Finance costs	<u>(1,682)</u>	<u>(690)</u>	<u>(398)</u>	<u>(325)</u>	<b><u>(361)</u></b>
Profit/(loss) before taxation	61,083	38,207	12,495	28,853	<b>(11,848)</b>
Taxation	<u>(5,228)</u>	<u>(7,888)</u>	<u>(2,271)</u>	<u>(2,585)</u>	<b><u>737</u></b>
Minority interests	–	–	–	14	<b>55</b>
Profit/(loss) attributable to shareholders	<u>55,855</u>	<u>30,319</u>	<u>10,224</u>	<u>26,282</u>	<b><u>(11,056)</u></b>
Dividends	<u>64,000</u>	<u>25,000</u>	<u>4,000</u>	<u>4,000</u>	<b>–</b>

## Five Year Financial Summary

### ASSETS AND LIABILITIES:

	Assets and Liabilities of the Group as at 30 June				
	2001	2002	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	22,400	23,178	30,011	30,018	<b>62,154</b>
Current assets	170,875	197,664	149,726	181,257	<b>114,763</b>
Total assets	193,275	220,842	179,737	211,275	<b>176,917</b>
Current liabilities	(133,863)	(110,511)	(73,313)	(75,410)	<b>(48,701)</b>
Non-current liabilities	–	(178)	(3)	(56)	<b>(20)</b>
Total liabilities	(133,863)	(110,689)	(73,316)	(75,466)	<b>(48,721)</b>
Net total assets	59,412	110,153	106,421	135,809	<b>128,196</b>
Current ratio	1.28	1.79	2.04	2.40	<b>2.36</b>
Gearing ratio	47.3%	0.2%	0%	0%	<b>0%</b>

Note:

The results of the Group for the year ended 30 June 2001 have been prepared on a combined basis as if the current Group structure had been in existence throughout the year concerned and have been extracted from the Prospectus dated 21 January 2002. The results of the Group for the year ended 30 June 2002, 2003, 2004 and 2005 and its assets and liabilities as at 30 June 2002, 2003, 2004 and 2005 have been extracted from the audited accounts.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the annual general meeting of TANRICH FINANCIAL HOLDINGS LIMITED (the “**Company**”) will be held at 16th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 7 November 2005 at 10:00 a.m. for the following purposes:

## As Ordinary Business

1. To receive and consider the audited accounts, the reports of the directors and the auditors for the year ended 30 June 2005.
2. To re-elect the retiring directors and authorise the board of directors to fix the remuneration of the directors.
3. To re-appoint auditors of the Company and to authorise the board of directors to fix the remuneration of the auditors.

## As Special Business

### Ordinary resolutions

4. **“THAT:**
  - (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period of all the powers of the Company to purchase issued shares in the capital of the Company subject to and in accordance with all applicable laws and

requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time be and is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors;

- (c) the aggregate nominal amount of the shares of the Company which are authorised to be purchased by the Directors pursuant to the approval in paragraph (a) shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution, and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

## Notice of Annual General Meeting

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Company's bye-laws to be held; or

(iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the Company in general meeting."

5. **"THAT:**

(a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval granted in paragraph (a), otherwise than pursuant to (i) a Rights Issue, or (ii) the share option schemes of the Company approved by The Stock Exchange of Hong Kong Limited, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company, or (iv) the exercise of rights of subscription or conversion under the terms of any securities which are convertible into shares of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:-

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Company's bye-laws to be held; or

# Notice of Annual General Meeting

- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the Company in general meeting; and

“Rights Issue” means an offer of shares or other securities of the Company open for a period fixed by the Directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange, in any territory outside Hong Kong).”

6. **“THAT** conditional upon the passing of the resolutions nos. 4 and 5 as set out in the notice convening the meeting of which these resolutions form part, the general mandate granted to the Directors pursuant to the resolution no. 5 as set out in the notice convening the meeting of which this resolution forms part be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of share capital of the Company purchased by the Company under the authority granted pursuant to the resolution no. 4 as set out in the notice convening the meeting of which this resolution forms part, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution.”

7. To transact any other business.

By Order of the Board

**TANRICH FINANCIAL HOLDINGS LIMITED**

**Tsang Pui Yee, Vanessa**

Company Secretary

Hong Kong, 12 October 2005

Notes:

- 1) Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
- 2) In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
- 3) The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

## Notice of Annual General Meeting

- 4) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
  
- 5) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.