

annual report 2004

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

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

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Corporate Information

Board of Directors

Executive Directors

Mr. Yip Man Fan
Mr. Kwok Kam Hoi
Mr. Toru Tsunoyama
Mr. Sin Wai Chiu, Joseph (resigned on 24th July 2003)

Independent Non-Executive Directors

Mr. Lam, Andy Siu Wing, JP
Mr. Ma Chiu Cheung, Andrew

Audit Committee

Mr. Lam, Andy Siu Wing, JP
Mr. Ma Chiu Cheung, Andrew

Company secretary

Ms. Tsang Pui Yee, Vanessa

Registered office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business

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

Bermuda principal share registrar

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudian Road
Pembroke
Bermuda

Hong Kong branch share registrar

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

Corporate Information

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
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

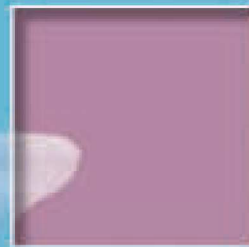
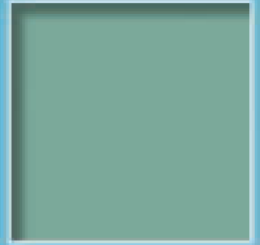
Legal adviser

Simmons & Simmons
International Law Firm
35th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Website

www.tanrich.com

Chairman's Statement



Chairman's Statement

A silver lining appeared from cloud upon a turn-around from the austere market conditions since July 2003. A sharp rebound in the stock market has seen the investors resume their confidence following a series of supportive program including relaxation of travel barrier for the mainland tourists ("Individual Travel Scheme"), and further detailing of Closer Economic Partnership Arrangement ("CEPA"). The improving Hong Kong economy, a rallying stock market, numerous high-profile China-related listings and speculation about a revaluation of the yuan, sent a wave of foreign capital flowing into Hong Kong, resulting in a sharp rising of Hang Seng Index to the highest of 13,928 in February 2004 from the lowest of 9,602 in July 2003 during the financial year under review. However, amid fears the tightened macroeconomic control measures pursued by the China government, Hang Seng Index which closed at 12,285 at the financial year ended 30 June 2004 has been adjusted downwards by 11.8% from the peak of this financial year.

Tanrich Financial Holdings Limited ("Tanrich" or the "Group") achieved an encouraging profit attributable to shareholders of HK\$26.3 million for the year ended 30th June 2004, representing an increase of HK\$16.1 million, or 157.8%, over that of HK\$10.2 million for year ended 30th June 2003. Basic earnings per share was HK13.1 cents (2003: HK5.1 cents). Turnover increased to HK\$132.4 million, representing an increase of 4.5% over the corresponding period in 2003, while operating profit boosted to HK\$29.0 million by 124.8% over last year's HK\$ 12.9 million.

The Board of Directors recommended the payment of a final dividend of HK1 cent per share for the year ended 30th June 2004 (2003: HK1 cent), together with an interim dividend of HK1 cent per share, the total dividend for the year would be HK2 cents per share. The shareholder's fund is reserved for the Group's businesses further development and expansion in the coming year.



Mr. Yip Man Fan
Founder & Chairman

Chairman's Statement

Notwithstanding the volatile market conditions during the year under review, we achieved such gratifying results which were attributed to our continued efforts in diversifying businesses, successful strategic investment tactics in proprietary trading and benefits from office rental deduction.

Benefiting from the recovering economy and numerous powerful initial public offerings, our securities broking and securities margin financing businesses turned around to a total profit of HK\$2.3 million from losses, represented 7.9% of the Group's operating profit. We committed to continue expanding such businesses and broadening our client base in the coming future.

Even though the operating profit of our futures broking business recorded HK\$15.6 million, dropped by 38.1% compared with the corresponding period of last year, we still maintained the market share of around 76.6% in Hong Kong for Japanese commodity futures trading on Tokyo Grain Exchange ("TGE") in terms of trading volume for the year ended 30 June 2004.

Needless to say, the impressive achievements would not be possible without competent staff and management. On behalf of the Board, I would like to express my appreciation to the staff and the management for their continuous dedication and commitment that contributed to success in an improving, but volatile economy and business environment in 2004.

Lastly, we would like to thank our valuable shareholders, customers for their valuable support and encouragement and, more importantly, we would like to share with you our success in the years to come.

On behalf of the Board,

Yip Man Fan
Chairman

Hong Kong, 8th September 2004



Management Discussion and Analysis



Close	Change	% Chg.	T. (b)	Nov. (b)
17844.54	355.42	-1.95%	796b	797b
Most Active Shares		Volume in Shares		
JAL			11,482,000	
MITSUBISHI ELEC			8,825,000	
TOSHIBA CORP			8,815,000	
Market Snapshot				



Management Discussion and Analysis

BUSINESS REVIEW OVERVIEW

The Hong Kong economy continued to improve after the SARS outbreak. Boosted by the Individual Travel Scheme and CEPA, unemployment rate gradually eased and the Hong Kong stock market also rebounded sharply. The Hang Seng Index reached as high as 13,928 in February 2004 and average daily trading volume on The Stock Exchange of Hong Kong Limited (the "SEHK") was HK\$15.1 billion for the year under review. During the year, the Group actively grasped the opportunities brought forth by economic recovery and so attained satisfactory performance in our proprietary trading, futures broking, securities broking and margin financing businesses which contributed to the Group's encouraging results.

China is embarking on macroeconomic control measures in the first half of 2004 to adjust its economy. Such macroeconomic control measures slow down the development of the Hong Kong stock market since March 2004. However, this healthy process of fine-tuning China's economy is fundamental to sustaining its long-term growth momentum, which in turn will benefit Hong Kong's future development.

TGE and Tokyo Commodity Exchange ("TOCOM") have been operating in Japan since 1952 and 1984 respectively and together are recognised as one of the largest commodity futures market in the world. The Group is the largest broker for Japanese commodity futures in Hong Kong in terms of trading volume on TGE. However, due to less clients trading in the Japanese commodity futures, turnover of TGE futures in Hong Kong for the financial year ended 30th June 2004 dropped to 211,142 contracts as compared with 237,781 contracts for the corresponding period in 2003. Despite the decrease in the number of contracts, Tanrich maintained its leading position with 76.6% of market share of TGE futures in Hong Kong in terms of trading volume for the year ended 30th June 2004.

OPERATION REVIEW

For the year ended 30th June 2004, the Group recorded an increase in turnover of 4.5%, from HK\$126.7 million to HK\$132.4 million. Profit from operating activities increased significantly by 124.8% to HK\$29.0 million from HK\$12.9 million whilst profit attributable to shareholders increased by 157.8% to HK\$26.3 million as compared with HK\$10.2 million of the same period in 2003.

Shareholders' fund increased by 27.6% to HK\$135.8 million from HK\$106.4 million of the corresponding period in 2003. For the year ended 30th June 2004, basic earnings per share was HK13.1 cents. Detailed below are descriptions of the Group's main business activities in the year under review.

Management Discussion and Analysis

FUTURES

There were fewer investors trading in the Japanese commodity futures especially the underlying commodities of corn, raw sugar and red beans. The Group's turnover of TGE futures decreased to 161,659 contracts as compared with 190,898 contracts for the same period in 2003, whilst turnover of its TOCOM futures increased slightly to 31,599 contracts as compared with 30,470 contracts for the same period in 2003. Group's turnover in US commodity and currency futures also decreased to 55,555 contracts as compared with 75,233 contracts for the same period in 2003.

As a result, the commission income and operating profit derived from broking in futures contracts for the year only amounted to HK\$99.7 million and HK\$15.6 million respectively (2003: HK\$119.3 million and HK\$25.2 million respectively), representing a drop of 16.4% and 38.1% respectively over the previous year. However, the Group's futures business still contributed to 75.3% (2003: 94.2%) of its total turnover for the financial year under review.

Despite the challenging operating environment, the Group managed to maintain its unrivaled market leadership position in Hong Kong of trading on the Japanese commodity futures markets. The Group has launched a re-engineering program to review the remuneration and rewarding system for account executives in order to motivate them and eventually provide excellent financial services to our clients.

SECURITIES BROKING AND MARGIN FINANCING

The market recovery stimulated investors' investment sentiment and attracted an influx of funding to the Hong Kong stock market during the year. Hang Seng Index recorded the lowest of 9,602 in July 2003 and the highest of 13,928 in February 2004. In addition, the average monthly turnover of the Stock Exchange increased to HK\$316.8 billion as compared with HK\$133.5 billion for the corresponding period in 2003.

Our securities broking and margin financing business shared some rewarding results from the improving market sentiment and effective cost control measures. Its total turnover for the financial year ended 30th June 2004 increased remarkably by 115.3% to HK\$12.7 million (2003: HK\$5.9 million) and achieved an operating profit of approximately HK\$2.3 million, which is a sharp reversal of the operating loss of HK\$3.4 million in the same period of the previous year. For the financial year under review, securities broking and margin financing in aggregate contributed to 9.6% and 7.9% to the Group's total turnover and operating profit respectively.

Following last year's strategy, the Group will focus its business on institutional, corporate and high value clients. The Group always aims to maintain a prudent and conservative margin financing policy and a strict control on margin lending in an effort to control the risk level to better protect its customers.

MONEY LENDING

The Group is seeking 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, would be well assessed. The turnover of the Group's money lending business for the financial year ended 30th June 2004 increased remarkably from HK\$63,000 to HK\$1.8 million and it also achieved an operating profit of approximately HK\$1.8 million, a turn around from an operating loss of HK\$60,000 in the same period of the previous year.

Management Discussion and Analysis

WEALTH MANAGEMENT

The Group distributes over 1,000 funds, including global equity, fixed income, forex and derivatives, etc., that are managed by over 30 international asset management companies. In addition to providing financial planning services and insurance-linked products, the Group continuously launches new products to cater for customer needs. During the year under review, the Group's asset management business contributed to 1.8% of the total turnover, reaching HK\$2.4 million.

CORPORATE FINANCE

The Group's corporate finance business has been offering financial services including financial advisory, fund raising, underwriting and sub-underwriting as well as placement activities. Turnover for the corporate finance business increased to HK\$735,000 for the year under review as compared with HK\$212,000 of the corresponding period in 2003, which representing a growth of 3.5 times.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group has stipulated a prudent strategy in internal control and risk management. In today's volatile financial markets, prudent control procedures and stringent internal controls are indispensable key success factors. During the year, the Group has allocated consistent time, effort and resources in minimising the Group's risk exposure and maximising returns to customers and shareholders.

RISK CONTROL COMMITTEE

The committee, comprising members of the Board of Directors, the senior manager of finance and accounting division of the Group, the senior manager 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 ("TSCL"), an indirect wholly-owned subsidiary of the Company.

CREDIT CONTROL COMMITTEE

Comprising members of the Board of Directors, the senior manager of finance and accounting division of the Group and the director of TSCL, the main task of the credit control committee is to administer the credit control policies and procedures formulated by the risk control committee.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group's policy is to maintain a healthy and liquid 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 30th June 2004, the Group had total cash and bank balances of HK\$53.6 million (2003: HK\$62.8 million), while net current asset amounted to HK\$105.8 million (2003: HK\$76.4 million). The strong liquidity of the Group is manifested in the current ratio, as a ratio of current assets to current liabilities, of 2.4 times which showed improvement over last year's 2.0 times.

As at 30th June 2004 and 30th June 2003, the Group had no bank borrowings which resulted in zero gearing ratio. The gearing ratio represented the ratio of total borrowings to the total equity of the Group.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO *(Continued)*

As at 30th 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, as compared with HK\$101.0 million in year 2003.

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

SIGNIFICANT INVESTMENTS

During the financial year, the Group disposed of 1,089,000 listed securities of BOC Hong Kong (Holdings) Limited at average market price of HK\$8.7 per share to realise a gain on disposal of non-trading investment of HK\$145,000.

As at 30th June 2004, the Group still had 1,306,000 listed securities of Hong Kong Exchanges and Clearing Limited with fair value amounted to HK\$20.9 million (2003: HK\$23.2 million). An unrealised gain of HK\$7.2 million was recorded in the Group's investment revaluation reserve during the financial year ended 30th June 2004 as a result of rebound in the Hong Kong stock market, compared with last year's unrealised loss of HK\$3.0 million.

MATERIAL INVESTMENTS

As far as practical and up to the date of this analysis, the Group has not planned for any major investments or acquisition of capital assets in the foreseeable future.

CHARGE ON GROUP ASSETS

Marketable securities with an aggregate value of approximately HK\$8.0 million (2003: HK\$14.6 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 30th June 2004, they had pledged bank deposits of HK\$1,560,000 (2003: HK\$2,534,000) and HK\$1,763,000 (2003: HK\$1,763,000) to authorised institutions for foreign exchange deferred trading and banking facilities respectively.

CONTINGENT LIABILITIES

As at 30th June 2004, the Company has undertaken to guarantee the banking facilities of HK\$105.5 million granted to two of its subsidiaries. The banking facilities were applied in their normal courses of business activities.

A subsidiary of the Company has received a claim for compensation in the region from HK\$1.5 million to HK\$2.5 million, inclusive of interest and legal costs in respect of disputed trades. As the arbitration proceedings are at a preliminary stage, it is not currently possible to estimate the eventual outcome of the claim and based on legal advice to date, the directors consider that no provision needs to be made in the accounts.

Management Discussion and Analysis

FOREIGN EXCHANGE AND CURRENCY RISKS

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

As at 30th June 2004, the Group had a total margin deposit placed with the two designated futures commission merchants of 433.3 million Japanese Yen and a bank deposit of 100.4 million Japanese Yen, total Japanese Yen being equivalent to HK\$38.4 million. This amount was hedged with USD/JPY foreign exchange deferred trading equivalent to an aggregate amount of US\$4.0 million, which representing 81.2% of the Group's net foreign exchange exposure (2003: 87.8%).

STAFF

As at 30th June 2004, the Group had a total of 175 full time employees. The Group operates different remuneration schemes for account executives and other supporting and general staff. Account executives are remunerated on the basis of on-target-earning packages comprising base pay or draw, commission and/or bonus. Other supporting and general staff are offered basic salary and year-end discretionary bonuses subject to the business results of the Group. Employees' remuneration excluding directors' emoluments amounted to HK\$53.4 million for the year (2003: HK\$55.1 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 programmes for the staff to enhance their skills and products, regulatory and compliance knowledge.

OUTLOOK

Tanrich aims to achieve the highest level of customer satisfaction as an one-stop provider of financial services for individuals and companies to create, accumulate and preserve wealth.

Looking ahead, the future is teeming with abundant opportunities brought forth by the implementation of CEPA and Hong Kong's increasing business integration with the Pearl River Delta region and global financial communities. With the strength of our market expertise and experience, we are confident of our ability to capitalise on these opportunities to expand our customer base and extend the scope and depth of our services and capabilities. Along with this target, we are going to set up representative offices in Beijing and Guangzhou.

With an improving economic and business environment, we expect the equity-raising, corporate finance and trading activities will be more active in the Hong Kong financial market. Tanrich is dedicated to capture this trend to further expand its businesses, especially in the securities brokerage, securities margin financing, corporate finance and asset management businesses. We will continue to grow and leverage our niche and our strength to provide more value added financial services and solutions to our clients.

To keep pace with the advancements in information technology, a more powerful and advanced futures trading system will be launched in the near future. We believe that our competitiveness will be strengthened and the overall efficiency and customer service standards will also be enhanced.

Directors' Report

The directors submit their report together with the audited accounts of the Company and its subsidiaries for the year ended 30th June 2004.

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 29.

The directors have declared an interim dividend of HK1 cent per ordinary share, totalling HK\$2 million, which was paid on 7th May 2004.

The directors recommend the payment of a final dividend of HK1 cent per share for the financial year ended 30th June 2004 to the shareholders whose names appear on the register of members at the close of business on Tuesday, 12th October 2004, which together with the interim dividend amounts to a total of about HK\$4 million.

The register of members of the Company will be closed from Thursday, 7th October 2004 to Tuesday, 12th October 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 6th October 2004. Dividend warrants will be despatched to shareholders on or about Friday, 29th October 2004.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 25 to the accounts.

As at 30th June 2004, the reserves of the Company available for distribution to shareholders amounted to HK\$76,057,000 (2003: HK\$75,788,000).

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.

Directors' Report

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 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 71 to 72.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTION SCHEMES

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

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

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 15,000,000 which represents 7.5% 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 for 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 daily quotation sheet on the date of grant of the option; and (ii) the average closing price of the shares as stated in the SEHK daily quotation sheets for the five business days immediately preceding the date of grant of the option.

Directors' Report

SHARE OPTION SCHEMES *(Continued)*

Pre-Listing Scheme *(Continued)*

8. The Pre-Listing Scheme will expire on the last day of ten years from the adoption date.

Details of the share options outstanding as at 30th June 2004 which have been granted under the Pre-Listing Scheme are as follows:

	Number of share options					Sub- scription price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1st July 2003	Granted during the year	Exercised during the year	Lapsed during the year	Held at 30th June 2004				
Directors:									
Yip Man Fan	2,000,000	–	–	–	2,000,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Kwok Kam Hoi	2,000,000	–	–	–	2,000,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Toru Tsunoyama	1,950,000	–	–	–	1,950,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Sin Wai Chiu, Joseph	600,000	–	–	600,000	–	0.72	22nd February 2002	22nd February 2003	7th January 2012
Continuous contract employees	11,370,000	–	–	2,570,000	8,800,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Bona fide consultants of the Group	360,000	–	–	70,000	290,000	0.72	22nd February 2002	22nd February 2003	7th 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 a director and employees and expiration of consultancy agreements.

Directors' Report

SHARE OPTION SCHEMES *(Continued)*

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

The Post-Listing Scheme was adopted on 30th 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 any employee, executive or non-executive director, consultant, business associate and advisor of the Company or any of its subsidiaries.
3. The total number of shares available for issue is 18,568,000 which represents 9.3% 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 to be less than one year and not to exceed 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 daily quotation sheet on the date of grant of the option; (ii) the average closing price of the shares as stated in the SEHK 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 29th January 2014.

Directors' Report

SHARE OPTION SCHEMES *(Continued)*

Post-Listing Scheme *(Continued)*

	Number of share options					Sub- scription price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1st July 2003	Granted during the year	Exercised during the year	Lapsed during the year	Held at 30th June 2004				
<i>Director:</i>									
Kwok Kam Hoi	–	2,000,000	–	–	2,000,000	0.67	27th April 2004	27th April 2005	26th April 2014
Continuous contract employees	–	13,038,000	–	–	13,038,000	0.67	27th April 2004	27th April 2005	26th April 2014
Consultants/ Advisors	–	3,576,000	–	–	3,576,000	0.67	27th April 2004	27th April 2005	26th April 2014

Note:

1. The closing price immediately before the date on which the option was granted was HK\$0.67.

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.

Directors' Report

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. Toru TSUNOYAMA
 Mr. SIN Wai Chiu, Joseph (Group Managing Director resigned on 24th July 2003)

Independent Non-Executive Directors

Mr. LAM, Andy Siu Wing, JP
 Mr. MA Chiu Cheung, Andrew

In accordance with bye-law 87 of the Company, Mr. LAM, Andy Siu Wing, JP retires by rotation and, being eligible, offer himself for re-election.

DIRECTORS' EMOLUMENTS

Particulars of the directors' emoluments disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out in note 11 to the accounts.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service agreements with all the executive directors of the Company for the provision of management services to the Group, details of each of which are as follows:

1. Each of Mr. YIP Man Fan and Mr. KWOK Kam Hoi has entered into a service agreement with the Company for a term of two years commencing from 30th January 2004 and shall continue every two years thereafter unless and until terminated by either the Company or the director giving to the other not less than three month's notice in writing to determine the same.
2. Mr. Toru TSUNOYAMA has entered into a service agreement with the Company for a term of two years commencing from 1st August 2003 and shall continue every two years thereafter unless and until terminated by either the Company or the director giving to the other not less than three month's notice in writing to determine the same.

Save as aforesaid, 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.

Directors' Report

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 25 to 27.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under "Connected Transactions" on pages 21 to 22, there were no contracts of significance subsisting during or at the end of the financial year in which a director of the Company is or was materially interested, either directly or indirectly.

Furthermore, there were no contracts of significance between the Company, or one of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

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

As at 30th June 2004, 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) and 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 Companies contained in the Listing Rules, were as follows:

Interest in long positions of ordinary shares of the Company

	Number of ordinary shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Yip Man Fan	–	7,500,000 (Note 1)	–	120,000,000 (Note 2)	127,500,000
Toru Tsunoyama	22,500,000	–	–	–	22,500,000

Notes:

1. Shares are held by Ms. Tang Yuk Lan, the spouse of Mr. Yip Man Fan.
2. Shares are held by discretionary trusts of which Mr. Yip Man Fan and members of his family are beneficiaries.
3. Directors' or their associates' interests in shares listed above do not include share options as disclosed in "Share Option Schemes".

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

The interests of the directors in the share options of the Company are set out in "Share Option Schemes" on pages 14 to 17 and note 24 to the accounts.

Save as disclosed above, as at 30th June 2004, none of the directors and chief executive of the Company or their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as defined in the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the "Share Option Schemes" disclosures on pages 14 to 17 and in note 24 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.

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

As at 30th June 2004, 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 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were 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%
Seiyu Shoji Co. Ltd.		16,000,000	8.00%

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.

Directors' Report

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Notes: *(Continued)*

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.

CONNECTED TRANSACTIONS

During the year ended 30th June 2004, members of the Group entered into (or continued to be party to) the connected transactions (the "Transactions") set out below. The SEHK has, subject to certain conditions, granted a waiver to the Company from strict compliance with the requirements as stipulated in Chapter 14A of the Listing Rules in connection of these Transactions. The waiver was granted up to 30th June 2004 except for the licence agreements where the waiver was granted up to the expiry date of the relevant agreements.

1. Pursuant to a share facilities and services agreement (the "Shared Facilities and Services Agreement") dated 7th 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 Toru Tsunoyama and 5% by Ms. Tang Yuk Lan, and which is also controlled by a combination of directors of the Company and Tanrich Futures Limited ("TFL"), TSCL, Tanrich Asset Management Limited ("TAML") 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 30th June 2004, 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\$2,247,000 (2003: HK\$2,148,000). The amount has been included in "depreciation" as disclosed in note 28(b) to the accounts.
2. On 4th October 2002, Tanrich Financial (Management) Limited ("TFML"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Union Light Investment Limited ("ULIL") for the letting of a villa at No. 18 Henderson Road, Jardine's Lookout, Hong Kong (the "Henderson Road Premises") for a term of 21 months from 1st October, 2002. ULIL is beneficially owned as to 30% by Tanrich Real Estate Group Limited ("TREG"), a wholly owned subsidiary of THKHL, and 70% by Clear Goal International Limited, which, in turn, is beneficially owned as to 95% by Mr. Yip Man Fan (an executive director and chairman of the Company) and 5% by Ms. Tang Yuk Lan (the spouse of Mr. Yip). Under the tenancy agreement, ULIL agreed to let the Henderson Road Premises as landlord, to TFML as tenant, for a term of 21 months commencing 1st October 2002 at a fixed rent of HK\$430,000 per month. This tenancy agreement has expired since 30th June 2004. For the year ended 30th June 2004, the aggregate rental incurred by the Group in respect of this arrangement amounted to approximately HK\$5,160,000 (2003: HK\$3,870,000). The amount has been included in "rental expenses on staff quarter" as disclosed in note 28(a) to the accounts.

Directors' Report

CONNECTED TRANSACTIONS *(Continued)*

The independent non-executive directors of the Company have reviewed the above Transactions and confirmed that:

1. The Transactions are:
 - (a) entered into by the Group in the ordinary and usual course of its business; and
 - (b) conducted either (A) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (B) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
 - (c) entered into either (A) in accordance with the terms of the agreements governing such transactions or (B) where there are no such agreements on terms no less favourable than those available to or from independent third parties.
2. The aggregate value of each of the following connected transactions will not exceed the respective cap amounts in any financial year as below:
 - (i) the aggregate of licence fee under the Licence Agreements as described on pages 24 and 25 of the annual report of the Company dated 18th September 2003 shall not exceed HK\$7 million for each financial year; and
 - (ii) the aggregate of share facilities and services payable under the Shared Facilities and Services Agreement shall not exceed 5% of the audited consolidated turnover of the Group in that financial year; and
 - (iii) the aggregate of commission income receivable under the client's agreement as described on page 59 of the prospectus of the Company dated 21st January 2002 ("Prospectus") shall not exceed 5% of the audited consolidated turnover of the Group in that financial year.

ADVANCE TO AN ENTITY UNDER RULE 13.13 OF THE LISTING RULES

Advance to a broker

As at 30th June 2004, the Group had HK\$15.8 million (2003: HK\$37.1 million) receivable from one of its designated brokers in Japan, representing 11.6% (2003: 34.9%) of the net assets of the Group. The amount represented margin deposits maintained with the designated broker by a subsidiary of the Company for trading of Japanese commodity futures on TGE and TOCOM on behalf of clients. The amount is unsecured, non-interest bearing and repayable on demand, subject to the margin deposit requirements.

Directors' Report

ADVANCE TO AN ENTITY UNDER RULE 13.13 OF THE LISTING RULES *(Continued)*

Advance to a client

On 16th July 2004, TFIN, an indirect wholly-owned subsidiary of the Company, entered into a loan agreement and ancillary security documentation with an independent third party, Gofield Property Development Limited ("GPD"), to provide a term loan facility to GPD of a principal amount of HK\$20 million (the "Loan") which shall be repayable, together with all interest thereon accrued, by GPD on the date falling six months from the drawdown date of the Loan. The drawdown date of the Loan was on 19th July 2004. GPD may prepay the Loan partially in multiples of HK\$1 million or in full after a period of three months from the drawdown date.

The interest payable in arrears on the amounts due from GPD to TFIN under the Loan in respect of each interest period will be at a rate of 12 per cent. per annum. If applicable, default interest will be payable at a rate of 18 per cent. per annum.

Security has been provided by GPD to TFIN in relation to the Loan in the following forms:

- (i) an assignment, mortgage and charge in respect of GPD's rights to certain sales receivables;
- (ii) a charge over certain property assets; and
- (iii) a personal guarantee from a director of GPD in favour of TFIN in respect of the obligations of GPD under the Loan.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which 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.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, 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 accordance with the Company's bye-laws.

Directors' Report

AUDIT COMMITTEE

The Company has an Audit Committee in accordance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises two independent non-executive directors, namely Mr. Lam, Andy Siu Wing, JP and Mr. Ma Chiu Cheung, Andrew. During the current financial year, four meetings were held. The Audit Committee had reviewed the Group's accounts, the nature and scope of audit, the effectiveness of internal controls and its compliance.

RETIREMENT BENEFIT SCHEMES

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

AUDITORS

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

By order of the Board

Yip Man Fan

Chairman

Hong Kong, 8th September 2004

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yip Man Fan, aged 50, 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. Mr. Yip has been in the securities and futures broking businesses for over 22 years. He is responsible for the 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 52, 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 the 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 has worked for 16 years. Mr. Kwok is a graduate of the Chinese University of Hong Kong in business management. He is also a member of the Hong Kong Securities Institute and a member of the financial services committee of Hong Kong Coalition of Service Industries, which is the Service Policy Think-Tank of the Hong Kong General Chamber of Commerce.

Mr. Tsunoyama Toru, aged 49, 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 25 years of experience in the commodity futures field. Mr. Tsunoyama is a law graduate of Kyoto Sangyo University, Japan.

NON-EXECUTIVE DIRECTORS

Mr. Lam, Andy Siu Wing, JP, aged 53, has been a 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 degree in business administration from Oklahoma City University, USA. Mr. Lam has over 19 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) and an adjudicator of Immigration Tribunal. Currently he is a member of the Hong Kong Housing Authority Audit Sub-committee, a member of the Action Committee Against Narcotics, an adjudicator of the Registration of Persons Tribunal, and an adjudicator of the Obscene Articles Tribunal. Mr. Lam has also sat on the board of several Hong Kong listed companies.

Mr. Ma Chiu Cheung, Andrew, aged 62, has been a non-executive director of the Company since October 2001. Mr. Ma is a director of Andrew Ma DFK (CPA) Limited. He has about 32 years of experience in accounting and finance. He received his bachelor degree majoring in economics from London School of Economics and Political Science in England. Mr. Ma is a fellow member of the Institute of Chartered Accountants in England & Wales and a fellow of the Hong Kong Institute of Certified Public Accountants (Practising). 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, vice-president of Hong Kong Club Chow Chamber of Commerce Limited. Mr. Ma is also the registered manager of Chiu Yan Primary School of Hong Kong, Chiu Chow Association Secondary School and Chiu Sheung School, Hong Kong.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Pun Tit Shan, aged 43, is the director and responsible officer of TSCL and TFL. He is also a member of credit control committee. Mr. Pun has over 20 years experience in the financial field. Prior to joining the Group in April 2002, he was the dealing director of BOCI Commodities and Futures Limited and the vice president of BOCI Securities Limited. Mr. Pun had been a director of the Board of Hong Kong Futures Exchange Limited ("HKFE") and Hong Kong Stock Exchange Options Clearing House Limited for 4 years. Besides, Mr. Pun was a panel member of Derivatives Market Consultative Panel of Hong Kong Exchange and Clearing Limited and a committee member of Professional Education Committee and Membership Committee of Hong Kong Securities Institute.

Mr. Chan Lee Yeung, aged 54, is the director and responsible officer of TSCL and TAML. Mr. Chan has been in the securities business for over 32 years. He joined the Group in July 1991.

Ms. Lau Yim Ling, Elaine, aged 42, is 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 17 years experience in futures business. She holds a master degree in business administration from Newport University, USA.

Mr. Lee Hung Kwong, Simon, aged 39, 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 about 18 years experience in 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 45, 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 18 years.

Ms. Li Wai Kuen, aged 44, is the director and responsible officer of Tanrich Capital Limited ("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 13 years experience in the field of corporate finance and holds a master degree in business administration from York University, Canada.

Mr. Sit Kar Kin, Kenneth, aged 38, is the director and responsible officer of TCL. Mr. Sit joined the Group in March 2003 and has over 11 years experience in corporate finance, with emphasis in PRC deals and projects. 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 degree in finance from Bradford University, UK and a bachelor degree from Bath University, U.K.

Mr. Choi Hok Chung, Galen, aged 44, is the director and executive vice president of TAML. Mr. Choi has over 22 years of experience in life insurance industry. He graduated from University of Hong Kong in 1982 and is a fellow member of Life Management Institute.

Directors and Senior Management

SENIOR MANAGEMENT *(Continued)*

Mr. Zhang Shu Zhi, aged 38, is the 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 15 years experience in financial and investment businesses. Mr. Zhang holds a master degree in accountancy from The Hong Kong Polytechnic University and an undergraduate degree in economic from The Wuhan University.

Ms. Tsang Pui Yee, Vanessa, aged 29, is the secretary of the Company and the senior manager of the Group's finance and accounting division. 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 7 years of experience in finance and accounting. She is a member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. She also holds a master degree in corporate finance from The Hong Kong Polytechnic University.

Mr. Wan Chuck Pui, Mark, aged 37, is the associate director of the Group's research division. Mr. Wan joined the Group in April 1992 and has over 12 years of financial services research experience. He is a graduate of Keele University, England in economics.

Ms. Wong Lai Ping, aged 44, is the associate director of the Group's human resources and corporate services division. She joined the Group in June 1990 and has over 22 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 35, is the senior manager of the Group's legal and compliance division. She is also a member of the risk control committee. Ms. Tsang has 12 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 degree and a master degree in business administration from Coventry University and the University of Birmingham, UK respectively. She is also a member and associate of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants respectively.

Ms. Chan Lai Ling, aged 41, is the senior manager of the TFL's settlement division. Ms. Chan joined the Group in November 1990 and has over 16 years' experience in futures settlement.

Ms. Wong Yuen Ling, aged 36, is the manager of TSCL's settlement division. Ms. Wong joined the Group in January 1999 and has over 14 years' experience in securities settlement.

Mr. Chu Siu Fai, Alan, aged 38, is the manager of the Group's information technology division. Mr. Chu has been in the IT field for over 14 years. Prior the joining the Group in July 2001, he worked for Hang Seng Bank Ltd., ABN-AMRO Bank and Orix Asia Ltd. holding the positions from senior analyst Programmer to assistant manager. Mr. Chu holds a bachelor degree in computing science from University of Ulster, Northern Ireland and a bachelor degree in economics from University of London, England and a master degree in business administration from Open University of Hong Kong.

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 29 to 70 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 30th June 2004 and of the Group's profit 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, 8th September 2004

Consolidated Profit and Loss Account

For the year ended 30th June 2004

	Note	2004 HK\$'000	2003 HK\$'000
Turnover	3	132,373	126,689
Other revenue	3	7,025	2,410
		<u>139,398</u>	<u>129,099</u>
Staff costs	4	70,132	68,214
Operating leases on land and buildings		8,124	10,628
Brokerage and agency commission		10,462	15,304
Provision for bad and doubtful debts		516	544
Other operating expenses	5	21,131	21,516
		<u>110,365</u>	<u>116,206</u>
Operating profit		29,033	12,893
Finance costs	6	(325)	(398)
Gain on disposal of non-trading investments		145	–
		<u>28,853</u>	<u>12,495</u>
Profit before taxation		28,853	12,495
Taxation	7	(2,585)	(2,271)
		<u>26,268</u>	<u>10,224</u>
Profit after taxation		26,268	10,224
Minority interests		14	–
		<u>26,282</u>	<u>10,224</u>
Profit attributable to shareholders	8	26,282	10,224
Dividends	9	4,000	4,000
Earnings per share – Basic (HK cents)	10	13.1	5.1

Consolidated Balance Sheet

As at 30th June 2004

	Note	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Intangible assets	13, 2(c)	530	590
Fixed assets	14	3,132	2,637
Other assets	15	2,000	2,100
Non-trading investments	16	20,896	23,176
Loans and advances	18	135	346
Deferred tax assets	26	3,325	1,162
		30,018	30,011
Current assets			
Loans and advances	18	20,238	341
Accounts receivable	19	101,227	82,010
Deposits, prepayments and other receivables	20	6,206	4,575
Cash and bank balances	21	53,586	62,800
		181,257	149,726
Current liabilities			
Accounts payable	22	44,934	52,124
Other payables and accrued charges		12,393	7,801
Taxation payable		18,083	13,388
		75,410	73,313
Net current assets		105,847	76,413
Total assets less current liabilities		135,865	106,424
Financed by:			
Share capital	23	20,000	20,000
Reserves	25	115,773	86,421
Shareholders' fund		135,773	106,421
Minority interests		36	–
Non-current liabilities			
Deferred tax liabilities	26	56	3
		135,865	106,424

Mr. Kwok Kam Hoi
Director

Mr. Toru Tsunoyama
Director

Balance Sheet

As at 30th June 2004

	Note	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Investments in subsidiaries	17	97,537	103,237
Non-trading investments	16	12,880	8,549
		110,417	111,786
Current assets			
Cash and bank balances		2,777	1,139
Current liabilities		–	–
Net current assets		2,777	1,139
Total assets less current liabilities		113,194	112,925
Financed by:			
Share capital	23	20,000	20,000
Reserves	25	93,194	92,925
		113,194	112,925

Mr. Kwok Kam Hoi
Director

Mr. Toru Tsunoyama
Director

Consolidated Statement of Changes in Equity

For the year ended 30th June 2004

	Note	2004 HK\$'000	2003 HK\$'000
Total equity as at 1st July, as previously reported		106,421	110,328
Effect of changes in accounting policies		—	(175)
Total equity as at 1st July, as restated		106,421	110,153
Change in fair value of non-trading investments	25	7,215	(2,956)
Reserves transferred to profit and loss account upon disposal of non-trading investments		(145)	—
Profit for the year	25	113,491	107,197
Dividends	9	26,282	10,224
		(4,000)	(11,000)
Total equity as at 30th June		135,773	106,421

Consolidated Cash Flow Statement

For the year ended 30th June 2004

	2004 HK\$'000	2003 HK\$'000
Cash flow from operating activities		
Profit before taxation	28,853	12,495
Adjustments for:		
Dividend income	(2,978)	(900)
Interest income	(2,598)	(1,336)
Interest expenses	325	398
Amortisation of intangible assets	60	10
Provision for bad and doubtful debts	516	544
Depreciation of owned fixed assets	1,719	1,543
Gain on disposal of non-trading investments	(145)	–
Loss on disposal of fixed assets	1	691
Operating profit before working capital changes	25,753	13,445
Increase in intangible assets	–	(600)
Decrease/(increase) in other assets	100	(250)
Increase in loans and advances	(19,686)	(23)
(Increase)/decrease in accounts receivable	(19,733)	22,290
(Increase)/decrease in deposits, prepayments and other receivables	(1,381)	13,124
Decrease in accounts payable	(7,190)	(31,161)
Increase/(decrease) in other payables and accrued charges	4,592	(9,412)
Net cash (used in)/generated from operations	(17,545)	7,413
Hong Kong profits tax paid	–	(8)
Interests received	2,348	1,336
Interests paid	(325)	(398)
Net cash (used in)/generated from operating activities	(15,522)	8,343
Investing activities		
Purchase of fixed assets	(2,215)	(609)
Proceeds from disposal of non-trading investments	9,495	–
Dividends received	2,978	900
Proceeds from disposal of fixed assets	–	1
Acquisitions of non-trading investments	–	(9,350)
Net cash generated from/(used in) investing activities	10,258	(9,058)

Consolidated Cash Flow Statement

For the year ended 30th June 2004

	2004 HK\$'000	2003 HK\$'000
Financing activities		
Dividends paid	(4,000)	(11,000)
Decrease in pledged deposits to banks	974	2,521
Capital contribution to a subsidiary by a minority shareholder	50	–
Net cash used in financing activities	(2,976)	(8,479)
Decrease in cash and cash equivalents	(8,240)	(9,194)
Cash and cash equivalents at 1st July	58,503	67,697
Cash and cash equivalents at 30 June	50,263	58,503
Analysis of balances of cash and cash equivalents		
Cash and bank balances	50,263	58,503
Reconciliation with the consolidated balance sheet		
Cash and bank balances shown in the consolidated balance sheet	53,586	62,800
Less: pledged deposits to banks	(3,323)	(4,297)
Cash and cash equivalents in the cash flow statement	50,263	58,503

Notes to the Accounts

1. BASIS OF PREPARATION

The 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 and derivative financial instruments are stated at fair value.

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 30th 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 SEHK and two trading rights on the 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 ¹ / ₃ %

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.

(f) 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.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Non-trading investments *(Continued)*

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.

(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.

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.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Revenue recognition *(Continued)*

Commission income from unit trusts sales and insurance-linked products are recognised 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.

(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.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) **Employee benefit** *(Continued)*

(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.

(o) **Income tax**

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement 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.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) **Income tax** *(Continued)*

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.

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

Off-balance sheet financial instruments include listed equity index futures contracts, listed currency 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 futures contracts and listed currency 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 futures contracts and listed currency 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 accounts receivable. Unrealised losses on transactions which are marked to market are included in accounts payable.

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.

Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Off-balance sheet financial instruments *(Continued)*

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.

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:

- TGE;
- 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.

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 index futures contracts on the HKFE and currency futures contracts on overseas exchanges on its own account.

Notes to the Accounts

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

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

	2004 HK\$'000	2003 HK\$'000
TURNOVER		
Brokerage commission:		
– commodity futures contracts on TGE and TOCOM	77,303	88,547
– commodity and currency futures contracts on other overseas exchanges	21,499	29,335
– index futures contracts on the HKFE	431	540
– securities dealing	8,821	3,587
Advisory and asset management fees		
– corporate finance and advisory	715	145
– commission on sale of unit trust and insurance-linked products	2,439	4,878
Interest income:		
– securities margin financing	3,589	2,126
– loans and advances	1,844	62
– deposits with clearing houses and brokers	–	1
– bank deposits and others	754	1,273
Proprietary trading in futures contracts		
– on the HKFE	1,449	102
– on overseas exchanges	13,529	(3,907)
	132,373	126,689
OTHER REVENUE		
Dividend income	2,978	900
Exchange gains	2,219	386
Management fee income <i>(note 28(c))</i>	960	960
Loan arrangement fee income	580	–
Other income	288	164
	7,025	2,410
Total turnover and revenue	139,398	129,099

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, asset management 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
Asset management 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 index futures contracts on the HKFE and currency 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:

	2004								
			Securities		Asset				
	Futures	Securities	margin	Corporate	management	Money	Proprietary	Other	
	broking	broking	financing	finance	services	lending	trading	operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	99,668	9,032	3,675	735	2,441	1,843	14,978	1	132,373
RESULTS	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
ASSETS									
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
LIABILITIES									
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)

Business segments (Continued)

	2003								
	Futures broking HK\$'000	Securities broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Asset management services HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
TURNOVER	119,299	3,708	2,198	212	4,880	63	(3,805)	134	126,689
RESULTS	25,230	(2,266)	(1,158)	(2,785)	(2,195)	(60)	(4,207)	334	12,893
Finance costs									(398)
Taxation									(2,271)
Profit attributable to shareholders									10,224
ASSETS									
Segment assets	106,636	17,489	25,194	8,044	5,135	1,958	2,947	11,172	178,575
Taxation									1,162
Total assets									179,737
LIABILITIES									
Segment liabilities	52,061	4,760	613	71	2,388	32	–	–	59,925
Taxation									13,391
Total liabilities									73,316
Capital expenditure	89	895	174	5	46	–	–	–	1,209
Depreciation	999	303	180	7	54	–	–	–	1,543
Amortisation	–	10	–	–	–	–	–	–	10

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 all assets of the Group are originated from business decisions and operations based in Hong Kong.

Notes to the Accounts

4. STAFF COSTS

	2004 HK\$'000	2003 HK\$'000
Salaries, commissions and allowances	63,539	62,783
Contributions to retirement benefits schemes (Note 12)	1,040	1,257
Rental expenses on staff quarter (Note 28(a))	5,294	3,870
Others	259	304
	<u>70,132</u>	<u>68,214</u>

Staff costs include directors' emoluments (Note 11).

5. OTHER OPERATING EXPENSES

	2004 HK\$'000	2003 HK\$'000
Advertising and market development	1,597	1,802
Amortisation of intangible assets	60	10
Auditors' remuneration		
– Current year	950	950
– (Over)/under provision in prior years	(58)	67
Building management fees	1,078	1,456
Depreciation of owned fixed assets	1,719	1,543
Depreciation charges paid to a related company (Note 28(b))	2,247	2,148
Legal and professional fees	1,875	1,412
Loss on disposal of fixed assets	1	691
Repairs and maintenance	786	817
Telecommunication costs	2,967	2,808
Other administrative and miscellaneous expenses	7,909	7,812
	<u>21,131</u>	<u>21,516</u>

Notes to the Accounts

6. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank overdrafts wholly repayable within five years	<u>325</u>	<u>398</u>

7. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 HK\$'000	2003 HK\$'000
Current taxation:		
Hong Kong profits tax	4,695	3,605
Deferred taxation relating to the origination and reversal of temporary differences (Note 26)	(2,110)	(1,350)
Deferred taxation resulting from an increase in tax rate (Note 26)	<u>–</u>	<u>16</u>
Taxation charge	<u>2,585</u>	<u>2,271</u>

Reconciliation between taxation charge and accounting profit at Hong Kong profits tax rate is as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	<u>28,853</u>	<u>12,495</u>
Calculated at a taxation rate of 17.5% (2003: 17.5%)	5,049	2,187
Income not subject to taxation	(627)	(352)
Expenses not deductible for taxation purposes	9	5
Unrecognised tax losses for the current year	1,034	1,683
Recognition of prior years' tax losses	(2,880)	(1,268)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	<u>–</u>	<u>16</u>
Taxation charge	<u>2,585</u>	<u>2,271</u>

Notes to the Accounts

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$3,790,000 (2003: HK\$22,334,000).

9. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim, declared and paid, of HK1 cent (2003: HK1 cent) per ordinary share	2,000	2,000
Final, proposed, of HK1 cent (2003: HK1 cent) (Note) per ordinary share	2,000	2,000
	<u>4,000</u>	<u>4,000</u>

Note: A final dividend of HK1 cent (2003: HK1 cent) per ordinary share has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming annual general meeting.

This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 30th June 2005.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$26,282,000 (2003: HK\$10,224,000) divided by the weighted average number of 200,000,000 shares (2003: 200,000,000 shares) in issue during the year.

Diluted earnings per share for the years ended 30th June 2004 and 2003 were not disclosed as there were no dilutive potential ordinary shares.

Notes to the Accounts

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments of the Company

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	360	360
	<u>360</u>	<u>360</u>
Other emoluments (executive directors):		
Salaries and other benefits	5,401	8,758
Bonus	5,759	–
Housing benefits	5,160	3,870
Contributions to retirement benefits schemes	98	114
	<u>16,418</u>	<u>12,742</u>
	<u>16,778</u>	<u>13,102</u>

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 24 to the accounts.

The emoluments of the directors fell within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	3	2
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$6,000,001 to HK\$6,500,000	–	1
HK\$9,500,001 to HK\$10,000,000	1	–
	<u>1</u>	<u>–</u>

Notes to the Accounts

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

Employees' emoluments

The five individuals whose emoluments were the highest in the Group for the year include three directors (2003: three directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2003: two) individuals during the year are as follow:

	2004 HK\$'000	2003 HK\$'000
Salaries, bonus and other benefits	1,977	4,251
Contributions to retirement benefits schemes	24	21
	<u>2,001</u>	<u>4,272</u>

The emoluments fell within the following bands:

	Number of individuals	
	2004	2003
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	2
	<u>–</u>	<u>2</u>

12. RETIREMENT BENEFITS 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.

Notes to the Accounts

12. RETIREMENT BENEFITS SCHEMES *(Continued)*

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:

	2004 HK\$'000	2003 <i>HK\$'000</i>
Gross employer's contributions	1,535	1,614
Less: Forfeited contributions utilised to offset employer's contributions for the year	(495)	(357)
Net employer's contributions charged to profit and loss account	<u>1,040</u>	<u>1,257</u>

13. INTANGIBLE ASSETS

	Group <i>HK\$'000</i>
COST	
At 1st July 2003 and 30th June 2004	<u>600</u>
ACCUMULATED AMORTISATION	
At 1st July 2003	10
Charge for the year	<u>60</u>
At 30th June 2004	<u>70</u>
CARRYING AMOUNT	
At 30th June 2004	<u>530</u>
At 30th June 2003	<u>590</u>

Notes to the Accounts

14. FIXED ASSETS

	Group				
	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1st July 2003	1,820	484	1,216	2,547	6,067
Additions	253	261	395	1,306	2,215
Disposal	—	—	—	(2)	(2)
At 30th June 2004	2,073	745	1,611	3,851	8,280
ACCUMULATED DEPRECIATION					
At 1st July 2003	1,086	244	521	1,579	3,430
Charge for the year	576	92	297	754	1,719
Disposal	—	—	—	(1)	(1)
At 30th June 2004	1,662	336	818	2,332	5,148
NET BOOK VALUE					
At 30th June 2004	411	409	793	1,519	3,132
At 30th June 2003	734	240	695	968	2,637

Notes to the Accounts

15. OTHER ASSETS

	Group	
	2004 HK\$'000	2003 HK\$'000
Reserve fund deposits with the Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC")	1,500	1,500
Statutory deposits with the SEHK	200	200
Statutory deposits with the SFC	100	100
Contributions to the Central Clearing and Settlement System Guarantee Fund	100	100
Admission fees paid to the Hong Kong Securities Clearing Company Limited	100	100
Deposits with the Compensation Fund of the HKFE	—	100
	<u>2,000</u>	<u>2,100</u>

16. NON-TRADING INVESTMENTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Listed equities in Hong Kong, at fair value	<u>20,896</u>	<u>23,176</u>	<u>12,880</u>	<u>8,549</u>

A subsidiary of the Company has pledged listed investments of aggregate carrying amount of HK\$8,016,000 (2003: HK\$14,571,000) to a bank as collateral for the banking facilities.

At 30th June 2004, the carrying amount of interests in the following company exceeded 10% of total assets of the Company:

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

Notes to the Accounts

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	65,237	65,237
Amounts due from subsidiaries	32,300	38,000
	<u>97,537</u>	<u>103,237</u>

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 30th June 2004. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ place of operations	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 operations	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\$10,000,000 (divided into 10,000,000 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	
	2004 HK\$'000	2003 HK\$'000
Loans and advances – unsecured	27	131
– secured	20,346	556
	20,373	687
Current portion of loans and advances	(20,238)	(341)
	135	346

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	
	2004 HK\$'000	2003 HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:		
– securities cash clients	3,102	4,696
– securities margin clients	49,037	23,572
– securities clearing house and brokers	3,227	382
– futures clearing house and brokers		
– HKFECC	601	1,273
– brokers for commodity futures contracts on TGE and TOCOM	24,579	40,904
– brokers for commodity and currency futures contracts on other overseas exchanges	19,904	8,496
Accounts receivable arising from the provision of corporate finance advisory services	30	88
Accounts receivable arising from the provision of unit trusts and insurance-linked products agency services	747	2,599
	101,227	82,010

Notes to the Accounts

19. ACCOUNTS RECEIVABLE *(Continued)*

The accounts receivable from the HKFECC excludes a deposit of HK\$1,170,000 (2003: HK\$616,000) relating to the clients' monies.

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 bi-weekly 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 represents 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 is secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. As at 30th June 2004 and 30th June 2003, included in the accounts receivable from securities margin clients were overdue margin calls of HK\$8,628,000 and HK\$5,242,000 respectively.

Notes to the Accounts

19. ACCOUNTS RECEIVABLE *(Continued)*

Settlement terms *(Continued)*

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	4,639	1,725
31 – 90 days	991	229
91 – 180 days	–	–
181 – 270 days	–	3,252
271 – 360 days	2,998	36
	<u>8,628</u>	<u>5,242</u>

No provision was made for overdue margin calls as at 30th June 2004 (2003: HK\$13,000).

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 30th June 2004 and 30th June 2003, included in the accounts receivable from securities cash clients were receivables not settled on settlement dates of HK\$876,000 and HK\$915,000 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	
	2004 HK\$'000	2003 HK\$'000
Within 30 days	142	265
31 – 90 days	84	–
91 – 180 days	–	–
Over 180 days	680	650
	<u>906</u>	<u>915</u>

Provision of HK\$650,000 was made for these receivables not settled on settlement dates as at 30th June 2004 (2003: HK\$328,000).

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	
	2004 HK\$'000	2003 HK\$'000
Rental and other deposits	3,525	2,441
Prepayments and other receivables	2,681	2,134
	<u>6,206</u>	<u>4,575</u>

21. CASH AND BANK BALANCES

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 30th June 2004, they have pledged bank deposits of HK\$1,560,000 (2003: HK\$2,534,000) and HK\$1,763,000 (2003: HK\$1,763,000) to authorised institutions for foreign exchange deferred trading and banking facilities respectively.

The subsidiaries of the Company maintain trust accounts with authorised institutions as a result of their normal business transactions. At 30th June 2004, trust accounts not otherwise dealt with in these accounts amounted to HK\$41,789,000 (2003: HK\$36,714,000).

22. ACCOUNTS PAYABLE

	Group	
	2004 HK\$'000	2003 HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:		
– securities cash clients	4,366	4,137
– securities margin clients	2,150	243
– futures clients	38,308	47,726
Accounts payable arising from the provision of unit trusts and insurance-linked products agency services	110	18
	<u>44,934</u>	<u>52,124</u>

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.

Notes to the Accounts

22. ACCOUNTS PAYABLE *(Continued)*

The 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\$42,959,000 (2003: HK\$37,330,000).

23. SHARE CAPITAL

	Ordinary share of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
At 1st July 2003 and 30th June 2004	1,000,000,000	100,000
Issued and fully paid:		
At 1st July 2003 and 30th June 2004	200,000,000	20,000

24. 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 7th 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.

Notes to the Accounts

24. SHARE OPTION SCHEMES *(Continued)*

Pre-Listing Share Option Scheme *(Continued)*

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

	Number of options	
	2004	2003
At 1st July	18,280,000	19,790,000
Granted <i>(note (a))</i>	—	—
Lapsed <i>(note (b))</i>	(3,240,000)	(1,510,000)
At 30th June <i>(note (c))</i>	15,040,000	18,280,000

- (a) Pursuant to the Pre-Listing Scheme, share options were granted to certain directors, employees and bona fide consultants of the Group on 22nd February 2002 at the subscription price of HK\$0.72 per share which can be exercised at any time from 22nd February 2003 to 7th 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 consideration was received.
- (b) During the year, a total of 3,240,000 (2003: 1,510,000) share options had lapsed in accordance with the terms and conditions of the Pre-Listing Scheme following the resignation of a director, employees and expiration of consultancy agreements.
- (c) Share options outstanding at the end of the year have the following terms:

	Number of options		Vested percentages	
	2004	2003	2004	2003
Directors	5,950,000	6,550,000	100%	100%
Other employees	8,800,000	11,370,000	100%	100%
Bona fide consultants	290,000	360,000	100%	100%
	15,040,000	18,280,000		

Post-Listing Share Option Scheme

Another share option scheme of the Company was adopted on 30th 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 options.

Notes to the Accounts

24. SHARE OPTION SCHEMES *(Continued)*

Post-Listing Share Option Scheme *(Continued)*

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

	Number of options	
	2004	2003
At 1st July	–	–
Granted <i>(note (a))</i>	18,614,000	–
Lapsed <i>(note (b))</i>	–	–
	<hr/>	<hr/>
At 30th June <i>(note (c))</i>	18,614,000	–
	<hr/>	<hr/>

- (a) Pursuant to the Post-Listing Scheme, share options were granted to certain directors, employees and advisors and consultants of the Group on 27th April 2004 at the subscription price of HK\$0.67 per share which can be exercised at any time from 27th April 2005 to 26th April 2014. During the year, 18,614,000 share options were granted and no respective consideration was received.
- (b) During the year, no share options had lapsed in accordance with the terms and conditions of the Post-Listing Scheme.
- (c) Share options outstanding at the end of the year have the following terms:

	Number of options	Vested percentages
	2004	2004
Director	2,000,000	–
Other employees	13,038,000	–
Advisors and consultants	3,576,000	–
	<hr/>	
	18,614,000	
	<hr/>	

Notes to the Accounts

25. RESERVES

	Group				
	Investment revaluation reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve (Note (a)) <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st July 2002, as previously reported	16,602	17,137	40,836	15,753	90,328
Change in accounting policies – provision for net deferred tax liabilities				(175)	(175)
At 1st July 2002, as restated	16,602	17,137	40,836	15,578	90,153
Deficit on revaluation of non-trading investments	(2,956)	–	–	–	(2,956)
Profit for the year	–	–	–	10,224	10,224
Dividends paid					
– 2002, final	–	–	–	(9,000)	(9,000)
– 2003, interim	–	–	–	(2,000)	(2,000)
At 30th June 2003	13,646	17,137	40,836	14,802	86,421
At 1st 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 30th June 2004	20,716	17,137	40,836	37,084	115,773

Retained earnings represent:

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
2004 & 2003 proposed final dividend	2,000	2,000
Others	35,084	12,802
	37,084	14,802

Notes to the Accounts

25. RESERVES (Continued)

	Company				
	Investment revaluation reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus (Note (b)) <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st July 2002	–	17,137	65,059	196	82,392
Deficit on revaluation of non-trading investments	(801)	–	–	–	(801)
Profit for the year	–	–	–	22,334	22,334
Dividends paid					
– 2002, final	–	–	–	(9,000)	(9,000)
– 2003, interim	–	–	–	(2,000)	(2,000)
At 30th June 2003	(801)	17,137	65,059	11,530	92,925
At 1st 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 30th June 2004	(322)	17,137	65,059	11,320	93,194

Retained earnings represent:

	Company	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
2004 & 2003 proposed final dividend	2,000	2,000
Others	9,320	9,530
	11,320	11,530

Notes to the Accounts

25. RESERVES *(Continued)*

(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 30th June 2001, which were converted into deferred non-voting share capital on 11th January 2002.

(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 30th June 2004, in the opinion of the directors of the Company, the reserves of the Company available for distribution to shareholders amounted to HK\$76,057,000 (2003: HK\$75,788,000) subject to the restriction stated above.

26. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

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

	Group	
	2004 HK\$'000	2003 HK\$'000
At 1st July	(1,159)	175
Deferred taxation credited to profit and loss account <i>(Note 7)</i>	(2,110)	(1,334)
At 30th June	<u>(3,269)</u>	<u>(1,159)</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 30th June 2004, the Group has unrecognised tax losses of HK\$16,710,000 (2003: HK\$27,256,000) to carry forward against future taxable income. These tax losses do not expire under the current tax legislation.

Notes to the Accounts

26. 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	
	2004 HK\$'000	2003 HK\$'000
At 1st July	122	178
Charged/(credited) to profit and loss account	20	(56)
At 30th June	142	122

Deferred tax assets

	Unused depreciation allowances		Unused tax losses		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1st July	13	3	1,268	–	1,281	3
(Charged)/credited to profit and loss account	(13)	10	2,143	1,268	2,130	1,278
At 30th June	–	13	3,411	1,268	3,411	1,281

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

	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	(3,325)	(1,162)
Deferred tax liabilities	56	3
	(3,269)	(1,159)
The amounts shown in the balance sheet include the following:		
Deferred tax assets to be recovered after more than 12 months	(2,695)	(590)
Deferred tax liabilities to be settled after more than 12 months	15	3

Notes to the Accounts

26. DEFERRED TAXATION *(Continued)*

Deferred tax assets *(Continued)*

All the economic data both local and abroad is indicating that an economic recovery is underway. With an upward trend for Hang Seng Index and the accompanying increase in corporate finance and IPO activities, it is probable that there will be prosperous years for securities broking business.

With the actual operating figures for the year 2004, the company is forecasted to generate assessable profits for the coming years.

According to the Hong Kong Statements of Standard Accounting Practice 12 "Income Taxes", when it is probable that future profit will be generated, carried forward tax losses from that operation can be applied in offsetting the future profits expected and a deferred tax asset recorded on the balance sheet. Thus a deferred tax asset of HK\$3,325,000 (2003: HK\$1,162,000) was recorded on the consolidated balance sheet.

The deferred asset however has to be reviewed regularly for its recoverability and validity of evidence that led to its recording on the accounts. If it is found that the assumptions or circumstances are no longer valid, the deferred tax asset will then be removed and charged to the profit and loss account.

27. COMMITMENTS AND CONTINGENT LIABILITIES

(i) Commitments under operating leases

As at 30th June 2004, 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:

	Group	
	2004 HK\$'000	2003 HK\$'000
Not later than one year	8,493	8,698
Later than one year and not later than five years	5,642	6,029
	<u>14,135</u>	<u>14,727</u>

(ii) Capital commitments for property, plant and equipment

	Group	
	2004 HK\$'000	2003 HK\$'000
Contracted but not provided for	503	—
	<u>503</u>	<u>—</u>

Notes to the Accounts

27. COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(iii) Other commitments

As at 30th June 2004, the Company has undertaken to guarantee the banking facilities of HK\$105.5 million (2003: HK\$100.5 million) granted to two of its subsidiaries. The banking facilities were applied in their normal courses of business activities.

(iv) Off-balance sheet financial instruments

The following table provides a detail 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:

	Group Contract/notional amounts HK\$'000	Fair value assets/(liabilities) HK\$'000
At 30th 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
At 30th June 2003		
Equity index futures contracts – Trading	2,875	(11)
Currency futures contracts – Trading	61,348	(101)
Foreign exchange deferred trading – Hedging	50,687	(14)

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 favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market prices or foreign exchange rates relative to their terms.

Notes to the Accounts

27. COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(iv) Off-balance sheet financial instruments *(Continued)*

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.

(v) Contingent liabilities

A subsidiary of the Company has received a claim for compensation in the region of HK\$1.5 million to HK\$2.5 million, inclusive of interest and legal costs in respect of disputed trades. As the arbitration proceedings are at a preliminary stage, it is not currently possible to estimate the eventual outcome of the claim and based on legal advice to date, the directors consider that no provision needs to be made in the accounts.

28. 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 other entities.

During the year, the Group had the following transactions with a related company, THKHL and its subsidiaries, TREGI and 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.

		Group	
	Note	2004 HK\$'000	2003 HK\$'000
Rental expenses on staff quarter	(a)	5,160	3,870
Depreciation	(b)	2,247	2,148
Management fee income	(c)	(960)	(960)
Operating leases on land and buildings	(d)	—	5,918

- (a) 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 30th June 2004.

Notes to the Accounts

28. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) The amount represented the depreciation charge 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.
- (c) 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.
- (d) The amount represented the rental expenses paid by the subsidiaries of the Company to TREGI for the use of office premises. The monthly rentals of these premises were determined with reference to open market rentals. This arrangement was terminated in May 2003.

29. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 8th September 2004.

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 30th June 2004 prepared on the basis set out in the note on page 72.

Results:

	Financial Year Ended 30th June				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Turnover	<u>94,009</u>	<u>123,445</u>	<u>161,295</u>	<u>126,689</u>	<u>132,373</u>
Operating profit	24,533	28,565	38,897	12,893	29,033
Non-operating profit	–	34,200	–	–	145
Finance cost	<u>(367)</u>	<u>(1,682)</u>	<u>(690)</u>	<u>(398)</u>	<u>(325)</u>
Profit before taxation	24,166	61,083	38,207	12,495	28,853
Taxation	<u>(3,680)</u>	<u>(5,228)</u>	<u>(7,888)</u>	<u>(2,271)</u>	<u>(2,585)</u>
Minority interests	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>14</u>
Profit attributable to shareholders	<u>20,486</u>	<u>55,855</u>	<u>30,319</u>	<u>10,224</u>	<u>26,282</u>
Dividends	<u>26,000</u>	<u>64,000</u>	<u>25,000</u>	<u>4,000</u>	<u>4,000</u>

Five Year Financial Summary

Assets and Liabilities:

	Assets and Liabilities of the Group as at 30th June				
	2000	2001	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	41,617	22,400	23,178	30,011	30,018
Current assets	93,518	170,875	197,664	149,726	181,257
Total assets	135,135	193,275	220,842	179,737	211,275
Current liabilities	(50,656)	(133,863)	(110,511)	(73,313)	(75,410)
Non-current liabilities	–	–	(178)	(3)	(56)
Total liabilities	(50,656)	(133,863)	(110,689)	(73,316)	(75,466)
Net total assets	84,479	59,412	110,153	106,421	135,809
Current ratio	1.85	1.28	1.79	2.04	2.40
Gearing ratio	13.8%	47.3%	0.2%	0%	0%

Note:

The results of the Group for the two years ended 30th June 2000 and 2001 have been prepared on a combined basis as if the current Group structure had been in existence throughout the years concerned and have been extracted from the Prospectus. The results of the Group for the year ended 30th June 2002, 2003 and 2004 and its assets and liabilities as at 30th June 2002, 2003 and 2004 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 Chater Room II, Function Room Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Tuesday, 12th October 2004 at 10:00 a.m. (Hong Kong time) for the following purposes:

As Ordinary Business

1. To receive and consider the report of the Directors, audited consolidated accounts and auditors’ report for the year ended 30th June 2004.
2. To re-elect retiring Director(s) and to authorise the Directors to fix the remuneration of the Directors.
3. To re-appoint auditors and to authorise the Directors to fix the remuneration of the auditors.
4. To declare a final dividend of HK1 cent per share for the year ended 30th June 2004.

As Special Business

Ordinary resolutions

5. **“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

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- (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
- (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.”

6. **“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” shall have the same meaning as that ascribed to it under resolution no. 5 as set out in the notice convening the meeting of which this resolution forms part; and

Notice of Annual General Meeting

“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).”

7. **“THAT** conditional upon the passing of the resolutions nos. 5 and 6 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. 6 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. 5 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.”

Special resolution

8. **“THAT** the bye-laws of the Company (the “Bye-laws”) be and are hereby amended as follows:

(a) Bye-law 1

1. By inserting the following new definition of “associate” after the definition of “Act” in existing Bye-law 1:

““associate” the meaning attributed to it in the rules of the Designated Stock Exchange.”

2. By deleting the words “a recognised clearing house within the meaning of Section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong or” from the definition of “clearing house” in existing Bye-law 1.

(b) Bye-law 2

1. By inserting at the end of existing Bye-law 2(e), the following words:–

“, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the Member’s election comply with all applicable Statutes, rules and regulations;”

Notice of Annual General Meeting

2. By deleting the full-stop at the end of the existing Bye-law 2(j) and replacing therewith a semicolon and the word “and”, and inserting the following paragraph as new Bye-law 2(k):—

“(k) references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not.”

(c) Bye-law 6

By inserting the words “, save for the use of share premium as expressly permitted by the Act,” after the words “issued share capital or” in, and deleting the words “in any manner permitted by law” at the end, of existing Bye-law 6.

(d) Bye-law 43

By inserting the words “, in respect of any shares that are not fully paid,” after the words “held by him and” in existing Bye-law 43(1)(a).

(e) Bye-law 44

By inserting the words “or by any means in such manner as may be accepted by the Designated Stock Exchange” after the words “in accordance with the requirements of any Designated Stock Exchange” in existing Bye-law 44.

(f) Bye-law 51

By inserting the words “or by any means in such manner as may be accepted by the Designated Stock Exchange” after the words “any other newspapers in accordance with the requirements of any Designated Stock Exchange” in existing Bye-law 51.

Notice of Annual General Meeting

(g) Bye-law 76

1. By re-numbering existing Bye-law 76 as Bye-law 76(1);
2. By inserting the following as new Bye-law 76(2):

“(2) Where the Company has knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

(h) Bye-law 84

By inserting the words “be deemed to have been duly authorised without further evidence of the facts and” after the words “Each person so authorised under the provisions of this Bye-law shall” in the second sentence in existing Bye-law 84(2).

(i) Bye-law 86(4)

1. By deleting the words “Subject to any provision to the contrary in these Bye-laws the” and replacing therewith the word “The” at the beginning of existing Bye-law 86(4);
2. By deleting the word “special” and replacing therewith the word “ordinary” in existing Bye-law 86(4).

(j) Bye-law 88

By deleting the existing Bye-law 88 in its entirety and replacing therewith the following new Bye-law 88:

- “88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

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(k) Bye-law 89

By deleting the words “whereupon the Board resolves to accept such resignation” at the end of existing Bye-law 89(1).

(l) Bye-law 103

By deleting the existing Bye-law 103 in its entirety and replacing therewith the following new Bye-law 103 (all changes have been marked-up for your ease of reference):

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

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- (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
 - (vi) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be

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decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board."

(m) Bye-laws 153, 153A and 153B

1. By inserting the words "and Bye-law 153A" after the words "Subject to Section 88 of the Act " in existing Bye-law 153;
2. By inserting the following as new Bye-laws 153A and 153B:

"153A. To the extent permitted by and subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Bye-law 153 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes, a summary financial statement derived from the Company's annual accounts and the directors' report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

153B. The requirement to send to a person referred to in Bye-law 153 the documents referred to in that provision or a summary financial report in accordance with Bye-law 153A shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, the Company publishes copies of the documents referred to in Bye-law 153 and, if applicable, a summary financial report complying with Bye-law 153A, on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents."

(n) Bye-law 157

By deleting the words "as soon as practicable convene a special general meeting to" before, and inserting the words "and fix the remuneration of the Auditor so appointed" after, the words "fill the vacancy" in existing Bye-law 157.

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(o) Bye-law 160

By deleting the existing Bye-law 160 in its entirety and replacing therewith the following new Bye-law 160:–

“160. Any Notice or document (including any “corporate communication” within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not, to be given or issued under these Bye-laws from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appointed newspapers (as defined in the Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company’s website or the website of the Designated Stock Exchange, and giving to the member a notice stating that the notice or other document is available there (a “notice of availability”). The notice of availability may be given to the Member by any of the means set out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.”

(p) Bye-law 161

1. By deleting the word “and” at the end of existing Bye-law 161(a);
2. By inserting the following as new Bye-law 161(b):–

“(b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company’s website or the website of the Designated Stock Exchange, is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;”

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3. By re-numbering existing Bye-law 161(b) as Bye-law 161(c) and substituting the full stop “.” appearing at the end of Bye-law 161(c) with a semi-colon “;” and inserting the word “and” after the semi-colon “;”;
4. By inserting the following as new Bye-law 161(d):–

“(d) may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.”
9. To transact any other business.

By Order of the Board
TANRICH FINANCIAL HOLDINGS LIMITED
Tsang Pui Yee Vanessa
Company Secretary

Hong Kong, 20th September 2004

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 needs 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 principal place of business of the Company in Hong Kong situated at 16th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
- 3) With respect to the resolution set out in resolution no. 5 of the notice, approval is being sought from shareholders for a general mandate to be given to the directors to purchase shares of the Company.
- 4) With respect to the resolutions set out in resolution nos. 6 and 7 of the notice, approval is being sought from shareholders for general mandates to be given to the directors to allot, issue and deal with shares of the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- 5) An explanatory statement containing the information with respect to the resolution set out in resolution no. 5 of the notice of the meeting will be sent to the shareholders together with the 2004 Annual Report.