

# TANRICH

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

Stock Code: 812

## Explore For new Horizons

Annual Report 2013



\*for identification purpose only

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Dr. YIP Man Fan (*Chairman*)  
Mr. KWOK Kam Hoi (*Deputy Chairman and Chief Executive Officer*)  
Mr. TSUNOYAMA Toru  
Ms. WONG, Vicky Lai Ping  
Mr. LIN Peng

#### *Independent Non-executive Directors*

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

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

Mr. YU King Tin (*Chairman*)  
Dr. LAM, Andy Siu Wing, JP  
Mr. MA, Andrew Chiu Cheung  
Mr. TSUNOYAMA Toru  
Ms. WONG, Vicky Lai Ping

### NOMINATION COMMITTEE

Dr. YIP Man Fan (*Chairman*)  
Dr. LAM, Andy Siu Wing, JP  
Mr. MA, Andrew Chiu Cheung  
Mr. YU King Tin  
Ms. WONG, Vicky Lai Ping

### AUTHORISED REPRESENTATIVE

Mr. KWOK Kam Hoi  
Miss FUNG Suk Han

### COMPANY SECRETARY

Miss FUNG Suk Han

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## CORPORATE INFORMATION

<b>HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG</b>	16th Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
<b>BERMUDA PRINCIPAL SHARE REGISTRAR</b>	Butterfield Fulcrum Group (Bermuda) Limited 26 Burnaby Street Hamilton HM11 Bermuda
<b>BRANCH SHARE REGISTRAR IN HONG KONG</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>AUDITOR</b>	Mazars CPA Limited <i>Certified Public Accountants</i> 42nd Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
<b>LEGAL ADVISER AS TO HONG KONG LAW</b>	PHILLIPS Solicitors 3506, Tower 1 Lippo Centre 89 Queensway, Central Hong Kong
<b>LISTING INFORMATION</b>	The Stock Exchange of Hong Kong Limited Stock Code: 812
<b>WEBSITE</b>	<a href="http://www.tanrich-group.com">www.tanrich-group.com</a>

## DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Dr. Yip Man Fan**, aged 60, is the Chairman of the Company and the founder of the Group. He is also the Chairman of nomination committee of the Company. Dr. Yip is also a director of certain subsidiaries of the Company, namely Tanrich Financial (Management) Limited, Tanrich Investment Management Limited, Tanrich Finance Limited, Tanrich Investments Limited, Tanrich Promotion Limited and Tanrich Properties Agency Limited. Dr. Yip has been in the securities and futures broking businesses for about 30 years. He is responsible for business development, corporate strategies and policies setting of the Group. Dr. Yip was awarded a doctoral degree in commerce (Honoris Causi) from The University of West Alabama in 2007. He also received the World Outstanding Chinese Award from United World Chinese Association in 2008. Dr. Yip was the past President of Lions Club of the Peak, Hong Kong. He also received the Melvin Jones Fellow award for dedicated Humanitarian Services of Lions Clubs International Foundation.

**Mr. Kwok Kam Hoi**, aged 61, is the Deputy Chairman and Chief Executive Officer of the Company. Mr. Kwok is also a director of each subsidiary of the Company. He joined the Group in October 1995. He is responsible for business development, corporate strategies and policies setting of the Group. Mr. Kwok actively contributed to the Group's restructuring and business growth. Before joining the Group, he was a vice president of J.P. Morgan & Co., Incorporated where he has worked for 16 years. Mr. Kwok is a graduate of The Chinese University of Hong Kong in business management. He is also a member of the Hong Kong Securities and Investment Institute and a member of the financial and treasury services committee of the Hong Kong General Chamber of Commerce.

**Mr. Tsunoyama Toru**, aged 58, is an executive director of the Company. He is a member of remuneration committee of the Company. Mr. Tsunoyama is also a director of certain subsidiaries of the Company, namely Tanrich Financial (Management) Limited, Tanrich Investment Management Limited, Tanrich Finance Limited, Tanrich Investments Limited, Tanrich Promotion Limited and Tanrich Properties Agency Limited. He joined the Group in May 1991 and is an advisor on the Japanese commodity futures activities of the Group. He has 34 years' experience in the commodity futures field. Mr. Tsunoyama is a law graduate of Kyoto Sangyo University, Japan.

**Ms. Wong, Vicky Lai Ping**, aged 53, is an executive director of the Company. She is also a member of remuneration committee and nomination committee of the Company. She is also a director of its main subsidiaries, namely Tanrich Financial (Management) Limited, Tanrich Investment Management Limited, Tanrich Finance Limited, Tanrich Investments Limited, Tanrich Promotion Limited, Tanrich Properties Agency Limited, Tanrich Securities Company Limited and Tanrich Wealth Management Limited. Ms. Wong joined the Group in 1990, is the head of the Group's human resources and administration division. She is responsible for human resources and administration policies setting, and has more than 30 years' experience in the area. Ms. Wong is also the head of the Group's corporate communication and customer relations divisions, responsible for implementing strategies in the realms of the Group's brand communications, corporate social responsibility and customer relations. Ms. Wong has been actively enhancing the brand awareness of the Group. She holds a master's degree in business administration from the University of Leicester, U.K.

## DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS (Continued)

**Mr. Lin Peng**, aged 47, is an executive director of the Company. Mr. Lin joined the Group in October 2011 and is also the Deputy Chief Executive Officer and Corporate Development Director of the Group. He is responsible for the implementation of Group's strategic plan, corporate development activities and overseeing the operation of the Company. He has over 20 years' experiences in banking and finance as well as financial servicing industry. Prior to joining the Group, Mr. Lin was an executive director and the chief operating officer of Finet Group Limited, and also worked for Infocast Limited as the senior vice president and chief financial officer. Mr. Lin has served with multinational enterprises and multi-industries in China, Hong Kong and North America. He has extensive knowledge in securities trading, corporate finance, merger and acquisition, bond issuance, direct investments, and financial servicing. Mr. Lin holds a bachelor's degree in finance from Xiamen University in PRC and a master's degree in business administration from Ivey School of Business, University of Western Ontario.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Lam Andy Siu Wing, JP**, aged 62, has been an independent non-executive director of the Company since October 2001. Dr. Lam is the Chairman of audit committee and a member of remuneration committee and nomination committee of the Company. He is an American Certified Public Accountant, a Certified Fraud Examiner, a Chartered Secretary and a Chartered Marketer. He holds a master's degree in business administration from Oklahoma City University, USA and a doctoral degree from University of Bolton, UK. Dr. Lam has more than 25 years' experience in finance, corporate administration, marketing and strategic planning. He has been appointed by Hong Kong Government as a Justice of the Peace and sits on a number of boards and committees. Dr. Lam had served as a member of the Administrative Appeals Board, Urban Services Appeals Board, Appeal Board on Public Meetings and Processions, Board of Review (Inland Revenue Ordinance), Action Committee Against Narcotics, Chinese Medicine Practitioners Board, Hong Kong Housing Authority, Personalized Vehicle Registration Marks Vetting Committee, an adjudicator of Immigration Tribunal, Registration of Persons Tribunal and Obscene Articles Tribunal. Currently he is a member of Chinese Medicine Council of Hong Kong and a member of panel of assessors for the disciplinary inquiry of the Medical Council of Hong Kong. Dr. Lam is a director of ChineseWorldNet.com Inc., a company the stocks of which are traded in the OTCBB of USA.

**Mr. Ma, Andrew Chiu Cheung**, aged 71, has been an independent non-executive director of the Company since April 2005. Mr. Ma is a member of audit committee, remuneration committee and nomination committee of the Company. He is a founder and former director of AMA CPA Limited (formerly known as Andrew Ma DFK (CPA) Limited). He is presently a director of Mayee Management Limited. He has more than 30 years' experience in the fields of accounting, auditing and finance. He received his bachelor's degree in economics from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of The Institute of Chartered Accountants in England & Wales, The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Directors and The Taxation Institute of Hong Kong. He is currently also an independent non-executive Director of Asia Financial Holdings Limited, Beijing Properties (Holdings) Limited, C.P. Pokphand Co. Ltd., China Resources Power Holdings Company Limited, Chong Hing Bank Limited and Asian Citrus Holdings Limited.

## DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. Yu King Tin**, aged 47, has been an independent non-executive director of the Company since October 2004. Mr. Yu is the Chairman of remuneration committee and a member of audit committee and nomination committee of the Company. He has more than 20 years' experience in the areas of auditing, taxation, financial management and advisory services. Mr. Yu is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Society of Registered Financial Planner. He holds a bachelor's degree in law from Peking University and a master's degree in corporate finance from the Hong Kong Polytechnic University. He is currently one of the senior management in the finance department of a conglomerate in Hong Kong and has worked in various organizations, being the Inland Revenue Department, international certified public accountants firms and a listed company in Hong Kong. Mr. Yu is currently an independent non-executive director of Emperor Entertainment Hotel Limited.

### SENIOR MANAGEMENT

**Mr. Chan, Andy Wai Kit**, aged 39, is the Managing Director of Tanrich Capital Limited ("TCL") and is responsible for the business development and operation of TCL. Mr. Chan is a graduate of The Chinese University of Hong Kong and holds a bachelor's degree of social science in economics. Mr. Chan has over 13 years' experience in the field of corporate finance and investment banking. Prior to joining the Group in August 2006, he had worked in investment banks in the area of corporate finance advisory, IPOs, restructurings and mergers and acquisitions. Mr. Chan is a responsible officer licensed and registered with the Securities and Futures Commission.

**Mr. Chan Lee Yeung**, aged 64, is a Director of Tanrich Securities Company Limited ("TSCL"), Tanrich Wealth Management Limited and Tanrich Asset Management Limited ("TAML"), and a responsible officer of TSCL, TAML and Tanrich Futures Limited ("TFL"). Mr. Chan has been in the securities business for 41 years. He joined the Group in July 1991.

**Mr. Chen Yu Xing**, aged 48, is a Director of TCL and joined the Group in 2007. Mr. Chen has more than 20 year's management experience and expertise in the information technology industry. He joined T-Systems in 2001 as a senior executive manager in Switzerland and, starting from 2004, went on to hold several important positions in the company's international business, including deputy general manager of the division Systems Integration International, engagement manager for Asia and the U.S.A., program management officer of a global post merger integration project and director of mergers and acquisitions in China. Between 1991 and 2001, Mr. Chen worked as a senior manager in several swiss firms in the information technology industry. Mr. Chen holds a bachelor's degree of computer sciences and a degree of executive master in business administration and engineering.

**Ms. Lau, Elaine Yim Ling**, aged 51, the Managing Director and responsible officer of TFL. She is also the Business Development Director (Retail Division) of the Group and is focusing on developing commodity futures business and a variety of financial services. She also invests plenty of time on training staff because she recognizes that a well trained investment consultant team is of utmost importance for the ever growing of the Company. Ms. Lau has joined the Group since 1990. Over these past 22 years, she spared time on learning new ideas and attained two master's degrees respectively from Newport University, USA and University of South Australia. She is now studying a doctoral degree in Huaqiao University, China. She had been invited by the Hong Kong ET Business College as the guest lecturer for teaching commodity and options. Her essay or writing can always be found on the popular financial magazine or newspaper.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT (Continued)

**Ms. Li Wai Kuen**, aged 53, is a Managing Director and responsible officer of TCL. Before joining the Group in October 2002, Ms. Li worked for the Listing Division of the Stock Exchange of Hong Kong Limited, CEF Capital Limited, Yuanta Securities (Hong Kong) Company Limited and CSC Asia Limited. Ms. Li has 22 years' experience in the field of corporate finance and holds a master's degree in business administration from York University, Canada.

**Mr. Nip Yiu Chuen**, aged 45, is a Director of TFL and TAML. He is also a responsible officer of TSCL, TFL and TAML. He is also the Head of Operations Division of the Group and is responsible for the management and development of dealing and operations of the Group. Mr. Nip has 22 years' financial experience particularly in securities and derivatives trading and operations. Prior to joining the Group in 2008, he was the chief operating officer and responsible officer of Nanhua Futures (Hong Kong) Co., Limited and was responsible for establishing and managing the operations departments in Hong Kong.

**Ms. Tam, Carrie Kar Bo**, aged 43, joined the Group in 2011 as the Financial Controller and appointed as a member of the Executive Committee of the Company in October 2012. Ms. Tam has worked for international accountancy firm and well known securities houses for over 20 years and experienced in the field of auditing and accounting in financial services industry. Ms. Tam obtained a Bachelor's Degree of Arts in Accountancy and a Master's Degree in Professional Accountancy in The Hong Kong Polytechnic University. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.



## CHAIRMAN'S STATEMENT

During the reporting period, a lack of market confidence and direction was attributable to various destabilizing factors, including unresolved European debt crisis and U.S. "Fiscal Cliff", the PRC government's "18th National Congress", the relinquishment of growth rate target of 8% and decelerated global economic growth. Coupled with even more intensified competition in the industry, inflation and rising operating cost, the traditional retail brokerage business suffered from unprecedented pressure. While challenging times still lie ahead, the Group is very confident that we can turn the adversity to advantage by sticking to our strategy as well as being innovative and adaptive amidst the downturn market.

A number of factors, such as continuous inflation, escalating operating cost and intense price competition in the industry, had a negative impact on the business environment. To attain breakthrough in business development, reformation of the traditional business model is necessary. After years of efforts in developing the traditional retail brokerage business, the Group will gradually transform to a diversified financial service institution in line with the change of market demand, focusing on one-stop shop wealth management business providing high quality services to premium and high net-worth clients.

In keeping abreast with the pace of the fast-moving market development and increase income source, the Group is continuously exploring and developing new businesses, expanding the scope of investment products as well as diversifying products offerings in order to meet the needs of a wider range of clientele. The Group also encourages the culture of cross-department collaboration which will create synergy and bring greater revenue to the Group. Furthermore, the Group optimizes its resources allocation by simplifying working procedures and structure, resulting in higher operation flexibility and staff's working efficiency.

Notwithstanding various uncertain external factors, the Group is confident that there are many emerging business opportunities. Although China is growing at a slower pace, the Group believes that China possesses the potential of long-term robust growth and will play a decisive role in the international economies. As long as the Group gauges the country's growth and develops the Mainland market, a new source of considerable income will be generated.

The Group firmly believes that the staff is its valuable assets and the Group's success is the result of collaboration and hard works of the management and the staff. In view of accelerating the pace of transformation, the Group will recruit more experienced talents and expand our sales team in line with business development, adding exuberant vitality and new elements to the Group.

While staying true to the Group's culture and sticking to the right development strategy, the Group will enhance its overall profitability and operating efficiency through strong corporate governance as well as effective risk and cost control measures. The Group is convinced that it will continue to deliver growth and returns for the shareholders.

Finally, on behalf of the board of directors, I would like to extend my heartfelt gratitude to our shareholders, business partners and customers for their full support and trust to the Group. Also, I would like to thank the board of directors and our staff for their dedication and hard work. I promise that I will continue to lead the Group to explore new horizons and create new heights of business achievements.

**Yip Man Fan**  
*Chairman*

Hong Kong, 23 September 2013

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In addition to weak global economy, China economic slowdown to below 8% GDP growth and no additional effective measures to stabilize the economic growth by the PRC government after the “18th National Congress”, intensified competition in the industry and the avalanche of more stringent regulations also struck the Group’s principal businesses. The Group recorded a turnover of HK\$55.2 million (2012: HK\$67.2 million) and a loss before tax of HK\$32.5 million (2012: HK\$45 million). The turnover decreased compared to the corresponding period of last year. The net assets of the Group as at 30 June 2013 decreased to HK\$161.8 million (2012: HK\$188.8 million).

### Wealth management, brokerage and margin financing

In spite of the official launch of a third round of quantitative easing (QE3) by the US Federal Reserve Board and the Outright Monetary Transactions by the European Central Bank in the third quarter of 2012, unsatisfactory market performance and volatile Hong Kong securities market for unsettled investors. During the financial year ended 30 June 2013, the average daily turnover of Hong Kong securities market was HK\$59.8 billion compared to HK\$61.2 billion in the corresponding period of last year, representing a decrease of 2.3%.

Owing to the investors’ prudent and conservative attitude and decreasing turnover of Hong Kong securities market, the turnover generated from the securities broking and margin financing dropped to HK\$26.4 million (2012: HK\$29.9 million) during the reporting period. Nonetheless, the turnover generated from futures broking recorded an increase of 20.5% to HK\$12.4 million (2012: HK\$10.3 million) due to several new clients.

Moreover, the turnover derived from wealth management business decreased drastically to HK\$6.8 million (2012: HK\$12.7 million). Such a drop was mainly attributable to investors’ lack of motivation to participate in the investment market as a result of unstable external economic factors. The wealth management team will further strengthen the MPF, unit trusts and investment-linked products intermediary services to attract new clients. The efforts of investment immigration division started to take effect. To expand this business and provide a diversified choice to customers the Federation of Saint Kitts and Nevis investment immigration services were introduced in addition to existing Hong Kong, United States and England investment immigration services, expecting that it will make greater contribution to the Group in the coming period.

### Insurance agency

During the reporting period, the insurance team established strategic partnership with local and overseas insurance business alliances to provide comprehensive products and outstanding services to high net-worth customers, dedicated to developing the Mainland China market, especially newly-developed regions outside Guangdong Province, filled with enormous business opportunities. The insurance business achieved satisfactory performance with an increase of 98.5% in turnover, reaching HK\$13 million (2012: HK\$6.6 million).

To accelerate the pace of business development in Mainland China, the Group is applying to set up an insurance broking company in the Mainland through the “Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)” and the progress is satisfactory. The Group is well-prepared and waiting for the approval. This division will continue to expand its business network, with expectation that it will bring greater revenue to the Group in the coming period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **BUSINESS REVIEW** (Continued)

#### **Corporate finance**

Economic uncertainties inevitably staggered the corporate finance business. In addition, due to the stringency of regulations from related regulators, the Group's several initial public offering activities ("IPO") were delayed. Therefore, during the current financial year, segment turnover decreased substantially to HK\$5.7 million (2012: HK\$11.4 million) by 49.8%.

To diversify revenue stream of this business, the Group will explore more opportunities of being appointed as financial advisers, placing agents and sponsors. The Group believes that fund raising exercises in the capital market will be more active with more IPOs and placing activities and this division will bring a greater revenue to the Group in the coming period.

#### **Money lending**

Regarding the loans and advances to Cheung Wan (Groups) Energy Development Limited ("Cheung Wan") and its subsidiary, the Group had entered into a settlement agreement on 23 July 2013 for the full and final settlement of all civil legal proceedings. The Group had received HK\$21.2 million in July 2013 out of the total settlement amount of HK\$21.7 million. For details, please refer to note 18 to the consolidated financial statements.

#### **Proprietary trading**

Proprietary trading business recorded a loss of HK\$10.7 million (2012: loss of HK\$4.8 million) during the reporting period. Despite slight mark-to-market gain in securities market, it was offset by substantial loss in the futures market. In view of the high volatility, trading in futures market has been temporarily suspended since late 2012.

#### **Prospects**

Amidst all the turbulence in the global economy and turmoil in the market, the Group will have a firm grip on the business and enhance its competitiveness irrespective of hardship. Leveraging the advantage of diversified business, the Group will aggressively explore and secure opportunities and transform all these opportunities into business.

Transforming Hong Kong to an offshore RMB centre, Hong Kong Exchanges and Clearing Limited ("HKEx") launched the first renminbi (RMB)-traded equity security, first deliverable RMB Currency Futures and After-Hour Futures Trading to enhance the competitiveness of Hong Kong investment market. The Group is well-prepared to cater for the HKEx development strategies and seize the opportunities emerging from RMB internationalization.

More capital exchanges between the Mainland and the international markets will result in the gradual opening-up of the China market. As the offshore RMB centre, Hong Kong is filled with a tremendous amount of business opportunities. The Group is committed to developing the Mainland market, exploring more strategic partners as well as enlarging the product platform offering diversified and up-to-date investment products to meet the needs of institutional and retail clients in Mainland.

Online trading has become a new investment trend as a result of constant advances of technology. To keep up with the technology development, the Group will dedicate more resources to develop and improve the online and mobile trading platform where customers can get instant market information anytime and anywhere and enjoy round-the-clock trading services through the internet and mobile. Furthermore, the Group will launch several promotion schemes to attract new customers.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW** (Continued)

### **Prospects** (Continued)

To educate the investors with appropriate investment knowledge and provide a simple and convenient investment platform for investor to practice, the Group will launch a virtual trading competition and especially encourage university students to participate, hoping that they can experience the operation of the Hong Kong securities market.

Looking forward, the possible tightening of the monetary policies by the U.S. Federal Reserve Board and the volatile global market will take the Group into uncharted territory. However, the Group will consolidate its strength and explore new horizons by continuing to adopt a prudent while aggressive operation strategy as well as stringent risk and cost control.

## **FINANCIAL REVIEW**

### **Liquidity, financial resources and gearing ratio**

As at 30 June 2013, the Group had total cash and bank balances including pledge deposits of HK\$40.8 million (2012: HK\$37.2 million), while net current assets amounted to HK\$65.4 million (2012: HK\$79.8 million). The current ratio as a ratio of current assets to current liabilities was 1.7 (2012: 1.7).

The Group met its daily operating obligations from its internal resources. The finance costs were mainly incurred for margin financing business. To support margin financing business, the Group had short term interest-bearing borrowings of HK\$72.5 million (2012: HK\$85.5 million) at the end of the reporting period and with gearing ratio of 44.8% (2012: 45.3%). Gearing ratio represents the ratio of total borrowings to the total equity of the Group. The interest-bearing borrowings are subject to floating interest rates with reference to the costs of funds of the banks.

### **Banking facilities and charges on assets**

As at 30 June 2013, the Group had aggregate banking facilities of HK\$396.1 million (2012: HK\$556.1 million). The drawdown of certain banking facilities of HK\$390.6 million (2012: HK\$550.6 million) is subject to the market value of the marketable securities pledged and the margin deposits placed. The Group pledged certain investments in listed securities and other financial assets of HK\$87.9 million (2012: HK\$94.6 million) and fixed deposits of HK\$2.0 million (2012: HK\$2.0 million) for the facilities.

### **Material investments**

During the year, the Group's investment in a 5-year held-to-maturity foreign exchange structured note was contractual matured in April 2013 with a profit of HK\$3.0 million (2012: Nil). Other than the above, the Group maintained its investment in equity shares as disclosed in Annual Report 2012. Due to the continuing uncertainty in global market, the Group has made a HK\$3.0 million provision for impairment in one of its investment in Japan market (2012: HK\$0.2 million).

### **Contingencies**

The Group has no material contingent liabilities as at 30 June 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (Continued)

#### **Commitments**

As at 30 June 2013, the Group had no material capital commitment.

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

As at 30 June 2013, the Group has no material exposure to fluctuations in exchange rates.

### **EMPLOYEES**

As at 30 June 2013, the Group had a total of 141 employees. The Group operates different remuneration schemes for account executives and other supporting staff respectively. Account executives are remunerated on the basis of on-target-earning packages comprising base pay and allowances, commission and/or bonus. All supporting and general staff are also entitled to the year-end and the performance discretionary bonuses. The Company has share option schemes under which the Company may grant options to eligible persons to subscribe for shares in the Company as a long-term incentive scheme.

The Group provides training programs for the staff to enhance their skills and knowledge in products, regulations and compliance. For the year under audit, the Group has conducted in-house training of 13.5 Continuous Professional Training hours for the licensed persons.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

During the year ended 30 June 2013 (the "Year"), the Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

## DIRECTORS' SECURITIES TRANSACTIONS

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

## THE BOARD

### The Board Composition

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

#### *Executive Directors:*

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## THE BOARD (Continued)

### The Board Composition (Continued)

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

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

### Independent Non-executive Directors

During the Year, the Board has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules in having at least 3 Independent Non-executive Directors (representing at least one-third of the Board). All of the Independent Non-executive Directors have appropriate professional qualifications and accounting and financial management expertise.

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

### Directors' Continuing Professional Development

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

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

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

# CORPORATE GOVERNANCE REPORT

## **THE BOARD** (Continued)

### **Board meetings**

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

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

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

During the Year, the Board meetings held 5 meetings and the attendance of each Director is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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

## **BOARD COMMITTEES**

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



## CORPORATE GOVERNANCE REPORT

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

#### **Audit Committee**

The Audit Committee comprises 3 Independent Non-executive Directors, namely Dr. Lam, Andy Siu Wing, JP, who acts as the chairman, Mr. Ma, Andrew Chiu Cheung and Mr. Yu King Tin.

The duties of the Audit Committee include, inter alia, monitoring the integrity of financial statements and the accounting policies and practices, making recommendation to the Board on the appointment, re-appointment and removal of external auditors, reviewing the Company's financial controls, internal controls and risk management systems. All members of the Audit Committee are qualified accountants with extensive experience in financial management. The Audit Committee meets at least twice a year to discuss and review the internal control, the financial information and relevant matters. The proceedings of the Audit Committee meetings are the same as the Board meetings. Terms of reference of the Audit Committee is currently available on the HKExnews website and the Company's website.

During the Year, the Audit Committee has reviewed the audit/review planning memorandums and the results for the financial year ended 30 June 2012 and the interim period for the six months ended 31 December 2012. The Audit Committee has also reviewed and followed up the findings and recommendations of the internal controls and management letter points made by our internal audit of the Company and the external auditor, Mazars CPA Limited ("Mazars"), respectively.

The Audit Committee has reviewed the financial statements for the year ended 30 June 2013 together with Mazars.

The Audit Committee has also reviewed the resources, qualifications and experience of the employees of the Group's accounting and financial reporting function, and their training programmes and budget at their meeting on 23 September 2013, and was satisfied with their adequacy and effectiveness.

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

#### **Executive Committee**

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

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

# CORPORATE GOVERNANCE REPORT

## **BOARD COMMITTEES** (Continued)

### **Executive Committee** (Continued)

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

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

### **Remuneration Committee**

The Remuneration Committee comprised all the 3 Independent Non-executive Directors, namely Mr. Yu King Tin, who acts as the chairman, Dr. Lam, Andy Siu Wing, JP and Mr. Ma, Andrew Chiu Cheung, and 2 Executive Directors, namely Mr. Tsunoyama Toru and Ms. Wong, Vicky Lai Ping.

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

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

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

### **Nomination Committee**

The Nomination Committee was established on 27 February 2012. It consists of 5 members, including 2 Executive Directors, namely Dr. Yip Man Fan, who acts the chairman, and Ms. Wong, Vicky Lai Ping; and all the 3 Independent Non-executive Directors, namely Dr. Lam, Andy Siu Wing, JP, Mr. Ma, Andrew Chiu Cheung and Mr. Yu King Tin.

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

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (Continued)

### Nomination Committee (Continued)

During the Year, the Nomination Committee has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Besides, the proposal regarding the appointment of Mr. Lin Peng as an Executive Director of the Company was recommended to the Board during the Year.

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

### ATTENDANCE SUMMARY

The following table shows the attendance of each individual member of the Board and the board committees at the regular Board meetings, the respective board committee meetings and the annual general meeting held on 13 November 2012 ("2012 AGM") held during the Year:

Name of members of the Board/the Board Committees	Attendance/Number of meetings held					2012 AGM
	Board meeting	Audit Committee meeting	Executive Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	
<b>Executive Directors:</b>						
Dr. Yip Man Fan ( <i>Chairman</i> ) ( <i>Note 1</i> )	5/5	N/A	1/1	N/A	1/1	1/1
Mr. Kwok Kam Hoi ( <i>Deputy Chairman and Chief Executive Officer</i> ) ( <i>Note 1</i> )	5/5	N/A	1/1	N/A	N/A	1/1
Mr. Tsunoyama Toru ( <i>Note 1</i> )	4/5	N/A	1/1	0/1	N/A	1/1
Ms. Wong, Vicky Lai Ping	4/5	N/A	4/4	1/1	1/1	1/1
Mr. Lin Peng ( <i>Note 2</i> )	3/4	N/A	3/3	N/A	N/A	1/1
<b>Independent Non-executive Directors:</b>						
Dr. Lam, Andy Siu Wing, JP	5/5	4/4	N/A	1/1	1/1	1/1
Mr. Ma, Andrew Chiu Cheung	5/5	4/4	N/A	1/1	1/1	1/1
Mr. Yu, King Tin	5/5	4/4	N/A	1/1	1/1	1/1
<b>Financial Controller:</b>						
Ms. Tam, Carrie Kar Bo ( <i>Note 3</i> )	N/A	N/A	3/3	N/A	N/A	N/A

#### Notes:

1. Dr. Yip Man Fan, Mr. Kwok Kam Hoi and Mr. Tsunoyama Toru resigned as members of Executive Committee of the Company with effect from 15 October 2012.
2. Mr. Lin Peng was appointed as an Executive Director and a member of Executive Committee of the Company with effect from 15 October 2012.
3. Ms. Tam, Carrie Kar Bo was appointed as a member of Executive Committee of the Company with effect from 15 October 2012.

## CORPORATE GOVERNANCE REPORT

### INTERNAL CONTROL

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

A Compliance Review Report and an Internal Audit Report were reviewed and considered by the Audit Committee on 23 September 2013. The compliance review covered the areas of regulatory compliance, internal control of operations and financial resources maintenance of the 6 major businesses of the Group, namely securities broking and margin financing, futures broking, wealth management, asset management, insurance agency and corporate finance services. The scope of internal audit covered the review of policies and procedures of internal functions, including accounting and financial, human resources and administration, corporate communications, customer relations, research and product development and information technology, and the compliance of the respective procedures. No material exceptions have been noted and L&C shall keep monitoring the follow up work of the minor deviations as stated in the Internal Audit Report and the Compliance Review Report.

### DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

### AUDITOR'S REMUNERATION

The re-appointment of Mazars as the external auditor of the Group was approved by the shareholders of the Company (the "Shareholders") at 2012 AGM. The fee paid/payable to Mazars amounted to HK\$980,000 for audit service rendered to the Group for the year ended 30 June 2013. Save as herein disclosed, no services have been rendered by Mazars other than statutory audits during the Year.

## CORPORATE GOVERNANCE REPORT

### COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. During the Year, Ms. Yuen, Callie Suk Ling ("Ms. Yuen") was the Company Secretary of the Company and she has duly complied with the relevant professional training requirement under rule 3.29 of the Listing Rules.

Ms. Yuen has resigned as the Company Secretary of the Company with effect from 1 July 2013 due to the internal transfer for re-assignment. Miss Fung Suk Han has been appointed as the Company Secretary of the Company with effect from 1 July 2013.

### COMMUNICATION WITH SHAREHOLDERS

The Group has been devoted to maintaining effective communications with its Shareholders and the general public with an aim to improve the transparency of the Group and to provide them with channels to appraise the position of the Group. During the Year, 2012 AGM was held and the notice of 2012 AGM was given to the Shareholders at least 20 clear business days before the meeting. The Chairman of the Board, the chairmen of the audit, remuneration and nomination committees; and other all members of the Board and the external auditor were all present at 2012 AGM to answer the questions from Shareholders. Each substantially separate issue was dealt with in a separate resolution so that the Shareholders were able to comprehend the matter easily.

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

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

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

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

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

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

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

## INVESTOR RELATIONS

In order to bring the bye-laws of the Company (the "Bye-laws") in line with the Listing Rules and to incorporate certain housekeeping amendment, certain amendments to the Bye-laws and a new set of Bye-laws which consolidates all such amendments and all previous amendments made pursuant to resolutions passed by shareholders at general meetings were approved by way of special resolutions on 13 November 2012. A summary of the principal amendments to the Bye-laws is set out in the circular of the Company dated 12 October 2012. The current Bye-laws of the Company can also be found in the websites of the Company and HKExnews.

## CORPORATE GOVERNANCE REPORT

### SOCIAL RESPONSIBILITY

The Group has committed to contributing to economic development while actively participating in different charitable activities. It aims at building a more harmonious and sustainable society by caring about the underprivileged group, supporting education, protecting the environment and promoting green living.

The belief that "it's more blessed to give than to receive" motivates the Group to send love and care to the needy in the society. Apart from raising fund for the low-income families through participating Walk for Millions organized by The Community Chest of Hong Kong, the Group strongly supports 2013 "Give and Gain Day" and encourages its staff to empower the underprivileged group, ranging from children, teenagers, elders to new immigrants, through volunteering. It was award as the "Heart to Heart Company" by the Hong Kong Federation of Youth Group for four consecutive years and "Bronze Certificate" for Volunteer Service 2012 by Social Welfare Department as an appreciation to its efforts in improving social well-being.

Promoting education is an integral part of the Group's corporate social responsibility programmers. To nurture talented people, the Group continuously allocates resources on education. It sponsored the Hong Kong Outstanding Business Students Award 2013 by Hong Kong Federation of Business Students and the Fresh Fish Traders' School's "Academic Improvement Awards" for year 2012/13. The Group realizes that reading does not only broaden students' horizons and inspire innovation, but also boost personal growth. Therefore, the Group's corporate volunteer team participated children's learning supporting services in The Endeavourers Chan Cheng Kit Wan Kindergarten in Chai Wan so as to foster children's interest of reading.

The Group sets new environment protection targets, which adheres to three environmental principles – Reduce, Reuse and Recycle, every year. The Group was successfully awarded Energywise and Wastewise Labels, indicating its efforts in energy saving and waste reduction. Furthermore, after several rounds of interviews and assessments, the Group was awarded "Certificate of Merit" of Financial, Legal and Business Consulting Services Sector in the programme of "2012 Hong Kong Awards Environmental Excellence", recognizing its efforts in green management practices and contribution to environment protection. In an attempt to protect the environment, its corporate volunteer team participated volunteer services at Hong Kong Youth Groups Organic Farm in Yuen Long, paying an effort on environmental protection.

## DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 30 June 2013.

### PRINCIPAL ACTIVITIES

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

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

### RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 33.

The Directors do not recommend the payment of a final dividend (2012: Nil).

### RESERVES

Movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 34 to 35 and note 29 to the consolidated financial statements respectively.

As at 30 June 2013, the reserves of the Company available for distribution to Shareholders amounted to HK\$Nil (2012: HK\$6,721,000).

### DONATIONS

During the year, the Group made charitable and other donations amounted to HK\$8,500 (2012: HK\$10,067).

### PROPERTY, PLANT AND EQUIPMENT

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

### SHARE CAPITAL

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

### FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 94.

### 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 ended 30 June 2013.



## DIRECTORS' REPORT

### DIRECTORS

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

*Executive Directors:*

Dr. Yip Man Fan (*Chairman*)  
Mr. Kwok Kam Hoi (*Deputy Chairman and Chief Executive Officer*)  
Mr. Tsunoyama Toru  
Ms. Wong, Vicky Lai Ping  
Mr. Lin Peng (appointed on 15 October 2012)

*Independent Non-executive Directors:*

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

In accordance with Bye-law 87 of the Company, Dr. Yip Man Fan, Mr. Tsunoyama Toru and Dr. Lam, Andy Siu Wing, JP will, retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM"), save for Dr. Lam, Andy Siu Wing, JP, who indicated that he would not offer himself for re-election at the AGM.

### DIRECTORS' SERVICE CONTRACTS

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

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 30 June 2013, the connected transactions and continuing connected transactions undertaken by the Group are included in the transactions set out in note 31 to the consolidated financial statements, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

## DIRECTORS' REPORT

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

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

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

### **RELATED PARTY TRANSACTIONS**

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

### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

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

### **MANAGEMENT CONTRACTS**

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

## DIRECTORS' REPORT

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

As at 30 June 2013, the interests of the Directors, the chief executive and their respective associates in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

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

Name of Directors	Number of ordinary shares held			Number of underlying shares (Note 3)	Total
	Personal interests	Family interests	Other interests		
Dr. Yip Man Fan	79,484,000	30,000,000 (Note 1)	480,000,000 (Note 2)	–	589,484,000
Mr. Kwok Kam Hoi	19,700,000	–	–	–	19,700,000
Mr. Tsunoyama Toru	140,200,000	–	–	–	140,200,000
Ms. Wong, Vicky Lai Ping	7,000,000	–	–	600,000	7,600,000
Mr. Lin Peng	–	–	–	600,000	600,000
Dr. Lam, Andy Siu Wing, JP	2,152,000	–	–	–	2,152,000
Mr. Ma, Andrew Chiu Cheung	2,152,000	–	–	–	2,152,000
Mr. Yu King Tin	2,042,000	–	–	–	2,042,000

#### Notes:

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

Save as disclosed above, as at 30 June 2013, none of the Directors, the chief executive or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' REPORT

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

### SHARE OPTION SCHEME

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

1. The purposes of the Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants, business associates and advisors and to promote the success of the Group.
2. The participants of the Share Option Scheme include all employees, executive or non-executive directors, consultants, business associates and advisors of the Company or any of its subsidiaries.
3. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to the date of the latest grant shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.
4. Share options may be exercised in accordance with the terms of the Share Option Scheme at any time during a period not less than one year and not more than ten years from the date of grant of the relevant option.
5. No consideration for the grant of an option is required to be paid upon acceptance of the option.
6. The exercise price for the shares shall be determined by the Board of Directors, but shall not be less than the highest of (i) the closing price of each share as stated in the Stock Exchange daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares.
7. The Share Option Scheme will expire on 29 January 2014.
8. The total number of shares issuable upon exercise of outstanding options are 5,000,000, representing 0.420% of the existing issued share capital of the Company as at the date of this report.

## DIRECTORS' REPORT

### SHARE OPTION SCHEME (Continued)

Details of the share options outstanding as at 30 June 2013 which have been granted under the Share Option Scheme are as follows:

	Number of shares issuable under the options				Exercise price HK\$	Grant date	Exercise Period	Closing price per share immediately before the grant date HK\$
	As at 01/07/2012 ( <i>'000</i> )	Granted during the year ( <i>'000</i> )	Lapsed during the year ( <i>Note 1</i> ) ( <i>'000</i> )	As at 30/06/2013 ( <i>'000</i> )				
Directors:								
Ms. Wong, Vicky Lai Ping	-	600	-	600	0.3550	14/11/2012	14/11/2013-13/11/2022	0.350
Mr. Lin Peng	-	600	-	600	0.3550	14/11/2012	14/11/2013-13/11/2022	0.350
Continuous contract employees	2,400	-	-	2,400	0.1675	04/01/2007	04/01/2008-03/01/2017	0.165
	100	-	(100)	-	0.1405	14/05/2009	14/05/2010-13/05/2019	0.140
	200	-	-	200	0.8880	04/01/2011	04/01/2012-03/01/2021	0.840
	-	1,200	-	1,200	0.3550	14/11/2012	14/11/2013-13/11/2022	0.350
<b>Total</b>	<b>2,700</b>	<b>2,400</b>	<b>(100)</b>	<b>5,000</b>				

#### Notes:

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

## DIRECTORS' REPORT

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

As at 30 June 2013, the persons (other than Directors and chief executive of the Company whose interests or short positions have been disclosed above) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are as follows:

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

Name	Note	Capacity and nature of interest	Number of ordinary shares held	Approximate % of holding
Fame Harvest Group Limited	1&2	Beneficial owner	480,000,000	40.29%
Bank of East Asia (Trustees) Limited	2	Trustee	480,000,000	40.29%
Ms. Tang Yuk Lan	3	Interest of spouse	589,484,000	49.48%

#### Notes:

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

Save as disclosed above, as at 30 June 2013, the Company has not been notified of any substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under Section 336 of the SFO.

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

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

- Mr. Yu King Tin was appointed as an independent non-executive director of Emperor Entertainment Hotel Limited (stock code: 296) with effect from 8 August 2013.

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

## DIRECTORS' REPORT

### PRE-EMPTIVE RIGHTS

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

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 30 June 2013, the percentage of the Group's turnover attributable to the Group's largest client and the five largest clients in aggregate were 8.4% and 32.5% respectively. None of the Directors of the Company; or any of their associates; or any shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) has any beneficial interest in any of the Group's five largest customers.

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

### PUBLIC FLOAT

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

### AUDITOR

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

By order of the Board

**Kwok Kam Hoi**

*Deputy Chairman and Chief Executive Officer*

Hong Kong, 23 September 2013

# INDEPENDENT AUDITOR'S REPORT



To the shareholders of  
**Tanrich Financial Holdings Limited**  
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Tanrich Financial Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) set out on pages 33 to 93, which comprise the consolidated and the Company’s statements of financial position as at 30 June 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

## **AUDITOR’S RESPONSIBILITY**

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

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

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



## INDEPENDENT AUDITOR'S REPORT

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 23 September 2013

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

Practising Certificate number: P05132

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Turnover and revenue</b>	2	55,175	67,238
Other revenue	4	16,087	8,061
Employee benefit expenses	5	(36,703)	(44,712)
Depreciation and amortisation		(1,303)	(1,401)
Brokerage and agency commission		(25,484)	(26,933)
Other operating expenses		(38,430)	(45,586)
Finance costs	5	(1,631)	(1,271)
Share of results of an associate	13	(167)	(380)
Share of results of jointly controlled entities	14	(14)	(24)
<b>Loss before tax</b>	5	(32,470)	(45,008)
Income tax credit	7	–	12
<b>Loss for the year attributable to equity holders of the Company</b>	8	(32,470)	(44,996)
<b>Other comprehensive income (loss) for the year</b>			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign subsidiaries and associate		302	(3)
Available-for-sale financial assets			
Fair value gain released on disposal		–	(148)
Change in fair value		5,084	(39,269)
		5,386	(39,420)
<b>Total comprehensive loss for the year attributable to equity holders of the Company</b>		(27,084)	(84,416)
<b>Loss per share</b>			
– Basic and diluted (HK cents)	9	(2.73)	(3.80)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2013

	Attributable to equity holders of the Company																		
	Share capital	Investment revaluation reserve	Share premium	*Capital reserve	Share options reserve	Warrants reserve	Foreign exchange reserve	Accumulated losses	Total reserve	Total									
											HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2011	117,925	116,899	6,079	40,836	536	2,000	1,278	(16,713)	150,915	268,840									
Loss for the year	-	-	-	-	-	-	-	(44,996)	(44,996)	(44,996)									
Exchange difference on translation of financial statements of foreign subsidiaries and associate	-	-	-	-	-	-	(3)	-	(3)	(3)									
Available-for-sale financial assets																			
Fair value gain released on disposal	-	(148)	-	-	-	-	-	-	(148)	(148)									
Change in fair value	-	(39,269)	-	-	-	-	-	-	(39,269)	(39,269)									
Other comprehensive loss for the year	-	(39,417)	-	-	-	-	(3)	-	(39,420)	(39,420)									
Total comprehensive loss for the year	-	(39,417)	-	-	-	-	(3)	(44,996)	(84,416)	(84,416)									
Issue of shares under share option schemes	1,222	-	3,715	-	(513)	-	-	-	3,202	4,424									
Lapse of share options	-	-	-	-	(23)	-	-	23	-	-									
Lapse of unlisted warrants	-	-	-	-	-	(2,000)	-	2,000	-	-									
Total transactions with owners	1,222	-	3,715	-	(536)	(2,000)	-	2,023	3,202	4,424									
At 30 June 2012	119,147	77,482	9,794	40,836	-	-	1,275	(59,686)	69,701	188,848									

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2013

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

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	1,252	1,927
Intangible assets	11	100	150
Interests in an associate	13	715	811
Interests in jointly controlled entities	14	899	913
Available-for-sale financial assets	15	83,920	81,836
Other financial assets	16	5,905	19,563
Other non-current assets	17	3,567	3,582
Loans and advances	18	–	244
		<b>96,358</b>	109,026
<b>Current assets</b>			
Loans and advances	18	18,589	13,660
Financial assets at fair value through profit or loss	19	7,084	6,450
Accounts receivable	20	81,909	131,312
Deposits, prepayments and other receivables	21	9,483	7,028
Pledged deposits	22	2,013	2,007
Cash and bank balances	22	38,809	35,211
		<b>157,887</b>	195,668
<b>Current liabilities</b>			
Amount due to a related company	23	24,000	–
Interest-bearing borrowings	24	48,500	85,500
Accounts payable	25	8,784	20,417
Other payables and accrued charges		11,197	9,603
Tax payable		–	326
		<b>92,481</b>	115,846
<b>Net current assets</b>		<b>65,406</b>	79,822
<b>NET ASSETS</b>		<b>161,764</b>	188,848
<b>Capital and reserves</b>			
Share capital	27	119,147	119,147
Reserves		42,617	69,701
<b>TOTAL EQUITY</b>		<b>161,764</b>	188,848

Approved and authorised for issue by the Board of Directors on 23 September 2013

**Kwok Kam Hoi**  
Director

**Tsunoyama Toru**  
Director

# STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>Non-current assets</b>			
Interests in subsidiaries	12	115,700	152,200
Available-for-sale financial assets	15	66,924	62,806
Other financial assets	16	5,905	19,563
		<b>188,529</b>	234,569
<b>Current assets</b>			
Financial assets at fair value through profit or loss	19	5,323	5,224
Deposits, prepayments and other receivables	21	154	147
Pledged deposits	22	769	765
Cash and bank balances	22	3,381	501
		<b>9,627</b>	6,637
<b>Current liabilities</b>			
Interest-bearing borrowings	24	35,500	51,500
Other payables and accrued charges		892	858
		<b>36,392</b>	52,358
<b>Net current liabilities</b>		<b>(26,765)</b>	(45,721)
<b>NET ASSETS</b>		<b>161,764</b>	188,848
<b>Capital and reserves</b>			
Share capital	27	119,147	119,147
Reserves	29	42,617	69,701
<b>TOTAL EQUITY</b>		<b>161,764</b>	188,848

Approved and authorised for issue by the Board of Directors on 23 September 2013.

**Kwok Kam Hoi**  
Director

**Tsunoyama Toru**  
Director

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2013

	Note	2013 HK\$'000	2012 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Loss before tax		(32,470)	(45,008)
Depreciation and amortisation		1,303	1,401
Impairment loss on available-for-sale financial assets		3,000	213
Gain on disposal of available-for-sale financial assets		-	(120)
Gain on redemption upon maturity of other financial assets		(3,044)	-
Change in fair value of loans and advances/Allowance for bad and doubtful debts, net		(1,853)	7,416
Gain on deemed disposal of an associate		(61)	-
Share of results of an associate		167	380
Share of results of jointly controlled entities		14	24
Exchange difference on other financial assets		(14)	45
Interest income		(1,822)	(2,075)
Interest expenses		1,631	1,271
Dividend income		(2,632)	(3,262)
Changes in working capital:			
Other non-current assets		15	(82)
Loans and advances		615	1,643
Financial assets at fair value through profit or loss		(634)	4,023
Accounts receivable		44,839	70,499
Deposits, prepayments and other receivables		(1,338)	(1,142)
Amount due to a related company		24,000	-
Short-term loan for margin financing		(37,000)	(17,000)
Accounts payable		(11,633)	(8,998)
Other payables and accrued charges		1,594	(3,077)
Cash (used in) generated from operations		(15,323)	6,151
Hong Kong Profits Tax paid		(326)	(1,334)
Interest received		1,822	2,075
Interest paid		(1,631)	(1,271)
<b>Net cash (used in) from operating activities</b>		<b>(15,458)</b>	<b>5,621</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of additional interests in an associate		-	(138)
Proceeds from redemption upon maturity of other financial assets		18,570	-
Dividend received		2,632	3,262
Payments made on total return swap agreement		(1,854)	(2,202)
Proceeds from disposal of available-for-sale financial assets		-	2,871
Purchase of property, plant and equipment		(578)	(964)
<b>Net cash from investing activities</b>		<b>18,770</b>	<b>2,829</b>
<b>FINANCING ACTIVITIES</b>			
Issue of share capital, net of expenses		-	4,424
<b>Net cash from financing activities</b>		<b>-</b>	<b>4,424</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,312</b>	<b>12,874</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>37,218</b>	<b>24,217</b>
Effect on exchange rate changes		292	127
<b>Cash and cash equivalents at end of year</b>	22	<b>40,822</b>	<b>37,218</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## CORPORATE INFORMATION

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

### 1. PRINCIPAL ACCOUNTING POLICIES

#### **Basis of preparation**

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 consolidated financial statements except for the adoption of the following new/revised HKFRSs effective from the current year that are relevant to the Group. A summary of the principal accounting policies adopted by the Group is set out below.

#### **Adoption of new/revised HKFRSs**

Amendments to HKAS 1: *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 require entities to group the items of other comprehensive income into two categories, (i) items that may be reclassified to profit or loss subsequently when specific conditions are met and; (ii) items that will not be subsequently reclassified to profit or loss. The amendments have been applied retrospectively and the Group’s presentation of other comprehensive income in these financial statements has been modified accordingly.

#### **Basis of measurement**

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for certain financial instruments that are measured at fair value as explained in the accounting policies set out below.

#### **Basis of consolidation**

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Subsidiaries**

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

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

### **Associates**

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group's investment in associate is accounted for under the equity method of accounting. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition results of the associate for the year. The consolidated statement of financial position includes the Group's share of the net assets of the associate and also goodwill. The Group discontinues recognising its share of further losses when the Group's share of losses of the associate equals to or exceeds the carrying amount of its interests in the associate, which includes any long term interests that, in substance, form part of the Group's net investment in the associate.

The financial information of the associate has been prepared using accounting policies in conformity with the accounting policies adopted by the Group.

### **Joint venture**

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

### *Jointly controlled entities*

The Group's investment in jointly controlled entity is accounted for under the equity method of accounting. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition results of the jointly controlled entity for the year. The consolidated statement of financial position includes the Group's share of the net assets of the jointly controlled entity.

The financial information of jointly controlled entities have been prepared using accounting policies in conformity with the accounting policies adopted by the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Goodwill

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

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

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

### Property, plant and equipment

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

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

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

### Other intangible assets

The Group holds two trading rights on the Stock Exchange and two trading rights on The Hong Kong Futures Exchange Limited (the "Futures Exchange"). One trading right on the Stock Exchange was purchased during the year ended 30 June 2003 while the remaining three trading rights are recorded at zero book value. The useful life of the trading right acquired in 2003 is estimated to be ten years, and its cost is amortised over the estimated useful life on a straight-line basis. The carrying value of this trading right is reviewed for impairment annually or more frequently when there is indication that the carrying value may not be recoverable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Financial instruments**

#### *Recognition and derecognition*

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

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

#### *Classification and measurement*

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

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss. Where available, the Group measures the fair value of such financial assets using quoted prices in an active market. If the market for such financial assets are not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arms' length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. A gain or loss shall be recognised after initial recognition only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

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

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

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss. The Group's unlisted debt investments/loans and advances at fair value are recorded under this category.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. They are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

#### *Loans and receivables*

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

#### *Available-for-sale financial assets*

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

#### *Financial guarantee contracts*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Financial instruments** (Continued)

#### *Impairment of financial assets*

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

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

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

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

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

#### *Financial liabilities*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Trust accounts

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

### Cash equivalents

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

### Revenue recognition

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Foreign currency translation

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

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

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

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

### Impairment of non-financial assets

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Borrowing costs**

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

### **Leases**

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

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

### **Employee benefits**

#### *Short term employee benefits*

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

#### *Defined contribution plans*

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

#### *Long service payments*

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

### **Taxation**

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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

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

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

### Related parties

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Related parties** (Continued)

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

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

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

### **Critical accounting estimates and judgements**

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

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

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers are to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of the reporting period, the carrying amount of accounts receivable after provision for impairment amounted to HK\$81,909,000 (2012: HK\$131,312,000).

#### *Impairment of investments and receivables*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Future changes in HKFRSs

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

	<b>Effective for accounting periods beginning on or after</b>
HKAS 19 (2011): <i>Employee Benefits</i>	1 January 2013
HKAS 27 (2011): <i>Separate Financial Statements</i>	1 January 2013
HKAS 28 (2011): <i>Investments in Associates and Joint Ventures</i>	1 January 2013
HKFRS 10: <i>Consolidated Financial Statements</i>	1 January 2013
HKFRS 11: <i>Joint Arrangements</i>	1 January 2013
HKFRS 12: <i>Disclosures of Interests in Other Entities</i>	1 January 2013
HKFRS 13: <i>Fair Value Measurement</i>	1 January 2013
Amendments to HKFRS 1: <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>	1 January 2013
HK(IFRIC) – Int 20: <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to HKFRS 7: <i>Disclosure – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to HKFRS 10, 11 and 12: <i>Consolidated Financial Statements, Join Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
Annual Improvement Projects: <i>Annual Improvement 2009-2011 Cycle</i>	1 January 2013
Amendments to HKFRS 10, 12 and 27 (2011): <i>Investment Entities</i>	1 January 2014
Amendments to HKAS 32: <i>Presentation – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to HKAS 36: <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to HKAS 39: <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
HK(IFRIC) – Int 21: <i>Levies</i>	1 January 2014
HKFRS 9: <i>Financial Instruments</i>	1 January 2015

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 2. TURNOVER AND REVENUE

The principal activities of the Group comprise:

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

	2013 HK\$'000	2012 HK\$'000
Brokerage commission:		
– securities dealing	14,397	20,536
– futures and options dealing	12,401	10,288
– distribution of unit trusts, investment-linked and insurance products	6,766	12,740
Advisory and insurance agency fees:		
– fund advisory	–	173
– corporate finance and advisory	5,708	11,370
– insurance agency	13,020	6,559
– investment immigration consulting	600	–
Interest income:		
– securities margin financing	12,001	9,375
– loans and advances	977	1,017
Proprietary trading:		
– net results from proprietary trading in listed securities	699	(1,657)
– net results from proprietary trading in futures contracts	(11,394)	(3,163)
	<b>55,175</b>	<b>67,238</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 3. SEGMENT INFORMATION

The Directors have been identified as the chief operating decision makers to evaluate the performance of operating segments based on the Group's internal reporting in respect of these segments. Segment assets and liabilities are not disclosed as they are not considered as crucial for resource allocation and thereby not being regularly provided to the Directors. The Group's turnover was derived from services provided to numerous individual customers. No single customer contributed more than 10% of the Group's turnover.

### Business segments

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 3. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

	2013							Consolidated HK\$'000
	Wealth management, brokerage and margin financing HK\$'000	Insurance agency HK\$'000	Corporate finance HK\$'000	Asset Management HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	
<b>Turnover and revenue</b>	46,165	13,020	5,708	-	977	(10,695)	-	55,175
Brokerage and agency commission	(12,585)	(11,095)	(1,394)	-	-	(410)	-	(25,484)
<b>Results</b>	(5,861)	(1,166)	(5,008)	-	3,906	(11,105)	(1,777)	(21,011)
Unallocated expenses, represented								
central administration costs								(11,383)
Impairment loss on available-for-sale								
financial assets								(3,000)
Gain on redemption upon maturity of								
other financial assets								3,044
Gain on deemed disposal of an associate								61
Share of results of an associate								(167)
Share of results of jointly controlled entities								(14)
<b>Loss for the year</b>								<b>(32,470)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 3. SEGMENT INFORMATION (Continued)

## Business segments (Continued)

	2012							
	Wealth management, brokerage and margin financing HK\$'000	Insurance agency HK\$'000	Corporate finance HK\$'000	Asset Management HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
<b>Turnover and revenue</b>	52,939	6,559	11,370	173	1,017	(4,820)	-	67,238
Brokerage and agency commission	(20,405)	(5,428)	-	(8)	-	(1,092)	-	(26,933)
<b>Results</b>	(16,297)	(2,694)	407	(1,954)	(6,516)	(5,448)	210	(32,292)
Unallocated expenses, represented								
central administration costs								(12,432)
Gain on disposal of available-for-sale								
financial assets								120
Share of results of an associate								(380)
Share of results of jointly controlled entities								(24)
Income tax credit								12
<b>Loss for the year</b>								<u>(44,996)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 4. OTHER REVENUE

	2013	2012
	HK\$'000	HK\$'000
Dividend income	2,632	3,262
Interest income	1,822	2,075
Management fee income	960	960
Gain on disposal of available-for-sale financial assets	–	120
Gain on redemption upon maturity of other financial assets	3,044	–
Gain on deemed disposal of an associate	61	–
Change in fair value of loans and advances	5,300	–
Reversal of allowance for bad and doubtful debts	1,117	1
Sundry income	1,151	1,643
	<b>16,087</b>	<b>8,061</b>

## 5. LOSS BEFORE TAX

	2013	2012
	HK\$'000	HK\$'000
This is stated after charging (crediting):		
<b>(a) Employee benefit expenses</b>		
Salaries, commission and allowances	35,522	43,598
Contributions to retirement benefit schemes (Note 30)	1,181	1,114
	<b>36,703</b>	<b>44,712</b>
<b>(b) Other items:</b>		
Auditor's remuneration	980	950
Operating lease payments on premises	8,533	10,616
(Reversal of) Allowance for bad and doubtful debts		
– Accounts receivable	4,564	1,000
– Other receivables	(1,117)	1,117
Change in fair value		
– Loans and advances	(5,300)	5,300
Impairment loss on available-for-sale financial assets	3,000	213
<b>(c) Finance costs</b>		
Interest expenses for securities broking and margin financing wholly repayable within five years	1,102	1,139
Other interest expenses	529	132
	<b>1,631</b>	<b>1,271</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' emoluments

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

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

Name of director	2012				Total HK\$'000
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Employer's contributions to retirement benefit schemes HK\$'000	
<b>Executive directors:</b>					
Yip Man Fan	-	1,555	144	34	1,733
Kwok Kam Hoi	229	1,170	128	34	1,561
Tsunoyama Toru	-	1,209	112	34	1,355
Wong, Vicky Lai Ping	-	1,010	93	34	1,137
<b>Independent non-executive directors:</b>					
Lam, Andy Siu Wing	227	-	-	-	227
Ma, Andrew Chiu Cheung	209	-	-	-	209
Yu King Tin	208	-	-	-	208
	<b>873</b>	<b>4,944</b>	<b>477</b>	<b>136</b>	<b>6,430</b>

Note: Mr. Lin Peng was appointed as an executive director of the Company with effect from 15 October 2012.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

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

### Five highest paid employees' emoluments

Of the five individuals with the highest emoluments, three (2012: *four*) were directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining two (2012: *one*) individual is as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other benefits	2,160	1,119
Discretionary bonus	519	–
Contributions to retirement benefit schemes	30	12
	<b>2,709</b>	<b>1,131</b>

	Number of individuals	
The emoluments fell within the following bands:	2013	2012
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	–
	<b>2</b>	<b>1</b>

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

No emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 30 June 2013 and 2012. There were no arrangements under which a director waived or agreed to waive any remuneration for the years ended 30 June 2013 and 2012.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 7. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred losses for taxation purpose for the years ended 30 June 2013 and 2012. In the opinion of the directors, the Group is not subject to taxation in any other jurisdictions.

### Reconciliation of tax credit

	2013	2012
	HK\$'000	HK\$'000
Loss before tax	(32,470)	(45,008)
Income tax at applicable tax rate of 16.5% (2012: 16.5%)	(5,357)	(7,426)
Non-deductible expenses	1,499	3,752
Tax exempt revenue	(1,065)	(2,398)
Unrecognised tax losses	5,490	6,126
Unrecognised temporary difference	58	(29)
Utilisation of previously unrecognised tax losses	(625)	(25)
Overprovision for taxation of previous years	-	(12)
Total tax credit for the year	-	(12)

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

Of the loss for the year attributable to equity holders of the Company of HK\$32,470,000 (2012: HK\$44,996,000), a loss of HK\$31,202,000 (2012: HK\$49,093,000) has been dealt with in the financial statements of the Company.

## 9. LOSS PER SHARE

The calculation of basic loss per share are based on the loss attributable to equity holders of the Company for the year of HK\$32,470,000 (2012: HK\$44,996,000) and the weighted average number of 1,191,476,000 (2012: 1,185,427,000) ordinary shares in issue during the year.

No diluted loss per share is presented for the years 2013 and 2012 as conversion of the Company's share options would result in an anti-dilutive effect. Therefore, diluted loss per share is the same as basic loss per share in 2013 and 2012.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Reconciliation of carrying amount – year ended 30 June 2012					
At 1 July 2011	–	264	69	1,971	2,304
Additions	58	36	9	861	964
Depreciation	(25)	(97)	(38)	(1,181)	(1,341)
<b>At 30 June 2012</b>	<b>33</b>	<b>203</b>	<b>40</b>	<b>1,651</b>	<b>1,927</b>
Reconciliation of carrying amount – year ended 30 June 2013					
At 1 July 2012	33	203	40	1,651	1,927
Additions	365	8	4	201	578
Depreciation	(89)	(102)	(21)	(1,041)	(1,253)
<b>At 30 June 2013</b>	<b>309</b>	<b>109</b>	<b>23</b>	<b>811</b>	<b>1,252</b>
At 30 June 2012					
Cost	7,553	1,178	2,016	8,814	19,561
Accumulated depreciation	(7,520)	(975)	(1,976)	(7,163)	(17,634)
	33	203	40	1,651	1,927
<b>At 30 June 2013</b>					
Cost	<b>7,918</b>	<b>1,186</b>	<b>2,020</b>	<b>9,015</b>	<b>20,139</b>
Accumulated depreciation	<b>(7,609)</b>	<b>(1,077)</b>	<b>(1,997)</b>	<b>(8,204)</b>	<b>(18,887)</b>
	<b>309</b>	<b>109</b>	<b>23</b>	<b>811</b>	<b>1,252</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 11. INTANGIBLE ASSETS

	Group		
	Trading Licenses HK\$'000	Goodwill HK\$'000 (Note)	Total HK\$'000
Reconciliation of carrying amount - year ended 30 June 2012			
At 1 July 2011	110	100	210
Amortisation	(60)	-	(60)
At 30 June 2012	50	100	150
Reconciliation of carrying amount - year ended 30 June 2013			
At 1 July 2012	50	100	150
Amortisation	(50)	-	(50)
<b>At 30 June 2013</b>	<b>-</b>	<b>100</b>	<b>100</b>
At 30 June 2012			
Cost	600	100	700
Accumulated amortisation	(550)	-	(550)
	50	100	150
<b>At 30 June 2013</b>			
Cost	<b>600</b>	<b>100</b>	<b>700</b>
Accumulated amortisation	<b>(600)</b>	<b>-</b>	<b>(600)</b>
	<b>-</b>	<b>100</b>	<b>100</b>

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 12. INTERESTS IN SUBSIDIARIES

	Note	Company	
		2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost		65,237	65,237
Provision for impairment loss	(i)	(65,237)	(65,237)
		-	-
Amount due from a subsidiary	(ii)	148,117	156,730
Provision for impairment loss	(i)	(32,417)	(4,530)
		115,700	152,200

Note:

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

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

Name of subsidiary	Place of incorporation/ place of operation	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
Tanrich Financial (Management) Limited ("TFML")	British Virgin Islands/ Hong Kong	US\$10,000 (divided into 10,000 ordinary shares of US\$1 each)	100%	-	Investment holding and proprietary trading
Tanrich Asset Management Limited ("TAML")	Hong Kong/ Hong Kong	HK\$35,000,000 (divided into 29,000,000 ordinary shares and 6,000,000 non-voting deferred shares of HK\$1 each)	-	100%	Provision of asset management services, distribution of unit trusts and mutual funds
Tanrich Capital Limited ("TCL")	Hong Kong/ Hong Kong	HK\$25,000,000 (divided into 25,000,000 ordinary shares of HK\$1 each)	-	100%	Provision of corporate finance advisory services
Tanrich Finance Limited ("TFIN")	Hong Kong/ Hong Kong	HK\$11,000 (divided into 1,000 ordinary shares and 10,000 non-voting deferred shares of HK\$1 each)	-	100%	Provision of corporate and personal financing services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 12. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ place of operation	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
Tanrich Futures Limited ("TFL")	Hong Kong/ Hong Kong	HK\$30,000,000 (divided into 20,000,000 ordinary shares and 10,000,000 non-voting deferred shares of HK\$1 each)	–	100%	Futures broking and proprietary trading
Tanrich Securities Company Limited ("TSCL")	Hong Kong/ Hong Kong	HK\$105,000,000 (divided into 80,000,000 ordinary shares and 25,000,000 non-voting deferred shares of HK\$1 each)	–	100%	Securities broking, securities margin financing and distribution of unit trusts and mutual funds
Tanrich Wealth Management Limited ("TWML")	Hong Kong/ Hong Kong	HK\$15,000,000 (divided into 15,000,000 ordinary shares of HK\$1 each)	–	100%	Distribution of investment-linked products, MPF products, provision of personal financial consulting and planning services and provision of insurance agency and broking services
Tanrich Investments Limited ("TIL")	Hong Kong/ Hong Kong	HK\$1 (1 ordinary share of HK\$1 each)	–	100%	Investment holding
Tanrich Investment Management Limited ("TIML")	Hong Kong/ Hong Kong	HK\$1,000,000 (divided into 1,000,000 ordinary shares of HK\$1 each)	–	100%	Investment holding
Tanrich Promotion Limited ("TPL")	Hong Kong/ Hong Kong	HK\$300,000 (divided into 300,000 ordinary shares of HK\$1 each)	–	100%	Provision of advertising services
TPAL	Hong Kong/ Hong Kong	HK\$10,000 (divided into 10,000 ordinary shares of HK\$1 each)	–	100%	Property agency
TOP Commodity Capital Management Limited ("TOP")	Hong Kong/ Hong Kong	HK\$150,000 (divided into 150,000 ordinary shares of HK\$1 each)	–	100%	Investment holding
敦沛科技發展 (深圳) 有限公司	Wholly Foreign Owned Enterprise in The People's Republic of China ("China")	Registered capital of HK\$30,000,000	–	100%	Not yet commenced business
敦沛 (大連) 投資管理 有限公司	Wholly Foreign Owned Enterprise in China	Registered capital of HK\$6,000,000	–	100%	Not yet commenced business

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 12. INTERESTS IN SUBSIDIARIES (Continued)

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

## 13. INTERESTS IN AN ASSOCIATE

	Group	
	2013 HK\$'000	2012 HK\$'000
Share of net assets	715	811
Goodwill	2,774	2,774
Provision for impairment loss	(2,774)	(2,774)
	-	-
	<b>715</b>	<b>811</b>

The investment in an associate represents 33.58% (2012: 38.27%) of the issued ordinary share capital of FundStreet AG ("FundStreet"), a company engaged in fund management in Switzerland which is incorporated in Zurich, Switzerland. The associate has its financial year ended on 31 December. For the purpose of Group consolidation, its management accounts for the year ended 30 June 2013 have been equity accounted for in the consolidated financial statements.

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

Summary of financial information of the associate is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Financial position at 30 June</b>		
Non-current assets	1,650	1,698
Current assets	1,311	1,173
Current liabilities	(831)	(750)
Net assets	2,130	2,121
Group's share of net assets of associate	715	811
<b>Operating results for the year ended 30 June</b>		
Revenue	2,161	2,271
Loss for the year	(437)	(989)
Group's share of loss of associate for the year	(167)	(380)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>899</b>	913

Details of the Group's interests in the jointly controlled entities are as follows:

Name of jointly controlled entities	Place of incorporation/ operation	Particulars of issued and paid up ordinary share capital	Percentage of equity interests attributable to the Group			Principal activities
			Group's effective interest	Held by the Group	Held by an associate	
Tanrich-FundStreet Limited ("TFSL")	Hong Kong/ Hong Kong	HK\$2,000,000	63%	51%	35%	Fund management
Tanrich Fund Investment Management (Cayman) Limited, a wholly owned subsidiary of TFSL	Cayman Islands/ Hong Kong	US\$10,000	63%	51%	35%	Not yet commenced business

Both jointly controlled entities have their financial year ended on 30 June.

Pursuant to the memorandum of understanding entered into between the Group and FundStreet, the board of directors of TFSL is to be composed of five members, of which two directors are appointed by the Group. Any change to the board composition is to be mutually agreed by all shareholders of TFSL. As a result, none of the participating parties has unilateral control over the economic activity, TFSL is considered as a jointly controlled entity. TFSL is not considered as a subsidiary of the Group as the Group has no control over its financial and operating policy decision.

Summary of financial information of the jointly controlled entities is as follows:

	<b>Group</b>	
	<b>2013</b>	2012
<b>Financial position at 30 June</b>	<b>HK\$'000</b>	HK\$'000
Current assets	<b>1,822</b>	1,810
Current liabilities	<b>(60)</b>	(20)
Net assets	<b>1,762</b>	1,790
Group's share of net assets of jointly controlled entities	<b>899</b>	913

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 14. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

	Group	
	2013 HK\$'000	2012 HK\$'000
<b>Operating results for the year ended 30 June</b>		
Revenue	-	-
Loss for the year	(26)	(47)
Group's share of loss of the jointly controlled entities for the year	(14)	(24)

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>Non-current</b>				
Equity investments – unlisted, at cost (Note i)	14,339	14,339	-	-
Impairment loss	(13,021)	(10,021)	-	-
	1,318	4,318	-	-
Equity investments – listed in Hong Kong at fair value (Note ii)	82,602	77,518	66,924	62,806
	83,920	81,836	66,924	62,806

Notes:

- (i) Given the equity investments are unlisted, their fair values cannot be reliably measured. The Group has no intention to dispose of these investments.
- (ii) Fair values are determined with reference to quoted market bid prices.

The Group and the Company have pledged listed investments of aggregate carrying amount of HK\$82,602,000 (2012: HK\$73,896,000) and HK\$66,924,000 (2012: HK\$62,806,000) respectively to banks as collateral for the banking facilities granted to the Company and a subsidiary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

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

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

## 16. OTHER FINANCIAL ASSETS

	Group and Company	
	2013 HK\$'000	2012 HK\$'000
Held-to-maturity financial assets	–	14,614
Derivatives – total return swap agreement (“SWAP”) designated as at fair value through profit or loss (Note 35)	5,905	4,051
Embedded derivative designated as at fair value through profit or loss upon initial recognition	–	898
	<b>5,905</b>	<b>19,563</b>

At the end of the reporting period, the Company has pledged other financial assets of HK\$Nil (2012: HK\$15,512,000) to a bank as collateral for the banking facilities granted to the Company and a subsidiary.

## 17. OTHER NON-CURRENT ASSETS

	Group	
	2013 HK\$'000	2012 HK\$'000
Reserve fund deposits with the Futures Exchange	1,534	1,525
Statutory deposits with the Stock Exchange	1,733	1,757
Statutory deposits with the Securities and Futures Commission (“SFC”)	100	100
Contributions to the Central Clearing and Settlement System Guarantee Fund	100	100
Admission fees paid to the Hong Kong Securities Clearing Company Limited	100	100
	<b>3,567</b>	<b>3,582</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 18. LOANS AND ADVANCES

	Group					
	2013			2012		
	At fair value HK\$'000	At amortised cost HK\$'000	Total HK\$'000	At fair value HK\$'000	At amortised cost HK\$'000	Total HK\$'000
Loans and advances						
Unsecured	-	256	256	-	596	596
Secured	18,386	141	18,527	18,382	420	18,802
	18,386	397	18,783	18,382	1,016	19,398
Fair value loss/Allowance for bad and doubtful debts	-	(194)	(194)	(5,300)	(194)	(5,494)
	18,386	203	18,589	13,082	822	13,904
Current portion of loans and advances	(18,386)	(203)	(18,589)	(13,082)	(578)	(13,660)
	-	-	-	-	244	244

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

At the end of the reporting period, loans and advances carry effective interest rates ranging from nil to 8% (2012: nil to 5%) and are within the respective maturity dates (2012: within the respective maturity dates).

## Fair value loss/Allowance for bad and doubtful debts

	2013			2012		
	Fair value loss (Note i) HK\$'000	Bad and doubtful debts HK\$'000	Total HK\$'000	Fair value loss (Note i) HK\$'000	Bad and doubtful debts HK\$'000	Total HK\$'000
	At 1 July	5,300	194	5,494	-	194
(Decrease) Increase	(5,300)	-	(5,300)	5,300	-	5,300
<b>At 30 June</b>	-	194	194	5,300	194	5,494

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 18. LOANS AND ADVANCES (Continued)

### Fair value loss/Allowance for bad and doubtful debts (Continued)

- (i) The amount in 2012 represented fair value loss on loan advanced by a subsidiary of the Company to Cheung Wan (Groups) Energy Development Limited (“Cheung Wan”) and its subsidiary. Under the loan agreement, the loan was due on 31 March 2013. The details of the loan have been set out in the announcements of the Company dated 31 March 2011 and the Company’s 2011 annual report.

As disclosed in the Company’s public announcement dated 17 December 2011, the subsidiary of Cheung Wan received a notice from the Guizhou Provincial People’s Government General Office for a proposed suspension of its mining business. The notice constituted a breach of warranties under the loan agreement as a default that materially and adversely affected the business of Cheung Wan, its financial condition or its ability to perform its obligations under the loan agreement.

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

Management continued making effort to recover the loan. On 23 July 2013, the subsidiary of the Company, Cheung Wan and its shareholders entered into a settlement agreement (the “Settlement Agreement”) in relation to the full and final settlement of all civil legal proceedings concerning the loan. The loan advanced was settled in full on 23 July 2013 and fair value loss was reversed on 30 June 2013.

- (ii) The directors assessed the fair value/recoverability of loans and advances at the end of the reporting period individually with reference to borrowers’ past collection history and current creditworthiness. An aggregate amount due from borrowers of HK\$194,000 (2012: HK\$5,494,000) was determined to have loss in fair value/impaired as a result of the assessment. In the directors’ opinion, there was no indication of deterioration in the collectability of the remaining amount of HK\$18,589,000 (2012: HK\$13,904,000) and thus no additional allowance was considered necessary.

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

	Note	Group		Company	
		2013 HK\$’000	2012 HK\$’000	2013 HK\$’000	2012 HK\$’000
Listed securities in Hong Kong	(i), (ii)	7,025	6,326	5,323	5,224
Listed securities outside Hong Kong	(i)	59	124	–	–
		<b>7,084</b>	6,450	<b>5,323</b>	5,224

Notes:

- (i) Fair values of the listed securities are determined with reference to quoted market bid price.
- (ii) The Company and the Group have pledged certain listed securities of HK\$5,323,000 (2012: HK\$5,224,000) to a bank as collateral for the banking facilities granted to the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 20. ACCOUNTS RECEIVABLE

	Note	Group	
		2013 HK\$'000	2012 HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	(i)	4,880	5,006
– securities margin clients	(ii)	61,712	90,727
– securities subscription clients	(iii)	3,297	1,045
– securities and options clearing houses and brokers	(iii)	4,238	9,858
– futures clearing house and brokers	(iv)	5,564	22,152
Accounts receivable arising from the provision of corporate finance advisory services	(v)	500	1,523
Accounts receivable arising from the provision of investment-linked and insurance products agency services	(vi)	1,718	1,001
		<b>81,909</b>	<b>131,312</b>

### Settlement terms

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

### 20. ACCOUNTS RECEIVABLE (Continued)

Notes:

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

	Group	
	2013 HK\$'000	2012 HK\$'000
Current	18	20
Overdue:		
Within 30 days	4,862	3,156
31 – 90 days	–	–
91 – 180 days	–	–
Over 180 days	3,384	2,830
	<b>8,264</b>	6,006
Allowance for bad and doubtful debts	<b>(3,384)</b>	(1,000)
	<b>4,880</b>	5,006

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

	Group	
	2013 HK\$'000	2012 HK\$'000
At 1 July	1,000	–
Increase in allowance	2,384	1,000
At 30 June	<b>3,384</b>	1,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 20. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

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

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Current	<b>34,147</b>	29,238
Overdue:		
Within 30 days	<b>15,665</b>	17,349
31 – 90 days	77	31,026
91 – 180 days	–	–
Over 180 days	<b>12,823</b>	13,114
	<b>62,712</b>	90,727
Allowance for bad and doubtful debts	<b>(1,000)</b>	–
	<b>61,712</b>	90,727

Accounts receivable from securities margin clients are secured by their pledged securities, repayable on demand and bear interests at commercial rates. Credits are extended to securities margin clients subject to the marginable value of the listed securities pledged with the Group. The margin ratios are reviewed and determined periodically. At the end of the reporting period, fair value of marketable securities pledged by securities margin clients was HK\$207,230,000 (2012: HK\$314,269,000).

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

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
At 1 July	–	–
Increase in allowance	<b>1,000</b>	–
At 30 June	<b>1,000</b>	–

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

The Group maintains margin deposits with the options clearing house in respect of clients' monies in the ordinary course of business of options broking. At the end of reporting period, deposits not otherwise dealt with in consolidated financial statements amounted to HK\$1,716,000 (2012: HK\$1,451,000).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 20. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

- (iv) Accounts receivable from futures clearing house and brokers did not include clients' monies deposited in the futures clearing house in Hong Kong amounted HK\$4,043,000 (2012: HK\$1,305,000), which was not dealt with in the consolidated financial statements. At the end of the reporting period, accounts receivable from futures clearing house and brokers net of allowance for bad and doubtful debts were all aged within 30 days and repayable on demand.

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

	Group	
	2013 HK\$'000	2012 HK\$'000
At 1 July	–	–
Increase in allowance	480	–
At 30 June	480	–

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

	Group	
	2013 HK\$'000	2012 HK\$'000
Current	500	23
Overdue:		
Within 30 days	–	–
31-90 days	–	800
91-180 days	–	–
Over 180 days	700	700
	1,200	1,523
Allowance for bad and doubtful debts	(700)	–
	500	1,523

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

	Group	
	2013 HK\$'000	2012 HK\$'000
At 1 July	–	620
Increase in allowance	700	–
Amount written off	–	(622)
Exchange realignment	–	2
At 30 June	700	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 20. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

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

	Group	
	2013 HK\$'000	2012 HK\$'000
Current	1,556	965
Overdue:		
Within 30 days	2	3
31-90 days	-	9
91-180 days	-	-
Over 180 days	160	81
	<b>1,718</b>	1,058
Allowance for bad and doubtful debts	-	(57)
	<b>1,718</b>	1,001

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

	Group	
	2013 HK\$'000	2012 HK\$'000
At 1 July	57	58
Amount written off	(57)	-
Amount recovered	-	(1)
At 30 June	-	57

Accounts receivable with carrying amount of HK\$32,589,000 (2012: HK\$68,011,000) are past due but not impaired. The management is of the opinion that no provision for impairment is necessary in respect of the overdue amount as all the balances have been fully settled subsequently or were being settled according to the agreed repayment schedules. The Group does not hold any collateral or other credit enhancements over these balances other than accounts receivable from securities margin clients.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Deposits, prepayments and other receivables	7,711	6,019	154	147
Amount due from a related company (Note)	1,772	2,126	-	-
Allowance on bad and doubtful debts	-	(1,117)	-	-
	<b>9,483</b>	7,028	<b>154</b>	147

Note: The related company is Tanrich (Hong Kong) Holdings Limited ("THKHL") in which directors of the Company, Dr. Yip Man Fan and Mr. Tsunoyama Toru, have indirect beneficial interest. The amount due represents staff costs and office overhead expenses paid on THKHL's behalf. The maximum amount outstanding during the year is HK\$2,590,000.

### Allowance for bad and doubtful debts

	Group	
	2013 HK\$'000	2012 HK\$'000
At 1 July	1,117	-
Increase in allowance	-	1,117
Impairment losses reversed	(1,117)	-
<b>At 30 June</b>	<b>-</b>	<b>1,117</b>

The directors assessed the collectability of other receivables at the end of the reporting period individually with reference to borrowers' past collection history and current creditworthiness. In the directors' opinion, there was no indication of deterioration in the collectability of the remaining amount of HK\$9,483,000 (2012: HK\$7,028,000) and thus no additional allowance was considered necessary.

## 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Pledged deposits	2,013	2,007	769	765
Cash and bank balances	38,809	35,211	3,381	501
As stated in the consolidated statement of cash flows	<b>40,822</b>	37,218	<b>4,150</b>	1,266

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the end of the reporting period, trust monies not otherwise dealt with in the consolidated financial statements amounted to HK\$84,157,000 (2012: HK\$156,256,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

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

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

On 18 May 2012, the facility was renewed with no change in terms and limit. The agreement between TFML and Union Light was still applicable. Further on 6 June 2013, the facility was renewed and the facility limit was revised to HK\$150,000,000. The agreement between TFML and Union Light was revised subsequently on 4 July 2013.

During the year, a total amount of HK\$49,000,000 (2012: HK\$56,000,000) had been utilised by TSCL and TFML under 3 (2012: 4) withdrawals. At 30 June 2013, a balance of HK\$24,000,000 was utilised and outstanding (2012: HK\$Nil). The amount due is unsecured, interest bearing at 2.46% per annum and wholly repayable within 3 months. The repayment schedule was rolled-over to 7 October 2013 in September 2013.

## 24. INTEREST-BEARING BORROWINGS

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Bank loans, secured and wholly repayable				
within 12 months	<b>48,500</b>	85,500	<b>35,500</b>	51,500

The bank loans were borrowed principally for the purpose of providing margin financing to clients. The weighted average effective interest rate on the loans was 1.45% (2012: 1.54%) per annum. The bank loans were fully repaid in July 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 25. ACCOUNTS PAYABLE

	Note	Group	
		2013 HK\$'000	2012 HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	(i)	782	7,919
– securities margin clients	(i)	365	652
– futures clients	(ii)	4,764	10,314
Accounts payable arising from the provision of investment-linked and insurance products agency services	(iii)	2,873	1,532
	(iv)	8,784	20,417

Notes:

- (i) The settlement terms of accounts payable arising from the ordinary course of business of broking in securities in respect of cash clients and margin clients are two or three trading days after the transaction dates.
- (ii) Accounts payable arising from the ordinary course of business broking in index, commodity and currency futures contracts represent the margin deposits received from clients for their trading in futures contracts. The excess over the required margin deposits stipulated are repayable to clients on demand.
- (iii) Accounts payable arising from the provision of investment-linked and insurance products agency services are repayable within 30 days.
- (iv) Accounts payable are stated net of clients' segregated assets of HK\$89,916,000 (2012: HK\$159,012,000).
- (v) No ageing analysis is disclosed in respect of accounts payable. In the opinion of the directors, an ageing analysis does not give additional value in view of the businesses' nature.
- (vi) Interest with reference to savings rate of financial institutions is payable to accounts payable arising from the ordinary course of business of securities broking subject to their balances maintained with the Group. All other categories of accounts payable are non-interest-bearing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 26. DEFERRED TAXATION

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

	Assets		Liabilities	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Depreciation allowances	-	-	(125)	(180)
Tax losses	125	180	-	-
Deferred tax assets (liabilities)	125	180	(125)	(180)
Offset deferred tax assets and liabilities	(125)	(180)	125	180
<b>Net deferred tax assets (liabilities)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Unrecognised deferred tax assets arising from

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Deductible temporary differences	96	76	-	-
Tax losses	235,393	206,336	58,459	49,990
	<b>235,489</b>	<b>206,412</b>	<b>58,459</b>	<b>49,990</b>

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

## 27. SHARE CAPITAL

	2013		2012	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.1 each				
At 1 July and 30 June	2,000,000	200,000	2,000,000	200,000
<b>Issued and fully paid:</b>				
At 1 July	1,191,476	119,147	1,179,252	117,925
Issue of shares under share option schemes	-	-	12,224	1,222
<b>At 30 June</b>	<b>1,191,476</b>	<b>119,147</b>	<b>1,191,476</b>	<b>119,147</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 28. SHARE OPTION SCHEME

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

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

Exercise price	Number of options ('000)						Total
	HK\$0.750	HK\$0.168	HK\$0.131	HK\$0.141	HK\$0.888	HK\$0.355	
At 1 July 2011	2,700	2,400	456	320	1,200	–	7,076
Lapsed	–	–	(152)	–	–	–	(152)
Exercised	(2,700)	–	(304)	(220)	(1,000)	–	(4,224)
At 30 June 2012 and 1 July 2012	–	2,400	–	100	200	–	2,700
Lapsed	–	–	–	(100)	–	–	(100)
Granted	–	–	–	–	–	2,400	2,400
<b>At 30 June 2013</b>	<b>–</b>	<b>2,400</b>	<b>–</b>	<b>–</b>	<b>200</b>	<b>2,400</b>	<b>5,000</b>

At the end of the reporting period, the weighted average remaining contractual life of the Company's share options was 6.7 years (2012: 5.9 years). Details of the movements in the Share Option Scheme are set out in the Directors' Report on pages 27 to 28.

The fair value of the 2,400,000 options granted in 2013 is assessed to be insignificant under the Black-Scholes pricing model.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 29. RESERVES

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

Company	Investment revaluation reserve HK\$'000	Share premium HK\$'000 (Note (ii))	Contributed surplus HK\$'000 (Note (i))	Share options reserve HK\$'000 (Note (iv))	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2011	83,913	5,839	65,059	536	2,000	(11,268)	146,079
Loss for the year	-	-	-	-	-	(49,093)	(49,093)
Other comprehensive loss for the year							
Available-for-sale financial assets							
Change in fair value	(30,487)	-	-	-	-	-	(30,487)
Total comprehensive loss for the year	(30,487)	-	-	-	-	(49,093)	(79,580)
Issue of shares under share option schemes	-	3,715	-	(513)	-	-	3,202
Lapse of share options	-	-	-	(23)	-	23	-
Lapse of unlisted warrants	-	-	-	-	(2,000)	2,000	-
Total transactions with owners	-	3,715	-	(536)	(2,000)	2,023	3,202
At 30 June 2012	53,426	9,554	65,059	-	-	(58,338)	69,701
At 1 July 2012	<b>53,426</b>	<b>9,554</b>	<b>65,059</b>	-	-	<b>(58,338)</b>	<b>69,701</b>
Loss for the year	-	-	-	-	-	(31,202)	(31,202)
Other comprehensive income for the year							
Available-for-sale financial assets							
Change in fair value	4,118	-	-	-	-	-	4,118
Total comprehensive loss for the year	4,118	-	-	-	-	(31,202)	(27,084)
At 30 June 2013	57,544	9,554	65,059	-	-	(89,540)	42,617



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 29. RESERVES (Continued)

Note:

### (i) Contributed surplus

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

### (ii) Share premium

The share premium account of the Company of HK\$9,554,000 (2012: HK\$9,554,000) can be distributed in the form of fully paid bonus shares pursuant to the Companies Act 1981 of Bermuda.

### (iii) Distributable reserves

As at the end of the reporting period, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to HK\$Nil (2012: HK\$6,721,000) subject to the restriction stated above.

### (iv) Share option reserve

Share options reserve represents the fair value of share options granted under the Company's share option scheme which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated profits or losses should the related options expire or be forfeited.

## 30. RETIREMENT BENEFIT SCHEMES

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

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

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

Contributions to the MPF Scheme are calculated at five percent of the relevant income of each employee subject to a maximum amount of HK\$1,250 per month (HK\$1,000 per month before June 2012). All statutory contributions under the MPF Scheme are immediately fully vested on the employees.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 30. RETIREMENT BENEFIT SCHEMES (Continued)

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

	2013 HK\$'000	2012 HK\$'000
Gross employer's contributions	1,187	1,147
Less: Forfeited contributions utilised to offset employer's contributions for the year	(6)	(33)
Net employer's contributions charged to profit or loss	1,181	1,114

## 31. CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

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

### (a) Continuing connected transactions

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

	Annual cap HK\$'000	Licence fee HK\$'000
From 8 April 2013 to 30 June 2013	260	260

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

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

### (b) Other related party transactions

Related party relationship	Nature of transaction	2013 HK\$'000	2012 HK\$'000
Key management personnel, excluding directors	Salaries, commission and allowances	6,418	7,045
	Contributions to retirement benefit schemes	111	125
A related company THKHL (Note i)	Licence fee (Note a)	(260)	–
	Management fee received	(960)	(960)
	Motor vehicle lease payment	240	240
	Depreciation share expense	–	198
Union Light Investment Limited (Note ii)	Interest payment	526	127

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

Notes:

- (i) During the year, the Group charged THKHL management fees of HK\$80,000 per month for the management and personnel supportive services provided by the Group and paid to THKHL lease payments of HK\$20,000 per month for the use of a motor vehicle.
- (ii) The Group paid interest expense of HK\$526,000 to Union Light pursuant to the agreement as detailed in note 23.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 32. FINANCIAL INSTRUMENTS BY CATEGORY

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 32. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Group	Assets at fair value through profit or loss					Total HK\$'000
	Loans and receivables HK\$'000	Designated			Available- for-sale HK\$'000	
		at initial recognition HK\$'000	Held for trading HK\$'000	Held-to- maturity HK\$'000		
<b>Financial assets</b>						
Available-for-sale financial assets	–	–	–	–	81,836	81,836
Other financial assets	–	4,949	–	14,614	–	19,563
Loans and advances	822	13,082	–	–	–	13,904
Investments held for trading	–	–	6,450	–	–	6,450
Accounts receivable	131,312	–	–	–	–	131,312
Financial assets included in deposits, prepayments and other receivables	7,028	–	–	–	–	7,028
Other non-current assets	3,582	–	–	–	–	3,582
Pledged deposit	2,007	–	–	–	–	2,007
Cash and bank balances	35,211	–	–	–	–	35,211
At 30 June 2012	179,962	18,031	6,450	14,614	81,836	300,893

Group	Financial liabilities at amortised cost HK\$'000
<b>Financial liabilities</b>	
Interest-bearing borrowings	85,500
Accounts payable	20,417
Financial liabilities included in other payables and accrued charges	9,603
At 30 June 2012	115,520

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 32. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 32. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company	Assets at fair value through profit or loss					Total HK\$'000
	Loans and receivables HK\$'000	Designated			Available- for-sale HK\$'000	
		at initial recognition HK\$'000	Held for trading HK\$'000	Held-to- maturity HK\$'000		
<b>Financial assets</b>						
Available-for-sale financial assets	–	–	–	–	62,806	62,806
Other financial assets	–	4,949	–	14,614	–	19,563
Investments held for trading	–	–	5,224	–	–	5,224
Amount due from a subsidiary	152,200	–	–	–	–	152,200
Financial assets included in deposits, prepayment and other receivables	147	–	–	–	–	147
Pledged deposits	765	–	–	–	–	765
Cash and bank balances	501	–	–	–	–	501
At 30 June 2012	153,613	4,949	5,224	14,614	62,806	241,206
<b>Financial liabilities at amortised cost</b>						
<b>Company</b>						
<b>Financial liabilities</b>						
Interest-bearing borrowings						51,500
Financial liabilities included in other payables and accrued charges						858
At 30 June 2012						52,358

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### Interest-rate risk

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

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

### Credit risk

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

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

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

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

### Foreign currency risk

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

The Group considers the risk exposure to foreign currency fluctuation would be minimal as long as the Hong Kong dollar remains pegged to the United States dollar. The analysis is performed on the same basis for 2012.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk

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

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

	2013			2012		
	Less than 3 months or on demand HK\$'000	3 to 12 months HK\$'000	Total HK\$'000	Less than 3 months or on demand HK\$'000	3 to 12 months HK\$'000	Total HK\$'000
<b>Group</b>						
Amount due to a related company	24,000	-	24,000	-	-	-
Interest-bearing borrowings	48,500	-	48,500	85,500	-	85,500
Accounts payable	8,784	-	8,784	20,417	-	20,417
Other payables and accrued charges	10,253	944	11,197	8,610	993	9,603
	<b>91,537</b>	<b>944</b>	<b>92,481</b>	114,527	993	115,520
<b>Company</b>						
Interest-bearing borrowings	35,500	-	35,500	51,500	-	51,500
Other payables and accrued charges	678	214	892	618	240	858
	<b>36,178</b>	<b>214</b>	<b>36,392</b>	52,118	240	52,358

At the end of the reporting period, pursuant to the corporate guarantee provided by the Company granted to the subsidiaries, the possible undiscounted contractual cash outflow was HK\$13,000,000 (2012: HK\$34,000,000), which is classified as "Less than 3 months or on demand" under the maturity profile.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risks arising from individual equity investments classified as available-for-sale investments and investments held for trading as at 30 June 2013, details of which have been set out in notes 15 and 19 to the consolidated financial statements respectively. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	2013		2012	
	30 June	High/Low from 1 July 2012 to 30 June 2013	30 June	High/Low from 1 July 2011 to 30 June 2012
Hong Kong – Hang Seng Index	20,803	23,822/18,877	19,441	22,835/16,170

### Sensitivity analysis

The sensitivity analysis below has been determined assuming that the reasonably possible changes in the fair value of equity investments, with all other variables held constant had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The analysis is performed on the same basis for 2012.

At the end of the reporting period, if the equity price had been 5% (2012: 10%) higher/lower with all other variables held constant, the Group's loss before tax would be decreased/increased by HK\$354,000 (2012: HK\$645,000). Investment revaluation reserve would be increased/decreased by HK\$4,130,000 (2012: HK\$7,752,000) as a result of changes in fair value of listed available-for-sale investments. For sensitivity analysis on available-for-sale investments, no account has been taken of factors such as impairment which might impact on profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transaction.

The directors consider that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair value.

### Fair value disclosures

The following presents the carrying value of financial instruments measured at fair value at 30 June 2013 and 2012 across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

### Assets measured at fair value

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Assets measured at fair value (Continued)

	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
30 June 2012				
Available-for-sale financial assets				
Listed securities	77,518	77,518	–	–
Other financial assets				
Held to maturity financial assets	14,614	–	14,614	–
SWAP	4,051	–	4,051	–
Embedded derivatives	898	–	898	–
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	6,326	6,326	–	–
Listed securities outside Hong Kong	124	124	–	–
Loans and advances	13,082	–	–	13,082

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

The movement mainly represents the reversal of fair value loss on loans and advances. The details of the measurement basis as at 30 June 2013 are set out in note 18 to the consolidated financial statements.

During the years ended 30 June 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## 34. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, future capital requirement of the Group and investment opportunities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives policies or processes during the years ended 30 June 2013 and 2012.

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

The Group monitors capital using a gearing ratio, which is total borrowings divided by the total shareholders' equity. The Group's policy is to maintain the gearing ratio at a reasonable level. At the end of the reporting period, there were borrowings of HK\$72.5 million (2012: HK\$85.5 million) for financing the operations of the Group which resulted in a gearing ratio of 44.8% (2012: 45.3%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

## 35. COMMITMENTS

### Commitments under operating leases

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

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

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>7,480</b>	11,000
In the second to fifth year inclusive	<b>153</b>	9,183
	<b>7,633</b>	20,183

### Other commitments

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

Pursuant to the SWAP, the Company is obliged to make quarterly payments to the bank. The amount to be paid is calculated on the notional amount with reference to LIBOR from time to time. Upon maturity of the SWAP, the Company is entitled to receiving the return on the underlying instrument depending on its performance. The SWAP is accounted for by the Group in accordance with HKAS 39 accordingly and included in other financial assets under note 16 of the consolidated statement of financial position.

## 36. CONTINGENT LIABILITIES

The Company had issued corporate guarantee of HK\$55,000,000 (2012: HK\$65,000,000) and unlimited guarantee for a facility amounted to HK\$65,500,000 (2012: HK\$65,500,000) for bank facilities granted to subsidiaries from banks, which were utilised to the extent of HK\$13,000,000 (2012: HK\$34,000,000) at the end of the reporting period.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2013

### 37. COMPARATIVE FIGURES

Comparative figures of the consolidated statements of comprehensive income have been reclassified as disclosed in note 3 and note 5 to the consolidated financial statements.

Conforming to current year's presentation, expenses of HK\$8,515,000 for the year of 2012 that was included in employee benefit expenses in 2012 Annual Report has been reclassified under brokerage and agency commission under the segment of wealth management, brokerage and margin financing. The revised presentation reflects more appropriately the nature of these items. This reclassification has no effect on the reported financial position, results or cash flows of the Group.

## FIVE-YEAR FINANCIAL SUMMARY

### RESULTS:

	Financial year ended 30 June				
	2009	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)				
Turnover	67,775	68,147	109,636	67,238	55,175
Loss before tax	(31,461)	(32,708)	5,666	(45,008)	(32,470)
Income tax (credit) expenses	(88)	(753)	(1,091)	12	-
Loss for the year	(31,549)	(33,461)	4,575	(44,996)	(32,470)
<b>Attributable to:</b>					
Equity holders of the Company	(31,547)	(33,455)	4,596	(44,996)	(32,470)
Non-controlling interests	(2)	(6)	(21)	-	-
	(31,549)	(33,461)	4,575	(44,996)	(32,470)
Dividends	-	-	-	-	-

### ASSETS AND LIABILITIES:

	Assets and liabilities as at 30 June				
	2009	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)				
Non-current assets	126,039	121,925	150,293	109,026	96,358
Current assets	190,156	185,337	272,630	195,668	157,887
Total assets	316,195	307,262	422,923	304,694	254,245
Current liabilities	(58,684)	(84,864)	(154,083)	(115,846)	(92,481)
Non-current liabilities	-	-	-	-	-
Total liabilities	(58,684)	(84,864)	(154,083)	(115,846)	(92,481)
Net total assets	257,511	222,398	268,840	188,848	161,764
Current ratio	3.24	2.18	1.77	1.69	1.71
Gearing ratio	12%	18%	41%	45%	45%