TANRICH

TANRICH FINANCIAL HOLDINGS LIMITED

敦沛金融控股有限公司*

Stock code: 812

ANNUAL REPORT 2010

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS	*Executive Directors* Dr. YIP Man Fan *(Chairman)* Mr. KWOK Kam Hoi *(Deputy Chairman and Chief Executive, redesignated on 20 January 2010)* Mr. TSUNOYAMA Toru Ms. WONG, Vicky Lai Ping *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, elected on 18 March 2010)* Dr. LAM, Andy Siu Wing, JP Mr. MA, Andrew Chiu Cheung Mr. TSUNOYAMA Toru Ms. WONG, Vicky Lai Ping
AUTHORISED REPRESENTATIVE	Mr. KWOK Kam Hoi Ms. CHEUNG, Fendi Chung Yee
COMPANY SECRETARY	Ms. CHEUNG, Fendi Chung Yee
REGISTERED OFFICE	Clarendon House 2 Church Street Hamilton HM11 Bermuda
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	16th Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
BERMUDA PRINCIPAL SHARE REGISTRAR	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM08 Bermuda

HONG KONG BRANCH SHARE REGISTRAR	Computershare Hong Kong Investor Services Limited Shops 1712 – 1716, 17th Floor Hopewell Centre 183 Queen's Road East Hong Kong
AUDITOR	Mazars CPA Limited *Certified Public Accountants* 42nd Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
LISTING INFORMATION	The Stock Exchange of Hong Kong Limited Stock Code: 812
WEBSITE	www.tanrich-group.com

EXECUTIVE DIRECTORS

Dr. Yip Man Fan, aged 57, is the chairman of the Company and the founder of the Group. 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 (acquired by the Group on 10 August 2010). 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 58, is the deputy chairman and chief executive of the Company. Mr. Kwok is also a director of each subsidiary of the Company. He joined the Group in October 1995. He is responsible for business development, corporate strategies and policies setting of the Group. Mr. Kwok actively contributed to the Group's restructuring and business growth. Before joining the Group, he was a vice president of J.P. Morgan & Co., Incorporated where he has worked for 16 years. Mr. Kwok is a graduate of the Chinese University of Hong Kong in business management. He is also a member of the Hong Kong Securities Institute and a member of the financial and treasury services committee of the Hong Kong General Chamber of Commerce.

Mr. Tsunoyama Toru, aged 55, is an executive director of the Company and its subsidiaries, 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 over 30 years' experience in the commodity futures field. Mr. Tsunoyama is a law graduate of Kyoto Sangyo University, Japan.

Ms. Wong, Vicky Lai Ping, aged 50, is an executive director of the Company. 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 28 years' experience in the area. Ms. Wong is also the head of the Group's corporate communications 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, and has assisted the Group to obtain the internationally recognized accreditations of ISO 9001 and ISO 10002 in the area of customer services. Ms. Wong holds a master's degree in business administration from the University of Leicester, U.K.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam, Andy Siu Wing, JP, aged 59, has been an independent non-executive director of the Company since October 2001. Dr. Lam is an American Certified Public Accountant, a Certified Fraud Examiner, a Chartered Secretary and a Chartered Marketer. He holds a master's degree in business administration from Oklahoma City University, USA and a doctoral degree from The University of Bolton, UK. Dr. Lam has more than 20 years' experience in finance, corporate administration, marketing and strategic planning. He has been appointed by Hong Kong Government as a Justice of the Peace and sits on a number of boards and committees. Dr. Lam had served as a member of the Administrative Appeals Board, Urban Services Appeals Board, Board of Review (Inland Revenue Ordinance), Action Committee Against Narcotics, an adjudicator of Immigration Tribunal, Registration of Persons Tribunal and Obscene Articles Tribunal. Currently he is a member of the Hong Kong Housing Authority, a member of the Chinese Medicine Practitioner Board of the Chinese Medicine Council of Hong Kong, and a member of the Appeal Board on Public Meetings and Processions. Dr. Lam has also sat on the board of several listed companies in Hong Kong, Canada and the United States of America.

Mr. Ma, Andrew Chiu Cheung, aged 68, has been an independent non-executive director of the Company since April 2005. Mr. Ma is a founder and former director of Andrew Ma DFK (CPA) Limited. He is presently a director of Mayee Management Limited. He has more than 30 years' experience in 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) Ltd. (formerly known as Peaktop International Holdings Limited), C.P. Pokphand Co. Limited, China Resources Power Holdings Co., Limited, Chong Hing Bank Limited and Asian Citrus Holdings Limited.

Mr. Yu King Tin, aged 44, has been an independent non-executive director of the Company since October 2004. Mr. Yu has 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 the Peking University and a master's degree in corporate finance from the Hong Kong Polytechnic University. He is currently one of the senior management in the finance department of a conglomerate in Hong Kong and has worked in various organisations, being the Inland Revenue Department, international CPA firms and a listed company in Hong Kong.

SENIOR MANAGEMENT

Ms. Cheung, Fendi Chung Yee, aged 41, is the company secretary and the financial controller of the Company. Ms. Cheung joined the Group in October 2005 and has 17 years' experience in a wide range of financial and company secretarial matters. Ms. Cheung has worked for international accountancy firms and companies listed in Hong Kong before joining the Group. Ms. Cheung holds a bachelor's degree of arts in accountancy and is a fellow member of the Association of Chartered Certified Accountant. She is also an associate member of each of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Mr. Chan, Andy Wai Kit, aged 36, is the 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 10 years experience in the field of corporate finance and investment banking. Prior to joining Tanrich Group, 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 61, 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 and TAML. Mr. Chan has been in the securities business for 38 years. He joined the Group in July 1991.

Mr. Chen Yu Xing, aged 45, is a director of TCL and joined the Group in 2007. Mr. Chen has more than 17 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.

Mr. Lam, Dennis Che Chung, aged 39, is a director of TAML, and is responsible for establishing the asset management business for the Group. Mr. Lam possesses over 10 years' experience in the finance industry. Before joining the Group, Mr. Lam was the Portfolio Manager at Descartes Global Asset Management Limited and was responsible for managing a USD15 million Pan Asia multi-strategy hedge fund. Prior to joining Descartes, Mr. Lam was a US Equity Trader in JadeFlex Inc., Hong Kong, where he was responsible for equity long/short trades in NYSE and NASDAQ. Prior to his working experience in Hong Kong, he was a risk manager at the Bank of Nova Scotia, Canada, specializing in fixed income derivative products, such as interest rates swaps, cross currency swaps, etc. He holds a bachelor's degree in operations research & industrial engineering from Cornell University, USA.

Ms. Lau, Elaine Yim Ling, aged 48, is the Managing Director of Tanrich Futures Limited ("TFL"). Joining in 1990 and has over 20 years' experience in the futures business, Ms. Lau holds two master's degrees in business administration from Newport University, USA and the University of South Australia respectively. She is now a candidate of a doctoral degree in business administration of Huaqiao University.

SENIOR MANAGEMENT *(Continued)*

Ms. Li Wai Kuen, aged 50, is a director and a 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 19 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 42, is the Head of Operations of the Group, the Director of TFL and the Responsible Officer of TSCL and TFL. He is responsible for the management and development of dealing and operations of the Group. Mr. Nip has 19 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. He was the Hong Kong Futures Exchange floor trader at Vickers Ballas Hong Kong Limited. Mr. Nip holds a BA (Hons) in financial services from the Napier University.

Mr. Ting Sai Man, aged 51, is the director and chief executive officer, as well as a responsible officer, of TFL. With 23 years' experience in the futures/options industry, Mr. Ting is responsible for developing the futures business and its electronic trading platform, and enhancing investor knowledge of the futures market. Prior to joining the Group, he has worked for Eurex as Senior Consultant, and has held senior positions with various financial institutions, namely, HSBC Futures, Chase Manhattan Bank, Bank of America Futures, New York Mercantile Exchange HK Office and ADMIS Hong Kong Ltd. Mr. Ting is a regular speaker for China Futures Association, Chinese National Futures Association, the Hong Kong Securities Institute and other business colleges on Continuous Professional Training Courses and investment seminars.

2010 is a meaningful year for Tanrich group as it marks our 20th anniversary. Over the years, Tanrich encountered successive business challenges and obstacles resulting from global and domestic fluctuations that directly affected the financial industry. However, we overcame these challenges on every occasion and kept growing over time, maintaining this growth trend and evolving from a small-scale futures brokerage firm into an organized listed financial services group. With the timely introduction of business strategies to cope with rapid changes in the general business environment, we will build on our successful track record, adapting to ongoing adjustments in the economy, and minimizing our exposure to risks resulting from unforeseeable developments in the general business environment. Observing the corporate vision of enhancing our market position through sustained long-term growth, Tanrich will re-brand itself, becoming a *"Financial Supermart – Regional I-Bank"*.

In line with our strategy of transforming into a *"Financial Supermart – Regional I-Bank"*, we will seek to improve our operational efficiency and profitability by deploying more resources toward Institutional Sales, advisory services in MPF, and The Capital Investment Entrant Scheme (CIES). Already, the Group's Institutional Sales and Asset Management divisions have both started to generate revenue, and further growth is expected to be realized as more resources are allocated to these divisions. Consistent with our commitment to raising the efficiency of our operations, we have continued to upgrade our online trading platform for securities and futures; strengthened internal support via a team of wealth management specialists entrusted with fine-tuning investment planning procedures; and established an electronic program to conduct risk assessment for our customers, which is supported by professional advice on investment strategies and portfolio development.

During the year, Tanrich was successfully registered as an approved MPF intermediary, thus further enhancing the spectrum of services we are able to deliver to our clients. Satisfactory progress was also made on the insurance and corporate finance fronts, aided by our well-established geographical network from which we have achieved business growth and strengthened relations with our business alliances.

Challenges and opportunities often co-exist. While we continue to face adverse business conditions, we draw optimism from Hong Kong's business outlook, having achieved encouraging economic results during the financial year. Gross Domestic Product has rebounded since the fourth quarter of 2009, and the adjusted employment rate declined to 4.6% in the second quarter of 2010. In this transitional period, we will continue to dedicate every effort into business diversification and will be ready to pounce on opportunities that emerge. With the synergies expected to be generated among our business segments, including securities broking, money lending, asset management and corporate finance, we strongly believe that this will further strengthen our competitiveness and enhance Tanrich's market position. Having established a solid foundation in Hong Kong, and now making our mark in China, we are confident in realizing further business milestones and delivering sustainable results to our shareholders.

With Tanrich's 20th anniversary now upon us, we wish to express our great appreciation for the invaluable contributions made by our loyal staff and stakeholders. I would like to extend my sincere gratitude to our workforce, as well as our business partners and customers for their support over the years. I would also like to thank the board of directors for their unstinting dedication to the growth of Tanrich in the past, and strategies for success in the years ahead.

Yip Man Fan
Chairman

Hong Kong, 15 September 2010

Tanrich Group is approaching its 20th anniversary. Over the 20 years, the financial market changed radically. The local retail brokerage business is approaching its saturation. The market participants and the general public are all looking forward to the open up of the China market. The Group is also undergoing a gradual adjustment on business strategy that more resources were being allocated to non-retail brokerage businesses.

The Institutional Sales division was established and Asset Management business started generating income in the current financial year. These two divisions will keep strengthening the team manpower and talents. We have lined up business relations with international securities houses and fund managers. The divisions will also create synergy among the businesses including securities broking, money lending, asset management and corporate finance.

The financial year being the transitional period of our business optimisation, additional resources have been devoted to human resources, information technology and other system support establishment. The Group recorded a turnover of HK$68.1 million *(2009: HK$67.8 million)* and a loss before taxation of HK$32.7 million *(2009: HK$31.5 million)*. The net assets of the Group as at 30 June 2010 dropped to HK$222.4 million accordingly *(2009: HK$257.5 million)*.

BUSINESS REVIEW

Following the adjustment of business strategy, the business segmentation has been modified to better reflect the internal management reporting purposes. There are mainly six business segments, namely wealth management, brokerage and margin financing, insurance agency, corporate finance, asset management, money lending, and proprietary trading.

Wealth management, brokerage and margin financing

After the rapid rebound in Hong Kong stock market over the late 2008 to 2009, the market experienced a slight downturn adjustment. The Hang Seng Index once achieved an encouraging gain of 25% in November 2009 over the closing level of 18,378 on 30 June 2009. Then it hit a near year low of 18,985 in May 2010. Although at the close of 30 June 2010, Hang Seng Index still managed to have a modest 10% gain, and the average daily turnover of the Hong Kong stock market was HK$64.5 billion comparing to HK$57.6 billion in the prior year, the choppy trades in the 1st half year of 2010 proved the stock market challenging. Despite the slow down in market recovery, the segment turnover increased by 38% to HK$38.5 million while segment loss decreased to HK$12.1 million.

The Group has committed resources to improve the trading platform and internal support system. A specialist of wealth management division was also consulted for refining the procedures from policy application to portfolio follow up review. An electronic program for analyzing the clients' risk attitude and provision of investment portfolio advice was introduced to facilitate clients' risk taking level assessment and investment decision. The Group also revamped the electronic trading platforms for both securities and futures trading and a trial trading environment will be launched shortly.

In addition, the Group has been successfully registered as a MPF intermediary to provide wider range of services to our clients.

Insurance agency

The turnover from this segment was HK$11.1 million which represents 54% of last year's figure. The loss before taxation dropped to HK$1.3 million. During the year, the Insurance Division further established referral relationships with banks in Singapore and China. With good exposure in the Philippines, Japan, Taiwan, Thailand and China, the insurance agency business was resuming in line with the economies in the South East Asia Region.

BUSINESS REVIEW *(Continued)*

Corporate finance

Taking the halt during late 2008 to early 2009, fund raising exercises in the capital market became active in later part of 2009. Nevertheless, new worries of a double dip US housing market have resurfaced while the China government is still pushing hard on tightening new loan lending to contain housing bubble. Several IPOs were pulled off during 2nd half of the financial year due to the uncertain market sentiments.

The Corporate Finance team acted as agent of 6 placing exercises and was engaged as sponsor for new listing of 3 companies in the current financial year. They were also appointed as financial advisers for several corporate transactions. The segment generated a revenue of HK$20.1 million *(2009: HK$2.9 million)* and a loss of HK$2.1 million *(2009: HK$4.9 million)*.

Asset management

Asset management business was resumed last year and the asset management division is in the process of building and strengthening its team. Nevertheless, asset management business started contributing revenue of HK$0.8 million *(2009: Nil)* to the Group and rapid expansion could be expected in the foreseeable future.

Proprietary trading

The financial markets and economic activities improved steadily through the end of the year 2009 and then slumped when the European Debt Crisis started to surface. Greece sovereign debt rating was dropped to BBB+ from A- in December 2009 and eventually to the "junk" status in April 2010. The global equities and commodities markets suffered significant losses during the 1st half of 2010 and the gains achieved in 2009 were mostly erased.

In view of the above, the proprietary trading in futures contracts recorded a loss of HK$3.9 million after 4 consecutive profit-making years and hence the segment loss was HK$2.7 million.

PROSPECTS

Hong Kong kept recording encouraging economic figures in the current financial year and the Gross Domestic Product has rebounded since the 4th quarter of 2009. The seasonally adjusted unemployment rate further decreased to 4.6% in the 2nd quarter of 2010. Despite those historical data, the rate of recovery has obviously slowed down. The Hang Seng Index closed at 20,129 on the financial year end date which represents a decrease of 8.0% from the last interim period end. In addition, the China and Hong Kong governments imposed tightening policies to cool down the overheating property market.

To diversify from the reliance on existing brokerage businesses, the Group is extending its business to Institutional Sales, advisory services in MPF, residentship through capital investment and property agency service.

Approaching the 20th anniversary, the Group positions itself to be your *"Financial Supermart – Regional I-Bank"*. In the ever-changing financial world, twenty-year is not a long time but we managed to accomplish success in the market. The Group leaped over a number of challenges, namely oil crisis and Asia financial turmoil in last century, SARS and financial tsunami in this decade. None of these incidents shook our faith and courage. Tanrich has developed from a small-scale futures broking firm to an all-rounded listed financial services group. With foundation in Hong Kong and targeting to Mainland, Tanrich is confident to have another breakthrough and to create sustainable value to our stakeholders.

FINANCIAL REVIEW

Liquidity, financial resources and gearing ratio

As at 30 June 2010, the Group had total cash and bank balances of HK$44.9 million *(2009: HK$36.1 million)*, while net current assets amounted to HK$100.5 million *(2009: HK$131.5 million)*. The decrease in net current asset is mainly due to utilisation over normal operation. The current ratio as a ratio of current assets to current liabilities also dropped to 2.2 *(2009: 3.2)*.

The Group had short term bank borrowings of HK$41 million at the end of the reporting period and resulting in gearing ratio of 18.4% *(2009: 12.0%)*. Gearing ratio represents the ratio of total borrowings to the total equity of the Group. The bank 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 2010, the Group had aggregate banking facilities of HK$944.2 million. The drawdown of certain banking facilities of HK$938.7 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$105.6 million and fixed deposits of HK$0.5 million for the facilities.

Material investments

The Group maintained its investments in 2 listed and 3 non-listed companies as disclosed in the Annual Report 2009. During the year, the Group subscribed units of the fund managed by our asset management team of the amount of US$1 million. Near the end of the financial year, the Group redeemed all units at a slight profit.

The associate of the Group, FundStreet AG ("FundStreet") has applied with the Swiss FINMA for a Swiss property fund in legal form of a SICAV to cope with the rebound in investment demand. Unfortunately, the market did not resume as expected under the European Debt Crisis. The management of FundStreet is not optimistic with the business in the coming year and hence the Group made a further provision of HK$1.9 million for the year.

Contingencies

The Group has no material contingent liabilities as at 30 June 2010.

Commitments

As at 30 June 2010, the Group had a capital commitment of HK1.0 million *(2009: HK$0.4 million)* contracted but not provided for in the financial statements in relation to the revamp of information technology systems.

Exposure to fluctuations in exchange rates

The Group has substantially cut its margin deposits in JPY with futures commission merchants to JPY8.3 million *(2009: JPY31.3 million)* and kept minimal bank deposit in JPY *(2009: JPY61.3million)*. Therefore, the Group has no material exposure to fluctuations in exchange rates.

EMPLOYEES

As at 30 June 2010, the Group had a total of 124 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 9 Continuous Professional Training hours for the licensed persons.

COMPLIANCE WITH THE CODE OF 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 and has complied with all the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 (the "Code") to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at the financial year end. The Group took a further step to rectify the minor deviation from the Provision A.2.1 of the Code as explained below.

THE BOARD

The Board Composition

During the year, the Board comprised 7 Directors, including 4 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)* Mr. Tsunoyama Toru Ms. Wong, Vicky Lai Ping
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 that 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. The Company has arranged appropriate Directors and Officers' Insurance for their personal liability in their capacity as Directors and officers of the Company. In the current financial year, no legal actions were made against any of the Directors in relation to their duties performed for the Company.

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, respective Board committees and senior management of the Group.

THE BOARD *(Continued)*

Independent Non-executive Directors

To the best knowledge of the Directors, there is no any relationships among the Board members. 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 financial year.

All of the Independent Non-executive Directors have appropriate professional qualifications and accounting and financial management expertise.

Board meetings

The Board meets regularly with intervals of not more than 4 months 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, there were 5 regular board meetings held and the attendance of each Director is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Provision A.2.1 of the Code requires the management of the Board and the day-to-day management of business be performed by separate individuals.

There was no office of chief executive in the Group before appointment of Mr. Kwok Kam Hoi ("Mr. Kwok") as the Chief Executive on 20 January 2010. The Chairman was responsible for the management and leadership of the Board, while the Directors were responsible for leadership and control of the Group. Different functions of the operations and day-to-day businesses were performed by different board committees and managed by respective members of the Board and the Senior Management.

On 20 January 2010, Mr. Kwok, the Deputy Chairman of the Group, was appointed as the Chief Executive. Accordingly, the roles of Chairman and Chief Executive are segregated and there is no any relationships between Dr. Yip Man Fan, the Chairman of the Group, and Mr. Kwok. The duties of the Chairman and the Chief Executive 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 is responsible for overseeing the day-to-day management of the Company, supervising the businesses of the Group and ensuring that board committees work smoothly and effectively. All Executive Directors including Mr. Kwok, without the Chairman's presence, meet with the department heads regularly to discuss and determine the business and operational issues.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER *(Continued)*

The Board is of the view that the appointment of Chief Executive can further strengthen the corporate governance of the Group and proper segregation of duties and balance of power and authority are clearly maintained. The current corporate structure can maintain segregation of duties and enhance the communication within the Group and facilitate business decision-making efficiently.

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 at any time 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 financial year. Employees and consultants who are privy to price sensitive information are required to follow the Model Code.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee. The Board is responsible for all matters relating to the appointment of Directors, either to fill a casual vacancy or as an addition to the existing Board. The Board keeps reviewing the existing size and efficiency of the Board and identifies individuals suitably qualified in terms of expertise, knowledge and experience to become members of the Board when appropriate. The Board considers and deals with these matters in meeting and not by way of circulation of written resolutions. Any Director so appointed shall hold office only until the next annual general meeting ("AGM") and shall then be re-elected at that meeting in accordance with the Bye-laws of the Company.

During the year, the Board has reviewed the necessity to set up a nomination committee and concluded not to establish such at the current moment but will continue reviewing the need to establish a nomination committee regularly.

BOARD COMMITTEES

The Board has established different Board committees and has delegated to these committees various responsibilities set out in their respective terms of reference. 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.

Executive Committee

The Executive Committee comprises all Executive Directors. It 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. The Executive Committee 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.

The Executive Committee held 10 meetings during the year and the attendance of each member is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

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 of the Audit Committee, Mr. Ma, Andrew Chiu Cheung and Mr. Yu, King Tin.

The Board adopted terms of reference of the Audit Committee setting out its role and responsibilities. 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 controls, the financial information and relevant matters. The proceedings of the Audit Committee meetings are the same as the Board meetings.

During the year, the Audit Committee has reviewed the audit/review planning memorandums and the results for the financial year ended 30 June 2009 and the interim period for the year ended 30 June 2010. 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 Department and the external auditors respectively.

Despite the removal of the requirement of a qualified accountant, a team of qualified accountants are maintained to ensure accuracy and timeliness of the financial reporting. The Audit Committee has 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 15 September 2010, and was satisfied with their adequacy and effectiveness.

The Audit Committee held 5 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 two 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 least once a 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 financial statements.

The Remuneration Committee held 2 meetings in the year and the attendance of each member is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

BOARD COMMITTEES *(Continued)*

Risk Control Committee ("RCC")

RCC comprises certain Executive Directors and the Financial Controller. RCC is responsible for establishing and reviewing credit policies and procedures to minimise the systematic and non-systematic credit and financial risks of the Group. RCC is also responsible for assess the risk of investments of non-daily businesses. RCC meets from time to time as and when necessary to make recommendations to the Board.

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 AGM held on 12 November 2009 ("2009 AGM") held during the financial year:

	Attendance/Number of meetings held				
Name of members of the Board/ the Board Committees	**Board meeting**	**Audit Committee meeting**	**Executive Committee meeting**	**Remuneration Committee meeting**	**AGM**
Executive Directors:					
Yip, Man Fan *(Chairman)*	5/5	N/A	10/10	N/A	1/1
Kwok, Kam Hoi *(Deputy Chairman and Chief Executive)*	5/5	N/A	10/10	N/A	1/1
Tsunoyama, Toru	5/5	N/A	10/10	1/2	1/1
Wong, Vicky Lai Ping	5/5	N/A	10/10	1/2	1/1
Independent Non-executive Directors:					
Lam, Andy Siu Wing, JP	5/5	5/5	N/A	2/2	1/1
Ma, Andrew Chiu Cheung	5/5	5/5	N/A	2/2	1/1
Yu, King Tin	5/5	5/5	N/A	2/2	1/1

CORPORATE COMMUNICATIONS

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. In particular, an AGM is held once a year and notice of an AGM is given to the Shareholders at least 20 clear business days before the meeting so that they have sufficient period of notice and participation from Shareholders is encouraged. The Chairman of the Board, the chairmen of the audit and the remuneration committees and other members of the Board were all present at general meetings to answer the questions from Shareholders. Each substantially separate issue is dealt with in a separate resolution so that the Shareholders are able to apprehend the matter easily.

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 have a better understanding of the businesses of the Group. The Group endeavours to maintain interactive communications with the Shareholders.

SOCIAL RESPONSIBILITY

The Group has been committed to attaining higher goals and contributing more resources to promote corporate social responsibility, and also maintaining a stronger bond with society. In 2010, the Group's objective is to nurture the next generation of Hong Kong, by rewarding society with our expertise. To achieve this, we donated books published by the Group, which provided knowledge on finance and investment, to the universities' libraries in Hong Kong. The "Tanrich Financial Scholarship" was also awarded to students with outstanding academic results from the School of Accounting and Finance of the Hong Kong Polytechnic University.

We are also devoted to taking care of the underprivileged groups in society by visiting a local elderly home during the Chinese New Year, and drawing creative paintings with children of Po Leung Kuk at a charity event sponsored by the Group. We also took part in the Walks for Millions 2010 and Metro Finance's Charity Soccer, which raised funds for the Community Chest and the needy in society.

For environmental protection, we supported Greenpeace's Carfree Day 2010 and provided marketing effort for various green groups, namely Friends of Earth and the Salvation Army, to promote the philosophy of environmental protection.

INTERNAL CONTROL

During the financial year, the Internal Audit Department ("IA") was set up, accompanying with the Legal & Compliance Department ("L&C"), 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. Prior to that the internal audit function was assumed by the L&C.

An Internal Audit Report and a Compliance Review Report were reviewed and considered by the Audit Committee on 15 September 2010. 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 policy and procedures of internal functions, including accounting and financial, human resources and administration, corporate communications, customer relations, research and product development and legal and compliance and the compliance of the respective procedures. No material exceptions have been noted and the IA and the 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.

REVIEW OF 2010 FINANCIAL STATEMENTS AND EXTERNAL AUDITOR

The Board acknowledges the responsibility for preparing the accounts which gives a true and fair view. In preparing the accounts which give a true and fair view, appropriate accounting policies are selected and applied consistently and judgment and estimates were made prudently and reasonably on a going concern basis. It is the responsibility of the external auditor to form an independent opinion to be reported to Shareholders.

The Audit Committee has reviewed the financial statements for the year ended 30 June 2010 together with the auditor, Mazars CPA Limited ("Mazars").

The re-appointment of Mazars as the external auditor of the Group was approved by Shareholders at the 2009 AGM. The remuneration for audit service and other service for the year ended 30 June 2010 was HK$920,000 and HK$7,000 respectively. Save as herein disclosed no services have been rendered by Mazars during the financial year.

By order of the Board
Kwok Kam Hoi
Deputy Chairman and Chief Executive

Hong Kong, 15 September 2010

The Directors submit their report together with the audited financial statements of the Company and its subsidiaries for the year ended 30 June 2010.

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 financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 32.

The Directors do not recommend the payment of a final dividend *(2009: 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 page 33 and note 28 to the financial statements respectively.

As at 30 June 2010, the reserves of the Company available for distribution to Shareholders amounted to HK$66,989,000 *(2009: HK$66,158,000)*.

DONATIONS

During the year, the Group made charitable and other donations amounted to HK$6,000 *(2009: HK$7,000)*.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 26 to the financial statement.

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 90.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS

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

Executive Directors:	Dr. Yip Man Fan *(Chairman)*
	Mr. Kwok Kam Hoi *(Deputy Chairman and Chief Executive, redesignated on 20 January 2010)*
	Mr. Tsunoyama Toru
	Ms. Wong, Vicky Lai Ping
Independent Non-executive Directors:	Dr. Lam, Andy Siu Wing, JP
	Mr. Ma, Andrew Chiu Cheung
	Mr. Yu King Tin

In accordance with Bye-law 87 of the Company, Mr. Kwok Kam Hoi, Ms. Wong, Vicky Lai Ping 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").

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into or is proposing to enter into a service contract with the Company or its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

CONNECTED TRANSACTIONS

During the year ended 30 June 2010, the Group had continuing connected transactions as defined under the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") but are exempted from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A.33(3)(b) of the Listing Rules. Details of these transactions are set out in Note 30 to the financial statements.

RELATED PARTY TRANSACTIONS

The Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these transactions are set out in note 30 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as those disclosed under "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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2010, 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 Companies (the "Model Code") contained in the Listing Rules were as follows:

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

	Number of ordinary shares held				
Name of Directors	Personal interests	Family interests	Other interests	No. of underlying shares *(Note 3)*	Total
Yip Man Fan	57,484,000	30,000,000 *(Note 1)*	480,000,000 *(Note 2)*	–	567,484,000
Kwok Kam Hoi	16,000,000	–	–	8,000,000	24,000,000
Tsunoyama Toru	136,760,000	–	–	3,440,000	140,200,000
Wong, Vicky Lai Ping	–	–	–	7,780,000	7,780,000
Lam, Andy Siu Wing	–	–	–	2,152,000	2,152,000
Ma, Andrew Chiu Cheung	–	–	–	2,152,000	2,152,000
Yu King Tin	–	–	–	2,152,000	2,152,000

Notes:

1. Shares are held by Ms. Tang Yuk Lan, the spouse of Dr. Yip Man Fan.

2. Shares are held by discretionary trusts of which Dr. Yip Man Fan and members of his family are beneficiaries.

3. 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 2010, 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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the "Share Option Schemes" below and in Note 27 to the 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 SCHEMES

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

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

1. The purpose of the Pre-Listing Scheme is to enable the Company to grant share options to eligible persons as an incentive or reward for their contributions to the Group.

2. The participants of the Pre-Listing Scheme include any employee, executive or non-executive director or bona fide consultant of the Company or any of its subsidiaries.

3. The total number of shares 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 Pre-Listing Scheme at any time during a period commencing one year from the date of grant of the option and expiring on the earlier of the last day of (i) a ten year period from the date of grant of the option or (ii) ten years from the adoption date.

5. A non-refundable consideration of HK$1 for the grant of each lot of options is required to be paid by each grantee upon acceptance of the option.

6. The subscription price of the shares shall be determined by the Board of Directors, but shall not be less than the higher of (i) the closing price of each share as stated in the Stock Exchange daily quotation sheet on the date of grant of the option; and (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option.

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

8. The total number of shares issueable upon exercise of the outstanding options is 14,640,000, which represents 1.30% of the existing issued share capital of the Company at the end of the reporting period.

SHARE OPTION SCHEMES *(Continued)*

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

Details of the share options outstanding as at 30 June 2010 which have been granted under the Pre-Listing Scheme are as follows:

	Number of shares issuable under the options							
	As at 01/07/2009 *('000)*	Exercised before Bonus Issue *('000)*	Adjustment *('000)*	As at 30/06/2010 *('000)*	Adjusted subscription price *HK$*	Grant date	Exercise Period	Closing price per share immediately before the grant date *HK$*
Directors:								
Kwok Kam Hoi	4,000	–	4,000	8,000	0.1800	22/02/2002	22/02/2003–07/01/2012	0.163
Tsunoyama Toru	1,720	–	1,720	3,440	0.1800	22/02/2002	22/02/2003–07/01/2012	0.163
Wong, Vicky Lai Ping	600	–	600	1,200	0.1800	22/02/2002	22/02/2003–07/01/2012	0.163
	1,000	–	1,000	2,000	0.1625	03/07/2006	03/07/2007–07/01/2012	0.163
Bona fide consultant of the Group	1,200	1,200	–	–	0.1675	04/01/2007	04/01/2008- 07/01/2012	0.165
	8,520	**1,200**	**7,320**	**14,640**				

Notes:

1. Adjustments were made to the number of outstanding options and the subscription price in accordance with the terms of the Pre-Listing Scheme to take into account of the effect of the bonus issue as approved by the Shareholders on 2 December 2009 which became unconditional on 7 December 2009 ("Bonus Issue"). The closing prices referred to in the above table were also adjusted.

2. The adjusted weighted average price immediately before the date on which the options were exercised was HK$0.27.

SHARE OPTION SCHEMES *(Continued)*

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

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

1. The purposes of the Post-Listing Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants, business associates and advisors and to promote the success of the Group.

2. The participants of the Post-Listing Scheme include all employees, executive or non-executive directors, consultants, business associates and advisors of the Company or any of its subsidiaries.

3. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to the date of the latest grant shall not exceed 1% of the 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 Post-Listing Scheme at any time during a period not less than one year and not more than ten years from the date of grant of the relevant option.

5. No consideration for the grant of an option is required to be paid upon acceptance of the option.

6. The exercise price for the shares shall be determined by the Board of Directors, but shall not be less than the highest of (i) the closing price of each share as stated in the Stock Exchange daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares.

7. The Post-Listing Scheme will expire on 29 January 2014.

8. The total number of shares issueable upon exercise of outstanding options is 50,064,000, representing 4.43% of the existing issued share capital of the Company at the end of the reporting period.

SHARE OPTION SCHEMES *(Continued)*

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

Details of the share options outstanding as at 30 June 2010 which have been granted under the Post-Listing Scheme are as follows:

	Number of shares issuable under the options										
	As at 01/07/2009	Lapsed before Bonus Issue *(Note 5)*	Adjust-ment	Granted after Bonus Issue	Exercised after Bonus Issue	Lapsed after Bonus Issue *(Note 5)*	As at 30/06/2010	Adjusted exercise price	Grant date	Exercise Period	Closing price per share immediately before the grant date
	('000)	*('000)*	*('000)*	*('000)*	*('000)*	*('000)*	*('000)*	*HK$*			*HK$*
Directors:											
Wong, Vicky Lai Ping	540	–	540	–	–	–	1,080	0.1675	27/04/2004	27/04/2005 – 26/04/2014	0.168
	1,000	–	1,000	–	–	–	2,000	0.1675	04/01/2007	04/01/2008 – 03/01/2017	0.165
	750	–	750	–	–	–	1,500	0.1305	14/05/2009	14/05/2010 – 13/05/2019	0.140
Lam, Andy Siu Wing	400	–	400	–	–	–	800	0.4600	01/06/2007	01/06/2008 – 31/05/2017	0.488
	526	–	526	–	–	–	1,052	0.1305	14/05/2009	14/05/2010 – 13/05/2019	0.140
	–	–	–	300	–	–	300	0.2500	22/03/2010	22/03/2011 – 21/03/2020	0.249
Ma, Andrew Chiu Cheung	400	–	400	–	–	–	800	0.4600	01/06/2007	01/06/2008 – 31/05/2017	0.488
	526	–	526	–	–	–	1,052	0.1305	14/05/2009	14/05/2010 – 13/05/2019	0.140
	–	–	–	300	–	–	300	0.2500	22/03/2010	22/03/2011 – 21/03/2020	0.249
Yu King Tin	400	–	400	–	–	–	800	0.4600	01/06/2007	01/06/2008 – 31/05/2017	0.488
	526	–	526	–	–	–	1,052	0.1305	14/05/2009	14/05/2010 – 13/05/2019	0.140
	–	–	–	300	–	–	300	0.2500	22/03/2010	22/03/2011 – 21/03/2020	0.249
Continuous contract employees	8,000	600	7,400	–	–	–	14,800	0.1675	04/01/2007	04/01/2008 – 03/01/2017	0.165
	420	–	420	–	–	–	840	0.3900	06/11/2007	06/11/2008 – 05/11/2017	0.385
	800	400	400	–	–	–	800	0.1150	12/12/2008	12/12/2009 – 11/12/2018	0.115
	750	–	750	–	–	–	1,500	0.1305	14/05/2009	14/05/2010 – 13/05/2019	0.140
	1,800	–	1,800	–	1,200 *(Note 6)*	–	2,400	0.1305	14/05/2009	14/05/2010 – 13/05/2019 *(Note 2)*	0.140
	684	–	684	–	–	–	1,368	0.1305	14/05/2009	14/05/2010 – 13/05/2019 *(Note 3)*	0.140
	1,140	–	1,140	–	–	660	1,620	0.1405	14/05/2009	14/05/2010 – 13/05/2019 *(Note 4)*	0.140
	–	–	–	2,000	–	–	2,000	0.2610	29/01/2010	29/01/2011 – 28/01/2020	0.243

SHARE OPTION SCHEMES *(Continued)*

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

	Number of shares issuable under the options										Closing price
	As at 01/07/2009	Lapsed before Bonus Issue *(Note 5)*	Adjust–ment	Granted after Bonus Issue	Exercised after Bonus Issue	Lapsed after Bonus Issue *(Note 5)*	As at 30/06/2010	Adjusted exercise price	Grant date	Exercise Period	per share immediately before the grant date
	('000)	*('000)*	*('000)*	*('000)*	*('000)*	*('000)*	*('000)*	*HK$*			*HK$*
Consultants/Advisors	300	–	300	–	–	–	600	0.1675	27/04/2004	27/04/2005 – 26/04/2014	0.168
	2,000	–	2,000	–	–	–	4,000	0.1675	04/01/2007	04/01/2008 – 03/01/2017	0.165
	2,000	–	2,000	–	–	–	4,000	0.7500	14/08/2007	14/08/2008 – 13/08/2017	0.760
	1,350	–	1,350	–	–	–	2,700	0.1305	14/05/2009	14/05/2010 – 13/05/2019	0.140
	–	–	–	2,400	–	–	2,400	0.2610	29/01/2010	29/01/2011 – 28/01/2020	0.243
Total	**24,312**	**1,000**	**23,312**	**5,300**	**1,200**	**660**	**50,064**				

Notes:

1. The exercise price and the closing price referred to in the above table have been adjusted to take into account the effect of the Bonus Issue.

2. These options vest in 2 tranches, the first half on 14 May 2010 and the remaining half on 14 May 2011.

3. These options vest in 3 tranches, the first one-third on 14 May 2010, the second on 14 May 2011 and the balance on 14 May 2012.

4. These options vest in 3 tranches, the first one-third on 14 May 2010, the second on 14 May 2011 and the balance on 14 May 2012.

5. Share options had lapsed in accordance with the terms and conditions of the Post-Listing Scheme following the resignation of employees.

6. The adjusted weighted average price immediately before the date on which the options were exercised was HK$0.23.

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

As at 30 June 2010, the persons, (other than Directors and Chief Executives whose interests or short positions have been disclosed above) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are as follows:

Name of shareholders	*Note*	Number of Ordinary shares held	Percentage of holding
Aceland Holdings Ltd.	1, 2 & 4	480,000,000	42.52%
Redwood Pacific Limited	2 & 4	480,000,000	42.52%
Bank of East Asia (Trustees) Limited	3 & 4	480,000,000	42.52%
Tang Yuk Lan	5	567,484,000	50.27%

Notes:

1. Aceland Holdings Ltd. is the trustee of The Yip Unit Trust, which holds 42.52% of the shareholdings of the Company.

2. Redwood Pacific Limited is the trustee of The Yip Man Fan Unit Trust, which holds 100% of those units in The Yip Unit Trust.

3. Bank of East Asia (Trustees) Limited is the trustee of The Yip Man Fan Family Trust, which holds 99.99% of the units in The Yip Man Fan Unit Trust.

4. Under Part XV of the SFO, each of Redwood Pacific Limited, and Bank of East Asia (Trustees) Limited is taken to have an interest in the same 480,000,000 ordinary shares held by Aceland Holdings Ltd., on trust for The Yip Unit Trust. These shares therefore duplicate each other.

5. Ms. Tang Yuk Lan is the spouse of Dr. Yip Man Fan. Under Part XV of the SFO, each of Dr. Yip Man Fan and Ms. Tang Yuk Lan is taken to have an interest in the shares held by each other. These shares therefore duplicate each other.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

PUBLIC FLOAT

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

AUDITOR

The financial statements have been audited by Mazars CPA Limited, who 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

Hong Kong, 15 September 2010

MAZARS

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

We have audited the consolidated financial statements of Tanrich Financial Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 32 to 89, which comprise the consolidated and the Company's statement of financial positions as at 30 June 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 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, 15 September 2010

Fung Shiu Hang
Practising Certificate number: P04793

Consolidated Statement of Comprehensive Income

Year ended 30 June 2010

	Note	2010 HK$'000	2009 HK$'000
Turnover and revenue	2	**68,147**	67,775
Other revenue	4	**7,320**	7,219
Employee benefit expenses	5	**(47,739)**	(40,609)
Depreciation and amortisation		**(1,896)**	(1,187)
Brokerage and agency commission		**(10,688)**	(19,519)
Other operating expenses		**(46,209)**	(44,418)
Finance costs	5	**(1,210)**	(480)
Share of results of an associate	13	**(399)**	(213)
Share of results of jointly controlled entities	14	**(34)**	(29)
Loss before taxation	5	**(32,708)**	(31,461)
Taxation	7	**(753)**	(88)
Loss for the year		**(33,461)**	(31,549)
Exchange difference on translation of financial statements of foreign subsidiaries and associate		**137**	(61)
Change in fair value of available-for-sale financial assets		**(2,359)**	2,872
Other comprehensive (loss) income		**(2,222)**	2,811
Total comprehensive loss for the year		**(35,683)**	(28,738)
Loss for the year attributable to:			
Equity holders of the Company		**(33,455)**	(31,547)
Non-controlling interests		**(6)**	(2)
		(33,461)	(31,549)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(35,677)**	(28,736)
Non-controlling interests		**(6)**	(2)
		(35,683)	(28,738)
			(Restated)
Loss per share			
– Basic (HK cents)	9	**(2.97)**	(2.80)
– Diluted (HK cents)	9	**(2.97)**	(2.80)

Consolidated Statement of Changes in Equity

Year ended 30 June 2010

	Note	Share capital HK$'000	Investment revaluation reserve HK$'000	Share premium HK$'000	*Capital reserve HK$'000	Share options reserve HK$'000	Foreign exchange reserve HK$'000	Retained earnings (Accumulated losses) HK$'000	Proposed final dividend HK$'000	Total reserve HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
			Attributable to equity holders of the Company									
At 1 July 2008		56,263	87,377	57,078	40,836	536	421	43,693	5,626	235,567	–	291,830
2009 final dividend paid		–	–	–	–	–	–	–	(5,626)	(5,626)	–	(5,626)
Total comprehensive loss for the year		–	2,872	–	–	–	(61)	(31,547)	–	(28,736)	(2)	(28,738)
Non-controlling interests arising from business combination		–	–	–	–	–	–	–	–	–	45	45
At 30 June 2009		56,263	90,249	57,078	40,836	536	360	12,146	–	201,205	43	257,511
At 1 July 2009		**56,263**	**90,249**	**57,078**	**40,836**	**536**	**360**	**12,146**	**–**	**201,205**	**43**	**257,511**
Issue of shares under share option schemes	*26(ii)*	**240**	**–**	**318**	**–**	**–**	**–**	**–**	**–**	**318**	**–**	**558**
Issue of bonus shares	*26(iii)*	**56,383**	**–**	**(56,383)**	**–**	**–**	**–**	**–**	**–**	**(56,383)**	**–**	**–**
Total comprehensive loss for the year		**–**	**(2,359)**	**–**	**–**	**–**	**137**	**(33,455)**	**–**	**(35,677)**	**(6)**	**(35,683)**
Non-controlling interests arising from business combination		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12**	**12**
At 30 June 2010		**112,886**	**87,890**	**1,013**	**40,836**	**536**	**497**	**(21,309)**	**–**	**109,463**	**49**	**222,398**

* 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 2010

	Note	**2010 HK$'000**	2009 HK$'000
Non-current assets			
Property, plant and equipment	*10*	**2,860**	3,159
Intangible assets	*11*	**170**	230
Interests in an associate	*13*	**1,237**	3,560
Interests in jointly controlled entities	*14*	**957**	991
Available-for-sale financial assets	*15*	**97,457**	99,925
Other financial assets	*16*	**15,579**	15,500
Other non-current assets	*17*	**3,500**	2,000
Loans and advances	*18*	**165**	674
		121,925	126,039
Current assets			
Loans and advances	*18*	**3,049**	3,216
Investments held for trading	*19*	**31,262**	36,037
Accounts receivable	*20*	**101,766**	108,828
Deposits, prepayments and other receivables	*21*	**4,398**	5,943
Pledged deposits	*22*	**500**	866
Cash and bank balances	*22*	**44,362**	35,266
		185,337	190,156
Current liabilities			
Interest-bearing borrowings	*23*	**41,000**	31,000
Accounts payable	*24*	**28,840**	17,784
Other payables and accrued charges		**14,271**	9,812
Tax payable		**753**	88
		84,864	58,684
Net current assets		**100,473**	131,472
NET ASSETS		**222,398**	257,511
Capital and reserves			
Share capital	*26*	**112,886**	56,263
Reserves		**109,463**	201,205
Total equity attributable to equity holders of the Company		**222,349**	257,468
Non-controlling interests		**49**	43
TOTAL EQUITY		**222,398**	257,511

Approved and authorised for issue by the Board of Directors on 15 September 2010.

Kwok Kam Hoi	**Tsunoyama Toru**
Director	*Director*

AT 30 JUNE 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Interests in subsidiaries	*12*	**180,105**	141,436
Available-for-sale financial assets	*15*	**70,184**	69,098
Other financial assets	*16*	**15,579**	15,500
		265,868	226,034
Current assets			
Investments held for trading	*19*	**8,435**	7,258
Deposits, prepayments and other receivables	*21*	**1,884**	1,975
Cash and bank balances		**251**	4,613
		10,570	13,846
Current liabilities			
Other payables and accrued charges		**450**	368
Interest-bearing borrowings	*23*	**34,000**	–
		34,450	368
Net current (liabilities) assets		**(23,880)**	13,478
NET ASSETS		**241,988**	239,512
Capital and reserves			
Share capital	*26*	**112,886**	56,263
Reserves	*28*	**129,102**	183,249
TOTAL EQUITY		**241,988**	239,512

Approved and authorised for issue by the Board of Directors on 15 September 2010.

Kwok Kam Hoi	**Tsunoyama Toru**
Director	*Director*

Consolidated Statement of Cash Flows

Year ended 30 June 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(32,708)**	(31,461)
Depreciation and amortisation	**1,896**	1,187
Provision for impairment loss on available-for-sale financial assets	**109**	5,487
Provision for impairment loss on interests in an associate	**1,942**	832
Loss on disposal of property, plant and equipment	**–**	37
Share of results of an associate	**399**	213
Share of results of jointly controlled entities	**34**	29
Gain on deemed disposal of an associate	**–**	(302)
Loss on disposal of other financial assets	**–**	2,302
Exchange difference on other financial assets	**(79)**	127
Interest income	**(1,538)**	(1,974)
Interest expenses	**1,210**	480
Dividend income	**(3,653)**	(3,422)
(Gain) Loss on disposal of available-for-sale financial assets	**(31)**	1,055
Exchange difference on available-for-sale financial assets	**–**	66
Allowance for bad and doubtful debts, net	**809**	264
Changes in working capital:		
Other non-current assets	**(1,500)**	–
Loans and advances	**632**	(3,628)
Investments held for trading	**4,775**	(27,602)
Accounts receivable	**6,447**	(34,471)
Deposits, prepayments and other receivables	**1,395**	227
Margin financing for IPO subscriptions	**(31,000)**	31,000
Accounts payable	**11,056**	(4,576)
Other payables and accrued charges	**4,459**	(4,055)
Cash used in operating activities	**(35,346)**	(68,185)
Hong Kong Profits Tax (paid) refund	**(88)**	23
Interest received	**1,538**	1,974
Interest paid	**(1,210)**	(480)
Net cash used in operating activities	**(35,106)**	(66,668)

	Note	2010 HK$'000	2009 HK$'000
INVESTING ACTIVITIES			
Dividend received		**3,653**	3,422
Acquisition of interests in an associate		**–**	(1,504)
Acquisition of interests in a jointly controlled entity		**–**	(1,020)
Proceeds from disposal of available-for-sale financial assets		**7,821**	9,018
Purchase of available-for-sale financial assets		**(7,790)**	(10,139)
Proceeds from disposal of other financial assets		**–**	5,450
Purchase of property, plant and equipment		**(1,537)**	(3,606)
Net cash generated from investing activities		**2,147**	1,621
FINANCING ACTIVITIES			
Issue of share capital, net of expenses		**558**	–
Issue of shares in subsidiary to non-controlling interests		**12**	45
Dividend paid		**–**	(5,626)
New bank loans raised		**41,000**	–
Net cash generated from (used in) financing activities		**41,570**	(5,581)
Net increase (decrease) in cash and cash equivalents		**8,611**	(70,628)
Cash and cash equivalents at beginning of year		**36,132**	106,760
Effect on exchange rate changes		**119**	–
Cash and cash equivalents at end of year	22	**44,862**	36,132

CORPORATE INFORMATION

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

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("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 financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2009 financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRSs

HKAS 1 (Revised): Presentation of Financial Statements

HKAS 1 (Revised) requires transactions with owners to be presented separately from all other income and expenses in a revised statement of changes in equity. The revised Standard however allows non-owner changes in equity to be shown in a single statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Group has elected to prepare one statement. In addition, the revised Standard requires that when comparative information is restated or reclassified, a statement of financial position as at the beginning of the comparative period, in addition to the statements of financial position as at the end of the current period and the comparative period, should be presented. Since the Group and the Company did not restate comparative information during the year, this new requirement has no impact on the financial statements

Amendments to HKFRS 2: Share-based payments – Vesting conditions and cancellations

Amendments to HKFRS 2 clarify that vesting conditions include service and performance conditions only, and all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of these amendments had no impact on the financial statements.

Amendments to HKAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to HKAS 27 remove the distinction between dividends distributed from pre- and post-acquisition profits from the definition of the cost method and replace it with a requirement to recognise all dividends received in profit or loss once the entity's rights to receive the dividend is established. In accordance with the transitional provision in such amendments, the new policy is applied only prospectively from the current period and thus no restatement is made to prior periods. As no subsidiary was acquired during the year, this Standard has no impact on the financial statements for the current period.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

Amendments to HKFRS 7 Financial Instruments: Disclosures

Amendments to HKFRS 7 require additional disclosure about fair value measurements and liquidity risk. The fair value measurement disclosures are presented in note 32, and the liquidity risk disclosures are not significantly impacted by the amendments. The Group has taken advantage of the transitional provisions set out in the amendments, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments are not provided in the financial statements.

HKFRS 8: Operating Segments

This standard replaces HKAS 14 "*Segment Reporting*". It requires "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. As a result of this change, certain smaller segments have been re-grouped and "asset management" is identified as an individual segment. The Group has determined that the new presentation is consistent with the basis used for internal reporting, corresponding amounts have therefore been restated to achieve a consistent presentation. Adoption of this Standard did not have any effect on the Group's results of operation or financial position.

Amendment to HKFRS 8 "*Operating segments*" effective for periods beginning on or after 1 January 2010. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. Early adoption is allowed. The Group has early adopted this amendment to HKFRS 8 for the period beginning 1 July 2009.

HKFRS 3 (Revised): Business Combinations/Improvement to HKFRS (2009) with amendments to HKFRS 3

The revised Standard introduced a number of major changes including the following:

- acquisition-related transaction costs, other than share and debt issue costs, to be expensed as incurred;
- existing interest in the acquiree to be remeasured at fair value, with the gain or loss recognised in profit or loss, upon subsequent changes in ownership interests;
- non-controlling interest in the acquiree to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree;
- contingent consideration to be recognised at fair value at the acquisition date; and
- goodwill to be measured at the excess of the aggregate of the acquisition-date fair value of the acquirer's interest in the acquiree and the amount of any non-controlling interest over the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed from the acquisition.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of measurement

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

Basis of consolidation

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

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from owners of the parent. For each business combination occurs on or after 1 July 2009, the non-controlling interest in the acquiree is measured initially either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. For each business combination occurred prior to 1 July 2009, the non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's net assets.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. From 1 July 2009, total comprehensive income is attributed to the owners of the parent and the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Prior to 1 July 2009, losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Changes in ownership interest

From 1 July 2009, changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when control is lost.

Prior to 1 July 2009, the Group applied a policy of treating transactions with non-controlling interest as transactions with equity owners of the Group and thus any adjustments arising from an acquisition of or disposal to non-controlling interest were made through equity. Any increase in the Group's ownership interest in a subsidiary was treated in the same manner as an acquisition. For decreases in the Group's ownership interest in a subsidiary, regardless of whether the disposals would result in a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

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.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 and also goodwill.

Goodwill

Goodwill arising on an acquisition of an associate is measured at 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 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. 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 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 that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Leasehold improvements	Over the unexpired term of lease
Furniture, fixtures and office equipment	20%
Computer equipment	$33\,^1/_3\%$

Intangible assets

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

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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 the profit or loss.

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

Impairment of financial assets

At each 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 the profit or loss. When the accounts receivable and loans receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

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. The carrying amount of the financial asset is reduced by the impairment loss directly. If in a subsequent period, the amount of impairment loss decreases and the decrease 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.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

When an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss, is transferred from equity to 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 the 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 the 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 and interest-bearing borrowings. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within 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 the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the end of the reporting period.

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.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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

Insurance agency fee are recognised in the period when services are rendered.

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

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

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

Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the 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 presented are translated at the closing rate at the date of 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 disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

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

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

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 the 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 payment

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 benefit.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, and other persons, including consultants, advisors and agents etc., receive remuneration in the form of share-based payment transactions, whereby they rendered services in exchange for share options. The cost of such transactions is measured by reference to the fair value of share options at grant date. The fair value of share options granted to these persons is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the Black-Scholes Pricing Model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company ("market conditions").

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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 financial statements. However, if the deferred tax arises from initial recognition of goodwill, or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

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

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

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

A party is related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Critical accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the 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.

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 receivables after provision for impairment amounted to HK$101,766,000 *(2009: HK$108,828,000)*.

Impairment of investments and receivables

The Group assesses annually if investments in subsidiaries, associate and jointly controlled entities 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 assets 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.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Future changes in HKFRSs

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

	Effective for accounting periods beginning on or after
Amendments to HKFRS 1: *First-time adoption of HKFRS – Additional exemptions for first-time adopters*	1 January 2010
Improvements to HKFRS 2009: *Improvements to HKFRS 2009*	1 January 2010
Amendments to HKFRS 2: *Share-based Payment – Group Cash–settled Share-based Payment Transactions*	1 January 2010
Amendments to HKAS 32: *Financial Instruments: Presentation – Classification of Rights Issues*	1 February 2010
HKAS 24 (Revised): *Related Party Disclosures*	1 January 2011
HKFRS 9: *Financial Instruments*	1 January 2013
HK(IFRIC) Int 19: *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Amendments to HK(IFRIC) Int 14: *Prepayments of a Minimum Funding Requirement*	1 January 2011

The Group has already commenced an assessment of the impact on these new and revised HKFRSs but is not yet in a position to reasonably estimate their impact on its results of operations and financial position.

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 and insurance-linked products for its clients;

– provision of margin financing, corporate finance advisory services, asset management services, insurance agency 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.

	2010	2009
	HK$'000	HK$'000
Brokerage commission:		
– securities dealing	**25,180**	15,146
– futures and options dealing	**6,340**	7,850
– distribution of unit trusts and insurance-linked products	**845**	244
Advisory and insurance agency fees:		
– fund advisory	**816**	–
– corporate finance and advisory	**20,080**	2,930
– insurance agency	**11,134**	20,624
Interest income:		
– securities margin financing	**6,175**	4,722
– loans and advances	**299**	540
Proprietary trading:		
– net results from proprietary trading under a managed account	**73**	885
– net results from proprietary trading in listed securities	**1,068**	309
– net results from proprietary trading in futures contracts	**(3,863)**	14,525
	68,147	67,775

3. SEGMENT INFORMATION

The Directors have been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments based on the Group's internal reporting in respect of these segments.

The Group has adopted HKFRS 8 with effect from 1 July 2009. The adoption of this HKFRS has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

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, mutual funds and insurance-linked products
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

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	2010							
	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
Turnover and revenue	38,540	11,134	20,080	816	299	(2,722)	–	68,147
Brokerage and agency commission	(564)	(9,397)	–	(63)	–	(664)	–	(10,688)
Results	(12,051)	(1,251)	(2,054)	(2,838)	(287)	(2,658)	1,665	(19,474)
Unallocated expenses								(10,697)
Gain on disposal of available-for-sale financial assets								31
Provision for impairment loss on available-for-sale financial assets								(109)
Provision for impairment loss on interests in an associate								(1,942)
Finance costs								(84)
Share of results of an associate								(399)
Share of results of jointly controlled entities								(34)
Taxation								(753)
Loss for the year								(33,461)

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	2009							
	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
Turnover and revenue	27,962	20,624	2,930	–	540	15,719	–	67,775
Brokerage and agency commission	(1,678)	(17,322)	–	–	–	(519)	–	(19,519)
Results	(22,883)	334	(4,886)	(3,251)	(227)	14,936	2,379	(13,598)
Unallocated expenses								(8,195)
Loss on disposal of a subsidiary								(48)
Gain on deemed disposal of an associate								302
Loss on disposal of available-for-sale financial assets								(1,055)
Provision for impairment loss on available-for-sale financial assets								(5,487)
Loss on disposal of other financial assets								(2,302)
Provision for impairment loss on interests in an associate								(832)
Finance costs								(4)
Share of results of an associate								(213)
Share of results of jointly controlled entities								(29)
Taxation								(88)
Loss for the year								(31,549)

4. OTHER REVENUE

	2010 HK$'000	2009 HK$'000
Dividend income	**3,653**	3,422
Interest income	**1,538**	1,974
Management fee income	**960**	960
Gain on disposal of available-for-sale financial assets	**31**	–
Gain on deemed disposal of an associate	**–**	302
Exchange gain, net	**122**	–
Sundry income	**1,016**	561
	7,320	7,219

5. LOSS BEFORE TAXATION

	2010 HK$'000	2009 HK$'000
This is stated after charging:		
(a) Finance costs		
Interest expenses for securities broking and margin financing wholly repayable within five years	**910**	177
Interest expenses for money lending	**130**	236
Interest expenses for other business segments	**86**	63
Other interest expenses	**84**	4
	1,210	480
(b) Employee benefit expenses		
– Salaries, commission and allowances	**46,800**	39,615
– Contributions to retirement benefit schemes *(Note 29)*	**939**	994
	47,739	40,609
(c) Other operating expenses include:		
Auditor's remuneration	**920**	872
Loss on disposal of property, plant and equipment	**–**	37
Loss on disposal of available-for-sale financial assets	**–**	1,055
Loss on disposal of other financial assets	**–**	2,302
Loss on disposal of a subsidiary	**–**	48
Operating lease payments on premises	**6,990**	7,367
Allowance for bad and doubtful debts	**809**	264
Provision for impairment loss on available-for-sale financial assets	**109**	5,487
Provision for impairment loss on interests in an associate	**1,942**	832
Compensation to clients and the Securities and Futures Commission ("SFC") for settlement of claims	**–**	7,163
Exchange loss, net	**–**	390

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

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

	2010				
Name of director	**Fees**	**Salaries**	**Discretionary bonuses**	**Employer's contributions to retirement benefit schemes**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Executive directors:					
Yip Man Fan	**–**	**1,555**	**129**	**34**	**1,718**
Kwok Kam Hoi	**229**	**1,258**	**115**	**34**	**1,636**
Tsunoyama Toru	**–**	**1,209**	**101**	**34**	**1,344**
Wong, Vicky Lai Ping	**–**	**1,010**	**84**	**34**	**1,128**
Independent non-executive directors:					
Lam, Andy Siu Wing	**227**	**–**	**–**	**–**	**227**
Ma, Andrew Chiu Cheung	**222**	**–**	**–**	**–**	**222**
Yu King Tin	**194**	**–**	**–**	**–**	**194**
	872	**5,032**	**429**	**136**	**6,469**

	2009				
Name of director	Fees	Salaries	Discretionary bonuses	Employer's contributions to retirement benefit schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Yip Man Fan	–	1,656	72	34	1,762
Kwok Kam Hoi	43	1,432	64	34	1,573
Tsunoyama Toru	–	1,288	56	34	1,378
Wong, Vicky Lai Ping	–	1,075	47	34	1,156
Independent non-executive directors:					
Lam, Andy Siu Wing	227	–	–	–	227
Ma, Andrew Chiu Cheung	227	–	–	–	227
Yu King Tin	190	–	–	–	190
	687	5,451	239	136	6,513

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

Five highest paid employees' emoluments

Of the five individuals with the highest emoluments, four *(2009: four)* were directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining one *(2009: one)* individual is as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other benefits	**1,080**	969
Discretionary bonus	**40**	59
Contributions to retirement benefit schemes	**12**	12
	1,132	1,040

The emoluments of the remaining one individual is within the range between HK$1,000,001 and HK$1,500,000 *(2009: between HK$1,000,001 and HK$1,500,000).*

In addition to the directors' emoluments disclosed above, certain directors were granted share options under the Company's share option schemes. The details of these benefits in kind are disclosed under the section Share Option Schemes in the Directors' Report and note 27 to the financial statements.

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

7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% *(2009: 16.5%)* on the Group's estimated assessable profits arising from Hong Kong during the year. In the opinion of the directors, the Group is not subject to taxation in any other jurisdictions.

The amount of taxation charged to the consolidated statement of comprehensive income represents current tax provision for Hong Kong Profits Tax for current year.

Reconciliation of tax charge

	2010	2009
	HK$'000	HK$'000
Loss before taxation	**(32,708)**	(31,461)
Income tax at applicable tax rate of 16.5% *(2009: 16.5%)*	**(5,397)**	(5,191)
Non-deductible expenses	**858**	2,517
Tax exempt revenue	**(1,523)**	(3,253)
Unrecognised tax losses	**6,869**	6,199
Unrecognised temporary difference	**(35)**	(52)
Utilisation of previously unrecognised tax losses	**(19)**	(132)
Total tax charge for the year	**753**	88

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$33,455,000 *(2009: HK$31,547,000)*, a profit of HK$831,000 *(2009: loss of HK$9,943,000)* has been dealt with in the financial statements of the Company.

9. LOSS PER SHARE

The calculation of basic and diluted loss per share are based on the loss attributable to equity holders of the Company for the year of HK$33,455,000 *(2009: HK$31,547,000)*.

The basic loss per share is based on the weighted average number of ordinary shares of 1,126,838,794 *(2009: restated 1,125,264,000)* in issue during the year.

As there was an anti-dilutive effect after adjusting for the effects of all dilutive potential ordinary shares in 2010 and 2009, the diluted loss per share presented is equal to the basic loss per share for both years.

The weighted average number of ordinary shares adopted in the calculation of the basic loss per share and diluted loss per share for 2010 and 2009 have been adjusted to reflect the bonus shares issued during the year.

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 2009					
At 1 July 2008	–	55	210	452	717
Additions	2,653	369	34	550	3,606
Disposals	–	(14)	(11)	(12)	(37)
Depreciation	(589)	(79)	(105)	(354)	(1,127)
At 30 June 2009	2,064	331	128	636	3,159
Reconciliation of carrying amount – year ended 30 June 2010					
At 1 July 2009	**2,064**	**331**	**128**	**636**	**3,159**
Additions	**84**	**62**	**25**	**1,366**	**1,537**
Depreciation	**(1,155)**	**(80)**	**(46)**	**(555)**	**(1,836)**
At 30 June 2010	**993**	**313**	**107**	**1,447**	**2,860**
At 30 June 2009					
Cost	7,398	1,038	1,977	5,207	15,620
Accumulated depreciation	(5,334)	(707)	(1,849)	(4,571)	(12,461)
	2,064	331	128	636	3,159
At 30 June 2010					
Cost	**7,482**	**1,100**	**2,003**	**6,573**	**17,158**
Accumulated depreciation	**(6,489)**	**(787)**	**(1,896)**	**(5,126)**	**(14,298)**
	993	**313**	**107**	**1,447**	**2,860**

11. INTANGIBLE ASSETS

	Group 2010 HK$'000	Group 2009 HK$'000
Reconciliation of carrying amount – year ended 30 June		
At 1 July	**230**	290
Amortisation	**(60)**	(60)
At 30 June	**170**	230
At 30 June		
Cost	**600**	600
Accumulated amortisation	**(430)**	(370)
	170	230

12. INTERESTS IN SUBSIDIARIES

	Note	Company 2010 HK$'000	Company 2009 HK$'000
Interests in subsidiaries			
Unlisted shares, at cost		**65,237**	65,237
Provision for impairment loss		**(21,595)**	(3,000)
Amount due from a subsidiary	*(i)*	**136,463**	79,199
		180,105	141,436

Note:

(i) 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.

12. INTERESTS IN SUBSIDIARIES *(Continued)*

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	Percentage of equity interests attributable to the Company Directly	Indirectly	Principal activities
Tanrich Financial (Management) Limited	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$24,000,000 (divided into 18,000,000 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	Hong Kong/ Hong Kong	HK$21,000,000 (divided into 21,000,000 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
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	Hong Kong/ Hong Kong	HK$6,000,000 (divided into 6,000,000 ordinary shares of HK$1 each)	–	100%	Distribution of insurance-linked products, provision of personal financial consulting and planning services and provision of insurance agency and broking services

12. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ place of operation	Particulars of issued and fully paid share capital	Percentage of equity interests attributable to the Company Directly	Indirectly	Principal activities
Tanrich Investments Limited	Hong Kong/ Hong Kong	HK$1 (divided into 1 ordinary share of HK$1 each)	–	100%	Investment holding
Tanrich Investment Management Limited	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	Hong Kong/ Hong Kong	HK$300,000 (divided into 300,000 ordinary shares of HK$1 each)	–	100%	Provision of advertising services
TOP Commodity Capital Management Limited	Hong Kong/ Hong Kong	HK$150,000 (divided into 150,000 ordinary shares of HK$1 each)	–	70%	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$30,000,000	–	100%	Not yet commenced business

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

13. INTERESTS IN AN ASSOCIATE

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**1,237**	1,618
Goodwill	**2,774**	2,774
Provision for impairment loss	**(2,774)**	(832)
	–	1,942
	1,237	3,560

The investment in an associate represents 40.17% *(2009: 40.17%)* 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 2010 have been equity accounted for in the financial statements.

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

Summary of financial information of the associate is as follows:

	2010	2009
	HK$'000	HK$'000
Financial position at 30 June		
Non-current assets	**1,814**	1,960
Current assets	**1,744**	2,519
Current liabilities	**(478)**	(450)
Net assets	**3,080**	4,029
Group's share of net assets of associate	**1,237**	1,618
Operating results for the year ended 30 June		
Revenue	**1,845**	1,437
Loss for the year	**(994)**	(602)
Group's share of loss of associate for the year	**(399)**	(213)

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**957**	991

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: Group's effective interest	Held by the Group	Held by an associate	Principal activities
Tanrich-FundStreet Limited ("TFSL")	Hong Kong/ Hong Kong	HK$2,000,000	65%	51%	35%	Fund management
Tanrich Fund Investment Management (Cayman) Limited, a wholly owned subsidiary of TFSL	Cayman Islands/ Hong Kong	US$10,000	65%	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, TFSL is not considered as a subsidiary of the Group as the Group has no control over its financial and operating policy decision.

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

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

	2010	2009
	HK$'000	HK$'000
Financial position at 30 June		
Current assets	**1,887**	1,995
Current liabilities	**(10)**	(52)
Net assets	**1,877**	1,943
Group's share of net assets of jointly controlled entities	**957**	991
Operating results for the year ended 30 June		
Revenue	**–**	–
Loss for the year	**(66)**	(57)
Group's share of loss of the jointly controlled entities for the year	**(34)**	(29)

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Equity investments – unlisted, at cost	**14,427**	14,427	**–**	–
Provision for impairment loss	**(9,896)**	(9,787)	**–**	–
	4,531	4,640	**–**	–
Equity investments – listed in Hong Kong at fair value *(Note)*	**92,926**	95,285	**70,184**	69,098
	97,457	99,925	**70,184**	69,098

Note: Fair values are determined with reference to quoted market prices.

The Group has pledged listed investments of aggregate carrying amount of HK$82,577,000 *(2009: HK$53,152,000)* to banks as collateral for the banking facilities granted to the Company and a subsidiary.

The Company pledged certain listed investments of aggregate carrying amount of HK$20,778,000 to TSCL in 2009 as collateral for the margin facilities granted to the Company.

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 share held	Percentage of interests held Group	Percentage of interests held Company	Principal activities
Hong Kong Exchanges and Clearing Limited	Hong Kong/ Hong Kong	Ordinary shares	0.07%	0.05%	Owns and operates the only stock exchange and futures exchange in Hong Kong, and their related clearing houses

16. OTHER FINANCIAL ASSETS

	Group and Company	
	2010	2009
	HK$'000	HK$'000
Held-to-maturity financial assets, unlisted	**14,677**	14,603
Embedded derivative designated as at fair value through profit or loss upon initial recognition	**902**	897
	15,579	15,500

The Company has pledged other financial assets of HK$15,579,000 *(2009: HK$15,500,000)* to a bank as collateral for the banking facilities granted to the Company and a subsidiary.

17. OTHER NON-CURRENT ASSETS

	Group	
	2010	2009
	HK$'000	HK$'000
Reserve fund deposits with the Futures Exchange	**1,500**	1,500
Statutory deposits with the Stock Exchange	**1,700**	200
Statutory deposits with the SFC	**100**	100
Contributions to the Central Clearing and Settlement System Guarantee Fund	**100**	100
Admission fees paid to the Hong Kong Securities Clearing Company Limited	**100**	100
	3,500	2,000

18. LOANS AND ADVANCES

	Group	
	2010	2009
	HK$'000	HK$'000
Loans and advances		
Unsecured	**622**	1,198
Secured	**2,592**	2,692
	3,214	3,890
Current portion of loans and advances	**(3,049)**	(3,216)
	165	674

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 9.64% *(2009: nil to 25.59%)* and are within the respective maturity dates *(2009: within the respective maturity dates)*.

19. INVESTMENTS HELD FOR TRADING

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed securities in Hong Kong, at market value	**31,262**	36,037	**8,435**	7,258

The Company has pledged certain listed securities of HK$7,435,000 to a bank as collateral for the banking facilities granted to the Company.

The Company pledged certain listed securities of HK$6,545,000 to TSCL in 2009 as collateral for the margin facilities granted to the Company.

20. ACCOUNTS RECEIVABLE

	Note	Group 2010 HK$'000	Group 2009 HK$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	*(i)*	**16,019**	6,129
– securities margin clients	*(ii)*	**57,362**	37,281
– securities subscription clients	*(iii)*	**220**	34,148
– securities clearing house and brokers	*(iii)*	**6,815**	6,704
– futures clearing house and brokers	*(iv)*	**19,982**	24,272
– futures clients	*(v)*	**–**	–
Accounts receivable arising from the provision of corporate finance advisory services	*(vi)*	**52**	50
Accounts receivable arising from the provision of unit trusts and insurance-linked products agency services	*(vii)*	**1,316**	244
		101,766	108,828

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 or brokers to meet the margin requirements of open contracts. Margin calls from clearing house and brokers are settled on a daily basis. The excess amounts over the required margin deposits stipulated are repayable on demand.

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

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	
	2010	2009
	HK$'000	HK$'000
Current	**12,966**	4,576
Overdue:		
Within 30 days	**3,052**	1,472
31 – 90 days	**–**	35
91 – 180 days	**–**	2
Over 180 days	**65**	149
	16,083	6,234
Allowance for bad and doubtful debts	**(64)**	(105)
	16,019	6,129

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 July	**105**	–
Impairment loss recognised	**–**	105
Amount written off	**(41)**	–
At 30 June	**64**	105

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:

	Group	
	2010	2009
	HK$'000	HK$'000
Current	**52,871**	34,828
Overdue:		
Within 30 days	**4,058**	1,902
31 – 90 days	**63**	16
91 – 180 days	**370**	36
Over 180 days	**–**	499
	57,362	37,281

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 the 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$328,145,000 *(2009: HK$381,630,000)*.

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

(iv) Accounts receivable from the futures clearing house and brokers did not include a deposit of HK$5,060,000 *(2009: HK$3,089,000)* in respect of the clients' monies deposited therein. At the end of the reporting period, the accounts receivable from futures clearing house and brokers were all aged within 30 days and repayable on demand.

20. ACCOUNTS RECEIVABLE *(Continued)*

Notes: (Continued)

(v) At the end of the reporting period, the ageing analysis of accounts receivable from futures clients with overloss was as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Overdue over 180 days	**7**	7
Allowance for bad and doubtful debts	**(7)**	(7)
	–	–

The movements in the provision for impairment of accounts receivable from futures clients with overloss were as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 July	**7**	10
Impairment loss recognised	**–**	55
Amount written off as uncollectible	**–**	(10)
Amount recovered	**–**	(48)
At 30 June	**7**	7

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

	Group	
	2010	2009
	HK$'000	HK$'000
Current	**30**	–
Overdue:		
Within 30 days	**–**	50
91 – 180 days	**22**	–
Over 180 days	**614**	–
	666	50
Allowance for bad and doubtful debts	**(614)**	–
	52	50

20. ACCOUNTS RECEIVABLE *(Continued)*

Notes: (Continued)

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

	Group	
	2010	2009
	HK$'000	HK$'000
Current	**1,176**	68
Overdue:		
Within 30 days	**15**	10
31 – 90 days	**18**	26
91 – 180 days	**2**	32
Over 180 days	**114**	117
	1,325	253
Allowance for bad and doubtful debts	**(9)**	(9)
	1,316	244

(viii) 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 the reporting period, the deposit not otherwise dealt with in the financial statements amounted to HK$34,000 *(2009: Nil)*.

Accounts receivable with carrying amount of HK$7,706,000 *(2009: HK$4,232,000)* that 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 except for 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.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits, prepayments and other receivables	**4,398**	5,943	**148**	134
Deposits in the trust account with TSCL	**–**	–	**1,736**	1,841
	4,398	5,943	**1,884**	1,975

22. CASH AND CASH EQUIVALENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Pledged deposits	**500**	866
Cash and bank balances	**44,362**	35,266
As stated in the consolidated statement of cash flows	**44,862**	36,132

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 financial statements amounted to HK$127,044,000 *(2009: HK$105,183,000)*.

23. INTEREST-BEARING BORROWINGS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans, secured and wholly repayable within 12 months	**41,000**	31,000	**34,000**	–

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 1.32% per annum. The bank loans were fully repaid in July 2010.

24. ACCOUNTS PAYABLE

		Group	
		2010	2009
	Note	**HK$'000**	HK$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	*(i)*	**2,676**	7,290
– securities margin clients	*(i)*	**652**	974
– futures clients	*(ii)*	**9,856**	9,350
– clearing house and securities brokers		**15,581**	41
Accounts payable arising from the provision of unit trusts and insurance-linked products agency services	*(iii)*	**75**	129
	(iv)	**28,840**	17,784

24. ACCOUNTS PAYABLE *(Continued)*

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 and options represent the margin deposits received from clients for their trading in future contracts and options. The excess over the required margin deposits stipulated are repayable to clients on demand.

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

(iv) Accounts payable are stated net of clients' segregated assets of HK$132,138,000 *(2009: HK$108,272,000)*.

(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 balance maintained with the Group. All other categories of accounts payable are non-interest-bearing.

25. DEFERRED TAXATION

Recognised deferred tax assets (liabilities) of the Group

	Assets		Liabilities	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Depreciation allowances	**–**	–	**(128)**	(84)
Tax losses	**128**	84	**–**	–
Deferred tax assets (liabilities)	**128**	84	**(128)**	(84)
Offset deferred tax assets and liabilities	**(128)**	(84)	**128**	84
Net deferred tax assets (liabilities)	**–**	–	**–**	–

Unrecognised deferred tax assets of the Group arising from

	2010	2009
	HK$'000	HK$'000
Deductible temporary differences	**46**	78
Tax losses	**144,185**	103,154
At 30 June	**144,231**	103,232

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

26. SHARE CAPITAL

		2010		2009	
	Note	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Authorised:					
Ordinary shares of HK$0.1 each					
At 1 July		**1,000,000**	**100,000**	1,000,000	100,000
Increase during the year	*(i)*	**1,000,000**	**100,000**	–	–
At 30 June		**2,000,000**	**200,000**	1,000,000	100,000
Issued and fully paid:					
At 1 July		**562,632**	**56,263**	562,632	56,263
Issue of shares under share option schemes	*(ii)*	**2,400**	**240**	–	–
Issue of bonus shares	*(iii)*	**563,832**	**56,383**	–	–
At 30 June		**1,128,864**	**112,886**	562,632	56,263

Notes:

(i) By an ordinary resolution passed at a special general meeting on 2 December 2009, the authorised share capital of the Company was increased from HK$100,000,000 to HK$200,000,000 by the creation of additional 1,000,000,000 ordinary shares of HK$0.1 each in the share capital of the Company.

(ii) During the year, share options granted under the share option schemes were exercised by the grantees to subscribe for 2,400,000 shares of HK$0.1 each of the Company at the exercise price of HK$0.335 and HK$0.1305 per share respectively for each 1,200,000 shares.

(iii) By an ordinary resolution passed at the adjourned annual general meeting held on 2 December 2009, an aggregate of 563,832,000 bonus shares of HK$0.1 each were issued in the proportion of one ordinary share for every one then existing ordinary share.

27. SHARE OPTION SCHEMES

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

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

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

	Number of options ('000)			
Subscription price (Adjusted)	**HK$0.1800**	**HK$0.1625**	**HK$0.1675**	**Total**
At 1 July 2008 and 1 July 2009	6,320	1,000	1,200	8,520
Exercised	–	–	(1,200)	(1,200)
Adjusted *(Note i)*	6,320	1,000	–	7,320
At 30 June 2010	**12,640**	**2,000**	**–**	**14,640**

At the end of the reporting period, the weighted average remaining contractual life of the Company's share options was 1.5 years *(2009: 2.5 years)*. Details of the movements in the Pre-Listing Scheme are set out in the Directors' Report on pages 23 to 24.

Note:

(i) Adjustments were made to the number of outstanding options and the subscription price in accordance with the terms of Pre-Listing Scheme to take into account the effect of the bonus issue as approved by the shareholders of the Company on 2 December 2009 which became unconditional on 7 December 2009 ("Bonus Issue"). The price of the options exercised as referred to in the above table was also adjusted.

27. SHARE OPTION SCHEMES *(Continued)*

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

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

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

	Number of options ('000)									
Exercise price (Adjusted)	**HK$0.3900**	**HK$0.7500**	**HK$0.1675**	**HK$0.4600**	**HK$0.1150**	**HK$0.1305**	**HK$0.1405**	**HK$0.261**	**HK$0.25**	**Total**
At 1 July 2008	520	2,000	12,532	1,200	–	–	–	–	–	16,252
Granted	–	–	–	–	800	6,912	1,140	–	–	8,852
Lapsed	(100)	–	(692)	–	–	–	–	–	–	(792)
At 30 June 2009 and 1 July 2009	**420**	**2,000**	**11,840**	**1,200**	**800**	**6,912**	**1,140**	**–**	**–**	**24,312**
Granted	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,400**	**900**	**5,300**
Lapsed	**–**	**–**	**(600)**	**–**	**(400)**	**–**	**(660)**	**–**	**–**	**(1,660)**
Exercised	**–**	**–**	**–**	**–**	**–**	**(1,200)**	**–**	**–**	**–**	**(1,200)**
Adjusted *(Note (a)(i))*	**420**	**2,000**	**11,240**	**1,200**	**400**	**6,912**	**1,140**	**–**	**–**	**23,312**
At 30 June 2010	**840**	**4,000**	**22,480**	**2,400**	**800**	**12,624**	**1,620**	**4,400**	**900**	**50,064**

At the end of the reporting period, the weighted average remaining contractual life of the Company's share options was 7.5 years *(2009: 8.3 years)*. Details of the movements in the Post-Listing Scheme are set out in the Directors' Report on pages 25 to 27.

(c) Fair value of share options

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

28. 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 year are set out below:

Company	Note	Investment revaluation reserve HK$'000	Share premium HK$'000 *(Note (ii))*	Contributed surplus HK$'000 *(Note (i))*	Share options reserve HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 July 2008		55,770	56,838	65,059	536	11,042	5,626	194,871
Total comprehensive loss for the year		3,947	–	–	–	(9,943)	–	(5,996)
2008 final dividend paid		–	–	–	–	–	(5,626)	(5,626)
At 30 June 2009		59,717	56,838	65,059	536	1,099	–	183,249
At 1 July 2009		**59,717**	**56,838**	**65,059**	**536**	**1,099**	**–**	**183,249**
Issue of shares under share option schemes	*26(ii)*	**–**	**318**	**–**	**–**	**–**	**–**	**318**
Issue of bonus share	*26(iii)*	**–**	**(56,383)**	**–**	**–**	**–**	**–**	**(56,383)**
Total comprehensive income for the year		**1,087**	**–**	**–**	**–**	**831**	**–**	**1,918**
At 30 June 2010		**60,804**	**773**	**65,059**	**536**	**1,930**	**–**	**129,102**

Notes:

(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$773,000 *(2009: HK$56,838,000)* can be distributed in the form of fully paid bonus shares pursuant to the Companies Act 1981 of Bermuda.

(iii) Distributable reserve

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$66,989,000 *(2009: HK$66,158,000)* subject to the restriction stated above.

29. 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$1,000 per month. All statutory contributions under the MPF Scheme are immediately fully vested on the employees.

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

	2010	2009
	HK$'000	HK$'000
Gross employer's contributions	**1,099**	1,092
Less: Forfeited contributions utilised to offset employer's contributions for the year	**(160)**	(98)
Net employer's contributions charged to profit or loss	**939**	994

30. RELATED PARTY TRANSACTIONS

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

Related party relationship	**Nature of transaction**	**2010**	2009
		HK$'000	HK$'000
Key management personnel, excluding directors	Short-term employee benefits	**6,699**	6,928
A related company	Management fee received	**(960)**	(960)
THKHL *(Note)*	Motor vehicle lease payment	**240**	240

Note: During the year, the Group charged and paid to a related company, Tanrich (Hong Kong) Holdings Limited ("THKHL") management fee of HK$80,000 per month and lease payment of HK$20,000 per month for the management and personnel supportive services provided by the Group and for the use of a motor vehicle respectively. THKHL is controlled by a combination of certain directors of the Company.

31. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group	Loans and receivables HK$'000	Assets at fair value through profit or loss HK$'000	Held-to-maturity HK$'000	Available-for-sale HK$'000	Total HK$'000
Financial assets					
Available-for-sale financial assets	–	–	–	97,457	97,457
Other financial assets	–	902	14,677	–	15,579
Loans and advances	3,214	–	–	–	3,214
Investments held for trading	–	31,262	–	–	31,262
Accounts receivable	101,766	–	–	–	101,766
Financial assets included in deposits, prepayments and other receivables	4,398	–	–	–	4,398
Other non-current assets	3,500	–	–	–	3,500
Pledged deposits	500	–	–	–	500
Cash and bank balances	44,362	–	–	–	44,362
At 30 June 2010	157,740	32,164	14,677	97,457	302,038

Group	Financial liabilities at amortised cost HK$'000
Financial liabilities	
Interest-bearing borrowings	41,000
Accounts payable	28,840
Financial liabilities included in other payables and accrued charges	14,271
Tax payable	753
At 30 June 2010	84,864

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

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

Group	Loans and receivables HK$'000	Assets at fair value through profit or loss HK$'000	Held-to-maturity HK$'000	Available-for-sale HK$'000	Total HK$'000
Financial assets					
Available-for-sale financial assets	–	–	–	99,925	99,925
Other financial assets	–	897	14,603	–	15,500
Loans and advances	3,890	–	–	–	3,890
Investments held for trading	–	36,037	–	–	36,037
Accounts receivable	108,828	–	–	–	108,828
Financial assets included in deposits, prepayments and other receivables	5,943	–	–	–	5,943
Other non-current assets	2,000	–	–	–	2,000
Pledged deposits	866	–	–	–	866
Cash and bank balances	35,266	–	–	–	35,266
At 30 June 2009	156,793	36,934	14,603	99,925	308,255

Group	Financial liabilities at amortised cost HK$'000
Financial liabilities	
Interest-bearing borrowings	31,000
Accounts payable	17,784
Financial liabilities included in other payables and accrued charges	9,812
Tax payable	88
At 30 June 2009	58,684

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company	Loans and receivables HK$'000	Assets at fair value through profit or loss HK$'000	Held-to-maturity HK$'000	Available-for-sale HK$'000	Total HK$'000
Financial assets					
Available-for-sale financial assets	–	–	–	70,184	70,184
Other financial assets	–	902	14,677	–	15,579
Investments held for trading	–	8,435	–	–	8,435
Amount due from a subsidiary	136,463	–	–	–	136,463
Financial assets included in deposits, prepayment and other receivables	1,884	–	–	–	1,884
Cash and bank balances	251	–	–	–	251
At 30 June 2010	138,598	9,337	14,677	70,184	232,796

Company	Financial liabilities at amortised cost HK$'000
Financial liabilities	
Interest-bearing borrowings	34,000
Financial liabilities included in other payables and accrued charges	450
At 30 June 2010	34,450

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company	Loans and receivables HK$'000	Assets at fair value through profit or loss HK$'000	Held-to-maturity HK$'000	Available-for-sale HK$'000	Total HK$'000
Financial assets					
Available-for-sale financial assets	–	–	–	69,098	69,098
Other financial assets	–	897	14,603	–	15,500
Investments held for trading	–	7,258	–	–	7,258
Amount due from a subsidiary	79,199	–	–	–	79,199
Financial assets included in deposits, prepayments and other receivables	1,975	–	–	–	1,975
Cash and bank balances	4,613	–	–	–	4,613
At 30 June 2009	85,787	8,155	14,603	69,098	177,643

Company	Financial liabilities at amortised cost HK$'000
Financial liabilities	
Financial liabilities included in other payables and accrued charges at 30 June 2009	368

32. 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, equity price risk and commodity and future contract 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 RCC is responsible for establishing and reviewing credit policies and procedures to minimise systematic and non-systematic credit and financial risks of the Group. RCC is also responsible for assessing the risk of long term investments and proprietary trading.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest-rate risk

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

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 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 equal to the carrying amounts of these instruments.

Foreign currency risk

The Group's foreign currency exposure arises mainly from the exchange rate movements of Japanese Yen and United States dollar.

The Group has substantially cut its bank deposits and margin deposits in Japanese Yen with futures commission merchants and considered not to maintain excessive balances in Japanese Yen in the future. The management monitored the foreign currency fluctuation closely. The risk exposure have been assessed to be within manageable level.

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 2009.

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

The maturity profile of the financial liabilities of the Group and the Company at the end of the reporting period based on contractual undiscounted payments are summarised below:

	2010			2009		
	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
Group						
Interest-bearing borrowings	**41,000**	**–**	**41,000**	31,000	–	31,000
Accounts payable	**28,840**	**–**	**28,840**	17,784	–	17,784
Other payables and accrued charges	**13,332**	**939**	**14,271**	6,844	2,968	9,812
	83,172	**939**	**84,111**	55,628	2,968	58,596
Company						
Interest-bearing borrowings	**34,000**	**–**	**34,000**	–	–	–
Other payables and accrued charges	**240**	**210**	**450**	368	–	368
	34,240	**210**	**34,450**	368	–	368

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 2010, details of which have been set out in notes 15 and 19 to the 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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

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:

	2010		2009	
	30 June	**High/Low from 1 July 2009 to 30 June 2010**	30 June	High/Low from 1 July 2008 to 30 June 2009
Hong Kong – Hang Seng Index	**20,129**	**23,100/17,186**	18,379	23,369/10,676

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 2009.

At the end of the reporting period, if the equity price had been 10% *(2009: 10%)* higher/lower with all other variables held constant, the Group's loss before tax would be decreased/increased by HK$3,126,000 *(2009: HK$3,604,000)*. Investment revaluation reserve would be increased/decreased by HK$9,293,000 *(2009: HK$9,528,000)* as a result of changes in fair value of 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 the profit or loss.

Risk associated with futures contracts

At end of the reporting period, the Group had off-statement of financial position proprietary trading financial instruments outstanding, namely, equity index, commodity and currency futures contracts. The contractual or notional amounts of the Group's trading futures contracts outstanding at end of the reporting period were as follows:

	Group Contractual/notional amount	
	2010	2009
	HK$'000	HK$'000
Long position with maturity		
Within 3 months	**62,981**	103,846
Short position with maturity		
Within 3 months	**41,726**	47,237
Longer than 3 months but within 6 months	**3,515**	–
	45,241	47,237

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Risk associated with futures contracts *(Continued)*

The financial instruments become favorable or unfavorable as a result of fluctuations in market price of the underlying instruments relative to their terms.

Notional amounts of these financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amount of future cash flows involved and, therefore, are not a representation of the Group's exposure to the price risk.

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 2010 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

	30 June 2010	**Level 1**	**Level 2**
	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets			
Listed securities	92,926	92,926	–
Other financial assets			
Held-to-maturity financial assets	14,677	–	14,677
Embedded derivatives	902	–	902
Investments held for trading			
Listed securities	31,262	31,262	–

During the year ended 30 June 2010, 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.

33. 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 shareholders' 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 2010 and 30 June 2009.

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 SFC, the Hong Kong Confederation of Insurance Brokers and Professional Insurance Brokers Association Limited and subject to the respective minimum capital requirements.

The Group monitors capital using a gearing ratio, which is total borrowings divided by the total shareholders' equity. The Group's policy is to maintain the gearing ratio at a reasonable level. As at the end of the reporting period, there were borrowings of HK$41 million for financing the operations of the Company which resulted in a gearing ratio of 18% *(2009: 12%)*.

34. COMMITMENTS

Capital expenditure commitments

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted but not provided net of deposits paid in the financial statements for the revamp of information technology systems	**977**	414
Further capital contribution to subsidiaries	**49,000**	60,000
	49,977	60,414

34. COMMITMENTS *(Continued)*

Commitments under operating leases

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

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**6,482**	7,707
In the second to fifth year inclusive	**220**	6,239
	6,702	13,946

Other commitments

In April 2010. the Company entered into a five year total return swap agreement (the "SWAP") with a bank in the United Kingdom. The underlying instrument of the SWAP is a capital guaranteed fund with notional amount of USD10 million.

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 cumulative return on the underlying instrument depending on its performance. The first quarterly payment was due and paid in July 2010, which was accounted for by the Group in accordance with HKAS 39 accordingly.

35. CONTINGENT LIABILITIES

(a) The Company had corporate guarantee of HK$850,500,000 *(2009: HK$850,500,000)* for bank facilities granted to subsidiaries from banks, which were utilised to the extent of HK$7,000,000 *(2009: HK$31,000,000)* 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.

(b) The Company also guaranteed the liabilities of one of its subsidiaries up to an aggregate amount of not less than HK$10,000,000 *(2009: HK$10,000,000)* in order to comply with the requirement of unencumbered assets contained in the GEM Listing Rules.

RESULTS:

	Financial year ended 30 June				
	2006 HK$'000 *(Restated)*	2007 HK$'000 *(Restated)*	2008 HK$'000 *(Restated)*	2009 HK$'000	**2010** **HK$'000**
Turnover	64,096	85,709	109,774	67,775	**68,147**
Profit (Loss) before taxation	7,589	14,008	12,169	(31,461)	**(32,708)**
Taxation	(3,328)	(30)	495	(88)	**(753)**
Profit (Loss) for the year	4,261	13,978	12,664	(31,549)	**(33,461)**
Attributable to:					
Equity holders of the Company	4,242	13,978	12,664	(31,547)	**(33,455)**
Non-controlling interests	19	–	–	(2)	**(6)**
	4,261	13,978	12,664	(31,549)	**(33,461)**
Dividends	–	5,593	5,626	–	**–**

ASSETS AND LIABILITIES:

	Assets and liabilities as at 30 June				
	2006 HK$'000 *(Restated)*	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Non-current assets	49,721	82,111	124,169	126,039	**121,925**
Current assets	149,315	393,861	203,888	190,156	**185,337**
Total assets	199,036	475,972	328,057	316,195	**307,262**
Current liabilities	(47,575)	(237,446)	(36,227)	(58,684)	**(84,864)**
Non-current liabilities	–	–	–	–	**–**
Total liabilities	(47,575)	(237,446)	(36,227)	(58,684)	**(84,864)**
Net total assets	151,461	238,526	291,830	257,511	**222,398**
Current ratio	3.14	1.66	5.63	3.24	**2.18**
Gearing ratio	0%	65.4%	0%	12%	**18%**