TANRICH FINANCIAL HOLDINGS LIMITED

敦沛金融控股有限公司

Stock Code:0812

ANNUAL REPORT 2006

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Corporate Information

Board of Directors

Executive Directors
Mr. YIP Man Fan *(Chairman)*
Mr. KWOK Kam Hoi
(Deputy Chairman, resigned as Chief Executive on 1 August 2006)
Mr. TSUNOYAMA Toru
Ms. WONG, Vicky Lai Ping *(appointed on 1 July 2006)*
Mr. LEE, Edmund Kit Ming *(resigned on 7 July 2005)*

Independent Non-Executive Directors
Mr. LAM, Andy Siu Wing, JP
Mr. MA, Andrew Chiu Cheung
Mr. YU King Tin
Mr. SUN Shuyi *(resigned on 3 March 2006)*

Audit Committee

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

Remuneration Committee

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

Company Secretary and Qualified Accountant

Ms. CHEUNG, Fendi Chung Yee

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Corporate Information

Head Office and Principal Place of Business in Hong Kong	16th Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
Bermuda Principal Share Registrar	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM08 Bermuda
Hong Kong Branch Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712 – 1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	Standard Chartered Bank (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited Wing Lung Bank Limited Bank of America (Asia) Ltd. Bank of China (Hong Kong) Limited
Auditors	Moores Rowland Mazars *Chartered Accountants, Certified Public Accountants* 34th Floor, The Lee Gardens 33 Hysan Avenue, Causeway Bay Hong Kong
Listing Information	The Stock Exchange of Hong Kong Limited Stock Code: 812
Website	www.tanrich.com

Chairman's Statement

Since 1990, Tanrich Financial Holdings Limited has played an integral role in Hong Kong's financial services community. Building on a solid foundation in Japanese commodity futures trading, Tanrich has been expanding its business to offer an even greater variety of services. This diversification strategy has enabled us to emerge as a one-stop financial institution with comprehensive product offerings. Today, our name is synonymous with integrity and professional service among corporate and personal investors.

Despite keen market competition, the Group managed to turn around its business during the year under review. With the continuing rebound of the local economy and the buoyancy of the local securities market during this period, Tanrich recorded solid growth in its securities broking and margin financing business.

Our corporate finance business, together with our wealth management products (including unit trusts and insurance products) also made major gains in the year. To enrich our product offerings in wealth management, we will look for opportunities to co-operate with other financial institutions in the year ahead.

The Group continued to develop its core business of futures broking, although the increasingly competitive business environment did have an impact on our performance. To maintain our dominant market position, we recognized that the provision of high quality products and service is essential and that these can only be delivered through the efforts of a loyal, dedicated and competent staff. Therefore, we continued our efforts during the year to enhance the professional skills and capabilities of our staff through training and to provide them with a stable career and competitive compensation package. As a result of these initiatives, Tanrich has built a solid working team, who will be instrumental in returning us to profitability in the near future. Our objective in 2006/2007 is to further strengthen our team by recruiting more account executives.

During the year, we benefited from the implementation of internal controls and our heightened awareness of the need to maintain a cost-effective operation. We also put more resources into IT to improve efficiency and our etrade platform. By revamping the content of Tanrich-Online, we are now attracting a growing number of viewers who come to us for our comprehensive information on key commodities and foreign currencies. This site will continue to serve as an essential tool and will help foster better relationships with our clients, ultimately enabling us to expand our client base.

Chairman's Statement

Additionally, we put significant resources into marketing, which included brand building through television commercials and participation in financial expos in Hong Kong and Mainland China, joint venture seminars, and financial documentary programs in the print and broadcast media. We expect that all of these initiatives will help us to enhance our public awareness and in turn aid us in bringing more business to the Group.

Looking ahead, we anticipate a number of trends will drive our business forward. In the second half of 2006, we believe the equity markets and China-related shares will remain robust. The Hong Kong market, which has outperformed many of its Asian counterparts, will continue to function as China's gateway city for international trade and finance. Sustained economic growth in Mainland China will also propel growth in other areas of the region.

Tanrich will persist in exploring opportunities in the Mainland, where demand for quality financial services and corporate finance will remain brisk for the foreseeable future. We are currently equipping ourselves to tap opportunities in this huge and vibrant market.

Despite some uncertainties in the global economy, we believe the prospects for Hong Kong are bright and that the trend of falling unemployment and rising personal incomes will continue. Tanrich has positioned itself well in this market and will strive to secure a more balanced contribution from its different businesses.

On behalf of the Board of Directors, I would like to express my sincere gratitude to our shareholders, business partners and customers for their on-going support. I would also like to thank my fellow board members and colleagues for their dedication and many contributions in the past year. I look forward to a more prosperous year ahead and even stronger returns for our shareholders.

Yip Man Fan
Chairman

Hong Kong, 22 September 2006

Management Discussion and Analysis

BUSINESS REVIEW

During the year ended 30 June 2006, the Group still faced a challenging time due to keen competition in the futures broking business despite the augmentation in the corporate finance and the wealth management and insurance agency businesses. Turnover of the Group for the year ended 30 June 2006 was HK$69.3 million, representing a decrease of 12.0% as compared with last year. Despite the decrease in turnover, the Group recorded profit attributable to equity holders of the Company of HK$4.2 million (2005: Loss of HK$11.1 million) as a result of the profit from realization of certain listed investments of HK$18.2 million. With the effort from diversification of business, the turnover of each business segment other than futures broking showed improvement.

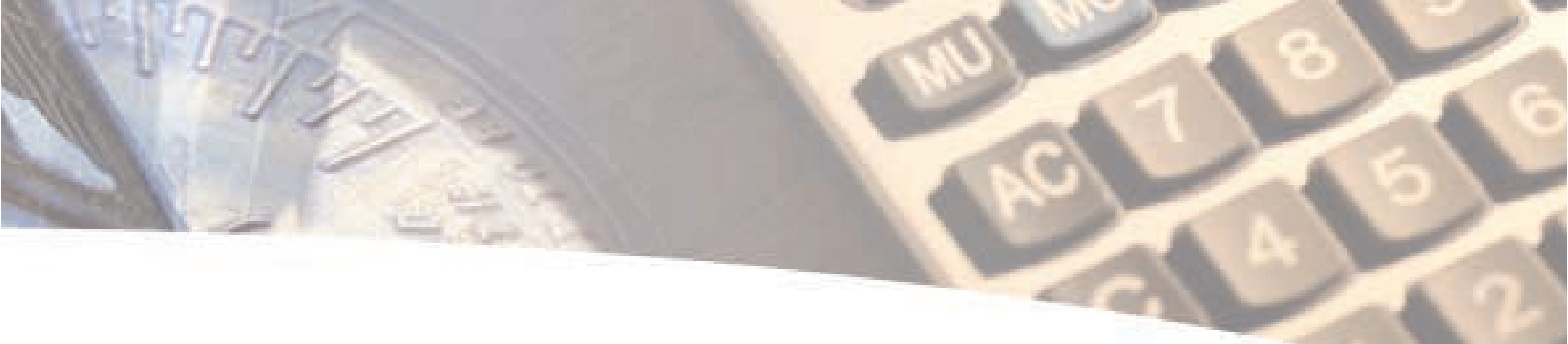
Futures broking

Following the drainage of experienced account executives, the commission income derived from broking in futures contracts for the year dropped to HK$36.2 million (2005: HK$52.3 million) by 30.8% as compared to last year. The management has been reviewing the operation system and sales strategies since 2005. As a result, the operating costs of futures broking successfully decreased and helped reducing the segment loss by 22.8% to HK$8.5 million. Other than the cost cutting exercise, the management will continue to strengthen the sales and marketing activities. The Group has also put in more resources in recruiting and retaining our valuable sales force.

Securities broking and margin financing

The turnover from securities broking and margin financing business for the year rebounded to HK$10.2 million by 9.5% from last year. However, the segment profit was only HK$0.5 million (2005: HK$1.8 million) due to the new allocation basis of the administrative expenses from head office to better reflect the operating costs of each business segment.

The increasing number of listed companies in The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), especially those PRC state-owned entities, have attracted domestic and overseas investors and induced more transactions. On the other hand, the severe competition in the broking market has pressure in the rate of commission income. The management will further focus on exploring corporate customers to secure commission income. We are also putting more effort in developing the electronic trading system to provide more convenient and better services to our customers.



Management Discussion and Analysis

Corporate finance

After going through the cultivating period of the corporate finance business, the team successfully sponsored a company be listed on the main board of the Stock Exchange during the financial year. The corporate finance business recorded an encouraging increase in turnover by 35.8% to HK$2.5 million. The operating loss for the year also decreased by more than 53.9% from HK$4.0 million to HK$1.9 million.

The Group's corporate finance business is expected to be one of its core businesses in the long run. With the satisfactory result of the first company sponsored by us and be listed on the Stock Exchange, we have proved our expertise and capability. We shall further explore business opportunities to strengthen our corporate finance business.

Wealth management and insurance agency

During the year, the turnover of the Group's wealth management and insurance agency business increased by 11.8% to HK$10.0 million. It is expected that the growth potential of wealth management and financial planning business to be prosperous. The Group has been putting more resources in developing the sales force and the supporting activity in research and analysis. The segment loss for the period increased to HK$1.5 million accordingly.

The Group committed to further develop the wealth management business and establish partnership with other financial institutions to provide wider variety of products to our customers.

Money lending

As a result of early partial payments from the borrower, the loan principal reduced to HK$5.2 million as at the year end date. The interest income of the Group's money lending business for the year accordingly dropped by 52.9% to HK$1.7 million from that of HK$3.5 million in 2005. The operating profit also reduced to HK$1.6 million. It is the Group's policy to capture profit generating opportunities by identifying credit worthy corporate clients with a view to provide money lending services.

Management Discussion and Analysis

PROSPECTS

The financial market of Hong Kong is more and more mature and traditional products cannot satisfy the sophisticated investors well. The Group is looking for possibilities to cooperate with other financial institutions to develop new products and investment derivatives. The Group may also consider to expand by mergers and acquisitions other than organic growth.

The Group has been inviting more senior executives to join the Group to strengthen the various skills and know-how to cope with every challenge ahead. Our account executives and financial planners are encouraged to obtain licences for different financial products to provide all-round advices to our clients for meeting their different investment objectives and requirements. Other than recruitment from the market, we have also structured training program for our account executives for enhancing their professional knowledge and ethics.

The revamping of the content of Tanrich-Online, our financial website (www.tanrich.com), in the first quarter of 2006 has attracted more and more viewers. In Tanrich-Online, the latest market news, all-round information on key commodities and foreign currencies and proprietary strategy reports are updated promptly. The management believes that our website would become an essential tool for our clients in stocks, FOREX futures and commodity futures trading.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity, financial resources, gearing ratio and capital structure

The Group has maintained a healthy and stable financial position. The subsidiaries licensed by the Securities and Futures Commission (the "SFC") fully complied with the financial resources rules promulgated by the SFC. As at 30 June 2006, the Group had total cash and bank balances of HK$67.1 million (2005: HK$38.3 million), while net current assets amounted to HK$101.7 million (2005: HK$78.6 million). The current ratio as a ratio of current assets to current liabilities was about 3.1 (2005: 2.6). The increase in cash and bank balances are mainly due to the realization of certain listed investments and the partial payment of a loan from the borrower.

At the balance sheet date, the Group had no bank borrowings which resulted in zero gearing ratio. The gearing ratio represented the ratio of total borrowings to the total equity of the Group.

Banking facilities and charges on assets

As at 30 June 2006, the Group had aggregate banking facilities of HK$100.0 million. The drawdown of certain banking facilities of HK$94.0 million is subject to the market value of the marketable securities pledged. At the balance sheet date, the market value of the clients' pledged securities amounted to approximately HK$224.9 million. The Company has provided corporate guarantees for the facilities of HK$99.5 million granted to its subsidiaries from banks, and such facilities were not utilised at the balance sheet date in 2006. All the banking facilities were denominated in Hong Kong dollars and subject to commercial floating interest rates. There were no seasonal factors affecting the Group's borrowing requirements.

The Group pledged certain investments in listed securities of approximately HK$40.2 million as the collateral of the banking facilities (2005: HK$26.2 million). The subsidiaries also pledged bank deposits of approximately HK$1.3 million (2005: HK$1.5 million) for foreign exchange deferred trading and general banking facilities.

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

Management Discussion and Analysis

MATERIAL INVESTMENTS

Significant investments held and material acquisition and disposal

During the year, the Group realized certain investments in listed securities with a profit of HK$18.2 million. The remaining long-term investments have been reclassified as "available-for-sale financial assets" in accordance with the new Hong Kong Financial Reporting Standards. The investments have been appreciated with reference to the closing market price per share from HK$20.10 to HK$49.95 which increased the equity by approximately HK$27.0 million.

As far as practicable and up to the date of this report, the Group has no planning on any major investments or acquisition of capital assets in the foreseeable future.

CONTINGENT LIABILITIES

Other than the guarantee granted to certain subsidiaries of the Company for general banking facilities as stated above, the Company has also guaranteed the liabilities of one of its subsidiaries upto an aggregate amount of not less than HK$10.0 million in order to comply with the requirement of unencumbered assets contained in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange.

As disclosed in the 2005 annual report, the Group was engaged in arbitration proceedings, with an independent third party, concerning, inter alia, the alleged unauthorised trading of futures contracts by an ex-employee of the Group. Such contingent claims did not have any further progress during the year ended 30 June 2006 and accordingly, the directors maintained the same opinion as in previous year that it is not currently possible to estimate the eventual outcome of the above claim and having taken appropriate legal advice, the directors of the Company consider it is not necessary to make any provision in this regard.

Management Discussion and Analysis

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

As at 30 June 2006, the Group had a total margin deposit placed with the two designated futures commission merchants of approximately Japanese Yen 218.1 million and a bank deposit of approximately Japanese Yen 0.3 million, total Japanese Yen being equivalent to approximately HK$14.8 million. This amount has been properly hedged with USD/JPY foreign exchange deferred trading.

STAFF

At the year end date, the Group had a total of 143 full-time employees. The Group operates different remuneration schemes for account executives and other supporting and general staff respectively. Account executives are remunerated on the basis of on-target-earning packages comprising base pay or drawing, commission and/or bonus. The Group launched new policy for supporting and general staff that additional allowances are offered on top of the base salaries with reference to their performance. All supporting and general staff is also entitled to year-end discretionary bonuses. The Group also provides training programs for the staff to enhance their skills and products, regulatory and compliance knowledge.

The Company has share option schemes under which the Company may grant options to eligible persons to subscribe for shares in the Company as a long-term incentive scheme.

Corporate Governance Report

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Board strives to attain and maintain good corporate governance and transparency and believes it is important to enhancing the shareholders' value. The Company has complied with all the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("The Stock Exchange") (the "Listing Rules") throughout the year and upto the date of this report with certain deviations from the Code as elaborated below:

Chairman and chief executive officer

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

Term of appointment of non-executive directors

Provision A.4.1 of the Code requires non-executive directors be appointed for a specific term, subject to re-election. The independent non-executive directors were not appointed with specific term until May 2006. The term of appointment of all independent non-executive directors are fixed at eighteen months and all independent non-executive directors will be subject to retirement by rotation, but be eligible for re-appointment, at least once every three years at the annual general meetings of the Company ("AGM") in accordance with the Company's Bye-laws.

Corporate Governance Report

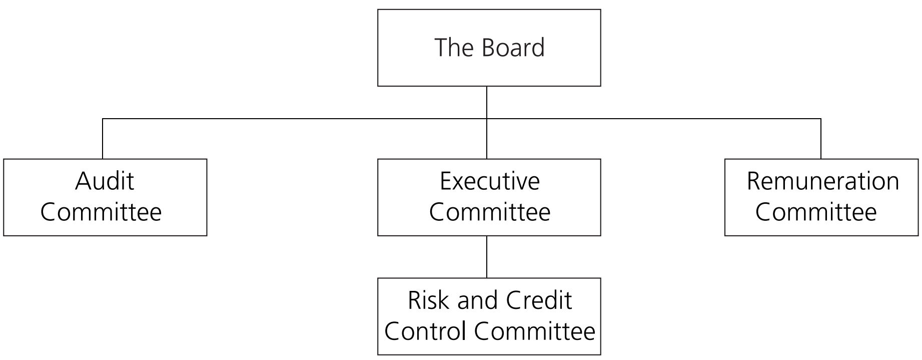
Retirement by rotation

Provision A.4.2 of the Code requires every director be subject to retirement by rotation at least once every three years. The Chairman is appointed for a term of two years, and is not subject to rotation or taken into account in determining the number of directors to retire in each AGM in accordance with the current Bye-laws of the Company. The Company has proposed to amend its Bye-laws to comply with this provision at the forthcoming AGM. The Chairman also volunteered to retire and, being eligible, offer himself for re-election at the forthcoming AGM.

THE BOARD AND CORPORATE GOVERNANCE STRUCTURE

The Board and Board Committee

The Board is responsible for directing the strategic objectives of the Group and overseeing the management of the business. The directors are responsible for leadership and control of the Group. The overall corporate governance structure of the Company is depicted in the following chart:



Corporate Governance Report

Composition of the Board

At the date of this Report, the Board comprised seven (7) directors, including four (4) executive directors and three (3) independent non-executive directors, namely:

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

Independent Non-executive Directors:
Mr. Lam, Andy Siu Wing, JP, *Chairman of the Audit Committee and the Remuneration Committee*
Mr. Ma, Andrew Chiu Cheung
Mr. Yu King Tin

The Board has a balance of skills and experience and the details of the biography of each director have been disclosed under the section "Directors and Senior Management". The Company has arranged appropriate directors and officers' insurance for their personal liability in their capacity as directors and officers of the Company.

Corporate Governance Report

Proceedings of Board meetings

The Board meets regularly with intervals of not more than four months for discussing and determining the strategies of the Group, setting directions and monitoring the performance of the Group. All directors are informed in writing for all regular meetings with proper notice period. The secretary of the Company ("Company Secretary") is responsible to fix a day which fits most of the directors' schedules. Agenda and materials for discussion in the meetings are circulated to all directors at least three days prior to the date of the regular meetings. Senior management may be invited to attend the meetings to make presentations and answer the Board's enquiries. All draft and final minutes of each meeting are sent to all directors for comment within reasonable time after the meeting is held.

During the year, there were five full board meetings held with procedures fully complied with the Code and the attendance of each director is listed under the heading "Attendance Summary" below on a named basis.

Independence of Independent Non-executive Directors

The Company has received written confirmations from each independent non-executive director of his independence to the Group. The Company is in the opinion that all the independent non-executive directors were acting independently throughout the financial year.

Model Code of the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers set out in Appendix 10 (the "Model Code") to the Listing Rules. The Company has made specific enquiry with each director and was confirmed that all directors have complied with the required standard set out in the Model Code throughout the financial year.

Corporate Governance Report

Nomination of Directors

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

During the year, a full board meeting was held for the nomination and appointment of Ms. Wong, Vicky Lai Ping ("Ms. Wong") as an executive director of the Company and Ms. Wong will, being eligible, offer herself for re-election at the forthcoming AGM.

Audit Committee

The Audit Committee comprises three (3) independent non-executive directors. The Board adopted clear terms of reference and will revise them from time to time as and when they think fit. All the independent non-executive directors are qualified accountants with extensive experience in financial management. The Audit Committee meets at least twice a year to discuss and review the internal control, the financial information and relevant matters with proceedings as for the Board meetings.

During the year, the Audit Committee has reviewed the results for the interim period ended 31 December 2005, the financial year ended 30 June 2006 and certain areas of the internal control procedures.

The Audit Committee recommended to engage Messrs. Moores Rowland Mazars ("Moores Rowland Mazars") to fill the vacancy from the resignation of PricewaterhouseCoopers as the auditors of the Company on 20 December 2005. The Audit Committee has also approved terms and remuneration of Moores Rowland Mazars for the audit for the financial year under review.

The Audit Committee held four meetings during the year and the attendance of each member is listed under the heading "Attendance Summary" below on a named basis.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee was composed of three (3) independent non-executive directors and two (2) executive directors during the financial year. On 1 July 2006, Ms. Wong, Vicky Lai Ping, an executive director, was appointed as a member of the Remuneration Committee as she is specialized in the human resources area. The responsibilities of the Remuneration Committee are clearly stated in the terms of reference, including but not limited to recommendations to the Board on the Company's policy and structure for the remuneration of all executive directors and senior management and the review and approval of their respective compensation package. The Remuneration Committee shall meet twice a year, the least.

During the financial year, the Remuneration Committee has reviewed and approved the remuneration package of all executive directors and senior management of the Group. The Remuneration Committee has also reviewed and approved the performance-based remuneration policy of the Company which is further elaborated under the Section "Management Discussion and Analysis" on pages 6 to 11.

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

Executive Committee

The Executive Committee is composed of all executive directors, the general manager, the financial controller and the head of a major business division of the Company. Members of the Executive Committee are appointed by the Executive Directors for the establishment, implementation and review of strategies and policies to achieve the long-term and short-term business goals of the Group. The Executive Committee meets monthly and is accountable to the Board for the performance of all businesses.

Risk and Credit Control Committee ("RCCC")

RCCC is composed of two (2) executive directors, the general manager, the associate director of legal and compliance department, the financial controller of the Company and two (2) directors of a subsidiary of the Company. RCCC is responsible for establishing and reviewing credit policies and procedures to minimize the systematic and non-systematic credit and financial risks of the Group. RCCC is also responsible for assessing the risk of investments of trading and long-term purposes. RCCC meets regularly and reports to the Board from time to time.

Corporate Governance Report

Attendance Summary

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

	Attendance/Number of meetings held				
Name of members of the Board/the respective Board Committees	**Board meeting**	**Audit Committee meeting**	**Remuneration Committee meeting**	**Executive Committee meeting**	**Risk and Credit Control Committee meeting**
Executive Directors:					
Yip Man Fan	4/5	N/A	N/A	10/12	N/A
Kwok Kam Hoi	5/5	N/A	5/5	11/12	13/15
Tsunoyama Toru	5/5	N/A	5/5	10/12	13/15
Lee, Edmund Kit Ming *(Resigned on 7 July 2005)*	0/0	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Lam, Andy Siu Wing	5/5	4/4	5/5	N/A	N/A
Ma, Andrew Chiu Cheung	5/5	4/4	5/5	N/A	N/A
Yu King Tin	4/5	3/4	4/5	N/A	N/A
Sun Shuyi *(Resigned on 3 March 2006)*	0/2	N/A	N/A	N/A	N/A

Corporate Governance Report

INTERNAL CONTROL

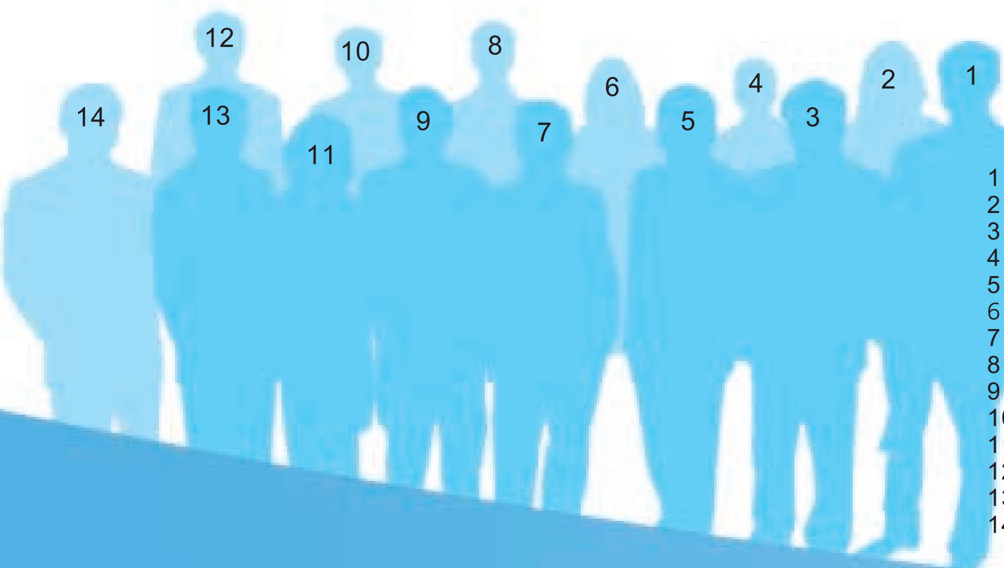
Internal audit function was assumed by the legal and compliance department during the financial year to review the system of internal control including financial, operational and compliance controls. Internal audit will be performed on the Group's major businesses on a rotation basis. Internal audit report is reported to the Audit Committee directly for review and consideration. Recommendations will also put forward to the Board for consideration and approval.

EXTERNAL AUDITORS

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

Moores Rowland Mazars were appointed as the external auditor of the Group during the year to fill the vacancy left by PricewaterhouseCoopers. The fee for audit service for the year ended 30 June 2006 was HK$760,000. No services were rendered by Moores Rowland Mazars other than the statutory audits during the financial year.

Directors and Senior Management



1 **Mr. Yu King Tin**
2 **Ms. Li Wai Kuen**
3 **Mr. Ma, Andrew Chiu Cheung**
4 **Mr. Chan Lee Yeung**
5 **Mr. Tsunoyama Toru**
6 **Ms. Cheung, Fendi Chung Yee**
7 **Mr. Yip Man Fan**
8 **Mr. Lee, Simon Hung Kwong**
9 **Mr. Kwok Kam Hoi**
10 **Mr. Sit, Kenneth Kar Kin**
11 **Ms. Wong, Vicky Lai Ping**
12 **Mr. Pun Tit Shan**
13 **Mr. Chan Shik Hong**
14 **Mr. Lam, Andy Siu Wing, JP**

Directors and Senior Management

Executive Directors

Mr. Yip Man Fan, aged 52, is the chairman of the Company and the founder of the Group. Mr. Yip is also a director of certain subsidiaries of the Company, namely Tanrich Financial (Management) Limited ("TFML"), Tanrich Futures Limited ("TFL"), Tanrich Securities Company Limited ("TSCL") and Tanrich Financial Group (China) Limited ("TFC") and a responsible officer of TFL. Mr. Yip has been in the securities and futures broking businesses for 24 years. He is responsible for business development, corporate strategies and policies setting of the Group. Mr. Yip was the past President of Lions Club of the Peak, Hong Kong. He has also received the Melvin Jones Fellow award for dedicated Humanitarian Services of Lions Clubs International Foundation.

Mr. Kwok Kam Hoi, aged 54, is the deputy chairman of the Company. Mr. Kwok is also a director of every subsidiary of the Company. He joined the Group in October 1995. He is responsible for business development, corporate strategies and policies setting of the Group. Mr. Kwok has actively contributed to the Group's restructuring and business growth. Before joining the Group, he was a vice president of J.P. Morgan & Co., Incorporated where he worked for 16 years. Mr. Kwok is a graduate of the Chinese University of Hong Kong in business management. He is also a member of the Hong Kong Securities Institute and a member of the financial services committee of Hong Kong Coalition of Service Industries, which is the Service Policy Think-Tank of the Hong Kong General Chamber of Commerce.

Directors and Senior Management

Executive Directors *(Continued)*

Mr. Tsunoyama Toru, aged 51, is an executive director of the Company and its subsidiaries, namely TFML and Tanrich Finance Limited ("TFIN"). He joined the Group in May 1991 and is an advisor on the Japanese commodity futures activities of the Group. He has 27 years' experience in the commodity futures field. Mr. Tsunoyama is a law graduate of Kyoto Sangyo University, Japan.

Ms. Wong, Vicky Lai Ping, aged 46, is an executive director of the Company. Ms. Wong is also the head of the Group's human resources and administration division. She joined the Group in 1990 and has 24 years' experience in the area of administration and human resources. Ms. Wong holds a master's degree in business administration from the University of Leicester, U.K.

Directors and Senior Management

Independent Non-executive Directors

Mr. Lam, Andy Siu Wing, JP, aged 55, has been an independent non-executive director of the Company since October 2001. Mr. Lam is an American Certified Public Accountant, a Certified Fraud Examiner, a Chartered Secretary and a Chartered Marketer. He holds a master's degree in business administration from Oklahoma City University, USA. Mr. Lam has 21 years' experience in finance, corporate administration, marketing and strategic planning. He has been appointed by the Hong Kong Government as a Justice of the Peace and sits on a number of boards and committees. Mr. Lam had served as a member of the Administrative Appeals Board, Urban Services Appeals Board, Board of Review (Inland Revenue Ordinance), an adjudicator of Immigration Tribunal and Registration of Persons Tribunal. Currently he is a member of the Hong Kong Housing Authority, a member of the Action Committee Against Narcotics, a member of the Chinese Medicine Practitioner Board of the Chinese Medicine Council of Hong Kong, a member of the Appeal Board on Public Meetings and Processions and an adjudicator of the Obscene Articles Tribunal. Mr. Lam has also sat on the board of several listed companies in Hong Kong.

Mr. Ma, Andrew Chiu Cheung, aged 64, has been an independent non-executive director of the Company since April 2005. Mr. Ma is a director of Andrew Ma DFK (CPA) Limited. He has more than 30 years' experience in accounting and finance. He received his bachelor's degree in economics from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of the Institute of Chartered Accountants in England & Wales and a fellow member (practising) of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of The Hong Kong Institute of Directors and The Taxation Institute of Hong Kong. He is currently also an independent non-executive director of several other listed companies in Hong Kong.

Mr. Yu King Tin, aged 40, has been an independent non-executive director of the Company since October 2004. Mr. Yu has 16 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.

Directors and Senior Management

Senior management

Mr. Chan Shik Hong, aged 57, is a general manager of the Group. Mr. Chan joined the Group in December 2005 and has worked in the banking industry for over 30 years' with extensive experience in investment banking management. Mr. Chan joined Banque Paribas, Hong Kong Branch in 1979 and was the senior manager of the commodity & trade finance division and developed trade services in the PRC, Korea and Taiwan. He was subsequently promoted to assistant general manager of Banque Paribas, Hong Kong Branch in 1992 and was responsible for overseeing the global operations of the Greater China Region. He also successfully established an internal system of risk management and organized a series of staff training at one of the largest banks in Macau.

Mr. Pun Tit Shan, aged 45, is a director of TSCL and TFL, and a responsible officer of TSCL, Tanrich Asset Management Limited ("TAML") and TFL. Mr. Pun has 22 years' experience in the financial field. Prior to joining the Group in April 2002, he was the dealing director of BOCI Commodities and Futures Limited and the vice president of BOCI Securities Limited. Mr. Pun has been a director of the Board of Hong Kong Futures Exchange Limited and Hong Kong Stock Exchange Options Clearing House Limited for 4 years. Additionally, Mr. Pun was a panel member of the Derivatives Market Consultative Panel of Hong Kong Exchange and Clearing Limited and a member of the Professional Education Committee and the Membership Committee of Hong Kong Securities Institute.

Mr. Chan Lee Yeung, aged 56, is a director and a responsible officer of both of TSCL and TAML. Mr. Chan has been in the securities business for 34 years. He joined the Group in July 1991.

Mr. Lee, Simon Hung Kwong, aged 41, is a senior vice president of the sales division of TFL. He is also a director and a responsible officer of TFL. Mr. Lee joined the Group in 1990 and has 20 years' experience in the futures business. He holds a diploma in business management jointly awarded by Hong Kong Management Association and Lingnan University, Hong Kong.

Directors and Senior Management

Senior management *(Continued)*

Ms. Li Wai Kuen, aged 46, is a director and a responsible officer of Tanrich Capital Limited ("TCL"). Before joining the Group in October 2002, Ms. Li worked for the Listing Division of the Stock Exchange of Hong Kong Limited, CEF Capital Limited, Yuanta Securities (Hong Kong) Company Limited and CSC Asia Limited. Ms. Li has 15 years' experience in the field of corporate finance and holds a master's degree in business administration from York University, Canada.

Mr. Sit, Kenneth Kar Kin, aged 40, is a director and a responsible officer of TCL. Mr. Sit joined the Group in March 2003 and has 13 years' experience in corporate finance and direct investment, with emphasis in structuring PRC deals and projects including but not limited to mergers and acquisitions, initial public offerings and other financial advisory services. Prior to joining the Group, Mr. Sit worked for a number of investment banks including Kingsway Capital Limited, BOCI Asia Limited, China Everbright Capital Limited and Nikko Securities Co., (Asia) Limited. Mr. Sit holds a master's degree in business administration from Bradford University, UK and a bachelor's degree from Bath University, U.K.

Ms. Cheung, Fendi Chung Yee, aged 37, is the company secretary and the qualified accountant of the Company. Ms. Cheung joined the Group in October 2005 and has more than 10 years' experience in a wide range of financial and company secretarial matters. Ms. Cheung has worked for international accountancy firms and companies listed in Hong Kong before joining the Group. Ms. Cheung holds a Bachelor's Degree of Arts in Accountancy and is a fellow member of the Association of Chartered Certified Accountant. She is also an associate member of each of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Directors' Report

The directors submit their report together with the audited financial statements of the Company and its subsidiaries for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES

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

An analysis of the Group's performance for the year by business segment is set out in note 4 to the financial statements. The activities of the Group are mainly carried out in Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 38.

The directors do not recommend the payment of a dividend.

RESERVES

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

As at 30 June 2006, the reserves of the Company available for distribution to shareholders amounted to HK$77,526,000 and details of the distributable reserves are set out in note 25(c) to the financial statements.

DONATIONS

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23 to the financial statements.

Directors' Report

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 86.

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

Mr. Yip Man Fan	*(Chairman)*
Mr. Kwok Kam Hoi	*(Deputy Chairman, resigned as Chief Executive on 1 August 2006)*
Mr. Tsunoyama Toru	
Ms. Wong, Vicky Lai Ping	*(appointed on 1 July 2006)*
Mr. Lee, Edmund Kit Ming	*(resigned on 7 July 2005)*

Independent Non-executive Directors

Mr. Lam, Andy Siu Wing, JP	
Mr. Ma, Andrew Chiu Cheung	
Mr. Yu King Tin	
Mr. Sun Shuyi	*(resigned on 3 March 2006)*

In accordance with Bye-law 86(2) of the Company's Bye-laws, Ms. Wong, Vicky Lai Ping ("Ms. Wong") shall only hold her office until the next following annual general meeting of the Company ("AGM"). Ms. Wong will, being eligible, offer herself for re-election at the forthcoming AGM.

In accordance with Bye-law 87 of the Company's Bye-laws, the chairman and/or the managing director and/or the chief executive officer of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. As such provision is deviated from the Code of Corporate Governance Practices contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Board has proposed to amend the Bye-laws of the Company. The Chairman, Mr. Yip Man Fan, volunteered to, and Mr. Kwok Kam Hoi will, retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service agreements with all the executive directors of the Company for the provision of management services to the Group for a term of two years and shall be terminated by either party by serving a prior written notice of not less than three months.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year ended 30 June 2006, members of the Group had connected transactions as defined under the Listing Rules but are exempt from all the reporting, announcement and independent shareholders' approval requirements pursuant to the provisions under Chapter 14A.31 of the Listing Rules. Details of the connected transactions are set out in Note 27 to the financial statements under the heading of "Related Party Transactions"

Save as the above, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

Directors' Report

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

As at 30 June 2006, the interests and short positions of the directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules were as follows:

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

	Number of ordinary shares held				**Number of underlying shares** *(Note 3)*	**Total**
	Personal interests	**Family interests**	**Corporate interests**	**Other interests**		
Yip Man Fan	–	7,500,000 *(Note 1)*	–	120,000,000 *(Note 2)*	4,000,000	131,500,000
Kwok Kam Hoi	–	–	–	–	4,000,000	4,000,000
Tsunoyama Toru	22,500,000	–	–	–	3,950,000	26,450,000
Wong, Vicky Lai Ping *(Note 4)*	–	–	–	–	870,000	870,000

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(Continued)*

Interests in long positions in the shares and underlying shares of the Company *(Continued)*

Notes:

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

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

3. These interests represent the interests in the underlying shares in respect of share options granted by the Company to the directors of the Company as beneficial owners.

4. Ms. Wong, Vicky Lai Ping was appointed as executive director of the Company with effect from 1 July 2006 and the interests disclosed for her represents her interests in underlying shares as a continuous contract employee as at the year end date.

Save as disclosed above, as at 30 June 2006, none of the directors, chief executive or their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations 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 the "Share Option Schemes" disclosed below and in note 24 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 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

Directors' Report

SHARE OPTION SCHEMES

a) Pre-Listing Share Option Scheme

The Pre-Listing Share Option Scheme ("Pre-Listing Scheme") was adopted on 7 January 2002. The summary of the Pre-Listing Scheme is as follows:

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

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

3. The total number of shares available for issue is 17,770,000, which represents 8.9% of the existing issued share capital of the Company as at the year end date.

4. The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.

5. Share options may be exercised in accordance with the terms of the Pre-Listing Scheme at any time during a period commencing one year from the date of grant of the option and expiring on the earlier of the last day of (i) a ten year period from the date of grant of the option or (ii) ten years from the adoption date.

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

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

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

Directors' Report

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

Details of the share options outstanding as at 30 June 2006 which have been granted under the Pre-Listing Scheme are as follows:

	Number of share options								
	Held at 1 July 2005	**Granted during the year**	**Exercised during the year**	**Lapsed during the year** *(Note 3)*	**Held at 30 June 2006**	**Sub-scription price** *HK$*	**Grant date**	**Exercisable from**	**Exercisable until**
Directors:									
Yip Man Fan	2,000,000	–	–	–	2,000,000	0.72	22 February 2002	22 February 2003	7 January 2012
	–	2,000,000	–	–	2,000,000	0.61	19 December 2005	19 December 2006	7 January 2012
Kwok Kam Hoi	2,000,000	–	–	–	2,000,000	0.72	22 February 2002	22 February 2003	7 January 2012
Tsunoyama Toru	1,950,000	–	–	–	1,950,000	0.72	22 February 2002	22 February 2003	7 January 2012
	–	2,000,000	–	–	2,000,000	0.61	19 December 2005	19 December 2006	7 January 2012
Continuous contract employees	7,990,000	–	–	2,410,000	5,580,000	0.72	22 February 2002	22 February 2003	7 January 2012
	–	1,300,000	–	–	1,300,000	0.61	19 December 2005	19 December 2006	7 January 2012
Bona fide consultants of the Group	170,000	–	–	30,000	140,000	0.72	22 February 2002	22 February 2003	7 January 2012
	–	800,000	–	–	800,000	0.61	19 December 2005	19 December 2006	7 January 2012

Notes:

1. The closing price immediately before the date on which the option granted on 22 February 2002 was HK$0.65.

2. The closing price immediately before the date on which the option granted on 19 December 2005 was HK$0.60.

3. Share options had lapsed in accordance with the terms and conditions of the Pre-Listing Scheme following the resignation of employees and cessation of consultancy services.

b) Post-Listing Share Option Scheme

The Post-Listing Share Option Scheme ("Post-Listing Scheme") was adopted on 30 January 2004. The summary of the Post-Listing Scheme is as below:

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

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

3. The total number of shares available for issue is 12,738,000, representing 6.4% of the existing issued share capital of the Company as at the year end date.

4. The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.

5. Share options may be exercised in accordance with the terms of the Post-Listing Scheme at any time during a period not less than one year and not more than ten years from the date of grant of the relevant option.

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

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

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

Directors' Report

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

Details of the share options outstanding as at 30 June 2006 which have been granted under the Post-Listing Scheme are as follows:

	Number of share options								
	Held at 1 July 2005	Granted during the year	Exercised during the year	Lapsed during the year (Note 3)	Held at 30 June 2006	Sub–scription price HK$	Grant date	Exercisable from	Exercisable until
Directors:									
Kwok Kam Hoi	2,000,000	–	–	–	2,000,000	0.67	27 April 2004	27 April 2005	26 April 2014
Lee, Edmund Kit Ming	1,000,000	–	–	1,000,000	–	0.80	1 February 2005	N/A	N/A
Lee, Caesar Chi Shing	1,000,000	–	–	1,000,000	–	0.80	1 February 2005	N/A	N/A
Continuous contract employees	11,084,000	–	–	3,402,000	7,682,000	0.67	27 April 2004	27 April 2005	26 April 2014
Consultants/Advisors	3,380,000	–	–	324,000	3,056,000	0.67	27 April 2004	27 April 2005	26 April 2014
Continuous contract employees	600,000	–	–	600,000	–	0.80	1 February 2005	N/A	N/A

Notes:

1. The closing price immediately before the date on which the option granted on 27 April 2004 was HK$0.67.

2. The closing price immediately before the date on which the option granted on 1 February 2005 was HK$0.81.

3. Share options had lapsed in accordance with the terms and conditions of the Post-Listing Scheme following the resignation of directors, employees and cessation of consultancy services.

Directors' Report

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

As at 30 June 2006, the persons (other than a director and chief executive of the Company whose interests or short positions have been disclosed above) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are as follows:

Name of shareholders	*Note*	Number of ordinary shares	Number of underlying shares held under share options	Total	Percentage of holding
Aceland Holdings Ltd.	*1, 2 & 4*	120,000,000	–	120,000,000	60.00%
Redwood Pacific Limited	*2 & 4*	120,000,000	–	120,000,000	60.00%
HSBC International Trustee Limited	*3 & 4*	120,000,000	–	120,000,000	60.00%
Tang Yuk Lan	*5*	127,500,000	4,000,000	131,500,000	65.75%

Notes:

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

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

3. HSBC International Trustee Limited is the trustee of The Yip Man Fan Family Trust, which holds 99.99% of the units in The Yip Man Fan Unit Trust.

4. Under Part XV of the SFO, each of Redwood Pacific Limited, and HSBC International Trustee Limited is taken to have an interest in the same 120,000,000 ordinary shares held by Aceland Holdings Ltd., on trust for The Yip Unit Trust. These shares therefore duplicate each other.

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

Directors' Report

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS

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

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

PUBLIC FLOAT

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

AUDITORS

During the year, the auditors, PricewaterhouseCoopers, resigned and Messrs. Moores Rowland Mazars, Chartered Accountants, Certified Public Accountants, were appointed as auditors of the Company. Messrs. Moores Rowland Mazars, will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board

Yip Man Fan

Chairman

Hong Kong, 22 September 2006

Auditors' Report

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

We have audited the financial statements on pages 38 to 85 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

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

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2006 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants

Hong Kong, 22 September 2006

Consolidated Income Statement

Year ended 30 June 2006

	Note	2006 HK$'000	2005 HK$'000
Turnover	3	**69,287**	78,741
Other revenue	3	**4,720**	3,732
Other income	5	**18,847**	866
Employee benefits expense	6	**(41,752)**	(52,560)
Brokerage and agency commission		**(12,128)**	(11,930)
Other operating expenses		**(30,358)**	(30,336)
Finance costs	6	**(1,027)**	(361)
Profit (Loss) before taxation	6	**7,589**	(11,848)
Taxation	8	**(3,328)**	737
Profit (Loss) for the year		**4,261**	(11,111)
Attributable to:			
Equity holders of the Company	9	**4,242**	(11,056)
Minority interests		**19**	(55)
		4,261	(11,111)
Earnings (Loss) per share			
– Basic (HK cents)	10	**2.1**	(5.5)

Consolidated Statement of Changes in Equity

Year ended 30 June 2006

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Total equity at beginning of year		
Attributable to equity holders of the Company,		
as previously reported	**128,215**	135,773
Minority interests, as previously presented separately		
from equity and liability	**(19)**	36
As restated	**128,196**	135,809
Change in fair value of available-for-sale financial		
assets/Surplus on revaluation of non-trading investments	**37,309**	5,498
Realisation of investment revaluation reserve upon disposal	**(18,305)**	–
Profit (Loss) for the year (2005: restated)	**4,261**	(11,111)
Total recognised income and expense	**23,265**	(5,613)
Dividends paid	**–**	(2,000)
Total equity at 30 June	**151,461**	128,196
Total recognised income and expense for the year		
Attributable to:		
Equity holders of the Company	**23,246**	(5,558)
Minority interests	**19**	(55)
	23,265	(5,613)

Consolidated Balance Sheet

At 30 June 2006

	Note	**2006** **HK$'000**	2005 HK$'000
Non-current assets			
Property, plant and equipment	11	**1,897**	3,604
Intangible assets	12	**410**	470
Available-for-sale financial assets/Non-trading investments	14	**45,255**	26,251
Other non-current assets	15	**2,000**	2,000
Loans and advances	16	**159**	14,000
Deferred tax assets	22	**–**	3,286
		49,721	49,611
Current assets			
Loans and advances	16	**5,080**	–
Investments held for trading/Trading securities	17	**3,500**	939
Accounts receivable	18	**50,080**	65,727
Other receivables	19	**23,505**	16,539
Available-for-sale financial assets/Non-trading investments	14	**–**	5,782
Pledged deposits	20	**1,275**	1,500
Cash and bank balances	20	**65,875**	36,819
		149,315	127,306
Current liabilities			
Accounts payable	21	**22,738**	24,073
Other payables and accrued charges		**7,661**	7,472
Taxation payable		**17,176**	17,156
		47,575	48,701
Net current assets		**101,740**	78,605
Total assets less current liabilities		**151,461**	128,216
Non-current liabilities			
Deferred tax liabilities	22	**–**	20
Net assets		**151,461**	128,196
Capital and reserves			
Share capital	23	**20,000**	20,000
Reserves	25	**131,461**	108,215
Total equity attributable to equity holders of the Company		**151,461**	128,215
Minority interests		**–**	(19)
Total equity		**151,461**	128,196

Approved and authorised for issue by the Board of Directors on 22 September 2006.

Kwok Kam Hoi
Director

Tsunoyama Toru
Director

Balance Sheet

At 30 June 2006

	Note	2006 HK$'000	2005 HK$'000
Non-current assets			
Interests in subsidiaries	13	**100,637**	99,637
Available-for-sale financial assets/Non-trading investments	14	**40,210**	16,180
		140,847	115,817
Current assets			
Investments held for trading/Trading securities	17	**3,500**	–
Other receivables	19	**91**	1
Cash and bank balances		**965**	1,391
		4,556	1,392
Current liabilities			
Other payables and accrued charges		**219**	–
Amount due to a subsidiary	13	**3,513**	–
		3,732	–
Net current assets		**824**	1,392
Net assets		**141,671**	117,209
Capital and reserves			
Share capital	23	**20,000**	20,000
Reserves	25	**121,671**	97,209
Total equity		**141,671**	117,209

Approved and authorised for issue by the Board of Directors on 22 September 2006.

Kwok Kam Hoi
Director

Tsunoyama Toru
Director

Consolidated Cash Flow Statement

Year ended 30 June 2006

	Note	**2006** **HK$'000**	2005 HK$'000
OPERATING ACTIVITIES			
Profit (Loss) before taxation		**7,589**	(11,848)
Amortisation		**60**	60
Depreciation		**1,658**	1,873
Loss on disposal of property, plant and equipment		**211**	1
Interest income		**(1,839)**	(930)
Interest expense		**1,027**	361
Dividend income		**(1,476)**	(1,246)
Gain on disposal of available-for-sale financial assets/non-trading investments		**(18,238)**	–
Changes in working capital:			
Loans and advances		**8,761**	6,373
Investments held for trading/Trading securities		**(2,561)**	(939)
Accounts receivable		**15,647**	35,500
Other receivables		**(2,333)**	949
Accounts payable		**(1,335)**	(20,861)
Other payables and accrued charges		**260**	(6,348)
Cash generated from operating activities		**7,431**	2,945
Purchase of Tax Reserve Certificates		**(4,571)**	(11,281)
Hong Kong Profits Tax paid		**(42)**	(188)
Interest received		**1,839**	930
Interest paid		**(1,027)**	(361)
Net cash generated from (used in) operating activities		**3,630**	(7,955)
INVESTING ACTIVITIES			
Dividends received		**1,476**	1,246
Proceeds from disposal of available-for-sale financial assets/non-trading investments		**24,020**	–
Acquisitions of available-for-sale financial assets/non-trading investments		**–**	(5,639)
Proceeds from disposal of property, plant and equipment		**38**	10
Purchase of property, plant and equipment		**(333)**	(929)
Net cash generated from (used in) investing activities		**25,201**	(5,312)
FINANCING ACTIVITIES			
Dividends paid		**–**	(2,000)
Net cash used in financing activities		**–**	(2,000)
Net increase (decrease) in cash and cash equivalents		**28,831**	(15,267)
Cash and cash equivalents at beginning of year		**38,319**	53,586
Cash and cash equivalents at end of year, represented by cash and bank balances	*20*	**67,150**	38,319

Notes to the Financial Statements

Year ended 30 June 2006

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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group adopted the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for accounting periods beginning on or after 1 January 2005. The major impacts on the changes in accounting policies are summarised below:

HKAS 1 Presentation of financial statements

HKAS 1 has affected the presentation of minority interests and the comparative figures have been restated accordingly.

HKFRS 2 Share-based payment

The adoption of HKFRS 2 has resulted in a change in the accounting policy for the recognition of an expense and a corresponding entry to equity in respect of directors' and employee's share options. The Group has applied HKFRS 2 retrospectively and has taken advantage of the transitional provisions provided therein. As a result, the Group has applied HKFRS 2 only to share options granted after 7 November 2002 which had not yet vested on 1 July 2005. The accounting policy of share-based payment transactions is described in note 2 to the financial statements.

The adoption of HKFRS 2 had no significant impact on the results and financial position for the current and prior accounting years. The options granted during the year have not been vested. The expense so calculated is immaterial to the financial statements for the year ended 30 June 2006.

HKAS 24 Related party disclosures

HKAS 24 has affected the identification of related parties and the level of related-party disclosures. Details of the new definition of related parties are set out in note 2 to the financial statements. The adoption of HKAS 24 has no material impact on the Group's financial statements for the current and prior accounting years.

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 32 Financial instruments: Disclosure and presentation and HKAS 39 Financial instruments: Recognition and measurement

In the current year, the Group has applied HKAS 32 and HKAS 39 which have resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. HKAS 32 requires retrospective application. The application of HKAS 32 had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis.

Prior to 30 June 2005, the Group classified and measured its equity securities as non-trading investments and trading securities and any unrealised gains or losses are recognised in the equity and the income statement respectively.

Upon the adoption of HKASs 32 and 39, the Group's investments including non-trading investments (under non-current assets and current assets), trading securities (under current assets) were redesignated as available-for-sale financial assets (under non-current assets and current assets) and investments held for trading (under current assets) on 1 July 2005. The classification depends on the purposes for which the assets are acquired. Available-for-sale financial assets and investments held for trading are carried at fair value, with changes in fair values being recognised in the equity and in the income statement respectively. The redesignation of financial assets had no material effect on the results of the current or prior accounting years.

Future changes in HKFRSs

At the date of authorisation of these financial statements, the HKICPA has issued a number of new or revised accounting standards and interpretations that are not yet effective and the Group has not early adopted. Except for the following amendments, which will be effective from the next financial year, the directors anticipate that the adoption of these new/revised HKFRSs in the future accounting periods will have no material impact on the results of the Group.

HKAS 39 and HKFRS 4 (Amendments): Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 39 and HKFRS 4 (Amendments): Financial guarantee contracts *(Continued)*

Financial guarantee contracts are accounted for as financial instruments under HKAS 39 and are initially recognised at fair value. Subsequently, such contracts are measured at the higher of the amount determined in accordance with HKAS 37 Provisions, contingent liabilities and contingent assets and the amount initially recognised less, where appropriate, cumulative amortisation recognised over the life of the guarantee on a straight-line basis.

The Group is not yet in a position to reasonably estimate the impact on the adoption of the above amendments in the period of initial application to the Company's financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Companies Ordinance.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions and balances within the Group are eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary, is an entity, in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

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

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

Furniture, fixtures and office equipment	20%
Computer equipment	33 $^{1}/_{3}$%

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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, the remaining three trading rights are recorded at zero book value. The useful life of the trading right acquired in 2003 is estimated to be ten years, and its cost is amortised over the estimated useful life on a straight line basis. The carrying value of this trading right is reviewed for impairment annually or more frequently when there is indication that the carrying value may not be recoverable.

Financial instruments

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

Investments

Investments are classified as either investments held for trading or as available-for-sale, and are measured at fair value subsequent to initial recognition. Gains and losses arising from changes in fair value or disposal of investments held for trading are included in the income statement in the period they arise. For available-for-sale financial assets, gains and losses arising from changes in fair value are recognised directly in the equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in the equity is realised in the income statement for the period.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets may be impaired. In case of equity securities classified as available-for-sale financial assets are impaired, the cumulative losses less any impairment loss on that financial asset previously recognised the equity, is removed from the equity and recognised in the income statement. Such impairment losses recognised in income statement are not subsequently reversed through income statement. Impairment losses recognised in income statement for debt instruments classified as available-for-sale are subsequently reversed through income statement if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. 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 and the amortization is taken to the income statement, over the period to maturity. Any gains and losses are recognised in the income statement when the loans and advances are derecognised or impaired.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Accounts receivable and payable

Accounts receivables are recognised at cost which approximates to their fair values, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

Accounts payable are initially recognised at fair value, and are subsequently measured at amortised cost, using effective interest method.

Trust accounts

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

Cash equivalents

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

Revenue recognition

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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 ("functional currency").

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

Impairment loss

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

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

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Provisions

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

Leases

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

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

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

Employee benefits

Defined contribution plans

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

Long service payment

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment

The Company issues equity-settled share-based payments to eligible persons including directors of the Company and any other persons including consultants, advisors, agents etc. to subscribe for shares in the Company. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based on the Group's estimate of shares that will eventually vest and adjusted for the effort of non market-based vesting conditions.

Taxation

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

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

2. 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 or its parent;

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

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

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

Critical accounting estimates and judgements

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

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the accounts receivable and on management's judgment. At the balance sheet date, the accounts receivable, net of provision, amounted to HK$50,080,000 (2005: HK$65,727,000). A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

Estimation of recoverability of deferred tax assets

The Group reviews the carrying amounts of deferred tax assets at each balance sheet date and estimates whether sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. The estimation requires the Group to make an estimate of the expected future taxable profit to be derived from each individual subsidiary. During the current year, management determined to derecognise the previously recognised deferred tax assets of approximate HK$3,266,000 as the related subsidiaries continuously suffer losses (details refer to note 22).

3. TURNOVER AND REVENUE

The principal activities of the Group comprises:

– broking index, commodity and currency futures contracts and securities for its clients on Tokyo Grain Exchange ("TGE"), Tokyo Commodity Exchange ("TOCOM"), the Futures Exchange, the Stock Exchange and other overseas exchanges such as Chicago Mercantile Exchange and New York Board of Trade etc.;

– provision of margin financing, corporate finance advisory services, agency services for unit trusts and insurance-linked products, and money lending;

– trading in listed securities on the Stock Exchange, listed equity index futures contracts on the Futures Exchange and listed currency and commodity futures contracts on overseas exchanges on its own account.

Notes to the Financial Statements

Year ended 30 June 2006

3. TURNOVER AND REVENUE *(Continued)*

	2006	2005
	HK$'000	HK$'000
Brokerage commission:		
– commodity and currency futures contracts on overseas exchanges	**35,848**	52,133
– index futures contracts on the Futures Exchange	**340**	139
– securities dealing	**6,763**	5,703
Advisory, wealth management and insurance agency fees:		
– corporate finance and advisory	**2,461**	1,812
– commission on sale of unit trust and insurance-linked products	**9,957**	8,907
Interest income:		
– securities margin financing	**3,443**	3,616
– loans and advances	**1,654**	3,515
Proprietary trading in listed securities		
– gross proceeds from sale of investments held for trading/trading securities	**5,547**	1,773
Net results from proprietary trading in futures contracts:		
– on the Futures Exchange	**(1,941)**	(305)
– on overseas exchanges	**5,215**	1,448
Turnover	**69,287**	78,741
Dividend income from listed securities	**1,476**	1,246
Interest income	**1,839**	930
Management fee income	**960**	960
Loan arrangement fee income	**143**	357
Sundry income	**302**	239
Other revenue	**4,720**	3,732
Revenue	**74,007**	82,473

4. SEGMENT INFORMATION

Business segments

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

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

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

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

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	2006							
	Futures broking HK$'000	Securities broking and margin financing HK$'000	Corporate finance HK$'000	Wealth manage-ment and insurance agency HK$'000	Money lending HK$'000	Proprietary trading HK$'000	Other operations HK$'000	Consolidated HK$'000
Turnover	36,188	10,206	2,461	9,957	1,654	8,821	–	69,287
Brokerage and agency commission	(2,822)	(21)	–	(8,031)	–	(1,254)	–	(12,128)
Results	(8,534)	465	(1,862)	(1,500)	1,567	2,510	(2,268)	(9,622)
Gain on disposal of available-for-sale financial assets								18,238
Finance costs								(1,027)
Taxation								(3,328)
Profit for the year								4,261
Assets								
Segment assets	69,008	43,917	4,727	9,970	6,327	12,750	52,337	199,036
Taxation								–
Total assets								199,036
Liabilities								
Segment liabilities	19,955	6,423	38	2,826	19	–	1,138	30,399
Taxation								17,176
Total liabilities								47,575
Other segment information:								
Capital expenditure	242	47	11	9	–	–	24	333
Depreciation	1,185	401	17	42	–	–	13	1,658
Amortisation	–	60	–	–	–	–	–	60

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	2005							
	Futures broking *HK$'000*	Securities broking and margin financing *HK$'000*	Corporate finance *HK$'000*	Wealth manage-ment and insurance agency *HK$'000*	Money lending *HK$'000*	Proprietary trading *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
Turnover	52,272	9,318	1,812	8,908	3,515	2,916	–	78,741
Brokerage and agency commission	(4,536)	(39)	–	(6,238)	–	(1,117)	–	(11,930)
Results	(11,053)	1,804	(4,042)	(1,308)	3,531	(110)	(309)	(11,487)
Finance costs								(361)
Taxation								737
Loss for the year								(11,111)
Assets								
Segment assets	60,371	55,280	4,741	2,822	14,712	15,481	20,224	173,631
Taxation								3,286
Total assets								176,917
Liabilities								
Segment liabilities	24,437	5,254	210	1,343	83	–	218	31,545
Taxation								17,176
Total liabilities								48,721
Other segment information:								
Capital expenditure	1,708	468	110	–	–	–	70	2,356
Depreciation	1,071	543	86	68	–	–	105	1,873
Amortisation	–	60	–	–	–	–	–	60

Notes to the Financial Statements

Year ended 30 June 2006

5. OTHER INCOME

	2006	2005
	HK$'000	*HK$'000*
Gain on disposal of available-for-sale financial assets	**18,238**	–
Exchange gain, net	**492**	866
Reversal of provision for bad and doubtful debts	**117**	–
	18,847	866

6. PROFIT (LOSS) BEFORE TAXATION

	2006	2005
This is stated after charging:	***HK$'000***	*HK$'000*
(a) Finance costs		
Interest on short-term bank borrowings and overdrafts wholly repayable within five years	**1,027**	361

	2006	2005
	HK$'000	*HK$'000*
(b) Other items		
Employee benefits expense:		
– salaries, commission and allowances	**40,836**	51,355
– contributions to retirement benefit schemes	**916**	1,205
	41,752	52,560
Auditors' remuneration	**760**	1,108
Amortisation of intangible assets	**60**	60
Cost of investments held for trading sold	**5,191**	1,975
Depreciation:		
– on owned property, plant and equipment	**1,658**	1,873
– charged by a related company	**572**	2,276
Loss on disposal of property, plant and equipment	**211**	1
Operating lease payments on premises	**6,338**	7,860
Provision for bad and doubtful debts	**–**	45

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

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

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

Notes to the Financial Statements

Year ended 30 June 2006

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

Directors' emoluments *(Continued)*

2005						
Name of director	Fees	Salaries	Discretionary bonuses	Employer's contribution to retirement benefit schemes	Compensation for loss of office as a director	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Yip Man Fan	–	1,728	–	34	–	1,762
Kwok Kam Hoi	–	1,536	–	29	–	1,565
Tsunoyama Toru	–	1,344	–	34	–	1,378
Lee, Edmund Kit Ming *(Note 1)*	–	950	–	6	–	956
Lee, Caesar Chi Shing *(Note 2)*	–	840	–	16	300	1,156
Independent non-executive directors:						
Lam, Andy Siu Wing	180	–	–	–	–	180
Yu King Tin	129	–	–	–	–	129
Ma, Andrew Chiu Cheung	83	–	–	–	–	83
Sun Shuyi *(Note 3)*	140	–	–	–	–	140
	532	6,398	–	119	300	7,349

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

Directors' emoluments *(Continued)*

Note:

1. Appointed on 12 January 2005 and resigned on 7 July 2005.
2. Appointed on 1 November 2004 and resigned on 30 June 2005.
3. Resigned on 3 March 2006.

Five highest paid employees' emoluments

Of the five (2005: six) individuals with the highest emoluments, three (2005: four) were directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other two (2005: two) individuals were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**2,098**	1,920
Contributions to retirement benefit schemes	**24**	24
	2,122	1,944

	Number of individuals	
The emoluments fell within the following bands:	**2006**	2005
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	–
	2	2

In additions to the directors' emoluments disclosed above, certain directors were granted share options under the Company's share option schemes. The details of these benefits in kind are disclosed under the section Share Option Schemes in the Directors' Report and note 24 to the financial statements.

Notes to the Financial Statements

Year ended 30 June 2006

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

Five highest paid employees' emoluments *(Continued)*

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

8. TAXATION

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

For the year 2005, Hong Kong Profits Tax has not been provided as the Group did not have estimated assessable profits.

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

	2006	2005
	HK$'000	*HK$'000*
Current taxation:		
Hong Kong Profits Tax		
Current year	**62**	–
Overprovision in previous year	**–**	(740)
	62	(740)
Deferred taxation:		
Origination and reversal of temporary differences	**(20)**	3
Reversal of previously recognised tax losses	**3,286**	–
	3,266	3
Total tax charged (credited) for the year	**3,328**	(737)

8. TAXATION *(Continued)*

Reconciliation of tax charge (credit)

	2006	2005
	HK$'000	*HK$'000*
Profit (Loss) before taxation	**7,589**	(11,848)
Income tax at applicable tax rate of 17.5% (2005: 17.5%)	**1,328**	(2,073)
Non-deductible expenses	**88**	40
Tax exempt revenue	**(3,689)**	(346)
Unrecognised tax losses	**2,238**	2,418
Unrecognised temporary difference	**147**	5
Utilisation of previously unrecognised tax losses	**–**	(41)
De-recognition of previously recognised deferred tax assets	**3,214**	–
Under (Over) provision in prior year	**–**	(740)
Others	**2**	–
Total tax charge (credit) for the year	**3,328**	(737)

9. PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the profit for the year attributable to equity holders of the Company of HK$4,242,000 (2005: a loss of HK$11,056,000), a profit of HK$432,000 (2005: HK$2,715,000) is dealt with in the financial statements of the Company.

10. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the net profit (loss) attributable to the equity holders of the Company of approximately HK$4,242,000 (2005: a loss of HK$11,056,000), divided by the weighted average of 200,000,000 (2005: 200,000,000) ordinary shares outstanding during the year.

No diluted earnings (loss) per share was presented as there was an anti-dilutive effect after adjusting for the effects of all dilutive potential ordinary shares.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reconciliation of carrying amount – year ended 30 June 2005					
At beginning of year	411	409	793	1,519	3,132
Additions	1,701	93	288	274	2,356
Disposals	–	–	–	(11)	(11)
Depreciation	(589)	(151)	(357)	(776)	(1,873)
At balance sheet date	1,523	351	724	1,006	3,604
Reconciliation of carrying amount – year ended 30 June 2006					
At beginning of year	**1,523**	**351**	**724**	**1,006**	**3,604**
Additions	**90**	**3**	**37**	**203**	**333**
Disposals	**(251)**	**(53)**	**(16)**	**(62)**	**(382)**
Depreciation	**(586)**	**(116)**	**(313)**	**(643)**	**(1,658)**
At balance sheet date	**776**	**185**	**432**	**504**	**1,897**
At 1 July 2005					
Cost	3,774	838	1,899	4,109	10,620
Accumulated depreciation	(2,251)	(487)	(1,175)	(3,103)	(7,016)
	1,523	351	724	1,006	3,604
At 30 June 2006					
Cost	**3,195**	**767**	**1,915**	**4,210**	**10,087**
Accumulated depreciation	**(2,419)**	**(582)**	**(1,483)**	**(3,706)**	**(8,190)**
	776	**185**	**432**	**504**	**1,897**

12. INTANGIBLE ASSETS

	Group
	HK$'000
Reconciliation of carrying amount – year ended 30 June 2005	
At beginning of year	530
Amortisation	(60)
At balance sheet date	470
Reconciliation of carrying amount – year ended 30 June 2006	
At beginning of year	**470**
Amortisation	**(60)**
At balance sheet date	**410**
At 1 July 2005	
Costs	600
Accumulated amortisation	(130)
	470
At 30 June 2006	
Costs	**600**
Accumulated amortisation	**(190)**
	410

13. INTERESTS IN SUBSIDIARIES AND AMOUNT DUE TO A SUBSIDIARY

		Company	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Non-current			
Interests in subsidiaries			
Unlisted shares, at cost		**65,237**	65,237
Amount due from a subsidiary	*(i)*	**35,400**	34,400
		100,637	99,637
Current			
Amount due to a subsidiary	*(ii)*	**3,513**	–

Note:

(i) The amount due from a subsidiary is unsecured, interest free and has no fixed repayment term. The carrying amount of the amounts due approximates their fair values.

(ii) The amount due to a subsidiary is secured by pledged securities, repayable on demand and bears interest at commercial rates.

13. INTERESTS IN SUBSIDIARIES AND AMOUNT DUE TO A SUBSIDIARY *(Continued)*

Details of the subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation/ place of operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	*Indirectly*	
Tanrich Financial (Management) Limited ("TFML")	British Virgin Islands/ Hong Kong	US$10,000	100%	–	Investment holding
Tanrich Futures Limited ("TFL")	Hong Kong/ Hong Kong	HK$30,000,000 (divided into 20,000,000 ordinary shares and 10,000,000 non-voting deferred shares of HK$1 each)	–	100%	Futures broking
Tanrich Securities Company Limited ("TSCL")	Hong Kong/ Hong Kong	HK$80,000,000 (divided into 55,000,000 ordinary shares and 25,000,000 non-voting deferred shares of HK$1 each)	–	100%	Securities broking, securities margin financing, underwriting and investment advisory services
Tanrich Asset Management Limited ("TAML")	Hong Kong/ Hong Kong	HK$14,000,000 (divided into 8,000,000 ordinary shares and 6,000,000 non-voting deferred shares of HK$1 each)	–	100%	Distribution of unit trusts, mutual funds, insurance-linked products, provision of personal financial consulting and planning services and provision of insurance agency and broking services

Notes to the Financial Statements

Year ended 30 June 2006

13. INTERESTS IN SUBSIDIARIES AND AMOUNT DUE TO A SUBSIDIARY *(Continued)*

Name of subsidiary	Place of incorporation/ place of operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	***Indirectly***	
Tanrich Finance Limited ("TFIN")	Hong Kong/ Hong Kong	HK$11,000 (divided into 1,000 ordinary shares and 10,000 non-voting deferred shares of HK$1 each)	–	100%	Provision of corporate and personal financing services
Tanrich Capital Limited ("TCL")	Hong Kong/ Hong Kong	HK$14,000,000 (divided into 14,000,000 ordinary shares of HK$1 each)	–	100%	Provision of corporate finance advisory services
Tanrich Financial Group (China) Limited ("TFC")	Hong Kong/ Hong Kong	HK$1,000,000 (divided into 1,000,000 ordinary shares of HK$1 each)	–	95%	Inactive
Tanrich Wealth Management Limited ("TWML")	Hong Kong/ Hong Kong	HK$6,000,000 (divided into 6,000,000 ordinary shares of HK$1 each)	–	100%	Inactive

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

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS/NON-TRADING INVESTMENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Equity investments – listed in Hong Kong				
Non-current	**45,255**	26,251	**40,210**	16,180
Current	**–**	5,782	**–**	–
	45,255	32,033	**40,210**	16,180

The Group has pledged listed investments of aggregate carrying amount of HK$40,210,000 (2005: HK$26,251,000) to a bank as collateral for the banking facilities.

At the balance sheet date, the carrying amount of interests in the following company exceeded 10% of total assets of the Group and the Company.

Name	**Place of incorporation/ place of operation**	**Principal activities**	**Issued and fully paid share capital**	**Percentage interest held**	
				Group	**Company**
Hong Kong Exchanges and Clearing Limited	Hong Kong	Investment holding	Ordinary shares of HK$1 each	0.09%	0.08%

15. OTHER NON-CURRENT ASSETS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Reserve fund deposits with the Hong Kong Futures Exchange Clearing Corporation Limited	**1,500**	1,500
Statutory deposits with the Stock Exchange	**200**	200
Statutory deposits with the Securities and Futures Commission	**100**	100
Contributions to the Central Clearing and Settlement System Guarantee Fund	**100**	100
Admission fees paid to the Hong Kong Securities Clearing Company Limited	**100**	100
	2,000	2,000

16. LOANS AND ADVANCES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Loans and advances		
Unsecured	**239**	–
Secured	**5,000**	14,000
	5,239	14,000
Current portion of loans and advances	**(5,080)**	–
	159	14,000

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

17. INVESTMENTS HELD FOR TRADING/TRADING SECURITIES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed securities in Hong Kong	**3,500**	–	**3,500**	–
Listed warrants in Hong Kong	**–**	939	**–**	–
	3,500	939	**3,500**	–

18. ACCOUNTS RECEIVABLE

		Group	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	*18(a)*	**1,808**	2,777
– securities margin clients	*18(b)*	**20,545**	32,725
– securities clearing houses and brokers		**856**	243
– futures clearing houses and brokers	*18(c)*	**26,388**	29,734
Accounts receivable arising from the provision of corporate finance advisory services		**150**	53
Accounts receivable arising from the provision of unit trusts and insurance-linked products agency services		**333**	195
		50,080	65,727

18. ACCOUNTS RECEIVABLE *(Continued)*

Credit policy for margin lending activities

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

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

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

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

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

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

Settlement terms

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

Accounts receivable from securities margin clients are secured by their pledged securities, repayable on demand and bear interests at commercial rates. As at the balance sheet date, included in the accounts receivable from securities margin clients were overdue margin calls of HK$2,553,000 (2005: HK$4,666,000).

18. ACCOUNTS RECEIVABLE *(Continued)*

Settlement terms *(Continued)*

The settlement terms of accounts receivable arising from the ordinary course of business of broking in securities transactions are two days after the trade date of those transactions. Accounts receivable arising from the provision of corporate finance advisory services, unit trusts and insurance-linked products agency services are repayable within 30 days.

18(a) As at the balance sheet date, no accounts receivable from securities cash clients were outstanding on the settlement dates (2005: HK$95,000). The ageing analysis of these accounts receivable for 2005 was as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 30 days	**–**	21
31 – 90 days	**–**	–
91 – 180 days	**–**	–
Over 180 days	**–**	74
	–	95

No provision was made for these receivables during the year then ended in 2006 and 2005.

18(b) The ageing analysis of accounts receivable from securities margin clients was as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current	**17,992**	28,059
Overdue:		
Within 30 days	**49**	1
31 – 90 days	**–**	–
91 – 180 days	**133**	973
Over 180 days	**2,371**	3,692
	20,545	32,725

No provision was made for overdue margin calls during the year then ended in 2006 and 2005.

18(c) The accounts receivable from the futures clearing houses and brokers excludes a deposit of HK$1,154,000 (2005: HK$872,000) relating to the clients' monies in clearing houses.

19. OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits, prepayments and other receivables	**4,437**	3,996	**91**	1
Tax Reserve Certificates issued by the Inland Revenue Department	**17,114**	12,543	**–**	–
Due from a related company *(Note)*	**1,954**	–	**–**	–
	23,505	16,539	**91**	1

Note:

The related company is Tanrich (Hong Kong) Holdings Limited ("THKHL") in which a director of the Company, Mr. Yip Man Fan, has indirect beneficial interests. The amount due represents staff costs and office overheads paid on THKHL's behalf. The amount was the maximum balance outstanding and was fully settled in July 2006.

20. CASH AND CASH EQUIVALENTS

	2006	2005
	HK$'000	*HK$'000*
Cash and bank balances	**65,875**	36,819
Pledged deposits	**1,275**	1,500
As stated in the cash flow statement	**67,150**	38,319

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the balance sheet date, trust monies not otherwise dealt with in the financial statements amounted to HK$41,958,000 (2005: HK$52,577,000).

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

21. ACCOUNTS PAYABLE

	Group	
	2006	2005
	HK$'000	*HK$'000*
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:		
– securities cash clients	**4,260**	3,544
– securities margin clients	**188**	251
– futures clients	**16,957**	19,829
– clearing houses	**1,232**	397
Accounts payable arising from the provision of unit trusts and insurance-linked products agency services	**101**	52
	22,738	24,073

The settlement terms of accounts payable from the ordinary course of business of broking in securities in respect of cash clients and margin clients are two days after the trade date of those transactions.

Accounts payable arising from the ordinary course of business of broking in index, commodity and currency futures contracts represent the margin deposits received from clients for their trading of futures contracts. The excess over the required margin deposits stipulated are repayable to clients on demand.

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

Accounts payable are stated net of clients' segregated assets of HK$43,112,000 (2005: HK$53,449,000).

22. DEFERRED TAXATION

The movement for the year in the Group's net deferred tax position was as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
At beginning of year	**(3,266)**	(3,269)
Income statement charge	**3,266**	3
At balance sheet date	**–**	(3,266)

Notes to the Financial Statements

Year ended 30 June 2006

22. DEFERRED TAXATION *(Continued)*

Recognised deferred tax assets (liabilities)

	Assets		Liabilities	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation allowances	**–**	285	**(25)**	(270)
Tax losses	**25**	3,251	**–**	–
Deferred tax assets (liabilities)	**25**	3,536	**(25)**	(270)
Offset deferred tax assets and liabilities	**(25)**	(250)	**25**	250
Net tax assets (liabilities)	**–**	3,286	**–**	(20)

Unrecognised deferred tax assets arising from

	2006	2005
	HK$'000	*HK$'000*
Deductible temporary differences	**861**	28
Tax losses	**61,443**	29,913
At balance sheet date	**62,304**	29,941

Both the tax losses and the deductible temporary differences do not expire under current tax legislation.

23. SHARE CAPITAL

	Ordinary shares of HK$0.1 each	
	Number of shares	**Amount**
		HK$'000
Authorised:		
At 1 July 2005 and 30 June 2006	1,000,000,000	100,000
Issued and fully paid:		
At 1 July 2005 and 30 June 2006	200,000,000	20,000

24. SHARE OPTION SCHEMES

a) Pre-Listing Share Option Scheme

Pursuant to a share option scheme of the Company (the "Pre-Listing Scheme"), which was adopted on 7 January 2002, the directors of the Company may, at their absolute discretion, grant share options to eligible persons including directors, employees or bona fide consultants of the Group to take up options for share subscription in the Company subject to the terms and conditions stipulated therein and the Listing Rules. A nominal consideration at HK$1 is paid by the grantees for each lot of share options granted. Share options may be exercised in accordance with the terms of the Pre-Listing Scheme at any time during the period commencing one year from the option grant date and expiring on the earlier of the last day of (i) a ten year period from the option grant date 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)*			
	Note		**2006**		2005
Exercise price		**HK$0.61**	**HK$0.72**	**Total**	HK$0.72
At beginning of year	*(i)*	**–**	**14,110**	**14,110**	15,040
Granted	*(ii)*	**6,100**	**–**	**6,100**	–
Lapsed	*(iii)*	**–**	**(2,440)**	**(2,440)**	(930)
At balance sheet date	*(iv)*	**6,100**	**11,670**	**17,770**	14,110

Note:

(i) Pursuant to the Pre-Listing Scheme, share options were granted to certain directors, employees and bona fide consultants of the Group on 22 February 2002 at the subscription price of HK$0.72 per share which can be exercised at any time from 22 February 2003 to 7 January 2012. Total consideration of HK$113 was received in respect of the share options granted.

(ii) During the year, a total of 6,100,000 share options were granted to certain directors, employees and bona fide consultants of the Group on 19 December 2005 at the subscription price of HK$0.61 per share which can be exercised at any time from 19 December 2006 to 7 January 2012. Total consideration of HK$8 was received in respect of the share options granted.

(iii) During the year, a total of 2,440,000 (2005: 930,000) share options had lapsed in accordance with the terms and conditions of the Pre-Listing Scheme following the resignation of employees and cessation of consultancy services.

Notes to the Financial Statements

Year ended 30 June 2006

24. SHARE OPTION SCHEMES *(Continued)*

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

Note: (Continued)

(iv) Share options outstanding at the balance sheet date have the following terms:

	Number of options *('000)*			**Vested percentages**		Number of options *('000)*	Vested percentages
	2006			**2006**		2005	2005
Exercise price	**HK$0.61**	**HK$0.72**	**Total**	**HK$0.61**	**HK$0.72**	HK$0.72	HK$0.72
Directors	**4,000**	**5,950**	**9,950**	**0%**	**100%**	5,950	100%
Other employees	**1,300**	**5,580**	**6,880**	**0%**	**100%**	7,990	100%
Bona fide consultants	**800**	**140**	**940**	**0%**	**100%**	170	100%
	6,100	**11,670**	**17,770**			14,110	

b) Post-Listing Share Option Scheme

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

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

		Number of options *('000)*					
	Note	**2006**			2005		
Exercise price		**HK$0.80**	**HK$0.67**	**Total**	HK$0.80	HK$0.67	Total
At beginning of year	*(i)*	**2,600**	**16,464**	**19,064**	–	18,614	18,614
Granted	*(ii)*	**–**	**–**	**–**	2,600	–	2,600
Lapsed	*(iii)*	**(2,600)**	**(3,726)**	**(6,326)**	–	(2,150)	(2,150)
At balance sheet date	*(iv)*	**–**	**12,738**	**12,738**	2,600	16,464	19,064

24. SHARE OPTION SCHEMES *(Continued)*

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

Note:

(i) Pursuant to the Post-Listing Scheme, share options were granted to certain directors, employees, advisors and consultants of the Group:

- on 27 April 2004 at the subscription price of HK$0.67 per share which can be exercised at any time from 27 April 2005 to 26 April 2014 and;

- on 1 February 2005 at the subscription price of HK$0.80 per share which can be exercised at any time from 1 February 2006 to 31 January 2015 respectively.

(ii) No share option has been granted under the Post-Listing Scheme during the year.

(iii) During the year, a total of 6,326,000 (2005: 2,150,000) share options had lapsed in accordance with the terms and conditions of the Post-Listing Scheme following the resignation of directors, employees and cessation of consultancy services.

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

	Number of options *('000)* 2006	**Vested percentages 2006**	Number of options *('000)* 2005			Vested percentages 2005	
Exercise price	**HK$0.67**	**HK$0.67**	HK$0.80	HK$0.67	Total	HK$0.80	HK$0.67
Directors	**2,000**	**100%**	2,000	2,000	4,000	0%	100%
Other employees	**7,682**	**100%**	600	11,084	11,684	0%	100%
Advisors and consultants	**3,056**	**100%**	–	3,380	3,380	–	100%
	12,738		2,600	16,464	19,064		

25. RESERVES

Group	Investment revaluation reserve	Share premium	Capital reserve *(Note (a))*	Retained earnings	Total	Minority interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2004	20,716	17,137	40,836	37,084	115,773	36	115,809
Surplus on revaluation of non-trading investments	5,498	–	–	–	5,498	–	5,498
Loss for the year	–	–	–	(11,056)	(11,056)	(55)	(11,111)
Dividends paid – 2004, final	–	–	–	(2,000)	(2,000)	–	(2,000)
At 30 June 2005	26,214	17,137	40,836	24,028	108,215	(19)	108,196
At 1 July 2005	**26,214**	**17,137**	**40,836**	**24,028**	**108,215**	**(19)**	**108,196**
Change in fair value of available-for-sale financial assets	**37,309**	**–**	**–**	**–**	**37,309**	**–**	**37,309**
Realisation upon disposal of available-for-sale financial assets	**(18,305)**	**–**	**–**	**–**	**(18,305)**	**–**	**(18,305)**
Profit for the year	**–**	**–**	**–**	**4,242**	**4,242**	**19**	**4,261**
At 30 June 2006	**45,218**	**17,137**	**40,836**	**28,270**	**131,461**	**–**	**131,461**

25. RESERVES *(Continued)*

Company	**Investment revaluation reserve**	**Share premium**	**Contributed surplus** *(Note (b))*	**Retained earnings**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2004	(322)	17,137	65,059	11,320	93,194
Surplus on revaluation of non-trading investments	3,300	–	–	–	3,300
Profit for the year	–	–	–	2,715	2,715
Dividends paid – 2004, final	–	–	–	(2,000)	(2,000)
At 30 June 2005	2,978	17,137	65,059	12,035	97,209
At 1 July 2005	**2,978**	**17,137**	**65,059**	**12,035**	**97,209**
Change in fair value of available-for-sale financial assets	**24,030**	**–**	**–**	**–**	**24,030**
Profit for the year	**–**	**–**	**–**	**432**	**432**
At 30 June 2006	**27,008**	**17,137**	**65,059**	**12,467**	**121,671**

Note:

(a) Capital reserve

The capital reserve of the Group represents the difference between the nominal value of the shares issued by the Company for the acquisition of the subsidiaries and the nominal value of the 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.

(b) Contributed surplus

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

25. RESERVES *(Continued)*

Note: (Continued)

(c) Distributable reserve

As at the balance sheet date, in the opinion of the directors of the Company, the reserves of the Company available for distribution to shareholders amounted to HK$77,526,000 (2005: HK$77,094,000) subject to the restriction stated above.

In addition, the share premium account of the Company of HK$17,137,000 can be distributed in the form of fully paid bonus shares pursuant to the Companies Act 1981 of Bermuda.

26. 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 nine per cent of their basic salaries.

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

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

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

	2006	2005
	HK$'000	*HK$'000*
Gross employer's contributions	**1,262**	1,522
Less: forfeited contributions utilised to offset employer's contributions for the year	**(346)**	(317)
Net employer's contributions charged to income statement	**916**	1,205

27. RELATED PARTY TRANSACTIONS

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

		Group	
Related party relationship	**Nature of transaction**	**2006**	2005
		HK$'000	*HK$'000*
Key management personnel, excluding directors	Short-term employee benefits	**5,866**	5,922
Related companies			
– TREGL *(Note (i))*	– Depreciation expenses paid	**572**	2,276
– THKHL *(Note (ii))*	– Management fee received	**(960)**	(960)

Note:

During the year, the Group had the following transactions with related companies, Tanrich (Hong Kong) Holdings Limited ("THKHL") and Tanrich Real Estate Group Limited ("TREGL"). The related companies are controlled by a combination of certain directors of the Company. These transactions arose in the ordinary course of the Group's business are as follows:

(i) The amount represented the depreciation charges paid to TREGL that should be borne by the Group for its use of property, plant and equipment and share of renovation expenses. The depreciation charge was calculated on the direct cost allocation method.

(ii) The amount represented the staff cost charged to THKHL at HK$80,000 per month for the management and personnel supportive services provided by the Group.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Risk and Credit Control Committee ("RCCC") is responsible for establishing and reviewing credit policies and procedures to minimize systematic and non-systematic credit and financial risks of the Group. RCCC is also responsible for assessing the risk of long term investments and proprietary trading. The fair value of the Group's available-for-sale financial assets and the investments held for trading approximated to their carrying values at the balance sheet date.

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

Interest-rate risk

The Group had no borrowings at year end dates. The interest rate risk exposure arises mainly from the margin financing to our securities margin clients and the loans and advances to entities. The interest rates charged and the margin ratio allowed to our securities margin clients were determined with reference to the terms from the banks while the interest rate for loans and advances are fixed. The Group determined the interest rate for loans and advances with appropriate premium to deal with the interest-rate risk.

Credit risk

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

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

Foreign currency risk

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

Liquidity risk

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

29. COMMITMENTS

Capital expenditure commitments

	Group	
	2006	2005
	HK$'000	*HK$'000*
Contracted but not provided net of deposits paid in the financial statements for the purchase of computer equipment	**276**	276

29. COMMITMENTS *(Continued)*

Commitments under operating leases

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

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**4,567**	8,432
In the second to fifth year inclusive	**3,337**	12,408
	7,904	20,840

30. CONTINGENT LIABILITIES

(a) The Company did not have any contingent liabilities in respect of guarantee of HK$99,500,000 (2005: HK$105,000,000) for banking facilities granted to subsidiaries, as such facilities were not utilised at the balance sheet date in 2006 and in 2005.

(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 (2005: HK$10,000,000) in order to comply with the requirement of unencumbered assets contained in the GEM Listing Rules.

(c) As disclosed in the 2005 annual report, the Group was engaged in arbitration proceedings, with an independent third party, concerning, inter alia, the alleged unauthorised trading of futures contracts by an ex-employee of the Group. Such contingent claims did not have any further progress during the year ended 30 June 2006 and accordingly, the directors maintained the same opinion as in previous year that it is not currently possible to estimate the eventual outcome of the above claim and having taken appropriate legal advice, the directors of the Company consider it is not necessary to make any provision in this regard.

31. COMPARATIVE FIGURES

As further explained in note 1 to the financial statements, due to the adoption of HKFRSs during the year, the accounting treatment and the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated.

Five-Year Financial Summary

The following is a summary of the published results and of the assets and liabilities of the Group for each of the five years ended 30 June 2006.

RESULTS:

	Financial Year Ended 30 June				
	2002	2003	2004	2005	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	161,295	126,689	132,373	78,741	**69,287**
Profit (Loss) before taxation	38,207	12,495	28,853	(11,848)	**7,589**
Taxation	(7,888)	(2,271)	(2,585)	737	**(3,328)**
Profit (Loss) for the year	30,319	10,224	26,268	(11,111)	**4,261**
Attributable to:					
Equity holders of the Company	30,319	10,224	26,282	(11,056)	**4,242**
Minority interest	–	–	(14)	(55)	**19**
	30,319	10,224	26,268	(11,111)	**4,261**
Dividends	25,000	4,000	4,000	–	**–**

ASSETS AND LIABILITIES:

	Assets and liabilities as at 30 June				
	2002	2003	2004	2005	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
				(Restated)	
Non-current assets	23,178	30,011	30,018	49,611	**49,721**
Current assets	197,664	149,726	181,257	127,306	**149,315**
Total assets	220,842	179,737	211,275	176,917	**199,036**
Current liabilities	(110,511)	(73,313)	(75,410)	(48,701)	**(47,575)**
Non-current liabilities	(178)	(3)	(56)	(20)	**–**
Total liabilities	(110,689)	(73,316)	(75,466)	(48,721)	**(47,575)**
Net total assets	110,153	106,421	135,809	128,196	**151,461**
Current ratio	1.79	2.04	2.40	2.61	**3.14**
Gearing ratio	0.2%	0%	0%	0%	**0%**