

Comprehensive Financial Services

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TANRICH
TANRICH FINANCIAL HOLDINGS LTD
敦 沛 金 融 控 股 有 限 公 司

Annual Report 2002 二 零 零 二 年 年 報

Contents

CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHTS	3
CHAIRMAN'S STATEMENT	4
MANAGEMENT DISCUSSION AND ANALYSIS	8
DIRECTORS' REPORT	16
DIRECTORS AND SENIOR MANAGEMENT	25
AUDITORS' REPORT	28
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated profit and loss account	29
Consolidated balance sheet	30
Balance sheet	31
Consolidated cash flow statement	32
Consolidated statement of recognised gains and losses	34
Notes to the accounts	35
FIVE-YEAR FINANCIAL SUMMARY	65
NOTICE OF ANNUAL GENERAL MEETING	66

Corporate Information

Board of Directors

Executive Directors

Mr. Yip Man Fan (*Chairman*)

Mr. Kwok Kam Hoi

Mr. Sin Wai Chiu, Joseph

Mr. Toru Tsunoyama

Independent Non-executive Directors

Mr. Lam, Andy Siu Wing

Mr. Ma Chiu Cheung, Andrew

Audit Committee

Mr. Lam, Andy Siu Wing

Mr. Ma Chiu Cheung, Andrew

Company Secretary

Mr. Yip Yu Kong, Daniel

Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head Office and Principal Place of Business

16th Floor, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

Bermuda Principal Share Registrar

Butterfield Corporate Services Limited

Rosebank Centre

11 Bermudian Road

Pembroke

Bermuda

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited

Rooms 1901-1905, 19th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Wing Lung Bank Limited

Standard Chartered Bank

Bank of America (Asia) Ltd.

Auditors

PricewaterhouseCoopers

Certified Public Accountants

22nd Floor, Prince's Building

Central, Hong Kong

Legal Adviser

Richards Butler

International Law Firm

20th Floor, Alexandra House

16-20 Chater Road

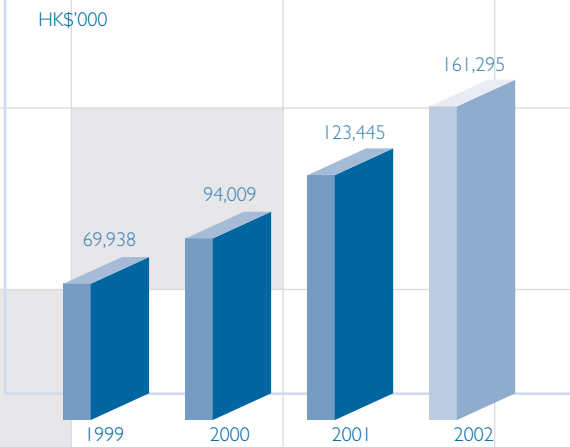
Hong Kong

Website

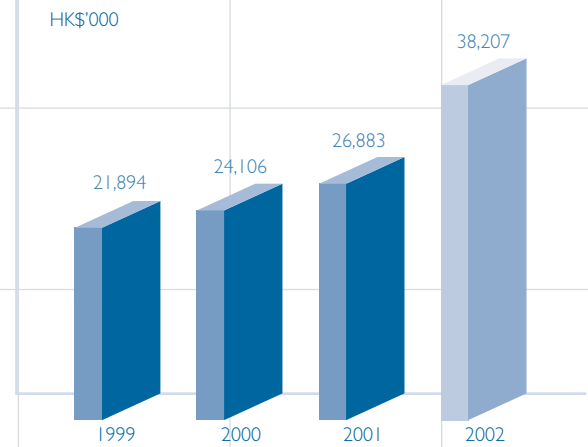
www.tanrich.com

Financial Highlights

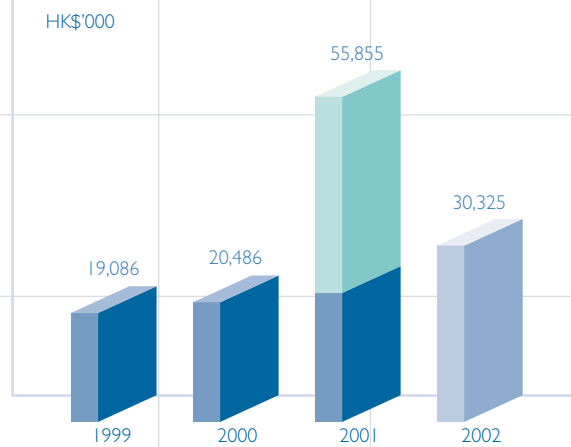
Turnover



Operating profit



Profit attributable to shareholders



Gain on disposal of non-trading investments

Chairman's Statement



Comprehensive Financial Services

Having been successfully listed

on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30th January 2002, I am pleased to present our annual report 2002 to witness and celebrate the promising returns that Tanrich Financial Holdings Limited ("Tanrich" or the "Company") and its subsidiaries (collectively the "Group") has generated for its shareholders.

Needless to say, year 2002 has been a year of turbulence for the global financial market due to the global

economic slowdown and the tragic 9/11 incident.

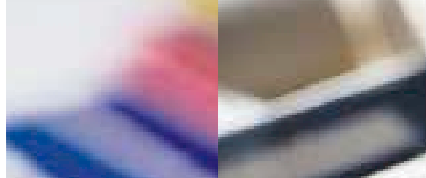
Although Hong Kong, too, is suffering from the adverse impact of the slowdown, the Group has benefited from focusing on Japanese commodity futures as its core business focus, as well as from the stable growth of the Tokyo Grain Exchange ('TGE') and Tokyo Commodity Exchange ('TOCOM') markets. For the year ended 30th June 2002, turnover amounted to HK\$161.3 million, an increase of 30.7% over the corresponding period in 2001.

Under the challenging environment, Tanrich has continued to achieve sustainable business growth, thanks to the hard work and dedication of all staffs.



Mr Yip Man Fan
Founder and Chairman

Chairman's Statement



Every team player in Tanrich is well prepared to establish a solid foundation for its future business developments.

Throughout the year, the Group has continuously focused on improving its operating activities by implementing stringent cost control measures, enhancing operating efficiency and internal control, broadening its customer base as well as providing new products. With such clear business directions and dedication, the Group was able to record a surge of 42.1% in operating profit that amounted to HK\$38.2 million. Profit attributable to shareholders reached HK\$30.3 million and earnings per share was HK17.8 cents. During the period under review, when excluding the exceptional gain of HK\$34.2 million from the disposal of non-trading investment, net profit of the Group increased by 40% as compared to the corresponding period of 2001.

The Board of Directors recommended the payment of a final dividend of HK4.5 cents per share for the year ended 30th June 2002 (2001: Nil), together with interim dividend of HK3 cents per share, the total dividend for the year will be HK7.5 cents per share.

In the servicing industry, employees are the most valuable assets in a company. During the year, the Company has appointed Mr. Sin Wai Chiu, Joseph and Mr. Toru Tsunoyama as Executive Directors in April and August 2002 respectively. Mr. Sin and Mr. Tsunoyama, with their extensive experience, unvalued expertise and clear and focused vision, will commit to capture more business opportunities in the new era.



The Group is committed to serve as a comprehensive financial services provider to offer a wide range of financial services and products to its customers. With a unique market position, industry recognition and a successful listing in Hong Kong, the Group is well positioned to capitalise on the sturdy growth of both the TOCOM and TGE markets to facilitate its expansion plans and to increase both the competitiveness of the Group. Looking ahead, the Group will commit to solidifying its competitive edges in the following areas.

First, the Group will strengthen the leading position of its core business, the Japanese commodity futures business, as it is the biggest profit contributor to the Group's business. Second, it will also continue expanding its securities broking and share margin financing business, as well as its corporate finance, asset management and insurance business, so as to further increase their popularity with customers and maximise their profitability. Last but not the least, the Group will recruit professionals and experts to help expand into new business, and also to expand its customer base by continuously offering new products and value-added services.

On behalf of the Board, I would like to express my appreciation to the staff and the management for their continuous belief, dedication and commitment that contributed to the success of the Group today. Most important of all, we would also like to thank our valuable shareholders and customers for their unfaltering support and encouragement. Rest assured that the Group would continue to maximise profitability and expand into even higher horizons for the years to come.

On behalf of the Board,

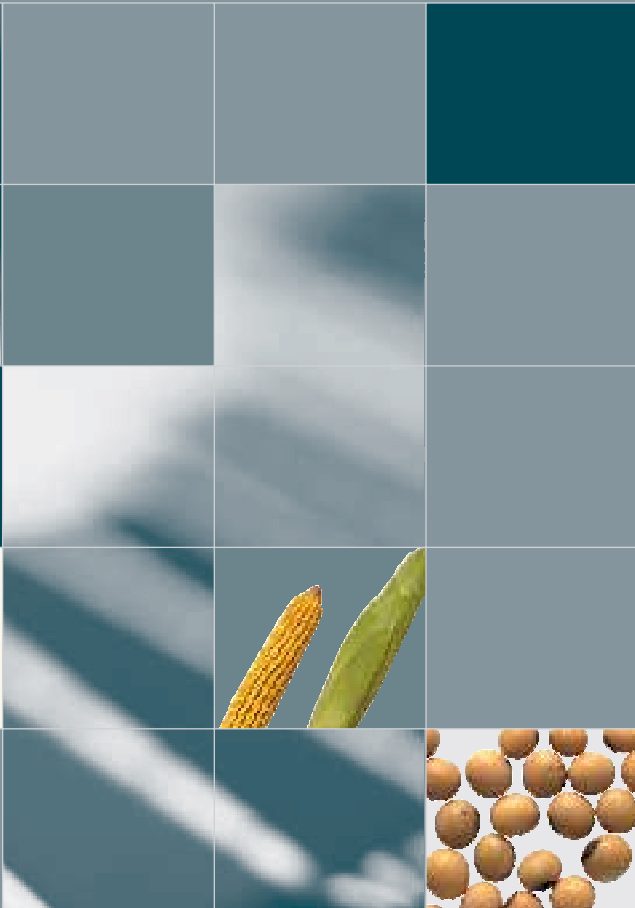
Yip Man Fan

Chairman

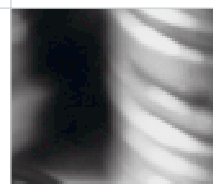
Hong Kong, 9th September 2002



Comprehensive Financial Services



By solidifying the market leadership of its core business and focusing on developing diversified business, Tanrich is well positioned to grasp every potential business opportunity.



Tanrich strives to cement and perfect its position as a comprehensive financial services provider, to offer customers with quality futures and securities broking, securities margin financing, asset management as well as corporate finance services.

Industry Overview

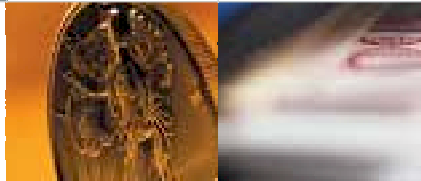
During the period under review, the equity market in Hong Kong was affected by the slumping stock market as a result of the adverse impacts from the global economic slowdown and the 911 Incident. The average daily trading volume on the Stock Exchange was HK\$7 billion, and the HSI index reached as low as 8,934.20. Fortunately, with the Group's continuous provision of quality and essential financial products, including bonds and guaranteed funds, as well as the Japanese commodity futures. The Group has been able to achieve encouraging growth even under the adverse operating and economic environment.

The Group places extra focus and commits vast resources into market development and new and potential business opportunities, while Japan, recognised as one of the largest commodity futures markets in the world, has been operating its TGE and TOCOM since 1952 and 1984 respectively. Together, the Group and Japanese commodity futures market has grown along side to explore the vast opportunities. Due to the

growing number of transaction contracts, the performance of the commodity futures market in Japan recorded encouraging performance. For the year ended 30th June 2002, turnover of TGE futures in Hong Kong reached 369,740 contracts as compared to 262,921 contracts for the corresponding period in 2001. Appointed as the authorised overseas agent by TGE and TOCOM since 1994, the Group is well positioned to benefit from Japanese commodity futures that possess further room for growth and development.

Operation Review

For the year ended 30th June 2002, the Group recorded an increase in turnover of 30.7%, from HK\$123.4 million to HK\$161.3 million. Profit from operating activities surged by 42.1% from HK\$26.9 million to HK\$38.2 million, whereas the profit attributable to shareholders declined by 45.7% to HK\$30.3 million as compared to the corresponding period last year. This was due to the exceptional gain of HK\$34.2 million from disposal of non-trading investment in the past year.



Shareholders' fund reached HK\$110.3 million, representing an increase of 85.7% over the corresponding period of last year, while net profit margin (excluding the exceptional gain from disposal of non-trading investment) also increased from 17.5% to 18.8%. For the year ended 30th June 2002, basic earnings per share was HK17.8 cents. Below is a detailed description of the Group's extensive product portfolio that contributed to the growth of its business.

Futures

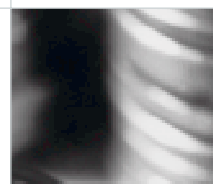
Due to the weak market environment, many investors are looking for alternative investment tools. During the period under review, the Group's futures business contributed to 91% of its total turnover. The Group's turnover of TGE futures reached 334,556 contracts as compared to 238,753 contracts for the same period in 2001, while turnover of its TOCOM futures reached 20,406 contracts as compared to 5,282 contracts for the same period in 2001. Despite the challenging operating environment, the Group was able to record growth because of its unrivaled market leadership position in Japanese commodity futures market in Hong Kong. The Group has committed to offering quality new products, such as the Euro-dollar deposit futures, that were well received by the market and contributed to enhancing the Group's popularity and recognition. Coupled with the restructuring of its futures business operations, the Group has continued to enjoy a steady revenue stream.

The Group has successfully accumulated an extensive customer base which witnesses its steady development and expansion. The Group will endeavor to maintain its upward climb by recruiting more and more professionals and experts to maximise satisfaction and profitability for its customers.

Securities Broking and Margin Financing

Realising that it is inevitable to suffer from the impacts of the global economic downturn, the Group has put in its best efforts to minimise decreases in turnover of its securities broking and securities margin financing business. The under-performing securities market affected the Group's securities broking and margin financing business, which decreased by 43% and 60% respectively and amounted to HK\$3,917,000 and HK\$1,502,000. Targeting institutional, corporate and retail investors, the Group will adopt a prudent and conservative margin financing policy and a strict control on margin lending as an effort to control the risk level to better protect its customers. For the period under review, securities broking and margin financing contributed to 3.4% in aggregate to the Group's total turnover, and there was no bad debts recorded.

Management Discussion and Analysis



Asset Management

Asset management has grown to become a core focus in today's financial world. Investors can utilise asset management to diversify their investment portfolio as well as to manage their assets. Such is the reason why the Group has established its asset management division in 1997, so as to provide customers with professional and customised asset management services to maximise the value of their assets efficiently. As an effort to offer even more comprehensive financial services, the Group distributes over 600 funds, including global equity, fixed income, forex and derivatives, etc., that are managed by over 20 international asset management companies. In addition to providing financial planning services and insurance-linked products, the Group will continuously introduce different products to further expand its customer base. During the period under review, the turnover of Group's asset management business amounted to HK\$1,952,000.

Corporate Finance

The Group's corporate finance business commenced operation since 1999 to offer financial services including financial advisory, fund raising, underwriting and sub-underwriting as well as placement activities. During the period under review, the Group's corporate finance business has handled 7 underwriting deals and 3 private equity deals.

Internal Control & Risk Management

Well aware that a prudent control procedure and a stringent internal control are key success factors in the financial world, the Group has allocated much time, effort and resources into ensuring that the Group minimises its risk exposure to the customers.

Investment Committee

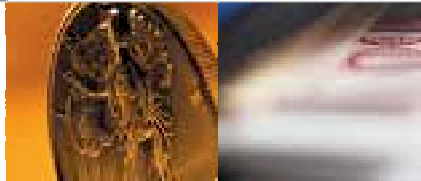
The investment committee, which consists of the chief executive, the managing director, the directors of subsidiaries of the Company and the senior manager of research division, is focused on formulating the investment strategies for the Group. The committee meets on a weekly basis to review and to assess the investments made as an effort to minimise its risk exposure.

Risk Control Committee

The committee, comprising of members of Board of Directors and the senior manager of legal and compliance division is established to develop and implement any business risk minimisation policies and procedures according to the prescribed strategies so as to confine business risks including but not limited to credit, market and operational risks.

Credit Control Committee

Comprising of members of Board of Directors and the sales director of a subsidiary of the Company, the credit control committee is also to administer the credit and control policies and procedures formulated by the risk control committee.



Future Growth Strategies

Looking ahead, the Group will strive to maintain its leading position in Japanese commodity futures by further diversifying its business, developing new products that cater to market demand and customer needs as well as enhancing its income stream. With strict and uncompromising quality and internal control measures to minimise risk exposure, advanced technologies and information systems that can enhance the overall efficiency and customer service standards, a dynamic and visionary management team that can lead the Group to higher horizons as well as continuous recruitment of experts and professionals for its asset management and corporate finance divisions, the Group is well positioned to further expand its market coverage and strengthen reputation in the Hong Kong market.

With China's accession into WTO, the Group will grasp and capture every rising opportunity so as to become a dynamic provider of comprehensive financial services in Hong Kong.

Liquidity and Financial Resources

The working capital of the Group was generally financed by the internally generated cash flow and proceeds from the initial public offer ("IPO"). As at 30th June 2002, the Group has cash and bank balances that totaled to HK\$74.7 million (2001: HK\$7.0 million), while net current asset amounted to HK\$87.2 million

(2001: HK\$37.0 million). The liquidity of the Group demonstrated by the current ratio was 1.8 times which showed improvement from the 1.3 times applicable in the previous year.

The gearing ratio, which is calculated by dividing the Group's total borrowings by its total equity, was approximately 0.2% for year 2002 (2001: 47.3%). Due to the improved gearing ratio, the Group can enjoy a sound financial health for its future development and expansion.

As at 30th June 2002, the Group had aggregate banking facilities of HK\$86.0 million (2001: HK\$100.0 million) of which HK\$0.2 million (2001: HK\$28.1 million) was utilised as short-term bank loans and overdrafts. The maturity profile of the bank loans and overdraft of the Group is set out in note 21 to the accounts.

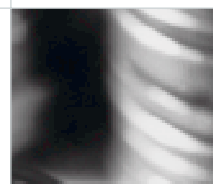
Charge on Group Assets

Marketable securities with an aggregate value of approximately HK\$10.3 million (2001: HK\$11.1 million) were pledged as collateral for bank borrowings. These marketable securities were beneficially owned by a subsidiary of the Company and its margin clients.

Contingent Liabilities

As at 30th June 2002, the Company has undertaken to guarantee all banking facilities of HK\$86 million granted to two subsidiaries of the Company. The banking facilities were applied in their normal courses of business activities.

Management Discussion and Analysis



Foreign Exchange and Currency Risks

The Group has exposure to foreign exchange fluctuation as a result of placing margin deposit in Japanese Yen with two designated future 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 the use of USD/JPY foreign exchange deferred trading in order to minimise foreign exchange risk.

As at 30th June 2002, the Group's total margin deposit placed with the two designated future commission merchants was 2,089 million Japanese Yen, which was equivalent to approximately HK\$136.2 million. This amount was hedged with USD/JPY foreign exchange deferred trading which equivalent to an aggregate amount of US\$15.5 million, representing 88.6% of the Group's net foreign exchange exposure.

Use of proceeds from IPO

Following the successful listing of the Group's shares on the Main Board of the Stock Exchange on 30th January 2002, with the net proceeds of the IPO, after deduction of related expenses, amounted to approximately HK\$37 million. The Company has applied part of the listing proceeds according to the plans as mentioned in the Prospectus.

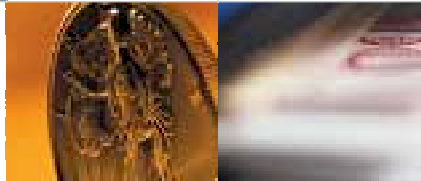
- Approximately HK\$15 million for expanding the Group's securities broking and share margin financing businesses;

- Approximately HK\$8 million for enhancing the Group's information system so as to improve its overall efficiencies and risk control system;
- Approximately HK\$5 million for expanding the Group's corporate finance and asset management businesses;
- Approximately HK\$5 million for setting up additional branch offices to strengthen the Group's retail network in Hong Kong; and
- The balance of approximately HK\$4 million as general working capital.

Currently, the above net proceeds of approximately HK\$30.7 million remains unused and is placed in short term deposits with financial institutions in Hong Kong.

Corporate Governance

None of the Directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") at any time during the year ended 30th June 2002.



Audit Committee

This committee, with members including two Independent Non-executive Directors, serves to assist the Board in fulfilling its duties by providing an independent and objective review of the adequacy and effectiveness of the financial reporting process and internal control system of the Group.

Staff

As at 30th June 2002, the Group had a total of 218 full-time employees. The Group operates different remuneration schemes for account executives and other supporting and general staff. Account executives are remunerated on the basis of on-target-earning packages comprising base pay or draw, commission and/or bonus. Other supporting and general staff are offered salary and year-end discretionary bonuses subject to the business results of the Group. Employees' remuneration excluding directors' emoluments amounted to HK\$71.1 million for the year (2001: HK\$50.9 million). The Group ensures that the remuneration paid to its employees is competitive and employees are rewarded within the general framework of the Group's salary and bonus system. The Group also provides training programmes for the staff to enhance their skills and products, regulatory and compliance knowledge.

Directors' Report

The Directors submit their report together with the audited accounts of the Group for the year ended 30th June 2002.

Group Reorganisation

The Company was incorporated in Bermuda as an exempted company with limited liabilities on 3rd September 1998 under the Companies Act.

On 11th January 2002, pursuant to a reorganisation scheme (the "Reorganisation") to rationalise the structure of the Group in the preparation for the public listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group. The shares of the Company were listed on the Stock Exchange on 30th January 2002. Details of the Reorganisation are set out in the prospectus of the Company dated 21st January 2002 (the "Prospectus").

The Reorganisation has been reflected in the accounts by regarding the Company as having been the holding company of the Group from the beginning of the earliest period presented. The basis of preparation for these accounts is set out in note 1 to the accounts.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 15 to the accounts.

An analysis of the Group's turnover and profit from operations by business segments for the year is set out in note 3 to the accounts. The activities of the Group are mainly carried out in Hong Kong.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 29.

Interim dividend of HK\$16 million was paid to the shareholders during the year.

The Directors now recommend the payment of a final dividend of HK4.5 cents per share for the financial year ended 30th June 2002 to the shareholders whose names appear on the Register of Members at the close of business on Friday, 11th October 2002, which together with the interim dividend amounts to a total of about HK\$25 million, and the retention of the remaining profit for the year.

The Register of Members of the Company will be closed from Monday, 7th October 2002 to Friday, 11th October 2002, both days inclusive, during which period, no transfer of shares will be registered. Dividend warrant will be dispatched to shareholders on or about Friday, 18th October 2002. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Computershare Hong Kong Investor Services Limited at rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 4th October 2002.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$1 million.

Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in note 12 to the accounts.

Share Capital

Details of the movements in share capital of the Company are set out in note 22 to the accounts.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the accounts.

As at 30th June 2002, the reserves of the Company available for distribution to shareholders amounted to HK\$65,255,000 (2001: Nil)

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 65.

Share Option Scheme

In accordance with the Company's pre-listing share option scheme (the "Scheme"), which was adopted pursuant to a resolution passed on 7th January 2002, the Directors may, at their absolute discretion, invite full-time or part-time employees including directors, or bona fide consultants of the Company or any of its subsidiaries to take up options to subscribe for shares in the Company.

At 30th June 2002, the number of shares in respect of which options had been granted under the Scheme was 20 million, representing 10% of the shares of the Company in issue at that date.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other schemes must not exceed 30% of the shares of the Company in issue from time to time. The total number of shares available for issue under options which may be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the shares of the Company in issue at any point of time, unless shareholders' approval has been obtained. The number of shares in respect of which options may be granted to any individual in any 12-month period must not exceed 1% of the shares of the Company in issue, unless shareholders' approval has been obtained.

Share options granted to connected persons or their associates must be approved by the Independent Non-executive Directors. Share options granted to substantial shareholders or Independent Non-executive Directors or their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Directors' Report

Share Option Scheme (Cont'd)

Share options may be exercised in accordance with the terms of the Scheme at any time during the period commencing one year from the date of grant of the option and expiring on ten years from the date on which the Scheme was approved by written resolution of the shareholders of the Company.

The subscription price for the shares is determined by the Directors, and shall not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

Pursuant to the Scheme, share options were granted to certain employees and bona fide consultants of the Group on 22nd February 2002. The share options are exercisable at the subscription price of HK\$0.72 per share and exercisable at any time from 22nd February 2003 to 7th January 2012. At the date before the options were granted, 21st February 2002, the market value per share was HK\$0.65. Number of shares issuable under the Scheme outstanding as at 30th June 2002 is 19,370,000 shares, including 19,150,000 shares to employees under continuous employment contracts and 220,000 shares to bona fide consultants of the Group.

The aforesaid number of shares issuable under the Scheme include 6,550,000 shares granted to the Directors of the Company. For details, please refer to the section on "Directors' Interests in Shares and Options" on page 20.

During the year ended 30th June 2002, a total of 630,000 shares issuable under the Scheme had lapsed in accordance with the terms and conditions of the Scheme due to the resignation of employees, the subscription price of which was HK\$0.72.

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

As the trading of the shares of the Company on the Stock Exchange commenced on 30th January 2002, the number of days available for the calculation is inadequate for the calculation of the expected volatility of the share price of the Company. Therefore, the Directors are of the view that the theoretical value of the share options granted during the year, which depends on a number of variables including the expected volatility of the share price, are either difficult to ascertain or can only be ascertained subject to a number of speculative assumptions. Accordingly, the Directors believed that any calculation of the value of the options will not be meaningful and may be misleading to the shareholders in these circumstances.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Directors

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

Executive Directors

Mr. YIP Man Fan	(Chairman)
Mr. KWOK Kam Hoi	(Deputy Chairman and Chief Executive)
Mr. SIN Wai Chiu, Joseph	(appointed as Group Managing Director on 1st April 2002)
Mr. Toru TSUNOYAMA	(appointed as Executive Director on 1st August 2002)
Mr. KO Kai Ming, Simon	(resigned on 18th October 2001)

Independent Non-executive Directors

Mr. LAM, Andy Siu Wing	(appointed on 7th January 2002)
Mr. MA Chiu Cheung, Andrew	(appointed on 7th January 2002)

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

Directors' Emoluments

Particulars of the directors' emoluments disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 10 to the accounts.

Directors' Service Contracts

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

1. Each of Mr. Yip Man Fan and Mr. Kwok Kam Hoi has entered into a service agreement with the Company for a term of two years commencing from 30th January 2002.
2. Mr. Sin Wai Chiu, Joseph has entered into a service agreement with the Company for a term of one year commencing from 1st April 2002.
3. Mr. Toru Tsunoyama has entered into a service agreement with the Company for a term of one year commencing from 1st August 2002.

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

Directors' Report

Biography of Directors and Senior Management

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

Directors' Interests in Contracts

Save as disclosed under "Connected Transactions" below, 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' Interests in Shares and Options

Interests in shares

As at 30th June 2002, the interests of the Directors and their associates in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company were as follows:

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

Notes:

1. Shares are held by Ms. Tang Yuk Lan, the spouse of Mr. Yip Man Fan.
2. Shares are held by discretionary trusts of which Mr. Yip Man Fan and members of his family are beneficiaries.

Directors' Interests in Shares and Options (Cont'd)

Interests in options

The following Directors of the Company have interests in share options to subscribe for shares in the Company:

Number of shares issuable under the Scheme granted on 22nd February 2002

Yip Man Fan	2,000,000
Kwok Kam Hoi	2,000,000
Sin Wai Chiu, Joseph	600,000
Toru Tsunoyama	1,950,000

Save as disclosed above, none of the Directors of the Company nor their spouses or children under 18 years of age had any interests in, or had been granted or exercised, any rights to subscribe for any shares of the Company or any of its associated corporations during the year.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at the date of this report, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

Name of shareholders	Note	Number of ordinary shares	Percentage of holding
Aceland Holdings Limited	1 & 2	120,000,000	60.00%
Redwood Pacific Limited	2 & 5	120,000,000	60.00%
HSBC International Trustee Limited	3 & 5	120,000,000	60.00%
HSBC Europe (Netherlands) BV	4 & 5	120,000,000	60.00%
HSBC Europe BV	4 & 5	120,000,000	60.00%
Griffin International Limited	4 & 5	120,000,000	60.00%
Midcorp Limited	4 & 5	120,000,000	60.00%
HSBC Bank plc	4 & 5	120,000,000	60.00%
HSBC Holdings plc	4 & 5	120,000,000	60.00%
Tang Yuk Lan	6	127,500,000	63.75%
Toru Tsunoyama		22,500,000	11.25%

Directors' Report

Substantial Shareholders (Cont'd)

Notes:

1. Aceland Holdings Limited 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. HSBC International Trustee Limited is a beneficially wholly owned subsidiary of HSBC Europe (Netherlands) BV, HSBC Europe BV, Griffin International Limited, Midcorp Limited, HSBC Bank plc and HSBC Holdings plc.
5. Under the SDI Ordinance, each of Redwood Pacific Limited, HSBC International Trustee Limited, HSBC Europe (Netherlands) BV, HSBC Europe BV, Griffin International Limited, Midcorp Limited, HSBC Bank plc and HSBC Holdings plc is taken to have an interest in the same 120,000,000 ordinary shares held by Aceland Holdings Limited. These shares therefore duplicate each other.
6. Ms. Tang Yuk Lan is the spouse of Mr. Yip Man Fan. Under the SDI Ordinance, each of Mr. Yip Man Fan and Ms. Tang Yuk Lan is taken to have interest in the shares held by each other. These shares therefore duplicate each other.

Connected Transactions

The following connected transactions (the "Transactions") have been entered into and/or ongoing after the listing of the Company on the Stock Exchange. The Stock Exchange has, subject to certain conditions, granted a waiver to the Company from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules in connection to these Transactions.

1. Pursuant to a share facilities and services agreement ("Shared Facilities and Services Agreement") dated 7th January 2002 entered into between the subsidiaries of the Company and Tanrich (Hong Kong) Holdings Limited ("THKHL"), a company controlled by a combination of Directors of the Company, THKHL allows the Group to utilise, together with THKHL, certain administrative facilities and services at a fee based on the gross floor area occupied by the Group. For the year ended 30th June 2002, the aggregate fees incurred by the Group in respect of this arrangement amounted to HK\$1,852,000 (2001: HK\$1,743,000). The amount has been included in depreciation charge paid to a related party as disclosed in note 26(c) to the accounts.
2. The subsidiaries of the Company have entered into licence agreements (the "Licence Agreements") with Tanrich Real Estate Group Limited ("TREG"), a wholly owned subsidiary of THKHL. Pursuant to the Licence Agreements, the Group licenses (i) a portion of 16th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong with an aggregate gross floor area of about 15,400 square feet as its head office, at an aggregate monthly rental of HK\$478,000; and (ii) Room 1917, 19th Floor, Seapower Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon with gross floor area of about 3,821 square feet as branch office, at a monthly rental of HK\$111,000. For the year ended 30th June 2002, the aggregate licence fees incurred by the Group in respect of these arrangements amounted to HK\$7,461,000 (2001: HK\$8,937,000). The amount has been included in operating leases on land and buildings paid to a related party as disclosed in note 26(a) to the accounts.

Connected Transactions (Cont'd)

3. During the year, Tanrich Futures Limited ("TFL"), a subsidiary of the Company, has received commission fee of HK\$808,000 (2001: HK\$1,244,000) from Tanrich Promotion Limited, ("TPL") an indirectly wholly owned subsidiary of THKHL for the provision of broking and agency services in trading of Japanese commodity futures contracts. The amount has been included in commission income paid to a related party as disclosed in note 26(e) to the accounts.

The Group also had other connected transactions as disclosed in note 26 to the accounts. The transactions set out in note 26(b), (d) and (f) to the accounts were discontinued upon the listing of the Company's shares on the Stock Exchange.

The Independent Non-executive Directors of the Company have reviewed, subsequent to their appointment, the above Transactions and confirmed that:

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

Pre-emptive Rights

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

Directors' Report

Major Customers

Income from the Group's five largest customers, in aggregate accounted for 12% of the Group's total turnover during the year.

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

Compliance with the Code of Best Practice of the Listing Rules

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules.

Audit Committee

The audit committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness both of the external and internal audit arrangements and of internal controls and risk evaluation. The committee comprises two Independent Non-executive directors, namely Mr. Lam, Andy Siu Wing and Mr. Ma Chiu Cheung, Andrew. Two meetings were held during the current financial year.

Internal Audit

The Group's internal audit department is responsible for carrying out a systematic review of all business operations over a period that is determined after an assessment of the risks involved. The audit plan is endorsed by the audit committee annually. The Group internal auditor has unrestricted access to all parts of the business, and direct access to any level of management including the Chairman, or the chairman of the audit committee as he considers necessary.

Provident Fund Scheme

Particulars of the provident fund scheme of the Group are set out in note 11 to the accounts.

Auditors

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

By order of the Board

YIP Man Fan

Chairman

Hong Kong, 9th September 2002

Directors and Senior Management

Executive Directors

Mr. Yip Man Fan, aged 48, is the chairman of the Company and the founder of the Group. Mr. Yip has been in the securities and futures broking businesses for over 20 years. Mr. Yip is a commodities dealer registered with the Securities and Futures Commission (the "SFC"). He is responsible for the business development, corporate strategies and policies of the Group. Mr. Yip was the past President of Lions Club of the Peak, Hong Kong. He has also received the Melvin Jones Fellow award for dedicated Humanitarian Services of Lions Clubs International Foundation.

Mr. Kwok Kam Hoi, aged 50, is the deputy chairman of the Company and the chief executive of the Group. Mr. Kwok joined the Group in October 1995. He is responsible for the business development, corporate strategies, policies and overall management of the Group. He is a member of the investment committee. Mr. Kwok has actively contributed to the Group's restructuring and business growth. Before joining the Group, he was a vice president of J.P. Morgan & Co. Incorporated where he has worked for 16 years. Mr. Kwok is a graduate of the Chinese University of Hong Kong in business management. He is also a member of the Hong Kong Securities Institute and a member of the financial services committee of Hong Kong Coalition of Service Industries, which is the Service Policy Think-Tank of the Hong Kong General Chamber of Commerce.

Mr. Sin Wai Chiu, Joseph, aged 47, is the managing director of the Company and the Group. Mr. Sin joined the Group in September 2001. He is responsible for the business development, corporate strategies, company policies and overall management of the Group. Prior to joining the Group, he worked with AXA for 15 years and was the president and chief executive of AXA-Minmentals Assurance Co. Ltd.. He has over 28 years of experience in the field of insurance, investment, finance and industrial management in China and Hong Kong. Mr. Sin is also a member of the Guangzhou Committee of the Chinese People's Political Consultative Conference, an advisor of the Guangdong General Chamber of Commerce, an honorary vice-chairman of the Chinese Financial Education Development Foundation, Beijing and an honorary vice president of the Hong Kong Accounting Professionals General Union. He is also a visiting professor of the Central University of Finance and Economics, Beijing and the Wuhan University; and a honorary professor of the Guangzhou College of Finance, China. Mr. Sin holds a bachelor's degree in commerce from Far East College, Taiwan and is a qualified accountant and a chartered secretary.

Mr. Tsunoyama Toru, aged 47, is an executive director of the Company. He joined the Group in May 1991 and is an advisor on the Japanese commodity futures activities of the Group. He is also a member of the risk control committee and the credit control committee. He has over 23 years of experience in the commodity futures field. Mr. Tsunoyama is a law graduate of Kyoto Sangyo University, Japan.

Non-executive Directors

Mr. Lam, Andy Siu Wing J.P., aged 51, is a qualified accountant and holds a master's degree in business administration from Oklahoma City University, US. He has over 17 years of experience in finance, marketing, corporate administration and strategic planning. Mr. Lam is also active in community service and has been appointed by the Hong Kong Government to sit on various boards and committees. Currently, he is a member of the Board of Review (Inland Revenue Ordinance), a member of the Action Committee Against Narcotics, an adjudicator of the Immigration Tribunal, and an adjudicator of the Registration of Persons Tribunal, and an adjudicator of the Obscene Articles Tribunal. Mr. Lam had also served on the boards of several Hong Kong listed companies.

Directors and Senior Management

Non-executive Directors (Cont'd)

Mr. Ma Chiu Cheung, Andrew, age 60, is a director of Andrew Ma DFK (CPA) Limited. He has about 30 years of experience in accounting and finance. He received his bachelor degree majoring in economics from London School of Economics and Political Science in England. Mr. Ma is a fellow member of the Institute of Chartered Accountants in England & Wales and a fellow member of the Hong Kong Society of Accountants. He was the past president of Rotary Club of Hong Kong Island West. Currently he is the honorary treasurer of The Hong Kong Federation of Youth Groups, vice president of Chiu Yang Residents Association Limited, vice-president of Hong Kong Chiu Chow Chamber of Commerce Limited. Mr. Ma is also the registered manager of Chiu Yan Primary School of Hong Kong, Chiu Chow Association Secondary School and Chiu Sheung School, Hong Kong.

Senior Management

Mr. Pun Tit Shan, aged 41, is the director of Tanrich Securities Company Limited ("TSCL") and dealing director of TFL. He is also a member of the investment committee and credit control committee. He is a dealer registered with SFC. Mr. Pun has over 18 years experience in the financial field. Prior to joining the Group in April 2002, he was the dealing director of BOCI Commodities and Futures Ltd. and the vice president of BOCI Securities Ltd. 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. Currently, Mr. Pun is a panel member of Derivatives Market Consultative Panel of Hong Kong Exchange and Clearing Ltd and a committee member of Professional Education Committee of Hong Kong Securities Institute.

Mr. Ting Sai Man, Simon, aged 43, is the dealing director of TFL. He is a commodities dealer registered with the SFC. Mr. Ting has been in futures business for over 12 years. He is also a member of the investment committee. Prior to joining the Group in June 2001, he worked for HSBC Futures (Singapore) Pte Ltd., Chase Manhattan Bank, Fimat Harlow Butler Ltd., Bank of America Futures Inc. and New York Mercantile Exchange Hong Kong office holding the positions from assistant manager to vice president.

Mr. Chan Lee Yeung, aged 52, is the dealing director of TSCL and the director of Tanrich Asset Management Limited ("TAML"). He is a dealer and an investment adviser registered with the SFC. Mr. Chan has been in the securities business for over 30 years. He joined the Group in July 1991.

Mr. Choi Hok Chung, Galen, aged 42, is a director of TAML. He joined the Group in August 2002 and has 20 years experience in life insurance and financial planning. Mr. Choi holds a bachelor degree in social sciences from University of Hong Kong and is a fellow member of Life Management Institute.

Ms. Leung Lai Lai, Kennis, aged 30, is a director of TAML and also a member of the investment committee. Ms. Leung is an investment adviser registered under the Securities Ordinance. She has about 8 years' experience in the investment management field. Before joining the Group in September 1998, she was an assistant manager of HSBC Investment Funds Hong Kong Ltd. Ms. Leung holds a master's degree in business administration from the University of Science and Technology, Hong Kong and is a chartered financial analyst.

Mr. Cheung Nai Shun, Robert, aged 43, is a senior vice president of the sales division of TFL. Mr. Cheung joined the Group in November 1990 and has been in the futures business for over 13 years.

Senior Management (Cont'd)

Ms. Lau Yim Ling, Elaine, aged 40, is a senior vice president of the sales division of TFL. Ms. Lau joined the Group in November 1990 and has over 15 years experience in futures business. She holds a master's degree in business administration from Newport University, USA.

Mr. Lee Hung Kwong, Simon, aged 37, is a senior vice president of the sales division of TFL. Mr. Lee joined the Group in November 1990 and has about 16 years experience in futures business. He holds a diploma in business management jointly awarded by Hong Kong Management Association and Lingnan University, Hong Kong.

Mr. Yip Yu Kong, Daniel, aged 33, is the senior manager of the Group's finance and accounting division, and the secretary of the Company. Before joining the Group in October 2000, Mr. Yip worked for KPMG and a listed company in Hong Kong and has about 9 years of experience in accounting and finance. He is an accounting graduate of University of Newcastle, Australia and is a member CPA Australia and an associate member of the Hong Kong Society of Accountants.

Mr. Wan Chuck Pui, Mark, aged 35, is the senior manager of the Group's research division. He is also a member of the investment committee. Mr. Wan joined the Group in April 1992 and has over 10 years of financial services research experience. He is a graduate of Keele University, England in economics.

Mr. Lo Kwok Ho, Jonathan, aged 35, is the senior manager of the Group's legal and compliance division. He is also a member of the risk control committee. Mr. Lo joined the Group in July 1996 and has over 10 years' experience in finance, accounting and regulatory controls. Mr. Lo holds a bachelor degree in accounting from Middlesex University, England and a bachelor degree in law from University of London, England and is an associate member of the Association of Chartered Certified Accountants.

Ms. Wong Lai Ping, aged 42, is the senior manager of the Group's human resources and corporate services division. She joined the Group in June 1990 and has over 20 years' experience in the area of administration and human resources. Ms. Wong holds a diploma in business management jointly awarded by Hong Kong Management Association and Lingnan University, Hong Kong.

Ms. Chan Lai Ling, aged 39, is the senior manager of the Group's settlement division. Ms. Chan joined the Group in November 1990 and has over 14 years' experience in futures settlement.

Mr. Chu Siu Fai, Alan, aged 36, is the manager of the Group's information technology division. Mr. Chu has been in the information technology field for over 12 years. Prior to joining the Group in July 2001, he worked for Hang Seng Bank Ltd., ABN-AMRO Bank and Orix Asia Ltd. holding the positions from senior analyst programmer to assistant manager. Mr. Chu holds a bachelor degree in computing science from University of Ulster, Northern Ireland, a bachelor degree in economics from University of London, England and a master degree in business administration from Open University of Hong Kong.

Mr. Kwan Wai Kit, Alan, aged 30, is the internal audit manager of the Group. Before joining the Group in September 2000, Mr. Kwan worked for PricewaterhouseCoopers and ABN AMRO Asia Limited, Hong Kong for 5 years. He holds a bachelor degree in accounting from City University of Hong Kong and is an associate member of the Hong Kong Society of Accountants and a member of the Association of Chartered Certified Accountants.

Auditors' Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

AUDITORS' REPORT TO THE SHAREHOLDERS OF
TANRICH FINANCIAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 29 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

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

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

Basis of Opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30th June 2002 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9th September 2002

Consolidated Profit and Loss Account

For the year ended 30th June 2002

	Note	2002 HK\$'000	2001 HK\$'000
Turnover	3	161,295	123,445
Other revenues	3	2,528	1,260
		<u>163,823</u>	<u>124,705</u>
Salaries, allowances and bonus		49,707	33,970
Staff commission		30,860	18,397
Operating leases on land and buildings		11,559	10,011
Brokerage commission		11,599	7,837
Provision for bad and doubtful debt		–	8,771
Interest expenses	4	690	1,682
Other operating expenses	5	21,201	17,154
		<u>125,616</u>	<u>97,822</u>
Operating profit		38,207	26,883
Gain on disposal of non-trading investments		–	34,200
Profit before taxation		38,207	61,083
Taxation	6	(7,882)	(5,228)
Profit attributable to shareholders	7	<u>30,325</u>	<u>55,855</u>
Dividends	8	<u>25,000</u>	<u>64,000</u>
Earnings per share – Basic (HK cents)	9	<u>17.8</u>	<u>37.2</u>

Consolidated Balance Sheet

As at 30th June 2002

	Note	2002 HK\$'000	2001 HK\$'000
Non-current assets			
Fixed assets	12	4,263	2,381
Other assets	13	1,850	1,850
Non-trading investments	14	16,782	18,153
Loans and advances	16	280	16
		23,175	22,400
Current assets			
Loans and advances	16	384	1,377
Accounts receivable	17	102,971	125,924
Deposits, prepayments and other receivables	18	17,699	14,325
Amounts due from a related company		–	22,228
Cash and bank balances	19	74,737	7,021
		195,791	170,875
Current liabilities			
Accounts payable	20	81,412	92,693
Other payables and accrued charges		17,213	4,981
Taxation payable		9,791	5,972
Bank borrowings	21	222	28,127
Amounts due to related companies		–	2,090
		108,638	133,863
Net current assets		87,153	37,012
Total assets less current liabilities		110,328	59,412
Financed by:			
Share capital	22	20,000	178
Reserves	23	90,328	59,234
		110,328	59,412

Mr. Kwok Kam Hoi
Director

Mr. Sin Wai Chiu, Joseph
Director

Balance Sheet

As at 30th June 2002

	Note	2002 HK\$'000
Non-current assets		
Investment in subsidiaries	15	71,680
Current assets		
Deposits, prepayments and other receivables		29
Cash and bank balances		30,687
		30,716
Current liabilities		
Other payables and accrued charges		4
		4
Net current assets		30,712
Total assets less current liabilities		102,392
Financed by:		
Share capital	22	20,000
Reserves	23	82,392
		102,392

Mr. Kwok Kam Hoi

Director

Mr. Sin Wai Chiu, Joseph

Director

Consolidated Cash Flow Statement

For the year ended 30th June 2002

	Note	2002 HK\$'000	2001 HK\$'000
Net cash inflow from operating activities	24(a)	77,692	3,289
Return on investments and servicing of finance			
Interest received		3,796	5,225
Interest paid		(731)	(1,584)
Dividends received		431	913
Dividends paid		(16,000)	(64,000)
Net cash outflow from returns on investments and servicing of finance		(12,504)	(59,446)
Taxation			
Hong Kong profits tax paid		(4,063)	(5,374)
Hong Kong profits tax refunded		–	14
Net taxation paid		(4,063)	(5,360)
Investing activities			
Purchase of fixed assets		(3,467)	(2,328)
Sales of fixed assets		–	219
Sales of non-trading investments		–	35,021
Net cash (outflow)/inflow from investing activities		(3,467)	32,912
Net cash inflow/(outflow) before financing		57,658	(28,605)

	Note	2002 HK\$'000	2001 HK\$'000
Financing			
Increase in share capital of subsidiaries by the then shareholder prior to Reorganisation		1,004	–
Proceeds from issue of shares	24(b)	50,000	2,000
Share issue expenses	24(b)	(13,041)	–
Net cash inflow from financing		37,963	2,000
Increase/(decrease) in cash and cash equivalents		95,621	(26,605)
Cash and cash equivalents at the beginning of the year		(21,106)	5,499
Cash and cash equivalents at the end of the year		74,515	(21,106)
Analysis of balances of cash and cash equivalents			
Cash and bank balances		74,737	7,021
Bank loans and overdrafts		(222)	(28,127)
		74,515	(21,106)

Consolidated Statement of Recognised Gains and Losses

For the year ended 30th June 2002

	Note	2002 HK\$'000	2001 HK\$'000
Net (losses)/gains arising from change in fair value of non-trading investments not recognised in the profit and loss account	23	(1,372)	4,375
Profit for the year	23	30,325	55,855
Investment revaluation reserve realised on sale of non-trading investments	23	—	(23,297)
Total recognised gains for the year		<u>28,953</u>	<u>36,933</u>

Notes to the Accounts

I. Group Reorganisation and Basis of Preparation

(a). Group Reorganisation

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability. Pursuant to the Reorganisation to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 11th January 2002.

The Company's shares were listed on the Stock Exchange on 30th January 2002.

The Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice ("SSAP") 2.127 "Accounting for group reconstructions". The consolidated accounts of the Group for the year ended 30th June 2002, including the comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.

Further details of the Reorganisation are set out in the Prospectus and the details of the subsidiaries acquired pursuant to the Reorganisation are set out in note 15 to the accounts. The shares of the Company were listed on the Stock Exchange on 30th January 2002.

(b). Basis of preparation of the accounts

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

The Company remained inactive during the period from 3rd September 1998 (date of incorporation) to 30th June 2002 and had no results for the period or assets or liabilities as at 30th June 2001. Accordingly, no balance sheet has been presented for the Company for last year.

2. Principal Accounting Policies

In the current year, the Company adopted the following SSAP issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The accounting policies set out below have taken into account the adoption of these new standards.

Notes to the Accounts

2. Principal Accounting Policies (Cont'd)

(a). Consolidation

The Reorganisation referred to in note 1 above has been accounted for using merger accounting by regarding the Company as being the holding company of the Group from the beginning of the earliest period presented.

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

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b). Subsidiaries

Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

(c). Fixed assets

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

Depreciation of leasehold improvements is calculated to write off their cost over the unexpired period of the leases or their expected useful lives to the Group whichever is shorter.

Other tangible fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight line basis at the following annual rates:

Furniture and fixtures	20%
Office equipment	20%
Computer equipment	33 1/3%

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

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

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

2. Principal Accounting Policies (Cont'd)

(d). Non-trading investments

Investments which are held for non-trading purpose are stated at fair value at the balance sheet date.

Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Individual investments are reviewed regularly to determine whether they are impaired. When an investment is considered to be impaired the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

(e). Provisions for bad and doubtful debts

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

(f). Deferred taxation

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or asset is expected to be payable or receivable in the foreseeable future.

(g). Translation of foreign currencies

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

(h). Derivatives financial instruments

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

Notes to the Accounts

2. Principal Accounting Policies (Cont'd)

(h). Derivatives financial instruments (Cont'd)

Listed equity index futures and rolling forex contracts undertaken for dealing purposes are marked to market. These contracts are carried at their fair values in the balance sheet. Fair values are obtained from quoted market prices. Any difference between the quoted price and the contract cost is included in the profit and loss account.

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

The Group's criteria for a derivative financial instrument to be classified as a hedge include:

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

(i). Trust accounts

Trust accounts maintained by the subsidiaries of the Company to hold clients' monies are no longer recognised as an asset in the accounts. Accordingly, the amounts previously recognised as "Cash and bank balances – segregated accounts" and the clients' monies deposited in a designated account maintained with the Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") classified under accounts receivable on the balance sheet were taken off balance sheet and netted off against the corresponding amounts classified under accounts payable. The comparative figures presented have been restated to conform with the current year's presentation.

(j). Other assets

Other assets held are stated at cost less provision for any permanent diminution in values deemed necessary by the Directors.

(k). Operating leases

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

(l). Borrowing costs

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

2. Principal Accounting Policies (Cont'd)

(m). Revenue recognition

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

Commission income from unit trust sales is recognised on an accruals basis.

Commission income from insurance-linked product is recognised when services are rendered.

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

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

Placement fees, consultancy fees, underwriting and sub-underwriting commissions are recognised when services are rendered.

(n). Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(o). Segment reporting

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

Segment assets consist primarily of fixed assets, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to fixed assets.

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

(p). Retirement benefit costs

The Group's contributions to a defined contribution retirement scheme and a mandatory provident fund scheme are expensed as incurred. These contributions are reduced by past contributions forfeited by employees who leave the relevant scheme prior to full vesting of the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

Notes to the Accounts

2. Principal Accounting Policies (Cont'd)

(q). Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(r). Dividends

In accordance with the revised SSAP 9, the Company no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. As there was no final dividend proposed after balance sheet date in last financial year, no prior year adjustment is required.

(s). Provisions

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3. Turnover, Revenue and Segment Information

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

- Tokyo Grain Exchange (TGE);
- Tokyo Commodities Exchange (TOCOM);
- the Hong Kong Futures Exchange Limited (Futures Exchange); and
- the Stock Exchange of Hong Kong (Stock Exchange).

The Group transacted commodity futures contracts through external exchange members of the TGE and the TOCOM on behalf of clients.

The Group also provides other related financial services including margin financing, securities underwriting, financial advisory services, corporate finance services, agency services for unit trust and insurance-linked products, and money lending. The Group, to a lesser extent, also trades index futures and rolling forex contracts on the Futures Exchange on its own account.

3. Turnover, Revenue and Segment Information (Cont'd)

The breakdown of the turnover and revenue is as follows:

	2002 HK\$'000	2001 HK\$'000
TURNOVER		
Brokerage commission:		
– commodity futures contracts on TGE and TOCOM	142,025	97,614
– commodity and index futures contracts on other overseas exchanges	2,756	144
– index futures and rolling forex contracts on the Futures Exchange	2,032	2,543
– securities dealing	3,917	6,866
Advisory and asset management fees		
– corporate finance and advisory	844	1,712
– commission on sale of unit trust and insurance-linked products	1,952	1,931
Interest income:		
– securities margin financing	1,502	3,778
– loans and advances	99	303
– deposits with clearing house and brokers	2,332	3,802
– bank deposits and others	1,147	1,769
Proprietary trading income		
– index futures and rolling forex contracts on the Futures Exchange	2,689	2,983
	161,295	123,445
OTHER REVENUES		
Dividend income	431	913
Exchange gain	1,441	–
Management fee income	400	–
Other income	256	347
	2,528	1,260
Total turnover and revenues	163,823	124,705

Notes to the Accounts

3. Turnover, Revenue and Segment Information (Cont'd)

Business segments

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

Futures broking	–	provision of agency and broking services in trading of Japanese commodity futures, US futures and options and Hong Kong financial futures
Securities broking	–	provision of securities broking services
Securities margin financing	–	provision of securities margin financing services
Corporate finance	–	provision of corporate finance services
Asset management services	–	distribution of unit trusts, mutual funds, insurance related products and provision of personal financial consulting and planning services
Money lending	–	provision of personal financing services
Proprietary trading	–	proprietary trading in Hong Kong financial futures

3. Turnover, Revenue and Segment Information (Cont'd)

Business segments (Cont'd)

Segment information about these businesses is presented below:

	2002								
	Futures broking HK\$'000	Securities broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Asset management services HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
TURNOVER	149,578	4,135	1,586	844	1,957	304	2,689	202	161,295
RESULT	48,014	(5,283)	(2,421)	(2,287)	(2,641)	(33)	2,662	196	38,207
Taxation									(7,882)
Profit attributable to shareholders									30,325
ASSETS									
Segment assets	148,038	14,688	21,366	17	1,111	1,023	2,007	30,716	218,966
LIABILITIES									
Segment liabilities	104,803	1,414	2,005	–	371	40	–	5	108,638
CAPITAL									
EXPENDITURE									
Additions of fixed assets	3,281	103	39	8	36	–	–	–	3,467
Depreciation	637	646	248	11	43	–	–	–	1,585

Notes to the Accounts

3. Turnover, Revenue and Segment Information (Cont'd)**Business segments (Cont'd)**

	2001							Consolidated HK\$'000
	Futures broking HK\$'000	Securities broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Asset management services HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	
TURNOVER	105,347	7,091	3,902	1,712	2,072	338	2,983	123,445
RESULT	33,910	(2,766)	(5,176)	651	(2,762)	93	2,933	26,883
Gain on disposal of non-trading investments								34,200
Profit before taxation								61,083
Taxation								(5,228)
Profit attributable to shareholders								55,855
ASSETS								
Segment assets	117,292	26,173	25,527	19	2,166	12,814	9,284	193,275
LIABILITIES								
Segment liabilities	98,316	15,566	8,279	–	903	10,799	–	133,863
CAPITAL EXPENDITURE								
Additions of fixed assets	–	1,452	799	22	55	–	–	2,328
Depreciation	–	329	182	3	122	–	–	636

Geographical segments

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

4. Interest Expenses

	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	690	1,346
Other interest	–	336
Total interest expenses	690	1,682

5. Other Operating Expenses

	2002	2001
	HK\$'000	HK\$'000
Advertising and market development	2,342	2,187
Auditors' remuneration	990	455
Building management fee	1,155	596
Depreciation of owned fixed assets	1,585	636
Depreciation charges paid to a related company (Note 26(c))	1,852	1,743
Exchange loss	–	282
Legal & professional fees	734	290
Loss on disposal of fixed assets	–	308
Miss – trade expense	49	324
Recruitment	1,097	816
Repairs and maintenance	745	347
Telecommunication costs	3,227	3,570
Trading fees	101	316
Other administrative and miscellaneous expenses	7,324	5,284
	21,201	17,154

6. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year.

There is no material unprovided deferred taxation for both the current and prior year.

7. Profit Attributable to Shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$6,196,000 (2001: HK\$Nil).

Notes to the Accounts

8. Dividends

	2002	2001
	HK\$'000	HK\$'000
Interim declared and paid:		
HK3 cents per ordinary share (2001: Nil)	6,000	–
Dividend paid by a subsidiary of the Company (Note a)	10,000	64,000
Final proposed:		
HK4.5 cents per ordinary share (Note b)	9,000	–
	<u>25,000</u>	<u>64,000</u>

Note (a): During the year, a dividend of HK\$10,000,000 was paid by a subsidiary of the Company to its then shareholders prior to the Reorganisation and the listing of the Company's shares on the Stock Exchange.

Note (b): The final dividend of HK4.5 cents (2001: Nil) per ordinary share has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming annual general meeting.

This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 30th June 2003.

9. Earnings Per Share

The calculation of the basic earnings per share for the year ended 30th June 2002 is based on the consolidated profit attributable to shareholders of HK\$30,325,000 (2001:HK\$55,855,000) divided by the weighted average number of 170,821,918 shares (2001:150,000,000 shares) deemed to be issued during the year.

In determining the weighted average number of shares in issue, the 1,779,900 shares issued before the capitalisation issue and the capitalization issue of 148,220,100 shares as described in the Prospectus were deemed to have been in issue throughout the accounting periods presented.

Diluted earnings per share for the years ended 30th June 2002 and 2001 were not disclosed as there were no dilutive potential ordinary shares.

10. Directors' and Employees' Emoluments

Directors' emoluments of the company

	2002 HK\$'000	2001 HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	–	–
	–	–
Other emoluments (Executive Directors):		
Salaries, bonus and other benefits	9,287	1,339
Contributions to retirement benefits scheme	156	162
	9,443	1,501

In addition to the above emoluments, certain directors were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the paragraph "Share Option Scheme" and "Directors' interests in shares" in the Directors' Report.

The emoluments of the Directors fell within the following bands:

	2002 Number of directors	2001 Number of directors
Nil to HK\$1,000,000	2	2
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$4,500,001 to HK\$5,000,000	1	–

Notes to the Accounts

10. Directors' and Employees' Emoluments (Cont'd)

Employees' emoluments

During the year, the five highest paid individuals included three directors (2001: two directors), details of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries, bonus and other benefits	4,718	2,849
Contributions to retirement benefits scheme	123	267
	<u>4,841</u>	<u>3,116</u>

The emoluments fell within the following bands:

	2002 Number of individuals	2001 Number of individuals
Nil to HK\$1,000,000	–	4
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	1	–
	<u>1</u>	<u>–</u>

11. Retirement Benefit Costs

The Group contributed to a defined contribution provident scheme (the "ORSO Scheme"). Under the ORSO Scheme, the employees are required to contribute five per cent of their standard monthly salaries, while the employer's contributions are calculated at a range of five to seven per cent of the employees' standard monthly salaries. The employees who joined the Company before 1st December 2000, are entitled to 100 per cent of the employer's contributions after 10 years of completed services, or at a reduced scale after completion of three to nine years' service. Forfeited contributions by the qualified employees who left the scheme prior to vesting fully in such contributions are used to reduce the Group's contribution.

In addition to the ORSO Scheme, effective from 1st December 2000, the Group has participated in a Mandatory Provident Fund Scheme (the "MPF Scheme") established pursuant to the Mandatory Provident Fund Schemes Ordinance. Accrued benefits of the employees in the ORSO Scheme who had selected to be transferred to the MPF Scheme were kept in the ORSO Scheme until their termination of employment. The ORSO Scheme is also subject to the execution of the Mandatory Provident Fund Schemes Ordinance for the employees who joined after 1st December 2000.

II. Retirement Benefit Costs (Cont'd)

Contributions to the MPF Scheme is made in accordance with the statutory requirements which is calculated at five per cent of the relevant income of each employee up to a maximum amount of HK\$1,000 per month.

All statutory contributions under the MPF Scheme are immediately fully vested on the employees.

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

	2002 HK\$'000	2001 HK\$'000
Gross employer's contributions	1,850	1,541
Less: Forfeited contributions utilised to offset employer's contribution for the year	304	278
Net employer's contributions charged to profit and loss account	1,546	1,263

Notes to the Accounts

12. Fixed Assets

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
COST					
At 1st July 2001	1,195	330	514	1,468	3,507
Additions	1,683	196	794	794	3,467
Disposals	–	(14)	(40)	(227)	(281)
Transfers	–	(1)	1	–	–
At 30th June 2002	2,878	511	1,269	2,035	6,693
ACCUMULATED DEPRECIATION					
At 1st July 2001	270	103	167	586	1,126
Charge for the year	679	83	199	624	1,585
Disposals	–	(14)	(40)	(227)	(281)
Transfers	–	(8)	8	–	–
At 30th June 2002	949	164	334	983	2,430
NET BOOK VALUE					
At 30th June 2002	1,929	347	935	1,052	4,263
At 30th June 2001	925	227	347	882	2,381

13. Other Assets

	2002	2001
	HK\$'000	HK\$'000
Deposit with the Compensation Fund of the Futures Exchange	100	100
Reserve fund deposits with the Futures Exchange	1,500	1,500
Statutory deposits with the Stock Exchange	100	100
Statutory deposits with the Securities and Futures Commission	50	50
Contributions to the Central Clearing and Settlement System Guarantee Fund	50	50
Admission fees paid to the Hong Kong Securities Clearing Company Limited	50	50
	1,850	1,850

14. Non-trading Investments

	2002	2001
	HK\$'000	HK\$'000
Listed equities in Hong Kong at fair value	16,782	18,153

Listed securities of aggregate carrying amount of HK\$10,280,000 (2001: HK\$11,120,000) have been pledged to a bank for the banking facilities.

15. Investments in Subsidiaries

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	65,237	–
Amounts due from subsidiaries	11,000	–
Amounts due to subsidiaries	(4,557)	–
	71,680	–

Notes to the Accounts

15. Investments in Subsidiaries (Cont'd)

The following list contains the particulars of the subsidiaries of the Company as at 30th June 2002. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ place of operation	Principal activities	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	
				Direct	Indirect
Tanrich Financial (Management) Limited (previously known as Tanrich Financial Group (BVI) Limited)	British Virgin Islands/ Hong Kong	Investment holding	US\$10,000	100%	–
Tanrich Futures Limited ("TFL")	Hong Kong/ Hong Kong	Futures broking	HK\$10,001,000 (divided into 1,000 ordinary shares and 10,000,000 non-voting deferred shares of HK\$1 each)	–	100%
Tanrich Securities Company Limited ("TSCL")	Hong Kong/ Hong Kong	Securities broking, securities margin financing and corporate finance	HK\$25,001,000 (divided into 1,000 ordinary shares and 25,000,000 non-voting deferred shares of HK\$1 each)	–	100%
Tanrich Asset Management Limited ("TAML")	Hong Kong/ Hong Kong	Distribution of unit trusts, mutual funds, insurance related products and provision of personal financial consulting and planning services	HK\$7,001,000 (divided into 1,001,000 ordinary shares and 6,000,000 non-voting deferred shares of HK\$1 each)	–	100%
Tanrich Finance Limited ("FIN")	Hong Kong/ Hong Kong	Provision of personal financing service	HK\$11,000 (divided into 1,000 ordinary shares and 10,000 non-voting deferred shares of HK\$1 each)	–	100%

15. Investments in Subsidiaries (Cont'd)

In accordance with Articles of Association of each of Tanrich Futures Limited, Tanrich Securities Company Limited, Tanrich Asset Management Limited and Tanrich Finance Limited, 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.

16. Loans and Advances

	2002 HK\$'000	2001 HK\$'000
Loans and advances		
– unsecured	244	812
– secured	420	581
	664	1,393
Current portion of loans and advances	(384)	(1,377)
	280	16

17. Accounts Receivable

	2002 HK\$'000	2001 HK\$'000
Accounts receivable arising from the ordinary course of business		
of broking in securities, index futures, rolling forex and commodity futures contracts:		
– securities cash clients	906	2,434
– securities clearing house, brokers and dealers	869	5,475
– futures clearing house, brokers and dealers		
– HKFECC	1,196	8,476
– brokers for commodity futures contracts on TGE and TOCOM	71,470	87,055
– brokers for commodity futures contracts on other overseas exchanges	8,315	1,222
Accounts receivable from securities margin clients	20,143	18,759
Accounts receivable arising from provision of:		
– unit trust and insurance-linked products agency services	72	244
– subscription for securities	–	2,259
	102,971	125,924

Notes to the Accounts

17. Accounts Receivable (Cont'd)

The accounts receivable from the HKFECC excludes a deposit of HK\$412,000 (2001: HK\$13,447,000) relating to the clients' monies.

Credit policy for margin lending activities

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

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

All approved stocks are assigned with specific margin ratios, which are determined by the credit control committee ("CCC"), for calculating the stock margin values. CCC reviews and determines the margin ratios for the stock collaterals on a bi-weekly basis.

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

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

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

Settlement terms

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

Accounts receivable from margin clients is secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. As at 30th June 2002 and 30th June 2001, included in the accounts receivables from securities margin clients were overdue margin calls HK\$3,651,000 and HK\$4,652,000 respectively.

17. Accounts Receivable (Cont'd)

Settlement terms (Cont'd)

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

	2002 HK\$'000	2001 HK\$'000
Within 30 days	–	928
31 – 90 days	–	27
91 – 180 days	–	3,605
181 – 270 days	–	91
271 – 360 days	3,651	1
	<u>3,651</u>	<u>4,652</u>

Provisions of HK\$3.5 million were made for these overdue margin calls as at 30th June 2002 and 30th June 2001.

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. As at 30th June 2002 and 30th June 2001, included in the accounts receivables from securities cash clients were receivables not settled on settlement date of HK\$58,000 and HK\$491,000 respectively. All these balances were subsequently settled.

The ageing analysis of the accounts receivable from cash clients which was not settled on settlement date was as follows:

	2002 HK\$'000	2001 HK\$'000
Within 30 days	51	484
31 – 90 days	–	–
91 – 180 days	–	–
Over 180 days	7	7
	<u>58</u>	<u>491</u>

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

Notes to the Accounts

18. Deposits, Prepayments and Other Receivables

	2002 HK\$'000	2001 HK\$'000
Prepayments	1,871	166
Other receivables	14,474	13,073
Rental and other deposits	1,354	1,086
	<u>17,699</u>	<u>14,325</u>

The comparative figures have been restated to take into account of the effect of adopting the Group's new accounting policy as described in note (1)(i).

19. Cash and Bank Balances

The subsidiaries of the Group maintain trust accounts with authorised institutions as a result of its normal business transactions. At 30th June 2002, trust accounts not otherwise dealt with in these accounts amounted to HK\$40,145,000 (2001: HK\$40,465,000).

A subsidiary of the Company pledges cash as collateral to an authorised institution from time to time for foreign exchange deferred trading and has pledged HK\$6,045,000 as at 30th June 2002 (2001: Nil).

20. Accounts Payable

	2002 HK\$'000	2001 HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities, index futures, rolling forex and commodity futures contracts:		
– securities cash clients	696	1,954
– securities margin clients	1,730	788
– securities clearing house, brokers and dealers	–	2,477
– futures clients	78,974	87,469
Accounts payable arising from provision of:		
– unit trust and insurance-linked products agency services	12	5
	<u>81,412</u>	<u>92,693</u>

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

20. Accounts Payable (Cont'd)

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

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

The accounts payable are stated net of clients' segregated assets of HK\$26,171,000 (2001: HK\$42,439,000).

21. Bank Borrowings

	2002	2001
	HK\$'000	HK\$'000
Bank loans and overdraft – secured		
Amounts repayable on demand	222	16,847
Amounts repayable within 3 months	–	11,280
	222	28,127

Bank borrowings of HK\$222,000 (2001: HK\$28,127,000) were secured by clients' pledged securities, certain non-trading investments of the Group and corporate guarantees issued by the Company and its subsidiaries.

22. Share Capital

	Ordinary Share of HK\$0.1 each No. of shares	HK\$'000
Authorised		
At 30th June 2001	1,000,000	100
Increase in authorised ordinary share capital pursuant to resolution passed on 11th January 2002	999,000,000	99,900
At 30th June 2002	1,000,000,000	100,000
Issued and fully paid:		
At 30th June 2001	–	–
Increase in share capital pursuant to resolution passed on 11th January 2002	1,779,900	178
Capitalisation issue pursuant to resolution passed on 7th January 2002	148,220,100	14,822
Public issue on 30th January 2002	50,000,000	5,000
At 30th June 2002	200,000,000	20,000

Notes to the Accounts

22. Share Capital (Cont'd)

The changes in the Company's share capital during the period from date of incorporation to 30th June 2002 are as follows:

- (i) The Company was incorporated in Bermuda as an exempted company with limited liabilities on 3rd September 1998 with authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all of which were allotted and issued nil-paid on 4th September 1998.
- (ii) Pursuant to the written resolution of the sole shareholder of the Company on 11th January 2002:
 - the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of an additional 999,000,000 new shares of HK\$0.10 each to rank equally with the existing shares;
 - 779,900 ordinary shares of HK\$0.10 each at par were issued and credited as fully paid, and the existing 1,000,000 shares issued nil-paid on 4th September 1998 were credited as fully paid at par, in exchange for the acquisition by the Company of the entire issued share capital of Tanrich Financial (Management) Limited (previously known as Tanrich Financial Group (BVI) Limited).
- (iii) Pursuant to the written resolution passed on 7th January 2002, conditional on the share premium account of the Company being credited as a result of the public offer, 148,220,100 ordinary shares of HK\$0.10 each were issued at par to the shareholders whose names appear on the register of members of the Company as at the close of business on 7th January 2002 by way of capitalisation of a sum of HK\$14,822,010 standing to the credit of the share premium account.
- (iv) On 30th January 2002, pursuant to the offer of the Company's shares, 50,000,000 ordinary shares of HK\$0.10 each were issued to the public and institutional investors at HK\$1.00 per share ("New Issue") for cash. The excess of the issued proceeds over the par value of the shares issued were credited to the share premium account.
- (v) The share capital in the consolidated balance sheet as at 30th June 2001 represents the issued share capital of the Company, arising on incorporation and as a result of the share swap transaction to effect the Reorganisation described above, which is deemed to have been issued throughout the accounting periods presented in accordance with the merger basis of accounting.
- (vi) On 7th January 2002, the shareholders of the Company approved and adopted as share option scheme ("the Scheme"). On 22nd February 2002, options were granted to the Directors, employees and bona fide consultants of the Company to subscribe for 20 million shares of HK\$0.10 each in the Company at HK\$0.72 per share exercisable at any time from 22nd February 2003 to 7th January 2012.

23. Reserves

The Group

	Investment revaluation reserve HK\$'000	Share premium HK\$'000	Capital reserve (Note (a)) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st July 2000	36,896	–	39,832	9,573	86,301
Change in fair value of non-trading investments	4,375	–	–	–	4,375
Sale of non-trading investments	(23,297)	–	–	–	(23,297)
Profit for the year	–	–	–	55,855	55,855
Dividend	–	–	–	(64,000)	(64,000)
At 30th June 2001	17,974	–	39,832	1,428	59,234
At 1st July 2001	17,974	–	39,832	1,428	59,234
Change in fair value of non-trading investments	(1,372)	–	–	–	(1,372)
Arising from Reorganisation	–	–	1,004	–	1,004
Premium arising from the public offer and placing of shares	–	45,000	–	–	45,000
Capitalisation issue of shares	–	(14,822)	–	–	(14,822)
Share issue expenses	–	(13,041)	–	–	(13,041)
Profit for the year	–	–	–	30,325	30,325
Dividend	–	–	–	(16,000)	(16,000)
At 30th June 2002	16,602	17,137	40,836	15,753	90,328
Representing:					
Retained earnings at 30th June 2002				15,753	
2002 final dividend proposed				(9,000)	
At 30th June 2002				6,753	

Notes to the Accounts

23. Reserves (Cont'd)**The Company**

	Share premium HK\$'000	Contributed surplus (Note (b)) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st July 2001	–	–	–	–
Arising from Reorganisation	–	65,059	–	65,059
Premium arising from the public offer and placing of shares	45,000	–	–	45,000
Capitalisation issue of shares	(14,822)	–	–	(14,822)
Share issue expenses	(13,041)	–	–	(13,041)
Profit for the year	–	–	6,196	6,196
2002 interim dividend	–	–	(6,000)	(6,000)
At 30th June 2002	17,137	65,059	196	82,392
Representing:				
Contributed surplus/ Retained earnings at 30th June 2002		65,059	196	
2002 final dividend proposed		(9,000)	–	
At 30th June 2002		56,059	196	

(a) Capital reserve

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

(b) Contributed surplus

Contributed surplus represents the difference between the aggregate net asset value of subsidiaries acquired as a result of the Reorganisation discussed in note 1 to the accounts 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 account 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.

23. Reserves (Cont'd)

(c) Distributable reserve

As at 30th June 2002, in the opinion of the Directors of the Company, the reserves of the Company available for distribution to shareholders amounted to HK\$65,255,000 subject to the restriction stated above.

The Company was incorporated on 3rd September 1998 and has not carried out any business since the date of its incorporation save for the transaction related to the Reorganisation. Accordingly, there was no reserve for distribution to shareholders as at 30th June 2001.

24. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2002	2001
	HK\$'000	HK\$'000
Profit before taxation	38,207	61,083
Interest income	(3,479)	(5,571)
Interest expenses	690	1,682
Dividends received	(431)	(913)
Depreciation	1,585	636
Gain on disposal of non-trading investments	–	(34,200)
Loss on disposal of fixed assets	–	308
(Decrease)/increase in provision for bad and doubtful debts	(33)	8,706
Decrease in other assets	–	50
Decrease in loans and advances	729	10,648
Decrease/(increase) in accounts receivable	22,986	(87,328)
Increase in deposits, prepayments and other receivables	(3,343)	(2,802)
Decrease/(increase) in amounts due from related company	21,879	(15,777)
(Decrease)/increase in accounts payable	(11,281)	66,699
Increase in other payables and accrued charges	12,273	1,035
Decrease in amounts due to related company	(2,090)	(967)
Net cash inflow from operating activities	77,692	3,289

Notes to the Accounts

24. Notes to the Consolidated Cash Flow Statement (Cont'd)**(b) Analysis of changes in financing**

	Share capital (including share premium)	
	2002 HK\$'000	2001 HK\$'000
Balance at 1st July	178	178
Issue of ordinary shares	50,000	–
Share issue expenses	(13,041)	–
Balance at 30th June	37,137	178

The Group raised HK\$36,959,000 (net of related expenses) from placing and public offer of shares upon listing on the Main Board of the Stock Exchange.

25. Commitments and Contingent Liabilities**(i) Commitments under operating leases**

As at 30th June 2002, a subsidiary of the Company had future aggregate minimum lease payments under non-cancellable operating lease as follows:

	2002 HK\$'000	2001 HK\$'000
Land and buildings		
Not later than one year	3,414	–
Later than one year and not later than five years	5,176	–
	8,590	–

In addition to the above non-cancellable tenancy agreement, the subsidiaries of the Company entered into tenancy agreements with a related company, TREGI. Under these tenancy agreements, one month notice is required to be given by the subsidiaries of the Company in case of termination of the leases. The total amount of monthly rental and management fees is HK\$478,000.

(ii) Other commitments

The Company has issued unlimited corporate guarantees to banks in respect of banking facilities granted to its subsidiaries.

25. Commitments and Contingent Liabilities (Cont'd)

(iii) Derivatives financial instruments

The following table provides a detail breakdown of the contractual or notional amounts and the fair values of a subsidiary of the Company's derivatives financial instruments outstanding at the year end:

	Contract/ notional amount HK\$'000	Fair value included in Accounts Payable HK\$'000
As at 30th June 2002		
Equity Index Futures contracts – Trading	1,061	1
Foreign Exchange contracts – Hedging	120,900	7,588
As at 30th June 2001		
Rolling Forex contracts – Hedging	119,550	–

The notional amounts of these financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, are not a representation of the Company's exposure to the price risk. Since all contracts are collateralised by cash and changes in the futures contract value are settled daily with the HKFECC and the authorized institution, the credit risk is negligible.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices, interest rates or foreign exchange rates relative to their terms. The extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Notes to the Accounts

26. Related Party Transactions

During the year, the Group had the following transactions with a related company, THKHL and its subsidiaries, Tarnich Financial Group Limited ("TFGL"), TREGL and TPL. These related companies are all controlled by a combination of directors of the companies now comprising the Group. These transactions were arisen in the ordinary course of the Group's business.

	Note	2002 HK\$'000	2001 HK\$'000
Operating leases on land and buildings	(a)	7,461	8,937
Overhead recharged	(b)	1,183	5,207
Depreciation	(c)	1,852	1,743
Salaries and provident fund recharged	(d)	4,983	12,911
Management fee income	(d)	(400)	(19)
Commission income	(e)	(808)	(1,244)
Interest income	(f)	(356)	(642)
Interest expenses	(f)	–	336
Fund management income		–	(7)

- (a). The amount represented the rental expenses paid by the subsidiaries of the Company to TREGL for the use of office premises. The monthly rentals of these premises were determined with reference to the open market rentals.
- (b). The amount represented certain operating expenses paid by THKHL on behalf of the subsidiaries of the Company. Those operating expenses directly attributable to TFL were allocated to TFL whilst any shared expenses were allocated on a relative headcount basis. This arrangement was terminated in January 2002.
- (c). The amount represented the depreciation charge that should be borne by the Group for its use of fixed assets and share of renovation expenses. The depreciation charge is calculated on the direct cost method.
- (d). The amount represented the staff cost charged by THKHL for the management and personnel supportive services provided to the Group. This arrangement was terminated in January 2002. Effective on 1st February 2002, a subsidiary of the Company had absorbed certain cost for such services and recharged to THKHL on fixed amount.
- (e). TPL has maintained an account with a subsidiary of the Company for trading in Japanese commodity futures contracts. The commission is charged at the same rate as that charged to third party customers.
- (f). Interest income/expenses were related to funding provided to/by THKHL and its subsidiary, TFGL from/to the subsidiaries of the Company where interest was charged at commercial rates. These arrangements were terminated upon the listing of the shares of the Company.

Five-Year Financial Summary

	Financial year ended 30th June				
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000
Results:					
Turnover	102,316	69,938	94,009	123,445	161,295
Operating profit	44,354	21,894	24,106	26,883	38,207
Profit attributable to shareholders	37,230	19,086	20,486	55,855	30,325
Dividends	40,000	15,000	26,000	64,000	25,000
	As at 30th June				
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000
Assets and liabilities:					
Non-current assets	4,379	4,091	41,617	22,400	23,175
Current assets	70,114	71,122	93,518	170,875	195,791
Total assets	74,493	75,213	135,135	193,275	218,966
Current liabilities	43,482	35,116	50,656	133,863	108,638
Total liabilities	43,482	35,116	50,656	133,863	108,638
Net assets	31,011	40,097	84,479	59,412	110,328
Current ratio	1.61	2.03	1.85	1.28	1.80
Gearing ratio	–	2.7%	13.8%	47.3%	0.2%

Note:

- The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 3rd September 1998 and became the holding company of the companies now comprising the Group on 11th January 2002 as a result of the group reorganisation as set out in the Company's Prospectus.
- The results of the Group for the four years ended 30th June 1998, 1999, 2000 and 2001 have been prepared on a combined basis as if the current Group structure had been in existence throughout the years concerned.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of Tanrich Financial Holdings Limited (the "Company") will be held at 10:00 a.m. (Hong Kong time) on Friday, 11th October, 2002 at Chater Room III, Function Room Level, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong in order to consider the following business:

1. To receive the audited consolidated financial statements and the reports of the Directors and Auditors of the Company for the year ended 30th June, 2002.
2. To re-elect retiring Director(s) of the Company.
3. To re-appoint PricewaterhouseCoopers as the Auditors of the Company to hold office until the conclusion of the next annual general meeting and authorise the Directors of the Company to fix their remuneration.
4. To declare a final dividend of HK4.5 cents per share for the year ended 30th June, 2002.
5. As Special Business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:—
 - A. **"THAT:—**
 - (i) subject to sub-paragraph (iii) of this Resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into shares of the Company and to make or grant offers, agreements and options (including, without limitation, warrants to subscribe for shares or securities convertible or exchangeable into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (ii) the approval in sub-paragraph (i) of this Resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including, without limitation, warrants to subscribe for shares or securities convertible or exchangeable into shares of the Company) which might require the exercise of such powers after the end of the Relevant Period;
 - (iii) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in sub-paragraph (i) of this Resolution, otherwise than pursuant to (a) a Rights Issue (as defined below), (b) an issue of shares of the Company upon the exercise of rights of subscription or conversion under the terms of any warrants or any securities convertible into shares of the Company or similar instruments requiring the Company to issue shares, (c) an issue of shares of the Company upon the exercise of any options or other subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (d) any scrip dividend or similar arrangement providing for the allotment of shares of the Company in lieu of the whole or part of the cash payment for a dividend on shares of the Company in accordance with the bye-laws of the Company, shall not exceed an aggregate of 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

- (iv) for the purposes of this Resolution:–

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

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Companies Act 1981 of Bermuda (as amended) or any applicable laws to be held; and
- (c) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company.

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

B. **“THAT:–**

- (i) subject to sub-paragraph (ii) of this Resolution, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined below) of all the powers of the Company to purchase shares in the capital of the Company and/or other securities of the Company, subject to the requirements set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of the shares of the Company to be purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in sub-paragraph (i) of this Resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and
- (iii) for the purposes of this Resolution:–

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

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Companies Act 1981 of Bermuda (as amended) or any applicable laws to be held; and

Notice of Annual General Meeting

(c) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company.”

- C. “**THAT** subject to the passing of Resolution 5A and Resolution 5B set out in the notice convening the meeting at which this Resolution is considered, the aggregate nominal amount of shares of the Company which are purchased by the Company after the date of the passing of this Resolution (up to a maximum of 10 per cent. of the aggregate nominal amount of the share capital of the Company as stated in Resolution 5B set out in the notice convening the meeting at which this Resolution is considered) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution 5A set out in the notice convening the meeting at which this Resolution is considered.”

By Order of the Board
YIP Yu Kong, Daniel
Company Secretary

Hong Kong, 9th September, 2002

Notes:

1. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company.
2. A form of proxy for the meeting is enclosed herewith. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting. In the event that a member who has lodged a form of proxy attends the meeting, his form of proxy will be deemed to be revoked.
3. In order to be valid, the form of proxy completed in accordance with the instructions set out therein, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of such power or authority), must be delivered to the principal place of business of the Company in Hong Kong situated at 16th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
4. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, at the meeting in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. An explanatory statement regarding the general mandate for the purchase of shares sought in the Ordinary Resolution set out in 5B above will be circulated with the 2002 Annual Report and Accounts to be sent to shareholders.