

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:

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