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**TANRICH**  
**TANRICH FINANCIAL HOLDINGS LIMITED**  
**敦沛金融控股有限公司**  
*(Incorporated in Bermuda with limited liability)*

**ANNOUNCEMENT**

**CONNECTED TRANSACTIONS**

On 4th October, 2002, Tanrich Financial Holdings, through a wholly-owned subsidiary, Tanrich Financial Management, entered into the Tenancy Agreement with Union Light Investment for the renting of a villa house at No. 18 Henderson Road, Jardine's Lookout, Hong Kong for a term of 21 months from 1st October, 2002. The service agreement between Mr. Yip Man Fan and Tanrich Financial Holdings was also amended on 4th October, 2002 to provide for the provision of accommodation at the Henderson Road Premises (or comparable accommodation anywhere else in Hong Kong) to Mr. Yip during his term of appointment.

Each of the Tenancy Agreement and Mr. Yip's Supplemental Agreement constitutes a connected transaction of Tanrich Financial Holdings under the Listing Rules.

On 4th October, 2002 Tanrich Real Estate entered into supplemental agreements with each of Tanrich Securities, Tanrich Asset Management and Tanrich Futures to amend the respective licence agreements dated 13th November, 2001 entered into by them.

The Supplemental Agreements provide for amendments to the areas licensed and the licence fees payable under the original licence agreements in respect of certain parts of premises located at 16th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

On 4th October, 2002, Tanrich Real Estate and Tanrich Futures agreed to terminate the licence agreement dated 13th November, 2001 entered into by them in respect of premises located at Unit 17 on the 19th Floor, Seapower Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong.

Each of the Supplemental Agreements and the Termination Letter constitutes a connected transaction of Tanrich Financial Holdings under the Listing Rules.

## 1. Mr. Yip's Supplemental Agreement

### (a) Parties

Company: Tanrich Financial Holdings  
Executive: Mr. Yip Man Fan

### (b) Date

4th October, 2002.

### (c) Terms

Mr. Yip's Supplemental Agreement provides for the addition of a clause to Mr. Yip's Service Agreement which provides that, with effect from 1st October, 2002, Tanrich Financial Holdings or any of its subsidiaries may, at its discretion, provide Mr. Yip with accommodation at the Henderson Road Premises (or comparable accommodation anywhere else in Hong Kong) during his period of appointment under Mr. Yip's Service Agreement. Prior to such addition, Mr. Yip Man Fan was not provided with accommodation by Tanrich Financial Holdings under the terms of Mr. Yip's Service Agreement. All other terms of Mr. Yip's Service Agreement remain unchanged. Brief particulars of Mr. Yip's Service Agreement were disclosed in the prospectus of Tanrich Financial Holdings dated 21st January, 2002 as follows:–

- (i) Mr. Yip's Service Agreement is for a term of 2 years commencing on the day on which the shares of Tanrich Financial Holdings were first admitted for trading on the Stock Exchange (i.e. 30th January, 2002) and thereafter may be terminated by either party giving to the other not less than 6 months' written notice of termination. Tanrich Financial Holdings may at its sole and absolute discretion pay a proportionate amount of any compensation in lieu of any required period of notice.
- (ii) Mr. Yip Man Fan will be entitled to a monthly compensation of HK\$120,000, which shall be subject to review by the board of Directors from time to time (Mr. Yip's monthly compensation was subsequently increased to HK\$180,000 per month with effect from 1st July, 2002).
- (iii) Mr. Yip Man Fan shall be entitled to one additional month's compensation for each completed period of service of 12 months, and such sum shall be prorated in part of any uncompleted 12 months period.
- (iv) In respect of each financial year of Tanrich Financial Holdings during which Mr. Yip Man Fan has been a director of Tanrich Financial Holdings, Mr. Yip Man Fan shall be entitled to a year end bonus of an amount equal to 10% of the net profits after tax of the Group as reflected in the audited consolidated financial statements of the Group. The aggregate maximum amount of any bonuses that may be payable to all the executive Directors in any period of 12 months shall not exceed 25% of the net profits after tax of the Group as reflected in the audited consolidated financial statements of the Group.

## 2. Tenancy Agreement

### (a) Parties

Landlord: Union Light Investment  
Tenant: Tanrich Financial Management

Union Light Investment is beneficially owned as to 30% by Tanrich Real Estate and as to 70% by Clear Goal International Limited, which, in turn, is beneficially owned as to 95% by Mr. Yip Man Fan (an executive director and chairman of Tanrich Financial Holdings) and 5% by Ms. Tang Yuk Lan (the spouse of Mr. Yip).

Tanrich Real Estate is a wholly-owned subsidiary of Tanrich Hong Kong, which is beneficially owned as to 80% by Mr. Yip Man Fan, 15% by Mr. Toru Tsunoyama (an executive director of Tanrich Financial Holdings) and 5% by Ms. Tang Yuk Lan.

Tanrich Financial Management is a direct wholly-owned subsidiary of Tanrich Financial Holdings.

### (b) Date

4th October, 2002.

### (c) Terms

The Tenancy Agreement provides for the letting of a villa house at the Henderson Road Premises by Union Light Investment, as landlord, to Tanrich Financial Management, as tenant, for a term of 21 months commencing on 1st October, 2002 and a fixed rental of HK\$430,000 per month. The Henderson Road Premises comprises a residential site of approximately 15,910 square feet on which a 3-storey (plus one basement car port) detached villa house building with a total gross floor area of approximately 13,500 square feet has been completed. The monthly rental under the Tenancy Agreement amounts to approximately HK\$27 per square foot of the residential site or approximately HK\$32 per square foot of the total gross floor area of the villa house. The Tenancy Agreement does not provide for early termination of the Tenancy Agreement prior to the expiry of its term.

## 3. Tanrich Securities Supplemental Agreement

### (a) Parties

Tenant: Tanrich Real Estate  
Licensee: Tanrich Securities

Tanrich Securities is an indirect wholly-owned subsidiary of Tanrich Financial Holdings.

### (b) Date

4th October, 2002.

(c) *Terms*

The Tanrich Securities Supplemental Agreement provides for a decrease in the area licensed in respect of certain parts of the Central Plaza Premises under the Tanrich Securities Licence Agreement, from 4,332 square feet to 3,470 square feet, and for the licence fee payable thereunder to be adjusted from HK\$134,485 per month to HK\$108,000 per month, with effect from 1st October, 2002. All other terms of the original licence agreement remain unchanged (including the original expiry date of 4th May, 2003). It is the intention of the parties that the monthly licence fee per square foot before and after such adjustment remains unchanged, at approximately HK\$31, and the adjusted licence fee in aggregate was calculated accordingly. The Tanrich Securities Supplemental Agreement does not provide for any compensation to be payable to Tanrich Real Estate upon such adjustment.

Details of the Tanrich Securities Licence Agreement were disclosed in the prospectus of Tanrich Financial Holdings dated 21st January, 2002 as follows:–

- (i) The Central Plaza Premises are currently leased by Tanrich Real Estate from an independent third party (at HK\$30 per square foot (which includes rental and management fees but excludes Government rent, rates, air conditioning charges and water charges)). The rental term is from 13th November, 2001 to 4th May, 2003.
- (ii) The annual licence fee payable (by Tanrich Securities) was approximately HK\$1.6 million (which includes rental payment, management fee, Government rent, rates, air conditioning charges and water charges, which are determined by reference to the percentage of gross floor area of the Central Plaza Premises occupied).
- (iii) Gross floor area licenced to Tanrich Securities was 4,332 square feet, and monthly licence fee per square foot was approximately HK\$31 (which includes licence payment, management fee, Government rent, rates, air conditioning charges and water charges).

**4. Tanrich Asset Management Supplemental Agreement**

(a) *Parties*

Tenant: Tanrich Real Estate  
Licensee: Tanrich Asset Management

Tanrich Asset Management is an indirect wholly-owned subsidiary of Tanrich Financial Holdings.

(b) *Date*

4th October, 2002.

(c) *Terms*

The Tanrich Asset Management Supplemental Agreement provides for an increase in the area licensed in respect of certain parts of the Central Plaza Premises under the Tanrich Asset Management Licence Agreement, from 1,381 square feet to 1,920 square feet, and for the licence fee payable thereunder to be adjusted from HK\$42,873 per month to HK\$60,000 per

month, with effect from 1st October, 2002. All other terms of the original licence agreement remain unchanged (including the original expiry date of 4th May, 2003). It is the intention of the parties that the monthly licence fee per square foot before and after such adjustment remains unchanged, at approximately HK\$31, and the adjusted licence fee in aggregate was calculated accordingly.

Details of the Tanrich Asset Management Licence Agreement were disclosed in the prospectus of Tanrich Financial Holdings dated 21st January, 2002 as follows:–

- (i) The Central Plaza Premises are currently leased by Tanrich Real Estate from an independent third party (at HK\$30 per square foot (which includes rental and management fees but excludes Government rent, rates, air conditioning charges and water charges)). The rental term is from 13th November, 2001 to 4th May, 2003.
- (ii) The annual licence fee payable (by Tanrich Asset Management) was approximately HK\$0.5 million (which includes rental payment, management fee, Government rent, rates, air conditioning charges and water charges, which are determined by reference to the percentage of gross floor area of the Central Plaza Premises occupied).
- (iii) Gross floor area licenced to Tanrich Asset Management was 1,381 square feet, and monthly licence fee per square foot was approximately HK\$31 (which includes licence payment, management fee, Government rent, rates, air conditioning charges and water charges).

## **5. Tanrich Futures Supplemental Agreement**

### *(a) Parties*

Tenant: Tanrich Real Estate  
Licensee: Tanrich Futures

Tanrich Futures is an indirect wholly-owned subsidiary of Tanrich Financial Holdings.

### *(b) Date*

4th October, 2002.

### *(c) Terms*

The Tanrich Futures Supplemental Agreement provides for an increase in the area licensed in respect of certain parts of the Central Plaza Premises under the Tanrich Futures Licence Agreement, from 9,590 square feet to 13,087 square feet, and for the licence fee payable thereunder to be adjusted from HK\$297,705 per month to HK\$409,000 per month, with effect from 1st October, 2002. All other terms of the original licence agreement remain unchanged (including the original expiry date of 4th May, 2003). It is the intention of the parties that the monthly licence fee per square foot before and after such adjustment remains unchanged, at approximately HK\$31, and the adjusted licence fee in aggregate was calculated accordingly.

Details of the Tanrich Futures Licence Agreement were disclosed in the prospectus of Tanrich Financial Holdings dated 21st January, 2002 as follows:–

- (i) The Central Plaza Premises are currently leased by Tanrich Real Estate from an independent third party (at HK\$30 per square foot (which includes rental and management fees but excludes Government rent, rates, air conditioning charges and water charges)). The rental term is from 13th November, 2001 to 4th May, 2003.
- (ii) The annual licence fee payable (by Tanrich Futures) was approximately HK\$3.5 million (which includes rental payment, management fee, Government rent, rates, air conditioning charges and water charges, which are determined by reference to the percentage of gross floor area of the Central Plaza Premises occupied).
- (iii) Gross floor area licenced to Tanrich Futures was 9,590 square feet, and monthly licence fee per square foot was approximately HK\$31 (which includes licence payment, management fee, Government rent, rates, air conditioning charges and water charges).

## **6. Termination Letter**

### *(a) Parties*

Tenant: Tanrich Real Estate  
Licensee: Tanrich Futures

### *(b) Date*

4th October, 2002.

### *(c) Terms*

The Termination Letter provides for the termination of the licence agreement dated 13th November, 2001 entered into by Tanrich Real Estate and Tanrich Futures in relation to the Seapower Tower Premises (the branch office premises of Tanrich Futures), with effect from 1st October, 2002. The Termination Letter does not provide for any compensation to be payable to Tanrich Real Estate upon such termination.

Details of the licence agreement dated 13th November, 2001 entered into by Tanrich Real Estate and Tanrich Futures in relation to the Seapower Tower Premises were disclosed in the prospectus of Tanrich Financial Holdings dated 21st January, 2002 as follows:–

- (i) The Seapower Tower Premises are owned by a subsidiary of Tanrich Real Estate.
- (ii) The rental term was from 13th November, 2001 to 17th May, 2004.
- (iii) The annual licence fee payable was approximately HK\$1.3 million.
- (iv) Gross floor area licenced was 3,821 square feet, and monthly licence fee per square foot was approximately HK\$29.

## 7. Rationale

The Tenancy Agreement and Mr. Yip's Supplemental Agreement were entered into in view of the positive financial results (increase in turnover of approximately 30.7% and increase in profit from operating activities of approximately 42.1%, compared to the corresponding period of the previous year) of Tanrich Financial Holdings for the year ended 30th June, 2002 (as set out in the announcement of Tanrich Financial Holdings dated 9th September, 2002 and in the Annual Report 2002 of Tanrich Financial Holdings) and in recognition of Mr. Yip Man Fan's contribution to the Group. Although the Group's profit attributable to shareholders for the year ended 30th June, 2002 was approximately HK\$30.3 million compared to approximately HK\$55.9 million for the year ended 30th June, 2001, the latter includes an exceptional gain of approximately HK\$34.2 million arising from the disposal of non-trading investments. The aggregate annual rental under the Tenancy Agreement represents approximately 13.5% of the Group's profit before taxation for the year ended 30th June, 2002.

The Directors (including the independent non-executive directors) believe that the amendments under Mr. Yip's Supplemental Agreement will provide further incentive for Mr. Yip Man Fan to increase shareholders' value to the benefit of Tanrich Financial Holdings and all its shareholders (including the public shareholders).

The rental of the Henderson Road Premises under the Tenancy Agreement was determined by reference to a valuation report dated 3rd October, 2002 prepared by LCH (Asia-Pacific) Surveyors Limited, an independent valuer. According to the valuation report, the open market rental value of the Henderson Road Premises as at 2nd October, 2002 in its existing state was HK\$500,000 per month.

The purpose of the Tanrich Securities Supplemental Agreement is to increase the efficiency of office space usage by Tanrich Securities, whilst the purpose of the Tanrich Asset Management Supplemental Agreement is to provide for the expansion of Tanrich Asset Management's insurance division.

The purpose of the Tanrich Futures Supplemental Agreement and the Termination Letter is to facilitate the relocation of the Tanrich Futures' staff from the Seapower Tower Premises to the Central Plaza Premises. The board of directors of Tanrich Financial Holdings considers that, in view of the current competitive operating environment, the centralisation of staff in one location will provide benefits by way of cost savings from the sharing of common office facilities and resources (such as support services, office equipment and other assets) and by way of synergies from the combination of the two offices' sales forces.

The Supplemental Agreements result in an increase in the aggregate area licensed to Tanrich Securities, Tanrich Asset Management and Tanrich Futures under the Licence Agreements by approximately 3,174 square feet. Such area was previously used by Tanrich Real Estate and Tanrich Hong Kong as directors' offices and reception lobby.

The terms of the Tenancy Agreement, Mr. Yip's Supplemental Agreement, the Supplemental Agreements (and the Licence Agreements as amended) and the Termination Letter were arrived at after arms' length negotiations between the parties. The board of directors of Tanrich Financial Holdings (including the independent non-executive directors) considers such terms to be normal commercial terms and are fair and reasonable and in the interests of all shareholders of Tanrich Financial Holdings (including the public shareholders).

## 8. Connected Transactions

As Tanrich Financial Management is a direct wholly-owned subsidiary of Tanrich Financial Holdings, and Union Light Investment is beneficially owned as to 30% by Tanrich Real Estate and as to 70% by Clear Goal International Limited (which, in turn, is beneficially owned as to 95% by Mr. Yip Man Fan and 5% by Ms. Tang Yuk Lan), the Tenancy Agreement constitutes a connected transaction for Tanrich Financial Holdings for the purposes of the Listing Rules. Further, as Mr. Yip is an executive director of Tanrich Financial Holdings, Mr. Yip's Supplemental Agreement also constitutes a connected transaction for Tanrich Financial Holdings.

However, since the aggregate rental payable under the Tenancy Agreement and, hence, the housing accommodation provided under Mr. Yip's Supplemental Agreement, have been agreed based on normal commercial terms and represents less than the higher of HK\$10 million or 3% of the book value of the net tangible assets of Tanrich Financial Holdings as at 30th June, 2002 (being the date of the latest published consolidated audited accounts of the Group), only disclosure is required under rule 14.25(1) of the Listing Rules.

As Tanrich Real Estate is a wholly-owned subsidiary of Tanrich Hong Kong, which is beneficially owned as to 80% by Mr. Yip Man Fan, 15% by Mr. Toru Tsunoyama (an executive director of Tanrich Financial Holdings) and 5% by Ms. Tang Yuk Lan, and each of Tanrich Securities, Tanrich Asset Management and Tanrich Futures is an indirect wholly-owned subsidiary of Tanrich Financial Holdings, each of the Supplemental Agreements and the Termination Letter constitutes a connected transaction for Tanrich Financial Holdings for the purposes of the Listing Rules.

Since the Supplemental Agreements have been agreed based on normal commercial terms, and the aggregate licence fees payable under each of the Licence Agreements (as amended by the Supplemental Agreements) from the date of the Supplemental Agreements until their respective expiry dates and the consideration under the Termination Letter represents less than the higher of HK\$10 million or 3% of the book value of the net tangible assets of Tanrich Financial Holdings as at 30th June, 2002 (being the date of the latest published consolidated audited accounts of the Group), only disclosure is required under rule 14.25(1) of the Listing Rules.

Details of the Tenancy Agreement, Mr. Yip's Supplemental Agreement, the Supplemental Agreements and the Termination Letter will be included in the next published annual report and accounts of Tanrich Financial Holdings pursuant to rule 14.25(1) of the Listing Rules.

The Licence Agreements were subject to a waiver granted by the Stock Exchange from strict compliance with the requirements stipulated in chapter 14 of the Listing Rules. The Stock Exchange has stated that such waiver, to the extent of and in relation to the Licence Agreements, shall not continue to apply following the amendment of the Licence Agreements. No further waiver application will be made since the outstanding value under the Licence Agreements (as amended by the Supplemental Agreements) falls under the de minimis threshold as mentioned above,



## Definitions

“Central Plaza Premises”	the premises located at 16th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, with aggregate gross floor area of 18,907 square feet;
“Directors”	the directors of Tanrich Financial Holdings;
“Group”	Tanrich Financial Holdings and its subsidiaries;
“Henderson Road Premises”	the premises located at No. 18 Henderson Road, Jardine’s Lookout, Hong Kong;
“Licence Agreements”	the Tanrich Securities Licence Agreement, the Tanrich Asset Management Licence Agreement and the Tanrich Futures Licence Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Yip’s Service Agreement”	the service agreement dated 7th January, 2002 entered into by Tanrich Financial Holdings and Mr. Yip Man Fan in relation to the appointment of Mr. Yip Man Fan as an executive director of Tanrich Financial Holdings;
“Mr. Yip’s Supplemental Agreement”	the supplemental letter agreement dated 4th October, 2002 entered into by Mr. Yip Man Fan and Tanrich Financial Holdings in relation to Mr. Yip’s Service Agreement;
“Seapower Tower Premises”	the premises located at Unit 17 on the 19th Floor, Seapower Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreements”	the Tanrich Securities Supplemental Agreement, the Tanrich Asset Management Supplemental Agreement and the Tanrich Futures Supplemental Agreement;
“Tanrich Asset Management”	Tanrich Asset Management Limited, a wholly-owned subsidiary of Tanrich Financial Holdings;
“Tanrich Asset Management Licence Agreement”	the licence agreement dated 13th November, 2002 entered into by Tanrich Real Estate and Tanrich Asset Management in relation to the Central Plaza Premises;

“Tanrich Asset Management Supplemental Agreement”	the supplemental letter agreement dated 4th October, 2002 entered into by Tanrich Real Estate and Tanrich Asset Management in relation to the Tanrich Asset Management Licence Agreement;
“Tanrich Financial Holdings”	Tanrich Financial Holdings Limited, the shares of which are listed on the Stock Exchange;
“Tanrich Financial Management”	Tanrich Financial (Management) Limited, a wholly-owned subsidiary of Tanrich Financial Holdings;
“Tanrich Futures”	Tanrich Futures Limited, a wholly-owned subsidiary of Tanrich Financial Holdings;
“Tanrich Futures Licence Agreement”	the licence agreement dated 13th November, 2002 entered into by Tanrich Real Estate and Tanrich Futures in relation to the Central Plaza Premises;
“Tanrich Futures Supplemental Agreement”	the supplemental letter agreement dated 4th October, 2002 entered into by Tanrich Real Estate and Tanrich Futures in relation to the Tanrich Futures Licence Agreement;
“Tanrich Hong Kong”	Tanrich (Hong Kong) Holdings Limited;
“Tanrich Real Estate”	Tanrich Real Estate Group Limited;
“Tanrich Securities”	Tanrich Securities Company Limited, a wholly-owned subsidiary of Tanrich Financial Holdings;
“Tanrich Securities Licence Agreement”	the licence agreement dated 13th November, 2002 entered into by Tanrich Real Estate and Tanrich Securities in relation to the Central Plaza Premises;
“Tanrich Securities Supplemental Agreement”	the supplemental letter agreement dated 4th October, 2002 entered into by Tanrich Real Estate and Tanrich Securities in relation to the Tanrich Securities Licence Agreement;
“Tenancy Agreement”	the tenancy agreement dated 4th October, 2002 entered into by Union Light Investment and Tanrich Financial Management in relation to the Henderson Road Premises;
“Termination Letter”	the termination letter dated 4th October, 2002 entered into by Tanrich Real Estate and Tanrich Futures in relation to the Seapower Tower Premises; and

“Union Light Investment”

Union Light Investment Limited.

By Order of the Board  
**Tanrich Financial Holdings Limited**  
**Kwok Kam Hoi**  
*Chief Executive*

Hong Kong, 4th October, 2002

“Please also refer to the published version of this announcement in The Standard”.