

The directors submit their report together with the audited accounts of the Company and its subsidiaries for the year ended 30th June 2003.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 17 to the accounts.

An analysis of the Group's performance for the year by business segments 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 35.

The directors have declared an interim dividend of HK1 cent per ordinary share, totally HK\$2 million, which was paid on 7th May 2003.

The directors recommended the payment of a final dividend of HK1 cent per share for the financial year ended 30th June 2003 to the shareholders whose names appear on the Register of Members at the close of business on Tuesday, 21st October 2003, which together with the interim dividend amounts to a total of about HK\$4 million.

The Register of Members of the Company will be closed from Friday, 17th October 2003 to Tuesday, 21st October 2003, both days inclusive, during which period, no transfer of shares will be registered. 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 registrar, 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 Thursday, 16th October 2003. Dividend warrants will be dispatched to shareholders on or about Thursday, 30th October 2003.

Reserves

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

As at 30th June 2003, the reserves of the Company available for distribution to shareholders amounted to HK\$75,788,000 (2002: HK\$65,255,000).

Donations

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

Fixed Assets

Details of movements in fixed assets of the Group are set out in note 14 to the accounts.

Share Capital

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

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 74.

Purchase, Sale or Redemption of Securities

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

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 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 as incentive or rewards for their contributions to the Group.

At 30th June 2003, the number of shares in respect of which options had been granted under the Scheme was 20 million (2002: 20 million), representing 10% (2002: 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 at any point of time, unless shareholders' approval has been obtained.

Share Option Scheme *(Continued)*

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 or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

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 2003 is 18,280,000, including 17,920,000 shares to employees and directors under continuous employment contracts and 360,000 shares to bona fide consultants.

The aforesaid number of shares issuable under the Scheme include 6,550,000 shares granted to the directors of the Company.

During the year ended 30th June 2003, a total of 1,510,000 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.

Share Option Scheme (Continued)

The directors are of the view that the theoretical value of the share options granted, which depends on a number of variables including the expected volatility of 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.

Details of the share options outstanding as at 30th June 2003 which have been granted under the Scheme are as follows:

	Number of share options				Held at 30th June 2003	Sub- scription price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1st July 2002	Granted during the year	Exercised during the year	Lapsed during the year					
Directors:									
Yip Man Fan	2,000,000	—	—	—	2,000,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Kwok Kam Hoi	2,000,000	—	—	—	2,000,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Toru Tsunoyama	1,950,000	—	—	—	1,950,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Sin Wai Chiu, Joseph	600,000	—	—	—	600,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Continuous contract									
employees	12,880,000	—	—	1,510,000	11,370,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Bona fide consultants									
of the Group	360,000	—	—	—	360,000	0.72	22nd February 2002	22nd February 2003	7th January 2012

Directors

The directors of the Company 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. Toru TSUNOYAMA	
Mr. SIN Wai Chiu, Joseph	(Group Managing Director; resigned on 24th July 2003)

Independent Non-executive Directors

Mr. LAM, Andy Siu Wing, J.P.
Mr. MA Chiu Cheung, Andrew

In accordance with bye-law 87 of the Company, Mr. MA Chiu Cheung, Andrew 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out in note 11 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. Toru TSUNOYAMA has entered into a service agreement with the Company for a term of one year commencing from 1st August 2002.
3. 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.

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.

Biography Of Directors and Senior Management

Biographical details of directors and senior management are set out on pages 29 to 33.

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 and Short Positions in Shares, Underlying Shares and Debentures

As at 30th June 2003, the interests and short positions of the directors or their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, 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.
3. Directors' or their associates' interests in shares listed above do not include share options as disclosed in "Share Option Scheme".

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

The interests of the directors in the share options of the Company are set out in "Share Option Scheme" on pages 17 to 19 and note 24 to the accounts.

Save as disclosed above, as at 30th June 2003, none of the directors or their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO.

Directors' Rights to Acquire Shares or Debentures

Apart from as disclosed in the "Share Option Scheme" disclosures on pages 17 to 19 and in note 24 to the accounts, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

At the date of this report, the register of every person, (other than directors whose interests or short positions have been disclosed above) who has interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholders	<i>Note</i>	Number of ordinary shares	Percentage of holding
Aceland Holdings Ltd.	1 & 2	120,000,000	60.00%
Redwood Pacific Limited	2 & 4	120,000,000	60.00%
HSBC International Trustee Limited	3 & 4	120,000,000	60.00%
Tang Yuk Lan	5	127,500,000	63.75%
Seiyu Shoji Co. Ltd.		16,000,000	8.00%

Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

Notes:

1. Aceland Holdings Ltd. is the trustee of The Yip Unit Trust, which holds 60% of the shareholdings of the Company.
2. Redwood Pacific Limited is the trustee of The Yip Man Fan Unit Trust, which holds 100% of those units in The Yip Unit Trust.
3. HSBC International Trustee Limited is the trustee of The Yip Man Fan Family Trust, which holds 99.99% of the units in The Yip Man Fan Unit Trust.
4. Under Part XV of the SFO, each of Redwood Pacific Limited and HSBC International Trustee Limited is taken to have an interest in the same 120,000,000 ordinary shares held by Aceland Holdings Ltd, on trust for The Yip Unit Trust. These shares therefore duplicate each other.
5. Ms. Tang Yuk Lan is the spouse of Mr. Yip Man Fan. Under Part XV of the SFO, each of Mr. Yip Man Fan and Ms. Tang Yuk Lan is taken to have an interest in the shares held by each other. These shares therefore duplicate each other.

Connected Transactions

During the year ended 30th June 2003, members of the Group entered into (or continued to be party to) the connected transactions (the "Transactions") set out below. The SEHK 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 of these Transactions.

1. Pursuant to a share facilities and services agreement (the "Shared Facilities and Services Agreement") dated 7th January 2002 entered into between Tanrich (Hong Kong) Holdings Limited ("THKHL"), a company controlled by a combination of directors of the Company and Tanrich Futures Limited ("TFL"), TSCL, TAML and Tanrich Finance Limited ("TFIN") (collectively the "Licensees"), each a subsidiary of the Company, THKHL allows the Licensees to use certain of THKHL's administrative facilities and services including telephone, photocopying, advertising, usage of furniture and fittings, electricity at a fee based on the gross floor area occupied by the Group. For the year ended 30th June 2003, the aggregate fees incurred by the Group in respect of this arrangement amounted to approximately HK\$2,148,000 (2002: HK\$1,852,000). The amount has been included in "depreciation" as disclosed in note 28(c) to the accounts.

Connected Transactions (Continued)

2. TFL, TSCL, TAML and TFIN, each a subsidiary of the Company, have entered into licence agreements (the "Licence Agreements") with Tanrich Real Estate Group Limited ("TREGL"), a wholly-owned subsidiary of THKHL, for the period from 13th November 2001 to 4th May 2003. Pursuant to the Licence Agreements, the Group licences (i) a portion of 16th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (the "Central Plaza Premises") with an aggregate gross floor area of about 15,400 square feet as its head office, at an aggregate monthly rental of approximately HK\$478,000; and (ii) Room 1917, 19th Floor, Seapower Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon (the "Concordia Plaza Premises") with gross floor area of about 3,821 square feet as branch office, at a monthly rental of approximately HK\$111,000. For the year ended 30th June 2003, the aggregate licence fees incurred by the Group in respect of these arrangements amounted to approximately HK\$5,918,000 (2002: HK\$7,461,000). The amount has been included in "operating leases on land and buildings" as disclosed in note 28(a) to the accounts.
3. On 4th October 2002, Tanrich Financial (Management) Limited ("TFML"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Union Light Investment Limited ("ULIL") for the letting of a villa at No. 18 Henderson Road, Jardine's Lookout, Hong Kong (the "Henderson Road Premises") for a term of 21 months from 1st October 2002. ULIL is beneficially owned as to 30% by TREGL and 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 the Company) and 5% by Ms. Tang Yuk Lan (the spouse of Mr. Yip). Under the tenancy agreement, ULIL agreed to let the Henderson Road Premises as landlord, to TFML as tenant, for a term of 21 months commencing 1st October 2002 at a fixed rent of HK\$430,000 per month. For the year ended 30th June 2003, the aggregate rental incurred by the Group in respect of this arrangement amounted to approximately HK\$3,870,000. The amount has been included in "rental expenses on staff quarter" as disclosed in note 28(b) to the accounts.
4. On 4th October 2002, the Company entered into a supplemental agreement (the "Supplemental Agreement") with Mr. Yip Man Fan, an executive director of the Company, to amend Mr. Yip's service agreement with the Company. Particulars of Mr. Yip's service agreement were disclosed in the prospectus of the Company dated, 21st January 2002 (the "Prospectus").

The Supplemental Agreement amended Mr. Yip's terms of employment to provide that the Company or any of its subsidiaries may, at its discretion, provide Mr. Yip with accommodation at the Henderson Road Premises during his term of appointment under Mr. Yip's service agreement. Previously, Mr. Yip had not been provided with accommodation under the service agreement. All other terms of Mr. Yip's Service Agreement remain unchanged.

Connected Transactions *(Continued)*

5. On 4th October 2002, TREGL entered into supplemental agreements (the "Tanrich Securities Supplemental Agreement," "Tanrich Asset Management Supplemental Agreement" and "Tanrich Futures Supplemental Agreement" respectively) with each of TSCL, TAML and TFL to amend licence agreements dated 13th November 2001 entered into by each of them, details of these agreements were disclosed in the Prospectus. TREGL is a wholly-owned subsidiary of THKHL, which is beneficially owned as to 80% by Mr. Yip Man Fan, 15% by Toru Tsunoyama (an executive director of the Company) and 5% by Ms. Tang Yuk Lan. Each of TSCL, TAML and TFL is an indirect wholly-owned subsidiary of the Company. All the licences under the licence agreements have since expired.

The Tanrich Futures Supplemental Agreement provides for an increase in the area licensed for use at the Central Plaza Premises under the original licence agreement relating to the premises, 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.

The Tanrich Securities Supplemental Agreement provides for a decrease in the area licensed for use at the Central Plaza Premises under the original licence agreement relating to the premises 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.

The Tanrich Asset Management Supplemental Agreement provides for an increase in the area licensed for use at the Central Plaza Premises under the original licence agreement relating to the premises, 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.

In each case, all other terms of the original licence agreement remain unchanged (including the original expiry date of 4th May 2003). It was the intention of the parties that the monthly licence fee per square foot before and after such adjustment remain unchanged, at approximately HK\$31, and the adjusted licence fee was calculated accordingly. The Tanrich Securities Supplemental Agreement does not provide for any compensation to be payable to TREGL upon such decrease and adjustment.

6. On 4th October 2002 pursuant to a termination letter (the "Termination Letter"), TREGL and TFL agreed to terminate with effect from 1st October 2002 the licence agreement dated 13th November 2001 entered into by them in respect of the Concordia Plaza Premises. The premises had been used as the branch office premises of TFL. The Termination Letter does not provide for any compensation to be payable to TREGL upon such termination.

Details of the licence agreement dated 13th November 2001 were disclosed in the Prospectus.

Connected Transactions *(Continued)*

The independent non-executive directors of the Company have reviewed the above transactions and confirmed that:

- I. 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 Transactions will not exceed the respective cap amounts in any financial year as below:
 - (i) the aggregate of licence fee under the Licence Agreements shall not exceed HK\$7 million for each 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.

Disclosure under Practice Notice 19

As at 30th June 2003, the Group had amounts receivable from one of its designated brokers in Japan amounted to HK\$37.1 million (30th June 2002: HK\$68.2 million), representing 34.9% (30th June 2002: 61.9%) of the net assets of the Group. The amount represented margin deposits maintained with the designated broker by a subsidiary of the Company for trading of Japanese commodity futures on the TGE and TOCOM on behalf of clients. The amount is unsecured, non-interest bearing and repayable on demand subject to the margin deposit requirements.

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.

Major Customers

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

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

Compliance with The Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company have no fixed terms of office, but will retire from office on a rotation basis in accordance with the Company's bye-laws.

Audit Committee

The Audit Committee provides an important link between the directors and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of 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.

Retirement Benefit Schemes

Particulars of the retirement benefit schemes of the Group are set out in note 12 to the accounts.

Auditors

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

On behalf of the Board

YIP MAN FAN

Chairman

Hong Kong, 18th September 2003