

# Directors' Report

The directors submit their report together with the audited accounts of the Company and its subsidiaries for the year ended 30 June 2005.

## 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 31.

The directors do not recommend the payment of a final dividend.

## RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 27 to the accounts.

As at 30 June 2005, the reserves of the Company available for distribution to shareholders amounted to HK\$80,072,000 (2004: HK\$76,057,000).

## 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 25 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 pages 77-78.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

## DIRECTORS

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

### *Executive Directors*

Mr. YIP Man Fan	(Chairman)
Mr. KWOK Kam Hoi	(Deputy Chairman and Chief Executive)
Mr. TSUNOYAMA Toru	
Mr. LEE Kit Ming, Edmund	(Managing Director, appointed on 12 January 2005 and resigned on 7 July 2005)
Mr. LEE Chi Shing, Caesar	(appointed on 1 November 2004 and resigned on 30 June 2005)

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## Independent Non-executive Directors

Mr. LAM, Andy Siu Wing, JP	
Mr. SUN Shuyi	<i>(appointed on 21 September 2004)</i>
Mr. YU King Tin	<i>(appointed on 14 October 2004)</i>
Mr. MA Chiu Cheung, Andrew	<i>(resigned on 30 September 2004 and reappointed on 14 April 2005)</i>

In accordance with bye-law 87 of the Company, Mr. SUN Shuyi and Mr. YU King Tin will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") and considers the independent non-executive directors to be independent.

## EMOLUMENT

### Emolument Policy

The emolument policy for the employees including directors and senior management of the Group is appropriate for the duties and in line with market practice in the financial service sector. No individual director and senior management of the Group would be involved in deciding his own remuneration.

## Long-term Incentive Schemes

The long-term incentive scheme of the Group include cash bonus subject to the results of the Group and share options, which are offered as rewards for the contributions of good performers and key employees of the Group. The details of share option schemes of the Company are set out in "Share Option Schemes" on pages 19 to 23 and note 26 to the accounts.

## Retirement Benefit Schemes

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

## Basis of Directors' Emoluments

The directors' emoluments were determined by the consideration of the factors including job duties, job responsibilities, results of the Company, market competitiveness and the individuals.

## Directors' and Employees' Emoluments

Particulars of the directors' and employees' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 11 to the accounts.

## Remuneration Committee

The Board has established a Remuneration Committee in January 2005. One of its primary objectives is to ensure formal and transparent procedures for overseeing and developing policies on the remuneration packages of directors and senior management of the Company. The Remuneration Committee's authority and duties are set out in written terms of reference, which specify that it must comprise at least three members, the majority of whom are independent non-executive directors. The Remuneration Committee comprises three independent non-executive directors, namely Mr. LAM, Andy Siu Wing, JP (Chairman), Mr. MA Chiu Cheung, Andrew and Mr. YU King Tin and two executive directors, namely Mr. KWOK Kam Hoi and Mr. TSUNOYAMA Toru.

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## DIRECTORS' SERVICE CONTRACTS

Except the service contracts entered into between the Company and Mr. TSUNOYAMA Toru on 1 August 2003 and both Mr. YIP Man Fan and Mr. KWOK Kam Hoi on 30 January 2004, 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 26 to 29.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year ended 30 June 2005, members of the Group entered into (or continued to be party to) a transaction which was "connected transaction" as defined by the Listing Rules but which is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31 of the Listing Rules. Details of such transaction are as follows:

Pursuant to a share facilities and services agreement (the "Share Facilities and Services Agreement") dated 7 January 2002 entered into between Tanrich (Hong Kong) Holdings Limited ("THKHL"), which is beneficially owned as to 80% by Mr. YIP Man Fan, 15% by TSUNOYAMA Toru and 5% by Ms. TANG Yuk Lan, and which is also controlled by a combination of directors of the Company and TFL, TSCL, Tanrich Asset Management Limited ("TAML"), Tanrich Capital Limited ("TCL") 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 at a fee based on the gross floor area occupied by the Group. For the year ended 30 June 2005, the fees, represented the usage of fixed assets and share of renovation expenses, incurred by the Group

in respect of this arrangement amounted to approximately HK\$2,276,000 (2004: HK\$2,247,000). The amount has been included in "depreciation" as disclosed in note 30(a) to the accounts.

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

## MANAGEMENT CONTRACTS

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

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2005, the interests and short positions of the directors and chief executive of the Company 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), or which were 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

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Companies (the "Model Code") contained in the Listing Rules, were as follows:

## Interest in long positions in the shares and underlying shares of the Company

Name of directors /chief executive	Number of ordinary shares				No. of underlying shares held under share options of the Company (Note 3)	Total	Percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests			
Yip Man Fan	–	7,500,000 (Note 1)	–	120,000,000 (Note 2)	2,000,000	129,500,000	64.75%
Kwok Kam Hoi	–	–	–	–	4,000,000	4,000,000	2.00%
Tsunoyama Toru	22,500,000	–	–	–	1,950,000	24,450,000	12.23%
Lee Kit Ming, Edmund	–	–	–	–	1,000,000	1,000,000	0.50%
Lee Chi Shing, Caesar	–	–	–	–	1,000,000	1,000,000	0.50%

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.
- These interests represent the interests in underlying shares in respect of share options granted by the Company to the directors and chief executive of the Company as beneficial owners, the details of which are set out in "Share Option Schemes" on pages 19 to 23 and note 26 to the accounts.

Save as disclosed above, as at 30 June 2005, none of the directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code of the Listing Rules.

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## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the "Share Option Schemes" disclosures on pages 19 to 23 and in note 26 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.

## SHARE OPTION SCHEMES

### Pre-Listing Share Option Scheme ("Pre-Listing Scheme")

The Pre-Listing Scheme was adopted on 7 January 2002. The summary of the Pre-Listing Scheme is as follows:

1. The purpose of the Pre-Listing Scheme is to enable the Company to grant share options to eligible persons as an incentive or reward for their contributions to the Group.
2. The participants of the Pre-Listing Scheme include any employee, executive or non-executive director or bona fide consultant of the Company or any of its subsidiaries.
3. The total number of shares available for issue is 13,410,000, which represents 6.7% of the existing issued share capital of the Company as at the date of this report.
4. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to the date of the latest grant shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.
5. Share options may be exercised in accordance with the terms of the Pre-Listing Scheme at any time during a period commencing one year from the date of grant of the option and expiring on the earlier of the last day of (i) a ten year period from the date of grant of the option or (ii) ten years from the adoption date.
6. A non-refundable consideration of HK\$1 for the grant of each lot of options is required to be paid by each grantee upon acceptance of the option.
7. The subscription price of the shares shall be determined by the Board of Directors, but shall not be less than the higher of (i) the closing price of each share as stated in the SEHK's daily quotation sheet on the date of grant of the option; and (ii) the average of the closing prices per share as stated in the SEHK's daily quotation sheets for the five business days immediately preceding the date of grant of the option.
8. The Pre-Listing Scheme will expire on the last day of ten years from the adoption date.

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Details of the share options outstanding as at 30 June 2005 which have been granted under the Pre-Listing Scheme are as follows:

	Number of share options				Held at 30 June 2005	Sub- scription price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1 July 2004	Granted during the year	Exercised during the year	Lapsed during the year					
Directors:									
Yip Man Fan	2,000,000	–	–	–	2,000,000	0.72	22 February 2002	22 February 2003	7 January 2012
Kwok Kam Hoi	2,000,000	–	–	–	2,000,000	0.72	22 February 2002	22 February 2003	7 January 2012
Tsunoyama Toru	1,950,000	–	–	–	1,950,000	0.72	22 February 2002	22 February 2003	7 January 2012
Continuous contract employees	8,800,000	–	–	810,000	7,990,000	0.72	22 February 2002	22 February 2003	7 January 2012
Bona fide consultants of the Group	290,000	–	–	120,000	170,000	0.72	22 February 2002	22 February 2003	7 January 2012

Notes:

- The closing price immediately before the date on which the option was granted was HK\$0.65.
- Share options had lapsed in accordance with the terms and conditions of the Pre-Listing Scheme following the resignation of employees and cessation of consultancy services.

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## Post-Listing Share Option Scheme (“Post-Listing Scheme”)

The Post-Listing Scheme was adopted on 30 January 2004. The summary of the Post-Listing Scheme is as below:

1. The purposes of the Post-Listing Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants, business associates and advisors and to promote the success of the Group.
2. The participants of the Post-Listing Scheme include all employees, executive or non-executive directors, consultants, business associates and advisors of the Company or any of its subsidiaries.
3. The total number of shares available for issue is 16,474,000, representing 8.2% of the existing issued share capital of the Company as at the date of this report.
4. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to the date of the latest grant shall not exceed 1% of the issued share capital of the Company in issue, unless shareholders' approval has been obtained in general meeting.
5. Share options may be exercised in accordance with the terms of the Post-Listing Scheme at any time during a period not less than one year and not more than ten years from the date of grant of the relevant option.
6. No consideration for the grant of an option is required to be paid upon acceptance of the option.
7. The subscription price for the shares shall be determined by the Board of Directors, but shall not be less than the highest of (i) the closing price of each share as stated in the SEHK's daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices per share as stated in the SEHK's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares.
8. The Post-Listing Scheme will expire on 29 January 2014.

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	Number of share options				Held at 30 June 2005	Sub- scription price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1 July 2004	Granted during the year	Exercised during the year	Lapsed during the year					
Directors:									
Kwok Kam Hoi	2,000,000	–	–	–	2,000,000	0.67	27 April 2004	27 April 2005	26 April 2014
Lee Kit Ming, Edmund	–	1,000,000	–	–	1,000,000	0.80	1 February 2005	1 February 2006	31 January 2015
Lee Chi Shing, Caesar	–	1,000,000	–	–	1,000,000	0.80	1 February 2005	1 February 2006	31 January 2015
Continuous contract employees	13,038,000	–	–	1,954,000	11,084,000	0.67	27 April 2004	27 April 2005	26 April 2014
Consultants/Advisors	3,576,000	–	–	196,000	3,380,000	0.67	27 April 2004	27 April 2005	26 April 2014
Continuous contract employees	–	600,000	–	–	600,000	0.80	1 February 2005	1 February 2006	31 January 2015

## Notes:

- The closing price immediately before the date on which the option granted on 27 April 2004 was HK\$0.67.
- The closing price immediately before the date on which the option granted on 1 February 2005 was HK\$0.81.
- Share options had lapsed in accordance with the terms and conditions of the Post-Listing Scheme following the resignation of employees and cessation of consultancy services.
- Share options for two directors, Mr. Lee Chi Shing, Caesar and Mr. Lee Kit Ming, Edmund, had lapsed on 28 September 2005 and will lapse on 5 October 2005 respectively in accordance with the terms and conditions of the Post-Listing Scheme following their resignation.



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The financial impact of share options granted under the Pre-Listing and Post-Listing Schemes 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.

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.

## OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, the persons, (other than directors and chief executive of the Company whose interests or short positions have been disclosed above) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are as follows:

Name of shareholders	Note	Number of ordinary shares	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%

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.

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Saved as disclosed above, as at 30 June 2005, the Company had not been notified of any other interests or short positions representing 5% or more of the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## ADVANCE TO AN ENTITY UNDER RULE 13.13 OF THE LISTING RULES

As at 30 June 2005, the Group had a loan receivable of HK\$14 million (the "Loan") incurred in an ordinary course of business, due from an independent third party, Gofield Property Development Limited ("GPD"), which represented 7.9 % of the total assets of the Group. Pursuant to the loan agreements, the interest of the Loan in respect of each interest period is chargeable at a rate of 12 per cent per annum. If applicable, default interest will be chargeable at a rate of 18 per cent per annum. The Loan is secured by an assignment, mortgage and charge in respect of GPD's rights to certain sales receivables, a charge over certain property assets and a personal guarantee from a director of GPD. Pursuant to a supplemental loan agreement dated 8 August 2005 entered into by both parties concerned, the repayment date of the loan receivable of HK\$14 million has been extended to 18 July 2006.

Details of this transaction have been disclosed by the Company in shareholders' circulars dated 10 August 2004, 7 February 2005 and 12 September 2005.

## PRE-EMPTIVE RIGHTS

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

## MAJOR CUSTOMERS

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

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

## PUBLIC FLOAT

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

## CORPORATE GOVERNANCE

The Company had complied with the Code of Best Practice as set out in Appendix I4 to the Listing Rules throughout the accounting period covered by the annual report, which was in force until 1 January 2005, 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 the forthcoming annual general meetings in accordance with the Company's bye-laws.

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As the Code of Best Practice set out in Appendix 14 to the Listing Rules was replaced by Code on Corporate Governance Practice (the "Code"), which subject to transitional arrangements became effective on 1 January 2005, the Company has taken actions to comply with the provisions of the Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code of the Listing Rules as the Company's code of conduct of dealing in securities of the Company by directors. Having made specific enquiry with all directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code throughout the financial year.

## AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited accounts for the financial year ended 30 June 2005, in conjunction with the external auditors.

## AUDITORS

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

On behalf of the Board

**Kwok Kam Hoi**

*Chief Executive*

Hong Kong, 29 September 2005