

TANRICH

TANRICH FINANCIAL HOLDINGS LIMITED
敦沛金融控股有限公司*

Stock code: 812

Annual Report

2012

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. YIP Man Fan (*Chairman*)
Mr. KWOK Kam Hoi (*Deputy Chairman & Chief Executive Officer*)
Mr. TSUNOYAMA Toru
Ms. WONG, Vicky Lai Ping

Independent Non-executive Directors

Dr. LAM, Andy Siu Wing, JP
Mr. MA, Andrew Chiu Cheung
Mr. YU King Tin

AUDIT COMMITTEE

Dr. LAM, Andy Siu Wing, JP (*Chairman*)
Mr. MA, Andrew Chiu Cheung
Mr. YU King Tin

REMUNERATION COMMITTEE

Mr. YU King Tin (*Chairman*)
Dr. LAM, Andy Siu Wing, JP
Mr. MA, Andrew Chiu Cheung
Mr. TSUNOYAMA Toru
Ms. WONG, Vicky Lai Ping

NOMINATION COMMITTEE

Dr. YIP Man Fan (*Chairman*)
Dr. LAM, Andy Siu Wing, JP
Mr. MA, Andrew Chiu Cheung
Mr. YU King Tin
Ms. WONG, Vicky Lai Ping

AUTHORISED REPRESENTATIVE

Mr. KWOK Kam Hoi
Ms. YUEN, Callie Suk Ling

COMPANY SECRETARY

Ms. YUEN, Callie Suk Ling

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 812

WEBSITE

www.tanrich-group.com

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Yip Man Fan, aged 59, is the Chairman of the Company and the founder of the Group. He is also the Chairman of nomination committee of the Company. Dr. Yip is also a director of certain subsidiaries of the Company, namely Tanrich Financial (Management) Limited, Tanrich Investment Management Limited, Tanrich Finance Limited, Tanrich Investments Limited, Tanrich Promotion Limited and Tanrich Properties Agency Limited. Dr. Yip has been in the securities and futures broking businesses for 30 years. He is responsible for business development, corporate strategies and policies setting of the Group. Dr. Yip was awarded a doctoral degree in commerce (Honoris Causi) from The University of West Alabama in 2007. He also received the World Outstanding Chinese Award from United World Chinese Association in 2008. Dr. Yip was the past President of Lions Club of the Peak, Hong Kong. He also received the Melvin Jones Fellow award for dedicated Humanitarian Services of Lions Clubs International Foundation.

Mr. Kwok Kam Hoi, aged 60, is the Deputy Chairman and Chief Executive Officer of the Company. Mr. Kwok is also a director of each subsidiary of the Company. He joined the Group in October 1995. He is responsible for business development, corporate strategies and policies setting of the Group. Mr. Kwok actively contributed to the Group's restructuring and business growth. Before joining the Group, he was a vice president of J.P. Morgan & Co., Incorporated where he has worked for 16 years. Mr. Kwok is a graduate of The Chinese University of Hong Kong in business management. He is also a member of the Hong Kong Securities and Investment Institute and a member of the financial and treasury services committee of the Hong Kong General Chamber of Commerce.

Mr. Tsunoyama Toru, aged 57, is an executive director of the Company. He is a member of remuneration committee of the Company. Mr. Tsunoyama is also a director of certain subsidiaries of the Company, namely Tanrich Financial (Management) Limited, Tanrich Investment Management Limited, Tanrich Finance Limited, Tanrich Investments Limited, Tanrich Promotion Limited and Tanrich Properties Agency Limited. He joined the Group in May 1991 and is an advisor on the Japanese commodity futures activities of the Group. He has 33 years' experience in the commodity futures field. Mr. Tsunoyama is a law graduate of Kyoto Sangyo University, Japan.

Ms. Wong, Vicky Lai Ping, aged 52, is an executive director of the Company. She is also a member of remuneration committee and nomination committee of the Company. Ms. Wong joined the Group in 1990, is the head of the Group's human resources and administration division. She is responsible for human resources and administration policies setting, and has 30 years' experience in the area. Ms. Wong is also the head of the Group's corporate communications and customer relations divisions, responsible for implementing strategies in the realms of the Group's brand communications, corporate social responsibility and customer relations. Ms. Wong has been actively enhancing the brand awareness of the Group, and has assisted the Group to obtain the internationally recognized accreditations of ISO 9001 and ISO 10002 in the area of customer services. Ms. Wong holds a master's degree in business administration from the University of Leicester, U.K.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam, Andy Siu Wing, JP, aged 61, has been an independent non-executive director of the Company since October 2001. Dr. Lam is the Chairman of audit committee and a member of remuneration committee and nomination committee of the Company. He is an American Certified Public Accountant, a Certified Fraud Examiner, a Chartered Secretary and a Chartered Marketer. He holds a master's degree in business administration from Oklahoma City University, USA and a doctoral degree from University of Bolton, UK. Dr. Lam has more than 25 years' experience in finance, corporate administration, marketing and strategic planning. He has been appointed by Hong Kong Government as a Justice of the Peace and sits on a number of boards and committees. Dr. Lam had served as a member of the Administrative Appeals Board, Urban Services Appeals Board, Appeal Board on Public Meetings and Processions, Board of Review (Inland Revenue Ordinance), Action Committee Against Narcotics, Chinese Medicine Practitioners Board, Hong Kong Housing Authority, Personalized Vehicle Registration Marks Vetting Committee, an adjudicator of Immigration Tribunal, Registration of Persons Tribunal and Obscene Articles Tribunal. Currently he is a member of Chinese Medicine Council of Hong Kong and a member of panel of assessors for the disciplinary inquiry of the Medical Council of Hong Kong. Dr. Lam has also sat on the board of several listed companies in Hong Kong, Canada and the United States of America.

Mr. Ma, Andrew Chiu Cheung, aged 70, has been an independent non-executive director of the Company since April 2005. Mr. Ma is a member of audit committee, remuneration committee and nomination committee of the Company. He is a founder and former director of AMA CPA Limited (formerly known as Andrew Ma DFK (CPA) Limited). He is presently a director of Mayee Management Limited. He has more than 30 years' experience in the fields of accounting, auditing and finance. He received his bachelor's degree in economics from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of The Institute of Chartered Accountants in England & Wales, The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Directors and The Taxation Institute of Hong Kong. He is currently also an Independent Non-executive Director of Asia Financial Holdings Limited, Beijing Properties (Holdings) Limited, C.P. Pokphand Co. Ltd., China Resources Power Holdings Company Limited, Chong Hing Bank Limited and Asian Citrus Holdings Limited.

Mr. Yu King Tin, aged 46, has been an independent non-executive director of the Company since October 2004. Mr. Yu is the Chairman of remuneration committee and a member of audit committee and nomination committee of the Company. He has more than 20 years' experience in the areas of auditing, taxation, financial management and advisory services. Mr. Yu is an associate member of The Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Society of Registered Financial Planner. He holds a bachelor's degree in law from the Peking University and a master's degree in corporate finance from the Hong Kong Polytechnic University. He is currently one of the senior management in the finance department of a conglomerate in Hong Kong and has worked in various organisations, being the Inland Revenue Department, international CPA firms and a listed company in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chan, Andy Wai Kit, aged 38, is the Managing Director of Tanrich Capital Limited (“TCL”) and is responsible for the business development and operation of TCL. Mr. Chan is a graduate of the Chinese University of Hong Kong and holds a bachelor’s degree of social science in economics. Mr. Chan has over 12 years’ experience in the field of corporate finance and investment banking. Prior to joining the Group in August 2006, he had worked in investment banks in the area of corporate finance advisory, IPOs, restructurings and merger and acquisitions. Mr. Chan is a responsible officer licensed and registered with the Securities and Futures Commission.

Mr. Chan Lee Yeung, aged 63, is a Director of Tanrich Securities Company Limited (“TSCL”), Tanrich Wealth Management Limited and Tanrich Asset Management Limited (“TAML”), and a responsible officer of TSCL, TAML and Tanrich Futures Limited (“TFL”). Mr. Chan has been in the securities business for 40 years. He joined the Group in July 1991.

Mr. Chen Yu Xing, aged 47, is a Director of TCL and joined the Group in 2007. Mr. Chen has more than 19 year’s management experience and expertise in the information technology industry. He joined T-Systems in 2001 as a senior executive manager in Switzerland and, starting from 2004, went on to hold several important positions in the company’s international business, including deputy general manager of the division Systems Integration International, engagement manager for Asia and the U.S.A., program management officer of a global post merger integration project and director of mergers and acquisitions in China. Between 1991 and 2001, Mr. Chen worked as a senior manager in several swiss firms in the information technology industry. Mr. Chen holds a bachelor’s degree of computer sciences and a degree of executive master in business administration and engineering.

Ms. Lau, Elaine Yim Ling, aged 50, the Managing Director and responsible officer of TFL. She is also the Business Development Director (Retail Division) of the Group and is focusing on developing commodity futures business and a variety of financial services. She also invests plenty of time on training staff because she recognizes that a well trained investment consultant team is of utmost importance for the ever growing of the Company. Ms. Lau has joined the Group since 1990. Over these past 21 years, she spared time on learning new ideas and attained two master’s degrees respectively from Newport University, USA and the University of South Australia. She is now studying a doctoral degree in Huaqiao University, China. She had been invited by the Hong Kong ET Business College as the guest lecturer for teaching commodity and options. Her essay or writing can always be found on the popular financial magazine or newspaper.

Ms. Li Wai Kuen, aged 52, is a Managing Director and responsible officer of TCL. Before joining the Group in October 2002, Ms. Li worked for the Listing Division of the Stock Exchange of Hong Kong Limited, CEF Capital Limited, Yuanta Securities (Hong Kong) Company Limited and CSC Asia Limited. Ms. Li has 21 years’ experience in the field of corporate finance and holds a master’s degree in business administration from York University, Canada.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT *(Continued)*

Mr. Nip Yiu Chuen, aged 44, is a Director of TFL and TAML. He is also a responsible officer of TSCL, TFL and TAML. He is responsible for the management and development of electronic trading platform of the Group. Mr. Nip has 21 years' financial experience particularly in securities and derivatives trading and operations. Prior to joining the Group in 2008, he was the chief operating officer and responsible officer of Nanhua Futures (Hong Kong) Co., Limited and was responsible for establishing and managing the operations departments in Hong Kong.

Mr. Tse Wai Chor, aged 41, is a Director of Tanrich Properties Agency Limited ("TPAL") and is responsible for merging and acquiring properties companies and development project of TPAL. He joined the Group in May 2007 and has more than 19 years' experience and expertise in the property development and agency industry. Mr. Tse holds a bachelor's degree of business administration from Hong Kong Baptist University. He is now a candidate of a master's degree in finance of Jinan University.

CHAIRMAN'S STATEMENT

During the reporting period, the United States is experiencing sluggish economic growth while European debt crisis is still casting a shadow over the global financial market. Coupled with market uncertainties, emerging economies are confronted with the twin pressures of tempered growth and rising inflation. Hong Kong financial market is adversely affected and the retail brokerage business is confronting a severe business environment. With over 20 years of successful experience, the Group adopts a flexible while prudent business strategy. With sufficient confidence, the Group will jump out of the haze, overcome all obstacles and finally create new heights along its new journey.

Notwithstanding the challenging operating environment, apart from broadening sources of income and reducing expenditure, the Group is currently under a business transformation by gradually adjusting business strategy and optimizing its resources allocation with retail brokerage business being its core business in the past. The Group will allocate more resources to the business of higher net-worth clients and investment bank and strengthen the relationship and cooperation with corporate clients.

The Group and Guangdong & Hongkong Investment and Financing Service Centre duly reached an agreement with regard to strategic collaboration that the Group will strive to help enterprises to be listed in Hong Kong, symbolizing the Group's determination to expand its corporate finance business in China. The Group believes that it will focus on the developing its corporate finance business, seizing more opportunities of being appointed as financial advisors, placing agents and sponsors.

The unlimited potential of the Mainland market is reflected by the opening up of the Mainland financial sector, the closer economic integration of Hong Kong and the Mainland as well as the gradual internationalization of the renminbi. In view of expanding the business network and enhancing market penetration, the Group will endeavor to explore new business partners in China, thereby accurately gauging the country's growth and capitalizing on prospects that arise.

The Group broadens the range of its financial services by introducing England Investment Immigration in addition to the existing Hong Kong Capital Investment Entrant Scheme and United States Employment Based Fifth Preference, aiming at developing new source of income. Furthermore, the Group is applying for setting up insurance broking company in the Mainland through "Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)" so as to expand its insurance broking business in China.

With the implementation of a third round of quantitative easing (QE3), the Group is cautiously optimistic that the global economy and financial markets will stabilize gradually notwithstanding the market uncertainties as a result of European debt crisis. Given that the Group registered as MPF intermediary as of 2010, business opportunities are anticipated to arise due to the implementation of the Employee Choice Arrangement ("ECA").

The Group weathered past financial and economic hardships and believes that possessing right target, appropriate strategy with good and dedicated management, striving for its unique strength, diversifying its business will deliver long-term value to our shareholders and achieve a solid result. With the talents, financial strength and right corporate value, the Group will continue to think long-term and become "Financial Supermart - Regional I-Bank".

On behalf of the board of directors, I would like to express my deepest gratitude to our shareholders, business partners and customers for their continuous support. I would also like to express my great appreciation to the board of directors and our loyalty staff for their dedication and contribution in the past year. I look forward to a more prosperous year ahead and satisfactory returns for our shareholders.

Yip Man Fan

Chairman

Hong Kong, 21 September 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the haze of Eurozone sovereign debt crisis, the global financial markets and economic activities experienced a drastic downturn and the Group's principal businesses inevitably suffered. The Group recorded a turnover of HK\$67.2 million (2011: HK\$109.6 million) and a loss before tax of HK\$45 million (2011: profit of HK\$5.7 million). Both the turnover and the results decreased significantly. The net assets of the Group as at 30 June 2012 decreased to HK\$188.8 million (2011: HK\$268.8 million).

Wealth management, brokerage and margin financing

Unresolved European debt crisis and ineffective "loose monetary policy" in China, the investor sentiment remained weak despite gradual pick-up of the Hang Seng Index. During the financial year ended 30 June 2012, the average daily turnover of Hong Kong securities market was HK\$61.2 billion compared to HK\$73.4 billion in the corresponding period of last year, representing a decrease of 16.6%.

Owing to the pessimistic market sentiment, the turnover generated from the wealth management, brokerage and margin financing decreased to HK\$52.9 million (2011: HK\$59.8 million) during the reporting period. The drastic downturn of securities broking and margin financing business was mainly attributable to the decreasing turnover of Hong Kong securities market as a result of investors' conservative attitude. Therefore, income derived from securities broking and margin financing decreased sharply.

However, with a further strengthened MPF, unit trusts and insurance-linked products intermediary services by wealth management team, the Group recorded a substantial growth of 67.2% in the business of wealth management during the period. Occupying merely 18.7% in segment turnover, the increase in the business of wealth management was offset by the decrease in the business of brokerage and margin financing. It is expected that this division will continue to bring in additional contribution to the Group in the coming year(s) in line with the implementation of the Employee Choice Arrangement ("ECA").

Insurance broking

The complexity and volatility of general economy and financial environment had a negative impact on investment returns and investor sentiment. The business of insurance broking cannot be an exception, with life insurance being its major source of income. While income generated from life insurance experienced a considerable drop, the overall turnover generated from insurance broking was adversely affected, slipping 67.6% to HK\$6.6 million (2011: HK\$20.2 million).

In view of expanding insurance broking business in Mainland China, the Group is applying for setting up insurance broking company in the Mainland through "Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)". While maintaining close relationship with business partners and exploring new cooperating opportunities, the insurance team is dedicated to provide comprehensive product and service offerings to attract a wider range of clientele.

Corporate finance

Despite global market slump, the efforts of corporate finance team started to take effect. While initial public offering activities ("IPO") and other equity fund raising exercises including underwriting activities began to restore energy, income derived from being appointed as financial advisers, placing agents and sponsors recorded a considerable increase. During the current financial year, segment turnover increased to HK\$11.4 million (2011: HK\$6.3 million) by 81.2%.

The group is optimistic to the prospect of corporate finance business and believes that fund raising exercises in the capital market will be even more active with more IPOs and placing activities and this division will bring a greater profit in the coming period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Asset management

During the reporting period, the segment loss decreased to HK\$2 million (2011: HK\$3.9 million) by 49.3%. Given that this division is still in the developing stage, it has been strengthening its team and maintaining close business relationship with fund managers. The team is also actively exploring and identifying new business opportunities. Supplementing to other divisions in the Group, synergy and revenue are expected to be created.

The Group believes that this division will make considerable contribution in the foreseeable future by further expanding its realm of asset management business and enhancing its income generating ability.

Proprietary trading

Proprietary trading business was severely struck by financial turmoil that proprietary trading business recorded a loss of HK\$5.4 million for the reporting period (2011: profit of HK\$22.1 million). Such loss during the period was mainly attributable to the high volatility of the securities and futures market.

Prospects

While challenging times still lay ahead, the Group is confident that the financial markets will stabilize gradually with the launch of a third round of quantitative easing (QE3). Coupled with over 20 years of solid experience and foresighted management team, the Group is undergoing a gradual adjustment on business strategy and believes that it can overcome all challenges and turn unfavorable conditions to our advantages.

The Group will adopt strategies that can deliver sustainable long-term growth. The Group will also strive to expand business, explore business opportunities and expand its corporate and retail clientele, hence further increasing its market share, maintaining competitive edges and achieving steady business growth.

To keep abreast with the market trend, the Group launched a mobile trading platform and refined its existing electronic trading platform so as to provide valued-added services to the existing clients and broaden the client base. Clients thus can trade Hong Kong stocks through iPhone, iPad and Android.

Dedicated to develop financing market in Mainland China, the Group collaborated with Guangdong & Hongkong Investment and Financing Service Centre to assist small-medium enterprises in Mainland China to be listed in Hong Kong, with a significant contribution expected to be made by this cooperation. Furthermore, the Group will continue to explore and identify suitable business partners and participate in more exhibitions and seminars in China to enhance the Group's image.

Given that the increasing number of Mainland investors putting money into overseas market, the Group will expand its investment immigration business as well as seize the opportunities from this growing group of customers by introducing England Investment Immigration in addition to the existing Hong Kong Capital Investment Entrant Scheme and United States Employment Based Fifth Preference so as to provide a diversified choices to the customers.

Looking ahead, the Group will continue to adopt a flexible while prudent business strategy, strengthen our risk management and dedicate more resources, aiming to expand business, enhance the profitability as well as to consolidate market position to achieve sustainable long-term growth and become a "Financial Supermart - Regional I-Bank".

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity, financial resources and gearing ratio

As at 30 June 2012, the Group had total cash and bank balances including pledge deposits net of bank overdrafts of HK\$37.2 million (2011: HK\$24.2 million), while net current assets amounted to HK\$79.8 million (2011: HK\$118.5 million). The current ratio as a ratio of current assets to current liabilities was 1.7 (2011: 1.8).

The Group met its daily operating obligations from its internal resources. The finance costs were mainly incurred for margin financing business. To support margin financing business, the Group had short term bank borrowings of HK\$85.5 million (2011: HK\$102.5 million) at the end of the reporting period and with gearing ratio of 45.3% (2011: 41.0%). Gearing ratio represents the ratio of total borrowings to the total equity of the Group. The bank borrowings are subject to floating interest rates with reference to the costs of funds of the banks.

Banking facilities and charges on assets

As at 30 June 2012, the Group had aggregate banking facilities of HK\$0.56 billion (2011: HK\$1.27 billion). The drawdown of certain banking facilities of HK\$0.55 billion (2011: HK\$1.24 billion) is subject to the market value of the marketable securities pledged and the margin deposits placed. The Group pledged certain investments in listed securities and other financial assets of HK\$94.6 million (2011: HK\$132.2 million) and fixed deposits of HK\$2 million (2011: Nil) for the facilities.

Material investments

During the year, the Group has disposed shares in 1 Hong Kong listed company and as at 30 June 2012, the Group maintained its investment in 1 listed and 3 non-listed companies. Due to the adverse market and economic situation, the Group has made further provisions for certain investments of HK\$0.2 million (2011: Nil) to the profit or loss.

Contingencies

The Group has no material contingent liabilities as at 30 June 2012.

Commitments

As at 30 June 2012, the Group had no material capital commitment.

Exposure to fluctuations in exchange rates and related hedges

As at 30 June 2012, the Group has no material exposure to fluctuations in exchange rates.

EMPLOYEE

As at 30 June 2012, the Group had a total of 160 employees. The Group operates different remuneration schemes for account executives and other supporting staff respectively. Account executives are remunerated on the basis of on-target-earning packages comprising base pay and allowances, commission and/or bonus. All supporting and general staff are also entitled to the year-end and the performance discretionary bonuses. The Company has share option schemes under which the Company may grant options to eligible persons to subscribe for shares in the Company as a long-term incentive scheme.

The Group provides training programs for the staff to enhance their skills and knowledge in products, regulations and compliance. For the year under audit, the Group has conducted in-house training of 9 Continuous Professional Training hours for the licensed persons.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Good corporate governance practices improve transparency of the Company, optimize the Company's performance, and help to create a corporate environment conducive to the efficient and sustainable growth. The Company strives to maintain a sound corporate governance system which could add value to the stakeholders.

The Company has adopted the code provision set out in the Code on Corporate Governance Practices (the "Former CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, which came into effect on 1 January 2005 and was revised and renamed as the Corporate Governance Code and Corporate Governance Report (the "New CG Code") with effect from 1 April 2012.

During the year ended 30 June 2012, the Company has applied the principles and complied with all the code provisions set out in the Former CG Code and the New CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers set out in Appendix 10 (the "Model Code") to the Listing Rules at any time during the year. The Company has made specific enquiry with each Director and was confirmed that all Directors have complied with the required standard set out in the Model Code throughout the financial year. Employees and consultants who are privy to price sensitive information are required to follow the Model Code.

THE BOARD

The Board Composition

During the year, the Board comprised 7 Directors, including 4 Executive Directors and 3 Independent Non-executive Directors, namely:

Executive Directors:

Dr. Yip Man Fan (*Chairman*)
Mr. Kwok Kam Hoi
(*Deputy Chairman and Chief Executive Officer*)
Mr. Tsunoyama Toru
Ms. Wong, Vicky Lai Ping

Independent Non-executive Directors:

Dr. Lam, Andy Siu Wing, JP
Mr. Ma, Andrew Chiu Cheung
Mr. Yu King Tin

The Board has a balance of skills and experience and details of the biography of each Director has been disclosed under the section "DIRECTORS AND SENIOR MANAGEMENT" in this report.

Directors were appointed for a specific term that Executive Directors were appointed for a period of 2 years and Independent Non-executive Directors were appointed for 1 year. At least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at least once every three years.

During the year, the Company arranged for appropriate cover on Directors' and officers liability insurance policy to indemnify the Directors and officers for liabilities arising from the corporate activities. The coverage and the amount insured under such policy are reviewed annually by the Company. No legal actions were made against any of the Directors in relation to their duties performed for the Company during the financial year.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

The Board Composition *(Continued)*

The Board is responsible for directing the strategic objectives of the Group and overseeing the management of the business, with the ultimate goal of maximising the shareholders' value and long-term success of the Company while the day-to-day management of business and operations are delegated to the Chief Executive Officer, respective Board committees and senior management of the Group.

To the best knowledge of the Directors, there are no any relationships among the Board members, including financial, business, family or other material/relevant relationships.

Directors' training is ongoing process. During the year, Directors received regular updates on changes and development to the Group's business and to legislative and regulatory environments in which the Group operate. All Directors are encouraged to attend external forum or training courses on relevant topics when count towards Continuous Professional Development training. The Directors also disclose to the Company their interests as directors or other offices in other public companies in a timely manner and provide updates to the Company on any subsequent changes.

Independent Non-executive Directors

During the year, the Board has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules in having at least 3 Independent Non-executive Directors (representing at least one-third of the Board). All of the Independent Non-executive Directors have appropriate professional qualifications and accounting and financial management expertise.

The Company has received annual written confirmation from each Independent Non-executive Director of his independence to the Group and considers that all the Independent Non-executive Directors were acting independently throughout the financial year.

Board meetings

The Board meets regularly for discussing and determining the strategies of the Group, setting directions and monitoring the performance of the Group. Notice of not less than 14 days are given to all directors in writing for all regular meetings. Each Director can access to the advices and services of the Company Secretary and is invited to include any matters in the agenda of the regular meetings. Agenda and materials for discussion in the meetings are circulated to all Directors at least 3 days prior to the date of the meetings.

Directors, who have declared to have a conflict of interest in the proposed transactions or issues to be discussed, would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

Senior Management may be invited to attend the meetings to make presentations and answer the Board's enquiries. All draft and finalised minutes of each meeting are circulated to all Directors for comment within reasonable time after the meeting has been held.

During the year, the Board held 5 meetings and the attendance of each Director is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman and Chief Executive Officer of the Company are currently held by Dr. Yip Man Fan (“Dr. Yip”) and Mr. Kwok Kam Hoi (“Mr. Kwok”) respectively. The roles of Chairman and Chief Executive Officer are segregated and there are no any relationships between Dr. Yip and Mr. Kwok. The duties of the Chairman and the Chief Executive Officer are clearly established in writing. The Chairman provides leadership for the Board and ensures that there is clear division of responsibilities at the board level. The Chief Executive Officer is responsible for overseeing the day-to-day management of the Company, supervising the businesses of the Group and ensuring that the Board committees work smoothly and effectively. All Executive Directors including Mr. Kwok, without the Chairman’s presence, meet with the department heads regularly to discuss and determine the business and operational issues.

BOARD COMMITTEES

The Company currently has four committees, namely the Audit Committee, Executive Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company’s affairs. All committees have been provided with sufficient resources to discharge their respective duties and all committee members may seek external professional advices, if necessary, at the costs of the Group.

Audit Committee

The Audit Committee comprises 3 Independent Non-executive Directors, namely Dr. Lam, Andy Siu Wing, JP, who acts as the chairman of the Audit Committee, Mr. Ma, Andrew Chiu Cheung and Mr. Yu King Tin.

The duties of the Audit Committee include, inter alias, monitoring the integrity of financial statements and the accounting policies and practices, making recommendation to the Board on the appointment, re-appointment and removal of external auditors, reviewing the Company’s financial controls, internal controls and risk management systems. All members of the Audit Committee are qualified accountants with extensive experience in financial management. The Audit Committee meets at least twice a year to discuss and review the internal control, the financial information and relevant matters. The proceedings of the Audit Committee meetings are the same as the Board meetings.

During the year, the Audit Committee has reviewed the audit/review planning memorandums and the results for the financial year ended 30 June 2011 and the interim period for the six months ended 31 December 2011. The Audit Committee has also reviewed and followed up the findings and recommendations of the internal controls and management letter points made by our internal audit of the Company and the external auditor, Mazars CPA Limited (“Mazars”), respectively.

To comply with the New CG Code, the revised terms of reference of the Audit Committee, currently made available on the HKExnews website and the Company’s website, was adopted and approved by the Board on 27 February 2012.

The Audit Committee has reviewed the financial statements for the year ended 30 June 2012 together with Mazars.

The Audit Committee has also reviewed the resources, qualifications and experience of the employees of the Group’s accounting and financial reporting function, and their training programmes and budget at their meeting on 21 September 2012, and was satisfied with their adequacy and effectiveness.

The Audit Committee held 4 meetings during the year and the attendance of each member is listed under the heading “ATTENDANCE SUMMARY” below on a named basis.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Executive Committee

The Executive Committee comprises 4 members, all of which are Executive Directors. It is responsible for establishing, implementation and monitoring the Company's strategic plans and operations of all business units of the Company to achieve the long-term and short-term business goals of the Group. The Executive Committee meets from time to time as and when required and is accountable to the Board for the performance of all businesses. Minutes of all meetings of the Executive Committee were circulated among the Board and the businesses resolved in the Executive Committee meetings would be put forward and ratified at the next regular Board meeting.

The revised terms of reference of the Executive Committee, in which those amendments were aligned with the corporate governance functions pursuant to the New CG Code provision D.3.1 of Appendix 14 of the Listing Rules, was adopted and approved by the Board on 27 February 2012.

The Executive Committee held 7 meetings during the year and the attendance of each member is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

Remuneration Committee

The Remuneration Committee comprised 5 members, including 3 Independent Non-executive Directors, namely Mr. Yu King Tin, who acts as the chairman, Dr. Lam, Andy Siu Wing, JP and Mr. Ma, Andrew Chiu Cheung, and 2 Executive Directors, namely Mr. Tsunoyama Toru and Ms. Wong, Vicky Lai Ping.

The responsibilities and authorities of the Remuneration Committee is clearly stated in its terms of reference, including but not limited to recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management and review and approval of the compensation package to the Executive Directors and the senior management. The Board together with the Remuneration Committee monitor the performance of the Executive Directors and the senior management. Such division of responsibilities ensures a balance of power. The Remuneration Committee shall meet at any time when necessary.

The Remuneration Committee has reviewed and approved the performance bonus policy to the Executive Directors and reviewed the remuneration package of all Directors and the senior management. Details of remuneration of each Director are disclosed in note 6 to the financial statements.

The Remuneration Committee held 1 meeting in the year and the attendance of each member is listed under the heading "ATTENDANCE SUMMARY" below on a named basis.

To comply with the New CG Code, the revised terms of reference of the Remuneration Committee, currently made available on the HKExnews website and the Company's website, was adopted and approved by the Board on 27 February 2012.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Nomination Committee

The Company has established the Nomination Committee on 27 February 2012 with written terms of reference in compliance with the New CG Code. The main duties of the Nomination Committee include, inter alia, reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment and removal of directors.

The Nomination Committee consists of 5 members, including 2 executive Directors, namely Dr. Yip Man Fan and Ms. Wong, Vicky Lai Ping; and 3 independent non-executive Directors, namely Dr. Lam, Andy Siu Wing, JP, Mr. Ma, Andrew Chiu Cheung and Mr. Yu King Tin. Dr. Yip Man Fan has been appointed as the chairman of the Nomination Committee.

Terms of reference of the Nomination Committee is currently available on the HKExnews website and the Company's website.

There was no meeting held by the Nomination Committee during the year.

ATTENDANCE SUMMARY

The following table shows the attendance of each individual member of the Board and the board committees at the Board meetings, the respective board committee meetings and the annual general meeting held on 11 November 2011 ("2011 AGM") held during the year:

Name of members of the Board/the Board Committees	Attendance/Number of meetings held				
	Board meeting	Audit Committee meeting	Executive Committee meeting	Remuneration Committee meeting	2011 AGM
Executive Directors:					
Dr. Yip Man Fan (<i>Chairman</i>)	4/5	N/A	7/7	N/A	1/1
Mr. Kwok Kam Hoi (<i>Deputy Chairman and Chief Executive Officer</i>)	5/5	N/A	7/7	N/A	1/1
Mr. Tsunoyama Toru	5/5	N/A	7/7	1/1	1/1
Ms. Wong, Vicky Lai Ping	5/5	N/A	7/7	1/1	1/1
Independent Non-executive Directors:					
Dr. Lam, Andy Siu Wing, JP	4/5	3/4	N/A	1/1	1/1
Mr. Ma, Andrew Chiu Cheung	5/5	4/4	N/A	1/1	1/1
Mr. Yu, King Tin	5/5	4/4	N/A	1/1	1/1

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Legal & Compliance Department (“L&C”) is responsible to an adequate internal control system to facilitate effective and efficient operations, to protect the Group’s assets and to ensure the accuracy and reliability of the financial information that the Company employs in its business or releases to the public. The Company conducts regular reviews of the effectiveness of the Group’s internal controls. The scope of these reviews includes, amongst others, finance, operations, regulation compliance and risk management.

A Compliance Review Report and an Internal Audit Report were reviewed and considered by the Audit Committee on 21 September 2012. The compliance review covered the areas of regulatory compliance, internal control of operations and financial resources maintenance of the 6 major businesses of the Group, namely securities broking and margin financing, futures broking, wealth management, asset management, insurance agency and corporate finance services. The scope of internal audit covered the review of policies and procedures of internal functions, including finance and accounting, human resources and administration, corporate communications, customer relations, information technology, research and product development and legal and compliance, and the compliance of the respective procedures. No material exceptions have been noted and L&C shall keep monitoring the follow up work of the minor deviations as stated in the Internal Audit Report and the Compliance Review Report.

DIRECTORS’ RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board acknowledges the responsibility for preparing the accounts which gives a true and fair view, appropriate accounting policies are selected and applied consistently and judgment and estimates were made prudently and reasonably on a going concern basis.

The responsibilities of the Company’s external auditor in relation to the financial reporting are set out under the section “INDEPENDENT AUDITOR’S REPORT” in this annual report.

AUDITOR’S REMUNERATION

The re-appointment of Mazars as the external auditor of the Group was approved by the shareholders of the Company (“Shareholders”) at 2011 AGM. The remunerations paid/payable to Mazars for audit service and non-audit service for the year ended 30 June 2012 are set out below:

Services rendered	<i>HK\$</i>
Audit service	950,000
Non-audit service	
– Accounting service	409,073
Total	1,359,073

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Yuen, Callie Suk Ling (“Ms. Yuen”) was appointed as the Company Secretary of the Company on 5 December 2011. She is an employee of the Group and has day-to-day knowledge of the Group’s affairs.

During the year, Ms. Yuen undertook over 15 hours of professional training to update her skill and knowledge.

SHAREHOLDERS’ RIGHTS

The Group has been devoted to maintaining effective communications with its Shareholders and the general public with an aim to improve the transparency of the Group and to provide them with channels to appraise the position of the Group. During the year, 2011 AGM was held and the notice of 2011 AGM was given to the Shareholders at least 20 clear business days before the meeting. The Chairman of the Board, the Chairmen of the audit and remuneration committees and other all members of the Board were all present at 2011 AGM to answer the questions from Shareholders. Each substantially separate issue was dealt with in a separate resolution so that the Shareholders were able to apprehend the matter easily.

In addition, the senior management conducted luncheons with the media regularly. During the luncheons, our senior management would discuss with the media on the developments of the Group rendering the Shareholders and the general public have a better understanding of the businesses of the Group. The Group is endeavour to have interactive communications with the Shareholders.

The Company holds an annual general meeting every year and may hold a general meeting known as a special general meeting whenever necessary. Pursuant to the Bye-laws 58 of the Company, Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner.

Proposals at Shareholders’ meetings can be put forward by the members of the Company holding at the date of the submission of the proposals not less than one-tenth (10%) of such of the paid-up capital of the company as at the date of the submission carries the right of voting at general meetings of the Company. The submission of the proposals must be made within 3 business days after a notice of the Shareholders’ meeting have been served to all registered Shareholders by the Board. The proposals must be written and must state the objects of the proposals, and must be signed by the proposers, and mailed and deposited at 16/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for attention of the Company Secretary of the Company; and may consist of several documents in like form, each signed by one or more proposers. The Company will verify the requisition and upon confirmation that the requisition is proper and in order, the Board will update the resolutions by serving sufficient notice in accordance with the statutory requirements to all registered Shareholders, provided that the proposers have deposited a sum of money reasonably sufficient to meet the Company’s expenses involved in publishing supplementary circular and updating related resolutions. Alternatively, if the requisition has been verified as not in order, the proposer will be advised of this outcome and accordingly, no resolution will be updated as requested.

The Group values feedback from Shareholders on its efforts to promote transparency and foster investor relationships. The Board has established a shareholders’ communication policy and reviews it on a regular basis to ensure its effectiveness. Shareholders’ enquiries, comments and suggestions to the Board or the Company are welcome and can be addressed to the Company Secretary by mail to 16/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

There were no changes to the Memorandum of Association and Bye-laws of the Company during the year.

The Board proposed to seek approval of Shareholders at the 2012 Annual General Meeting to amend the Bye-laws of the Company, in order to bring the constitution of the Company in line with the recent amendments to the Listing Rules and the Companies Act 1981 of Bermuda. A circular containing the proposed amendments will be sent to Shareholders together with the 2012 Annual Report.

SOCIAL RESPONSIBILITY

The Group has a strong sense of identity with the community as well as a long-standing and unwavering commitment to society betterment. The Group upholds its principle of sustainable development and contributes to the community in a variety of ways. Its efforts have been recognized and rewarded by the society. This year is the fifth consecutive year in which the Group was awarded the “Caring Company” by Hong Kong Council of Social Service; the third consecutive year in which the Group was awarded the “Heart to Heart Company” by the Hong Kong Federation of Youth Groups and the first year in which the Group was awarded “Bronze Certificate” for Volunteer Service 2011 by Social Welfare Department as an appreciation to our contribution of more than 300 hours of volunteer services in 2011.

In the aspect of community, apart from being a long-standing supporter of The Community Chest of Hong Kong, the Group established a corporate volunteer team and encouraged the staff to get involved in the community to show their concern to the needy and contribute to the society. The Group organized a volunteer activity at Jockey Club Integrated Service for Young People located at Lei Muk Shue, aiming at serving children coming from low-income families.

In the aspect of education, the Group stepped up its efforts to support education by sponsoring the volunteering scheme of La Salle Primary School and visiting Hong Kong Christian Service Shun Lee Home for Elderly with its students and sponsoring an orientation camp for the students at the Chinese University of Hong Kong to make the students quickly adapt and put into campus life.

In the aspect of environmental protection, the Group is an environmentally responsible organization, adopting an environmental-friendly business practices by encouraging the usage of e-statement so as to reduce paper usage. Moreover, in the interest of environment preservation, the Group supported a wide variety of environmental initiatives including “Earth Hour” spearheaded by World Wide Fund for Nature and “Hong Kong Awards for Environmental Excellence”. The Group is dedicated to implement energy-wise and waste-wise practices and reduce the environmental impact.

By order of the Board

Kwok Kam Hoi

Deputy Chairman and Chief Executive Officer

Hong Kong, 21 September 2012

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of the Company and its subsidiaries for the year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 12 to the financial statements.

An analysis of the Group's performance for the year by business segment is set out in note 3 to the financial statements. 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 statement of comprehensive income on page 31.

The Directors do not recommend the payment of a final dividend (2011: Nil).

RESERVES

Movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 32 to 33 and note 28 to the financial statements respectively.

As at 30 June 2012, the reserves of the Company available for distribution to Shareholders amounted to HK\$6,721,000 (2011: HK\$53,791,000).

DONATIONS

During the year, the Group made charitable and other donations amounted to HK\$10,067 (2011: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 10 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 26 to the financial statements.

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 92.

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 ended 30 June 2012.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Dr. Yip Man Fan (*Chairman*)
 Mr. Kwok Kam Hoi
 (*Deputy Chairman and Chief Executive Officer*)
 Mr. Tsunoyama Toru
 Ms. Wong, Vicky Lai Ping

Independent Non-executive Directors:

Dr. Lam, Andy Siu Wing, JP
 Mr. Ma, Andrew Chiu Cheung
 Mr. Yu King Tin

In accordance with Bye-law 87 of the Company, Mr. Kwok Kam Hoi, Ms. Wong, Vicky Lai Ping and Mr. Ma, Andrew Chiu Cheung will, retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM").

DIRECTORS' SERVICE CONTRACTS

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management are set out in the section "DIRECTORS AND SENIOR MANAGEMENT" of this report.

CONNECTED TRANSACTIONS

During the year ended 30 June 2012, the Group had continuing connected transactions as defined under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") but are exempted from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A.33(3)(b) of the Listing Rules. Details of these transactions are set out in note 30 to the financial statements.

RELATED PARTY TRANSACTIONS

The Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these transactions are set out in note 30 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as those disclosed under "CONNECTED TRANSACTIONS" and "RELATED PARTY TRANSACTIONS" above, no contracts of significance in relation to the Group's businesses 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' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2012, the interests of the Directors, the Chief Executive and their respective associates in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules were as follows:

Interests in long positions in the shares of the Company

Name of Directors	Number of ordinary shares held			Total
	Personal interests	Family interests	Other interests	
Dr. Yip Man Fan	79,484,000	30,000,000 (Note 1)	480,000,000 (Note 2)	589,484,000
Mr. Kwok Kam Hoi	19,700,000	–	–	19,700,000
Mr. Tsunoyama Toru	140,200,000	–	–	140,200,000
Ms. Wong, Vicky Lai Ping	7,000,000	–	–	7,000,000
Dr. Lam, Andy Siu Wing, JP	2,152,000	–	–	2,152,000
Mr. Ma, Andrew Chiu Cheung	2,152,000	–	–	2,152,000
Mr. Yu King Tin	2,042,000	–	–	2,042,000

Notes:

- Shares are held by Ms. Tang Yuk Lan, the spouse of Dr. Yip Man Fan.
- Shares are held by discretionary trust of which Dr. Yip Man Fan and members of his family are beneficiaries.

Save as disclosed above, as at 30 June 2012, none of the Directors, the Chief Executive or their respective 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 (within the meaning of Part XV of the SFO) which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the "SHARE OPTION SCHEMES" below and in note 27 to the financial statements, 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 the age of 18, 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 the age of 18 to acquire such rights in any other body corporate.

DIRECTORS' REPORT

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 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.
4. 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.
5. 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.
6. 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 Stock Exchange 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 Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option.
7. The Pre-Listing Scheme has expired on 7 January 2012.
8. The total number of shares issueable upon exercise of the outstanding options is nil as at the year end date.

DIRECTORS' REPORT

SHARE OPTION SCHEMES *(Continued)*

Pre-Listing Share Option Scheme ("Pre-Listing Scheme") *(Continued)*

Details of the share options outstanding as at 30 June 2012 which have been granted under the Pre-Listing Scheme are as follows:

	Number of shares issuable under the options			Subscription price HK\$	Grant date	Exercise Period	Closing price	Weighted
	As at 01/07/2011 (<i>'000</i>)	Exercised during the year (<i>'000</i>)	As at 30/06/2012 (<i>'000</i>)				per share immediately before the grant date HK\$	average closing price per share immediately before the exercise date HK\$
Director:								
Mr. Kwok Kam Hoi	8,000	8,000	0	0.1800	22/02/2002	22/02/2003 – 07/01/2012	0.163	0.135
	8,000	8,000	0					

Note: No share options were granted, cancelled or lapsed during the year.

DIRECTORS' REPORT

SHARE OPTION SCHEMES *(Continued)*

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 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.
4. 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.
5. No consideration for the grant of an option is required to be paid upon acceptance of the option.
6. The exercise 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 Stock Exchange daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices per share as stated in the Stock Exchange'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.
7. The Post-Listing Scheme will expire on 29 January 2014.
8. The total number of shares issueable upon exercise of outstanding options are 2,600,000, representing 0.218% of the existing issued share capital of the Company as at the date of this report.

DIRECTORS' REPORT

SHARE OPTION SCHEMES *(Continued)*

Post-Listing Share Option Scheme ("Post-Listing Scheme") *(Continued)*

Details of the share options outstanding as at 30 June 2012 which have been granted under the Post-Listing Scheme are as follows:

	Number of shares issuable under the options				As at 30/06/2012 (<i>'000</i>)	Exercise price HK\$	Grant date	Exercise Period	Closing price per share immediately before the grant date HK\$	Weighted average closing price per share immediately before the exercise date HK\$
	As at 01/07/2011 (<i>'000</i>)	Granted during the year (<i>'000</i>)	Exercised during the year (<i>'000</i>)	Lapsed during the year (<i>'000</i>) (<i>Note 3</i>)						
Continuous contract employees	2,400	-	-	-	2,400	0.1675	04/01/2007	04/01/2008 – 03/01/2017	0.165	-
	456	-	(304)	(152)	0	0.1305	14/05/2009	14/05/2010 – 13/05/2019 (<i>Note 1</i>)	0.140	0.475
	320	-	(220)	-	100	0.1405	14/05/2009	14/05/2010 – 13/05/2019 (<i>Note 1</i>)	0.140	0.475
	1,200	-	(1,000)	-	200	0.8880	04/01/2011	04/01/2012 – 03/01/2021 (<i>Note 2</i>)	0.840	1.280
Consultants/Advisors	2,700	-	(2,700)	-	0	0.7500	14/08/2007	14/08/2008 – 13/08/2017	0.760	1.670
Total	7,076	-	(4,224)	(152)	2,700					

Notes:

- These options vest in 3 tranches, the first one-third on 14 May 2010, the second on 14 May 2011 and the balance 14 May 2012.
- 100,000 share options were lapsed on 9 July 2012.
- Share options had lapsed in accordance with the terms and conditions of the Post-Listing Scheme following the resignation of employees.
- No share options were granted or cancelled during the year.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the persons (other than Directors and Chief Executive of the Company whose interests or short positions have been disclosed above) who had 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	Capacity and nature of interest	Number of ordinary shares held	Approximate % of holding
Fame Harvest Group Limited	Beneficial owner (Notes 1 & 2)	480,000,000	40.29%
Bank of East Asia (Trustees) Limited	Trustee (Note 2)	480,000,000	40.29%
Ms. Tang Yuk Lan	Interest of spouse (Note 3)	589,484,000	49.48%

Notes:

1. Fame Harvest Group Limited, incorporated in the British Virgin Islands, is wholly owned by Bank of East Asia (Trustees) Limited as the trustee of The Yip Man Fan Family Trust (the "Trust"). Dr. Yip Man Fan is the founder of the Trust.
2. Under Part XV of the SFO, Bank of East Asia (Trustees) Limited is taken to have an interest in the 480,000,000 ordinary shares held by Fame Harvest Group Limited. These shares are the same block of shares.
3. Ms. Tang Yuk Lan is the spouse of Dr. Yip Man Fan. Under Part XV of the SFO, each of Dr. 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.

Save as disclosed above, as at 30 June 2012, the Company has not been notified of any substantial shareholders (other than Directors or Chief Executive of the Company) who had interests or short positions in the shares or underlying shares of the Company that were recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' REPORT

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 AND SUPPLIERS

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

Contracts with the five largest suppliers of the Group combined by value which are not of a capital nature, contributed to less than 30% in value of supplies purchased during the year.

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 Directors.

AUDITOR

The financial statements have been audited by Mazars CPA Limited, who retire and, being eligible, offer itself for re-appointment in the forthcoming AGM.

By order of the Board

Kwok Kam Hoi

Deputy Chairman and Chief Executive Officer

Hong Kong, 21 September 2012

INDEPENDENT AUDITOR'S REPORT



To the shareholders of
Tanrich Financial Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Tanrich Financial Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) set out on pages 31 to 91, which comprise the consolidated and the Company’s statements of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 21 September 2012

Fung Shiu Hang

Practising Certificate number: P04793

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2012

	Note	2012 HK\$'000	2011 HK\$'000
Turnover and revenue	2	67,238	109,636
Other revenue	4	8,061	9,484
Employee benefit expenses	5	(53,227)	(57,316)
Depreciation and amortisation		(1,401)	(2,055)
Brokerage and agency commission		(18,418)	(20,629)
Other operating expenses		(45,586)	(31,866)
Finance costs	5	(1,271)	(1,199)
Share of results of an associate	13	(380)	(369)
Share of results of jointly controlled entities	14	(24)	(20)
(Loss) Profit before tax	5	(45,008)	5,666
Income tax credit (expense)	7	12	(1,091)
(Loss) Profit for the year		(44,996)	4,575
Other comprehensive (loss) income for the year			
Exchange difference on translation of financial statements of foreign subsidiaries and associate		(3)	781
Available-for-sale financial assets			
Fair value gain released on disposal		(148)	(585)
Change in fair value		(39,269)	29,594
		(39,420)	29,790
Total comprehensive (loss) income for the year		(84,416)	34,365
(Loss) Profit for the year attributable to:			
Equity holders of the Company	8	(44,996)	4,596
Non-controlling interests		–	(21)
		(44,996)	4,575
Total comprehensive (loss) income for the year attributable to:			
Equity holders of the Company		(84,416)	34,386
Non-controlling interests		–	(21)
		(84,416)	34,365
(Loss) Earnings per share			
– Basic (HK cents)	9	(3.80)	0.40
– Diluted (HK cents)	9	(3.80)	0.39

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2012

	Attributable to equity holders of the Company											
	Note	Share capital	Investment revaluation reserve	Share premium	*Capital reserve	Share options reserve	Warrants reserve	Foreign exchange reserve	Retained earnings (Accumulated losses)	Total reserve	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2010		112,886	87,890	1,013	40,836	536	-	497	(21,309)	109,463	49	222,398
Profit for the year		-	-	-	-	-	-	-	4,596	4,596	(21)	4,575
Exchange difference on translation of financial statements of foreign subsidiaries and associate		-	-	-	-	-	-	781	-	781	-	781
Available-for-sale financial assets												
Fair value gain released on disposal		-	(585)	-	-	-	-	-	-	(585)	-	(585)
Change in fair value		-	29,594	-	-	-	-	-	-	29,594	-	29,594
Other comprehensive income for the year		-	29,009	-	-	-	-	781	-	29,790	-	29,790
Total comprehensive income for the year		-	29,009	-	-	-	-	781	4,596	34,386	(21)	34,365
Issue of shares under share option schemes	26(i)	5,039	-	5,066	-	-	-	-	-	5,066	-	10,105
Issue of unlisted warrants	28(v)	-	-	-	-	-	2,000	-	-	2,000	-	2,000
Acquisition of additional interest in subsidiaries from non-controlling interests		-	-	-	-	-	-	-	-	-	(28)	(28)
Total transactions with owners		5,039	-	5,066	-	-	2,000	-	-	7,066	(28)	12,077
At 30 June 2011		117,925	116,899	6,079	40,836	536	2,000	1,278	(16,713)	150,915	-	268,840

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2012

	Attributable to equity holders of the Company									Total reserve HK\$'000	Total HK\$'000	
	Note	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Share premium HK\$'000	*Capital reserve HK\$'000	Share options reserve HK\$'000	Warrants reserve HK\$'000	Foreign exchange reserve HK\$'000	(Accumulated losses)			Total reserve HK\$'000
									Retained earnings HK\$'000			
At 1 July 2011		117,925	116,899	6,079	40,836	536	2,000	1,278	(16,713)	150,915	268,840	
Loss for the year		-	-	-	-	-	-	-	(44,996)	(44,996)	(44,996)	
Exchange difference on translation of financial statements of foreign subsidiaries and associate		-	-	-	-	-	-	(3)	-	(3)	(3)	
Available-for-sale financial assets												
Fair value gain released on disposal		-	(148)	-	-	-	-	-	-	(148)	(148)	
Change in fair value		-	(39,269)	-	-	-	-	-	-	(39,269)	(39,269)	
Other comprehensive loss for the year		-	(39,417)	-	-	-	-	(3)	-	(39,420)	(39,420)	
Total comprehensive loss for the year		-	(39,417)	-	-	-	-	(3)	(44,996)	(84,416)	(84,416)	
Issue of shares under share option schemes	26(i)	1,222	-	3,715	-	(513)	-	-	-	3,202	4,424	
Lapse of share options		-	-	-	-	(23)	-	-	23	-	-	
Lapse of unlisted warrants	28(v)	-	-	-	-	-	(2,000)	-	2,000	-	-	
Total transactions with owners		1,222	-	3,715	-	(536)	(2,000)	-	2,023	3,202	4,424	
At 30 June 2012		119,147	77,482	9,794	40,836	-	-	1,275	(59,686)	69,701	188,848	

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Note	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Property, plant and equipment	10	1,927	2,304
Intangible assets	11	150	210
Interests in an associate	13	811	1,183
Interests in jointly controlled entities	14	913	937
Available-for-sale financial assets	15	81,836	124,217
Other financial assets	16	19,563	17,406
Other non-current assets	17	3,582	3,500
Loans and advances	18	244	536
		109,026	150,293
Current assets			
Loans and advances	18	13,660	1,871
Financial assets at fair value through profit or loss	19	6,450	28,913
Accounts receivable	20	131,312	202,810
Deposits, prepayments and other receivables	21	7,028	7,003
Pledged deposits	22	2,007	–
Cash and bank balances	22	35,211	32,033
		195,668	272,630
Current liabilities			
Bank overdrafts	22	–	7,816
Interest-bearing borrowings	23	85,500	102,500
Accounts payable	24	20,417	29,415
Other payables and accrued charges		9,603	12,680
Tax payable		326	1,672
		115,846	154,083
Net current assets		79,822	118,547
NET ASSETS		188,848	268,840
Capital and reserves			
Share capital	26	119,147	117,925
Reserves		69,701	150,915
TOTAL EQUITY		188,848	268,840

Approved and authorised for issue by the Board of Directors on 21 September 2012.

Kwok Kam Hoi
Director

Tsunoyama Toru
Director

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Note	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Interests in subsidiaries	12	152,200	206,141
Available-for-sale financial assets	15	62,806	93,293
Other financial assets	16	19,563	17,406
		234,569	316,840
Current assets			
Financial assets at fair value through profit or loss	19	5,224	6,829
Deposits, prepayments and other receivables	21	147	148
Pledged deposits	22	765	–
Cash and bank balances	22	501	2,153
		6,637	9,130
Current liabilities			
Interest-bearing borrowings	23	51,500	61,500
Other payables and accrued charges		858	466
		52,358	61,966
Net current liabilities		(45,721)	(52,836)
NET ASSETS		188,848	264,004
Capital and reserves			
Share capital	26	119,147	117,925
Reserves	28	69,701	146,079
TOTAL EQUITY		188,848	264,004

Approved and authorised for issue by the Board of Directors on 21 September 2012.

Kwok Kam Hoi
Director

Tsunoyama Toru
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2012

	Note	2012 HK\$'000	2011 HK\$'000
OPERATING ACTIVITIES			
(Loss) Profit before tax		(45,008)	5,666
Depreciation and amortisation		1,401	2,055
Impairment loss on available-for-sale financial assets		213	–
Gain on disposal of available-for-sale financial assets		(120)	(2,762)
Change in fair value on loans and advances/ Allowance for bad and doubtful debts, net		7,416	71
Share of results of an associate		380	369
Share of results of jointly controlled entities		24	20
Exchange difference on other financial assets		45	22
Interest income		(2,075)	(1,862)
Interest expenses		1,271	1,199
Dividend income		(3,262)	(3,301)
Changes in working capital:			
Other non-current assets		(82)	–
Loans and advances		1,643	785
Unlisted debt investments		–	(18,440)
Financial assets at fair value through profit or loss		4,023	20,789
Accounts receivable		70,499	(101,093)
Deposits, prepayments and other receivables		(1,142)	(2,605)
Short-term loan for margin financing		(17,000)	61,500
Accounts payable		(8,998)	575
Other payables and accrued charges		(3,077)	(1,606)
Cash generated from (used in) operating activities		6,151	(38,618)
Hong Kong Profits Tax paid		(1,334)	(172)
Interest received		2,075	1,862
Interest paid		(1,271)	(1,199)
Net cash from (used in) operating activities		5,621	(38,127)
INVESTING ACTIVITIES			
Acquisition of additional interests in an associate		(138)	–
Acquisition of additional interests in subsidiaries		–	(28)
Acquisition of subsidiary		–	(85)
Dividend received		3,262	3,301
Payments made on total return swap agreement		(2,202)	(1,849)
Proceeds from disposal of available-for-sale financial assets		2,871	5,011
Purchase of property, plant and equipment		(964)	(1,439)
Net cash from investing activities		2,829	4,911
FINANCING ACTIVITIES			
Issue of share capital, net of expenses		4,424	10,105
Issue of unlisted warrants		–	2,000
Net cash from financing activities		4,424	12,105
Net increase (decrease) in cash and cash equivalents		12,874	(21,111)
Cash and cash equivalents at beginning of year		24,217	44,862
Effect on exchange rate changes		127	466
Cash and cash equivalents at end of year	22	37,218	24,217

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

CORPORATE INFORMATION

Tanrich Financial Holdings Limited (the "Company") is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2011 consolidated financial statements except for the adoption of the following new/revised HKFRSs effective from the current year that are relevant to the Group. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRSs

HKAS 24 (Revised): *Related Party Disclosures*

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

- (a) a government that has control, joint control or significant influence over the reporting entity; and
- (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements.

Improvements to HKFRSs 2010 – *Improvements to HKFRSs 2010*

The improvements comprise a number of improvements to standards including the following that is considered to be relevant to the Group:

Amendments to HKAS 1 (Revised): *Presentation of Financial Statements: Clarification of statement of changes in equity*

The Amendments clarify that the reconciliation of each components of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Group has decided to continue presenting the reconciliation on the face of the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 30 June each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from owners of the Company. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, is measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when control is lost.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefit from its activities.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less impairment losses. The carrying amounts of the investments are reduced to their recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group's investment in associate is accounted for under the equity method of accounting. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition results of the associate for the year. The consolidated statement of financial position includes the Group's share of the net assets of the associate and also goodwill. The Group discontinues recognising its share of further losses when the Group's share of losses of the associate equals to or exceeds the carrying amount of its interests in the associate, which includes any long term interests that, in substance, form part of the Group's net investment in the associate.

The financial information of the associate has been prepared using accounting policies in conformity with the accounting policies adopted by the Group.

Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entities

The Group's investment in jointly controlled entity is accounted for under the equity method of accounting. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition results of the jointly controlled entity for the year. The consolidated statement of financial position includes the Group's share of the net assets of the jointly controlled entity and also goodwill.

The financial information of jointly controlled entities have been prepared using accounting policies in conformity with the accounting policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary. Goodwill arising on an acquisition of an associate or a jointly controlled entity is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or jointly controlled entity.

Goodwill on acquisition of a subsidiary is recognised as a separate asset. Goodwill on acquisitions of associates or jointly controlled entities is included in interests in associates or jointly controlled entities. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

In respect of a subsidiary, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as a bargain purchase. In respect of an associate or a jointly controlled entity, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately as income.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis and depreciated separately.

Leasehold improvements	Over the unexpired term of lease
Furniture, fixtures and office equipment	20%
Computer equipment	33 $\frac{1}{3}$ %

Other intangible assets

The Group holds two trading rights on the Stock Exchange and two trading rights on The Hong Kong Futures Exchange Limited (the "Futures Exchange"). One trading right on the Stock Exchange was purchased during the year ended 30 June 2003 while the remaining three trading rights are recorded at zero book value. The useful life of the trading right acquired in 2003 is estimated to be ten years, and its cost is amortised over the estimated useful life on a straight line basis. The carrying value of this trading right is reviewed for impairment annually or more frequently when there is indication that the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are direct attributable to the acquisition or issue of the financial assets or financial liabilities.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss. Where available, the Group measures the fair value of such financial assets using quoted prices in an active market. If the market for such financial assets are not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. A gain or loss shall be recognised after initial recognition only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at fair value through profit or loss if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss. The Group's unlisted debt investments/loans and advances at fair value are recorded under this category.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. They are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Loans and receivables – at amortised cost

Loans and receivables including accounts and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within other payables and accrued charges at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher (i) of the amount initially recognised, less accumulated amortisation, and (ii) the amount of the provision, if any, that is required to settle the commitment at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

At each end of the reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the accounts receivable and loans receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at amortised cost, such as held-to-maturity investments and other financial assets, an impairment loss is recognised in profit or loss where there is objective evidence that the asset is impaired and is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale financial instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Financial liabilities

The Group's financial liabilities include accounts and other payables and interest-bearing borrowings. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Trust accounts

Trust accounts maintained by the Group to hold clients' monies are treated as off-statement of financial position items and offset against accounts payable.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Commission income on dealing in securities, futures contracts and options is recognised on the transaction dates when the contracts are executed.

Commission income on sale of unit trusts and insurance-linked products is recognised in the period when services are rendered.

Corporate finance advisory fees are recognised when the services are rendered and on the basis of the stage of completion of each individual project.

Insurance agency fees are recognised when the services are rendered.

Net income from sale of investments held for trading and futures contracts is recognised on the transaction date for realised profit or loss whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position and, where applicable, goodwill arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation presented are translated at the closing rate at the date of that end of the reporting period;
- Income and expenses for each statement of comprehensive income are translated at average exchange rate;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

Impairment of non-financial assets

At each end of the reporting period, the Group reviews internal and external sources of information to determine whether there is any indication that its property, plant and equipment, intangible assets, investments in subsidiaries, associate and jointly controlled entities and other non-current assets maybe impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset is capitalised as part of the cost of that assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Long service payments

The Group's net obligation in respect of long service payment under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of goodwill, or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, associate and jointly controlled entities, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers are to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the end of the reporting period, the carrying amount of accounts receivable after provision for impairment amounted to HK\$131,312,000 (2011: HK\$202,810,000).

Impairment of investments and receivables

The Group assesses annually if investments in subsidiaries, associate and jointly controlled entities has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the entities and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)***Future changes in HKFRSs**

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

	Effective for accounting periods beginning on or after
Amendments to HKAS 12: <i>Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012
Amendments to HKAS 1 (Revised): <i>Presentation of items of other comprehensive income</i>	1 July 2012
HKAS 19 (2011): <i>Employee Benefits</i>	1 January 2013
HKAS 27 (2011): <i>Separate Financial Statements</i>	1 January 2013
HKAS 28 (2011): <i>Investments in Associates and Joint Ventures</i>	1 January 2013
HKFRS 10: <i>Consolidated Financial Statements</i>	1 January 2013
HKFRS 11: <i>Joint Arrangements</i>	1 January 2013
HKFRS 12: <i>Disclosures of Interests in Other Entities</i>	1 January 2013
HKFRS 13: <i>Fair Value Measurement</i>	1 January 2013
Amendments to HKFRS 1: <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>	1 January 2013
HK(IFRIC) – Int 20: <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to HKFRS 7: <i>Disclosure – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to HKAS 32: <i>Presentation – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to HKFRS 7 and 9: <i>Mandatory effective date of HKFRS 9 and Transition Disclosures</i>	1 January 2015
HKFRS 9: <i>Financial Instruments</i>	1 January 2015
Annual Improvement Projects: <i>Annual Improvement 2009-2011 Cycle</i>	1 January 2013

The Directors have already commenced an assessment of the impact on these new and revised HKFRSs but is not yet in a position to reasonably estimate their impact on its results of the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

2. TURNOVER AND REVENUE

The principal activities of the Group comprise:

- broking index, commodity and currency futures, options and securities, agency services for unit trusts and insurance-linked products for its clients;
- provision of margin financing, corporate finance advisory services, asset management services, insurance agency services and money lending;
- trading in listed securities on the Stock Exchange, equity index, currency and commodity futures contracts on the Futures Exchange or overseas exchanges on its own account.

	2012	2011
	HK\$'000	HK\$'000
Brokerage commission:		
– securities dealing	20,536	35,904
– futures and options dealing	10,288	7,603
– distribution of unit trusts and insurance-linked products	12,740	7,539
Advisory and insurance agency fees:		
– fund advisory	173	400
– corporate finance and advisory	11,370	6,275
– insurance agency	6,559	20,238
Interest income:		
– securities margin financing	9,375	8,754
– loans and advances	1,017	271
Proprietary trading:		
– net results from proprietary trading under a managed account	–	636
– net results from proprietary trading in listed securities	(1,657)	(657)
– net results from proprietary trading in futures contracts	(3,163)	22,673
	67,238	109,636

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

3. SEGMENT INFORMATION

The Directors have been identified as the chief operating decision makers to evaluate the performance of operating segments based on the Group's internal reporting in respect of these segments.

Business segments

The Directors consider wealth management, brokerage and margin financing, insurance agency, corporate finance, asset management, money lending and proprietary trading are the Group's major operating segments. The principal activities of these divisions are as follows:

Wealth management, brokerage and margin financing	Provision of brokerage services in trading in securities, futures contracts and options and margin financing services, and distribution of unit trusts, MPF products, mutual funds and insurance-linked products
Insurance agency	Provision of insurance agency and broking services
Corporate finance	Provision of corporate finance advisory services
Asset management	Provision of asset management services
Money lending	Provision of corporate and personal financing services
Proprietary trading	Proprietary trading in securities on the Stock Exchange, listed equity index futures contracts on the Futures Exchange and index, currency and commodity futures contracts on overseas exchanges

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

3. SEGMENT INFORMATION *(Continued)*
Business segments *(Continued)*

	2012							Consolidated HK\$'000
	Wealth management, brokerage and margin financing HK\$'000	Insurance agency HK\$'000	Corporate finance HK\$'000	Asset management HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	
Turnover and revenue	52,939	6,559	11,370	173	1,017	(4,820)	-	67,238
Brokerage and agency commission	(11,890)	(5,428)	-	(8)	-	(1,092)	-	(18,418)
Results	(16,297)	(2,694)	407	(1,954)	(6,516)	(5,448)	210	(32,292)
Unallocated expenses, represented central administration costs								(12,432)
Gain on disposal of available-for-sale financial assets								120
Share of results of an associate								(380)
Share of results of jointly controlled entities								(24)
Income tax credit								12
Loss for the year								(44,996)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

3. SEGMENT INFORMATION (Continued)
Business segments (Continued)

	2011							
	Wealth management, brokerage and margin financing HK\$'000	Insurance agency HK\$'000	Corporate finance HK\$'000	Asset management HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
Turnover and revenue	59,800	20,238	6,275	400	271	22,652	-	109,636
Brokerage and agency commission	(2,265)	(17,565)	-	-	-	(799)	-	(20,629)
Results	(1,560)	(431)	(1,580)	(3,857)	(581)	22,104	563	14,658
Unallocated expenses, represented central administration costs								(11,323)
Gain on disposal of available-for-sale financial assets								2,762
Finance costs								(42)
Share of results of an associate								(369)
Share of results of jointly controlled entities								(20)
Income tax expense								(1,091)
Profit for the year								4,575

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

4. OTHER REVENUE

	2012 HK\$'000	2011 HK\$'000
Dividend income	3,262	3,301
Interest income	2,075	1,862
Management fee income	960	960
Gain on disposal of available-for-sale financial assets	120	2,762
Sundry income	1,643	599
Reversal of allowance for bad and doubtful debts	1	–
	8,061	9,484

5. (LOSS) PROFIT BEFORE TAX

	2012 HK\$'000	2011 HK\$'000
This is stated after charging:		
(a) Finance costs		
Interest expenses for securities broking and margin financing wholly repayable within five years	1,139	1,176
Interest expenses for other businesses	–	20
Other interest expenses	132	3
	1,271	1,199
(b) Employee benefit expenses		
Salaries, commission and allowances	52,113	56,187
Contributions to retirement benefit schemes (Note 29)	1,114	1,129
	53,227	57,316
(c) Other operating expenses include:		
Auditor's remuneration	950	920
Operating lease payments on premises	10,616	7,546
Allowance for bad and doubtful debts		
– Accounts receivable	1,000	49
– Loans and advances	–	22
– Other receivables	1,117	–
Fair value loss on loans and advances	5,300	–
Impairment loss on available-for-sale financial assets	213	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**Directors' emoluments**

The aggregate amount of emoluments received or receivable by the Company's directors are as follows:

Name of director	2012				Total HK\$'000
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Employer's contributions to retirement benefit schemes HK\$'000	
Executive directors:					
Yip Man Fan	–	1,555	144	34	1,733
Kwok Kam Hoi	229	1,170	128	34	1,561
Tsunoyama Toru	–	1,209	112	34	1,355
Wong, Vicky Lai Ping	–	1,010	93	34	1,137
Independent non-executive directors:					
Lam, Andy Siu Wing	227	–	–	–	227
Ma, Andrew Chiu Cheung	209	–	–	–	209
Yu King Tin	208	–	–	–	208
	873	4,944	477	136	6,430

Name of director	2011				Total HK\$'000
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Employer's contributions to retirement benefit schemes HK\$'000	
Executive directors:					
Yip Man Fan	–	1,555	129	34	1,718
Kwok Kam Hoi	229	1,231	115	34	1,609
Tsunoyama Toru	–	1,209	101	34	1,344
Wong, Vicky Lai Ping	–	1,010	84	34	1,128
Independent non-executive directors:					
Lam, Andy Siu Wing	227	–	–	–	227
Ma, Andrew Chiu Cheung	209	–	–	–	209
Yu King Tin	208	–	–	–	208
	873	5,005	429	136	6,443

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Five highest paid employees' emoluments

Of the five individuals with the highest emoluments, four (2011: four) were directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the remaining one (2011: one) individual is as follows:

	2012	2011
	HK\$'000	HK\$'000
Salaries and other benefits	1,119	1,020
Discretionary bonus	–	254
Contributions to retirement benefit schemes	12	12
	1,131	1,286

The emoluments of the remaining one (2011: one) individual is within the range between HK\$1,000,001 to HK\$1,500,000 (2011: between HK\$1,000,001 to HK\$1,500,000).

In addition to the directors' emoluments disclosed above, certain directors were granted share options under the Company's share option schemes. The details of these benefits in kind are disclosed under the section of Share Option Schemes in the Directors' Report and note 27 to the financial statements.

No emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 30 June 2012 and 2011. There were no arrangements under which a director waived or agreed to waive any remuneration for the years ended 30 June 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

7. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose for the year ended 30 June 2012. Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the year ended 30 June 2011. In the opinion of the directors, the Group is not subject to taxation in any other jurisdictions.

The amount of taxation credited to the consolidated statement of comprehensive income represents write back of provision for Hong Kong Profits Tax of previous year.

Reconciliation of tax (credit) charge

	2012	2011
	HK\$'000	HK\$'000
(Loss) Profit before tax	(45,008)	5,666
Income tax at applicable tax rate of 16.5% (2011: 16.5%)	(7,426)	935
Non-deductible expenses	3,752	758
Tax exempt revenue	(2,398)	(4,756)
Unrecognised tax losses	6,126	4,570
Unrecognised temporary difference	(29)	(7)
Utilisation of previously unrecognised tax losses	(25)	(409)
Overprovision for taxation of previous year	(12)	–
Total tax (credit) charge for the year	(12)	1,091

8. (LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the loss for the year attributable to equity holders of the Company of HK\$44,996,000 (2011: profit of HK\$4,596,000), a loss of HK\$49,093,000 (2011: HK\$13,198,000) has been dealt with in the financial statements of the Company.

9. (LOSS) EARNINGS PER SHARE

The calculation of basic loss (2011: earnings) per share is based on the loss (2011: profit) attributable to equity holders of the Company for the year of HK\$44,996,000 (2011: profit of HK\$4,596,000).

The calculation of the number of shares for determining the basic loss (2011: earnings) per share attributable to owners of the Company is based on the following data:

	2012	2011
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,185,427,422	1,145,246,000
Effect of dilutive potential ordinary shares:		
Share options and warrants issued by the Company	10,693,469	34,355,000
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	1,196,120,891	1,179,601,000

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

9. (LOSS) EARNINGS PER SHARE *(Continued)*

Diluted loss per share is the same as basic loss per share in 2012 as the effect of the conversion of the Company's share options and warrants would be anti-dilutive. The diluted earnings per share in 2011 was based on 1,179,601,000 shares which was the weighted average number of ordinary shares during the year adjusted for the number of dilutive potential shares under the share option scheme and warrants.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Reconciliation of carrying amount – year ended 30 June 2011					
At 1 July 2010	993	313	107	1,447	2,860
Additions	13	42	4	1,380	1,439
Depreciation	(1,006)	(91)	(42)	(856)	(1,995)
At 30 June 2011	–	264	69	1,971	2,304
Reconciliation of carrying amount – year ended 30 June 2012					
At 1 July 2011	–	264	69	1,971	2,304
Additions	58	36	9	861	964
Depreciation	(25)	(97)	(38)	(1,181)	(1,341)
At 30 June 2012	33	203	40	1,651	1,927
At 30 June 2011					
Cost	7,495	1,142	2,007	7,953	18,597
Accumulated depreciation	(7,495)	(878)	(1,938)	(5,982)	(16,293)
	–	264	69	1,971	2,304
At 30 June 2012					
Cost	7,553	1,178	2,016	8,814	19,561
Accumulated depreciation	(7,520)	(975)	(1,976)	(7,163)	(17,634)
	33	203	40	1,651	1,927

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

11. INTANGIBLE ASSETS

	Group		
	Trading License HK\$'000	Goodwill HK\$'000 (Note)	Total HK\$'000
Reconciliation of carrying amount – year ended 30 June 2011			
At 1 July 2010	170	–	170
Additions	–	100	100
Amortisation	(60)	–	(60)
At 30 June 2011	110	100	210
Reconciliation of carrying amount – year ended 30 June 2012			
At 1 July 2011	110	100	210
Amortisation	(60)	–	(60)
At 30 June 2012	50	100	150
At 30 June 2011			
Cost	600	100	700
Accumulated amortisation	(490)	–	(490)
	110	100	210
At 30 June 2012			
Cost	600	100	700
Accumulated amortisation	(550)	–	(550)
	50	100	150

Note: Goodwill is allocated to the Group's cash generating units identified according to operating and business segment.

In August 2010, the Group acquired 100% equity interests in Tanrich Properties Agency Limited ("TPAL") at an aggregate consideration of HK\$100,000. The excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed of HK\$100,000 is recognised as goodwill.

At the end of the reporting period, the Group assessed the recoverable amount of the goodwill, which is approximate its carrying value and determined that no goodwill was impaired.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

12. INTERESTS IN SUBSIDIARIES

	Note	Company	
		2012 HK\$'000	2011 HK\$'000
Interests in subsidiaries			
Unlisted shares, at cost		65,237	65,237
Provision for impairment loss	(i)	(65,237)	(28,265)
		–	36,972
Amount due from a subsidiary	(ii)	156,730	169,169
Provision for impairment loss	(i)	(4,530)	–
		152,200	169,169
		152,200	206,141

Note:

- (i) Because certain subsidiaries recorded losses and decline in net assets value, management is of opinion that the investments in subsidiaries and amount due from a subsidiary are not fully recoverable. Provision for impairment losses have been made to reflect the expected recoverable amount after having assessed the financial information of the subsidiaries.
- (ii) The amount due from a subsidiary is unsecured, interest-free and has no fixed repayment term. The carrying amount of the amount due approximates its fair value.

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ place of operation	Particulars of issued and fully paid share capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
Tanrich Financial (Management) Limited ("TFML")	British Virgin Islands/ Hong Kong	US\$10,000 (divided into 10,000 ordinary shares of US\$1 each)	100%	–	Investment holding and proprietary trading
Tanrich Asset Management Limited ("TAML")	Hong Kong/ Hong Kong	HK\$34,000,000 (divided into 28,000,000 ordinary shares and 6,000,000 non-voting deferred shares of HK\$1 each)	–	100%	Provision of asset management services, distribution of unit trusts and mutual funds
Tanrich Capital Limited ("TCL")	Hong Kong/ Hong Kong	HK\$25,000,000 (divided into 25,000,000 ordinary shares of HK\$1 each)	–	100%	Provision of corporate finance advisory services
Tanrich Finance Limited ("TFIN")	Hong Kong/ Hong Kong	HK\$11,000 (divided into 1,000 ordinary shares and 10,000 non-voting deferred shares of HK\$1 each)	–	100%	Provision of corporate and personal financing services
Tanrich Futures Limited ("TFL")	Hong Kong/ Hong Kong	HK\$30,000,000 (divided into 20,000,000 ordinary shares and 10,000,000 non-voting deferred shares of HK\$1 each)	–	100%	Futures broking and proprietary trading

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

12. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ place of operation	Particulars of issued and fully paid share capital	Percentage of equity interests attributable to the Company		Principal activities
			Directly	Indirectly	
Tanrich Securities Company Limited ("TSCL")	Hong Kong/ Hong Kong	HK\$105,000,000 (divided into 80,000,000 ordinary shares and 25,000,000 non-voting deferred shares of HK\$1 each)	–	100%	Securities broking, securities margin financing and distribution of unit trusts and mutual funds
Tanrich Wealth Management Limited ("TWML")	Hong Kong/ Hong Kong	HK\$10,000,000 (divided into 10,000,000 ordinary shares of HK\$1 each)	–	100%	Distribution of insurance-linked products, MPF products, provision of personal financial consulting and planning services and provision of insurance agency and broking services
Tanrich Investments Limited ("TIL")	Hong Kong/ Hong Kong	HK\$1 (divided into 1 ordinary share of HK\$1 each)	–	100%	Investment holding
Tanrich Investment Management Limited ("TIML")	Hong Kong/ Hong Kong	HK\$1,000,000 (divided into 1,000,000 ordinary shares of HK\$1 each)	–	100%	Investment holding
Tanrich Promotion Limited ("TPL")	Hong Kong/ Hong Kong	HK\$300,000 (divided into 300,000 ordinary shares of HK\$1 each)	–	100%	Provision of advertising services
TPAL	Hong Kong/ Hong Kong	HK\$10,000 (divided into 10,000 ordinary share of HK\$1 each)	–	100%	Property agency
TOP Commodity Capital Management Limited ("TOP")	Hong Kong/ Hong Kong	HK\$150,000 (divided into 150,000 ordinary shares of HK\$1 each)	–	100%	Investment holding
敦沛科技發展(深圳)有限公司	Wholly Foreign Owned Enterprise in The People's Republic of China ("China")	Registered capital of HK\$30,000,000	–	100%	Not yet commenced business
敦沛(大連)投資管理有限公司	Wholly Foreign Owned Enterprise in China	Registered capital of HK\$6,000,000	–	100%	Not yet commenced business

In accordance with Articles of Association of each of TAML, TFIN, TFL and TSCL, holders of non-voting deferred shares are entitled to a fixed non-cumulative dividend at a rate of Hong Kong one cent (HK\$0.01) per non-voting deferred share when the profit exceeds HK\$100 billion in any financial year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

13. INTERESTS IN AN ASSOCIATE

	Group	
	2012 HK\$'000	2011 HK\$'000
Share of net assets	811	1,183
Goodwill	2,774	2,774
Provision for impairment loss	(2,774)	(2,774)
	–	–
	811	1,183

The investment in an associate represents 38.27% (2011: 40.17%) of the issued ordinary share capital of FundStreet AG ("FundStreet"), a company engaged in fund management in Switzerland which is incorporated in Zurich, Switzerland. The associate has its financial year ended on 31 December.

Summary of financial information of the associate is as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Financial position at 30 June		
Non-current assets	1,698	2,186
Current assets	1,173	1,387
Current liabilities	(750)	(629)
Net assets	2,121	2,944
Group's share of net assets of associate	811	1,183
Operating results for the year ended 30 June		
Revenue	2,271	2,205
Loss for the year	(989)	(919)
Group's share of loss of associate for the year	(380)	(369)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2012	2011
	HK\$'000	HK\$'000
Share of net assets	913	937

Details of the Group's interests in the jointly controlled entities are as follows:

Name of jointly controlled entities	Place of incorporation/ operation	Particulars of issued and paid up ordinary share capital	Percentage of equity interests attributable to the Group			Principal activities
			Group's effective interest	Held by the Group	Held by an associate	
Tanrich-FundStreet Limited ("TFSL")	Hong Kong/ Hong Kong	HK\$2,000,000	64%	51%	35%	Fund management
Tanrich Fund Investment Management (Cayman) Limited, a wholly owned subsidiary of TFSL	Cayman Islands/ Hong Kong	US\$10,000	64%	51%	35%	Not yet commenced business

Both jointly controlled entities have their financial year ended on 30 June.

Pursuant to the memorandum of understanding entered into between the Group and FundStreet, the board of directors of TFSL is to be composed of five members, of which two directors are appointed by the Group. Any change to the board composition is to be mutually agreed by all shareholders of TFSL. As a result, TFSL is not considered as a subsidiary of the Group as the Group has no control over its financial and operating policy decision.

Summary of financial information of the jointly controlled entities is as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Financial position at 30 June		
Current assets	1,810	1,837
Current liabilities	(20)	(10)
Net assets	1,790	1,827
Group's share of net assets of jointly controlled entities	913	937

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

14. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

	Group	
	2012 HK\$'000	2011 HK\$'000
Operating results for the year ended 30 June		
Revenue	–	–
Loss for the year	(47)	(40)
Group's share of loss of the jointly controlled entities for the year	(24)	(20)

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Non-current				
Equity investments – unlisted, at cost	14,339	14,427	–	–
Impairment loss	(10,021)	(9,896)	–	–
	4,318	4,531	–	–
Equity investments – listed in Hong Kong at fair value (Note)	77,518	119,686	62,806	93,293
	81,836	124,217	62,806	93,293

Note: Fair values are determined with reference to quoted market prices.

The Group has pledged listed investments of aggregate carrying amount of HK\$73,896,000 (2011: HK\$109,766,000) to banks as collateral for the banking facilities granted to the Company and a subsidiary.

The recoverable amount has been assessed by the directors with reference to the latest available financial information of the investee companies.

At the end of the reporting period, the carrying amount of interests in the following company exceeded 10% of total assets of the Group and the Company.

Name	Place of incorporation/ place of operation	Class share held	Percentage of interests held		Principal activities
			Group	Company	
Hong Kong Exchanges and Clearing Limited	Hong Kong/ Hong Kong	Ordinary shares	0.07%	0.05%	Owns and operates the only stock exchange and futures exchange in Hong Kong, and their related clearing houses

NOTES TO THE FINANCIAL STATEMENTS

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16. OTHER FINANCIAL ASSETS

	Group and Company	
	2012	2011
	HK\$'000	HK\$'000
Held-to-maturity financial assets, unlisted	14,614	14,655
Derivatives – total return swap agreement (“SWAP”) designated as at fair value through profit or loss (<i>Note 34</i>)	4,051	1,849
Embedded derivative designated as at fair value through profit or loss upon initial recognition	898	902
	19,563	17,406

The Company has pledged other financial assets of HK\$15,512,000 (*2011: HK\$15,557,000*) to a bank as collateral for the banking facilities granted to the Company and a subsidiary.

17. OTHER NON-CURRENT ASSETS

	Group	
	2012	2011
	HK\$'000	HK\$'000
Reserve fund deposits with the Futures Exchange	1,525	1,500
Statutory deposits with the Stock Exchange	1,757	1,700
Statutory deposits with the Securities and Futures Commission (“SFC”)	100	100
Contributions to the Central Clearing and Settlement System Guarantee Fund	100	100
Admission fees paid to the Hong Kong Securities Clearing Company Limited	100	100
	3,582	3,500

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

18. LOANS AND ADVANCES

	Group			2011 At amortised cost and total HK\$'000
	2012			
	At fair value HK\$'000	At amortised cost HK\$'000	Total HK\$'000	
Loans and advances				
Unsecured	–	596	596	586
Secured	18,382	420	18,802	2,015
	18,382	1,016	19,398	2,601
Change in fair value/Allowance for bad and doubtful debts	(5,300)	(194)	(3,494)	(194)
	13,082	822	13,904	2,407
Current portion of loans and advances	(13,082)	(578)	(13,660)	(1,871)
	–	244	244	536

Secured loans and advances were granted to its clients by the Group based on credit assessment and terms of such loans and advances were offered subject to their pledged collateral.

At the end of the reporting period, loans and advances carry effective interest rates ranging from nil to 5% (2011: nil to 5%) and are within the respective maturity dates (2011: within the respective maturity dates).

Change in fair value/Allowance for bad and doubtful debts

	2012			2011 Bad and doubtful debts and total HK\$'000
	Fair value loss HK\$'000	Bad and doubtful debts HK\$'000	Total HK\$'000	
At 1 July	–	194	194	172
Increase (Note i)	5,300	–	5,300	22
At 30 June	5,300	194	5,494	194

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

18. LOANS AND ADVANCES *(Continued)**Note:*

- (i) The amount represented fair value loss on a loan advanced by a subsidiary of the Company to Cheung Wan (Groups) Energy Development Limited ("Cheung Wan") and its subsidiary. Under the loan agreement the loan would become due on 31 March 2013. The details of the loan have been set out in the announcements of the Company dated 31 March 2011 and the Company's 2011 annual report.

As detailed in the Company's public announcement dated 17 December 2011, the subsidiary of Cheung Wan received a notice from the local authority for a proposed suspension of its mining business. The Company holds the view that the notice constitutes a breach of warranties under the loan agreement as a default that materially and adversely affects the business of Cheung Wan, its financial condition or its ability to perform its obligations under the loan agreement.

Due to the said material breaches of the loan agreement, efforts were already made to recover the loan and to initiate legal proceedings.

Fair value loss has been recognised to reflect the expected recoverable amount after having assessed the financial information of the two borrowers and taking into consideration the view of the legal adviser.

- (ii) The directors assessed the fair value/recoverability of loans and advances at the end of the reporting period individually with reference to borrowers' past collection history and current creditworthiness. An aggregate amount due from borrowers of HK\$5,494,000 (2011: HK\$194,000) was determined to be lost/impaired as a result of the assessment. In the directors' opinion, there was no indication of deterioration in the recoverability of the remaining amount of HK\$13,904,000 (2011: HK\$2,407,000) and thus no additional loss/allowance was considered necessary.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Note</i>	Group		Company	
		2012	2011	2012	2011
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed securities in Hong Kong	(i)	6,326	10,473	5,224	6,829
Listed securities outside					
Hong Kong	(i)	124	–	–	–
Unlisted debt investments	(ii)	–	18,440	–	–
		6,450	28,913	5,224	6,829

Note:

- (i) The fair values of the listed securities are determined with reference to quoted market bid price.

The Company has pledged certain listed securities of HK\$5,224,000 (2011: HK\$6,829,000) to a bank as collateral for the banking facilities granted to the Company.

- (ii) The share purchase option of the loan to Cheung Wan was lapsed during the year ended 30 June 2012. The unlisted debt investments have then been recorded as loans and advances at fair value under note 18.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

20. ACCOUNTS RECEIVABLE

	Note	Group	
		2012 HK\$'000	2011 HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	(i)	5,006	41,115
– securities margin clients	(ii)	90,727	119,103
– securities subscription clients	(iii)	1,045	–
– securities and options clearing houses and brokers	(iii)	9,858	9,528
– futures clearing house and brokers	(iv)	22,152	26,279
– futures clients	(v)	–	–
Accounts receivable arising from the provision of corporate finance advisory services	(vi)	1,523	1,448
Accounts receivable arising from the provision of unit trusts and insurance-linked products agency services	(vii)	1,001	5,337
		131,312	202,810

Settlement terms

The settlement terms of accounts receivable arising from the ordinary course of business of broking in securities are two or three trading days after the transaction dates.

Accounts receivable arising from the subscription of IPO of listed companies in Hong Kong on behalf of clients are settled upon the share allotments of such listed companies.

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

Accounts receivable arising from the provision of corporate finance advisory services, unit trusts and insurance-linked products agency services are repayable within 30 days.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

20. ACCOUNTS RECEIVABLE *(Continued)*

Note:

- (i) At the end of the reporting period, the ageing analysis of accounts receivable from securities cash clients was as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Current	20	28,158
Overdue:		
Within 30 days	3,156	6,004
31 – 90 days	–	6,953
91 – 180 days	–	–
Over 180 days	2,830	–
	6,006	41,115
Allowance for bad and doubtful debts	(1,000)	–
	5,006	41,115

The movements in the provision for impairment of accounts receivable from securities cash clients were as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
At 1 July	–	64
Increase in allowance	1,000	–
Amount written off	–	(64)
	1,000	–
At 30 June	1,000	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

20. ACCOUNTS RECEIVABLE (Continued)

Note: (Continued)

- (ii) At the end of the reporting period, the ageing analysis of accounts receivable from securities margin clients was as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Current	29,238	67,970
Overdue:		
Within 30 days	17,349	49,962
31 – 90 days	31,026	448
91 – 180 days	–	–
Over 180 days	13,114	723
	90,727	119,103

Accounts receivable from securities margin clients are secured by their pledged securities, repayable on demand and bear interests at commercial rates. Credits are extended to the securities margin clients subject to the marginable value of the listed securities pledged with the Group. The margin ratios are reviewed and determined periodically. At the end of the reporting period, fair value of marketable securities pledged by securities margin clients was HK\$314,269,000 (2011: HK\$660,268,000).

- (iii) At the end of the reporting period, the accounts receivable from securities subscription clients, securities and options clearing houses and brokers were not yet due.

The Group maintains margin deposits with the options clearing house in respect of clients' monies in the ordinary course of business of options broking. At the end of the reporting period, the deposit not otherwise dealt with in the consolidated financial statements amounted to HK\$1,451,000 (2011: HK\$2,146,000).

- (iv) Accounts receivable from the futures clearing house and brokers did not include the clients' monies deposited in the future clearing house in Hong Kong amounted HK\$1,305,000 (2011: HK\$2,701,000), which was not dealt with in the consolidated financial statements. At the end of the reporting period, the accounts receivable from futures clearing house and brokers were all aged within 30 days and repayable on demand.

- (v) At the end of the reporting period, the ageing analysis of accounts receivable from futures clients with overloss was as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Overdue over 180 days	–	7
Allowance for bad and doubtful debts	–	(7)
	–	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

20. ACCOUNTS RECEIVABLE *(Continued)**Note: (Continued)*

- (vi) At the end of the reporting period, the ageing analysis of accounts receivable from corporate finance advisory clients was as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Current	23	600
Overdue:		
Within 30 days	–	25
31-90 days	800	550
91-180 days	–	25
Over 180 days	700	868
	1,523	2,068
Allowance for bad and doubtful debts	–	(620)
	1,523	1,448

The movements in the provision for impairment of accounts receivable from corporate finance advisory clients were as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
At 1 July	620	614
Amount written off	(622)	–
Exchange realignment	2	6
At 30 June	–	620

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

20. ACCOUNTS RECEIVABLE *(Continued)*

Note: *(Continued)*

- (vii) At the end of the reporting period, the ageing analysis of accounts receivable arising from the provision of unit trusts and insurance-linked products agency services was as follows:

	2012	2011
	HK\$'000	HK\$'000
Current	965	5,235
Overdue:		
Within 30 days	3	36
31-90 days	9	6
91-180 days	-	9
Over 180 days	81	109
	1,058	5,395
Allowance for bad and doubtful debts	(57)	(58)
	1,001	5,337

The movements in the provision for impairment of accounts receivable from provision of unit trusts and insurance-linked products agency services were as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
At 1 July	58	9
Increase in allowance	-	49
Amount recovered	(1)	-
At 30 June	57	58

Accounts receivable with carrying amount of HK\$68,011,000 (2011: HK\$65,040,000) that are past due but not impaired. The management is of the opinion that no provision for impairment is necessary in respect of the overdue amount as all the balances have been fully settled subsequently or were being settled according to the agreed repayment schedules. The Group does not hold any collateral or other credit enhancements over these balances other than accounts receivable from securities margin clients.

Accounts receivable are neither past due nor impaired at the end of the reporting period for which the Group believes that the amounts are recoverable.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Deposits, prepayments and other receivables	6,019	5,487	147	148
Due from a related company (Note)	2,126	1,516	–	–
Allowance on bad and doubtful debts	(1,117)	–	–	–
	7,028	7,003	147	148

Note: The related company is Tanrich (Hong Kong) Holdings Limited (“THKHL”) in which directors of the Company, Dr. Yip Man Fan and Mr. Tsunoyama Toru, have indirect beneficial interest. The amount due represents staff costs and office overhead expenses paid on THKHL’s behalf. The amount due was the maximum balance outstanding.

Allowance for bad and doubtful debts

	2012 HK\$'000	2011 HK\$'000
At 1 July	–	–
Increase in allowance	(1,117)	–
At 30 June	(1,117)	–

The directors assessed the recoverability of other receivables at the end of the reporting period individually with reference to borrowers’ past collection history and current creditworthiness. An aggregate amount due from borrowers of HK\$1,117,000 (2011: Nil) was determined to be impaired as a result of the assessment. In the directors’ opinion, there was no indication of deterioration in the recoverability of the remaining amount of HK\$7,028,000 (2011: HK\$7,003,000) and thus no additional allowance was considered necessary.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Pledged deposits	2,007	–	765	–
Cash and bank balances	35,211	32,033	501	2,153
Bank overdrafts	–	(7,816)	–	–
As stated in the consolidated statement of cash flows	37,218	24,217	1,266	2,153

The Group maintains trust accounts with banks to deal with clients’ monies in the ordinary course of business. At the end of the reporting period, trust monies not otherwise dealt with in the consolidated financial statements amounted to HK\$156,256,000 (2011: HK\$93,080,000). Bank overdrafts bear interest at prevailing market rate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

23. INTEREST-BEARING BORROWINGS

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Bank loans, secured and wholly repayable within 12 months	85,500	102,500	51,500	61,500

The bank loans were borrowed principally for the purpose of providing margin financing to clients. The weighted average effective interest rate on the loans was 1.54% (2011: 1.08%) per annum. The bank loans were fully repaid in July 2012.

24. ACCOUNTS PAYABLE

	Note	Group	
		2012 HK\$'000	2011 HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	(i)	7,919	10,011
– securities margin clients	(i)	652	1,752
– futures clients	(ii)	10,314	12,273
– clearing house and securities brokers		–	5,298
Accounts payable arising from the provision of unit trusts and insurance-linked products agency services	(iii)	1,532	81
	(iv)	20,417	29,415

Note:

- (i) The settlement terms of accounts payable arising from the ordinary course of business of broking in securities in respect of cash clients and margin clients are two or three trading days after the transaction dates.
- (ii) Accounts payable arising from the ordinary course of business broking in index, commodity and currency futures contracts and options represent the margin deposits received from clients for their trading in future contracts and options. The excess over the required margin deposits stipulated are repayable to clients on demand.
- (iii) Accounts payable arising from the provision of unit trusts and insurance-linked products agency services are repayable within 30 days.
- (iv) Accounts payable are stated net of clients' segregated assets of HK\$159,012,000 (2011: HK\$97,927,000).
- (v) No ageing analysis is disclosed in respect of accounts payable. In the opinion of the directors, an ageing analysis does not give additional value in view of the businesses' nature.
- (vi) Interest with reference to savings rate of financial institutions is payable to accounts payable arising from the ordinary course of business of securities broking subject to their balances maintained with the Group. All other categories of accounts payable are non-interest-bearing.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

25. DEFERRED TAXATION**Recognised deferred tax assets (liabilities) of the Group**

	Assets		Liabilities	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Depreciation allowances	-	-	(180)	(142)
Tax losses	180	142	-	-
Deferred tax assets (liabilities)	180	142	(180)	(142)
Offset deferred tax assets and liabilities	(180)	(142)	180	142
Net deferred tax assets (liabilities)	-	-	-	-

Unrecognised deferred tax assets of the Group arising from

	2012 HK\$'000	2011 HK\$'000
Deductible temporary differences	76	56
Tax losses	206,336	169,435
At 30 June	206,412	169,491

Both the tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

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YEAR ENDED 30 JUNE 2012

26. SHARE CAPITAL

	Note	2012		2011	
		Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:					
Ordinary shares of HK\$0.1 each					
At 1 July and 30 June		2,000,000	200,000	2,000,000	200,000
Issued and fully paid:					
At 1 July		1,179,252	117,925	1,128,864	112,886
Issue of shares under share option schemes	(i)	12,224	1,222	50,388	5,039
At 30 June		1,191,476	119,147	1,179,252	117,925

Note:

- (i) During the year, share options granted under the share option schemes were exercised by the grantees to subscribe for 12,224,000 (2011: 50,388,000) shares of HK\$0.1 each of the Company at the exercise prices ranged from HK\$0.131 to HK\$0.888 (2011: HK\$0.115 to HK\$0.75) per share respectively.

27. SHARE OPTION SCHEMES

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

Pursuant to a share option scheme of the Company, which was adopted on 7 January 2002, the Directors may, at their absolute discretion, grant share options to eligible persons including directors, employees or bona fide consultants of the Group to take up options for share subscription in the Company subject to the terms and conditions stipulated therein and the Listing Rules. A nominal consideration of HK\$1 is payable by the grantees for each lot of share options granted. Share options may be exercised in accordance with the terms of the Pre-Listing Scheme at any time during the period commencing one year from the option grant date and expiring on the earlier of the last day of (i) a ten year period from the option grant date or (ii) ten years from the adoption date.

Movements in the number of share options outstanding during the year are as follows:

Subscription price	Number of options ('000)		
	HK\$0.180	HK\$0.163	Total
At 1 July 2010	12,640	2,000	14,640
Exercised	(4,640)	(2,000)	(6,640)
At 30 June 2011 and 1 July 2011	8,000	–	8,000
Exercised	(8,000)	–	(8,000)
At 30 June 2012	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

27. SHARE OPTION SCHEMES *(Continued)***(b) Post-Listing Share Option Scheme ("Post-Listing Scheme")**

Another share option scheme of the Company was adopted on 30 January 2004. The Directors may, at their absolute discretion, grant share options to eligible persons including directors, employees, advisors, business associates and consultants of the Group and associated companies to subscribe for shares in the Company subject to the terms and conditions stipulated therein and the Listing Rules. No consideration is paid or payable for the acceptance of the share options granted. Share options may be exercised in accordance with the terms of the Post-Listing Scheme at any time during the period not to be less than one year and not to exceed ten years from the grant dates of the relevant options.

Movements in the number of share options outstanding during the year are as follows:

Exercise price	Number of options ('000)										Total
	HK\$0.390	HK\$0.750	HK\$0.168	HK\$0.460	HK\$0.115	HK\$0.131	HK\$0.141	HK\$0.261	HK\$0.250	HK\$0.888	
At 1 July 2010	840	4,000	22,480	2,400	800	12,624	1,620	4,400	900	-	50,064
Granted	-	-	-	-	-	-	-	-	-	1,200	1,200
Lapsed	-	-	-	-	-	-	(440)	-	-	-	(440)
Exercised	(840)	(1,300)	(20,080)	(2,400)	(800)	(12,168)	(860)	(4,400)	(900)	-	(43,748)
At 30 June 2011 and 1 July 2011	-	2,700	2,400	-	-	456	320	-	-	1,200	7,076
Lapsed	-	-	-	-	-	(152)	-	-	-	-	(152)
Exercised	-	(2,700)	-	-	-	(304)	(220)	-	-	(1,000)	(4,224)
At 30 June 2012	-	-	2,400	-	-	-	100	-	-	200	2,700

At the end of the reporting period, the weighted average remaining contractual life of the Company's share options was 5.9 years (2011: 6.7 years). Details of the movements in the Post-Listing Scheme are set out in the Directors' Report on pages 25 to 26.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

28. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of change in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out below:

Company	Note	Investment revaluation reserve HK\$'000	Share premium HK\$'000 (Note (ii))	Contributed surplus HK\$'000 (Note (i))	Share options reserve HK\$'000 (Note (iv))	Warrants reserve HK\$'000 (Note (v))	Retained earnings (Accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2010		60,804	773	65,059	536	-	1,930	129,102
Loss for the year		-	-	-	-	-	(13,198)	(13,198)
Other comprehensive income for the year								
Available-for-sale financial assets								
Change in fair value		23,109	-	-	-	-	-	23,109
Total comprehensive income for the year		23,109	-	-	-	-	(13,198)	9,911
Issue of shares under share option schemes	26(i)	-	5,066	-	-	-	-	5,066
Issue of unlisted warrants	(v)	-	-	-	-	2,000	-	2,000
Total transactions with owners		-	5,066	-	-	2,000	-	7,066
At 30 June 2011		83,913	5,839	65,059	536	2,000	(11,268)	146,079
At 1 July 2011		83,913	5,839	65,059	536	2,000	(11,268)	146,079
Loss for the year		-	-	-	-	-	(49,093)	(49,093)
Other comprehensive loss for the year								
Available-for-sale financial assets								
Change in fair value		(30,487)	-	-	-	-	-	(30,487)
Total comprehensive loss for the year		(30,487)	-	-	-	-	(49,093)	(79,580)
Issue of shares under share option schemes	26(i)	-	3,715	-	(513)	-	-	3,202
Lapse of share options		-	-	-	(23)	-	23	-
Lapse of unlisted warrants	(v)	-	-	-	-	(2,000)	2,000	-
Total transactions with owners		-	3,715	-	(536)	(2,000)	2,023	3,202
At 30 June 2012		53,426	9,554	65,059	-	-	(58,338)	69,701

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

28. RESERVES *(Continued)*

Note:

(i) Contributed surplus

Contributed surplus represents the difference between the aggregate net asset value of subsidiaries acquired as a result of the reorganisation and the nominal amount of the Company's shares issued for the acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company may not declare or pay a dividend, or make a distribution out of the contributed surplus, if there are reasonable grounds for believing that (i) it would, or would after the payment, be unable to pay its liabilities as they become due; or (ii) the realised value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(ii) Share premium

The share premium account of the Company of HK\$9,554,000 (2011: HK\$5,839,000) can be distributed in the form of fully paid bonus shares pursuant to the Companies Act 1981 of Bermuda.

(iii) Distributable reserves

As at the end of the reporting period, in the opinion of the Directors, the reserves of the Company available for distribution to shareholders amounted to HK\$6,721,000 (2011: HK\$53,791,000) subject to the restriction stated above.

(iv) Share option reserve

Share options reserve represents the fair value of share options granted under the Company's share option scheme which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated profits or losses should the related options expire or be forfeited.

(v) Warrants reserve

Warrant reserve represents the proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium accounts upon exercise of the warrants.

On 28 January 2012, 100,000,000 unlisted warrants were lapsed. HK\$2,000,000 was transferred from warrants reserve to the accumulated losses.

29. RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution retirement scheme (the "ORSO Scheme") and a mandatory provident fund scheme (the "MPF Scheme") which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance and the Mandatory Provident Fund Ordinance.

Contributions to the ORSO Scheme depend on employees' service years, and range from five to seven per cent of their basic salaries and commissions.

Employees under the ORSO Scheme are entitled fully to the employer's contributions upon completion of ten service years, or at a reduced scale upon completion of three to nine service years. Forfeited contributions by the qualified employees who left the scheme prior to vesting fully in such contributions are used to reduce the Group's contributions.

Contributions to the MPF Scheme are calculated at five percent of the relevant income of each employee subject to a maximum amount of HK\$1,000 per month up to June 2012 and HK\$1,250 per month from June 2012 and onward. All statutory contributions under the MPF Scheme are immediately fully vested on the employees.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

29. RETIREMENT BENEFIT SCHEMES *(Continued)*

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

	2012	2011
	HK\$'000	HK\$'000
Gross employer's contributions	1,147	1,129
Less: Forfeited contributions utilised to offset employer's contributions for the year	(33)	–
Net employer's contributions charged to profit or loss	1,114	1,129

30. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the consolidated financial statements, there are related party transactions entered into by the Group during the year, details of which are set out below:

Related party relationship	Nature of transaction	2012	2011
		HK\$'000	HK\$'000
Key management personnel, excluding directors	Salaries, commission and allowances	7,045	7,918
	Contributions to retirement benefit schemes	125	137
A related company THKHL <i>(Note i)</i>	Management fee received	(960)	(960)
	Motor vehicle lease payment	240	240
	Depreciation share expense	198	–
Union Light Investment Limited <i>(Note ii)</i>	Interest payment	127	–

No disclosures of connected transactions or continuing connected transactions are required to be reported under the Listing Rules.

Note:

- (i) During the year, the Group charged and paid to a related company, THKHL management fee of HK\$80,000 per month and lease payment of HK\$20,000 per month for the management and personnel supportive services provided by the Group and for the use of a motor vehicle respectively. THKHL is controlled by a combination of certain directors of the Company.
- (ii) On 3 August 2011, TFML entered into an agreement with Union Light Investment Limited ("Union Light"), under the common directorship of Dr. Yip Man Fan and Mr. Tsunoyama Toru, which has obtained credit facility granted by a bank in Hong Kong amounted to HK\$170,000,000 and has agreed to grant such facility to TFML and its subsidiaries for working capital and business development. TFML would subject to the same terms and conditions under the banking facility granted to Union Light.

During the year, a total amount of HK\$56,000,000 had been utilised by TSCL and TFML under 4 withdrawals. The Group paid interest expense of HK\$127,000 to Union Light. The loan was fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group	Loans and receivables HK\$'000	Assets at fair value through profit or loss HK\$'000	Held-to- maturity HK\$'000	Available- for-sale HK\$'000	Total HK\$'000
Financial assets					
Available-for-sale financial assets	–	–	–	81,836	81,836
Other financial assets	–	4,949	14,614	–	19,563
Loans and advances	822	13,082	–	–	13,904
Investments held for trading	–	6,450	–	–	6,450
Accounts receivable	131,312	–	–	–	131,312
Financial assets included in deposits, prepayments and other receivables	7,028	–	–	–	7,028
Other non-current assets	3,582	–	–	–	3,582
Pledged deposits	2,007	–	–	–	2,007
Cash and bank balances	35,211	–	–	–	35,211
At 30 June 2012	179,962	24,481	14,614	81,836	300,893

Group	Financial liabilities at amortised cost HK\$'000
Financial liabilities	
Interest-bearing borrowings	85,500
Accounts payable	20,417
Financial liabilities included in other payables and accrued charges	9,603
At 30 June 2012	115,520

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

31. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Group	Loans and receivables HK\$'000	Assets at fair value through profit or loss HK\$'000	Held-to- maturity HK\$'000	Available- for-sale HK\$'000	Total HK\$'000
Financial assets					
Available-for-sale financial assets	–	–	–	124,217	124,217
Other financial assets	–	2,751	14,655	–	17,406
Loans and advances	2,407	–	–	–	2,407
Unlisted debt investments	–	18,440	–	–	18,440
Investments held for trading	–	10,473	–	–	10,473
Accounts receivable	202,810	–	–	–	202,810
Financial assets included in deposits, prepayments and other receivables	7,003	–	–	–	7,003
Other non-current assets	3,500	–	–	–	3,500
Cash and bank balances	32,033	–	–	–	32,033
At 30 June 2011	247,753	31,664	14,655	124,217	418,289
Group					
					Financial liabilities at amortised cost HK\$'000
Financial liabilities					
Bank overdrafts					7,816
Interest-bearing borrowings					102,500
Accounts payable					29,415
Financial liabilities included in other payables and accrued charges					12,680
At 30 June 2011					152,411

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

Company	Loans and receivables HK\$'000	Assets at fair value through profit or loss HK\$'000	Held-to- maturity HK\$'000	Available- for-sale HK\$'000	Total HK\$'000
Financial assets					
Available-for-sale financial assets	–	–	–	62,806	62,806
Other financial assets	–	4,949	14,614	–	19,563
Investments held for trading	–	5,224	–	–	5,224
Amount due from a subsidiary	152,200	–	–	–	152,200
Financial assets included in deposits, prepayment and other receivables	147	–	–	–	147
Pledged deposits	765	–	–	–	765
Cash and bank balances	501	–	–	–	501
At 30 June 2012	153,613	10,173	14,614	62,806	241,206

Company	Financial liabilities at amortised cost HK\$'000
Financial liabilities	
Interest-bearing borrowings	51,500
Financial liabilities included in other payables and accrued charges	858
At 30 June 2012	52,358

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

31. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Company	Loans and receivables HK\$'000	Assets at fair value through profit or loss HK\$'000	Held-to- maturity HK\$'000	Available- for-sale HK\$'000	Total HK\$'000
Financial assets					
Available-for-sale financial assets	–	–	–	93,293	93,293
Other financial assets	–	2,751	14,655	–	17,406
Investments held for trading	–	6,829	–	–	6,829
Amount due from a subsidiary	169,169	–	–	–	169,169
Financial assets included in deposits, prepayment and other receivables	148	–	–	–	148
Cash and bank balances	2,153	–	–	–	2,153
At 30 June 2011	171,470	9,580	14,655	93,293	288,998

Company	Financial liabilities at amortised cost HK\$'000
Financial liabilities	
Interest-bearing borrowings	61,500
Financial liabilities included in other payables and accrued charges	466
At 30 June 2011	61,966

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: interest-rate risk, credit risk, foreign exchange risk, liquidity risk, equity price risk and commodity and futures contract price risk. The Group's overall risk control focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Risk Control Committee ("RCC") is responsible for establishing and reviewing credit policies and procedures to minimise systematic and non-systematic credit and financial risks of the Group. The RCC is also responsible for assessing the risk of long term investments and proprietary trading.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest-rate risk

The Group had short-term borrowings for the subscription of new shares, with an interest rate fixed with the banks upon withdrawal. Hence, the Group has minimal interest-rate risk exposure in this regard. The interest rate risk exposure arises mainly from the margin financing to the Group's securities margin clients and the loans and advances to entities. The interest rates charged and the margin ratio allowed to the Group's securities margin clients were determined with reference to the terms from the banks while the interest rate for loans and advances are fixed. The Group determined the interest rate for loans and advances with appropriate premium to deal with the interest-rate risk.

Management considers that the Company has limited exposure to interest rate risk relating to the margin financing to the Group's securities margin clients and the loans and advances to entities as the changes in interest rates for these items are minimal.

Credit risk

The Group is exposed to credit risk for all financial assets that a client or counterparty in a transaction may default on settlement. The Group's credit policy for securities margin clients are set out in note 20 to the consolidated financial statements. The maximum exposure equals to the carrying amount of the account receivables less the market value of the underlying pledged securities.

As the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

The Group's other financial assets, including bank balances, loans and advances and other receivables have a maximum exposure of credit risk without taking account of any collateral held or other credit enhancements equal the carrying amounts of these instruments.

The Group's bank balances are placed with credit-worthy banks and financial institutions in Hong Kong and in the People's Republic of China.

Foreign currency risk

The Group's foreign currency exposures arise mainly from the exchange rate movements of United States dollar.

The Group considers the risk exposure to foreign currency fluctuation would be minimal as long as the Hong Kong dollar remains pegged to the United States dollar. The analysis is performed on the same basis for 2011.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group manages to maintain its liquidity position at a prudent and adequate liquidity level. The Directors monitor the cash flows daily to ensure sufficient funds available. The senior management would also review the liquidity level in compliance with the statutory requirements for the licensed subsidiaries.

The remaining undiscounted contractual maturity profile of the Group and the Company's non-derivative financial liabilities at the end of the reporting period, based on the earliest date on which the Group is required to settle, is summarised below:

	2012			2011		
	Less than 3 months or on demand HK\$'000	3 to 12 months HK\$'000	Total HK\$'000	Less than 3 months or on demand HK\$'000	3 to 12 months HK\$'000	Total HK\$'000
Group						
Bank overdrafts	-	-	-	7,816	-	7,816
Interest-bearing borrowings	85,500	-	85,500	102,500	-	102,500
Accounts payable	20,417	-	20,417	29,415	-	29,415
Other payables and accrued charges	8,610	993	9,603	11,837	843	12,680
	114,527	993	115,520	151,568	843	152,411
Company						
Interest-bearing borrowings	51,500	-	51,500	61,500	-	61,500
Other payables and accrued charges	618	240	858	250	216	466
	52,118	240	52,358	61,750	216	61,966

At the end of the reporting period, pursuant to the corporate guarantee provided by the Company granted to the subsidiaries, the possible undiscounted contractual cash outflow was HK\$34,000,000 (2011: HK\$41,000,000), which classified as "Less than 3 months or on demand" under the maturity profile.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***Equity price risk**

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risks arising from individual equity investments classified as available-for-sale investments and investments held for trading as at 30 June 2012, details of which have been set out in notes 15 and 19 to the consolidated financial statements respectively. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the Stock Exchange at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year were as follows:

	<u>2012</u>		<u>2011</u>	
		High/Low from 1 July 2011 to 30 June 2012		High/Low from 1 July 2010 to 30 June 2011
	30 June		30 June	
Hong Kong – Hang Seng Index	19,441	22,835/16,170	22,398	24,989/19,778

Sensitivity analysis

The sensitivity analysis below has been determined assuming that the reasonably possible changes in the fair value of equity investments, with all other variables held constant had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The analysis is performed on the same basis for 2011.

At the end of the reporting period, if the equity price had been 10% (2011: 10%) higher/lower with all other variables held constant, the Group's loss (2011: profit) before tax would be decreased/increased by HK\$645,000 (2011: increased/decreased by HK\$1,047,000). Investment revaluation reserve would be increased/decreased by HK\$7,752,000 (2011: HK\$11,969,000) as a result of changes in fair value of listed available-for-sale investments. For sensitivity analysis on available-for-sale investments, no account has been taken of factors such as impairment which might impact on profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Risk associated with futures contracts

At end of the reporting period, the Group had proprietary trading financial instruments outstanding, namely, equity index, commodity and currency futures contracts. The contractual or notional amounts of the Group's trading futures contracts outstanding at end of the reporting period were as follows:

	Group	
	Contractual/notional amount	
	2012	2011
	HK\$'000	HK\$'000
Long position with maturity		
Within 3 months		
Equity index contracts	3,509	–
Commodity contracts	–	26,141
Currency contracts	64,934	31,562
	68,443	57,703
Longer than 3 months but within 6 months		
Precious metals contracts	2,042	–
	70,485	57,703
Short position with maturity		
Within 3 months		
Equity index contracts	–	3,364
Commodity contracts	8,786	29,922
Precious metals contracts	547,446	–
	556,232	33,286
Longer than 3 months but within 6 months		
Commodity contracts	–	76,642
	556,232	109,928

The financial instruments become favorable or unfavorable as a result of fluctuations in market price of the underlying instruments relative to their terms.

The unrealised gain or loss of those financial instruments were included in the account balances with the future clearing house and brokers under Accounts Receivable, as disclosed in note 20 to these financial statements.

Notional amounts of these financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amount of future cash flows involved and, therefore, are not a representation of the Group's exposure to the price risk.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***Fair value**

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transaction.

The directors consider that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair value.

Fair value disclosures

The following presents the carrying value of financial instruments measured at fair value at 30 June 2012 and 2011 across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
30 June 2012				
Available-for-sale financial assets				
Listed securities	77,518	77,518	–	–
Other financial assets				
Held to maturity financial assets	14,614	–	14,614	–
SWAP	4,051	–	4,051	–
Embedded derivatives	898	–	898	–
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	6,326	6,326	–	–
Listed securities outside Hong Kong	124	124	–	–
Loans and advances	13,082	–	–	13,082

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Assets measured at fair value *(Continued)*

	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
30 June 2011				
Available-for-sale financial assets				
Listed securities	119,686	119,686	–	–
Other financial assets				
Held to maturity financial assets	14,655	–	14,655	–
SWAP	1,849	–	1,849	–
Embedded derivatives	902	–	902	–
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	10,473	10,473	–	–
Unlisted debt investments	18,440	–	–	18,440

Movements in Level 3 fair value measurements of financial assets

The movement mainly represents the recognition of fair value loss on unlisted debt instruments/loans and advances. The details of the measurement basis as at 30 June 2011 are set out in note 19 to the consolidated financial statements. No gain or loss has been recognised in the consolidated statement of comprehensive income for the year.

During the years ended 30 June 2012 and 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to support the Group's growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, future capital requirement of the Group and investment opportunities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives policies or processes during the years ended 30 June 2012 and 30 June 2011.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities and futures dealings and broking, corporate finance and investment advisory services and insurance agency and broking services which are regulated entities under SFC of Hong Kong, the Hong Kong Confederation of Insurance Brokers and Professional Insurance Brokers Association Limited and subject to the respective minimum capital requirements.

The Group monitors capital using a gearing ratio, which is total borrowings divided by the total shareholders' equity. The Group's policy is to maintain the gearing ratio at a reasonable level. As at the end of the reporting period, there were borrowings of HK\$86 million (2011: HK\$110 million) for financing the operations of the Group which resulted in a gearing ratio of 45% (2011: 41%).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

34. COMMITMENTS**Capital expenditure commitments**

	Group	
	2012	2011
	HK\$'000	HK\$'000
Potential acquisition	–	88,660

Commitments under operating leases

The Group lease a number of properties under operating leases, which typically run for an initial period of 1 to 3 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Within one year	11,000	10,993
In the second to fifth year inclusive	9,183	19,718
	20,183	30,711

Other commitments

In April 2010, the Company entered into the five year SWAP agreement with a bank in the United Kingdom and with notional amount of US\$10 million. The underlying instrument of the SWAP is a capital guaranteed fund.

Pursuant to the SWAP, the Company is obliged to make quarterly payments to the bank. The amount to be paid is calculated on the notional amount with reference to LIBOR from time to time. Upon maturity of the SWAP, the Company is entitled to receiving the return on the underlying instrument depending on its performance. The SWAP is accounted for by the Group in accordance with HKAS 39 accordingly and included in other financial assets under note 16 of the consolidated statement of financial position.

35. CONTINGENT LIABILITIES

The Company had corporate guarantee of HK\$130,500,000 (2011: HK\$120,500,000) for bank facilities granted to subsidiaries from banks, which were utilised to the extent of HK\$34,000,000 (2011: HK\$41,000,000) at the end of the reporting period.

The Company has not recognised any deferred income for the corporate guarantee given in respect of the banking facilities for subsidiaries as their fair value cannot be reliably measured and their transactions price was zero.

At the end of the reporting period, the directors do not consider probable that a claim will be made against the Company under any of the guarantee.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS:

	Financial year ended 30 June				
	2008 HK\$'000 (Restated)	2009 HK\$'000 (Restated)	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000
Turnover	109,774	67,775	68,147	109,636	67,238
(Loss) Profit before taxation	12,169	(31,461)	(32,708)	5,666	(45,008)
Income tax (credit) expenses	495	(88)	(753)	(1,091)	12
(Loss) Profit for the year	12,664	(31,549)	(33,461)	4,575	(44,996)
Attributable to:					
Equity holders of the Company	12,664	(31,547)	(33,455)	4,596	(44,996)
Non-controlling interests	–	(2)	(6)	(21)	–
	12,664	(31,549)	(33,461)	4,575	(44,996)
Dividends	5,626	–	–	–	–

ASSETS AND LIABILITIES:

	Assets and liabilities as at 30 June				
	2008 HK\$'000 (Restated)	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000
Non-current assets	124,169	126,039	121,925	150,293	109,026
Current assets	203,888	190,156	185,337	272,630	195,668
Total assets	328,057	316,195	307,262	422,923	304,694
Current liabilities	(36,227)	(58,684)	(84,864)	(154,083)	(115,846)
Non-current liabilities	–	–	–	–	–
Total liabilities	(36,227)	(58,684)	(84,864)	(154,083)	(115,846)
Net total assets	291,830	257,511	222,398	268,840	188,848
Current ratio	5.63	3.24	2.18	1.77	1.69
Gearing ratio	0%	12%	18%	41%	45%