

TANRICH

TANRICH FINANCIAL HOLDINGS LIMITED
敦沛金融控股有限公司*
(Stock Code: 812)

Item	2005	2006
Revenue	1,212,000	1,212,000
Profit	1,212,000	1,212,000
Loss	1,212,000	1,212,000
Revenue	1,212,000	1,212,000
Profit	1,212,000	1,212,000
Loss	1,212,000	1,212,000

NOTES TO THE FINANCIAL STATEMENTS

Tanrich
Four Investment
THINK TALK



Interim Report

2005
2006

*For identification only

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CORPORATE INFORMATION**Board of Directors***Executive Directors*

Mr. YIP Man Fan (*Chairman*)

Mr. KWOK Kam Hoi

(*Deputy Chairman & Chief Executive*)

Mr. TSUNOYAMA Toru

Mr. LEE, Edmund Kit Ming

(*resigned on 7 July 2005*)

Independent Non-Executive Directors

Mr. LAM, Andy Siu Wing, JP

Mr. MA, Andrew Chiu Cheung

Mr. YU King Tin

Mr. SUN Shuyi (*resigned on 3 March 2006*)

Audit Committee

Mr. LAM, Andy Siu Wing, JP (*Chairman*)

Mr. MA, Andrew Chiu Cheung

Mr. YU King Tin

Remuneration Committee

Mr. LAM, Andy Siu Wing, JP (*Chairman*)

Mr. MA, Andrew Chiu Cheung

Mr. YU King Tin

Mr. KWOK Kam Hoi

Mr. TSUNOYAMA Toru

**Company Secretary and
Qualified Accountant**

Ms. CHEUNG, Fendi Chung Yee

Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

**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 Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

**Hong Kong Branch
Share Registrar**

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

Principal Bankers

Standard Chartered Bank
(Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
Wing Lung Bank Limited
Bank of America (Asia) Ltd.
Bank of China (Hong Kong) Limited

Auditors

Moores Rowland Mazars
Certified Public Accountants
34th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

Listing Information

The Stock Exchange of Hong Kong Limited
Stock Code: 812

Website

www.tanrich.com

INTERIM RESULTS

The Board of Directors (the "Board") of Tanrich Financial Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries ("Tanrich" or the "Group") for the six months ended 31 December 2005 together with the comparative figures of the previous period which are set out on pages 17 to 32 of this report.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 December 2005. (2004: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 31 December 2005, the Group still faced a challenging time due to keen competition in the futures brokering business despite the augmentation in the corporate finance and the wealth management and insurance agency businesses. Turnover of the Group for the six months ended 31 December 2005 was HK\$33.4 million, representing a decrease of 21.5% as compared with that of the same period last year, and the Group recorded loss attributable to shareholders of HK\$6.0 million (2004: Profit of HK\$0.3 million). However, with the effort from the management in expanding other businesses and cost saving measures, the Group achieved a remarkable improvement in results as compared with that for the six months ended 30 June 2005. The loss attributable to shareholders reduced by 47.2% from HK\$11.4 million to HK\$6.0 million.

Futures brokering

As a result of keen competition in the futures brokering market coupled with a significant drop in the number of account executives of the Group's futures brokering business, the commission income derived from brokering in futures contracts for the period under review amounted to HK\$17.7 million (2004: HK\$27.1 million), representing a drop of 34.6 % as compared to that for the same period last year, and resulting in an operating loss of HK\$10.0 million (2004: HK\$2.6 million). We have taken remedial measures, including but not limited to a

thorough review of the remuneration and incentive scheme, implementation of a series of training and recruitment programs to reinforce the sales force of futures brokering business. The Group has also put in more resources in market and product research and analysis in order to provide better investment advices and value added services to our customers.

Securities brokering and margin financing

Following the successful review of our credit control policies, the Group has set policies which meet the requirements of the customers and the changing market environment with a balance of manageable credit risk. The turnover from securities brokering and margin financing business for the period under review rebounded from the bottom in early 2005 to HK\$4.5 million which represented an increase of 37.7% of that for the six months ended 30 June 2005, but was still less than that of 2004 by 26.9%. The segment profit also dropped from HK\$1.9 million to HK\$0.2 million.

In view of the huge trading activities in the capital market and the buoyant initial public offering activities expected in the forthcoming year, the average daily turnover of The Stock Exchange of Hong Kong Limited (the "SEHK") in January 2006 reached more than HK\$30 billion, and with the addition of experienced account executives in this business, the management is confident that the securities brokering and margin financing business can perform better in the coming half year.

Corporate finance

After going through the cultivating period of the corporate finance business, the team successfully sponsored a company listed on the main board of SEHK in the period under review. With the contribution from this project, the corporate finance business recorded a turnover of HK\$2.0 million. The operating loss for the period under review decreased by more than 90% from HK\$2.1 million to HK\$0.1 million.

The Group's corporate finance business is expected to be one of its core businesses in the long run. With the satisfactory result of the first company sponsored by us and listed on the SEHK, we have proved our expertise and capability. We will further explore business opportunities to strengthen our corporate finance business.

Wealth management and insurance agency

During the period under review, the turnover of the Group's wealth management and insurance agency business increased by 35.3% to HK\$4.3 million and it recorded the first operating profit of HK\$0.1 million turnaround from loss of HK\$0.8 million for the same period last year. The turnover was mainly contributed by the insurance agency section.

To meet the requirements and different investment expectations of our clients, the Group recently appointed a managing director for the wealth management section. With her extensive experience, the Group is confident in enhancing our corporate strengths and expediting our business development.

Money lending

The loan principal outstanding as at the balance sheet date decreased from HK\$30 million in 2004 to HK\$14 million. Accordingly, the interests income of the Group's money lending business for the period under review reduced to HK\$1.0 million from that of HK\$2.2 million in 2004. The operating profit also decreased by 59.9% to approximately HK\$0.9 million. It is the Group's policy to capture profit generating opportunities by identifying credit worthy corporate clients with a view to provide money lending services.

Prospects

Hong Kong is experiencing robust economic environment with the unemployment rate of 5.2% as recorded the lowest in the past few years. Mainland China is opening its financial services sector following its accession to the World Trade Organisation. 2006 will be a challenging year but be full of opportunities. With the understanding of the culture and business practice of Mainland China and the exposure to the international markets, the experience and expertise of Hong Kong financial services providers will have definite advantages in developing these new opportunities.

In view of the above, the Group has been recruiting more senior executives to strengthen the various skills and know-how to cope with the challenges ahead. Our account executives and financial planners are obtaining licences for different financial products to provide all-round advices to our clients for meeting their different investment objectives and requirements. It is expected that the Group will have better operating performance in the coming half year.

In the first quarter of 2006, the Group revamped the content of our web-site to provide our clients with the latest market news, all-round information on key commodities and foreign currencies and proprietary strategy reports. Several new features have been added, including web broadcasting, global economic research, daily hot stock and commodity futures recommendations and even weather forecast. The management believes that our web-site would become an essential tool for our clients in stocks, currency futures and commodity futures trading.

Financial Review

Liquidity, financial resources and gearing ratio

The Group has maintained a healthy and stable financial position. The subsidiaries licensed by the Securities and Futures Commission (the "SFC") fully complied with the financial resources rules promulgated by the SFC. As at 31 December 2005, the Group had total cash and bank balances of HK\$34.9 million (30 June 2005: HK\$38.3 million), while net current assets amounted to HK\$87.5 million (30 June 2005: HK\$78.6 million). The current ratio as a ratio of current assets to current liabilities was about 2.9 (30 June 2005: 2.6).

At the balance sheet date, the Group had no bank and other borrowings which resulted in zero gearing ratio. The gearing ratio represents the ratio of total borrowings to the total equity of the Group.

At 31 December 2005, the Group had aggregate banking facilities of HK\$100.0 million. The drawdown of certain banking facilities of HK\$84.5 million is subject to the market value of the marketable securities pledged. At the balance sheet date, the market value of the clients' pledged securities amounted to approximately HK\$204.6 million. The other general banking facilities were secured by the investments in

listed securities of the Company of market value of HK\$25.8 million and a fixed deposits of HK\$0.5 million. The Company has provided corporate guarantees for the facilities of HK\$99.5 million granted to its subsidiaries. All the banking facilities were denominated in Hong Kong dollars and subject to commercial floating interest rates. There were no seasonal factors affecting the Group's borrowing requirements.

Material investments

During the period under review, there were no material acquisition of investments and subsidiaries. The Group realized certain investments held for trading with a loss of HK\$0.3 million.

During the period, the Group's investments classified as available-for-sale financial assets have been appreciated with the closing market price per share rising from HK\$20.1 to HK\$32.1. The increase in equity resulted from such appreciation was HK\$15.7 million.

As far as practicable and up to the date of this analysis, the Group has not planned any major investments or acquisition of capital assets in the near future.

Charge on assets

Other than the assets pledged for banking facilities stated above, the Group has also pledged bank deposits as collateral to authorised financial institutions from time to time for foreign exchange deferred trading. As at 31 December 2005, bank deposits of HK\$ 0.8 million (30 June 2005: HK\$1.0 million) were pledged to authorised financial institutions for this purpose.

Contingent liabilities

As at 31 December 2005, there were no significant changes in contingent liabilities as disclosed in the Annual Report 2005.

Exposure to fluctuations in exchange rates and related hedges

The Group has exposure to foreign exchange fluctuation as a result of placing margin deposit in Japanese Yen with two designated futures commission merchants in Japan on behalf of its clients in Hong Kong.

According to the Group's hedging policy, the Group hedges at least 80% of its net foreign exchange exposure with USD/JPY foreign exchange deferred trading in order to minimise its foreign exchange risk.

As at 31 December 2005, the Group had a total margin deposit placed with the two designated futures commission merchants of 179.7 million Japanese Yen and a bank deposit of 0.4 million Japanese Yen, total Japanese Yen being equivalent to approximately HK\$11.9 million. This amount has been fully hedged with USD/JPY foreign exchange deferred trading.

Staff

As at 31 December 2005, the Group had a total of 143 full-time employees. The Group operates different remuneration schemes for account executives and other supporting and general staff respectively. Account executives are remunerated on the basis of on-target-earning packages comprising base pay or drawing, commission and/or bonus. Other supporting and general staff are offered base salary and year-end discretionary bonuses. The Group also provides training programs for the staff to enhance their skills and products, regulatory and compliance knowledge.

The Company has share options schemes under which the Company may grant options to eligible persons to subscribe for shares in the Company.

On behalf of the Board

KWOK Kam Hoi

Deputy Chairman and Chief Executive

Hong Kong, 20 March 2006

ADDITIONAL INFORMATION**Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company**

As at 31 December 2005, the interests and short positions of the directors and the chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), were as follows:

Interests in long positions in the shares and underlying shares in the Company

	Number of ordinary shares held				No. of underlying shares held under share options of the Company (Note 3)	Total
	Personal interests	Family interests	Corporate interests	Other interests		
Yip Man Fan	—	7,500,000 (Note 1)	—	120,000,000 (Note 2)	4,000,000	131,500,000
Kwok Kam Hoi	—	—	—	—	4,000,000	4,000,000
Tsunoyama Toru	22,500,000	—	—	—	3,950,000	26,450,000

Notes:

1. Shares are held by Ms. Tang Yuk Lan, the spouse of Mr. Yip Man Fan.
2. Shares are held by discretionary trusts of which Mr. Yip Man Fan and members of his family are beneficiaries.
3. These interests represent the interests in the underlying shares in respect of share options granted by the Company to the directors of the Company as beneficial owners.

Save as disclosed above, as at 31 December 2005, none of the directors or their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations 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 SEHK pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

Share Option Schemes

Details of the share options outstanding as at 31 December 2005 which had been granted under the share option schemes of the Company were as follows:

(i) Pre-listing share option scheme ("Pre-Listing Scheme")

	Number of share options				Held at 31 December 2005	Sub- scription price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1 July 2005	Granted during the period	Exercised during the period	Lapsed during the period					
Directors:									
Yip Man Fan	2,000,000	—	—	—	2,000,000	0.72	22 February 2002	22 February 2003	7 January 2012
	—	2,000,000	—	—	2,000,000	0.61	19 December 2005	19 December 2006	7 January 2012
Kwok Kam Hoi	2,000,000	—	—	—	2,000,000	0.72	22 February 2002	22 February 2003	7 January 2012
Tsunoyama Toru	1,950,000	—	—	—	1,950,000	0.72	22 February 2002	22 February 2003	7 January 2012
	—	2,000,000	—	—	2,000,000	0.61	19 December 2005	19 December 2006	7 January 2012
Continuous contract employees	7,990,000	—	—	1,780,000	6,210,000	0.72	22 February 2002	22 February 2003	7 January 2012
	—	1,300,000	—	—	1,300,000	0.61	19 December 2005	19 December 2006	7 January 2012
Bona fide consultants of the Group	170,000	—	—	30,000	140,000	0.72	22 February 2002	22 February 2003	7 January 2012
	—	800,000	—	—	800,000	0.61	19 December 2005	19 December 2006	7 January 2012

Notes:

- The closing price immediately before the date on which the option granted on 22 February 2002 was HK\$0.65.
- The closing price immediately before the date on which the option granted on 19 December 2005 was HK\$0.60.
- Share options had lapsed in accordance with the terms and conditions of the Pre-Listing Scheme following the resignation of employees and cessation of consultancy services.

(ii) Post-listing share option scheme ("Post-Listing Scheme")

	Number of share options				Held at 31 December 2005	Sub- cription price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1 July 2005	Granted during the period	Exercised during the period	Lapsed during the period					
<i>Directors:</i>									
Kwok Kam Hoi	2,000,000	—	—	—	2,000,000	0.67	27 April 2004	27 April 2005	26 April 2014
Lee Kit Ming, Edmund	1,000,000	—	—	1,000,000	—	0.80	1 February 2005	1 February 2006	31 January 2015
Lee Chi Shing, Caesar	1,000,000	—	—	1,000,000	—	0.80	1 February 2005	1 February 2006	31 January 2015
<i>Continuous contract employees</i>									
employees	11,084,000	—	—	2,670,000	8,414,000	0.67	27 April 2004	27 April 2005	26 April 2014
<i>Consultants/Advisors</i>									
Advisors	3,380,000	—	—	200,000	3,180,000	0.67	27 April 2004	27 April 2005	26 April 2014
<i>Continuous contract employees</i>									
employees	600,000	—	—	600,000	—	0.80	1 February 2005	1 February 2006	31 January 2015

Notes:

1. The closing price immediately before the date on which the option granted on 27 April 2004 was HK\$0.67.
2. The closing price immediately before the date on which the option granted on 1 February 2005 was HK\$0.81.
3. Share options had lapsed in accordance with the terms and conditions of the Post-Listing Scheme following the resignation of directors, employees and cessation of consultancy services.

Effective from 1 July 2005, the Company would expense the costs of share options in the income statement with reference to the fair value of the options at the date of grant.

Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares

As at 31 December 2005, the persons (other than directors and chief executives of the Company whose interests or short positions have been disclosed in the "Interests in long positions in the shares and underlying shares in the Company on pages 10 and 11) who had interests or short positions in the shares and underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholders	Note	Number of ordinary shares	No. of underlying shares held under share options	Total	Percentage of holding
Aceland Holdings Ltd.	1 & 2	120,000,000	—	120,000,000	60.00%
Redwood Pacific Limited	2 & 4	120,000,000	—	120,000,000	60.00%
HSBC International Trustee Limited	3 & 4	120,000,000	—	120,000,000	60.00%
Tang Yuk Lan	5	127,500,000	4,000,000	131,500,000	65.75%

Notes:

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

Corporate Governance

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practice contained in Appendix 14 of the Listing Rules throughout the accounting period under review, except the following:

Code Provision A.4.1

The independent non-executive directors of the Company have no fixed term of office, but will retire from office, being eligible for re-election, on a rotation basis at least every three years in the annual general meetings in accordance with the Company's Bye-laws. The Company has agreed with all the independent non-executive directors to revise the related services agreements to comply with this provision as soon as practicable.

Code Provision A.4.2

The Chairman and Chief Executive who both are appointed for a term of two years, and are not subject to rotation or taken into account in determining the number of directors to retire in each annual general meeting in accordance with the Bye-laws of the Company. The Company is taking action to amend its Bye-laws to comply with the code provision regarding retirement by rotation of every director.

Model Code of the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Listing Rules during the period under review. 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 period under review.

Purchase, sale or redemption of shares

During the six months ended 31 December 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares in the Company.

Audit Committee

The audit committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited interim accounts for the six months ended 31 December 2005, with the external auditors. There were no disagreement from the external auditors or the audit committee with the accounting policies adopted by the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 31 December	
		2005 HK\$'000	2004 HK\$'000
Turnover	3	33,426	42,584
Other revenue		1,464	1,994
Staff costs	4	(21,706)	(24,677)
Operating leases on land and buildings		(3,256)	(3,887)
Brokerage and agency commission		(5,310)	(4,997)
Recovery of bad and doubtful debts		96	4
Amortisation of intangible assets		(30)	(30)
Depreciation		(1,497)	(2,053)
Loss on disposal of investments held for trading		(275)	—
Loss on disposal of property, plant and equipment		(211)	—
Other operating expenses		(8,515)	(8,025)
Finance costs		(177)	(305)
(Loss) Profit before taxation		(5,991)	608
Taxation	5	—	(315)
(Loss) Profit for the period		(5,991)	293
(Loss) Profit attributable to			
Equity holders of the parent		(6,010)	316
Minority interests		19	(23)
		(5,991)	293
Dividends paid	6	—	2,000
(Loss) Earnings per share			
— Basic (HK cents)	7	(3.0)	0.16
(Loss) Earnings per share			
— Diluted (HK cents)	7	N/A	0.15

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 31 December 2005 HK\$'000	Audited 30 June 2005 HK\$'000
	<i>Note</i>		
Non-current Assets			
Property, plant and equipment		2,567	3,604
Intangible assets		440	470
Other assets		2,000	2,000
Available-for-sale financial assets/Non-trading investments		41,924	26,251
Loans and advances	8	—	14,000
Deferred tax assets		3,286	3,286
		<u>50,217</u>	<u>49,611</u>
Current Assets			
Loans and advances	8	13,600	—
Accounts receivable	9	62,788	65,727
Deposits, prepayments and other receivables		22,364	16,539
Non-trading investments		—	5,782
Trading securities		—	939
Cash and bank balances	10	34,940	38,319
		<u>133,692</u>	<u>127,306</u>
Current Liabilities			
Accounts payable	11	20,553	24,073
Other payables and accrued charges		8,488	7,472
Taxation payable		17,114	17,156
		<u>46,155</u>	<u>48,701</u>
Net Current Assets		<u>87,537</u>	<u>78,605</u>
Total Assets Less Current Liabilities		<u>137,754</u>	<u>128,216</u>
Non-Current Liabilities			
Deferred tax liabilities		20	20
Net Assets		<u>137,734</u>	<u>128,196</u>
Capital and Reserves			
Share capital	12	20,000	20,000
Reserves	13	117,734	108,215
Equity attributable to shareholders		137,734	128,215
Minority interests		—	(19)
Total Equity		<u>137,734</u>	<u>128,196</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	31 December	
	2005	2004
Note	HK\$'000	HK\$'000
Net cash used in operating activities	(9,424)	(26,485)
Net cash from (used in) investing activities	6,045	(206)
Net cash from (used in) financing activities	241	(835)
Decrease in cash and cash equivalents	(3,138)	(27,526)
Cash and cash equivalents at beginning of period	36,819	50,263
Cash and cash equivalents at end of period	33,681	22,737
Analysis of balances of cash and cash equivalents		
Cash and bank balances	34,940	24,895
Less: pledged deposits to banks 10	(1,259)	(2,158)
Cash and cash equivalents in the cash flow statement	33,681	22,737

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 December	
	2005 HK\$'000	2004 HK\$'000 (restated)
Total equity at 1 July		
Attributable to equity holders of the parent, as previously reported	128,215	135,773
Minority interests, as previously presented separately from equity and liability	(19)	36
As restated	128,196	135,809
Net gains recognised directly in equity		
Change in fair value of available-for-sale financial assets/non-trading investments	15,673	6,269
(Loss) Profit for the period (2004: restated)	(5,991)	293
Total recognised income and expense	9,682	6,562
Realisation of investment revaluation reserve upon disposal	(144)	—
Dividends paid	—	(2,000)
Total equity at 31 December	137,734	140,371
Total recognised income and expense for the period		
Attributable to		
Equity holders of the parent	9,663	6,539
Minority interests	19	23
	9,682	6,562

NOTES TO CONDENSED CONSOLIDATED INTERIM ACCOUNTS

1. Basis of Preparation and Accounting Policies

The unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2005 annual financial statements of the Group.

The accounting policies and methods of computation used in preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2005 except that the Group has changed certain of its accounting policies following its adoption of new Hong Kong Financial Reporting Standards ("HKFRS") and HKASs (collectively referred to as new "HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005. Details of these changes in accounting policies are set out in note 2.

2. Changes in Accounting Policies

HKFRS 2: "Share-based payment"

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. In accordance with the transitional provision of HKFRS 2, only the cost of share options granted after 7 November 2002 which had not yet vested on 1 July 2005 was expensed retrospectively in the income statement of the respective periods. During the year ended 30 June 2005, all share options have been fully vested and accordingly no prior period adjustments were required.

The Company granted options to eligible persons immediately before the end of interim period, where 6,100,000 shares in the Company will be issued upon full exercise. The adoption of HKFRS 2 had no significant impact on the results and financial position for the current accounting period.

HKAS 32: "Financial Instruments: Disclosure and presentation" and HKAS 39: "Financial Instruments: Recognition and measurement"

In the current period, the Group has applied HKAS 32 and HKAS 39 which have resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. HKAS 32 requires retrospective application. The application of HKAS 32 had no

Six months ended 31 December 2004 (unaudited)

	Futures brokering HK\$'000	Securities brokering and margin financing HK\$'000	Corporate finance HK\$'000	Wealth management and insurance agency HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
Turnover	27,074	6,219	887	3,202	2,233	2,968	1	42,584
Results	(2,597)	1,915	(2,094)	(806)	2,327	2,295	(127)	913
Finance costs								(305)
Taxation								(315)
Profit for the period								293

No geographical reporting is provided as less than 10% of the consolidated turnover and consolidated operating results of the Group are derived from markets outside Hong Kong.

4. Staff Costs

	Unaudited Six months ended 31 December	
	2005 HK\$'000	2004 HK\$'000
Salaries, commissions and allowances	21,113	23,954
Contribution to retirement benefits schemes	377	555
Rental expenses on staff quarter	90	58
Others	126	110
Staff costs including directors' emoluments	21,706	24,677

5. Taxation

Hong Kong profits tax has not been provided as the Group has no assessable profit for the period ended 31 December 2005. Hong Kong profits tax has been provided at the rate of 17.5% on the Group's estimated assessable profit for the period of 2004.

The amount of taxation charged to the consolidated income statement in 2004 represented:

	Unaudited Six months ended 31 December	
	2005	2004
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax	—	48
Deferred taxation relating to the origination and reversal of temporary differences	—	267
	<hr/>	<hr/>
Tax expenses	—	315
	<hr/> <hr/>	<hr/> <hr/>

6. Dividends paid

	Unaudited Six months ended 31 December	
	2005	2004
	HK\$'000	HK\$'000
Final dividend paid: (2004: HK1 cent per ordinary share) (<i>Note (a)</i>)	—	2,000
	<hr/>	<hr/>
	—	2,000
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) At a board meeting held on 12 October 2004, the Board declared a final dividend of HK1 cent per ordinary share for the year ended 30 June 2004, which was paid on 29 October 2004.
- (b) At a board meeting held on 20 March 2006, the Board has resolved not to declare an interim dividend for the six months ended 31 December 2005.

7. (Loss) Earnings Per Share

The calculation of basic loss per share for the six months ended 31 December 2005 is based on the Group's loss attributable to equity holders of the parent of approximately HK\$6,010,000 (2004: earnings attributable to equity holders of the parent of HK\$316,000).

The basic loss per share is based on the weighted average number of 200,000,000 (2004: 200,000,000) ordinary shares in issue during the period.

No diluted loss per share has been presented because the exercise price of the Company's outstanding options was higher than the average closing price per share at the balance sheet date.

The diluted earnings per share in 2004 was based on 204,579,000 ordinary shares which was the weighted average number of ordinary shares in issue during that period plus the weighted average number of 4,579,000 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

8. Loans and Advances

Loans and advances are granted to the clients by the Group based on credit assessment. The size and the terms of the loans and advances are offered subject to their pledged collateral.

9. Accounts Receivable

	Unaudited 31 December 2005 HK\$'000	Audited 30 June 2005 HK\$'000
Accounts receivable arising from the ordinary course of business of brokering in securities and futures contracts:		
— securities cash clients	2,786	2,777
— securities margin clients	28,467	32,725
— securities clearing house and brokers	1,570	243
— futures clearing house and brokers		
— Hong Kong Futures Exchange Clearing Corporation Limited (the "HKFECC")	275	488
— brokers for commodity futures contracts on Tokyo Grain Exchange and Tokyo Commodity Exchange	9,469	10,194
— brokers for commodity and currency futures contracts on other overseas exchanges	20,084	19,052
Accounts receivable arising from the provision of corporate finance advisory services	4	53
Accounts receivable arising from provision of unit trusts and insurance-linked products agency services	133	195
	<hr/> 62,788 <hr/>	<hr/> 65,727 <hr/>

The accounts receivable from HKFECC excluded margin deposits of approximately HK\$1,123,000 (30 June 2005: approximately HK\$872,000) relating to the clients' monies.

Credit policy for margin lending activities

Accounts receivable from securities margin clients represent loans granted to the securities margin clients by a subsidiary of the Company, Tanrich Securities Company Limited ("TSCL"). These loans are collateralised by stocks pledged to TSCL.

Credit limit is set for each client based on their financial and trading credibility. The credit limit is approved by the credit control committee working group ("CCCWG"). The clients are allowed to trade only after the account opening and credit limit approval process have been completed. Loans are granted to securities margin clients on the condition that they pledge approved stocks with TSCL.

All approved stocks are assigned with specific margin ratios, which are determined by the credit control committee ("CCC"), for calculating the stock margin values. CCC reviews and determines the margin ratios for the stock collaterals with reference to the recommendations from CCCWG on a periodic basis.

If the amount of loan outstanding is higher than the eligible stock margin value, TSCL will call additional funds from the securities margin clients.

CCCWG is responsible for monitoring the margin call on a daily basis. It reviews the overall risk and credit control on a bi-weekly basis. CCC decides the actions to be taken for the clients, should the securities margin clients fail to meet the margin call, based on the margin call amount, the pledged securities value, the clients' credit worthiness and the overdue period.

The directors also monitor the margin call amount. Provision is made for loans of which the recoverability is considered to be doubtful.

Settlement terms

Accounts receivable arising from the ordinary course of business of brokering in index, commodity and currency futures contracts represent the margin deposits maintained with futures clearing house or brokers to meet the margin requirements of the open contracts. Margin calls from the 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 from securities margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. As at 31 December 2005 and 30 June 2005, included in the accounts receivables from securities margin clients were overdue margin calls of approximately HK\$3,476,000 and approximately HK\$4,666,000 respectively.

The ageing analysis of the overdue margin calls was as follows:

	Unaudited 31 December 2005 <i>HK\$'000</i>	Audited 30 June 2005 <i>HK\$'000</i>
Within 30 days	264	1
31 — 90 days	36	—
91 — 180 days	—	973
Over 180 days	3,176	3,692
	3,476	4,666

No provision was made for overdue margin calls as at 31 December 2005 and 30 June 2005.

The settlement terms of accounts receivable arising from the ordinary course of business of brokering in securities transactions are two days after their trade dates. As at 31 December 2005 and 30 June 2005, included in the accounts receivable from securities cash clients were receivables not settled on settlement dates of approximately HK\$81,000 and approximately HK\$95,000 respectively.

The ageing analysis of the overdue accounts receivable from securities cash clients was as follows:

	Unaudited 31 December 2005 <i>HK\$'000</i>	Audited 30 June 2005 <i>HK\$'000</i>
Within 30 days	—	21
31 — 90 days	—	—
91 — 180 days	—	—
Over 180 days	81	74
	81	95

No provision was made for these receivables as at 31 December 2005 and 30 June 2005.

As at 31 December 2005 and 30 June 2005, there were receivables from futures clients who suffered overloss of approximately HK\$109,000 and HK\$327,000 respectively and the balances have been fully provided for.

The accounts receivable arising from the provision of corporate finance advisory services are repayable within 30 days.

The accounts receivable arising from the provision of unit trusts and insurance-linked products agency services are repayable within 30 days.

10. Cash and Bank Balances

The subsidiaries of the Company pledge bank deposits as collateral to authorised financial institutions from time to time for foreign exchange deferred trading and banking facilities. At 31 December 2005, the Group had pledged bank deposits of HK\$754,000 (30 June 2005: HK\$1,000,000) and HK\$505,000 (30 June 2005: HK\$500,000) to authorised financial institutions for foreign exchange deferred trading and banking facilities respectively.

The subsidiaries of the Company maintain trust accounts with authorised financial institutions as a result of their normal business transactions. At 31 December 2005, trust accounts not otherwise dealt with in these financial statements amounted to HK\$42,796,000 (30 June 2005: HK\$52,577,000).

11. Accounts Payable

	Unaudited 31 December 2005 <i>HK\$'000</i>	Audited 30 June 2005 <i>HK\$'000</i>
Accounts payable arising from the ordinary course of business of brokering in securities and futures contracts:		
— securities cash clients	1,272	3,544
— securities margin clients	1,551	251
— securities brokers/clearing houses	1,321	397
— futures clients	16,327	19,829
Accounts payable arising from the provision of unit trusts and insurance-linked products agency services	82	52
	<u>20,553</u>	<u>24,073</u>

The settlement terms of accounts payable from the ordinary course of business of brokering in securities in respect of cash clients and margin clients are two days after the trade date of those transactions.

The accounts payable arising in the ordinary course of business of brokering in index, commodity and currency futures contracts represent the margin deposits received from clients for their trading in futures contracts. The excess over the required margin deposit stipulated are repayable to clients on demand.

The accounts payable arising from the provision of unit trusts and insurance-linked products agency services are repayable within 30 days.

The accounts payable are stated net of clients' segregated assets of approximately HK\$43,919,000 (30 June 2005: HK\$53,449,000).

12. Share Capital

	Ordinary Share of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
At 1 July 2005 and 31 December 2005	1,000,000,000	100,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
At 1 July 2005 and 31 December 2005	200,000,000	20,000
	<hr/> <hr/>	<hr/> <hr/>

13. Reserves

	Investment revaluation reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2004	20,716	17,137	40,836	37,084	115,773
Surplus on revaluation of non-trading investments	6,269	—	—	—	6,269
Profit for the period	—	—	—	316	316
Dividends paid (<i>Note 6(a)</i>)	—	—	—	(2,000)	(2,000)
At 31 December 2004	26,985	17,137	40,836	35,400	120,358
At 1 July 2005	26,214	17,137	40,836	24,028	108,215
Surplus on revaluation of available-for-sale financial assets	15,673	—	—	—	15,673
Realisation upon disposal	(144)	—	—	—	(144)
Loss for the period	—	—	—	(6,010)	(6,010)
At 31 December 2005	41,743	17,137	40,836	18,018	117,734

14. Related Party Transactions

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operation decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

During the period, the Group had the following transactions with a related company, Tanrich (Hong Kong) Holdings Limited ("THKHL"). The related company is controlled by certain common directors of the Company. These transactions arose in the ordinary course of the Group's business.

		Six months ended 31 December	
		2005	2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	(a)	572	1,132
Management fee income	(b)	(480)	(480)

- (a) The amount represented the depreciation charge incurred by THKHL that should be borne by the Group for its use of fixed assets and share of renovation expenses. The depreciation charge was calculated on the direct cost allocation method.
- (b) The amount represented the staff cost charged to THKHL at HK\$80,000 per month for the management and personnel supportive services provided by the Group.

15. Commitments and Contingent Liabilities

(i) *Commitments under operating leases*

As at 31 December 2005, the Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of office premises and staff quarter as follows:

	Unaudited 31 December 2005 HK\$'000	Audited 30 June 2005 HK\$'000
Not later than one year	6,030	8,432
Later than one year and not later than five years	6,127	12,408
	12,157	20,840

(ii) *Other commitments*

As at 31 December 2005, the Company has guaranteed the banking facilities of HK\$99,500,000 (30 June 2005: HK\$105,500,000) granted to two of its subsidiaries. The banking facilities were applied in their normal course of business.

The Company also guaranteed the liabilities of one of its subsidiaries up to an aggregate amount of not less than HK\$10,000,000 (30 June 2005: HK\$10,000,000) in order to comply with the requirement of unencumbered assets contained in the GEM Listing Rules.

16. Comparative Figures

Comparative figures in respect of amounts paid for tax reserve certificates have been reclassified from other assets (under non-current assets) to deposits, prepayments and other receivables (under current assets) to reflect a consistent presentation.