



TANRICH

Interim Report
2001/2002

TANRICH

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

(Incorporated in Bermuda with limited liability)

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INTERIM RESULTS

The Directors of Tanrich Financial Holdings Limited (the "Company") are pleased to present the interim report and accounts of the Company and its subsidiaries (the "Group") for the six months ended 31st December 2001. The Group reported a profit attributable to shareholders of approximately HK\$17.4 million for the period under review. The condensed proforma combined profit and loss account and condensed proforma combined cash flow statement of the Group for the six months ended 31st December 2001, the condensed proforma combined balance sheet as at 31st December 2001 of the Group, all of which are unaudited, along with the relevant explanatory notes, are set out on pages 8 to 20 of this report.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of three cents per share for the financial year ending 30th June 2002 to the shareholders whose names appear on the Register of Members at the close of business on 4th April 2002.

The Register of Members of the Company will be closed from 2nd April 2002 to 4th April 2002, both days inclusive. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Central Registration Hong Kong Limited at rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 28th March 2002.

REVIEW OF OPERATIONS AND RESULTS

During the six months ended 31st December 2001, the Group continued to experience a remarkable growth in its turnover. The turnover grew 45% to HK\$76.7 million as compared to the corresponding period last year. The operating profit increased 3.8 times to HK\$21.9 million as compared to the corresponding period last year. Profit attributable to shareholders however was slightly down 3% to HK\$17.4 million as compared to the corresponding period last year. These were mainly attributable to the following reasons:

Japanese commodity futures

- The Group further strengthened its market leader position in the trading of Japanese commodity futures by expanding one of its branches in Central, Hong Kong during the period. As a result, the commission income and operating profit derived from broking in Japanese commodity futures contracts for the period amounted to HK\$66.2 million and HK\$23.1 million respectively (2000: HK\$40.9 million and HK\$10.1 million respectively), representing an increase of 62% and 129% respectively over the corresponding period of previous year.

Securities and margin financing

- The Hong Kong stock market and the whole economy remained sluggish during the period. The total income derived from securities broking and margin financing for the period dropped 47% to HK\$3.4 million (2000: HK\$6.4 million) and operating losses incurred amounted to HK\$3.9 million (2000: HK\$0.8 million).

Asset management and corporate finance

- The businesses of asset management and corporate finance within the Group are still at the development stage, the results of which were encouraging though contributions to the Group's profit were still negative. During the six months ended 31st December 2001, the turnover of asset management business amounted to HK\$1.3 million (2000: HK\$0.9 million), representing an increase of 51% over the corresponding period of previous year.

Provision for bad and doubtful debts

- During the six months ended 31st December 2000, provision for bad and doubtful debts of HK\$5.3 million was made in relation to one index futures client. After this incident, the Group implemented various control measures to enhance its internal control system. There was no such provision made during the period under review.

Gains on disposal of non-trading investments

- During the six months ended 31st December 2000, the Group had disposed certain non-trading investments and recorded a gain of HK\$13.4 million. The Group had neither disposed nor acquired any non-trading investments during the period.

FINANCIAL LIQUIDITY AND RESOURCES

The Group's policy is to maintain a healthy financial position such that cash inflows from operations together with undrawn banking facilities should meet the requirements of both the Financial Resources Rules and necessary capital expenditure. Furthermore, a sufficient amount of liquid funds is maintained to meet proposed development needs of the businesses. The Group is mainly financed by the shareholders' funds and to a lesser extent, bank loans.

- The gearing ratio, representing the ratio of total borrowings to the total share capital and reserves of the Group, was 15% as at 31st December 2001 (30th June 2001: 47%).
- Bank loans and overdrafts at 31st December 2001 amounted to HK\$9.9 million (30th June 2001: HK\$28.1 million). The maturity profile of the bank loans and overdraft of the Group was as follows:

	As at 31st December 2001 HK\$'000	As at 30th June 2001 HK\$'000
Amounts repayable on demand	5,301	16,847
Amounts repayable within 3 months	4,600	11,280
	9,901	28,127

- The Group had aggregate banking facilities of HK\$85.5 million as at 31st December 2001 (30th June 2001: HK\$100.0 million). These banking facilities were secured by the followings:
 - i. Marketable securities with a market value amounting to HK\$78.8 million. These marketable securities were beneficially owned by Tanrich Securities Company Limited ("TSCL") and its margin clients.
 - ii. Corporate guarantees issued by Tanrich Financial Group Limited ("TFGL"). These guarantees were released and have been replaced by guarantees given by the Company upon the listing of the Company on 30th January 2002.
 - iii. Corporate guarantees issued by Tanrich Futures Limited ("TFL") and TSCL.

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 its 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 exposure with rolling forex (YEN/US\$) contracts traded on the Hong Kong Futures Exchange in order to reduce or limit its foreign exchange risk.
- As at 31st December 2001, the total margin deposit placed with the two designated futures commission merchants was 1.7 billion Japanese Yen, which was equivalent to approximately HK\$100.8 million. This amount was hedged with 240 rolling forex contracts, which representing 93% of the Group's net foreign exposure at 31st December 2001.

CONTINGENT LIABILITIES

At the date of this report, the Company has undertaken to guarantee all banking facilities of HK\$85.5 million granted to its subsidiaries.

EMPLOYEES

As at 31st December 2001, the Group had 220 full-time employees. Employees' remuneration is in accordance with the nature of their duties and is in line with market practices. The Group also provides in-house training programmes for staff to enhance their skills and product, regulatory and compliance knowledge. Certain employees of the Group are entitled to the share option scheme. Details of the share option scheme are set out in pages 5 to 6 of this report.

PLANS AND PROSPECTS

We will capitalise on our existing market position in the Japanese commodity futures business to secure a long-term income stream for future growth. We will also further expand our market coverage and enhance our sources of income. We plan to accomplish this by enhancing our existing securities broking, corporate finance, asset management and financing businesses.

At the same time, we will expand our local sales team and extend our product range to include interest rate futures, equity-linked notes, foreign equities and bonds so as to offer our customers the most comprehensive services possible. We will also enhance our information systems to improve overall efficiency and risk control.

Last but not the least, with China's entry into World Trade Organisation, we will strive to capture new business opportunities to target clients in the enormous PRC market.

SUPPLEMENTARY INFORMATION

Directors' interests in shares

As at the date of this report, the interests of the directors and their associates in the shares capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

	Personal interests	Number of shares			Total
		Family interests	Corporate interests	Other interests	
Yip Man Fan	–	7,500,000 <i>(Note 1)</i>	120,000,000 <i>(Note 2)</i>	–	127,500,000

Notes:

1. Shares are held by Ms. Tang Yuk Lan, the spouse of Mr. Yip Man Fan.
2. The corporate interests are held by Aceland Holdings Ltd., a company beneficially wholly owned by Mr. Yip Man Fan.

Directors' interests in options

Under a pre-listing share option scheme approved by the shareholders, the Directors of the Company may, at their absolute discretion, invite full-time or part-time employees including directors, or bona fide consultants of the Company or any of its subsidiaries to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue from time to time (excluding shares issued or exercise of options under the share option scheme).

On 22nd February 2002, share options to subscribe for 4,000,000 and 16,000,000 shares were granted to the Directors of the Company and certain employees and bona fide consultants of the Group respectively. The share options are exercisable at the subscription price of HK\$0.72 per share and exercisable at any time from 22nd February 2003 to 7th January 2012. At the date before the options were granted, 21st February 2002, the market value per share was HK\$0.65.

The following Directors of the Company have interests in share options to subscribe for shares in the Company:

	Personal interests	Number of shares			Total
		Family interests	Corporate interests	Other interests	
Yip Man Fan	2,000,000	–	–	–	2,000,000
Kwok Kam Hoi	2,000,000	–	–	–	2,000,000

Substantial shareholders

As at the date of this report, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

Name of shareholder	Note	Number of ordinary shares	Percentage of holding
Aceland Holdings Ltd.	1	120,000,000	60.00%
Redwood Pacific Limited	2 & 5	120,000,000	60.00%
HSBC International Trustee Limited	3 & 5	120,000,000	60.00%
HSBC Investment Bank Holdings B.V.	4 & 5	120,000,000	60.00%
HSBC Holdings B.V.	4 & 5	120,000,000	60.00%
HSBC Finance (Netherlands)	4 & 5	120,000,000	60.00%
HSBC Holdings plc	4 & 5	120,000,000	60.00%
Tang Yuk Lan	6	127,500,000	63.75%
Tsunoyama Toru		22,500,000	11.25%

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. HSBC International Trustee Limited is a beneficially wholly owned subsidiary of HSBC Investment Bank Holdings B.V., HSBC Holdings B.V., HSBC Finance (Netherlands) and HSBC Holdings plc.
5. Under the SDI Ordinance, each of Redwood Pacific Limited, HSBC International Trustee Limited, HSBC Investment Bank Holdings B.V., HSBC Holdings B.V., HSBC Finance (Netherlands) and HSBC Holdings plc is taken to have an interest in the same 120,000,000 ordinary shares held by Aceland Holdings Ltd. These shares therefore duplicate each other.

6. Ms. Tang Yuk Lan is the spouse of Mr. Yip Man Fan. Under the SDI Ordinance, each of Mr. Yip Man Fan and Ms. Tang Yuk Lan is taken to have interest in the shares held by each other. These shares therefore duplicate each other.

Purchase, Sale or Redemption of Shares

Up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's own shares.

Corporate Governance

None of the Directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 31st December 2001.

Audit Committee

The Audit Committee has reviewed with management 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 31st December 2001.

CONDENSED PROFORMA COMBINED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2001

		Unaudited Six months ended 31st December	
	<i>Note</i>	2001 HK\$'000	2000 HK\$'000
Turnover	2	76,702	52,998
Other revenues		177	540
		76,879	53,538
Salaries, allowances and bonus		21,097	17,141
Staff commission		13,850	7,456
Operating leases on land and buildings		5,545	5,117
Brokerage commission		5,400	3,669
(Write back)/provision for bad and doubtful debts		(29)	5,298
Interest expenses		596	897
Depreciation		1,367	288
Loss on disposal of fixed assets		20	271
Other operating expenses		7,173	7,627
Operating expenses		55,019	47,764
Operating profit	2	21,860	5,774
Gain on disposal of non-trading investments		–	13,361
Profit before taxation		21,860	19,135
Taxation	3	(4,442)	(1,186)
Profit attributable to shareholders		17,418	17,949
Dividends	4	10,000	25,000
Basic earnings per share (cents)	5	11.61	11.97

CONDENSED PROFORMA COMBINED BALANCE SHEET

AS AT 31ST DECEMBER 2001 AND 30TH JUNE 2001

		Unaudited 31st December	30th June
	<i>Note</i>	2001 HK\$'000	2001 <i>HK\$'000</i>
Non-current assets			
Fixed assets	<i>6</i>	3,371	2,381
Other assets		1,850	1,850
Non-trading investments	<i>7</i>	15,476	18,153
Loans and advances		350	16
		21,047	22,400
Current assets			
Loans and advances		581	1,377
Deposits, prepayments and other receivables		10,682	14,325
Amounts due from related companies	<i>13(f)</i>	–	22,228
Accounts receivable	<i>8</i>	116,033	125,924
Cash and bank balances	<i>9</i>	19,136	7,021
		146,432	170,875
Current liabilities			
Accounts payable	<i>10</i>	81,443	92,671
Other payables and accrued liabilities		4,633	5,005
Taxation payable		6,349	5,970
Bank loans and overdrafts		9,901	28,127
Amounts due to related companies	<i>13(f)</i>	–	2,090
		102,326	133,863
Net current assets		44,106	37,012
Total assets less current liabilities			
		65,153	59,412
Financed by:			
Share capital	<i>11</i>	41,010	40,010
Reserves	<i>12</i>	24,143	19,402
		65,153	59,412

CONDENSED PROFORMA COMBINED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2001

	Unaudited Six months ended 31st December	
	2001	2000
	HK\$'000	HK\$'000
Net cash inflow from operating activities	43,267	3,836
Net cash outflow from returns on investments and servicing of finance	(8,411)	(22,704)
Total taxation (paid)/refund	(4,063)	14
Net cash (outflow)/inflow from investing activities	(1,452)	13,153
Net cash inflow from financing	1,000	–
Increase/(decrease) in cash and cash equivalents	30,341	(5,701)
Cash and cash equivalents at 1st July	(21,106)	5,499
Cash and cash equivalents at 31st December	9,235	(202)
Analysis of balances of cash and cash equivalents		
Cash and bank balances	19,136	5,895
Bank loans and overdrafts	(9,901)	(6,097)
	9,235	(202)

CONDENSED PROFORMA COMBINED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2001

	Unaudited Six months ended 31st December	
	2001	2000
	HK\$'000	HK\$'000
Net (losses)/gains arising from change in fair value of non-trading investments not recognised in the profit and loss account	(2,677)	20,521
Profit for the period	17,418	17,949
Investment revaluation reserve realised on sale of non-trading investments	–	(8,153)
Total recognised gains for the period	14,741	30,317

NOTES TO THE CONDENSED PROFORMA COMBINED INTERIM ACCOUNTS

1. Basis of preparation, group reorganisation and accounting policies

(a) Basis of preparation

These unaudited condensed proforma combined interim accounts ("Proforma Interim Accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These Proforma Interim Accounts should be read in conjunction with the Accountants' Report as contained in the prospectus of the Company dated 21st January 2002.

Although the current group structure resulting from the reorganisation as detailed in note 1(b) did not legally exist until 11th January 2002, the Directors consider that it is more appropriate and meaningful to treat the Group as a continuing entity and the Company as the holding company of the Group as if the current group structure has been in existence throughout the reporting period. Accordingly, the Proforma Interim Accounts have been prepared on the basis of merger accounting as if the current group structure has been in existence throughout the periods presented. All significant intra-group transactions and balances have been eliminated.

In the opinion of the Directors, the Proforma Interim Accounts prepared on the above basis present more fairly the results and state of affairs of the Group as a whole in light of the reorganisation and subsequent listing of the shares of the Company.

(b) Group reorganisation

The Company was incorporated as an exempted company with limited liability in Bermuda on 4th September 1998. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the following subsidiaries on 11th January 2002:

- Tanrich Financial Group (BVI) Limited ("TFGBVI")
- Tanrich Futures Limited ("TFL")
- Tanrich Securities Company Limited ("TSCL")
- Tanrich Finance Limited ("TFIN")
- Tanrich Asset Management Limited ("TAML")

The Company's shares were listed on the Stock Exchange on 30th January 2002. The details of the group reorganisation were in Appendix IV of the prospectus of the Company dated 21st January 2002.

(c) Accounting policies

The accounting policies and methods of computation used in the preparation of these Proforma Interim Accounts are consistent with those used in the Accountants' Report dated 21st January 2002 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 26:	Segment reporting

The changes to the Group's accounting policies and the effect of adopting these new policies is set out below:

- SSAP 9 (revised): Events after the balance sheet date

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. As there was no final dividend proposed after balance sheet date in last financial year, no prior year adjustment is required.

- SSAP 26: Segment reporting

In Note 2 to these Proforma Interim Accounts the Group has disclosed segment turnover and results as defined under SSAP 26. In accordance with the Group's internal financial reporting policy, the Group has determined that business segments be presented as the primary reporting format. Comparative information has been given.

- Trust accounts

Trust accounts maintained by the subsidiaries of the Company to hold clients' monies are no longer recognised as an asset in the accounts. Accordingly, the amounts previously recognised as "Cash and bank balances – segregated account" and the clients' monies deposited in a designated account maintained with the Hong Kong Futures Exchange Clearing Corporation Limited classified under accounts receivable on the balance sheet were taken off balance sheet and netted off against the corresponding amounts classified under accounts payable. The comparative figures presented have been restated to conform with the current period's presentation.

2. Segmental information

An analysis of the Group's turnover and contribution to operating profit by principal activities is as follows:

	Turnover		Contribution to operating profit	
	Six months ended		Six months ended	
	31st December		31st December	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Brokerage activities:				
Broking of commodity futures contracts on Tokyo Grain Exchange ("TGE") and Tokyo Commodity Exchange ("TOCOM")	66,168	40,870	23,074	10,090
Broking of commodity futures contracts on other overseas exchanges	39	119	17	31
Broking of futures and rolling forex contracts on the Hong Kong Futures Exchange Limited	889	976	377	(5,036)
Broking of securities on the Stock Exchange	2,310	3,946	(2,429)	58
Broking of securities on other overseas exchanges	15	–	–	–
Advisory and asset management activities:				
Corporate finance and asset management activities	23	497	(1,053)	(451)
Agency service for distribution of unit trust and insurance-linked products	1,301	864	(1,223)	(1,320)
Money lending activities:				
Securities margin financing	1,070	2,461	(1,501)	(823)
Money lending	280	94	7	73
Proprietary trading activities	2,766	387	2,750	368
Interest income from clearing houses, banks and others	1,841	2,784	1,841	2,784
	76,702	52,998	21,860	5,774

No geographical analysis on turnover or operating profit is provided as all business are concluded and transacted in Hong Kong.

3. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period.

All profits of the company were generated from Hong Kong. No overseas taxation has been provided.

4. Dividends

	Six months ended 31st December	
	2001	2000
	\$'000	\$'000
Interim proposed of HK\$0.03 (2000: N/A) per ordinary share (<i>Note a</i>)	6,000	–
Dividend paid by a subsidiary of the Company (<i>Note b</i>)	10,000	25,000
	16,000	25,000

Note (a): At a board meeting held on 16th March 2002, the Directors declared an interim dividend of three cents per share. This proposed dividend is not reflected as dividend payable in these accounts but will be reflected as an appropriation of retained earnings for the year ending 30th June 2002.

Note (b): During the six months ended 31st December 2001, a dividend of HK\$10,000,000 was paid by a subsidiary of the Company to its then shareholders prior to the Group's reorganisation and the listing of the Company's shares on the Stock Exchange

5. Earnings per share

The calculation of the basic earnings per share for the six months ended 31st December 2001 is based on the combined profit attributable to shareholders for the period of HK\$17,418,000 (2000: HK\$17,949,000), and on the assumption that 150,000,000 shares were in issue during the period and the previous period. These 150,000,000 shares comprised 1,000,000 shares in issue as at 31st December 2001 and 149,000,000 shares issued in January 2002 pursuant to the capitalisation issue as described in the Note 11(ii) and (iv).

As there was no dilutive potential share as at 31st December 2001, diluted earnings per share is not applicable.

6. Fixed assets

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipments <i>HK\$'000</i>	Computer equipments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net book value at 30th June 2001	925	227	347	882	2,381
Additions	74	131	489	757	1,451
Disposals	–	–	–	(20)	(20)
Depreciation	(155)	(33)	(76)	(177)	(441)
Net book value at 31st December 2001	844	325	760	1,442	3,371

7. Non-trading investments

These non-trading investments are listed equities in Hong Kong and booked at fair value in the accounts.

8. Accounts receivable

	31st December 2001 <i>\$'000</i>	30th June 2001 <i>\$'000</i>
Accounts receivable arising from the ordinary course of business of broking in securities, index futures, rolling forex and commodity futures contracts:		
– securities cash clients	952	2,434
– securities clearing house, brokers and dealers	565	5,475
– futures clearing house, brokers and dealers		
– Hong Kong Futures Exchange Clearing Corporation Limited	15,072	8,476
– brokers for commodity futures contracts on TGE and TOCOM	80,221	87,055
– broker for commodity futures contracts on other overseas exchanges	1,464	1,222
Accounts receivable from securities margin clients	17,404	18,759
Accounts receivable arising from provision of:		
– unit trust and insurance-linked products agency services	355	244
– subscription for securities	–	2,259
	116,033	125,924

The accounts receivable from Hong Kong Futures Exchange Clearing Corporation Limited excludes a deposit of HK\$5,205,000 (30th June 2001: HK\$13,447,000) relating to the clients' monies. In the Accountants' Report contained in the prospectus of the Company dated 21st January 2002, these amounts were included on the balance sheet.

Credit policy for margin lending activities

Accounts receivable from securities margin clients represents loans granted to the securities margin clients by 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 ("CCC"). The clients are allowed to trade only after the account opening and credit limit approval processes 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 risk control committee ("RCC"), for calculating the stock margin values. RCC reviews and determines the margin ratios for the stock collateral on a bi-weekly 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.

CCC is responsible for monitoring the margin call on a daily basis. It decides the actions to be taken, should the margin clients fail to meet the margin call, based on the margin call amount, the pledged securities value, the client creditability and the overdue period.

The directors of TSCL also monitor the margin call amount on a weekly basis. Provision is made for loans which are considered to be doubtful.

Settlement terms

Accounts receivable arising from the ordinary course of business of broking in index futures, commodity futures and rolling forex contracts transactions represent the margin deposits maintained with 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 deposit stipulated are repayable on demand.

Accounts receivable from margin clients are secured by clients' pledged securities, are repayable on demand and bear interest at commercial rates. As at 31st December 2001 and 30th June 2001, included in the accounts receivables from securities margin clients were overdue margin calls of \$4,069,000 and \$4,652,000 respectively.

The ageing analysis of the overdue margin call were as follows:

	31st December 2001 \$'000	30th June 2001 \$'000
Within 30 days	499	928
31 – 90 days	–	27
91 – 180 days	–	3,605
181 – 270 days	–	91
271 – 360 days	3,570	1
	4,069	4,652

Provisions of HK\$3.5 million were made for these overdue margin calls as at 31st December 2001 and 30th June 2001.

The settlement terms of accounts receivable arising from the ordinary course of business of broking in securities transactions are two days after the trade date. As at 31st December 2001 and 30th June 2001, included in the accounts receivables from securities cash clients were receivables not settled on settlement date of \$369,000 and \$491,000 respectively. All these balances were subsequently settled.

The ageing analysis of the accounts receivable from cash clients which had not been settled on settlement date were as follows:

	31st December 2001 \$'000	30th June 2001 \$'000
Within 30 days	361	484
31 – 90 days	2	–
91 – 180 days	–	–
Over 180 days	6	7
	369	491

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

9. Cash and bank balances

The subsidiaries of the Company maintain trust accounts with authorised institutions as a result of its normal business transactions. At 31st December 2001, trust accounts not otherwise dealt with in these Proforma Interim Accounts amounted to HK\$52,493,000 (30th June 2001: HK\$40,465,000).

10. Accounts payable

	31st December 2001 \$'000	30th June 2001 \$'000
Accounts payable arising from the ordinary of business of broking in securities, index futures, rolling forex and commodity futures contracts:		
– securities cash clients	555	1,931
– securities margin clients	12	788
– securities clearing house, brokers and dealers	–	2,477
– futures clients	80,873	87,470
Accounts payable arising from provision of:		
– unit trust and insurance-linked products agency services	3	5
	81,443	92,671

The accounts payable arising in the ordinary of business of broking in securities, index futures, rolling forex and commodity futures contracts are current and repayable on demand.

The accounts payable is stated net of clients' segregated assets of HK\$55,119,000 (30th June 2001: HK\$42,439,000). In the Accountants' Report contained in the prospectus of the Company dated 21st January 2002, these amounts were included on the balance sheet.

11. Share capital

For the purposes of this report, the share capital as at 31st December 2001 and 30th June 2001 represented the aggregate amount of paid up share capital of the companies comprising the Group as at the respective dates.

As at the date of incorporation of the Company, its authorised share capital was HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all of which were allotted and issued nil-paid on 4th September 1998.

The following changes in the share capital of the Company took place subsequent to 31st December 2001:

- i. Pursuant to the written resolution of the sole shareholder of the Company on 11th January 2002, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of an additional 999,000,000 new shares of HK\$0.10 each to rank equally with the existing shares.
- ii. On the same date, the Company issued a further 779,900 shares of HK\$0.10 each at par in exchange for the shares of TFGBVI.
- iii. On 30th January 2002, pursuant to the offer of the Company's shares, 50,000,000 ordinary shares of HK\$0.10 each were issued to the public and institutional investors at HK\$1.00 per share ("New Issue") for cash. The excess of the issued proceeds over the par value of the shares issued were credited to the share premium account.
- iv. Immediately following the New Issue, 148,220,100 ordinary shares of HK\$0.10 each were issued at par to the shareholders whose names appear on the register of members of the Company as at 7th January 2002 by way of capitalisation of a sum of HK\$14,822,010 standing to the credit of the share premium account.

12. Reserves

	Investment Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
At 1st July 2000	36,896	9,573	46,469
Change in fair value of non-trading investments	4,375	–	4,375
Sale of non-trading investments	(23,297)	–	(23,297)
Profit for the year	–	55,855	55,855
Dividend	–	(64,000)	(64,000)
At 30th June 2001	17,974	1,428	19,402
At 1st July 2001	17,974	1,428	19,402
Change in fair value of non-trading investments	(2,677)	–	(2,677)
Profit for the period	–	17,418	17,418
Dividend (<i>Note 4</i>)	–	(10,000)	(10,000)
At 31st December 2001	15,297	8,846	24,143
Appropriation of retained earnings			<i>\$'000</i>
Retained earnings			2,846
Interim dividend proposed			6,000
			8,846

13. Related party transactions

During the period, the Group had the following transactions with a related company, Tanrich (Hong Kong) Holdings Limited ("THKL") and its subsidiaries TFGL, Tanrich Real Estate Group Limited ("TREGL"), and Tanrich Promotion Limited ("TPL"). These related companies are all controlled by a combination of directors of the companies now comprising the Group. These transactions were arisen in the ordinary course of the Group's business.

		Six months ended 31st December	
	<i>Note</i>	2001 \$'000	2000 \$'000
Operating leases on land and buildings	<i>(a)</i>	3,924	4,292
Overhead recharged	<i>(b)</i>	1,062	1,298
Depreciation	<i>(c)</i>	926	–
Salaries and provident fund recharged	<i>(d)</i>	4,358	3,889
Commission income	<i>(e)</i>	(808)	(631)
Interest income	<i>(f)</i>	(342)	–
Interest expenses	<i>(f)</i>	–	209

- (a) The amount represented the rental expenses paid by the subsidiaries of the Company to TREGL for the use of office premises. The monthly rentals of these premises were determined with reference to open market rentals.
- (b) The amount represented certain operating expenses paid by THKL on behalf of TFL. Those operating expenses directly attributable to TFL were allocated to TFL whilst any shared expenses were allocated on a relative headcount basis.
- (c) The amount represented the depreciation charge 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.
- (d) The amount represented the staff cost charged by THKL for the management and personnel supportive services provided to the Group. Those staff costs were allocated to the Group based on the amount of work attributable to the Group.
- (e) TPL has maintained an account with a subsidiary of the Company for trading in Japanese commodity futures contracts. The commission is charged at the same rate as that charged to third party customers.
- (f) Interest income/expenses were related to funding provided to/by THKL and its subsidiary, TFGL from/to the subsidiaries of the Company where interest was charged at commercial rates.

14. Subsequent events

Other than those disclosed in Note 1(b) and Note 11 regarding the group reorganisation, there were no significant events subsequent to 31st December 2001.

On behalf of the Board
Yip Man Fan
Chairman

Hong Kong, 18th March 2002