



Interim Report
2008/09

CONTENTS

	Pages
Corporate Information	2
Interim Results	4
Interim Dividend	4
Management Discussion and Analysis	4
Condensed Consolidated Financial Statements	
Condensed consolidated income statement	9
Condensed consolidated balance sheet	10
Condensed consolidated cash flow statement	11
Condensed consolidated statement of changes in equity	12
Notes to condensed consolidated financial statements	13
Other Information	26

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Authorised Representatives

Mr. KWOK Kam Hoi
Ms. CHEUNG, Fendi Chung Yee

Company Secretary

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 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

Auditors

Mazars CPA Limited
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-group.com

INTERIM RESULTS

The Board of Directors (the “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 2008 together with the comparative figure for the preceding interim period ended 31 December 2007 as set out on pages 9 to 25 of this report.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the year ending 30 June 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a turnover of HK\$39.1 million (2007 restated: HK\$74.2 million) and a loss before taxation of HK\$23.3 million (2007: profit of HK\$18.7 million). Both the turnover and the results decreased significantly. As stated in the announcement of the Company dated 15 January 2009, the adverse financial and economic conditions have been negatively affecting the Group’s principal activities as well as the value of the Group’s investments. The provision for impairment and unrealised loss constituted 50.5% of the loss before taxation. The net assets of the Group also decreased to HK\$236.0 million accordingly.

Securities broking and margin financing

The securities trading on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) decreased by 49.5% that the average daily turnover for the 6 month period under review was only HK\$57.1 billion (2007: HK\$115.3 billion). The adverse news from international investment banks as well as traditional commercial banks continued, pessimism inspired panic selling in the global equity market. Securities broking and margin financing business dropped in line with the market that the turnover decreased by 64.6% to HK\$8.8 million. The segment results was strived to a slight profit of HK\$0.3 million.

Futures broking

Futures broking business was hit by the financial turmoil the most that the commission income for the period under review was HK\$5.1 million, representing only one third of the same period last year. The segment loss also enlarged to HK\$8.7 million. Investors were conservative and more interested in principal protected products.

A new chief executive officer for futures broking business ("Futures CEO") has been appointed right before the interim period end. Futures CEO's major task is to promote the futures and options business for the Group as well as enhancing investor knowledge by organizing various workshops and courses for the industry. We have confidence that there would be a breakthrough in promoting futures business.

Wealth management and insurance agency

The public lost confidence in structured products and mutual funds resulting from the liquidation of Lehman Brothers and the credit default swaps related to Lehman Brothers. The turnover accordingly dropped by 26.6% to HK\$17.1 million. The operating loss of HK\$2.0 million is mainly due to increase in staff costs for extra headcount for asset management activities.

The Group was successfully permitted to carry out regulated activity 9 (RA9) and a team of professional asset management was established during the period under review. The Group is actively setting up two funds to be launched in due course.

Corporate finance

Initial public offering activities ("IPO") were almost frozen after the market slump in October 2008 and it made other equity fund raising exercises extremely difficult. During the period under review, the corporate finance team acted as advisors for 5 companies and as the placing agent of a listed company. Turnover and loss from corporate finance advisory services were HK\$1.3 million and HK\$1.7 million respectively.

Money lending

The Group granted new short term loans of HK\$3 million during the period under review. Under such uncertain economic circumstances, the Group exercised more cautions in granting loans. The Group recorded turnover of HK\$0.4 million and this segment broke even this period.

Proprietary trading

The market value of the listed trading securities dropped drastically in the last quarter 2008. The Group recorded an unrealised loss of HK\$3.5 million. As the securities held are red chips of financial industries, the management is confident that the market prices would rebound when the economy resumes upward trend.

As mentioned in the segment “Wealth management and insurance agency” above, a professional asset management team was established in mid 2008. A fund of USD4 million was assigned to them as proprietary trading. The portfolio has been managed as if it was an absolute return fund with stringent trading criteria and rules to balance the risks and returns. The portfolio was firstly traded in late October 2008 and has gained satisfactory return since inception.

The proprietary trading in futures contracts contributed profit of HK\$7.4 million to the Group despite the decrease in market value of listed trading securities.

Prospects

The collapse of Lehman Brothers sparked an unprecedented sell-off in the world financial markets in last quarter of 2008. De-leveraging remained a dominant theme in investment market and showed no signs of subsiding. Extreme market volatility is expected to continue before a solid improvement in market sentiments. Global economic activity also contracted sharply in recent months as consumer spending and private investment showed significant declines. Firms began laying off workers in response to the deteriorating economic conditions. Under such circumstances, the broking businesses shall remain at limited scale. The annual results for the year ending 30 June 2009 will not be optimistic.

In the meantime, the PRC Government took proactive action to stimulate the Chinese economy by implementing a huge spending on infrastructure. Rather than increasing the money supply, the central government could fund the package by its own resources. That said, it is expected a modest recovery in the mainland in late 2009.

In the course of financial turmoil, currencies and commodity prices plunged substantially in recent months. We believe some of the sell-offs had been overdone and opportunities have emerged for aggressive investors. The Group also grasped this opportunity by designating resources in proprietary trading while reserving enough liquidity to cope with challenges ahead.

Financial Review

Liquidity, financial resources and gearing ratio

As at 31 December 2008, the Group had total cash and bank balances of HK\$52.9 million (30 June 2008: HK\$106.8 million), while net current assets amounted to HK\$139.9 million (30 June 2008: HK\$167.7 million). The decrease in cash and bank balances is mainly due to additions in fund and bond investment, the assignment of USD4 million to the professional asset management team for proprietary trading and the payment of final dividend for the year ended 30 June 2008. The current ratio as a ratio of current assets to current liabilities remained at around 7.3 (30 June 2008: 5.6).

Banking facilities and charges on assets

The Group meets its daily operating obligations from its internal resources. The finance costs are minimal to the Group. At the balance sheet date, the Group had no bank borrowings which resulted in zero gearing ratio.

As at 31 December 2008, the Group had aggregate banking facilities of HK\$901.0 million. The drawdown of certain banking facilities of HK\$895.0 million is subject to the market value of the marketable securities pledged and the margin deposits placed. The Group pledged certain investments in listed securities of HK\$32.4 million and fixed deposits of HK\$0.9 million for the facilities.

Material investments

The Group maintained its investments in 2 listed and 3 non-listed companies as disclosed in the Annual Report 2008. Due to the adverse market and economic situation, the Group has made provisions for certain investments of HK\$10.9 million to the income statement.

The Group further subscribed for 46,000 shares in the capital of FundStreet AG ("FundStreet"), an associate, at a subscription price of CHF5 per share. After the subscription, the Group was interested in approximately 40% in FundStreet. The aggregate goodwill arising from acquiring FundStreet was HK\$3.0 million. FundStreet has started managing an OTC fund in Switzerland and identifying opportunities in China property market. Given the current slow down in annual growth in China, the 5-year financial forecast of FundStreet has to be postponed by 12 to 18 months, pending the speed and depth of the economic recovery and the ease of tension in the credit market. A provision for impairment of goodwill of HK\$0.9 million has been made accordingly.

Contingencies

The two contingent claims as disclosed in the Annual Report 2008 were fully settled. The Group has no material contingent liabilities as at 31 December 2008.

Commitments

As at 31 December 2008, the Group had capital commitment of HK\$0.6 million contracted but not provided for in the financial statements in respect of the purchase of computer equipment.

Exposure to fluctuations in exchange rates and related hedges

The Group faced similar foreign exchange risk as disclosed in the Annual Report 2008. As at 31 December 2008, the Group had a total margin deposit placed with the two designated futures commission merchants of JPY44.5 million and a bank deposit of JPY41.1 million, being equivalent to approximately HK\$7.3 million in total. This amount has been properly hedged with USD/JPY foreign exchange deferred trading.

Changes since 30 June 2008

Save as discussed in this Interim Report, there were no other significant changes in the Group's financial position and from the information disclosed in the Annual Report 2008.

EMPLOYEES

As at 31 December 2008, the Group had a total of 123 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, allowances and/or bonus. All supporting and general staff is also entitled to year-end discretionary bonuses. The Group provides training programs for the staff to enhance their skills and products, regulatory and compliance knowledge. For the period under review, the Group has conducted in-house training of 9 hours qualified for claiming continuous professional training hours for account executives carrying out regulated activities and insurance agency business.

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.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 31 December 2008 HK\$'000	2007 HK\$'000 (Restated)
	Note		
Turnover and revenue	2	39,120	74,187
Other revenue		3,184	11,790
Employee benefit expenses	3	(21,158)	(27,430)
Depreciation and amortisation		(370)	(735)
Brokerage and agency commission		(14,839)	(21,184)
Impairment of available-for-sale financial assets		(6,319)	–
Impairment of goodwill		(856)	–
Unrealised loss on derivative financial instruments		(4,591)	–
Other operating expenses		(17,190)	(15,336)
Finance costs		(170)	(2,614)
Share of results of an associate		(99)	20
(Loss) Profit before taxation		(23,288)	18,698
Taxation	4	–	472
(Loss) Profit for the period	2	(23,288)	19,170
(Loss) Profit for the period attributable to equity holders of the Company		(23,288)	19,170
(Loss) Earnings per share			
– Basic (HK cents)	5	(4.14)	3.48
– Diluted (HK cents)	5	(4.14)	3.37

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 31 December 2008	Audited 30 June 2008
	<i>Note</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		3,315	717
Intangible assets		260	290
Interests in an associate	6	3,777	2,860
Interests in a jointly controlled entity	7	–	–
Available-for-sale financial assets	8	70,325	102,540
Other financial assets	9	15,502	15,576
Other non-current assets		2,000	2,000
Loans and advances	10	949	186
		96,128	124,169
Current assets			
Loans and advances	10	3,683	233
Investments held for trading		20,732	8,435
Available-for-sale financial assets	8	11,021	–
Other financial assets	9	3,160	7,803
Accounts receivable	11	65,488	74,464
Other receivables		5,068	6,170
Tax prepaid		23	23
Pledged deposits	12	889	836
Cash and bank balances	13	52,049	105,924
		162,113	203,888
Current liabilities			
Accounts payable	14	9,447	22,360
Other payables and accrued charges		12,769	13,867
		22,216	36,227
Net current assets		139,897	167,661
NET ASSETS		236,025	291,830
Capital and reserves			
Share capital	15	56,263	56,263
Reserves	16	179,762	235,567
TOTAL EQUITY		236,025	291,830

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 31 December 2008 HK\$'000		2007 HK\$'000
Net cash (used in) generated from operating activities	(33,583)		8,722
Net cash used in investing activities	(14,613)		(15,412)
Net cash (used in) generated from financing activities	(5,626)		33,440
Net (decrease) increase in cash and cash equivalents	(53,822)		26,750
Cash and cash equivalents at beginning of period	106,760		94,022
Cash and cash equivalents at end of period	52,938		120,772
Analysis of balances of cash and cash equivalents			
Cash and bank balances	52,049		119,772
Pledged deposits	889		1,000
	52,938		120,772

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 December 2008 HK\$'000		2007 HK\$'000
Total equity at 1 July (audited)	291,830		238,526
Change in fair value of available-for-sale financial assets	(26,952)		95,202
Realisation upon disposal of available-for-sale financial assets	–		(5,400)
Exchange difference on translation of financial statements of an overseas associate	61		46
(Loss) Profit for the period	(23,288)		19,170
Total recognised (loss) profit attributable to equity holders of the Company	(50,179)		109,018
Issue of shares under share option schemes	–		1,232
Issue of new shares, net of expenses	–		37,800
Dividend paid	(5,626)		(5,593)
Total equity at 31 December (unaudited)	236,025		380,983

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The condensed consolidated financial statements for the six months ended 31 December 2008 have been prepared in accordance with Hong Kong Accounting Standard ("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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2008 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 2008. The adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA, that are relevant to the Group and effective from the current period did not have any significant effect on the financial position or performance of the Group.

The Group has not early adopted any new and revised HKFRS that have been issued but are not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new and revised HKFRS but is not yet in a position to reasonably estimate their impact on its results of operations and financial position.

2. Segment information

An analysis of the Group's turnover and results for the period by business segment is as follows:

Six months ended 31 December 2008 (unaudited)

[illegible]

Six months ended 31 December 2007 (unaudited)

	Securities broking and margin financing HK\$'000	Wealth manage- ment and insurance agency HK\$'000	Futures broking HK\$'000	Corporate finance HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
Turnover and revenue (restated) (Note 2(a))	24,967	23,239	15,395	3,482	723	6,381	–	74,187
Brokerage and agency commission	(67)	(19,013)	(1,104)	(125)	–	(875)	–	(21,184)
Results	8,971	1,499	1,908	(9)	468	6,673	(6,194)	13,316
Gain on disposal of available-for-sale financial assets								5,362
Share of results of an associate								20
Taxation								472
Profit for the period								19,170

2(a). Change in presentation of turnover

The Group's proceeds from the sale of investments held for trading and the corresponding carrying amount were separated into "Turnover" (included in the segment of proprietary trading) and "Cost of investments held for trading sold", respectively, in the prior period's condensed consolidated income statement. During the current period, the Group changed its presentation, as in the opinion of the Directors, it is more appropriate to present the gain/loss from the sale of investments held for trading in "Turnover" on a net basis. The effect of this change in presentation was to decrease turnover and cost of investments held for trading sold for the six months ended 31 December 2008 by HK\$6,068,000, representing the carrying amount of investments held for trading disposed of during the period. To conform with the current period's presentation, the carrying amount of investments held for trading disposed of for the six months ended 31 December 2007 of HK\$2,359,000 has been offset against turnover, resulting in a decrease in turnover and cost of investments held for trading sold for that period by the same amount. There was no change in the results of the Group in respect of the current and prior periods.

3. Employee benefit expenses

	Unaudited Six months ended 31 December 2008 HK\$'000	2007 HK\$'000
Salaries, commission and allowances	20,560	26,848
Contributions to retirement benefit schemes	598	582
	21,158	27,430

4. Taxation

Hong Kong Profits Tax has not been provided in the current and previous periods as certain group companies' assessable profits for these periods were wholly absorbed by unrelieved tax losses brought forward from previous years and the other group companies had no assessable profit for these periods. The amount credited in prior period represented overprovision of Hong Kong Profits Tax in previous years.

5. (Loss) Earnings per share

The calculations of basic and diluted (loss) earnings per share are based on the loss attributable to equity holders for the period of HK\$23,288,000 (2007: profit of HK\$19,170,000).

The basic (loss) earnings per share is based on the weighted average number of ordinary shares of 562,632,000 (2007: 551,116,000) in issue during the period.

The diluted (loss) earnings per share is based on 562,656,000 (2007: 568,389,000) shares which is the weighted average number of ordinary shares during the period adjusted for the number of dilutive potential shares under the share option schemes.

6. Interests in an associate

	Unaudited 31 December 2008 HK\$'000	Audited 30 June 2008 HK\$'000
Share of net assets	1,780	942
Goodwill	2,853	1,918
Impairment of goodwill	(856)	–
	3,777	2,860

The investment in an associate represents 40% (30 June 2008: 29.57%) 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. For the purpose of Group consolidation, its management accounts for the period ended 31 December 2008 have been equity accounted for in these financial statements.

7. Interests in a jointly controlled entity

	Unaudited 31 December 2008 HK\$'000	Audited 30 June 2008 HK\$'000
Share of net assets	1,020	–
Due to a jointly controlled entity	(1,020)	–
	–	–

The investment in a jointly controlled entity represents 51% of the issued ordinary share capital of Tanrich-FundStreet Limited ("TFSL"), a company engaged in fund management in Hong Kong which is incorporated in Hong Kong in 2008. FundStreet also holds 35% interest in TFSL and as a result, the Group's effective interest in TFSL is 65% in aggregate.

Pursuant to the memorandum of understanding entered into by 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.

8. Available-for-sale financial assets

	Unaudited 31 December 2008 HK\$'000	Audited 30 June 2008 HK\$'000
Debt investment – unlisted, at cost	2,000	–
Equity investment – unlisted, at cost	24,503	14,427
Provision for impairment loss	(10,619)	(4,300)
	13,884	10,127
Equity investment – listed in Hong Kong, at fair value	65,462	92,413
Total	81,346	102,540
Current portion of available-for-sale financial assets	(11,021)	–
	70,325	102,540

The Group has pledged certain listed investments of aggregate carrying amount of HK\$32,384,000 (30 June 2008: HK\$50,116,000) to banks as collateral for the banking facilities granted to a subsidiary of the Company.

At the balance sheet date, the carrying amount of interests in the following company exceeded 10% of total assets of the Group.

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

9. Other financial assets

	Unaudited 31 December 2008 HK\$'000	Audited 30 June 2008 HK\$'000
Held-to-maturity financial assets, unlisted	22,243	22,369
Embedded derivative designated as at fair value through profit or loss upon initial recognition	(3,581)	1,010
	18,662	23,379
Current portion of other financial assets	(3,160)	(7,803)
	15,502	15,576

10. Loans and advances

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

11. Accounts receivable

	Unaudited 31 December 2008 HK\$'000	Audited 30 June 2008 HK\$'000
	<i>Note</i>	
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:		
– securities cash clients	(a) 3,084	4,270
– securities margin clients	(b) 36,081	35,818
– securities subscription clients	–	763
– securities clearing house and brokers	5,465	2,069
– futures clearing house and brokers	(c) 20,155	30,932
– futures clients	(d) –	–
Accounts receivable arising from the provision of corporate finance advisory services	230	113
Accounts receivable arising from the provision of unit trusts and insurance-linked products agency services	473	499
	65,488	74,464

11. Accounts receivable *(continued)**Settlement terms*

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

Accounts receivable arising from the ordinary course of business of broking in index, commodity and currency futures contracts 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 amounts in excess of 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.

- (a) At the balance sheet date, the ageing analysis of accounts receivable from securities cash clients was as follows:

	Unaudited 31 December 2008 HK\$'000	Audited 30 June 2008 HK\$'000
Current	2,213	3,594
Overdue:		
– Within 30 days	525	623
– 31 – 90 days	203	2
– 91 – 180 days	86	51
– Over 180 days	57	–
	3,084	4,270

11. Accounts receivable *(continued)**Settlement terms (continued)*

- (b) At the balance sheet date, the ageing analysis of accounts receivable from securities margin clients was as follows:

	Unaudited 31 December 2008 HK\$'000	Audited 30 June 2008 HK\$'000
Current	34,141	31,594
Overdue:		
– Within 30 days	850	2,271
– 31 – 90 days	647	–
– 91 – 180 days	443	–
– Over 180 days	–	1,953
	36,081	35,818

Accounts receivable from securities margin clients are secured by their pledged securities, repayable on demand and bear interest at commercial rates.

No provision was made for overdue receivables from cash and margin clients as at 31 December 2008 and 30 June 2008.

- (c) Accounts receivable from futures clearing house and brokers do not include a deposit of HK\$4,577,000 (30 June 2008: HK\$320,000) in respect of clients' monies deposited in such clearing house.
- (d) At the balance sheet date, the ageing analysis of accounts receivable from futures clients with overloss was as follows:

	Unaudited 31 December 2008 HK\$'000	Audited 30 June 2008 HK\$'000
Overdue:		
– 31 – 90 days	7	–
– Over 180 days	–	10
	7	10
Allowance for bad and doubtful accounts	(7)	(10)
	–	–

12. Pledged deposits

The Group has pledged bank deposits to secure foreign exchange deferred trading and general banking facilities granted to subsidiaries of the Company.

13. Cash and bank balances

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the balance sheet date, trust monies not otherwise dealt with in the financial statements amounted to HK\$63,435,000 (30 June 2008: HK\$58,490,000).

14. Accounts payable

	Unaudited 31 December 2008 HK\$'000	Audited 30 June 2008 HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:		
– securities cash clients	291	1,083
– securities margin clients	20	114
– futures clients	9,116	15,508
– clearing house and securities brokers	–	5,598
Accounts payable arising from the provision of unit trusts and insurance-linked products agency services	20	57
	9,447	22,360

The settlement terms of accounts payable from the ordinary course of business of broking in securities in respect of cash clients and margin clients are two trading days after the transaction dates.

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

Accounts payable are stated net of clients' segregated assets of HK\$68,012,000 (30 June 2008: HK\$58,810,000).

15. Share capital

	Unaudited 31 December 2008		Audited 30 June 2008	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
1,000,000,000 shares of HK\$0.1 each	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
At beginning of period/year	562,632	56,263	264,383	26,438
Issue of shares under share option schemes	–	–	5,080	508
Issue of bonus shares	–	–	266,169	26,617
Issue of new shares	–	–	27,000	2,700
At balance sheet date	562,632	56,263	562,632	56,263

16. Reserves

	Investment revaluation reserve HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2008 (audited)	87,377	57,078	40,836	536	421	49,319	235,567
Change in fair value of available-for-sale financial assets	(26,952)	-	-	-	-	-	(26,952)
Exchange difference on translation of financial statements of an overseas associate	-	-	-	-	61	-	61
Loss for the period	-	-	-	-	-	(23,288)	(23,288)
Dividend paid	-	-	-	-	-	(5,626)	(5,626)
At 31 December 2008 (unaudited)	60,425	57,078	40,836	536	482	20,405	179,762
	Investment revaluation reserve HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 July 2007 (audited)	78,047	50,957	40,836	-	-	42,248	212,088
Change in fair value of available-for-sale financial assets	95,202	-	-	-	-	-	95,202
Realisation upon disposal of available-for-sale financial assets	(5,400)	-	-	-	-	-	(5,400)
Exchange difference on translation of financial statements of an overseas associate	-	-	-	-	46	-	46
Profit for the period	-	-	-	-	-	19,170	19,170
Issue of bonus shares	-	(26,617)	-	-	-	-	(26,617)
Issue of shares under share option schemes	-	1,053	-	-	-	-	1,053
Issue of new shares, net of expenses	-	35,100	-	-	-	-	35,100
Dividend paid	-	-	-	-	-	(5,593)	(5,593)
At 31 December 2007 (unaudited)	167,849	60,493	40,836	-	46	55,825	325,049

17. Related party transactions

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

Related party relationship	Nature of transaction	Unaudited Six months ended 31 December	
		2008 HK\$'000	2007 HK\$'000
Key management personnel, including directors	Short-term employee benefits	6,033	5,581
A related company (Note)	Management fee received	(480)	(480)
	Motor vehicle lease payment	120	–

Note: During the period, the Group charged and paid to a related company, Tanrich (Hong Kong) Holdings Limited ("THKHL"), a management fee of HK\$80,000 per month for the management and personnel supportive services provided by the Group, and a lease payment of HK\$20,000 per month for the use of a motor vehicle respectively. THKHL is controlled by a combination of certain Directors of the Company.

18. Commitments

(i) Capital expenditure commitments

	Unaudited 31 December 2008 HK\$'000	Audited 30 June 2008 HK\$'000
Contracted but not provided for net of deposits paid in the financial statements for the purchase of computer equipment	560	735
Contracted but not provided for net of deposits paid in the financial statements for office renovation work	–	579
	560	1,314

18. Commitments *(continued)**(ii) Commitments under operating leases*

The Group leases a number of properties under operating leases, which typically run for an initial period of 2 to 3 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	Unaudited 31 December 2008 HK\$'000	Audited 30 June 2008 HK\$'000
Within one year	7,740	7,766
In the second to fifth years inclusive	10,083	13,946
	17,823	21,712

19. Contingent liabilities

During the period, the two contingent claims as disclosed in notes 35(c) and (d) of 2008 annual financial statements were fully settled. The Group had no material contingent liabilities as at 31 December 2008.

20. Post balance sheet events

Subsequent to the balance sheet date, the Group has established two wholly-owned foreign enterprises ("WOFEs") in Dalian and Shenzhen. The registered capital of each of the two WOFEs is HK\$30 million, which shall be paid up in two to three years. The principal business of both WOFEs is provision of management consultancy services.

OTHER INFORMATION

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company

As at 31 December 2008, the interests of the Directors of the Company 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 (the "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 the Listed Issuers set out in Appendix 10 of the Listing Rules ("Model Code") were as follows:

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

	Number of ordinary shares held			No. of underlying shares (Note 3)	Total
	Personal interests	Family interests	Other interests		
Yip Man Fan	6,742,000	15,000,000 (Note 1)	240,000,000 (Note 2)	–	261,742,000
Kwok Kam Hoi	8,000,000	–	–	4,000,000	12,000,000
Tsunoyama Toru	50,680,000	–	–	1,720,000	52,400,000
Wong, Vicky Lai Ping	–	–	–	3,140,000	3,140,000
Lam, Andy Siu Wing	–	–	–	400,000	400,000
Ma, Andrew Chiu Cheung	–	–	–	400,000	400,000
Yu King Tin	–	–	–	400,000	400,000

Notes:

1. Shares are held by Ms. Tang Yuk Lan, the spouse of Dr. Yip Man Fan.
2. Shares are held by discretionary trusts of which Dr. 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 as beneficial owners.

Save as disclosed above, as at 31 December 2008, none of the Directors, the chief executives 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.

Share option schemes

The Company operates two share option schemes, which were adopted on 7 January 2002 (the "Pre-Listing Scheme") and 30 January 2004 (the "Post-Listing Scheme") respectively. Movement of the share options for the period ended 31 December 2008 under the two share option schemes were as follows:

(i) Pre-Listing Scheme

	Number of shares issuable under the options					
	As at 1 July and 31 December 2008	Sub- scription price HK\$	Grant date	Exercisable from	Exercisable until	
Directors:						
Kwok Kam Hoi	4,000,000	0.36	22 February 2002	22 February 2003	7 January 2012	
Tsunoyama Toru	1,720,000	0.36	22 February 2002	22 February 2003	7 January 2012	
Wong, Vicky Lai Ping	600,000 1,000,000	0.36 0.325	22 February 2002 3 July 2006	22 February 2003 3 July 2007	7 January 2012 7 January 2012	
Bona fide consultants of the Group	1,200,000	0.335	4 January 2007	4 January 2008	7 January 2012	
Total	8,520,000					

Notes:

1. The closing price immediately before the date on which the option granted on 22 February 2002 was HK\$0.325.
2. The closing price immediately before the date on which the option granted on 3 July 2006 was HK\$0.325.
3. The closing price immediately before the date on which the option granted on 4 January 2007 was HK\$0.33.

Share option schemes (continued)

(ii) Post-Listing Scheme

	Number of shares issuable under the options				Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	As at 1 July 2008	Granted during the period	Lapsed during the period	As at 31 December 2008				
Directors:								
Wong, Vicky Lai Ping	540,000	–	–	540,000	0.335	27 April 2004	27 April 2005	26 April 2014
	1,000,000	–	–	1,000,000	0.335	4 January 2007	4 January 2008	3 January 2017
Lam, Andy Siu Wing	400,000	–	–	400,000	0.92	1 June 2007	1 June 2008	31 May 2017
Ma, Andrew Chiu Cheung	400,000	–	–	400,000	0.92	1 June 2007	1 June 2008	31 May 2017
Yu King Tin	400,000	–	–	400,000	0.92	1 June 2007	1 June 2008	31 May 2017
Continuous contract employees	92,000	–	–	92,000	0.335	27 April 2004	27 April 2005	26 April 2014
	8,600,000	–	–	8,600,000	0.335	4 January 2007	4 January 2008	3 January 2017
	520,000	–	100,000	420,000	0.78	6 November 2007	6 November 2008	5 November 2017
	–	800,000	–	800,000	0.23	12 December 2008	12 December 2009	11 December 2018
Consultants/Advisors	300,000	–	–	300,000	0.335	27 April 2004	27 April 2005	26 April 2014
	2,000,000	–	–	2,000,000	0.335	4 January 2007	4 January 2008	3 January 2017
	2,000,000	–	–	2,000,000	1.5	14 August 2007	14 August 2008	13 August 2017
Total	16,252,000	800,000	100,000	16,952,000				

Notes:

1. The closing price immediately before the date on which the option granted on 27 April 2004 was HK\$0.335.
2. The closing price immediately before the date on which the option granted on 4 January 2007 was HK\$0.33.
3. The closing price immediately before the date on which the option granted on 1 June 2007 was HK\$0.975.
4. The closing price immediately before the date on which the option granted on 14 August 2007 was HK\$1.52.
5. The closing price immediately before the date on which the option granted on 6 November 2007 was HK\$0.77.
6. The closing price immediately before the date on which the option granted on 12 December 2008 was HK\$0.23.
7. Share options lapsed in accordance with the terms and conditions of the Post-Listing Scheme following the resignation of employees.

Directors' rights to acquire shares or debentures

Apart from as disclosed under "Share option schemes" 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 Director or their respective spouses 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 Directors, their respective spouses or children under the age of 18 to acquire such rights in any other body corporate.

Substantial shareholders' interests and short positions in shares and underlying shares

As at 31 December 2008, the persons, (other than Directors and chief executives 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 of shareholders	Note	Number of Ordinary shares held	Percentage of holding
Aceland Holdings Ltd.	1, 2 & 4	240,000,000	42.66%
Redwood Pacific Limited	2 & 4	240,000,000	42.66%
HSBC International Trustee Limited	3 & 4	240,000,000	42.66%
Tang Yuk Lan	5	261,742,000	46.52%

Notes:

1. Aceland Holdings Ltd. is the trustee of The Yip Unit Trust, which holds 42.66% 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 240,000,000 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 Dr. 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 (the "Code") throughout the accounting period under review except Code Provision A.2.1 which requires the management of the Board and the day-to-day management of business be performed by separate individuals. There is no such office of chief executive officer in our Group. To maintain proper segregation of duties and balance of power and authority, different functions of the operation are managed by respective members of the Board and senior management of the Group. The Executive Directors, without the Chairman, and the in-charge of all departments meet monthly for discussing and determining the business and operation issues.

Customer services

Given that the global financial market is in turmoil, it is more important for the financial institutions take the initiative to improve internal control to ensure delivery of reliable services to customers. The Company attained two ISO certifications: ISO 9001 and ISO 10002 in late 2008. The ISO 10002:2004 certification recognises our effective complaints management system and commitment to ensuring customer satisfaction and the ISO 9001:2000 certification acknowledges our quality management system. The Group is the first financial institution in Hong Kong to receive ISO 10002 certification.

Our effort in applying for and achieving the certifications is a proof of our commitment to providing the best products and services to our customers, and that we deserve their trust at all times.

Model Code of the Listing Rules

The Company has adopted the Model Code. 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 during the six months ended 31 December 2008.

Purchase, sale or redemption of securities

During the six months ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any share in the Company.

Audit committee

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited condensed interim financial statements for the six months ended 31 December 2008, in conjunction with the external auditors of the Company.

By Order of the Board

Kwok Kam Hoi

Deputy Chairman

Hong Kong, 17 March 2009