

CONTENTS

INTERIM REVIEW	Pages
Interim results	2
Interim dividend	2
Review of operations and results	2
Liquidity, financial resources and gearing ratio	4
Significant investments	4
Material investments	5
Charge on group assets	5
Exposure to fluctuations in exchange rates and related hedges	5
Contingent liabilities	6
Employees	6
Disclosure under Practice Note 19	7
Plans and prospects	7
Additional information required under the Listing Rules	8
INTERIM REPORT	
Condensed consolidated profit and loss account	12
Condensed consolidated balance sheet	13
Condensed consolidated cash flow statement	14
Condensed consolidated statement of changes in equity	15
Notes to the condensed consolidated interim accounts	16

INTERIM RESULTS

The Board of Directors (the “Board”) of Tanrich Financial Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (“Tanrich” or the “Group”) for the six months ended 31st December 2003 with comparative figures of the previous period which are set out on pages 12 to 28 of this report.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent per share for the financial year ending 30th June 2004 to the shareholders whose names appear on the Register of Members at the close of business on Friday, 23rd April 2004.

The Register of Members of the Company will be closed from Tuesday, 20th April 2004 to Friday, 23rd April 2004, 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 branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Monday, 19th April 2004.

REVIEW OF OPERATIONS AND RESULTS

During the SARS outbreak, it brought the city to a grinding halt and the equities market hobbled along in the second quarter of year 2003. After battling this fight since July 2003, in addition to a series of supportive programs launched by the Hong Kong and PRC governments, the territory’s economy was recuperating gradually. Even during this recovery stage, our Group recorded HK\$13.1 million profit attributable to shareholders (2002: HK\$6.6 million), representing a 98.5% increase from the corresponding period of last year. The turnover increased by 5% to HK\$67.6 million as compared to the corresponding period last year (2002: HK\$64.4 million). Such gratifying results were attributed to our continued efforts in various businesses, gains derived from proprietary trading and crystallisation of benefits from closure of branches.

Futures

Japanese commodity futures

- There were fewer investors trading in the Japanese commodity futures especially underlying commodities of corn, raw sugar and red bean. The total number of Japanese commodity futures contracts traded on Tokyo Grain Exchange (“TGE”) and Tokyo Commodity Exchange (“TOCOM”) decreased by 30.6%. As a result, the commission income and operating profit derived from broking in Japanese commodity futures contracts for the period only amounted to HK\$39.0 million and HK\$10.1 million respectively (2002: HK\$56.3 million and HK\$13.3 million respectively), representing a drop of 30.7% and 24.1% respectively over the corresponding period of last year.

US commodity and currency futures

- All major currencies became stronger against US dollar during this period, which were directly correlated with the currency futures’ activities. The volatility in the currencies stimulated investors’ interests, and contributed to a remarkable growth in the trading of US currency futures contracts. The commission income and operating profit derived from broking in US commodity and currency futures markets for the period amounted to HK\$16.1 million and HK\$2.9 million respectively (2002: HK\$3.2 million and HK\$0.5 million), representing significant increases of 5 times and 5.8 times respectively as compared to the corresponding period of last year.

Securities broking and margin financing

- The market recovery stimulated investors’ investment aspirations and attracted an influx of funding to the Hong Kong stock market. In addition to a momentum from a few powerful initial public offerings launched at the end of year 2003, the Hong Kong stock market did indeed rebound from the trough. Hang Seng Index recorded the lowest of 9,602 in July 2003 and the highest of 12,594 in December 2003. Besides, the average monthly turnover increased to HK\$289.6 billion in the second half of year 2003 from HK\$123.5 billion in the same period of year 2002. As a result, our securities broking and margin financing business also shared some rewarding results from the market sentiment and effectiveness of cost control. Its total income for the period increased remarkably by 100% to HK\$5.8 million (2002: HK\$2.9 million) and achieved an operating profit of about HK\$1.2 million turned around from operating loss of HK\$2.6 million in the same period of last year.

Asset management and corporate finance

- Total commission arising from the provision of unit trust agency services, insurance broking and financial advisory fee recorded HK\$0.7 million (2002: HK\$1.6 million). In the latter part of the period, new management for the asset management division joined the Group to re-examine its business strategy in the changing environment. A series of seminars and conferences will be held in Hong Kong and PRC with co-operation of regulatory bodies and institutions to strengthen our business networks and communications.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group's policy is to maintain a healthy and liquid 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 31st December 2003, the Group had total cash and bank balances of HK\$60.3 million (30th June 2003: HK\$62.8 million) and net current assets amounted to HK\$97.2 million (30th June 2003: HK\$76.4 million). The current ratio as a ratio of current assets to current liabilities remained about 2.0 times.

As at 31st December 2003 and 30th June 2003, the Group had no bank borrowings which resulted in zero gearing ratio. The gearing ratio represented the ratio of total borrowings to the total equity of the Group.

As at 31st December 2003 and 30th June 2003, the Group had aggregate banking facilities of HK\$101 million, composing of HK\$85 million, the draw down of which is subject to the pledged value of marketable securities, and HK\$16 million general banking facilities.

These banking facilities were secured by clients' pledged securities, certain non-trading investments of the Group, corporate guarantees issued by the Company and two of its subsidiaries. All the banking facilities were denominated in Hong Kong dollars and based on commercial floating interest rates. There were no seasonal factors in our borrowing requirements.

SIGNIFICANT INVESTMENTS

During the period under review, the Group disposed 1,089,000 listed securities of BOC Hong Kong (Holdings) Limited at prevailing market prices and realised total profit of HK\$145,000. As at 31st December 2003, the Group still had listed equities of Hong Kong Exchanges and Clearing Limited with fair value amounted to

HK\$22.0 million. An unrealised gain of HK\$8.3 million was recorded in the Group's investment revaluation reserve during the six months ended 31st December 2003 as a result of a boost in the Hong Kong stock market.

MATERIAL INVESTMENTS

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

CHARGE ON GROUP ASSETS

Marketable securities with an aggregate value of HK\$8.4 million (30th June 2003: HK\$14.6 million) were pledged as collateral for banking facilities. These marketable securities were beneficially owned by a subsidiary of the Company.

The subsidiaries of the Company pledge bank deposits as collateral to authorised institutions from time to time for foreign exchange deferred trading and banking facilities. At 31st December 2003, they have pledged bank deposits of HK\$1,140,000 (30th June 2003: HK\$2,534,000) and HK\$1,763,000 (30th June 2003: HK\$1,763,000) to authorised institutions for foreign exchange deferred trading and banking facilities respectively.

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 exposure with USD/JPY foreign exchange deferred trading in order to reduce or limit its foreign exchange risk.

As at 31st December 2003, the total margin deposit placed with the two designated futures commission merchants was 666 million Japanese Yen and had a bank deposit of 0.4 million Japanese Yen, total Japanese Yen being equivalent to HK\$48.4 million. This amount was hedged with USD/JPY foreign exchange deferred trading equivalent to an aggregate amount of US\$5.5 million, which representing 88.2% of the Group's net foreign exchange exposure (30th June 2003: 87.8%).

CONTINGENT LIABILITIES

At the date of this report, the Company has undertaken to guarantee the banking facilities of HK\$100.5 million granted to two of its subsidiaries. The banking facilities were applied in their normal course of business activities.

A subsidiary of the Company has received a claim for compensation approximately amounted to HK\$2.2 million in respect of disputed trades. As the arbitration proceedings are at a preliminary stage, it is not currently possible to estimate the eventual outcome of the claim and based on legal advice to date, the directors consider that no provision needs to be made in the financial statements.

EMPLOYEES

As at 31st December 2003, the Group employed 178 full-time employees and their remuneration packages in accordance with the nature of their duties are maintained at market competitive levels. They are rewarded on an individual performance basis or based on the Group's results under the general framework of the Group's bonus system. Share options of the Company are granted to certain employees of the Group. The Group regularly conducts staff training and enterprise culture activities in order to enhance staff quality and teamwork spirit.

DISCLOSURE UNDER PRACTICE NOTE 19

As at 31st December 2003, the Group had amounts receivable from one of its designated brokers in Japan amounted to HK\$24.2 million (30th June 2003: HK\$37.1 million), representing 19.3% (30th June 2003: 34.9%) of the net assets of the Group. The amount represented margin deposits maintained with the designated broker by a subsidiary of the Company for trading of Japanese commodity futures on TGE and TOCOM on behalf of clients. The amount is unsecured, non-interest bearing and repayable on demand subject to the margin deposit requirements.

PLANS AND PROSPECTS

Tanrich's mission is to become a well established comprehensive financial institution in the territory. After successful expansion in our US commodity and currency futures market last year, another new product, i.e. Eurex, is forthcoming in the near future which is set to diversify our product range continuously.

Along with a flood of equity-raising and corporate activities in the territory's financial market in year 2004, the trading activities in Hong Kong financial market will receive a boost. Tanrich will utilise its core strength to capitalise on this trend, in order to expand its businesses especially in securities brokerage, corporate finance and asset management businesses.

It is no doubt that the economies of Hong Kong and the PRC closely tie with each other especially after the conclusion of the Closer Economic Partnership Arrangement. For the sake of penetration into the PRC market, a strategic co-operation with China Nuclear Investments Limited which is well acquainted with the business environment in the mainland China was established in recent months. We have also planned to set up representative offices each in Beijing and Guangzhou to capture the business and alliance opportunities arising from the lucrative PRC market.

On the technology side, our securities internet trading system will be launched soon subject to regulatory body's approval. We expect that more clients, especially those from outside Hong Kong, will carry out their trading activities by using this trading platform. Besides, a more powerful and advanced futures trading system has also entered into a finalising stage. Once both systems are implemented, we believe that our competitiveness will be strengthened in the financial services sector.

ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING RULES

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31st December 2003, the interests and short positions of the directors or their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the 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 Companies contained in the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), were as follows:

(a) Interests in the shares of the Company

	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Yip Man Fan	–	7,500,000 (Note 1)	–	120,000,000 (Note 2)	127,500,000
Toru Tsunoyama	22,500,000	–	–	–	22,500,000

Notes:

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

(b) Share Options of the Company

A share option scheme was adopted on 7th January 2002 (the “2002 Scheme”) and its details of the share options outstanding as at 31st December 2003 were as follows:

	Number of share options					Sub- scription price HK\$	Grant date	Exercisable from	Exercisable until
	Held at 1st July 2003	Granted during the period	Exercised during the period	Lapsed during the period	Held at 31st December 2003				
Directors:									
Yip Man Fan	2,000,000	-	-	-	2,000,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Kwok Kam Hoi	2,000,000	-	-	-	2,000,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Toru Tsunoyama	1,950,000	-	-	-	1,950,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Sin Wai Chiu, Joseph	600,000	-	-	600,000	-	0.72	22nd February 2002	22nd February 2003	7th January 2012
Continuous contract employees	11,370,000	-	-	320,000	11,050,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
Bona fide consultants of the Group	360,000	-	-	-	360,000	0.72	22nd February 2002	22nd February 2003	7th January 2012
	<u>18,280,000</u>	<u>-</u>	<u>-</u>	<u>920,000</u>	<u>17,360,000</u>				

On 30th January 2004, a new share option scheme (the “2004 Scheme”) was adopted by the Company. The purposes of the 2004 Scheme are to retain the best available personnel, to provide additional incentives to the eligible persons as defined in the scheme to promote the success of the Group. No options have been granted under the 2004 Scheme since its adoption. The principal terms of the 2004 Scheme are summarised in a circular dated 13th January 2004.

The share options granted are not recognised in the financial statements until they are exercised. The directors are of the view that it is not appropriate to disclose the value of the options granted since any valuation of the above options would be subject to a number of assumptions and variables that would be subjective and uncertain.

Save as disclosed above, as at 31st December 2003, 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 as defined in the SFO.

Directors' Rights to Acquire Shares or Debentures

Apart from as disclosed in the "Share Options of the Company" disclosures on pages 9 to 10, 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.

Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

At the date of this report, the register of every person (other than directors whose interests or short positions have been disclosed above), who has interests or short positions in the shares and underlying shares 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	Percentage of holding
Aceland Holdings Ltd.	1 & 2	120,000,000	60.00%
Redwood Pacific Limited	2 & 4	120,000,000	60.00%
HSBC International Trustee Limited	3 & 4	120,000,000	60.00%
Tang Yuk Lan	5	127,500,000	63.75%
Seiyu Shoji Co. Ltd.		16,000,000	8.00%

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.

Purchase, sale or redemption of shares

During the six months ended 31st December 2003, 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 at any time during the six months ended 31st December 2003.

Audit committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31st December 2003.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT*For the six months ended 31st December 2003*

		Unaudited	
		Six months ended	
		31st December	
		2003	2002
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	2	67,602	64,441
Other revenues		2,312	815
		69,914	65,256
Staff costs	3	(33,601)	(34,151)
Operating leases on land and buildings		(3,442)	(6,042)
Brokerage and agency commission		(5,722)	(5,197)
Provision for bad and doubtful debts		(71)	(8)
Amortisation of intangible assets		(30)	–
Depreciation		(1,958)	(1,782)
Loss on disposal of fixed assets		(1)	(688)
Other operating expenses		(8,983)	(8,409)
		(53,808)	(56,277)
Operating profit	2	16,106	8,979
Finance costs		(159)	(245)
		15,947	8,734
Gain on disposal of non-trading investments		145	–
Profit before taxation		16,092	8,734
Taxation	4	(2,987)	(2,125)
Profit attributable to shareholders		13,105	6,609
Dividends	5	4,000	11,000
Earnings per share - Basic (HK cents)	6	6.55	3.30

CONDENSED CONSOLIDATED BALANCE SHEET*As at 31st December 2003 and 30th June 2003*

		Unaudited 31st December 2003 Note HK\$'000	Audited 30th June 2003 HK\$'000
Non-current assets			
Intangible assets		560	590
Fixed assets		2,408	2,637
Other assets		2,100	2,100
Non-trading investments	7	22,006	23,176
Loans and advances	8	306	346
Deferred tax assets		1,162	1,162
		28,542	30,011
Current assets			
Loans and advances	8	20,288	341
Accounts receivable	9	101,335	82,010
Deposits, prepayments and other receivables		4,877	4,575
Cash and bank balances	10	60,277	62,800
		186,777	149,726
Current liabilities			
Accounts payable	11	66,268	52,124
Other payables and accrued charges		6,965	7,801
Taxation payable		16,379	13,388
		89,612	73,313
Net current assets		97,165	76,413
Total assets less current liabilities		125,707	106,424
Financed by:			
Share capital	12	20,000	20,000
Reserves	13	105,704	86,421
Shareholders' fund		125,704	106,421
Non-current liabilities			
Deferred tax liabilities		3	3
		125,707	106,424

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31st December 2003*

	Unaudited	
	Six months ended	
	31st December	
	2003	2002
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(9,489)	4,865
Net cash generated from/(used in) investing activities	9,125	(9,407)
Net cash used in financing activities	(2,159)	(9,245)
Decrease in cash and cash equivalents	(2,523)	(13,787)
Cash and cash equivalents at 1st July	62,800	74,515
Cash and cash equivalents at 31st December	60,277	60,728
Analysis of balances of cash and cash equivalents		
Cash and bank balances	60,277	64,228
Bank overdrafts	—	(3,500)
	60,277	60,728

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December 2003

	Unaudited	
	Six months ended	
	31st December	
	2003	2002
Note	HK\$'000	HK\$'000
Total equity as at 1st July	106,421	110,328
Effect of changes in accounting policies	<u>—</u>	<u>(175)</u>
Total equity as at 1st July, as restated	106,421	110,153
Change in fair value of non-trading investments	8,323	(4,621)
Reserves transferred to profit and loss account upon disposal of non-trading investments	<u>(145)</u>	<u>—</u>
	114,599	105,532
Profit for the period	13,105	6,609
Dividends	5 <u>(2,000)</u>	<u>(9,000)</u>
Total equity as at 31st December	<u>125,704</u>	<u>103,141</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts ("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, and Appendix 16 of the Listing Rules.

These Interim Accounts should be read in conjunction with the 2003 annual financial statements of the Company.

The accounting policies and methods of computation used in the preparation of these Interim Accounts are consistent with those used in the annual accounts for the year ended 30th June 2003.

2. Segmental information

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

PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 31ST DECEMBER 2003

	Futures broking HK\$'000	Securities broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Asset management services HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operation HK\$'000	Consolidated HK\$'000
TURNOVER	55,267	4,452	1,397	197	489	308	5,491	1	67,602
RESULT	13,131	902	293	(1,417)	(1,431)	416	4,229	(17)	16,106
Finance costs									(159)
Gain on disposal of non-trading investments									145
Taxation									(2,987)
Profit attributable to shareholders									13,105

PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 31ST DECEMBER 2002

	Futures broking HK\$'000	Securities broking HK\$'000	Securities margin financing HK\$'000	Corporate finance HK\$'000	Asset management services HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operation HK\$'000	Consolidated HK\$'000
TURNOVER	<u>59,704</u>	<u>1,687</u>	<u>1,188</u>	<u>11</u>	<u>1,629</u>	<u>31</u>	<u>63</u>	<u>128</u>	<u>64,441</u>
RESULT	<u>13,860</u>	<u>(1,543)</u>	<u>(1,049)</u>	<u>(1,345)</u>	<u>(1,050)</u>	<u>(47)</u>	<u>54</u>	<u>99</u>	8,979
Finance costs									(245)
Taxation									<u>(2,125)</u>
Profit attributable to shareholders									<u><u>6,609</u></u>

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

3. Staff costs

	Six months ended 31st December	
	2003	2002
	HK\$'000	HK\$'000
Salaries, commissions and allowances	30,374	32,154
Contribution to retirement benefits schemes	466	626
Rental expenses on staff quarter	2,622	1,290
Others	139	81
Staff costs include directors' emoluments	<u>33,601</u>	<u>34,151</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 31st December	
	2003	2002
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax	2,987	2,125
Taxation charge	2,987	2,125

5. Dividends

	Six months ended 31st December	
	2003	2002
	HK\$'000	HK\$'000
Final dividend paid:		
HK1 cent (2002: HK4.5 cents) per ordinary share (Note a)	2,000	9,000
Interim dividend proposed:		
HK1 cent (2002: HK1 cent) per ordinary share (Note b)	2,000	2,000
	4,000	11,000

Note (a): At a board meeting held on 18th September 2003, the Board declared a final dividend of HK1 cent (2002: HK4.5 cents) per ordinary share for the year ended 30th June 2003, which was paid on 30th October 2003.

Note (b): At a board meeting held on 25th March 2004, the Board declared an interim dividend of HK1 cent per ordinary share for the year ending 30th June 2004. This proposed dividend is not reflected as a dividend payable in these Interim Accounts, but will be reflected as an appropriation of retained earnings for the year ending 30th June 2004.

6. Earnings per share

The calculation of the basic earnings per share for the six months ended 31st December 2003 is based on the consolidated profit attributable to shareholders of HK\$13,105,000 (2002: HK\$6,609,000) and 200,000,000 ordinary shares in issue during the period (2002: 200,000,000 ordinary shares).

Diluted earnings per share for the six months ended 31st December 2003 and 2002 were not disclosed as there were no dilutive potential ordinary shares.

7. Non-trading investments

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

8. Loans and advances

Loans and advances are granted to the clients by the subsidiaries of the Company based on credit assessment. Their size and terms are offered subject to their pledged collaterals.

9. Accounts receivable

	31st December 2003 HK\$'000	30th June 2003 HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:		
– securities cash clients	11,813	4,696
– securities margin clients	27,650	23,572
– securities clearing house and brokers	8,778	382
– futures clearing house and brokers		
– Hong Kong Futures Exchange Clearing Corporation Limited (the “HKFECC”)	2,524	1,273
– brokers for commodity futures contracts on TGE and TOCOM	29,512	40,904
– brokers for commodity and currency futures contracts on other overseas exchanges	20,221	8,496
Accounts receivable from the provision of corporate finance advisory services	137	88
Accounts receivable arising from provision of unit trusts and insurance-linked products agency services	700	2,599
	101,335	82,010

The accounts receivable from HKFECC excludes a deposit of HK\$493,000 (30th June 2003: HK\$616,000) relating to the clients’ monies.

Credit policy for margin lending activities

Accounts receivable from securities margin clients represents 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 which are considered to be doubtful.

Settlement terms

Accounts receivable arising from the ordinary course of business of broking in index, commodity and currency futures contracts represents 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 is secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. As at 31st December 2003 and 30th June 2003, included in the accounts receivables from securities margin clients were overdue margin calls of HK\$4,988,000 and HK\$5,242,000 respectively.

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

	31st December 2003 HK\$'000	30th June 2003 HK\$'000
Within 30 days	1,895	1,725
31 - 90 days	186	229
91 - 180 days	233	–
181 - 270 days	–	3,252
271 - 360 days	2,674	36
	4,988	5,242

There was a provision of HK\$13,000 for an overdue margin call as at 31st December 2003 (30th June 2003: HK\$13,000).

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 of those transactions. As at 31st December 2003 and 30th June 2003, included in the accounts receivable from securities cash clients were receivables not settled on settlement dates of HK\$738,000 and HK\$915,000 respectively.

The ageing analysis of the accounts receivable from securities cash clients which were not settled on settlement dates was as follows:

	31st December 2003 HK\$'000	30th June 2003 HK\$'000
Within 30 days	88	265
31 - 90 days	—	—
91 - 180 days	—	—
Over 180 days	650	650
	738	915

There were provisions of HK\$328,000 for these receivables not settled on settlement dates as at 31st December 2003 (30th June 2003: HK\$328,000).

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 maintain trust accounts with authorised institutions as a result of their normal business transactions. At 31st December 2003, trust accounts not otherwise dealt with in these accounts amounted to HK\$57,132,000 (30th June 2003: HK\$36,714,000).

The subsidiaries of the Company pledge bank deposits as collateral to authorised institutions from time to time for foreign exchange deferred trading and banking facilities. At 31st December 2003, they have pledged bank deposits of HK\$1,140,000 (30th June 2003: HK\$2,534,000) and HK\$1,763,000 (30th June 2003: HK\$1,763,000) to authorised institutions for foreign exchange deferred trading and banking facilities respectively.

11. Accounts payable

	31st December 2003 HK\$'000	30th June 2003 HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:		
– securities cash clients	15,191	4,137
– securities margin clients	4,079	243
– futures clients	46,981	47,726
Accounts payable arising from provision of unit trusts and insurance-linked products agency services	<u>17</u>	<u>18</u>
	<u>66,268</u>	<u>52,124</u>

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 days after the trade date of those transactions.

The accounts payable arising in 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.

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 HK\$57,625,000 (30th June 2003: HK\$37,330,000).

12. Share capital

	Ordinary Share of HK\$0.1 each	
	No. of shares	HK\$'000
Authorised:		
Balance as at 30th June 2003 and 31st December 2003	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Balance as at 30th June 2003 and 31st December 2003	<u>200,000,000</u>	<u>20,000</u>

13. Reserves

	Investment revaluation reserve	Share premium	Capital reserve	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st July 2002	16,602	17,137	40,836	15,753	90,328
Change in accounting policies – provision for net deferred tax liabilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>(175)</u>	<u>(175)</u>
At 1st July 2002, as restated	16,602	17,137	40,836	15,578	90,153
Change in fair value of non-trading investments	<u>(2,956)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,956)</u>
Profit for the year	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,224</u>	<u>10,224</u>
Dividends (Note 5)	<u>–</u>	<u>–</u>	<u>–</u>	<u>(11,000)</u>	<u>(11,000)</u>
At 30th June 2003	<u>13,646</u>	<u>17,137</u>	<u>40,836</u>	<u>14,802</u>	<u>86,421</u>
At 1st July 2003	13,646	17,137	40,836	14,802	86,421
Change in fair value of non-trading investments	<u>8,323</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,323</u>
Disposal of non-trading investments	<u>(145)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(145)</u>
Profit for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,105</u>	<u>13,105</u>
Dividends (Note 5)	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,000)</u>	<u>(2,000)</u>
At 31st December 2003	<u>21,824</u>	<u>17,137</u>	<u>40,836</u>	<u>25,907</u>	<u>105,704</u>

Appropriation of retained earnings

HK\$'000

Retained earnings	23,907
Interim dividend proposed	2,000
	<u>25,907</u>

14. Related party transactions

During the period, the Group had the following transactions with a related company, Tanrich (Hong Kong) Holdings Limited ("THKHL") and its subsidiaries, Tanrich Real Estate Group Limited ("TREG"), and Union Light Investment Limited ("ULIL"). These related companies are all controlled by a combination of certain directors of the Company. These transactions were arisen in the ordinary course of the Group's business.

Six months ended			
31st December			
		2003	2002
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Rental expenses on staff quarter	(a)	2,580	1,290
Depreciation	(b)	1,123	1,024
Management fee income	(c)	(480)	(480)
Operating leases on land and buildings	(d)	<u>–</u>	<u>4,493</u>

- (a) The amount represented the rental expenses paid by a subsidiary of the Company to ULIL for the provision of accommodation to a director of the Company. The monthly rental of the premise was determined with reference to open market rentals.
- (b) 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.
- (c) 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.

- (d) The amount represented the rental expenses paid by the subsidiaries of the Company to TREGI for the use of office premises. The monthly rentals of these premises were determined with reference to open market rentals. This arrangement was terminated in May 2003.

15. Commitments and contingent liabilities

(i) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating lease as follows:

	31st December 2003 HK\$'000	30th June 2003 HK\$'000
Land and buildings		
Not later than one year	9,145	8,698
Later than one year and not later than five years	2,046	6,029
	<u>11,191</u>	<u>14,727</u>

(ii) Other commitments

As at 31st December 2003, the Company has undertaken to guarantee the banking facilities of HK\$100.5 million granted to two of its subsidiaries. The banking facilities were applied in their normal course of business activities, but no bank loan was drawn at 31st December 2003 (30th June 2003: Nil).

(iii) Off-balance sheet financial instruments

The following table provides a detail breakdown of the contractual or notional amounts and the fair values of a subsidiary of the Company's off-balance sheet financial instruments outstanding at 31st December 2003:

	Contract/notional amount HK\$'000	Fair value assets HK\$'000
As at 31st December 2003		
Equity index futures contracts - Trading	<u>3,791</u>	<u>87</u>
Foreign exchange currency futures contracts - Trading	<u>91,724</u>	<u>78</u>
Foreign exchange deferred trading - Hedging	<u>42,702</u>	<u>-</u>
	Contract/notional amount HK\$'000	Fair value liabilities HK\$'000
As at 30th June 2003		
Equity index futures contracts - Trading	<u>2,875</u>	<u>11</u>
Foreign exchange currency futures contracts - Trading	<u>61,348</u>	<u>101</u>
Foreign exchange deferred trading - Hedging	<u>50,687</u>	<u>-</u>

The notional amounts of these financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, are not a representation of the Group's exposure to the price or currency risks. The financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices or foreign exchange rates relative to their terms.

Market risks associated with the futures contracts arise due to the possible movements in indices and securities values underlying these instruments. Other market and credit risks include the possibility that there may be an illiquid market for the futures contracts that the changes in the values of the futures contracts may not directly correlate with changes in the values of the underlying currencies, commodities, indices, or securities, or that the counterparty to a future contract defaults on its obligation to perform under the terms of the contract.

(iv) Contingent liability

A subsidiary of the Company has received a claim for compensation approximately amounted to HK\$2.2 million in respect of disputed trades. As the arbitration proceedings are at a preliminary stage, it is not currently possible to estimate the eventual outcome of the claim and based on legal advice to date, the directors consider that no provision needs to be made in the financial statements.

16. Subsequent events

There were no significant events subsequent to 31st December 2003.

On behalf of the Board

YIP Man Fan

Chairman

Hong Kong, 25th March 2004