

Interim Report 2011/12



TANRICH

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

Stock code: 812

* For identification purpose only



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Dr. YIP Man Fan (*Chairman*)

Mr. KWOK Kam Hoi

(*Deputy Chairman & Chief Executive Officer*)

Mr. TSUNOYAMA Toru

Ms. WONG, Vicky Lai Ping

Independent Non-executive Directors

Dr. LAM, Andy Siu Wing, JP

Mr. MA, Andrew Chiu Cheung

Mr. YU King Tin

Audit Committee

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

Mr. MA, Andrew Chiu Cheung

Mr. YU King Tin

Remuneration Committee

Mr. YU King Tin (*Chairman*)

Dr. LAM, Andy Siu Wing, JP

Mr. MA, Andrew Chiu Cheung

Mr. TSUNOYAMA Toru

Ms. WONG, Vicky Lai Ping

Nomination Committee

Dr. YIP Man Fan (*Chairman*)

Dr. LAM, Andy Siu Wing, JP

Mr. MA, Andrew Chiu Cheung

Mr. YU King Tin

Ms. WONG, Vicky Lai Ping

Authorised Representative

Mr. KWOK Kam Hoi

Ms. YUEN, Callie Suk Ling

Company Secretary

Ms. YUEN, Callie Suk Ling

Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head Office and Principal Place of Business in Hong Kong	16th Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
Bermuda Principal Share Registrar	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM08 Bermuda
Branch Share Registrar in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Auditor	Mazars CPA Limited <i>Certified Public Accountants</i> 42nd Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
Listing Information	The Stock Exchange of Hong Kong Limited Stock Code: 812
Website	www.tanrich-group.com

INTERIM RESULTS

The board (the “Board”) of directors (“Directors”) 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 2011 together with the comparative figures for the preceding interim period ended 31 December 2010 as set out on pages 9 to 31 to this report.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the year ending 30 June 2012 (2011: *Nil*).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group recorded a turnover of HK\$31.1 million (2010: *HK\$57.4 million*) and a loss before tax of HK\$22.9 million (2010: *Profit of HK\$8.7 million*). Both the turnover and the results decreased significantly. As stated in the announcement of the Company dated 19 January 2012, 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 fair value of long term investments classified under available-for-sale financial assets depreciated during the period. The net assets of the Group decreased to HK\$219.1 million.

Wealth management, brokerage and margin financing

During the reviewing period, unfavorable economic conditions such as worsening debt crisis in Greece and other European countries, some disappointing US economic data as well as macro-control and tightened monetary policies in Mainland China unsettled investors. The average daily turnover of Hong Kong securities market was HK\$65.8 billion compared to HK\$73.6 billion in the corresponding period of last year, representing a decrease of 10.6%.

Due to the pessimistic sentiment in the investment market, the turnover generated from the wealth management, brokerage and margin financing decreased to HK\$25.7 million (2010: HK\$26.9 million) during the reviewing period. Such drop was mainly attributable to the decreasing turnover of Hong Kong securities market as a result of investors' conservative attitude. Income from margin financing on general securities dealing and initial public offerings also decreased. However, with a further strengthened and developed wealth management team and more businesses on MPF, unit trusts and insurance-linked products intermediary services, the Group recorded a substantial growth in the business of wealth management during the period. Occupying merely 18% in segment turnover, the increase in the business of wealth management was offset by the decrease in the business of brokerage and margin financing. It is expected that this division will commence to bring in additional contribution to the Group in the coming year(s). During the reviewing period, segment loss increased to HK\$8.1 million (2010: HK\$2.8 million) compared to that of 2010.

Insurance broking

A number of external factors such as devastating flooding in Thailand, deepening of the sovereign debt crisis in Europe and tightened monetary policy in Mainland had a negative impact on investment returns and investor sentiment. Turnover generated from insurance broking was inevitably affected by the impaired economic environment, slipping 37% to HK\$4.4 million (2010: HK\$6.8 million). The insurance team has accelerated its pace of business development by exploring suitable cooperating opportunities with local and overseas insurance business alliances to provide comprehensive product and service offerings to attract a wider range of clientele.

Corporate finance

Corporate finance business suffered from the pessimistic market sentiment as well. While the income derived from being appointed as financial advisers increased, it was offset by the considerable decrease in income derived from being appointed as placing agents during the period. Coupled with the almost frozen initial public offering activities ("IPO") and other equity fund raising exercises after the market slum, four clients have delayed the IPO schedule. Segment turnover for the reviewing period decreased to HK\$2.2 million (2010: HK\$4.7 million) by 53%. The Group believes that the IPO activities and equity fund raising exercises will be active in the coming period and this division will make a greater contribution in the coming period.

Asset management

During the reviewing period, the segment loss reduced to HK\$1 million (2010: HK\$2.2 million) by 57%. Given that this division is still in the developing stage, the team has been making gradual progress in terms of business and product development. The team is actively exploring and identifying suitable cooperating opportunities with potential overseas clients on funds establishment and discretionary investment management services. The Group is confident that this division will make significant contribution in the coming period by further expanding its realm of asset management business and enhancing its income generating ability, with synergy expected to be created with other divisions.

Proprietary trading

Proprietary trading business was struck by global economic adversity the most that it recorded a segment loss of HK\$1.9 million compared to a profit of HK\$18.8 million in the correspondence period of last year. The loss during the period was mainly attributable to the high volatility of the securities and futures market.

Prospects

Despite a number of unresolved key global financial issues, there is light at the end of the tunnel for global economy showing signs of recovery momentum. Experiencing ups and downs in the financial market for over 20 years, the Group will overcome all obstacles with composure and confidence despite serious challenges.

The Group has kept abreast of times and suited its measures to ever-changing market circumstances. Expanding the business of investment immigration and providing a wide variety of services for the clients, the Group has introduced the United States Employment Based Fifth Preference in addition to the existing Hong Kong Capital Investment Entrant Scheme.

Prospects *(continued)*

In view of the rapid development of technology, the Group will dedicate more resources to develop new electronic trading platforms and refine its existing platform. Broadening its client base, the Group has set up a new division responsible for the promotion of electronic trading services, with a significant contribution expected to be made by this new division.

The Group will continue to recruit more experienced talents in line with its business development and set up a business development team to explore and identify more business alliances to achieve sustained development over the long term.

Looking ahead, the Group will continue to adopt a growth-yet-prudent strategy to capture market potential, diversify its business as well as bring enormous returns to the shareholders. The Group will maintain its long-term goal of becoming “Financial Supermart – Regional I-Bank” with the belief that its strategy is on the right track.

Financial review

Liquidity, financial resources and gearing ratio

As at 31 December 2011, the Group had total cash and bank balances of HK\$44.8 million (30 June 2011: HK\$24.2 million), while net current assets decreased to HK\$97.2 million (30 June 2011: HK\$118.5 million). The current ratio as a ratio of current assets to current liabilities was 2.1 (30 June 2011: 1.8).

The Group met its daily operating obligations from its internal resources. The finance costs were mainly incurred for margin financing business. At the end of reporting period, due to drop in demand of margin financing, the Group had short term bank borrowings of HK\$66.8 million (30 June 2011: HK\$110.3 million) and resulting in gearing ratio of 30.5% (30 June 2011: 41.0%). Gearing ratio represents the ratio of total borrowings to the total equity of the Group. The bank borrowings are subject to floating interest rates with reference to the costs of funds of the banks.

Banking facilities and charges on assets

As at 31 December 2011, the Group had aggregate banking facilities of HK\$1,274 million. The drawdown of certain banking facilities of HK\$1,268.5 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 and other financial assets of HK\$104.5 million and fixed deposits of HK\$2 million for the facilities.

Material investments

During the period under review, there were no material acquisition of investments and subsidiaries. The Group maintained its investments in 2 listed and 3 non-listed companies as disclosed in the Annual Report 2011.

Contingencies

The Group has no material contingent liabilities as at 31 December 2011.

Commitments

As at 31 December 2011, the Group had no material capital commitment.

Exposure to fluctuations in exchange rates and related hedges

As at 31 December 2011, the Group has no material exposure to fluctuations in exchange rates.

Changes since 30 June 2011

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 2011.

Employees

As at 31 December 2011, the Group had a total of 140 employees. The Group operates different remuneration schemes for account executives and other supporting staff respectively. Account executives are remunerated on the basis of on-target-earning packages comprising base pay and allowances, commission and/or bonus. All supporting and general staff is also entitled to the year-end and the performance discretionary bonuses. The Company has share option schemes for which the Company may grant options to eligible persons to subscribe for shares in the Company as a long-term incentive scheme.

The Group provides training programs for the staff to enhance their skills and knowledge in products, regulations and compliance. Most of the in-house training are qualified for claiming Continuous Professional Training hours for the licensed persons.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 31 December	
		2011	2010
	Note	HK\$'000	HK\$'000
Turnover and revenue	2	31,081	57,440
Other revenue and gains	3	3,880	3,260
Employee benefit expenses	4	(27,871)	(27,794)
Depreciation and amortisation		(672)	(1,078)
Brokerage and agency commission	2	(7,684)	(7,256)
Other operating expenses		(20,692)	(15,096)
Finance costs	4	(739)	(633)
Share of results of an associate		(198)	(135)
Share of results of jointly controlled entities		(18)	(3)
(Loss) Profit before tax	4	(22,913)	8,705
Income tax expense	5	–	(697)
(Loss) Profit for the period		(22,913)	8,008
Other comprehensive (loss) income			
Exchange difference on translation of financial statements of foreign subsidiaries and an associate		(12)	401
Available-for-sale financial assets			
Fair value gain released on disposal		(111)	–
Change in fair value		(28,737)	39,691
Other comprehensive (loss) income for the period		(28,860)	40,092
Total comprehensive (loss) income for the period		(51,773)	48,100
(Loss) Profit for the period attributable to:			
Equity holders of the Company		(22,913)	8,027
Non-controlling interests		–	(19)
		(22,913)	8,008
Total comprehensive (loss) income for the period attributable to:			
Equity holders of the Company		(51,773)	48,119
Non-controlling interests		–	(19)
		(51,773)	48,100
(Loss) Earnings per share			
– Basic (HK cents)	6	(1.94)	0.71
– Diluted (HK cents)	6	(1.94)	0.69

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 31 December	Audited 30 June
		2011	2011
	Note	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		2,520	2,304
Intangible assets		180	210
Interests in an associate	7	865	1,183
Interests in jointly controlled entities	8	919	937
Available-for-sale financial assets	9	95,066	124,217
Other financial assets	10	18,306	17,406
Other non-current assets		3,590	3,500
Loans and advances	11	460	536
		121,906	150,293
Current assets			
Loans and advances	11	889	1,871
Financial assets at fair value through profit or loss	12	23,051	28,913
Accounts receivable	13	109,914	202,810
Deposits, prepayments and other receivables		8,670	7,003
Pledged deposits	14	2,007	–
Cash and bank balances	15	44,775	32,033
		189,306	272,630
Current liabilities			
Bank overdrafts		–	7,816
Interest-bearing borrowings	16	66,750	102,500
Accounts payable	17	12,549	29,415
Other payables and accrued charges		12,483	12,680
Tax payable		338	1,672
		92,120	154,083
Net current assets		97,186	118,547
NET ASSETS		219,092	268,840
Capital and reserves			
Share capital	18	118,195	117,925
Reserves	19	100,897	150,915
Equity attributable to equity holders of the Company and TOTAL EQUITY		219,092	268,840

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Net cash from (used in) operating activities	20,649	(2,646)
Net cash (used in) from investing activities	(2,256)	528
Net cash from (used in) financing activities	2,025	(6,367)
Net increase (decrease) in cash and cash equivalents	20,418	(8,485)
Cash and cash equivalents at beginning of period	24,217	44,862
Effect on exchange rate changes	140	-
Cash and cash equivalents at end of period	44,775	36,377
Analysis of balances of cash and cash equivalents		
Cash and bank balances	44,775	35,877
Pledged deposits	-	500
	44,775	36,377

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Total equity at 1 July	268,840	222,398
Total comprehensive (loss) income for the period	(51,773)	48,100
Issue of shares under share option schemes	2,025	1,633
Total equity at 31 December	219,092	272,131

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 31 December 2011 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 on The Stock Exchange of Hong Kong Limited.

These unaudited interim 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 Group’s annual financial statements for the year ended 30 June 2011. These unaudited interim condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the Company’s audit committee.

The accounting policies applied in preparing these unaudited interim condensed consolidated financial statements are consistent with those applied in preparing the Group’s financial statements for the year ended 30 June 2011.

Future changes in Hong Kong Financial Reporting Standards (“HKFRSs”)

The Group has not early adopted any new and revised HKFRSs 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 HKFRSs but is not yet in a position to reasonably estimate their impact on its results of operations and financial position.

2. SEGMENT INFORMATION

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

The Directors consider wealth management, brokerage and margin financing, insurance broking, corporate finance, asset management, money lending and proprietary trading are the Group’s major operating segments which are all operating in Hong Kong. The Group did not operate in any other geographical locations during both periods.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SEGMENT INFORMATION *(continued)*

Six months ended 31 December 2011 (unaudited)								
	Wealth management, brokerage and margin financing	Insurance broking	Corporate finance	Asset management	Money lending	Proprietary trading	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover and revenue	25,742	4,351	2,170	150	519	(1,851)	-	31,081
Brokerage and agency commission	(3,595)	(3,781)	-	-	-	(308)	-	(7,684)
Results	(8,120)	(955)	(1,559)	(957)	(1,613)	(1,931)	(873)	(16,008)
Unallocated income and expenses								(6,686)
Finance costs								(3)
Share of results of an associate								(198)
Share of results of jointly controlled entities								(18)
Loss for the period								(22,913)

Six months ended 31 December 2010 (unaudited)								
	Wealth management, brokerage and margin financing	Insurance broking	Corporate finance	Asset management	Money lending	Proprietary trading	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover and revenue	26,942	6,814	4,660	-	39	18,985	-	57,440
Brokerage and agency commission	(957)	(5,821)	-	-	-	(478)	-	(7,256)
Results	(2,844)	(489)	914	(2,208)	(312)	18,757	45	13,863
Unallocated expenses								(4,964)
Finance costs								(56)
Share of results of an associate								(135)
Share of results of jointly controlled entities								(3)
Income tax expense								(697)
Profit for the period								8,008

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SEGMENT INFORMATION *(continued)*

The accounting policies of the operating segments are consistent with those applied in preparing the Group's financial statements for the year ended 30 June 2011. Segment profit and loss represents the profit earned by or loss from each segment without allocation of central administration costs and finance costs, Directors' salaries, share of results of an associate and jointly controlled entities and income tax expense. This is the measure reported to the Directors for the purpose of resources allocation and performance assessment.

3. OTHER REVENUE AND GAINS

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Dividend income from equity investments	1,776	1,614
Interest income	1,194	834
Gains on disposal of available-for-sale financial assets	111	–
Management fee income	480	480
Sundry income	319	332
	3,880	3,260

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. (LOSS) PROFIT BEFORE TAX

	Unaudited Six months ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
This is stated after charging		
(a) Finance costs		
Interest expenses for securities broking and margin financing wholly repayable within five years	737	610
Interest expense for other business	–	20
Other interest expense	2	3
	739	633
(b) Employee benefit expenses		
Salaries, commission and allowances	27,352	27,211
Contributions to retirement benefits schemes	519	583
	27,871	27,794

5. INCOME TAX EXPENSE

	Unaudited Six months ended 31 December	
	2011	2010
	HK\$'000	HK\$'000
<i>Current income tax:</i>		
Hong Kong Profits Tax	–	697

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No tax is provided on the profit arising in Hong Kong since the Group incurred loss for taxation purpose during the six months ended 31 December 2011.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share attributable to the equity holders of the Company are based on the following data:

	Unaudited Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
(Loss) Profit for the period attributable to equity holders of the Company		
(Loss) Profit for the period for the purposes of computation of basic and diluted (loss) earnings per share	(22,913)	8,027

	Unaudited Six months ended 31 December	
	2011 '000	2010 '000
Number of ordinary shares		
Weighted average number of ordinary shares for the purposes of computation of basic (loss) earnings per share	1,180,514	1,130,072
Effect of dilutive potential ordinary shares for share options	–	31,435
Weighted average number of ordinary shares for the purposes of computation of diluted (loss) earnings per share	1,180,514	1,161,507

The diluted loss per share for the six months ended 31 December 2011 is the same as the basic loss per share as the exercise of the Company's outstanding share options would result in anti-dilutive effect by decreasing the basic loss per share.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INTERESTS IN AN ASSOCIATE

	Unaudited 31 December	Audited 30 June
	2011 HK\$'000	2011 HK\$'000
Share of net assets	865	1,183
Goodwill	2,774	2,774
Provision for impairment loss	(2,774)	(2,774)
	865	1,183

The investment in an associate represents 40.17% (30 June 2011: 40.17%) of the issued ordinary share capital of FundStreet AG ("FundStreet"), a company engaged in fund management in Switzerland which is incorporated in Zurich, Switzerland. The associate has its financial year ended on 31 December. For the purpose of Group consolidation, its management accounts for the six months ended 31 December 2011 have been equity accounted for in the financial statements.

8. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Unaudited 31 December	Audited 30 June
	2011 HK\$'000	2011 HK\$'000
Share of net assets	919	937

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

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

Name of jointly controlled entities	Place of incorporation/ operation	Particulars of issued and paid up ordinary share capital	Percentage of equity interests attributable to the Group			Principal activities
			Group's effective interest	Held by the Group	Held by an associate	
Tanrich-FundStreet Limited ("TFSL")	Hong Kong/ Hong Kong	HK\$2,000,000	65%	51%	35%	Fund management
Tanrich Fund Investment Management (Cayman) Limited, a wholly owned subsidiary of TFSL	Cayman Islands/ Hong Kong	US\$10,000	65%	51%	35%	Not yet commenced business

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 31 December	Audited 30 June
	2011 HK\$'000	2011 HK\$'000
Non-current		
Equity investment – unlisted, at cost	14,427	14,427
Provision for impairment loss	(9,896)	(9,896)
	4,531	4,531
Equity investments – listed in Hong Kong, at fair value (<i>Note</i>)	90,535	119,686
Total	95,066	124,217

Note: Fair values of the listed securities in Hong Kong are determined with reference to quoted market bid prices.

The Group has pledged listed investments of aggregate carrying amount of approximately HK\$83,923,000 (30 June 2011: HK\$109,766,000) to banks as collateral for the banking facilities granted to the Group.

At the end of the reporting period, 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%	Owens and operates the only stock exchange and futures exchange in Hong Kong, and their related clearing houses

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. OTHER FINANCIAL ASSETS

	Unaudited 31 December	Audited 30 June
	2011 HK\$'000	2011 HK\$'000
Held-to-maturity financial assets, unlisted	14,648	14,655
Derivatives – total return swap agreement ("SWAP") designated as at fair value through profit or loss	2,756	1,849
Embedded derivative designated as at fair value through profit or loss upon initial recognition	902	902
	18,306	17,406

The Group has pledged other financial assets of approximately HK\$15,550,000 (30 June 2011: HK\$15,557,000) to a bank as collateral for the banking facilities granted to the Group.

11. LOANS AND ADVANCES

	Unaudited 31 December	Audited 30 June
	2011 HK\$'000	2011 HK\$'000
Loans and advances		
Unsecured	443	392
Secured	906	2,015
	1,349	2,407
Current portion of loans and advances	(889)	(1,871)
	460	536

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. LOANS AND ADVANCES *(continued)*

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

At the end of the reporting period, loans and advances carry effective interest rates ranging from nil to 5% (30 June 2011: nil to 5%) and are within the respective maturity dates (30 June 2011: within the respective maturity dates).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Unaudited 31 December	Audited 30 June
		2011	2011
	Note	HK\$'000	HK\$'000
Held for trading			
Listed securities in Hong Kong, at fair value	(a)	6,038	10,473
Designated upon initial recognition			
Unlisted debt investments	(b)	17,013	18,440
		23,051	28,913

Notes:

- (a) Fair values of the listed securities in Hong Kong are determined with reference to quoted market bid prices.

The Group has pledged certain listed securities of approximately HK\$5,064,000 (30 June 2011: HK\$6,829,000) to a bank as collateral for the banking facilities granted to the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Notes: (continued)

- (b) The amount represented a loan advanced by a subsidiary of the Company to Cheung Wan (Groups) Energy Development Limited ("Cheung Wan") and its subsidiary. Details of the loan have been illustrated in the Company's annual report for the year ended 30 June 2011.

As mentioned in the Company's public announcement dated 18 December 2011, the subsidiary of Cheung Wan received a notice from the local authority for a proposed closure of its mining business. The Company holds the view that the notice constitutes a breach of warranties under the loan agreement as a default that materially and adversely affects the business of Cheung Wan, its financial condition or its ability to perform its obligations under the loan agreement.

Due to the said material breaches of the loan agreement, efforts were already made to recover the loans but were not successful. Therefore, the Company decided to resort to legal proceedings and is in the process of instructing its legal adviser to initiate legal action against Cheung Wan and the loan guarantor. The Company is currently in the process of negotiation, through its legal adviser, with Cheung Wan for a mutually agreeable settlement arrangement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. ACCOUNTS RECEIVABLE

		Unaudited 31 December	Audited 30 June
		2011	2011
	Note	HK\$'000	HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	(a)	8,944	41,115
– securities margin clients	(b)	66,681	119,103
– securities clearing house and brokers		3,336	9,528
– futures clearing house and brokers	(c)	24,795	26,279
– futures clients	(d)	–	–
Accounts receivable arising from the provision of corporate finance advisory services		1,577	1,448
Accounts receivable arising from the provision of unit trusts and insurance-linked products broking services		4,581	5,337
		109,914	202,810

Settlement terms

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

Accounts receivable arising from the 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 excess amounts over the required margin deposits stipulated are repayable on demand.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. ACCOUNTS RECEIVABLE (*continued*)

Notes:

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

	Unaudited 31 December	Audited 30 June
	2011 HK\$'000	2011 HK\$'000
Current	19	28,158
Overdue:		
– Within 30 days	6,336	6,004
– 31 – 90 days	–	6,953
– 91 – 180 days	2,589	–
	8,944	41,115

No provision was made for overdue receivables from cash clients as at 31 December 2011 and 30 June 2011.

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

	Unaudited 31 December	Audited 30 June
	2011 HK\$'000	2011 HK\$'000
Current	37,784	67,970
Overdue:		
– Within 30 days	15,258	49,962
– 31 – 90 days	247	448
– 91 – 180 days	12,929	–
– over 180 days	463	723
	66,681	119,103

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

No provision was made for overdue receivables from margin clients as at 31 December 2011 and 30 June 2011.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. ACCOUNTS RECEIVABLE *(continued)*

Notes: *(continued)*

- (c) Accounts receivable from futures clearing house and brokers did not include a deposit of approximately HK\$2,217,000 (30 June 2011: HK\$2,701,000) in respect of clients' monies deposited therein. At the end of the reporting period, the accounts receivable from futures clearing house and brokers were all aged within 30 days and repayable on demand.
- (d) At the end of the reporting period, the ageing analysis of accounts receivable from futures clients with overloss was as follows:

	Unaudited 31 December	Audited 30 June
	2011 HK\$'000	2011 HK\$'000
Overdue over 180 days	7	7
Allowance for bad and doubtful debts	(7)	(7)
	-	-

14. PLEDGED DEPOSITS

Pledged bank deposits represents deposits pledged to bank to secure banking facilities granted to the Group. At the end of reporting period, deposits amounting to approximately HK\$2,007,000 have been pledged to secure general banking facilities and are therefore classified as current assets.

15. CASH AND BANK BALANCES

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the end of the reporting period, trust monies not otherwise dealt with in the financial statements amounted to approximately HK\$76,031,000 (30 June 2011: HK\$93,080,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. INTEREST-BEARING BORROWINGS

	Unaudited 31 December	Audited 30 June
	2011 HK\$'000	2011 HK\$'000
Bank loans, secured and wholly repayable within 12 months	66,750	102,500

The bank loans were borrowed principally for the purpose of providing margin financing to clients. The weighted average effective interest rate on the loans was 1.82% per annum (30 June 2011: 1.08%).

17. ACCOUNTS PAYABLE

		Unaudited 31 December	Audited 30 June
	<i>Note</i>	2011 HK\$'000	2011 HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	(a)	1,319	10,011
– securities margin clients	(a)	285	1,752
– futures clients	(b)	10,627	12,273
– clearing house and securities brokers		137	5,298
Accounts payable arising from the provision of unit trusts and insurance-linked products broking services	(c)	181	81
	(d)	12,549	29,415

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. ACCOUNTS PAYABLE (continued)

Notes:

- (a) The settlement terms of accounts payable arising from the ordinary course of business of broking in securities in respect of cash clients and margin clients are two or three trading days after the transaction dates.
- (b) Accounts payable arising from the ordinary course of business broking in index, commodity and currency futures contracts represent the margin deposits received from clients for their trading in futures contracts. The excess over the required margin deposits stipulated are repayable to clients on demand.
- (c) Accounts payable arising from the provision of unit trusts and insurance-linked products broking services are repayable within 30 days.
- (d) Accounts payable are stated net of clients' segregated assets of approximately HK\$79,559,000 (30 June 2011: HK\$97,927,000).
- (e) No ageing analysis is disclosed in respect of accounts payable. In the opinion of the Directors, an ageing analysis does not give additional value in view of the businesses' nature.

18. SHARE CAPITAL

	Unaudited 31 December 2011		Audited 30 June 2011	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
	<i>Note</i>			
Authorised:				
Ordinary shares of HK\$0.1 each	2,000,000	200,000	2,000,000	200,000
Issued and fully paid:				
At beginning of period/year	1,179,252	117,925	1,128,864	112,886
Issue of shares under share option schemes	(i) 2,700	270	50,388	5,039
At end of period/year	1,181,952	118,195	1,179,252	117,925

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE CAPITAL (continued)

Note:

- (i) During the six months ended 31 December 2011, share options granted under the share option schemes were exercised by grantees to subscribe for 2,700,000 shares of HK\$0.10 each of the Company at the exercise price of HK\$0.75 per share.

19. RESERVES

	Attributable to equity holders of the Company									
	Investment revaluation reserve	Share premium	Capital reserve	Share option reserve	Warrants reserve	Foreign exchange reserve	(Accumulated	Non- controlling interests	Total	Total
							Retained earnings losses)			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2011	116,899	6,079	40,836	536	2,000	1,278	(16,713)	150,915	-	150,915
Equity-settled share-based transaction										
- Lapse of share options granted to employees	-	-	-	(23)	-	-	23	-	-	-
Issue of shares under share option schemes	-	2,268	-	(513)	-	-	-	1,755	-	1,755
Total comprehensive loss for the period	(28,848)	-	-	-	-	(12)	(22,913)	(51,773)	-	(51,773)
At 31 December 2011 (unaudited)	88,051	8,347	40,836	-	2,000	1,266	(39,603)	100,897	-	100,897
At 1 July 2010	87,890	1,013	40,836	536	-	497	(21,309)	109,463	49	109,512
Issue of shares under share option schemes	-	679	-	-	-	-	-	679	-	679
Total comprehensive income for the period	39,691	-	-	-	-	401	8,027	48,119	(19)	48,100
At 31 December 2010 (unaudited)	127,581	1,692	40,836	536	-	898	(13,282)	158,261	30	158,291

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, there were 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	
		2011 HK\$'000	2010 HK\$'000
Key management personnel, including directors	Short-term employee benefits	6,513	6,425
A related company (<i>Note</i>)	Management fee received	(480)	(480)
	Office expenses paid on behalf	198	–
	Motor vehicle lease payment	120	120
	Amount due to the Group	2,326	1,516

Note: During the period, the Group charged and paid to a related company, Tanrich (Hong Kong) Holdings Limited (“THKHL”), management fee of HK\$80,000 per month and lease payment of HK\$20,000 per month for the management and personnel supportive services provided by the Group and for the use of a motor vehicle respectively. The amount due from THKHL to the Group is unsecured, interest-free with no fixed repayment term. THKHL is controlled by a combination of certain directors of the Company.

21. COMMITMENTS

Capital expenditure commitments

	Unaudited 31 December	Audited 30 June
	2011 HK\$'000	2011 HK\$'000
Potential acquisition Contracted but not provided for the purchase of 60% issued share capital of Cheung Wan	–	88,660

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. COMMITMENTS *(continued)*

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

	Unaudited 31 December	Audited 30 June
	2011 HK\$'000	2011 HK\$'000
Within one year	10,855	10,993
In the second to fifth year inclusive	14,341	19,718
	25,196	30,711

Other commitments

In April 2010, the Company entered into a five year total return swap agreement with a bank in the United Kingdom. The underlying instrument of the SWAP is a capital guaranteed fund with notional amount of USD10 million.

Pursuant to the SWAP, the Company is obliged to make quarterly payments to the bank. The amount to be paid is calculated on the notional amount with reference to LIBOR from time to time. Upon maturity of the SWAP, the Company is entitled to receiving the cumulative return on the underlying instrument depending on its performance.

The SWAP is accounted for in accordance with HKAS 39 and included in other financial assets in the Condensed Consolidated Statement of Financial Position.

22. SUBSEQUENT EVENTS

Exercise of share options

On 7 January 2012 and 13 January 2012, share options granted under the share option schemes were exercised by grantees to subscribe 8,000,000 ordinary shares and 1,000,000 ordinary shares respectively of HK\$0.10 each of the Company at the exercise price of HK\$0.18 per share and HK\$0.888 per share respectively.

OTHER INFORMATION

Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2011, the interests or short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded 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 Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Name of Directors	Number of ordinary shares held			Number of underlying shares (Note 3)	Total
	Personal interests	Family interests	Other interests		
Dr. Yip Man Fan	57,484,000	30,000,000 (Note 1)	480,000,000 (Note 2)	-	567,484,000
Mr. Kwok Kam Hoi	16,000,000	-	-	8,000,000 (Note 4)	24,000,000 (Note 5)
Mr. Tsunoyama Toru	140,200,000	-	-	-	140,200,000
Ms. Wong, Vicky Lai Ping	7,780,000	-	-	-	7,780,000 (Note 6)
Dr. Lam, Andy Siu Wing, JP	2,152,000	-	-	-	2,152,000
Mr. Ma, Andrew Chiu Cheung	2,152,000	-	-	-	2,152,000
Mr. Yu King Tin	2,042,000	-	-	-	2,042,000

Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations *(continued)*

Interests in long positions in the shares and underlying shares of the Company (continued)

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. This interest represents the interests in the underlying shares in respect of share options granted by the Company to the Director as beneficial owner.
4. 8,000,000 options were exercised by Mr. Kwok Kam Hoi on 7 January 2012.
5. The aggregate of 4,300,000 shares were sold by Mr. Kwok Kam Hoi during the period from 6 January 2012 to 16 January 2012.
6. The aggregate of 780,000 shares were sold by Ms. Wong, Vicky Lai Ping on 3 January 2012 and 5 January 2012.

Save as disclosed above, as at 31 December 2011, none of the Directors, the chief executive of the Company 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 Share Option Scheme") and 30 January 2004 (the "Post-Listing Share Option Scheme") respectively. Movement of the share options for the period ended 31 December 2011 under the two share option schemes were as follows:

(i) Pre-Listing Share Option Scheme

	Number of shares issuable under the options		Subscription price HK\$	Grant date	Exercise Period	Closing price per share immediately before the grant date HK\$
	As at 01/07/2011 and 31/12/2011 (‘000)					
Director:						
Mr. Kwok Kam Hoi	8,000		0.1800	22/02/2002	22/02/2003 – 07/01/2012	0.163
	<u>8,000</u>					

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

Share option schemes (continued)

(ii) Post-Listing Share Option Scheme

	Number of shares issuable under the options				Exercise price HK\$	Grant date	Exercise period	Closing price per share immediately before the grant date HK\$	Weighted average closing price immediately before the exercise date HK\$
	As at 01/07/2011 ('000)	Exercised during the period ('000)	Lapsed during the period ('000) (Note 2)	As at 31/12/2011 ('000)					
Continuous contract employees	2,400	-	-	2,400	0.1675	04/01/2007	04/01/2008 – 03/01/2017	0.165	-
	456	-	(152)	304	0.1305	14/05/2009	14/05/2010 – 13/05/2019 (Note 1)	0.140	-
	320	-	-	320	0.1405	14/05/2009	14/05/2010 – 13/05/2019 (Note 1)	0.140	-
	1,200	-	-	1,200	0.8880	04/01/2011	04/01/2012 – 03/01/2021	0.840	-
Consultants/Advisors	2,700	(2,700)	-	0	0.7500	14/08/2007	14/08/2008 – 13/08/2017	0.760	1.670
Total	7,076	(2,700)	(152)	4,224					

Notes:

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

Directors' rights to acquire shares or debentures

Apart from those disclosed in the "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 Directors 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 2011, the persons (other than Directors and chief executive of the Company whose interests or short positions have been disclosed above) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholders	Note	Number of ordinary shares held	Approximate % of holding
Aceland Holdings Ltd.	1, 2 & 4	480,000,000	40.61%
Redwood Pacific Limited	2 & 4	480,000,000	40.61%
Bank of East Asia (Trustees) Limited	3 & 4	480,000,000	40.61%
Ms. Tang Yuk Lan	5	567,484,000	48.01%

Notes:

1. Aceland Holdings Ltd. is the trustee of The Yip Unit Trust, which holds 40.61% 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. Bank of East Asia (Trustees) 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 Bank of East Asia (Trustees) Limited is taken to have an interest in the same 480,000,000 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 Dr. Yip Man Fan and Ms. Tang Yuk Lan is taken to have an interest in the shares held by each other. These shares therefore duplicate each other.

Save as disclosed above, as at 31 December 2011, the Company has not been notified of any substantial shareholders (other than Directors and chief executive of the Company) who had an interests or short positions in the shares or underlying shares of the Company that were recorded in the register required to be kept under Section 336 of the SFO.

Corporate governance

The Company has complied with all the provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules throughout the interim period.

Remuneration committee

During the interim period, the Remuneration Committee reviewed the remuneration package of the Directors and the senior management of the Group and proposed bonus policy to Executive Directors to reflect their contributions to the Group and to link their remuneration to the Group’s performance.

Nomination committee

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

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

Social responsibility

Corporate social responsibility is a crucial element of the Group’s sustainable development. The Group strives to foster a harmonious community through different corporate citizenship programmes. Our efforts to fulfil our social responsibilities have earned us widespread recognition. The Group has been awarded as the “Heart to Heart Company” by the Hong Kong Federation of Youth Groups for three consecutive years and as a “Family-Friendly Employers” by Family Council in recognition of the Group’s successful demonstration of a family-friendly spirit, implementation of family-friendly employment practices and promotion of a culture of loving families in the community.

During the period under review, the Group established a corporate volunteer team in response to “The Volunteer Movement” launched by Social Welfare Department, actively working with social agencies to help the needy including the aged, the teenagers and the disadvantaged. In respect of investments in educational programmes, the Group sponsored the Fresh Fish Traders’ School’s “Christmas Card Design Competition” and “Academic Improvement Awards” to cultivate the future society’s leaders.

Social responsibility *(continued)*

The Group continues with efforts to protect the environment and reduce the consumption of resources by implementing low-carbon policies in office. Besides volunteering at Mai Po Nature Reserve, the Group participated in “Towards Low Carbon ICT – A Programme to Reduce the Carbon Footprint of ICT Operation and Usage” by The Green ICT Consortium (GICTC) and shared the Group’s carbon-reducing efforts to other industry players.

Model code of listing rules

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. 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 2011.

Purchase, sale or redemption of securities

During the six months ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares in the Company.

Audit committee

During this interim period, the Audit Committee has reviewed the internal audit work summary and findings and endorsed the internal audit report. The Audit Committee also reviewed the interim review plan from the external auditors and approved their proposed services fees for the financial year ending 30 June 2012.

The Audit Committee 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 consolidated financial statements for the six months ended 31 December 2011 (“Interim Financial Statements”), in conjunction with the external auditors of the Company. The Audit Committee is satisfied that the Interim Financial Statements have been prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the six months ended 31 December 2011.

By order of the Board

Kwok Kam Hoi

Deputy Chairman and Chief Executive Officer

Hong Kong, 27 February 2012