



I N T E R I M R E P O R T

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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*)

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

Authorised Representative

Mr. KWOK Kam Hoi

Ms. TANG, Irene Yuen Ching

Company Secretary

Ms. TANG, Irene Yuen Ching

Registered Office

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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 2010 together with the comparative figures for the preceding interim period ended 31 December 2009 as set out on pages 9 to 28 to this report.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the year ending 30 June 2011 (*2010: Nil*).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group recorded a turnover of HK\$57.4 million (*2009: HK\$35.3 million*) and a profit before taxation of HK\$8.7 million (*2009: loss of HK\$6.3 million*). Though the performance of certain segments were not satisfactory, the interim results generally showed a pleasant improvement. The fair value of long term investments classified under available-for-sale financial assets further appreciated during the period. At period end, the net assets of the Group increased to HK\$272.1 million.

Wealth management, brokerage and margin financing

Under the reviewing period, the average daily turnover of Hong Kong securities market has been increased by 12% compared to that of corresponding period in last year to HK\$74.1 billion. Resulting from the hot money inflow induced by the US “Quantitative Easing” as well as the continuous growth of the China economy and the relative appreciation in Renminbi, investors are generally forming a more favorable vision towards the stock market and the property market in Hong Kong.

Given the general optimistic atmosphere in the investment market, the turnover generated from the wealth management, brokerage and margin financing has been increased to HK\$26.9 million (2009: HK\$19.8 million) during the reviewing period. Such increase was mainly attributable to the increase in trading volume in the stock markets comparing to that of last year. Income from margin financing on general securities dealing and initial public offerings also accounted for notable increase for this segment improvement. Besides, the Group has its wealth management team further strengthened and developed compared to the setup period in last year. Thus, more businesses on MPF, unit trusts and insurance-linked products intermediary service have been carried out to contribute the Group’s performance accordingly. Meanwhile, the institutional sales division continues to keep pace with other business divisions of the Group in liaising with related potential institutional clients for further business exploration and it is expected that the division will commence to bring in additional contribution to the Group in the coming period. During the reviewing period, segment loss has been decreased to HK\$2.8 million (2009: HK\$4.1 million) by 30.8% as compared to that of 2009. Correspondingly, related percentage of segment loss on the segment turnover has been significantly decreased from 20.8% in 2009 to 10.6% for the reviewing period.

Insurance broking

During the reviewing period, turnover generated from the insurance broking increased to HK\$6.8 million (2009: HK\$4.6 million) by 48.3% comparing to last year. Meanwhile, the percentage of segment loss on segment turnover was noted as 7.2% for the reviewing period comparing to 14.8% in the corresponding period in last year, representing a substantial decrease of 7.6%. Catching up with the favorable market sentiment, the insurance broking team continued to accelerate its pace of business development by cooperating with more overseas insurance business alliances of scale so as to diversify its products availability and hence to capture different clienteles. In view of the increase in segment turnover and improvement of the segment results and related margin percentage, the Group is confident that the insurance broking division will continue to play an important role in strengthening its income base in the coming future.

Corporate finance

During the reviewing period, the corporate finance team commenced to engage in more projects comparing to corresponding period in last year. Apart from accepting appointment as agent of placing exercises in the previous year, the team was also appointed as sponsors for new listing of companies, either by way of initial public offering or introduction and financial advisers on company restructuring including but not limited to acquisition, disposal or connected transactions during the period. Besides, the team acted as compliance advisers of two listed companies. Turnover for the reviewing period slightly decreased to HK\$4.7 million (2009: HK\$4.9 million) by 5.1%. Although the segment turnover was slightly decreased during the period, the segment profit was increased to HK\$0.9 million (2009: HK\$0.2 million) by 3.5 times. Percentage of segment profit on turnover was noted as 19.6% compared to that of 4.1% in corresponding period of last year. The improvement in results noted for the reviewing period is partly attributable to the different composition of projects taken in current reviewing period compared to that of corresponding period in last year. During corresponding period in last year, the team mainly dealt with 3 placing exercises and acting as sponsors for 3 new listing companies whereas the number of projects carried out in current period was about doubled comparing to corresponding period in last year. Hence, the profitability of the resources devoted in this division during the reviewing period was much improved.

Asset management

Further to the re-activation of this division from last year, the asset management division continued to strengthen its team force during the reviewing period. The asset management division made satisfactory progress during the reviewing period in terms of product development and exploration on cooperating opportunities with potential overseas clients on fund establishment and discretionary investment management service. The Group views that the division went through a solidifying period during the six months under review and believes that the division will continue to bring in more contribution to the Group in the foreseeable future. During the period under review, the segment loss was increased to HK\$2.2 million (2009: HK\$ 1.7 million) by 26.9%. The Group is optimistic that the costs incurred during the period under review was worth investing for strengthening its business base and hence to widen its income generating ability. It is expected that this division will be expanding further in the coming period.

Proprietary trading

The turnover of proprietary trading for the period increased to HK\$19.0 million (2009: HK\$5.5 million) by 2.5 times. The segment profit was noted with corresponding increase to HK\$18.8 million (2009: HK\$5.4 million). Included in the segment turnover was HK\$0.7 million generated from managed account, HK\$0.5 million from trading of listed securities whereas HK\$17.8 million was generated from trading of futures contracts. The increase in turnover during the period was mainly attributable to profit from trading in futures contracts arising in latter part of the reviewing period. Such significant change was partly resulted from the recognition of unrealised gain from the period end adjustment on futures contracts and this causes sharp increase in segment turnover and profit for the period under review as compared to the corresponding period in last year.

Prospects

During the reviewing period, most of the business divisions demonstrated improving trend of performance. The traditional core businesses on brokerage and margin financing together with wealth management continued to be the principal business units of the Group whereas other divisions such as corporate finance and insurance broking also demonstrated their ability to generate further contribution to the Group. Meanwhile, the government of the Hong Kong Special Administrative Region has announced to change the requirement applicable to the 'Capital Investment Entrant Scheme' by turning away from property market as permissible investment assets. The Group believes that will further increase the business opportunities in the financial industry because of fresh source of market funding.

Giving the inherit features of the financial industry, the Group believes that further diversification on businesses within the industry will allow it to enhance its profitability and correspondingly reduce its vulnerability at times of unforeseeable turnaround of the macro environment.

Reiterating the spirit of the Group stepping beyond its 20th anniversary, the Group is prepared to adapt to new changes in order to further advance in another decade with much successful future. With the mission as 'Financial Supermart – Regional i-Bank', the Group is determined to strive for every way to transform from futures broking firm, securities dealing house to an all-rounded listed financial service group.

Financial review

Liquidity, financial resources and gearing ratio

As at 31 December 2010, the Group had total cash and bank balances of HK\$36.4 million (*30 June 2010: HK\$44.9 million*), while net current assets amounted to HK\$109.6 million (*30 June 2010: HK\$100.5 million*). The current ratio as a ratio of current assets to current liabilities was 2.1 (*30 June 2010: 2.2*).

The Group met its daily operating obligations from its internal resources. The finance costs were mainly incurred for margin financing business. To cope with the increasing demand in margin financing, the Group had short term bank borrowings of HK\$76 million at the end of the reporting period and resulting in gearing ratio of 27.9% (*30 June 2010: 18.4%*). 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 2010, the Group had aggregate banking facilities of HK\$1,224.2 million. The drawdown of certain banking facilities of HK\$1,218.7 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\$141.9 million and fixed deposits of HK\$0.5 million for the facilities.

Material investments

The Group maintained its investments in 2 listed and 3 non-listed companies as disclosed in the Annual Report 2010. The Group did not make further provisions for such investments for the reviewing period.

The associate of the Group, FundStreet AG ("FundSteet") has applied with the Swiss FINMA for a Swiss property fund in legal form of a SICAV to cope with the rebound in investment demand. Unfortunately, the market did not resume as expected under the European Debt Crisis. In view of the current market condition, the management of FundStreet remained to be prudent that the related investment should be stated at its current value without further provision to be made. For the existing OTC fund, they raised new investment money in last year. Following a long period of sluggish demand from investors in Switzerland and other markets in Europe for private equity and other closed-end funds, it is also expected that the percentage of net management fee income will return to previous higher level.

Contingencies

The Group has no material contingent liabilities as at 31 December 2010.

Commitments

As at 31 December 2010, the Group had no material capital commitment.

Exposure to fluctuations in exchange rates and related hedges

As at 31 December 2010, the Group has no material exposure to fluctuations in exchange rates.

Changes since 30 June 2010

Save as discussed in this interim report, there were no other significant changes in the Group's financial position and from those information disclosed in the Annual Report 2010.

Employees

As at 31 December 2010, the Group had a total of 145 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

	<i>Note</i>	Unaudited Six months ended 31 December	
		2010 HK\$'000	2009 HK\$'000
Turnover and revenue	2	57,440	35,298
Other revenue		3,260	3,730
Employee benefit expenses	3	(27,794)	(23,676)
Depreciation and amortisation		(1,078)	(907)
Brokerage and agency commission	2	(7,256)	(4,717)
Other operating expenses		(15,096)	(15,098)
Finance costs		(633)	(805)
Share of results of an associate		(135)	(112)
Share of results of jointly controlled entities		(3)	(16)
Profit (Loss) before taxation		8,705	(6,303)
Taxation	4	(697)	(460)
Profit (Loss) for the period	2	8,008	(6,763)
Exchange difference on translation of financial statements of foreign subsidiaries and associate		401	(74)
Change in fair value of available-for-sale financial assets		39,691	10,004
Other comprehensive income		40,092	9,930
Total comprehensive income for the period		48,100	3,167
Profit (loss) for the period attributable to:			
Equity holders of the Company		8,027	(6,761)
Non-controlling interests		(19)	(2)
		8,008	(6,763)
Total comprehensive income for the period attributable to:			
Equity holders of the Company		48,119	3,169
Non-controlling interests		(19)	(2)
		48,100	3,167
Earnings (loss) per share			
– Basic (HK cents)	5	0.71	(0.60)
– Diluted (HK cents)	5	0.69	(0.60)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 31 December	Audited 30 June
		2010	2010
	Note	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		2,071	2,860
Intangible assets		240	170
Interests in an associate	6	1,279	1,237
Interests in jointly controlled entities	7	954	957
Available-for-sale financial assets	8	137,148	97,457
Other financial assets	9	16,500	15,579
Other non-current assets		3,500	3,500
Loans and advances	10	880	165
		162,572	121,925
Current assets			
Loans and advances	10	647	3,049
Investments held for trading	11	11,387	31,262
Accounts receivable	12	157,334	101,766
Deposits, prepayments and other receivables		6,094	4,398
Pledged deposits	13	500	500
Cash and bank balances	14	35,877	44,362
		211,839	185,337
Current liabilities			
Interest-bearing borrowings	15	76,000	41,000
Accounts payable	16	13,977	28,840
Other payables and accrued charges		11,026	14,271
Tax payable		1,277	753
		102,280	84,864
Net current assets		109,559	100,473
NET ASSETS		272,131	222,398
Capital and reserves			
Share capital	17	113,840	112,886
Reserves	18	158,261	109,463
Total equity attributable to equity holders of the Company		272,101	222,349
Non-controlling interests		30	49
TOTAL EQUITY		272,131	222,398

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 31 December	
	2010 HK\$'000	2009 HK\$'000
Net cash (used in) generated from operating activities	(2,646)	25,957
Net cash generated from (used in) investing activities	528	(6,590)
Net cash (used in) generated from financing activities	(6,367)	402
Net (decrease) increase in cash and cash equivalents	(8,485)	19,769
Cash and cash equivalents at beginning of period	44,862	36,132
Cash and cash equivalents at end of period	36,377	55,901
Analysis of balances of cash and cash equivalents		
Cash and bank balances	35,877	55,213
Pledged deposits	500	688
	36,377	55,901

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 December	
	2010 HK\$'000	2009 HK\$'000
Total equity at 1 July	222,398	257,511
Total comprehensive income for the period	48,100	3,167
Issue of shares under share option schemes	1,633	402
Total equity at 31 December	272,131	261,080

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 2010 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 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These 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 2010.

The accounting policies applied in preparing these interim condensed consolidated financial statements are consistent with those applied in preparing the Group’s financial statements for the year ended 30 June 2010.

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. Segment results represent the profit earned or loss incurred by each segment without allocation of finance costs not directly attributable to segment principal activities and taxation. The following analysis is the measure reported to chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SEGMENT INFORMATION *(continued)*

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)
Taxation								(697)
Profit for the period								8,008

Six months ended 31 December 2009 (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	19,784	4,595	4,911	391	160	5,457	-	35,298
Brokerage and agency commission	(293)	(3,795)	-	-	-	(629)	-	(4,717)
Results	(4,112)	(682)	199	(1,740)	(151)	5,352	868	(266)
Unallocated expenses								(5,888)
Finance costs								(21)
Share of results of an associate								(112)
Share of results of jointly controlled entities								(16)
Taxation								(480)
Loss for the period								(6,763)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. EMPLOYEE BENEFIT EXPENSES

	Unaudited Six months ended 31 December	
	2010 HK\$'000	2009 HK\$'000
Salaries, commission and allowances	27,211	23,174
Contributions to retirement benefit schemes	583	502
	27,794	23,676

4. TAXATION

The amount represents provision for Hong Kong Profits Tax for the period, at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong during the period.

5. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share are based on the profit for the period attributable to equity holders of HK\$8,027,000 (2009: loss of HK\$6,761,000).

The basic earnings (loss) per share is based on the weighted average number of ordinary shares of 1,130,072,000 (2009: 1,125,994,000) in issue during the period.

The diluted earnings per share of the current period was based on 1,161,507,000 shares which was the weighted average number of ordinary shares during the period adjusted for the number of dilutive potential shares under the share option schemes.

As there was an anti-dilutive effect after adjusting for the effects of all dilutive potential ordinary shares in previous period, the diluted loss per share presented is equal to the basic loss per share for previous period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. INTERESTS IN AN ASSOCIATE

	Unaudited 31 December	Audited 30 June
	2010 HK\$'000	2010 HK\$'000
Share of net assets	1,279	1,237
Goodwill	2,774	2,774
Provision for impairment loss	(2,774)	(2,774)
	–	–
	1,279	1,237

The investment in an associate represents 40.17% (30 June 2010: 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 2010 have been equity accounted for in the financial statements.

7. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Unaudited 31 December	Audited 30 June
	2010 HK\$'000	2010 HK\$'000
Share of net assets	954	957

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. 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/ place of 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.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 31 December	Audited 30 June
	2010 HK\$'000	2010 HK\$'000
Equity investment – unlisted, at cost	14,427	14,427
Provision for impairment loss	(9,896)	(9,896)
	4,531	4,531
Equity investment – listed in Hong Kong, at fair value	132,617	92,926
Total	137,148	97,457

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

The Group has pledged listed investments of aggregate carrying amount of HK\$118,650,000 (30 June 2010: HK\$82,577,000) 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%	Owns and operates the only stock exchange and futures exchange in Hong Kong, and their related clearing houses

9. OTHER FINANCIAL ASSETS

	Unaudited 31 December 2010 HK\$'000	Audited 30 June 2010 HK\$'000
Held-to-maturity financial assets, unlisted	15,600	14,677
Embedded derivative designated as at fair value through profit or loss upon initial recognition	900	902
	16,500	15,579

The Group has pledged other financial assets of HK\$15,549,000 (30 June 2010: HK\$15,579,000) to a bank as collateral for the banking facilities granted to the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. LOANS AND ADVANCES

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

11. INVESTMENTS HELD FOR TRADING

	Unaudited 31 December	Audited 30 June
	2010 HK\$'000	2010 HK\$'000
Listed securities in Hong Kong, at market value	11,387	31,262

The Group has pledged certain listed securities of HK\$7,685,000 (30 June 2010: HK\$7,435,000) to a bank as collateral for the banking facilities granted to the Group.

12. ACCOUNTS RECEIVABLE

	Unaudited 31 December	Audited 30 June
	2010 HK\$'000	2010 HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:		
– securities cash clients (a)	17,731	16,019
– securities margin clients (b)	99,930	57,362
– securities subscription clients	–	220
– securities clearing house and brokers	9,765	6,815
– futures clearing house and brokers (c)	28,480	19,982
– futures clients	–	–
Accounts receivable arising from the provision of corporate finance advisory services	1,147	52
Accounts receivable arising from the provision of unit trusts and insurance-linked products broking services	281	1,316
	157,334	101,766

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. ACCOUNTS RECEIVABLE *(continued)*

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 subscription of IPO of listed companies in Hong Kong on behalf of clients are settled upon the share allotments of such listed companies.

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:

- (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
	2010 HK\$'000	2010 HK\$'000
Current	10,109	12,966
Overdue:		
– Within 30 days	7,600	3,052
– 31 – 90 days	–	–
– 91 – 180 days	21	–
– over 180 days	1	65
	17,731	16,083
Allowance for bad and doubtful debts	–	(64)
	17,731	16,019

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. ACCOUNTS RECEIVABLE *(continued)*

Notes: *(continued)*

- (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
	2010 HK\$'000	2010 HK\$'000
Current	88,655	52,871
Overdue:		
– Within 30 days	10,100	4,058
– 31 – 90 days	1,118	63
– 91 – 180 days	57	370
	99,930	57,362

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 2010 and 30 June 2010.

- (c) Accounts receivable from futures clearing house and brokers did not include a deposit of HK\$2,662,000 (30 June 2010: HK\$5,060,000) 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. PLEDGED DEPOSITS

The Group has pledged bank deposits to secure general banking facilities granted to the Group.

14. 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 HK\$84,623,000 (30 June 2010: HK\$127,044,000).

15. INTEREST-BEARING BORROWINGS

	Unaudited 31 December	Audited 30 June
	2010 HK\$'000	2010 HK\$'000
Bank loans, secured and wholly repayable within 12 months	76,000	41,000

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 1.26% per annum (30 June 2010: 1.32%).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. ACCOUNTS PAYABLE

		Unaudited 31 December	Audited 30 June
	<i>Note</i>	2010 HK\$'000	2010 HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	<i>(a)</i>	3,509	2,676
– securities margin clients	<i>(a)</i>	3,789	652
– futures clients	<i>(b)</i>	6,187	9,856
– clearing house and securities brokers		374	15,581
Accounts payable arising from the provision of unit trusts and insurance-linked products broking services	<i>(c)</i>	118	75
	<i>(d)</i>	13,977	28,840

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 HK\$87,285,000 (30 June 2010: HK\$132,138,000).
- (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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE CAPITAL

	<i>Note</i>	Unaudited 31 December 2010		Audited 30 June 2010	
		Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:					
Ordinary shares of HK\$0.1 each					
At beginning of period/year		2,000,000	200,000	1,000,000	100,000
Increase during the year	(a)	-	-	1,000,000	100,000
At end of period/year		2,000,000	200,000	2,000,000	200,000
Issued and fully paid:					
At beginning of period/year		1,128,864	112,886	562,632	56,263
Issue of shares under share option schemes	(b)	9,536	954	2,400	240
Issue of bonus shares	(c)	-	-	563,832	56,383
At end of period/year		1,138,400	113,840	1,128,864	112,886

Notes:

- (a) By an ordinary resolution passed at a special general meeting on 2 December 2009, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000 by the creation of additional 1,000,000,000 ordinary shares of HK\$0.1 each in the share capital of the Company.
- (b) During the period, share options granted under the share option schemes were exercised by grantees to subscribe for 9,536,000 shares of HK\$0.1 each of the Company at the exercise prices of HK\$0.1675, HK\$0.39, HK\$0.115, HK\$0.1305 and HK\$0.1405 per share for 4,800,000, 840,000, 800,000, 2,556,000 and 540,000 shares respectively.
- (c) By an ordinary resolution passed at the adjourned annual general meeting held on 2 December 2009, an aggregate of 563,832,000 bonus shares of HK\$0.1 each were issued in the proportion of one ordinary share for every one then existing ordinary share.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RESERVES

	Attributable to equity holders of the Company								
	Investment revaluation reserve HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Foreign exchange reserve HK\$'000	(Accumulated losses)	Total	Non- controlling interests HK\$'000	Total
						Retained earnings HK\$'000			
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
At 1 July 2009	90,249	57,078	40,836	536	360	12,146	201,205	43	201,248
Issue of shares under share option schemes	-	282	-	-	-	-	282	-	282
Issue of bonus shares	-	(56,383)	-	-	-	-	(56,383)	-	(56,383)
Total comprehensive income for the period	10,004	-	-	-	(74)	(6,761)	3,169	(2)	3,167
At 31 December 2009 (unaudited)	100,253	977	40,836	536	286	5,385	148,273	41	148,314

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. 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	
		2010	2009
		HK\$'000	HK\$'000
Key management personnel, including directors	Short-term employee benefits	6,425	6,321
A related company THKHL (<i>Note</i>)	Management fee received Motor vehicle lease payment	(480) 120	(480) 100

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. THKHL is controlled by a combination of certain directors of the Company.

20. COMMITMENTS

Capital expenditure commitments

	Unaudited 31 December	Audited 30 June
	2010	2010
	HK\$'000	HK\$'000
Contracted but not provided net of deposits paid in the financial statements for the revamp of information technology systems	225	977
Further capital contribution to subsidiaries	49,000	49,000
	49,225	49,977

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. 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
	2010 HK\$'000	2010 HK\$'000
Within one year	2,778	6,482
In the second to fifth year inclusive	100	220
	2,878	6,702

Other commitments

In April 2010, the Company entered into a five year total return swap agreement (the "SWAP") 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. SUBSEQUENT EVENTS

(a) Granting of share options

On 4 January 2011, share options to subscribe for an aggregate of 1,200,000 ordinary shares of HK\$0.10 each in the capital of the Company were granted under Post-Listing Share Option Scheme. The exercise price per option is HK\$0.888 and exercisable in accordance with the terms of the Post-Listing Share Option Scheme at any time during the period from 4 January 2012 to 3 January 2021, both dates inclusive.

(b) Placing of warrants

On 20 January 2011, the Company entered into a Placing Agreement with its wholly owned subsidiary as Placing Agent to place 100,000,000 warrants. The placing price per warrant is HK\$0.02 and the subscription price is HK\$1.00. On 28 January 2011, the Company completed the placing of the warrants to two independent investors.

OTHER INFORMATION

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

As at 31 December 2010, the interests of the Directors, the chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company or its associated corporation (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

	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	24,000,000
Mr. Tsunoyama Toru	136,760,000	-	-	3,440,000	140,200,000
Ms. Wong, Vicky Lai Ping	-	-	-	7,780,000	7,780,000
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	-	-	-	2,152,000	2,152,000

Notes:

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

Save as disclosed above, as at 31 December 2010, none of the Directors, the chief executives 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 2010 under the two share option schemes were as follows:

Pre-Listing Share Option Scheme

	Number of shares issuable under the options				Closing price per share immediately before the grant date HK\$
As at 01/07/2010 and 31/12/2010 (‘000)		Subscription price HK\$	Grant date	Exercise Period	
Directors:					
Mr. Kwok Kam Hoi	8,000	0.1800	22/02/2002	22/02/2003 – 07/01/2012	0.163
Mr. Tsunoyama Toru	3,440	0.1800	22/02/2002	22/02/2003 – 07/01/2012	0.163
Ms. Wong, Vicky Lai Ping	1,200	0.1800	22/02/2002	22/02/2003 – 07/01/2012	0.163
	2,000	0.1625	03/07/2006	03/07/2007 – 07/01/2012	0.163
	<u>14,640</u>				

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

Share option schemes (continued)

Post-Listing Share Option Scheme

	Number of shares issuable under the options				Exercise price HK\$	Grant date	Exercise period	Closing price	Weighted average
	As at 01/07/2010 ('000)	Exercised during the period ('000)	Lapsed during the period ('000) <i>(Note 4)</i>	As at 31/12/2010 ('000)				per share immediately before the grant date HK\$	closing price immediately before the exercise date HK\$
Directors:									
Ms. Wong, Vicky Lai Ping	1,080	-	-	1,080	0.1675	27/04/2004	27/04/2005 – 26/04/2014	0.168	-
	2,000	-	-	2,000	0.1675	04/01/2007	04/01/2008 – 03/01/2017	0.165	-
	1,500	-	-	1,500	0.1305	14/05/2009	14/05/2010 – 13/05/2019	0.140	-
Dr. Lam, Andy Siu Wing, JP	800	-	-	800	0.4600	01/06/2007	01/06/2008 – 31/05/2017	0.488	-
	1,052	-	-	1,052	0.1305	14/05/2009	14/05/2010 – 13/05/2019	0.140	-
	300	-	-	300	0.2500	22/03/2010	22/03/2011 – 21/03/2020	0.249	-
Mr. Ma, Andrew Chiu Cheung	800	-	-	800	0.4600	01/06/2007	01/06/2008 – 31/05/2017	0.488	-
	1,052	-	-	1,052	0.1305	14/05/2009	14/05/2010 – 13/05/2019	0.140	-
	300	-	-	300	0.2500	22/03/2010	22/03/2011 – 21/03/2020	0.249	-
Mr. Yu King Tin	800	-	-	800	0.4600	01/06/2007	01/06/2008 – 31/05/2017	0.488	-
	1,052	-	-	1,052	0.1305	14/05/2009	14/05/2010 – 13/05/2019	0.140	-
	300	-	-	300	0.2500	22/03/2010	22/03/2011 – 21/3/2020	0.249	-

Share option schemes (continued)

Post-Listing Share Option Scheme (continued)

	Number of shares issuable under the options				Exercise price HK\$	Grant date	Exercise period	Closing price	Weighted average
	As at 01/07/2010 ('000)	Exercised during the period ('000)	Lapsed during the period ('000) (Note 4)	As at 31/12/2010 ('000)				per share immediately before the grant date HK\$	closing price immediately before the exercise date HK\$
Continuous contract employees	14,800	4,800	-	10,000	0.1675	04/01/2007	04/01/2008 – 03/01/2017	0.165	0.85
	840	840	-	-	0.3900	06/11/2007	06/11/2008 – 05/11/2017	0.385	0.85
	800	800	-	-	0.1150	12/12/2008	12/12/2009 – 11/12/2018	0.115	0.60
	1,500	1,500	-	-	0.1305	14/05/2009	14/05/2010 – 13/05/2019	0.140	0.85
	2,400	600	-	1,800	0.1305	14/05/2009	14/05/2010 – 13/05/2019 (Note 1)	0.140	0.41
	1,368	456	-	912	0.1305	14/05/2009	14/05/2010 – 13/05/2019 (Note 2)	0.140	0.56
	1,620	540	200	880	0.1405	14/05/2009	14/05/2010 – 13/05/2019 (Note 3)	0.140	0.59
	2,000	-	-	2,000	0.2610	29/01/2010	29/01/2011 – 28/01/2020	0.243	-
Consultants/Advisors	600	-	-	600	0.1675	27/04/2004	27/04/2005 – 26/04/2014	0.168	-
	4,000	-	-	4,000	0.1675	04/01/2007	04/01/2008 – 03/01/2017	0.165	-
	4,000	-	-	4,000	0.7500	14/08/2007	14/08/2008 – 13/08/2017	0.760	-
	2,700	-	-	2,700	0.1305	14/05/2009	14/05/2010 – 13/05/2019	0.140	-
	2,400	-	-	2,400	0.2610	29/01/2010	29/01/2011 – 28/01/2020	0.243	-
Total	50,064	9,536	200	40,328					

Share option schemes *(continued)*

Post-Listing Share Option Scheme (continued)

Notes:

1. These options vest in 2 tranches, the first half on 14 May 2010 and the remaining half on 14 May 2011.
2. These options vest in 3 tranches, the first one-third on 14 May 2010, the second on 14 May 2011 and the balance on 14 May 2012.
3. These options vest in 3 tranches, the first one-third on 14 May 2010, the second on 14 May 2011 and the balance on 14 May 2012.
4. Share options had lapsed in accordance with the terms and conditions of the Post-Listing Share Option Scheme following the resignation of employees.
5. 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 2010, the persons (other than Directors and chief executives of the Company whose interests or short positions have been disclosed above) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO are as follows:

Name of shareholders	Note	Number of ordinary shares held	Approximate % of holding
Aceland Holdings Ltd.	1, 2 & 4	480,000,000	42.16%
Redwood Pacific Limited	2 & 4	480,000,000	42.16%
Bank of East Asia (Trustees) Limited	3 & 4	480,000,000	42.16%
Ms. Tang Yuk Lan	5	567,484,000	49.85%

Notes:

1. Aceland Holdings Ltd. is the trustee of The Yip Unit Trust, which holds 42.16% 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 2010, the Company has not been notified of any substantial shareholders (other than Directors or chief executives of the Company) who had an interest or short position 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.

Social responsibility

In 2010, the Group’s objective in Corporate Social Responsibility is to nurture Hong Kong’s next generation. Therefore, we took part in a series of activities to achieve this. In the second half of 2010, the “Tanrich Financial Scholarship” was awarded to students with outstanding academic results from the School of Accounting and Finance of the Hong Kong Polytechnic University. Also, we sponsored the orientation activities of the Management and Marketing Department of The Open University of Hong Kong, hoping students to get more resources to pursue knowledge in their profession. We also became “Heart-to-Heart” company of Hong Kong Federation of Youth Group again and worked with young people on volunteer works.

For environmental protection, we supported Greenpeace’s Carfree day 2010 and provided marketing effort for various green groups, namely Friends of Earth and the Salvation Army, to promote the philosophy of environmental protection.

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 2010.

Purchase, sale or redemption of securities

During the six months ended 31 December 2010, 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 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 service fees for the financial year ending 30 June 2011.

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 2010 (“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 presented the Group’s financial position and results for the six months ended 31 December 2010.

By order of the Board

Kwok Kam Hoi

Deputy Chairman and Chief Executive

Hong Kong, 25 February 2011