

TANRICH

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

Stock Code : 0812



Interim Report
2006/2007

*For identification only

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. YIP Man Fan (*Chairman*)

Mr. KWOK Kam Hoi (*Deputy Chairman, resigned as Chief Executive on 1 August 2006*)

Mr. TSUNOYAMA Toru

Ms. WONG, Vicky Lai Ping
(*appointed on 1 July 2006*)

Independent Non-Executive Directors

Mr. LAM, Andy Siu Wing, JP

Mr. MA, Andrew Chiu Cheung

Mr. YU King Tin

Audit Committee

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

Mr. MA, Andrew Chiu Cheung

Mr. YU King Tin

Remuneration Committee

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

Mr. MA, Andrew Chiu Cheung

Mr. YU King Tin

Mr. TSUNOYAMA Toru

Ms. WONG, Vicky Lai Ping

(*appointed on 1 July 2006*)

Mr. KWOK Kam Hoi

(*resigned on 1 November 2006*)

Company Secretary and Qualified Accountant

Ms. CHEUNG, Fendi Chung Yee

Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head Office and Principal Place of Business in Hong Kong

16th Floor, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

Bermuda Principal Share Registrar	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM08 Bermuda
Hong Kong Branch Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712 - 1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Principal Bankers	Standard Chartered Bank (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited Wing Lung Bank Limited China Construction Bank (Asia) Corporation Limited (formerly Bank of America (Asia) Ltd.) Bank of China (Hong Kong) Limited
Auditors	Moores Rowland Mazars <i>Chartered Accountants, Certified Public Accountants</i> 34th Floor, The Lee Gardens 33 Hysan Avenue Causeway Bay, Hong Kong
Listing Information	The Stock Exchange of Hong Kong Limited Stock Code: 812
Website	www.tanrich.com

INTERIM RESULTS

The Board of Directors (the "Board") of Tanrich Financial Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries ("Tanrich" or the "Group") for the six months ended 31 December 2006 together with the comparative figures for the preceding interim period ended 31 December 2005 as set out on pages 8 to 20 of this report.

INTERIM DIVIDEND

The Directors has resolved not to declare an interim dividend for the year ending 30 June 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group experienced great improvement in terms of turnover and profit after taxation for the period as a result of the strong economy of the Mainland China and Hong Kong. Turnover of the Group for the six months ended 31 December 2006 was HK\$44.5 million, representing an increase of 33.3% as compared with that of the same period last year. Despite severe competition, the Group strove to turnaround from loss of HK\$6.0 million to profit of HK\$0.9 million.

Futures broking

As a result of keen competition in the futures broking market coupled with a drop in number of account executives, the commission income derived from broking in futures contracts for the period under review amounted to HK\$15.2 million (2005: HK\$17.7 million), representing a drop of 14.2% as compared to that for the same period last year. With the effort from the management in reducing the operating costs and the new cost allocation basis adopted in 2006, the segment loss reduced significantly by 86.2% to HK\$1.4 million from HK\$10.0 million.

Securities broking and margin financing

Following the boom in securities trading on the Stock Exchange that the average daily turnover increased from HK\$18.3 billion in 2005 to HK\$33.9 billion in 2006, the turnover from securities broking and margin financing business for the period under review further increased by 74.6% to HK\$7.9 million. The improvement in securities broking is remarkable that the segment profit increased by more than 3 times to HK\$0.9 million.

Resulting from the overwhelming response to the initial public offerings ("IPO") of the large scaled H shares and red chips, the interest income from margin financing contributed HK\$3.2 million to the segment turnover which is almost double of last year.

Corporate finance

The turnover of corporate finance business fluctuates subject to the completion of sponsor activities. Accordingly the segment turnover dropped nearly 3 quarters to HK\$0.4 million. The loss also increased to HK\$1.9 million.

Tanrich Capital Limited, a wholly owned subsidiary of the Company, has obtained sole sponsor status during the period. With such status, the corporate finance team can provide wider financial advisory services to the potential clients and the management expects that this business may further mature in near future.

Wealth management and insurance agency

The operation of wealth management and insurance agency business is getting on its right track and the turnover generated from this business was on upward trend. The turnover increased by 67.7% to HK\$7.3 million. However the segment results turned to a loss of HK\$0.8 million due to the increase in costs of product development and market research.

Money lending

The loan to Gofield Property Development Limited was fully settled in July 2006. Accordingly, the turnover and profit for the period under review from money lending business was only HK\$0.4 million and HK\$0.1 million respectively. The Group advanced HK\$13.0 million to corporate clients in November 2006. Such advances have been gone through our strict credit assessment procedures taking into consideration of the credit worthiness of the clients, the value of the securities pledged as well as the background of the guarantors.

Money lending business contributes steady income to the Group with satisfactory return. The management expected the results from this business would be much better in the coming half year.

Prospects

Since the investment market nowadays is getting more sophisticated and it is crucial for a financial group to provide all rounded services to the clients. The group successfully expanded business other than futures broking. The weighting of turnover from futures broking business to total decreased from over 50% to 34.1% while securities broking and wealth management and insurance agency increased from 13.6% to 17.9% and from 13.0% to 16.3% respectively. With such diversification, the Group can better cope with future challenges and market fluctuations.

It's been around 3 quarters since the relaunch of our website. With the prompt update in the content, especially the market prices of commodities futures are updated in line with the live data with comprehensive information for international commodity futures, foreign exchange markets and local stock markets, our website has become one of the most recommended local investment websites.

According to the latest Federal Open Market Committee meeting minutes, the US economy is expected to grow at a moderate pace with stabilized inflationary pressure. Under this scenario, the global economic outlook should be positive in 2007. The PRC Government implemented austerity measures to cool down the overheated economy. We perceive the measures would not alter the long-term growth trend of the Mainland economy. After making significant gains in 2006, we expect the local stock market will post a modest return with increased volatility in this year. Despite the recent weakness in oil prices, we maintain an optimistic view on the overall performance of commodity prices on the back of strong demand from emerging markets.

Financial review

Liquidity, financial resources and gearing ratio

As at 31 December 2006, the Group had cash and bank balances of HK\$32.1 million (30 June 2006: HK\$65.9 million), while net current assets amounted to HK\$103.3 million (30 June 2006: HK\$101.7 million). The decrease in cash and bank balances is mainly due to the net increase in advance to entities of HK\$8.0 million, the net acquisition of listed securities of HK\$5.0 million and the increase in accounts receivable from securities clients. The current ratio as a ratio of current assets to current liabilities remained at about 3.1 (30 June 2006: 3.1).

Banking facilities and charges on assets

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

As at 31 December 2006, the Group had banking facilities amounted to HK\$51.0 million. The Group pledged certain investments in listed securities of HK\$34.1 million and fixed deposits of HK\$1.2 million for the facilities. The Company also provided corporate guarantees for the facilities of HK\$50.5 million granted to its subsidiaries.

Material investments

During the period under review, there were no material acquisition of investments and subsidiaries. The available-for-sale financial assets have been appreciated by HK\$31.9 million as a result of the rise in closing market price per share from HK\$49.95 to HK\$85.15.

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

Contingencies

As at 31 December 2006, there were no significant changes in contingent liabilities as disclosed in the Annual Report 2006.

Commitments

As at 31 December 2006, the Group had capital commitment of HK\$0.8 million contracted but not provided for in the condensed financial statements in respect of the purchase of computer equipment.

Exposure to fluctuations in exchange rates and related hedges

The Group faced similar foreign exchange risk as disclosed in the Annual Report 2006 and the Group had a total margin deposit placed with the two designated futures commission merchants of JPY194.9 million and a bank deposit of JPY0.4 million, being equivalent to approximately HK\$12.6 million in total. This amount has been fully hedged with USD/JPY foreign exchange deferred trading.

EMPLOYEES

As at 31 December 2006, the Group had a total of 120 employees. The Group operates different remuneration schemes for account executives and other supporting and general staff respectively. Account executives are remunerated on the basis of on-target-earning packages comprising base pay or drawing, commission and/or bonus. The Group launched new policy for supporting and general staff that additional allowances are offered on top of the base salaries with reference to their performance. All supporting and general staff is also entitled to year-end discretionary bonuses. The Group provides training programs for the staff to enhance their skills and products, regulatory and compliance knowledge.

The Company has share option schemes under which the Company may grant options to eligible persons to subscribe for shares in the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 31 December	
	Note	2006 HK\$'000	2005 HK\$'000
Turnover	2	44,548	33,426
Other revenue		2,816	1,464
Other income		2,767	96
Employee benefits expenses	3	(19,320)	(21,706)
Depreciation and amortisation		(652)	(1,527)
Cost of investments held for trading sold		(8,477)	—
Brokerage and agency commission		(7,880)	(5,310)
Other operating expenses		(11,750)	(12,257)
Finance costs		(1,144)	(177)
Profit (Loss) before taxation		908	(5,991)
Taxation	4	—	—
Profit (Loss) for the period	2	908	(5,991)
Attributable to:			
Equity holders of the Company		908	(6,010)
Minority interests		—	19
		908	(5,991)
Earnings (Loss) per share			
— Basic (HK cents)	5	0.45	(3.0)
Earnings (Loss) per share			
— Diluted (HK cents)	5	0.45	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 31 December 2006 HK\$'000	Audited 30 June 2006 HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		1,353	1,897
Intangible assets		380	410
Available-for-sale financial assets		77,146	45,255
Other non-current assets		2,000	2,000
Loans and advances	6	116	159
		80,995	49,721
Current assets			
Loans and advances	6	13,083	5,080
Investments held for trading		11,243	3,500
Accounts receivable	7	72,884	50,080
Other receivables		21,646	23,505
Pledged deposits	8	1,249	1,275
Cash and bank balances	9	32,099	65,875
		152,204	149,315
Current liabilities			
Accounts payable	10	23,564	22,738
Other payables and accrued charges		8,199	7,661
Taxation payable		17,176	17,176
		48,939	47,575
Net current assets		103,265	101,740
Total assets less current liabilities		184,260	151,461
NET ASSETS		184,260	151,461
Capital and reserves			
Share capital	11	20,000	20,000
Reserves	12	164,260	131,461
TOTAL EQUITY		184,260	151,461

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
Net cash used in operating activities	(34,508)	(9,424)
Net cash generated from investing activities	706	6,045
Net decrease in cash and cash equivalents	(33,802)	(3,379)
Cash and cash equivalents at beginning of period	67,150	38,319
Cash and cash equivalents at end of period	33,348	34,940
Analysis of balances of cash and cash equivalents		
Cash and bank balances	32,099	33,681
Pledged deposits	1,249	1,259
	33,348	34,940

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
Total equity at 1 July (<i>1 July 2005: restated</i>)	151,461	128,196
Change in fair value of available-for-sale financial assets	31,891	15,673
Realisation of investment revaluation reserve upon disposal	—	(144)
Profit (Loss) for the period	908	(5,991)
Total recognised income and expenses	32,799	9,538
Total equity at 31 December	184,260	137,734
Total recognised income and expenses for the period		
Attributable to:		
Equity holders of the Company	32,799	9,519
Minority interests	—	19
	32,799	9,538

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The condensed financial statements 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 condensed consolidated financial statements should be read in conjunction with the 2006 annual financial statements of the Group.

The accounting policies and methods of computation used in preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2006 except that the Group has adopted HKAS 39 and HKFRS 4 (Amendments) “Financial Guarantee Contracts” which is effective for annual periods commencing on or after 1 January 2006. The adoption of this revised standard has no material impact on the Group’s results of operations for the current period or financial position as at 31 December 2006.

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

3. Employee Benefits Expenses

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
Salaries, commissions and allowances	18,838	21,329
Contribution to retirement benefits schemes	482	377
	19,320	21,706

4. Taxation

Hong Kong Profits Tax has not been provided as certain group companies' assessable profits for the period are wholly absorbed by unrelieved tax loss brought forward from previous years and the other group companies had no assessable profit for the period.

5. Earnings (Loss) Per Share

The calculations of basic and diluted earnings per share are based on the profit attributable to equity holders for the period of HK\$908,000 (2005: loss attributable to equity holders HK\$6,010,000).

The basic earnings per share is based on the weighted average number of ordinary shares of 200,000,000 (2005: 200,000,000) in issue during the period. The diluted earnings per share is based on 200,506,394 (2005: N/A) shares which is the weighted average number of ordinary shares during the period adjusted for the number of dilutive potential shares under the share option schemes.

6. Loans and Advances

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

7. Accounts Receivable

		Unaudited	Audited
		31 December	30 June
		2006	2006
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
— securities cash clients	(a)	12,949	1,808
— securities margin clients	(b)	30,747	20,545
— securities clearing house and brokers		149	856
— futures clearing house and brokers	(c)	28,688	26,388
Accounts receivable arising from the provision of corporate finance advisory services		35	150
Accounts receivable arising from provision of unit trusts and insurance-linked products agency services		316	333
		72,884	50,080

Settlement terms

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

Accounts receivable arising from the ordinary course of business of broking in index, commodity and currency futures contracts represent the margin deposits maintained with futures clearing house or brokers to meet the margin requirements of open contracts. Margin calls from the clearing house and brokers are settled on a daily basis. The excess amounts over the required margin deposits stipulated are repayable on demand.

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

- (a) As at the balance sheet date, certain accounts receivable from securities cash clients amounting to HK\$3,008,000 (30 June 2006: HK\$Nil) was overdue within 30 days. No provision was made for these overdue receivables as at 31 December 2006.

- (b) The ageing analysis of accounts receivable from securities margin clients is as follows:

	Unaudited 31 December 2006 HK\$'000	Audited 30 June 2006 HK\$'000
Not yet due	27,919	17,992
Overdue:		
— Within 30 days	351	49
— 31 – 90 days	—	—
— 91 – 180 days	—	133
— Over 180 days	2,477	2,371
	30,747	20,545

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

No provision was made for overdue margin calls as at 31 December 2006 and 30 June 2006.

- (c) Accounts receivable from futures clearing house and brokers did not include a deposit of HK\$576,000 (30 June 2006: HK\$1,154,000) in respect of clients' monies deposited therein.

8. Pledged Deposits

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

9. Cash and Bank Balances

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the balance sheet date, trust monies not otherwise dealt with in the condensed financial statements amounted to HK\$65,956,000 (30 June 2006: HK\$41,958,000).

10. Accounts Payable

	Unaudited	Audited
	31 December	30 June
	2006	2006
	HK\$'000	HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:		
— securities cash clients	4,010	4,260
— securities margin clients	1,299	188
— futures clients	16,528	16,957
— clearing house	1,727	1,232
Accounts payable arising from the provision of unit trusts and insurance-linked products agency services	—	101
	23,564	22,738

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

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

Accounts payable arising from the provision of unit trusts and insurance-linked products agency services are repayable within 30 days.

Accounts payable are stated net of clients' segregated assets of HK\$66,532,000 (30 June 2006: HK\$43,112,000).

11. Share Capital

	Ordinary share of HK\$0.1 each	
	Number of shares	HK\$'000
<i>Authorised:</i>		
At 31 December 2006 and 30 June 2006	1,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 31 December 2006 and 30 June 2006	200,000,000	20,000

12. Reserves

	Investment revaluation reserve HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 July 2005	26,214	17,137	40,836	24,028	108,215	(19)	108,196
Change in fair value of available-for-sale financial assets	15,673	—	—	—	15,673	—	15,673
Realisation upon disposal of available-for-sale financial assets	(144)	—	—	—	(144)	—	(144)
Loss for the period	—	—	—	(6,010)	(6,010)	19	(5,991)
At 31 December 2005	41,743	17,137	40,836	18,018	117,734	—	117,734
At 1 July 2006	45,218	17,137	40,836	28,270	131,461	—	131,461
Change in fair value of available-for-sale financial assets	31,891	—	—	—	31,891	—	31,891
Profit for the period	—	—	—	908	908	—	908
At 31 December 2006	77,109	17,137	40,836	29,178	164,260	—	164,260

13. Related Party Transactions

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

Related party relationship	Nature of transaction	Unaudited Six months ended 31 December	
		2006 HK\$'000	2005 HK\$'000
Key management personnel, including directors	Short-term employee benefits	5,963	4,739
A related company (<i>Note</i>)	Management fee received	(480)	(480)

Note:

During the period, the Group received management fee from a related company, Tanrich (Hong Kong) Holdings Limited ("THKHL") which is controlled by a combination of certain directors of the Company. The amount represented the staff cost charged to THKHL at HK\$80,000 per month for the management and personnel supportive services provided by the Group. Such transaction arose in the ordinary course of the Group's business.

14. Commitments

(i) Capital expenditure commitments

	Unaudited 31 December 2006 HK\$'000	Audited 30 June 2006 HK\$'000
Contracted but not provided for net of deposits paid in the condensed financial statements for the purchase of computer equipment	800	276

(ii) Commitments under operating leases

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

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

	Unaudited 31 December 2006 HK\$'000	Audited 30 June 2006 HK\$'000
Within one year	4,019	4,567
In the second to fifth year inclusive	1,669	3,337
	5,688	7,904

15. Contingent Liabilities

The Company did not have any contingent liabilities in respect of guarantee of HK\$50,500,000 (30 June 2006: HK\$99,500,000) for banking facilities granted to subsidiaries, as such facilities were not utilized as at 31 December 2006 and 30 June 2006.

16. Comparative Figures

Certain comparative amounts regarding total recognized income and expenses, cash and cash equivalents, other operating expenses and employee benefits expenses have been restated to conform with the current period's presentation.

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions

As at 31 December 2006, the directors of the Company ("Director(s)") and their respective associates had the following interests in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"):

Interests in the shares and underlying shares of the Company

Name of directors	Number of ordinary shares held			No. of underlying shares held under share options of the Company (Note 3)	Total
	Personal interests	Family interests	Other interests		
Yip Man Fan	—	7,500,000 (Note 1)	120,000,000 (Note 2)	4,000,000	131,500,000
Tsunoyama Toru	22,500,000	—	—	3,950,000	26,450,000
Kwok Kam Hoi	—	—	—	4,000,000	4,000,000
Wong, Vicky Lai Ping	—	—	—	1,870,000	1,870,000

Notes:

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

Save as disclosed above, as at 31 December 2006, none of the Directors or the chief executives of the Company or their respective associates had any interest and short position 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) as recorded in the register to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

SHARE OPTION SCHEMES

The Company operates two share option schemes, which were adopted on 7 January 2002 (the "Pre-Listing Scheme") and 30 January 2004 (the "Post-Listing Scheme") respectively. Details of the share options outstanding as at 31 December 2006 under the share option schemes of the Company were as follows:

(i) Pre-Listing Scheme

	Number of shares issuable under the options				Sub- Decem subscription price HK\$	Grant Date	Exercisable from	Exercisable until
	As at 1 July 2006	Granted during the period	Lapsed during the period (Note 4)	As at 31 December 2006				
Directors:								
Yip Man Fan	2,000,000	—	—	2,000,000	0.72	22 February 2002	22 February 2003	7 January 2012
	2,000,000	—	—	2,000,000	0.61	19 December 2005	19 December 2006	7 January 2012
Kwok Kam Hoi	2,000,000	—	—	2,000,000	0.72	22 February 2002	22 February 2003	7 January 2012
Tsunoyama Toru	1,950,000	—	—	1,950,000	0.72	22 February 2002	22 February 2003	7 January 2012
	2,000,000	—	—	2,000,000	0.61	19 December 2005	19 December 2006	7 January 2012
Wong, Vicky Lai Ping	300,000	—	—	300,000	0.72	22 February 2002	22 February 2003	7 January 2012
	300,000	—	—	300,000	0.61	19 December 2005	19 December 2006	7 January 2012
	—	1,000,000	—	1,000,000	0.65	3 July 2006	3 July 2007	7 January 2012
Continuous contract employees	5,280,000	—	110,000	5,170,000	0.72	22 February 2002	22 February 2003	7 January 2012
	1,000,000	—	200,000	800,000	0.61	19 December 2005	19 December 2006	7 January 2012
	—	500,000	—	500,000	0.65	3 July 2006	3 July 2007	7 January 2012
Bona fide consultants of the Group	140,000	—	—	140,000	0.72	22 February 2002	22 February 2003	7 January 2012
	800,000	—	—	800,000	0.61	19 December 2005	19 December 2006	7 January 2012

Notes:

1. The closing price immediately before the date on which the options granted on 22 February 2002 was HK\$0.65.
2. The closing price immediately before the date on which the options granted on 19 December 2005 was HK\$0.60.
3. The closing price immediately before the date on which the options granted on 3 July 2006 was HK\$0.65.
4. Share options were lapsed in accordance with the terms and conditions of the Pre-Listing Scheme following the resignation of employees.

(ii) Post-Listing Scheme

	Number of shares issuable under the options			Exercise price HK\$	Grant date	Exercisable from	Exercisable until
	As at 1 July 2006	Lapsed during the period (Note 2)	As at 31 December 2006				
Directors:							
Kwok Kam Hoi	2,000,000	—	2,000,000	0.67	27 April 2004	27 April 2005	26 April 2014
Wong, Vicky Lai Ping	270,000	—	270,000	0.67	27 April 2004	27 April 2005	26 April 2014
Continuous contract employees	7,412,000	40,000	7,372,000	0.67	27 April 2004	27 April 2005	26 April 2014
Consultants/Advisors	3,056,000	—	3,056,000	0.67	27 April 2004	27 April 2005	26 April 2014

Notes:

1. The closing price immediately before the date on which the options granted on 27 April 2004 was HK\$0.67.
2. Share options were lapsed in accordance with the terms and conditions of the Post-Listing Scheme following the resignation of employees.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under "Share Option Schemes" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or its respective spouses and 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 and 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 2006, the persons, (other than Directors and chief executives of the Company whose interests or short positions have been disclosed above) who have 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	Notes	Number of ordinary shares	Number of underlying shares held under share options	Total	Percentage of holding
Aceland Holdings Ltd.	1, 2 & 4	120,000,000	—	120,000,000	60.00%
Redwood Pacific Limited	2 & 4	120,000,000	—	120,000,000	60.00%
HSBC International Trustee Limited	3 & 4	120,000,000	—	120,000,000	60.00%
Tang Yuk Lan	5	127,500,000	4,000,000	131,500,000	65.75%

Notes:

1. Aceland Holdings Ltd. is the trustee of The Yip Unit Trust, which holds 60% of the shareholdings of the Company.
2. Redwood Pacific Limited is the trustee of The Yip Man Fan Unit Trust, which holds 100% of those units in The Yip Unit Trust.
3. HSBC International Trustee Limited is the trustee of The Yip Man Fan Family Trust, which holds 99.99% of the units in The Yip Man Fan Unit Trust.
4. Under Part XV of the SFO, each of Redwood Pacific Limited, and HSBC International Trustee Limited is taken to have an interest in the same 120,000,000 ordinary shares held by Aceland Holdings Ltd., on trust for The Yip Unit Trust. These shares therefore duplicate each other.
5. Ms. Tang Yuk Lan is the spouse of Mr. Yip Man Fan. Under Part XV of the SFO, each of Mr. Yip Man Fan and Ms. Tang Yuk Lan is taken to have an interest in the shares held by each other. These shares therefore duplicate each other.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the provisions set out in the Code on Corporate Governance Practice contained in Appendix 14 of the Listing Rules (the "Code") throughout the accounting period under review except the following:

Chairman and chief executive officer

Code Provision A.2.1 requires the management of the Board and the day-to-day management of business be performed by separate individuals. The office as chief executive officer was vacated following the re-designation of the directorship of Mr. Kwok Kam Hoi on 1 August 2006. To maintain proper segregation of duties and balance of power and authority, different functions of the operation are now managed by respective members of the Board and senior management of the Group. The Executive Directors, without the Chairman, and the in-charge of all departments meet monthly for discussing and determining the business and operation issues.

Retirement by rotation

Code Provision A.4.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Before the amendment of Bye-law 87(1) of the Bye-laws of the Company, the chairman and the chief executive of the Company are not subject to retirement by rotation or taken into account in determining the number of directors to retire in each year. To comply with the Code Provision A.4.2, the Chairman has voluntarily retired at the annual general meeting of the Company held on 19 December 2006 (the "2006 AGM") and being eligible, offered himself for re-election. In addition, a resolution has been passed in the 2006 AGM to amend the Bye-laws of the Company so that every director shall be subject to retirement at least once every three years.

MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") during the period under review and all the Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code for the six months ended 31 December 2006.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 31 December 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any security of the Company.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited condensed interim financial statements for the six months ended 31 December 2006, in conjunction with the external auditors of the Company.

By Order of the Board

Kwok Kam Hoi
Deputy Chairman

Hong Kong, 19 March 2007