

## **INTERIM RESULTS**

The Board of Directors (the “Board”) of Tanrich Financial Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (“Tanrich” or the “Group”) for the six months ended 31st December 2004 with comparative figures of the previous period which are set out on pages 15 to 30 of this report.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the financial year ending 30th June 2005 (2004: HK 1 cent).

## **BUSINESS REVIEW**

During the six months ended 31st December 2004, the Group underwent a challenging time due to keen competition in the futures broking business despite the augmentation in securities broking, securities margin financing and money lending businesses. Turnover of the Group for the six months ended 31st December 2004 was HK\$42.6 million, representing a decrease of 37.0% when compared to that of the same period of last year, and the Group recorded profit attributable to shareholders of HK\$316,000 (2003: HK\$13.1 million).

### **Securities broking and margin financing**

Supported by a resurgent capital market and buoyant initial public offerings activities starting from the fourth quarter of 2003, the average daily turnover of The Stock Exchange of Hong Kong Limited (the “SEHK”) was continuously up to HK\$15.2 billion for the period under review as compared with HK\$13.7 billion for the corresponding period in 2003. The Hang Seng Index hit a low of 11,933 in July 2004 and a high of 14,266 in December 2004. Our securities broking and margin financing business benefited from the dynamic and vigorous activities in the primary and secondary stock markets. As a result, its operating profit for the period under review increased remarkably by 58.3% to HK\$1.9 million (2003: HK\$1.2 million) and its total turnover increased by 6.9% to HK\$6.2 million (2003: HK\$5.8 million). Furthermore, the on-line securities trading system has recently been implemented successfully and is expected to facilitate the future trading activities of overseas clients by using this platform.

### **Futures broking**

As a result of keen competition in the futures broking market coupled with a significant drop in the number of account executives, the commission income derived from broking in futures contracts for the period under review amounted to HK\$27.1 million (2003: HK\$55.3 million), representing a drop of 51.0% when compared to that of the same period of last year, and resulting in an operating loss of HK\$2.6 million. We have taken immediate remedial measures including but not limited to a thorough review of the remuneration and incentive scheme, implementation of a series of training and recruitment programs in order to reinforce the sales force of futures broking business.

**Money lending**

The Group always aims to maintain prudent and conservative money lending policies and strict credit control systems in which the borrower's credit worthiness and background, as well as the collateral's quality and value, are well assessed. The Group has identified credit worthy corporate clients with a view to provide money lending services since the mid of the financial year ended 30th June 2004. As a result, the turnover of the Group's money lending business for the period under review surged remarkably to HK\$2.2 million from HK\$308,000. It also achieved an operating profit of approximately HK\$2.3 million, representing a growth of 5.6 times from HK\$416,000 in the same period of last year.

**Corporate finance**

The Group's corporate finance business is expected to be one of its core businesses in the long term even though it is still at its developing stage. Notwithstanding its turnover increased by 4.5 times to HK\$887,000 for the period under review as compared with HK\$197,000 for the corresponding period in 2003, it still suffered an operating loss of HK\$2.1 million (2003: loss of HK\$1.4 million) because more human resources were invested for expansion in this business segment. During the period under review, we have been executing two corporate finance transactions and engaging as the on-going co-sponsor and lead manager to two proposed listing companies, it is anticipated that the projects will be completed in 2005. We are dedicated to focus our main efforts towards exploring business opportunities to strengthen our corporate finance business.

**Wealth management and insurance agency**

During the period under review, the turnover of the Group's wealth management and insurance agency business grew by 6.5 times to HK\$3.2 million and its operation loss reduced by 43.7% to HK\$0.8 million when compared to that of the same period of last year. As a distributor of comprehensive financial products managed by over 30 international asset management companies, we will continue to expand our client base not only in Hong Kong but also in overseas, and focus on the high profit margin financial products in the long run in this business segment.

**FINANCIAL REVIEW****Liquidity, financial resources and gearing ratio**

The Group's financial policy is to maintain a healthy and sound financial position. The subsidiaries licensed by the Securities and Futures Commission (the "SFC") fully complied with the financial resources rules promulgated by the SFC. As at 31st December 2004, the Group had total cash and bank balances of HK\$24.9 million (30th June 2004: HK\$53.6 million), while net current assets amounted to HK\$104.7 million (30th June 2004: HK\$105.8 million). The current ratio as a ratio of current assets to current liabilities was about 2.6 times (30th June 2004: 2.4 times).