



**TANRICH**  
TANRICH FINANCIAL HOLDINGS LIMITED  
敦沛金融控股有限公司\*  
Stock Code: 812



*Interim Report*  
*2009/10*



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TANRICH FINANCIAL HOLDINGS LIMITED

INTERIM REPORT 2009/10

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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

Dr. YIP Man Fan (*Chairman*)

Mr. KWOK Kam Hoi (*Deputy Chairman & Chief Executive, redesignated on 20 January 2010*)

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, elected on 18 March 2010*)

Dr. LAM, Andy Siu Wing, JP

Mr. MA, Andrew Chiu Cheung

Mr. TSUNOYAMA Toru

Ms. WONG, Vicky Lai Ping

### Authorised Representatives

Mr. KWOK Kam Hoi

Ms. CHEUNG, Fendi Chung Yee

### Company Secretary

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 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

**Auditors**

Mazars CPA Limited  
*Certified Public Accountants*  
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](http://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 2009 together with the comparative figures for the preceding interim period ended 31 December 2008 as set out on pages 9 to 27 to this report.

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the year ending 30 June 2010 (2009: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

The Group recorded a turnover of HK\$35.3 million (2008: HK\$39.1 million) and a loss before taxation of HK\$6.3 million (2008: HK\$23.3 million). Despite the performance of certain segments, the interim results showed a significant improvement. The fair value of long term investments classified under available-for-sale financial assets further appreciated during the period. The net assets of the Group increased to HK\$261.1 million.

### *Securities broking and margin financing*

The average daily turnover of Hong Kong securities market for this period increased by 15% over the same period last year to HK\$65.7 billion. Outperforming the market, the commission income from securities brokerage increased to HK\$13.3 million, which is almost 90% of the annual figure of 2009 and is close to 180% of that of the last interim period. In addition, the interest income from margin financing also represents more than 60% of the 2009 annual interest income. Such an encouraging result was contributed by hard work of all different functions of the Group, in particular the research team which produced quality research reports and our spokespersons who built confidence among our clients through their analysis and speeches.

During the period, the Institutional Sales division was established. The whole platform system, including order placing, risk control, custodian and settlement, were ready in less than 6-month period. We also established broker relationship with international securities houses. The management is confident that the Institutional Sales division would be fruitful in the near future.

### ***Wealth management and insurance agency***

The professional asset management team started contributing to this segment in the current review period. Riding on the expertise in futures, the Group managed a private fund of a portfolio of commodity futures and option positions which is building a positive track record. The Group was also invited to be the manager of certain offshore funds.

Tanrich aims at providing clients with most diversified products that the Group further established agency relationship with a few more insurance companies and fund houses during the period.

Performance of sale of insurance-linked and structured products improved and the agency fee income increased by more than 26% as compared to the lowest level in the first half year 2009. Nevertheless, the income is only 28% of that of same period last year. The segment loss increased to HK\$2.8 million. The management expects further improvement in the next half year.

### ***Futures broking***

It has been a tough time for futures business in last few years. The tightening regulations and clients' adverse attitude towards margined products after the financial crisis in 2008 resulted in unfavourable market environment. The rebound of securities market in late 2009 also discouraged the investment in futures and funds products. The segment turnover and loss was HK\$3.2 million and HK\$5.1 million respectively.

### ***Corporate finance***

Initial public offering ("IPO") activities and other equity fund raising activities almost froze after the market slump in October 2008. Following the re-active securities market, there was a strong demand for IPO that 55 companies successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in this half year.

The Group acted as agent of 3 placing exercises and was engaged as sponsor for new listing of 3 companies. The Group was also appointed as financial advisers for a few corporate transactions. The segment generated an income of HK\$4.9 million and a slight profit of HK\$0.3 million.

### ***Money lending***

The money lending business has little development during the period under review. The turnover dropped to HK\$0.2 million. The segment loss was HK\$0.1 million.

### ***Proprietary trading***

The turnover of proprietary trading for the period was HK\$5.5 million, which is 16% less than that of last interim period. The US\$4 million portfolio managed under our professional asset management team recorded double-digit return while other trading in listed securities also contributed approximately 40% to the total segment results. The decrease in profit from futures trading is mainly due to unpredictable market fluctuations resulted from the debt issues of Dubai World in December 2009.

## Prospects

2009 was a year of challenges and opportunities. The Gross Domestic Product of Hong Kong ("GDP") rebounded consecutively over the past 3 quarters from year-on-year decline of 7.8 % in real terms in the first quarter of 2009 to a positive of 2.6% in the fourth quarter. Despite the unemployment rate at 4.9% in the last quarter of 2009, the expectation in employment and number of vacancy from private sector have shown upward trend. The 2009 GDP registered -2.7% against its first revision in May 2009 ranging from -5.5% to -6.5%.

With these encouraging figures, Hong Kong still faces a lot of uncertainties, including "toxic assets" in the US and European financial systems, rise of protectionist sentiment, and impact on asset markets when exit strategies are implemented. We expect the market activities will not be as frequent as the past 6 months. To diversify from reliance on existing brokerage businesses, the Group is extending its business to options brokerage, advisory services in MPF and residency through capital investment. Our research team is also compiling professional company reports for selected clients and conducting seminars jointly with partners in mainland China.

Stepping into the 20th anniversary, the Group leaped over a number of challenges, namely oil crisis and Asia financial turmoil in the last century, and SARS and financial tsunami in this decade. None of these incidents shook our faith and courage. Tanrich developed from a small-scale futures broking firm to an all-rounded listed financial group over the 20 years. With foundation in Hong Kong and targeting to Mainland, Tanrich is committed to continuing this legend to become an outstanding local investment bank.

## Financial review

### *Liquidity, financial resources and gearing ratio*

As at 31 December 2009, the Group had total cash and bank balances of HK\$55.9 million (30 June 2009: HK\$36.1 million), while net current assets amounted to HK\$116.4 million (30 June 2009: HK\$131.5 million). The decrease in net current asset is mainly due to investment in a non-listed fund and utilisation over normal operation. The current ratio as a ratio of current assets to current liabilities also dropped to 2.5 (30 June 2009: 3.2).

The Group met its daily operating obligations from its internal resources. The finance costs were mainly for margin financing business. To cope with the increasing demand in margin financing, the Group had short term bank borrowings of HK\$24 million at the end of reporting period and resulting in gearing ratio of 9.2% (30 June 2009: 12.0%). 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 2009, the Group had aggregate banking facilities of HK\$910.6 million. The drawdown of certain banking facilities of HK\$907.4 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 totalling HK\$117.4 million and fixed deposits of HK\$0.7 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 2009. During the period, the Group subscribed units of the fund managed by our asset management team of the amount of US\$1 million. The Group did not make provisions for such investments for the period.

The associate of the Group, FundStreet AG ("FundStreet") is actively preparing to cope with the expected rebound in investment demand of private equity funds and other funds for qualified investors. FundStreet has applied with the Swiss FINMA for a Swiss property fund in legal form of a SICAV, the first fund of its kind under the Swiss Act on Collective Investments. The related fund raising activity is expected to be started in the second half of this year. For the existing OTC fund, they raised new investment money over the past 6 months. 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 had no material contingent liabilities as at 31 December 2009.

### ***Commitments***

As at 31 December 2009, the Group had no material capital commitment.

### ***Exposure to fluctuations in exchange rates and related hedges***

The Group faced similar foreign exchange risk as disclosed in the Annual Report 2009. The Group had a total margin deposit placed with three designated futures commission merchants of JPY36.1 million and a bank deposit of JPY16.3 million, being equivalent to approximately HK\$4.4 million in total. This amount has been properly hedged with USD/JPY foreign exchange deferred trading.

### ***Changes since 30 June 2009***

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 2009.



## Employees

As at 31 December 2009, the Group had a total of 118 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 under 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 on 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

	Note	Unaudited Six months ended 31 December	
		2009 HK\$'000	2008 HK\$'000
<b>Turnover and revenue</b>	2	<b>35,298</b>	39,120
Other revenue		<b>3,730</b>	3,184
Employee benefit expenses	3	<b>(23,676)</b>	(21,158)
Depreciation and amortisation		<b>(907)</b>	(370)
Brokerage and agency commission		<b>(4,717)</b>	(14,839)
Impairment of available-for-sale financial assets		–	(6,319)
Impairment of goodwill		–	(856)
Unrealised loss on derivative financial instruments		–	(4,591)
Other operating expenses		<b>(15,098)</b>	(17,190)
Finance costs		<b>(805)</b>	(170)
Share of results of an associate		<b>(112)</b>	(99)
Share of results of jointly controlled entities		<b>(16)</b>	–
<b>Loss before taxation</b>		<b>(6,303)</b>	(23,288)
Taxation	4	<b>(460)</b>	–
<b>Loss for the period</b>	2	<b>(6,763)</b>	(23,288)
<b>Other comprehensive income (loss)</b>			
Exchange difference on translation of financial statements of foreign subsidiaries and associate		<b>(74)</b>	61
Change in fair value of available-for-sale financial assets		<b>10,004</b>	(26,952)
		<b>9,930</b>	(26,891)
<b>Total comprehensive income (loss) for the period</b>		<b>3,167</b>	(50,179)
<b>Loss for the period attributable to:</b>			
Equity holders of the Company		<b>(6,761)</b>	(23,288)
Minority interests		<b>(2)</b>	–
		<b>(6,763)</b>	(23,288)
<b>Total comprehensive income (loss) for the period attributable to:</b>			
Equity holders of the Company		<b>3,169</b>	(50,179)
Minority interests		<b>(2)</b>	–
		<b>3,167</b>	(50,179)
			(Restated)
<b>Loss per share</b>			
– Basic (HK cents)	5	<b>(0.60)</b>	(2.07)
– Diluted (HK cents)	5	<b>(0.60)</b>	(2.07)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 31 December	Audited 30 June
	<i>Note</i>	2009 HK\$'000	2009 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		2,996	3,159
Intangible assets		200	230
Interests in an associate	6	3,383	3,560
Interests in jointly controlled entities	7	975	991
Available-for-sale financial assets	8	117,685	99,925
Other financial assets	9	15,513	15,500
Other non-current assets		3,500	2,000
Loans and advances	10	403	674
		<b>144,655</b>	<b>126,039</b>
<b>Current assets</b>			
Loans and advances	10	3,120	3,216
Investments held for trading	11	36,801	36,037
Accounts receivable	12	88,210	108,828
Deposits, prepayments and other receivables		11,477	5,943
Pledged deposits	13	688	866
Cash and bank balances	14	55,213	35,266
		<b>195,509</b>	<b>190,156</b>
<b>Current liabilities</b>			
Interest-bearing borrowings	15	24,000	31,000
Accounts payable	16	32,020	17,784
Other payables and accrued charges		22,604	9,812
Tax payable		460	88
		<b>79,084</b>	<b>58,684</b>
<b>Net current assets</b>		<b>116,425</b>	<b>131,472</b>
<b>NET ASSETS</b>		<b>261,080</b>	<b>257,511</b>
<b>Capital and reserves</b>			
Share capital	17	112,766	56,263
Reserves	18	148,273	201,205
<b>Equity attributable to equity holders of the Company</b>		<b>261,039</b>	<b>257,468</b>
Minority interests		41	43
<b>TOTAL EQUITY</b>		<b>261,080</b>	<b>257,511</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 31 December	
	2009 HK\$'000	2008 HK\$'000
Net cash generated from (used in) operating activities	25,957	(33,583)
Net cash used in investing activities	(6,590)	(14,613)
Net cash generated from (used in) financing activities	402	(5,626)
Net increase (decrease) in cash and cash equivalents	19,769	(53,822)
Cash and cash equivalents at beginning of period	36,132	106,760
Cash and cash equivalents at end of period	55,901	52,938
Analysis of balances of cash and cash equivalents		
Cash and bank balances	55,213	52,049
Pledged deposits	688	889
	55,901	52,938

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 31 December	
	2009 HK\$'000	2008 HK\$'000
Total equity at 1 July	257,511	291,830
Total comprehensive income (loss) for the period	3,167	(50,179)
Issue of shares under share option schemes	402	–
Dividend paid	–	(5,626)
<b>Total equity at 31 December</b>	<b>261,080</b>	<b>236,025</b>

# 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 2009 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 2009.

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 2009, except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRS”) and HKASs as below.

### ***HKAS 1 (Revised): Presentation of Financial Statements***

This standard introduces changes in the presentation and disclosures of financial statements (including changes to the titles of the main statements). The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line.

In addition, this revised standard introduces the statement of comprehensive income: it presents all items of income and expenses recognised in profit and loss, together with all other items of recognised income and expenses, either in one single statement, or in two linked statements. The Group has elected to present the comprehensive income in one single statement. The interim condensed consolidated financial statements have been prepared under the revised disclosure requirements and the adoption had no impact on the results or financial position of the Group.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation and accounting policies *(continued)*

### ***Amendments to HKAS 27: Cost of An Investment in a Subsidiary, Jointly Controlled Entity or Associate***

Amendments to HKAS 27 remove the distinction between dividends distributed from pre- and post-acquisition profits from the definition of the cost method and replace it with a requirement to recognise all dividends received in profit or loss once the entity's right to receive the dividend is established. In accordance with the transitional provision in such amendments, the new policy is applied only prospectively from the current period and thus no restatement is made to prior periods. As no dividend income was received by the Company from its subsidiaries during the period, this standard has no impact on the interim financial statements for the current period.

### ***HKFRS 3 (Revised): Business Combinations***

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 July 2009. As there has been no change in the Group structure during the period, this standard has no impact on the interim financial statements for the current period.

### ***HKFRS 8: Operating Segments***

This standard replaces HKAS 14 "*Segment Reporting*". It requires "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Adoption of this standard did not have any effect on the Group's results of operation or financial position. The Group has determined that its operating segments are substantially the same as the business segments previously identified under HKAS 14.

### ***Future changes in HKFRS***

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.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 Group has adopted HKFRS 8 with effect from 1 July 2009. However the adoption of this HKFRS has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Directors consider securities broking and margin financing, wealth management and insurance agency, futures broking, corporate finance, 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.

#### *Six months ended 31 December 2009 (unaudited)*

	Securities broking and margin financing HK\$'000	Wealth manage- ment and insurance agency HK\$'000	Futures broking HK\$'000	Corporate finance HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
<b>Turnover and revenue</b>	16,340	5,193	3,237	4,911	160	5,457	-	35,298
Brokerage and agency commission	(118)	(3,811)	(159)	-	-	(629)	-	(4,717)
<b>Results</b>	2,469	(2,775)	(5,062)	325	(130)	5,352	(6,244)	(6,065)
Finance cost								(110)
Share of results of an associate								(112)
Share of results of jointly controlled entities								(16)
Taxation								(460)
<b>Loss for the period</b>								<b>(6,763)</b>



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. Segment Information *(continued)*

Six months ended 31 December 2008 *(unaudited)*

	Securities broking and margin financing HK\$'000	Wealth manage- ment and insurance agency HK\$'000	Futures broking HK\$'000	Corporate finance HK\$'000	Money lending HK\$'000	Proprietary trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
Turnover and revenue	8,839	17,059	5,061	1,325	353	6,483	-	39,120
Brokerage and agency commission	(43)	(14,106)	(373)	-	-	(317)	-	(14,839)
Results	303	(2,030)	(8,734)	(1,717)	40	4,843	(4,412)	(11,707)
Loss on disposal of a subsidiary								(22)
Gain on deemed disposal of an associate								306
Impairment of available-for-sale financial assets								(6,319)
Impairment of goodwill								(856)
Unrealised loss on derivative financial instruments								(4,591)
Share of results of an associate								(99)
Taxation								-
Loss for the period								(23,288)

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. Employee benefit expenses

	Unaudited Six months ended 31 December	
	2009 HK\$'000	2008 HK\$'000
Salaries, commission and allowances	23,174	20,560
Contributions to retirement benefit schemes	502	598
	<b>23,676</b>	<b>21,158</b>

### 4. Taxation

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

No provision for Hong Kong Profits Tax was provided in the previous period as certain group companies' assessable profits for that period were wholly absorbed by unrelieved tax losses brought forward from previous years and the other group companies had no assessable profit for that period.

### 5. Loss per share

The calculations of basic and diluted loss per share are based on the loss attributable to equity holders for the period of HK\$6,761,000 (2008: HK\$23,288,000).

The basic loss per share is based on the weighted average number of ordinary shares of 1,125,994,000 (2008 restated: 1,125,264,000) in issue during the period.

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

The weighted average number of ordinary shares adopted in the calculations of the basic and diluted loss per share for 2008 has been adjusted to reflect the impact of the bonus issue effected during the current period.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. Interests in an associate

	Unaudited 31 December	Audited 30 June
	2009 HK\$'000	2009 HK\$'000
Share of net assets	1,441	1,618
Goodwill	2,774	2,774
Provision for impairment loss	(832)	(832)
	<b>3,383</b>	<b>3,560</b>

The investment in an associate represents 40.17% (30 June 2009: 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 period ended 31 December 2009 have been equity accounted for in these financial statements.

### 7. Interests in jointly controlled entities

	Unaudited 31 December	Audited 30 June
	2009 HK\$'000	2009 HK\$'000
Share of net assets	975	991

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. Interests in jointly controlled entities *(continued)*

Pursuant to the memorandum of understanding entered into by 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
	2009 HK\$'000	2009 HK\$'000
Equity investments – unlisted, at cost	14,427	14,427
Provision for impairment loss	(9,787)	(9,787)
	4,640	4,640
Equity investments – unlisted, at fair value	7,829	–
Equity investments – listed in Hong Kong, at fair value	105,216	95,285
<b>Total</b>	<b>117,685</b>	<b>99,925</b>

The Group has pledged certain listed investments of aggregate carrying amount of HK\$93,816,000 (30 June 2009: HK\$53,152,000) to banks as collateral for the banking facilities granted to the Group.

At the end of 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

### 9. Other financial assets

	Unaudited 31 December	Audited 30 June
	2009 HK\$'000	2009 HK\$'000
Held-to-maturity financial assets, unlisted	14,615	14,603
Embedded derivative designated as at fair value through profit or loss upon initial recognition	898	897
	<b>15,513</b>	15,500

The Group has pledged other financial assets of HK\$15,513,000 (30 June 2009: HK\$15,500,000) to a bank as collateral for the banking facilities granted to the Group.

### 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
	2009 HK\$'000	2009 HK\$'000
Listed securities in Hong Kong, at fair value	36,801	36,037

The Group has pledged certain listed securities of HK\$8,035,000 (30 June 2009: Nil) to a bank as collateral for the banking facilities granted to the Group.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. Accounts receivable

		Unaudited 31 December	Audited 30 June
	<i>Note</i>	2009 HK\$'000	2009 HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
– securities cash clients	(a)	4,841	6,129
– securities margin clients	(b)	46,307	37,281
– securities subscription clients		–	34,148
– securities clearing house and brokers		10,990	6,704
– futures clearing house and brokers	(c)	21,871	24,272
Accounts receivable arising from the provision of corporate finance advisory services		3,999	50
Accounts receivable arising from the provision of unit trusts and insurance-linked products agency services		202	244
		<b>88,210</b>	<b>108,828</b>

Accounts receivable arising from the ordinary course of business of broking in securities are due within two or three days after the trade date depending on requirements of stock exchange and brokers.

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 agency services are due within 30 days.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. Accounts receivable (continued)

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

	Unaudited 31 December	Audited 30 June
	2009 HK\$'000	2009 HK\$'000
Current	3,402	4,576
Overdue:		
– Within 30 days	1,401	1,472
– 31 – 90 days	10	35
– 91 – 180 days	2	2
– over 180 days	131	149
	4,946	6,234
Allowance for bad and doubtful debts	(105)	(105)
	<b>4,841</b>	<b>6,129</b>

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

	Unaudited 31 December	Audited 30 June
	2009 HK\$'000	2009 HK\$'000
Current	37,559	34,828
Overdue:		
– Within 30 days	8,163	1,902
– 31 – 90 days	37	16
– 91 – 180 days	249	36
– Over 180 days	299	499
	46,307	37,281

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 2009 and 30 June 2009.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. Accounts receivable *(continued)*

- (c) Accounts receivable from futures clearing house and brokers did not include a deposit of HK\$5,803,000 (30 June 2009: HK\$3,089,000) in respect of clients' monies deposited therein. At the end of reporting period, the accounts receivable from futures clearing house and brokers were all aged within 30 days and repayable on demand.

### 13. Pledged deposits

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

### 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 reporting period, trust monies not otherwise dealt with in the financial statements amounted to HK\$189,459,000 (30 June 2009: HK\$105,183,000).

### 15. Interest-bearing borrowings

	Unaudited 31 December 2009 HK\$'000	Audited 30 June 2009 HK\$'000
Bank loans, secured and wholly repayable within 12 months	24,000	31,000

The bank loans were borrowed principally for the purpose of providing margin financing to securities margin/subscription clients. The weighted average effective interest rate on the loans was 1.14% (30 June 2009: 1.2%) per annum .



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. Accounts payable

	Unaudited 31 December	Audited 30 June
	2009 HK\$'000	2009 HK\$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:		
– securities cash clients	20,160	7,290
– securities margin clients	–	974
– futures clients	10,965	9,350
– clearing house and securities brokers	26	41
Accounts payable arising from the provision of unit trusts and insurance-linked products agency services	869	129
	<b>32,020</b>	<b>17,784</b>

Accounts payable arising from the ordinary course of business of broking in securities mature within two or three days after the trade date depending on requirements of stock exchange and brokers.

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 amounts over the required margin deposits 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\$195,262,000 (30 June 2009: HK\$108,272,000).

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 nature of the businesses.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 17. Share capital

	Unaudited 31 December 2009		Audited 30 June 2009	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.1 each				
At beginning of period/year	1,000,000	100,000	1,000,000	100,000
Increase during the period (i)	1,000,000	100,000	–	–
<b>At end of period/year</b>	<b>2,000,000</b>	<b>200,000</b>	<b>1,000,000</b>	<b>100,000</b>
<b>Issued and fully paid:</b>				
At beginning of period/year	562,632	56,263	562,632	56,263
Issue of shares under share option schemes (ii)	1,200	120	–	–
Issue of bonus shares (iii)	563,832	56,383	–	–
<b>At end of period/year</b>	<b>1,127,664</b>	<b>112,766</b>	<b>562,632</b>	<b>56,263</b>

- (i) 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.
- (ii) During the period, share options granted under the share option schemes were exercised by a grantee to subscribe for 1,200,000 shares of HK\$0.1 each of the Company at the exercise price of HK\$0.335 per share.
- (iii) 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	Share premium	Capital reserve	Share option reserve	Foreign exchange reserve	Retained earnings	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
<b>At 31 December 2009 (unaudited)</b>	<b>100,253</b>	<b>977</b>	<b>40,836</b>	<b>536</b>	<b>286</b>	<b>5,385</b>	<b>148,273</b>	<b>41</b>	<b>148,314</b>
At 1 July 2008	87,377	57,078	40,836	536	421	49,319	235,567	-	235,567
Total comprehensive loss for the period	(26,952)	-	-	-	61	(23,288)	(50,179)	-	(50,179)
Dividend paid	-	-	-	-	-	(5,626)	(5,626)	-	(5,626)
At 31 December 2008 (unaudited)	60,425	57,078	40,836	536	482	20,405	179,762	-	179,762

### 19. Related party transactions

Other than disclosed elsewhere in the financial statements, if any, 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	
		2009 HK\$'000	2008 HK\$'000
Key management personnel, including directors	Short-term employee benefits	6,321	6,033
A related company (Note)	Management fee received	(480)	(480)
	Motor vehicle lease payment	100	120

*Note:* During the period, the Group charged and paid to a related company, Tanrich (Hong Kong) Holdings Limited ("THKHL"), a management fee of HK\$80,000 per month for the management and personnel supportive services provided by the Group, and lease payment of HK\$20,000 per month for the use of a motor vehicle respectively. THKHL is controlled by a combination of certain Directors of the Company.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 20. Commitments

#### (i) *Capital expenditure commitments*

	Unaudited 31 December	Audited 30 June
	2009 HK\$'000	2009 HK\$'000
Contracted but not provided net of deposits paid in the financial statements for the purchase of computer equipment	–	414
Further capital contribution to subsidiaries	<b>49,000</b>	60,000
	<b>49,000</b>	60,414

#### (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 upon all terms are renegotiated. None of the leases includes contingent rentals.

At the end of 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
	2009 HK\$'000	2009 HK\$'000
Within one year	<b>7,587</b>	7,707
In the second to fifth year inclusive	<b>2,496</b>	6,239
	<b>10,083</b>	13,946

## OTHER INFORMATION

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

As at 31 December 2009, the interests of the Directors of the Company and their respective associates 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") 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		
Yip Man Fan	35,484,000	30,000,000 (Note 1)	480,000,000 (Note 2)	–	545,484,000
Kwok Kam Hoi	16,000,000	–	–	8,000,000	24,000,000
Tsunoyama Toru	136,760,000	–	–	3,440,000	140,200,000
Wong, Vicky Lai Ping	–	–	–	7,780,000	7,780,000
Lam, Andy Siu Wing, JP	–	–	–	1,852,000	1,852,000
Ma, Andrew Chiu Cheung	–	–	–	1,852,000	1,852,000
Yu King Tin	–	–	–	1,852,000	1,852,000

#### 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 2009, none of the Directors, the chief executives 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 Scheme”) and 30 January 2004 (the “Post-Listing Scheme”) respectively. Movement of the share options for the period ended 31 December 2009 under the two share option schemes were as follows:

### (i) Pre-Listing Scheme

	Number of shares issuable under the options				Adjusted subscription price	Grant date	Exercise Period	Adjusted closing price per share immediately before the grant date
	As at 01/07/2009	Exercised before Bonus Issue	Adjustment	As at 31/12/2009				
	'000	'000	(Note 1) '000	'000	HK\$			HK\$
Directors:								
Kwok Kam Hoi	4,000	-	4,000	8,000	0.180	22/02/2002	22/02/2003-07/01/2012	0.163
Tsunoyama Toru	1,720	-	1,720	3,440	0.180	22/02/2002	22/02/2003-07/01/2012	0.163
Wong, Vicky Lai Ping	600	-	600	1,200	0.180	22/02/2002	22/02/2003-07/01/2012	0.163
	1,000	-	1,000	2,000	0.163	03/07/2006	03/07/2007-07/01/2012	0.163
Bona fide consultant of the Group	1,200	1,200	-	-	0.168	04/01/2007	04/01/2008-07/01/2012	0.165
	<u>8,520</u>	<u>1,200</u>	<u>7,320</u>	<u>14,640</u>				

#### Notes:

- Adjustments were made to the number of outstanding options and the subscription price in accordance with the terms of the Pre-Listing Scheme to take into account the effect of the bonus issue as approved by the shareholders of the Company on 2 December 2009 which became unconditional on 7 December 2009 (“Bonus Issue”). The closing prices referred to in the above table were also adjusted.
- The adjusted weighted average price immediately before the date on which the options were exercised was HK\$0.27.

## Share option schemes (continued)

### (ii) Post-Listing Scheme

	Number of shares issuable under the options					Adjusted Exercise price HKS	Grant date	Exercise Period	Adjusted closing price per share immediately before the grant date HKS
	As at 01/07/2009	Lapsed before Bonus Issue	Adjustment	Lapsed after Bonus Issue	As at 31/12/2009				
	'000	(Note 5) '000	(Note 1) '000	(Note 5) '000	'000				
Directors:									
Wong, Vicky Lai Ping	540	—	540	—	1,080	0.168	27/04/2004	27/04/2005 - 26/04/2014	0.168
	1,000	—	1,000	—	2,000	0.168	04/01/2007	04/01/2008 - 03/01/2017	0.165
	750	—	750	—	1,500	0.131	14/05/2009	14/05/2010 - 13/05/2019	0.140
Lam, Andy Siu Wing	400	—	400	—	800	0.460	01/06/2007	01/06/2008 - 31/05/2017	0.488
	526	—	526	—	1,052	0.131	14/05/2009	14/05/2010 - 13/05/2019	0.140
Ma, Andrew Chiu Cheung	400	—	400	—	800	0.460	01/06/2007	01/06/2008 - 31/05/2017	0.488
	526	—	526	—	1,052	0.131	14/05/2009	14/05/2010 - 13/05/2019	0.140
Yu King Tin	400	—	400	—	800	0.460	01/06/2007	01/06/2008 - 31/05/2017	0.488
	526	—	526	—	1,052	0.131	14/05/2009	14/05/2010 - 13/05/2019	0.140
Continuous contract employees	8,000	600	7,400	—	14,800	0.168	04/01/2007	04/01/2008 - 03/01/2017	0.168
	420	—	420	—	840	0.390	06/11/2007	06/11/2008 - 05/11/2017	0.385
	800	400	400	—	800	0.115	12/12/2008	12/12/2009 - 11/12/2018	0.115
	750	—	750	—	1,500	0.131	14/05/2009	14/05/2010 - 13/05/2019	0.140
	1,800	—	1,800	—	3,600	0.131	14/05/2009	14/05/2010 - 13/05/2019	0.140
	684	—	684	—	1,368	0.131	14/05/2009	14/05/2010 - 13/05/2019 (Note 2)	0.140
	1,140	—	1,140	360	1,920	0.141	14/05/2009	14/05/2010 - 13/05/2019 (Note 3) (Note 4)	0.140

## Share option schemes (continued)

### (ii) Post-Listing Scheme (continued)

	Number of shares issuable under the options				As at 31/12/2009	Adjusted Exercise price	Grant date	Exercise Period	Adjusted closing price per share immediately before the grant date
	As at 01/07/2009	Lapsed before Bonus Issue	Adjustment	Lapsed after Bonus Issue					
	'000	(Note 5) '000	(Note 1) '000	(Note 5) '000					
Consultants/ Advisors	300	—	300	—	600	0.168	27/04/2004	27/04/2005 - 26/04/2014	0.168
	2,000	—	2,000	—	4,000	0.168	04/01/2007	04/01/2008 - 03/01/2017	0.165
	2,000	—	2,000	—	4,000	0.750	14/08/2007	14/08/2008 - 13/08/2017	0.760
	1,350	—	1,350	—	2,700	0.131	14/05/2009	14/05/2010 - 13/05/2019	0.140
<b>Total</b>	<b>24,312</b>	<b>1,000</b>	<b>23,312</b>	<b>360</b>	<b>46,264</b>				

#### Notes:

- Adjustments were made to the number of outstanding options and the exercise price in accordance with the terms of the Post-Listing Scheme to take into account the effect of the Bonus Issue. The closing prices referred to in the above table were also adjusted.
- These options vest in 2 tranches, the first half on 14 May 2010 and the remaining half on 14 May 2011.
- 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.
- 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.
- Share options had 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

Apart from as 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 Director 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 2009, 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	Percentage of holding
Aceland Holdings Ltd.	1, 2 & 4	480,000,000	42.57%
Redwood Pacific Limited	2 & 4	480,000,000	42.57%
Bank of East Asia (Trustees) Limited	3 & 4	480,000,000	42.57%
Tang Yuk Lan	5	545,484,000	48.37%

### Notes:

1. Aceland Holdings Ltd. is the trustee of The Yip Unit Trust, which holds 42.57% 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.

## 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 except for Provision A.2.1 of the Code.

Provision A.2.1 of the Code requires the management of the Board and the day-to-day management of business be performed by separate individuals. There was no office of chief executive officer in the Group for the period under review. Following the complexity of the business and the expansion of the Group, Mr. Kwok Kam Hoi, the Deputy Chairman and Executive Director, was redesignated as the Chief Executive of the Company on 20 January 2010. The Chairman’s role is clearly separated from day-to-day management and power and authority can be well balanced.

## 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

Corporate social responsibility is regarded as an important part of sustainable development for corporations. The Group strives to embody the spirit of corporate citizenship by contributing to the community. In addition to our regular voluntary work, in 2009, the Group joined the Flag Day Appeal organized by the Hong Kong Federation of Youth Groups, benefitting more youths with learning difficulties and their families. In addition, we have become a “Heart-to-Heart Company” by supporting the Heart-to-Heart School Volunteer Corps of Hong Kong Federation of Youth Group, which sponsors schools to organise various youth volunteering services and provides more opportunities for young people to contribute to the society.

## Model code of listing rules

The Company has adopted the Model Code 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 2009.

## Purchase, sale or redemption of securities

During the six months ended 31 December 2009, 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 services fees for the financial year ending 30 June 2010.

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 2009 (“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 2009.

By order of the Board

**Kwok Kam Hoi**

*Deputy Chairman and Chief Executive*

Hong Kong, 18 March 2010