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Hantec Investment Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 111



# 亨達

Annual Report 2007

商界展關懷

caringcompany 2006-08

Awarded by The Hong Kong Council of Social Service  
香港社會服務聯合總會



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## Acknowledgement:

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Cover: 「杏花春雨江南」 Painting by Song Wenzhi

Insider Cover: 「春到堂前增瑞氣，日臨庭上起祥光。」

An antithetical couplet by Mr. Jat See-yau

# CORPORATE INFORMATION

Hantec Investment Holdings Limited

<b>Registered office</b>	Clarendon House 2 Church Street Hamilton, HM 11 Bermuda
<b>Head office and principal place of business</b>	45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
<b>Authorised representatives</b>	Lam Ngok Fung Lau Mun Chung
<b>Company secretary</b>	Lau Mun Chung <i>FCCA, CPA</i>
<b>Legal advisers to the Company</b>	<i>As to Hong Kong Law</i> Arculli Fong & Ng Lawyers in association with: King & Wood, <i>PRC Lawyers</i> 908, Hutchison House Central, Hong Kong  <i>As to Bermuda Law</i> Conyers Dill & Pearman Suite 2901 One Exchange Square 8 Connaught Place Central Hong Kong
<b>Bermuda principal share registrar and transfer office</b>	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Secretaries Limited 26/F., Tesbury Centre 28 Queen's Road East Hong Kong
<b>Auditors</b>	KPMG <i>Certified Public Accountants</i> 8th Floor, Prince's Building 10 Chater Road Central Hong Kong

# CHAIRMAN'S STATEMENT

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2007 was a year of dramatic changes. The Hang Seng Index climbed to a record high of 31,600 points and the market capitalization also rose to exceed HK\$23,000 billion. The average daily turnover of the stock market was HK\$86.6 billion, a rise of 157% from HK\$33.7 billion of the preceding year. To the investor public and particularly to the finance industry, this was the most rewarding year in the past decade. However, the looming sub-prime mortgage crisis in the US, together with the macro-economic control measures taken by the Chinese Government, have put the Asian stock markets on a roller coaster ride.

“Nylonkong”, a word coined by Time Magazine in early 2008, reflects the growing significance of Hong Kong in the world market. According to the magazine, the three cities, viz. New York, London and Hong Kong, are models for economies around the world undergoing globalisation. In the past and currently, the three cities have been first-class ports driving world trade with successful transformation from manufacturing-led economies into service-based economies, and an attraction to immigrants and talents. All three cities are laden with growth potentials and share the same characteristics of having citizens very adaptive and receptive to new environment and ideas, and apt in coping with crisis. For Hong Kong, the outlook is even more positive as Asia is drawing the global attention in 2008.

For the Group, having made all the necessary adjustments, we are prepared to apply new concepts in meeting challenges, including sudden global crisis. Our ability to take the challenges, with perseverance and flexibility, is well proven. Facing the uncertainties, we continued to explore new markets and business opportunities. We successfully launched seminars and wealth management workshops of various scales in Hong Kong, North America, Europe, Taiwan and Brazil, and fervent feedbacks were received. At the same time, we invested in a water plant in Jiangdu City. The amount of investment was not significant, but our equity participation has given us immense opportunities to promote the name “Hantec” in the East China Region, in addition to an expected desirable return on investment. We have expanded markedly the scope of our business as well as fortified the “Hantec” brand.

In the coming year, further efforts will be made to enhance our research on different market opportunities, with the hope that our continuous innovation and identification of opportunities can create maximum value to our customers. On the other hand, we will endeavour to further strengthen our internal controls to cope with the complicated business environment. By staying at the forefront of the global market with a finger on its pulse, we would be able to ride on the changing tide and to grow our business.

On behalf of the Board of Directors, I wish to extend my sincere appreciation to our clients, business partners and colleagues, whose supports have contributed to the achievements made by the Group during the year.

**Tang Yu Lap**  
*Chairman*

8th April 2008

# MANAGEMENT DISCUSSION AND ANALYSIS

Hantec Investment Holdings Limited

## OVERALL REVIEW

The year 2007 has been full of challenges and opportunities. At the beginning of the year, the equity market enjoyed continuous growth, followed by a sudden short halt in August and then peaked in the last quarter of the year. Wealth effect has been obviously affecting different sectors in the economy. Unexpectedly, the price of commodities like gold, crops, grains, minerals and precious metals have attained its historic high level and sustained at its height throughout the year. United States Dollars hit its lowest since the last decade. Other major currencies have been strong against the United States Dollars. More importantly, the value of Renminbi has been appreciating. Some of these factors offset the others but all in all, the Hong Kong economy has been booming. However, inflation pressure cannot be underestimated. Remuneration for qualified personnel, rental, utilities prices and general price level have increased substantially. As experienced in the last decade, inflationary pressure not only created a prosperous atmosphere but also boosted investments. As a result, the Group faced a difficult situation, i.e. on one hand business volume increased but on the other hand operating cost has soared at an even higher rate.

The Group achieved a turnover of HK\$465.8 million (2006: HK\$355.4 million). Profit attributable to equity holders was HK\$40.4 million (2006: HK\$52.3 million), representing a 22.8% setback. Earnings per share was HK9.7 cents (2006: HK13.3 cents), representing a decrease of 27.1%.

## LEVERAGED FOREIGN EXCHANGE

Leveraged foreign exchange was once our major focus and our largest contributor to revenue in the early years following the listing of our Group. However, the market has become extremely competitive, and is no longer as lucrative as has been in the past. Advanced information technology has made internet trading popular; international foreign exchange traders and financial institutions are offering clients narrow price and interest spreads through their internet trading platforms. To survive in such a market condition, the Group has adopted a low price strategy and provides higher quality services. Profit contribution has thereby deteriorated. Turnover remained at a similar level as the previous year at HK\$142.4 million (2006: HK\$135.7 million); swap interest and foreign exchange trading revenue recorded a slight drop from HK\$99.1 million to HK\$94.8 million. Segment result dropped from HK\$26.6 million to HK\$8.7 million as a result of keen competition.

## SECURITIES DEALING

Led initially by initial public offerings (“IPO”) of “H” shares in the previous year, the fanaticism in the equity market extended into 2007. After the correction in August, average daily market turnover continually broke through HK\$100 billion and the Hang Seng Index hit 31,600 in the second half of the year, and as a result, securities brokers have benefited. Performance of the securities dealing segment has been remarkable. As a broker, the Group has a tiny equity position of its own. Earnings are a result of an increase in clients’ trading activities. Major portion of revenue comes from commission and interest. Turnover was HK\$82.8 million (2006: HK\$38.0 million) and profit was HK\$21.3 million (2006: HK\$9.9 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

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## COMMODITIES AND FUTURES DEALING

The booming bullion and equity markets have driven out clients' appetite in trading commodities and futures. Acting as a broker, this segment relies solely on clients' trading activities. With a lower business volume recorded, revenue and hence profit decreased sharply. Turnover slipped to HK\$10.9 million (2006: HK\$17.0 million) and profit fell to HK\$0.4 million (2006: HK\$1.1 million). To improve this situation, the Group has launched new measures to attract larger sized customers to replenish the business volume and improve profitability.

## CORPORATE FINANCE

The Group successfully sponsored a new issuer to list its shares on the Main Board of the Hong Kong Stock Exchange in the third quarter of the year. Apart from the IPO, other financial advisory business contributed a major portion of the revenue. Due to the activity of investment market during the year, performance of this segment improved. Turnover was HK\$8.4 million (2006: HK\$4.8 million), representing an increase of 75.0% and profit was HK\$1.0 million (2006: loss of HK\$0.4 million). The segment was able to turn around despite the cost of operating the business surged significantly.

## ASSET MANAGEMENT

Asset management is another business where the Group is facing difficulties. The foreign exchange fund managed was liquidated during the year. The equity fund is the only fund managed by the Group but it posted a less than satisfactory result. As the fund size decreased, so did management fee income. Turnover was only HK\$0.6 million (2006: HK\$1.9 million) and a loss of HK\$1.0 million (2006: profit of HK\$0.2 million) was recorded. The Group is currently exploring and analyzing new business opportunities and hopes to launch new products.

## FINANCIAL PLANNING / INSURANCE BROKING

The personal financial advisory and financial planning business has become the battle field where banks and non-banking financial institutions compete for a limited number of clients. As a non-banking financial institution, we understand that we must provide high quality services to our clients. The cost of operation has unavoidably increased. The economic climate in Taiwan was still on the low side, and our Taiwan subsidiary could hardly contribute to the Group. Consequently, although turnover increased to HK\$30.1 million from HK\$24.9 million, loss slightly increased to HK\$6.1 million (2006: loss of HK\$5.8 million). However, this segment plays an important role in attracting new customers for the Group. Moreover, it is believed that Taiwan's economy has the potential to turn around after the presidential election. We hope the performance of the Taiwan subsidiary can improve in the forthcoming year.

## BULLION AND PRECIOUS METAL CONTRACT TRADING

The price of gold surged to its historic high and moved within a wide range from a low of approximately US\$608 per ounce to a high of approximately US\$841 per ounce with high volatility during the year. It is believed that the weak United States Dollar will further boost up the price of gold. High volatility also stimulates investors to actively participate in the market and as a result bullion trading has been well received by investors. Business volume has substantially increased. This segment has become the main contributor to our Group, in both our Hong Kong based subsidiary and our subsidiaries in Switzerland and New Zealand. Turnover recorded was HK\$189.9 million (2006: HK\$130.2 million). Profit was HK\$41.0 million (2006:



# MANAGEMENT DISCUSSION AND ANALYSIS

Hantec Investment Holdings Limited

HK\$32.1 million). After the year-end, the Group launched a new user-friendly electronic trading platform to facilitate clients to obtain market news and place orders. It is expected that business volume in this segment could be further increased.

## FINANCIAL RESOURCES

The financial position of the Group remains strong throughout the year. Group members licensed by the Securities and Futures Commission (the “SFC”) have not only fully complied with the financial resources requirement but also kept a safe buffer to face sudden changes in the market. Fixed rate loan notes denominated in the United States Dollars have been issued to certain overseas investors at their request, in order to provide a medium of financing to the Group and a stable return to the investors. However, after the year end date the Group has redeemed a major portion of such loan notes from its internal resources in order to save on interest cost. Banking facilities are secured mainly to finance the securities margin financing business of the Group. The Group has maintained a healthy financial situation. Net debt-to-adjusted capital ratio as at the balance sheet date was 49.9% (2006: 49.5%). The Group also strived to maintain highly liquid assets to prepare for unexpected sudden changes in the market. As at the balance sheet date, the current ratio was 178.9% (2006: 171.1%).

## FLUCTUATION IN FOREIGN EXCHANGE

As an active player in the foreign exchange market, the Group has laid down policies and maintained position limits and loss limits on its foreign currencies exposures as a result of its business transactions. The treasury function of the Group is responsible for implementing such policies. The risk management function regularly reviews such policies and its implementation status in order to cope with the market conditions and the business volume. The Group’s assets and liabilities are mainly denominated in Hong Kong Dollars and United States Dollars to which Hong Kong Dollars is pegged. Other currencies to which the Group’s assets and liabilities denominated consists of a variety of different currencies, none of which has a significant impact on the Group.

## REMUNERATION AND HUMAN RESOURCES DEVELOPMENT

The market has been competing for high quality personnel. The Group has laid down human resources policies to retain staff and attract new recruits. Share options are granted to management staff and directors to encourage them to grow with the Group. Fringe benefits include medical subsidies, education allowance, life insurance, free CPT courses are offered to different level of staff. During the year, the Group regularly reviews the various benefit packages for different levels of staff. The Remuneration Committee provides valuable recommendations to the management in this regard. Well-performed staff are rewarded with bonus and other incentives. The management trainee program has come to its fourth anniversary. It aims to identify potential incumbents who can pace their way up to the management. Account executives are rewarded with competitive commission packages. Bonus and incentives are provided for out performing pre-determined targets. Introducing brokers are provided with appropriate support together with competitive terms.



# MANAGEMENT DISCUSSION AND ANALYSIS

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## LOOKING FORWARD

The world's economy is at a crossroad. The economy of the United States shows blatant sign of slowing down with severe problems in sub-prime mortgages and structured products. It is believed that the United States Dollar will continue to weaken. As a result, China's export to the United States will unavoidably decrease. The economy in the Mainland has been over-heated for some time and the government will further implement cool down policies. Under such an unstable situation, the Group plans to strengthen its business base by exploring new overseas markets. Expansion, if considered feasible, will be undertaken in a more conservative manner. Effort will be concentrated on upgrading certain overseas operations of the Group.

**Lam Ngok Fung**  
*Deputy Chairman*

8th April 2008

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Hantec Investment Holdings Limited

## EXECUTIVE DIRECTOR

**Mr. Tang Yu Lap**, aged 57, is the Chairman of the Group and founder of Hantec Holdings Limited, the ultimate holding company in which he is also the Chairman. Mr. Tang is responsible for overall strategic planning of the Group and development of overseas markets. Mr. Tang is also the member of The Chinese People's Political Consultative Conference Beijing Committee, council member of the Beijing Chinese Overseas Friendship Association, professor of Beijing Chinese Cultural Institute, honorary chairman of Dongguan Chinese Overseas Friendship Association, honorary adviser of Association Des Residents En France D'Origine Indo, honorary chairman of Taiwan Business Association (HK) Limited, honorary chairman of Asia Pacific Taiwan Federation of Industry & Commerce, member of The Council of Taiwanese Chambers of Commerce in Asia, fellow member of The Hong Kong Institute of Directors, member of the Hong Kong Securities Institute, visiting professor of the international finance department of The College of Applied Arts and Sciences of Beijing Union University, member of Certified Corporate Strategist from the Cambridge Association of Managers and Vice Chairman of Beijing Abroad Interchange Association. Mr. Tang obtained a Honorary Doctor of Business Administration in Finance & Investment from Irish International University, 3<sup>ème</sup> Cycle Master from European Business School and Honorary Certified Doctor of Business Administration Award from The Oxford Association of Management. He is the spouse of Ms. Ng Chiu Mui, the executive director of the Company.

Mr. Tang has nearly 40 years experience in the financial services field and has held senior positions and been in-charge of capital market and treasury functions in various local and international banks.

**Mr. Lam Ngok Fung**, aged 48, is the Deputy Chairman and Managing Director of the Group responsible for the Group's strategic planning and overall operation. Prior to joining the Group in 1999, Mr. Lam held professional and management positions with various Hong Kong and international financial institutions in the domain of investment banking and portfolio management for more than 10 years. Mr. Lam graduated from the University of Hong Kong with a Bachelor of Social Science Degree in management and received a Master of Business Administration Degree in finance from the University of British Columbia. Mr. Lam is a Chartered Financial Analyst and a member of The Hong Kong Society of Financial Analysts.

**Ms. Ng Chiu Mui**, aged 55, is the Deputy General Manager of the Group. Ms. Ng is responsible for information technology and overseas investment management. Ms. Ng is a director of Hantec Holdings Limited. She holds a Bachelor's Degree of Commerce in Marketing & Management from Curtin University of Technology in Australia and a Master's Degree in Business Administration from the University of Strathclyde in United Kingdom. Prior to joining the Group in 1999, Ms. Ng had various experience in the banking industry. She is the spouse of the Chairman of the Group.

**Mr. Law Kai Yee**, aged 48, joined the Group in 1995 and is in charge of the Group's China business division. He is responsible for exploring business in the Mainland China. Mr. Law obtained a Master Degree in Business Administration from Irish International University. He is a member of The Chinese People's Political Consultative Conference Jiangdu Committee. Mr. Law possesses over 25 years of experience in financial services such as securities dealing, money brokerage and asset management.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Hwang Wei Ming, Ellen**, aged 58, is the Managing Director of the Group responsible for the overall backend operations and acting as the head of human resources and administration department. Ms. Hwang graduated from Taiwan Chengchi University with a degree of Bachelor of Commerce (major in Banking), and obtained her Master's degree in Business Administration from Dalhousie University in Canada. Prior to joining the Group in 2006, Ms. Hwang possess over 20 years banking experience with a number of major U.S. international banks.

**Mr. Lau Mun Chung**, aged 43, is the Financial Controller, Qualified Accountant and Company Secretary of the Group responsible for accounting, operational control, settlement, company secretarial and all finance related matters of the Group. Mr. Lau graduated from the University of Hong Kong with a degree of Bachelor of Social Science. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and a graduate of The Hong Kong Institute of Chartered Secretaries. Prior to joining the Group in 1999, Mr. Lau had already gained extensive experience in accounting, finance and taxation.

### NON-EXECUTIVE DIRECTOR

**Mr. Fong Wo, Felix**, *JP*, aged 57, is a practicing solicitor in Hong Kong and qualified in Canada and England. He is also appointed by the Ministry of Justice of China as one of the China-Appointed Attesting Officers in Hong Kong. Mr. Fong is a founder of Arculli Fong & Ng, a law firm in Hong Kong who has practiced law for over 27 years, including 8 years in Toronto. Mr. Fong is a member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference, a director of China Overseas Friendship Association and a director of Shanghai Chinese Overseas Friendship Association. He is also the chairman of the Hong Kong Liquor Licensing Board, a member of the Advisory Council on Food and Environmental Hygiene of the Government of the Hong Kong SAR, a member of the Hong Kong Film Development Council, a member of the Hong Kong Betting and Lotteries Commission, a member of the Town Planning Board and a director of the Hong Kong Basic Law Institute. Mr. Fong is a member of the first Selection Committee for the purposes of electing the Chief Executive for Hong Kong Special Administrative Region, a founding member of Canadian International School of Hong Kong and a visiting professor of the School of Law of Sun Yat-sen University, PRC.

### INDEPENDENT NON-EXECUTIVE DIRECTOR

**Mr. Yu Man Woon**, aged 57, is currently the assistant general manager of a local bank. He obtained a Master Degree in Business Administration from the University of Minnesota and has nearly 30 years of experience in banking and finance with various international financial institutions. He is also an independent non-executive director of a company which is listed on the GEM Board of the Stock Exchange of Hong Kong Limited.

**Mr. Cheng Wing Chi**, aged 56, is currently a Honorary Advisor of Chinese Bankers Club, Hong Kong, member of Board of Governors and Honorary Treasurer of The Hong Kong Marrow Match Foundation and manager of a local firm of Solicitors and Notaries. Mr. Cheng has over 30 years experience in the banking industry and held senior executive positions with a bank in Hong Kong before his retirement.



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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**Professor Nyaw Mee Kau**, aged 64, is the Vice-President and Chair Professor of Management and concurrently serves as Director of Hong Kong Institute of Business Studies, Lingnan University. He has also been appointed Advisory/Visiting Professor at several leading universities in Chinese Mainland including Nanjing University, South China University of Technology and Northeastern University. Prior to joining Lingnan University in 1995, Prof. Nyaw was Chair Professor of Management at The Chinese University of Hong Kong (CUHK). He had held various administrative positions at CUHK, including Chairman of Department of Management, Associate Dean, BBA Director, MBA Director and PhD Director in the Business Faculty during various periods.

Prof. Nyaw obtained his B.Soc.Sc. magna cum laude from The Chinese University of Hong Kong with a major in Economics and minor in Accounting and Finance, MA from Vanderbilt University in U.S.A., MBA from the University of British Columbia, and Ph.D. from Simon Fraser University in Canada. He was the recipient of many awards/scholarships and fellowships including the prestigious Yale-New Haven Academic Distinction Scholarship (New Asia College, CUHK), Ford Foundation Scholarship (Vanderbilt University) and West Germany Government DAAD Scholarship (declined).

**Mr. Yu Hon To, David**, aged 60, was appointed as an independent non-executive director of the Company on 27 July 2006. Mr. Yu is a fellow of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He was formerly a partner of an international accounting firm with extensive experience in corporate finance. Mr. Yu is a founder and a director of MCL Capital Limited (formerly known as Management Capital Limited), which is engaged in direct investment activity and providing financial advisory services. He also sits on the boards of several other listed and private companies in Hong Kong.

## SENIOR MANAGEMENT

**Mr. Tsui Luen On**, aged 48, is the deputy general manager responsible for the Group's corporate communication, business promotion and marketing. He has been with the Group since 2000 and has over 20 years of experience in project financing, corporate, retail banking, personnel, strategic and financial planning locally and overseas. Mr. Tsui graduated from the Hong Kong Baptist University majoring in Economics. He also holds a Master and Doctorate Degree in Business Administration conferred by University of Canberra and University of Newcastle, Australia respectively. He is a fellow member of the Institute of Financial Accounting and a director of Hong Kong Stockbrokers Association.

**Mr. Qiu Xiaojie**, aged 46, is currently the general manager of Hantec Financial Services (Suisse) SA responsible for its overall management and operation.

Mr. Qiu holds a master degree in Economics and possess over 20 years of experience in the banking industry and had held various senior executive positions in local and overseas offices of a prominent bank before joining the Group in 2005. Mr. Qiu is specialised in foreign exchange and treasury management.

**Ms. Lau Yuk Ping**, aged 42, is Head of Compliance and Internal Audit of the Group responsible for overseeing the compliance and internal audit function of the Group. Prior to her joining to the Group in August 1999, Ms. Lau worked in the compliance division of the Stock Exchange of Hong Kong. Ms. Lau holds a Bachelor's Degree in Business from Monash University, Australia and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. She has over 15 years of experience in regulatory and compliance matters.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Lee Kai Lam, Cecilia**, aged 47, joined the Group as Fund Manager in May 1998. Ms. Lee is a Director of Hantec Asset Management Limited. Ms. Lee has over 15 years of experience in the fund management field. She started as an assistant investment analyst with a local group and served as an investment analyst, fund manager and senior fund manager in the subsidiary of a French banking group in Hong Kong from 1989 to 1998. Ms. Lee has experience in managing authorised mutual funds for French and Japanese investors investing in the Asia Pacific stock markets. Ms. Lee graduated from the London School of Economics (University of London) with a Bachelor's degree in Economics and obtained a Master's degree in Business Administration from the University of Wales.

**Mr. Li Shui Yan**, aged 38, is director of Hantec Capital Limited and is responsible for overseeing the Group's corporate finance division. Prior to joining the Group in February 2001, Mr. Li worked for a corporate finance division of a securities firm for over five years. Mr. Li holds a Bachelor's Degree in Business Administration from Taiwan National Chengchi University. He has over 12 years' experience in corporate finance with emphasis in structuring PRC deals and projects including but not limited to initial public offerings, mergers and acquisitions and other financial advisory services.

**Mr. Law Ming Lap**, aged 43, joined the Group in 2004 and is Head of Forex & Bullion Marketing. He has over 15 years of experience in foreign exchange trading in local and overseas banks.

**Mr. Lam Chi Wing**, aged 43, joined the Group in 1998. He has been seconded to Cosmos Hantec Investment (NZ) Limited ("CHI") in 2003 as its head of treasury, a wholly-owned subsidiary of the Company since 2006. Mr. Lam is currently the chief executive officer of CHI and is responsible for its overall management and operation. He has over 20 years of experience in foreign exchange and equity trading.

# CORPORATE GOVERNANCE REPORT

Hantec Investment Holdings Limited

## CORPORATE GOVERNANCE PRACTICE

The Group endeavors to maintain a high standard of corporate governance through the adoption of the Code Provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Throughout the financial year 2007, the Group has fully complied with the code provisions save for the deviation specified with considered reasons below.

## BOARD OF DIRECTORS

The Board of Directors (the “Board”) is the highest level of decision-making body of the Group and assumes the responsibility of leading and supervising the Group. The management of the Group is delegated with full responsibility for the management and day-to-day operation.

The Board comprises six executive directors, one non-executive director and four independent non-executive directors. The names and biographical particulars of all directors, and any relationship among the directors are disclosed in the section “Biographical Details of Directors and Senior Management”.

During the financial year 2007, four Board meetings were held. Full minutes of the Board meetings were kept by the Company Secretary. All directors are entitled to have complete and timely access to all Board papers and related materials. Furthermore, in order to ensure that all applicable rules and regulations are followed, all directors are offered the advice and services of the Company Secretary. Directors are also encouraged to seek independent advice when necessary at the Company’s expense.

Proposed directors have direct access to the Chairman of the Board, Company Secretary and any director so as to familiarize themselves with the business, operation and management philosophy of the Group before their formal appointment. All newly appointed directors are given a comprehensive induction package which specifies his obligations and all requirements under the Listing Rules and major legal, regulatory rules and practices on the first occasion of his appointment. The Group has arranged appropriate insurance cover in respect of potential legal action brought against its directors.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Notwithstanding the provision under Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual, the Group’s current practice has deviated from the requirement. Mr. Tang Yu Lap is the chairman of the Group and there is no chief executive officer in the Group. After due consideration of the unique history and development of the Group’s own business and structure, the Board decided to maintain this structure. The Board believes that the current structure gives significant benefits to the Group as it maintains a strong and effective leadership and ensures an efficient decision making process.

To maintain a balance of power and authority, the Executive Management Committee comprising certain executive directors and senior management meets regularly to discuss and decide on issues relating to the day-to-day management of the Group. Furthermore, the Board comprises reputable and experienced professionals who assist in maintaining a balance of power without compromising consistent leadership of the Group.



# CORPORATE GOVERNANCE REPORT

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## NON-EXECUTIVE DIRECTORS

The non-executive director and four independent non-executive directors are appointed for a term of two years and subject to rotation in accordance with the provisions in the bye-laws of the Company. The Board has received annual written confirmation from all independent non-executive directors for the financial year 2007 and is satisfied that all independent non-executive directors were acting independently throughout the year.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its code of conduct for directors' dealing in its shares. All directors confirmed, following a specific enquiry by the Company, that they had complied with the required standards at all times throughout the financial year 2007.

## DIRECTORS' REMUNERATION

The Remuneration Committee comprises three members, two of whom are independent non-executive directors. Mr. Yu Man Woon is the chairman of the Remuneration Committee and the other two members are Mr. Tang Yu Lap and Mr. Cheng Wing Chi.

A written terms of reference has been adopted by the Remuneration Committee at its inception. The Remuneration Committee is responsible for devising the remuneration policy for the Group and determining the specific package of executive directors and members of the senior management. The Remuneration Committee also approves the terms of all executive directors' service contracts. Recommendations on the remuneration of non-executive directors (including independent non-executive directors) are submitted to the Board for consideration. During the year, the Remuneration Committee held four meetings. Full minutes and related materials of the meetings are kept by a designated secretary.

Each executive director is entitled to a fixed monthly salary determined in accordance with the director's qualification, experience and the prevailing market conditions, and a discretionary bonus decided with reference to the Group's financial performance and the individual's performance during the year. Non-executive directors are entitled to a director fee decided by the Board. The details of emoluments paid to each director for the financial year 2007 are set out in note 30 in the notes to the financial statements. The Board confirms that no directors or his associates (as defined in the Listing Rules) are involved in determining his own remuneration.

## NOMINATION OF DIRECTORS

The Nomination Committee was established on 3rd March, 2007 with specific written terms of reference which specifies its authority and duties. Currently, it comprises of four members including two independent non-executive directors and two executive directors. It is chaired by Prof. Nyaw Mee Kau. The other members are Mr. Cheng Wing Chi, Mr. Lam Ngok Fung and Ms. Hwang Wei Ming Ellen.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board. In addition, it identifies and proposes suitable candidates to the Board for appointment as directors. In the financial year 2007, the Nomination Committee met once to review the Board's composition and to approve the organization chart of the Group.

# CORPORATE GOVERNANCE REPORT

Hantec Investment Holdings Limited

## ROTATION OF DIRECTORS

The bye-laws of the Company provides that every director, including the chairman and/or the managing director of the Company, shall retire by rotation at least once every three years. Directors appointed by the Board during the year shall hold office only until the following annual general meeting, at which time they shall retire and be eligible for re-election by the members.

## AUDITORS' REMUNERATION

The Group has appointed KPMG as the Group's external auditors who offer both audit and non-audit services to the Group. In the financial year 2007, the audit fees paid to KPMG and other external auditors totaled HK\$3.09 million. For non-audit services, the fees amounted to HK\$1.78 million including review on interim financial reporting and special audits.

## AUDIT COMMITTEE

The Audit Committee currently comprises of four members, all of whom are independent non-executive directors. The Committee is chaired by Mr. Yu Hon To, David who possesses appropriate professional qualifications in accounting and financial management expertise. The other members are Mr. Yu Man Woon, Mr. Cheng Wing Chi and Prof. Nyaw Mee Kau.

The major roles and functions of the Audit Committee include evaluating the effectiveness of the Group's internal control system, reviewing the financial reporting process, reviewing the interim and annual financial statements before they are approved by the Board, endorsing the annual audit plans proposed by the auditors, reviewing and approving connected transactions, and monitoring the appointment and remuneration of the auditors.

The Audit Committee held three meetings during the year 2007. Representatives from the executive directors are answerable in the Audit Committee meetings. After each Audit Committee meeting, a private session between the auditors and the independent non-executive directors is held instantly.

## INTERNAL CONTROL

The Group strives to maintain a sound and effective internal control system to safeguard the Group's and its clients' assets. To achieve this end, proper segregation of duties and responsibilities is in place. The directors have assessed the effectiveness of the internal control system during the year with the assistance of the head of Compliance and Internal Audit Department (the "CAIA"). The CAIA conducts assessments on the internal control procedures to validate its effectiveness and reports findings to the Audit Committee regularly. In addition, to ensure full compliance with related rules and regulations promulgated by the SFC, the CAIA performs regular compliance testing. Exceptional results are brought to the management for attention. Disciplinary actions are in place to deal with non-compliance cases discovered.

In addition, the Group has engaged an independent accounting firm to conduct a comprehensive review on the internal control of certain key operating entities of the Group. Recommendations and implementation plan have been adopted. The Group acknowledges that the strengthening of the internal control system is an on-going process and will continue to design and implement appropriate measure to meet the changing business environment the Group facing.

# CORPORATE GOVERNANCE REPORT

Annual Report 2007

## **OTHER CORPORATE GOVERNANCE PRACTICE**

There are three management committees, each charged with specific duty of leading and controlling the daily operation and management of the Group. Chaired by the deputy chairman of the Group, the executive management committee (the “EMC”) is responsible for setting and implementing Group’s policy, exercising control over operational activities, reviewing and approving budget and making decision on all major issues. Other members of the EMC include certain executive directors and members from the senior management of the Group.

The risk management committee (the ”RMC”) and the marketing management committee (the “MMC”) are accountable to the EMC. The RMC is responsible for dealing with all risk management issues of the Group and reviewing clients’ complaints whilst the MMC is responsible for formulating marketing policies, approving overall terms and packages of marketing staff and approving general terms offered to clients.

## **CORPORATE AND SOCIAL RESPONSIBILITY**

The Group devotes to contributing actively to the community and fostering a caring culture in the society. To achieve this, the Group has organized various social services activities and encouraged staff to participate in voluntary works. As a corporate citizen, the Group will continue to take up its corporate social responsibility.

In recognition of the Group’s contributions to the society, the Group was awarded the “Prime Awards for Corporate Social Responsibility 2007” by the Hong Kong Institute of Directors and Prime Communications Limited and the “Caring Company Logo“ by the Hong Kong Council of Social Service.



# CORPORATE GOVERNANCE REPORT

Hantec Investment Holdings Limited

## ATTENDANCE RECORDS OF MEETINGS

The following table shows the number of Board and Board committee meetings held and the respective attendance of each director during the year.

Name of Director	Meetings attended/Eligible to attend			
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
<i>Executive Directors</i>				
Mr. Tang Yu Lap	4/4	—	4/4	—
Mr. Chung Shiu Ming, Timpson (resigned on 1st June 2007)	1/2	—	—	—
Mr. Lam Ngok Fung	4/4	—	—	1/1
Ms. Ng Chiu Mui	3/4	—	—	—
Mr. Law Kai Yee	3/4	—	—	—
Ms. Hwang Wei Ming, Ellen (appointed on 3rd March 2007)	4/4	—	4/4	1/1
Mr. Lau Mun Chung (appointed on 3rd March 2007)	4/4	—	—	—
<i>Non-executive Director</i>				
Mr. Fong Wo, Felix	3/4	—	—	—
<i>Independent Non-executive Directors</i>				
Mr. Yu Man Woon	4/4	3/3	4/4	—
Mr. Cheng Wing Chi	4/4	3/3	4/4	1/1
Prof. Nyaw Mee Kau	4/4	2/3	—	1/1
Mr. Yu Hon To, David	4/4	3/3	—	—

# REPORT OF THE DIRECTORS

Annual Report 2007

The Directors submit their report together with the audited financial statements of Hantec Investment Holdings Limited (the “Company”) and its subsidiaries (collectively referred as “the Group”) for the year ended 31st December 2007.

## PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATION

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 15 to the financial statements. An analysis of the Group’s performance for the year by business and geographical segments is set out in note 5 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 26.

An interim dividend of HK1.5 cents per share (2006: HK1.5 cents) was paid on 10th October 2007. The directors recommend the payment of a final dividend of HK2.5 cents per share (2006: HK1.5 cents) in respect of the year ended 31st December 2007.

## SHARE CAPITAL

Details of movements in the Company’s share capital during the year are set out in note 23 to the financial statements.

## RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 24 to the financial statements.

Distributable reserves of the Company at 31st December 2007 calculated under the Company Act 1981 of Bermuda (as amended), amounted to HK\$172,539,869 (2006: HK\$207,160,537). Details are set out in note 24 to the financial statements.

## DONATIONS

Charitable donations made by the Group during the year amounted to HK\$455,908 (2006: HK\$254,375).

## FIXED ASSETS

Movements in fixed assets of the Group during the year are set out in note 14 to the financial statements.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on page 100.

# REPORT OF THE DIRECTORS

Hantec Investment Holdings Limited

## DIRECTORS

The directors of the Company during the year and up to the date of this report are:

### Chairman:

Mr. Tang Yu Lap

### Deputy Chairman:

Mr. Chung Shui Ming, Timpson (resigned on 1st June 2007)

Mr. Lam Ngok Fung (appointed as Deputy Chairman on 1st June 2007)

### Executive Directors:

Ms. Ng Chiu Mui

Mr. Law Kai Yee

Ms. Hwang Wei Ming, Ellen (appointed on 3rd March 2007)

Mr. Lau Mun Chung (appointed on 3rd March 2007)

### Non-executive Director:

Mr. Fong Wo, Felix

### Independent Non-executive Directors:

Mr. Yu Man Woon

Mr. Yu Hon To, David

Mr. Cheng Wing Chi

Prof. Nyaw Mee Kau

In accordance with bye-law 87 of the Company, Mr. Tang Yu Lap, Mr. Lam Ngok Fung, and Prof. Nyaw Mee Kau shall retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

The Company has received annual independence confirmations from the independent non-executive directors and considers them to be independent.

## DIRECTORS' SERVICE CONTRACT

Each of Mr. Tang Yu Lap, Mr. Lam Ngok Fung and Ms. Ng Chiu Mui has entered into a service contract with the Company which has not prescribed a term of services but each party can terminate the contract by giving three months' prior written notice to the other party. As those contracts are entered prior to 31st January 2004, they are exempt under rule 13.69 of the Listing Rules.

Prof. Nyaw Mee Kau has not entered into any service contract with the Company. He is entitled to a director's fee as determined by the Board.



# REPORT OF THE DIRECTORS

Annual Report 2007

## DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE EQUITY OR DEBT SECURITIES

### Director's and chief executive's interests in the Company

As at 31st December, 2007, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

(i) *Long position in the shares and long position (in respect of equity derivatives) in underlying shares of the Company:*

Name of Director	Capacity	Interest in shares	Interest in underlying shares (share option)	Percentage of issued share capital
Mr. Tang Yu Lap (note 2)	Interest in controlled corporation (note 1)	258,672,000	—	62.42%
	Beneficial owner	2,034,000	—	0.49%
Mr. Lam Ngok Fung	Beneficial owner	1,074,000	2,100,000	0.77%
Ms. Hwang Wei Ming, Ellen	Beneficial owner	700,000	1,200,000	0.46%
Ms. Ng Chiu Mui (note 3)	Beneficial owner	—	390,000	0.09%
Mr. Law Kai Yee	Beneficial owner	800,000	2,100,000	0.70%
Mr. Lau Mun Chung	Beneficial owner	648,000	1,400,000	0.49%

#### Notes:

- (1) 258,672,000 shares were held by Hantec Holdings Limited ("HHL"), a company in which Mr. Tang Yu Lap beneficially owned 35% of its issued share capital. By virtue of the provisions of the SFO, Mr. Tang Yu Lap was deemed to be interested in all the shares in which HHL was interested.
- (2) Mr. Tang Yu Lap is the spouse of Ms. Ng Chiu Mui.
- (3) Ms. Ng Chiu Mui is the spouse of Mr. Tang Yu Lap.

# REPORT OF THE DIRECTORS

Hantec Investment Holdings Limited

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE EQUITY OR DEBT SECURITIES (CONTINUED)

### Director's and chief executive's interests in the Company (Continued)

(ii) Long position in the shares of associated corporations:

Name of director	Name of associated corporation	Capacity	No. of securities	Approximate percentage of shareholding
Mr. Tang Yu Lap	Hantec Holdings Limited	Beneficial owner	52,500,000	35%

## INFORMATION ON SHARE OPTIONS

The share option scheme currently in force was adopted by the 2006 AGM held on 29th May 2006. In the 2007 AGM held on 1st June 2007, 10% of the scheme mandate limit has been refreshed. Details of options outstanding during the year are as follows:

Grantee	Date of granted	Options held at 1st January 2007	Options exercised during the year	Options held at 31st December 2007	Exercise price	Exercisable period
<i>Directors</i>						
Mr. Lam Ngok Fung	13/11/2006	2,100,000	—	2,100,000	HK\$0.88	01/05/2007— 30/04/2014
Ms. Hwang Wei Ming, Ellen	13/11/2006	1,400,000	200,000	1,200,000	HK\$0.88	01/05/2007— 30/04/2014
Ms. Ng Chiu Mui	13/11/2006	390,000	—	390,000	HK\$0.88	01/05/2007— 30/04/2014
Mr. Law Kai Yee	13/11/2006	2,100,000	—	2,100,000	HK\$0.88	01/05/2007— 30/04/2014
Mr. Lau Mun Chung	13/11/2006	1,400,000	—	1,400,000	HK\$0.88	01/05/2007— 30/04/2014
Aggregate total of employees	13/11/2006	12,000,000	100,000	7,900,000	HK\$0.88	01/05/2007— 30/04/2014
		19,390,000		15,090,000		

During the year, options carrying rights to subscribe for 3,500,000 shares and 500,000 shares held by a director and an employee lapsed due to their resignations.

# REPORT OF THE DIRECTORS

Annual Report 2007

## INFORMATION ON SHARE OPTIONS (CONTINUED)

### Information on the Current Scheme

The following is a summary of the share options:

- |   |   |   |
|---|---|---|
| 1 | Purpose of the Scheme   | (a) Provide incentives or rewards to participants for their contribution to the Group; and  |
|   |   | (b) Recruit and retain high-calibre employees and attract human resources that are valuable to the Group.   |
| 2 | Participants of the Scheme  | (a) Employees including executive directors of the Group and its invested entities; and   |
|   |   | (b) Other persons who has made contribution to the Group as determined by the Board.  |
| 3 | Total number of shares available for issue under the Scheme and % of issued share capital that it represents as at 31st December 2007                                 | 56,503,000 shares, equivalent to approximately 13.63% of the issued share capital of the Company as at 31st December 2007.  |
| 4 | Maximum entitlement of each participant under the Scheme  | No options may be granted to any participants, which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the options already granted or to be granted to such participant under the Scheme or any other schemes of the Company (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital as at the date of such new grant. Any grant of further options above this limit shall be subject to approval of shareholders of the Company in general meeting. |
| 5 | Period within which the securities must be taken up under an option   | The directors may determine the period but shall not end on a date later than ten years from the date of grant.   |
| 6 | Minimum period for which an option must be held before it can be exercised  | No such requirement, but the directors can determine period of holding.   |
| 7 | Amount payable on application or acceptance of the option and the periods within which payments or calls must be made or loans made for such purposes must be repaid. | Within 28 days from the date of the offer letter, the grantee must accept the offer in writing and remit in favor of the Company HK\$10 per option, irrespective of the number of shares covered by the option.   |

# REPORT OF THE DIRECTORS

Hantec Investment Holdings Limited

## INFORMATION ON SHARE OPTIONS (CONTINUED)

### Information on the Current Scheme (Continued)

- 8 Basis of determining the exercise price      The exercise price is determined by the directors and being not less than the highest of:
- (a) the closing price of the Company's shares in the Stock Exchange's daily quotations sheet on the date of grant of the relevant options;
  - (b) an amount equivalent to the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant options; and
  - (c) the nominal value of the Company's shares.
- 9 Remaining life of the scheme      The Scheme shall end on 29th May 2016.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE EQUITY OR DEBT SECURITIES

As at 31st December 2007, so far as was known to the directors and the chief executives of the Company, the following are details of the persons (other than directors or chief executives of the Company) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

### Long position

Name	Capacity	Number of shares held	Approximate percentage of the Company's issued share capital
Hantec Holdings Limited	Beneficial owner	258,672,000	62.42%
Convenient Way Limited	Interest through a controlled corporation	258,672,000 (note 1)	62.42%
Mr. Yeung Sai Hong	Interest through controlled corporations	258,672,000 (note 1)	62.42%
Ms. Chan Yu Suk	Spouse interest	258,672,000 (note 2)	62.42%

#### Notes:

- (1) These shares were held by HHL. The issued share capital of HHL was owned as to 35% by Convenient Way Limited in which Mr. Yeung Sai Hong hold 60% of its capital. By virtue of the provisions of the SFO, Mr. Yeung Sai Hong was deemed to be interested in all the shares in which HHL was interested.
- (2) Ms. Chan Yu Suk is the wife of Mr. Yeung Sai Hong. By virtue of the provisions of the SFO, Ms. Chan Yu Suk was deemed to be interested in all the shares in which Mr. Yeung Sai Hong was interested.
- (3) Mr. Tang Yu Lap and Ms. Ng Chiu Mui, the executive directors, are also the directors of HHL.

# REPORT OF THE DIRECTORS

Annual Report 2007

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover for the year attributable to the Group's five largest customers combined accounted for less than 30% and none of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the share capital) had an interest in the Group's five largest customers.

As the Group is engaged in the provision of financial services, the directors are of the opinion that giving information on counterparties would be of limited or of no value.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31st December 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

## AUDITORS

The financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Tang Yu Lap**  
*Chairman*

Hong Kong, 8th April 2008



# INDEPENDENT AUDITOR'S REPORT

Hantec Investment Holdings Limited



INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
**HANTEC INVESTMENT HOLDINGS LIMITED**  
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hantec Investment Holdings Limited (the "Company") set out on pages 26 to 99, which comprise the consolidated and Company balance sheets as at 31st December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institutes of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

# INDEPENDENT AUDITOR'S REPORT

Annual Report 2007

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## KPMG

Certified Public Accountants  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

8th April 2008

# CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2007

Hantec Investment Holdings Limited

	<i>Note</i>	<b>2007</b> HK\$'000	2006 HK\$'000
Turnover	5	465,761	355,420
Other revenue	5	1,848	1,224
Other net income	5	5,725	3,151
		<b>473,334</b>	359,795
Staff costs	6	88,486	75,384
Commission expenses		226,508	141,716
Operating leases for land and buildings		16,632	12,726
Other operating expenses	7	81,853	67,803
Total operating expenses		<b>413,479</b>	297,629
Operating profit		59,855	62,166
Finance costs	8	(8,472)	(3,860)
Share of profits of associates	16	51,383 2,047	58,306 5,802
Profit before taxation		53,430	64,108
Income tax	9	(13,071)	(11,839)
Profit for the year		<b>40,359</b>	52,269
Attributable to:			
Equity holders of the Company		40,357	52,269
Minority interests		2	—
		<b>40,359</b>	52,269
Dividends payable to equity holders of the Company attributable to the year:			
Interim dividend declared during the year	11	6,213	5,867
Final dividend proposed after the balance sheet date	11	10,393	6,212
		<b>16,606</b>	12,079
Earnings per share			
Basic	12(a)	HK9.74 cents	HK13.29 cents
Diluted	12(b)	N/A	HK13.28 cents

The notes on pages 32 to 99 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

As at 31st December 2007

Annual Report 2007

	<i>Note</i>	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
<b>Non-current assets</b>			
Intangible assets	13	6,871	6,472
Fixed assets	14	19,980	20,015
Interests in associates	16	15,288	8,949
Other assets	17	3,890	5,202
Available-for-sale financial assets	18	12,293	10,236
Deferred income tax assets	19	1,549	4,853
		<b>59,871</b>	55,727
<b>Current assets</b>			
Financial assets at fair value through profit or loss	20	5,602	16,264
Taxation recoverable		514	498
Trade and other receivables	21	471,516	426,295
Bank balances and cash	22	374,184	280,617
		<b>851,816</b>	723,674
<b>Current liabilities</b>			
Trade and other payables	26	454,810	392,330
Short-term loans and bank overdrafts	27	16,692	21,049
Current portion of obligations under finance lease	25	537	154
Taxation payable		4,006	9,343
		<b>476,045</b>	422,876
<b>Net current assets</b>		<b>375,771</b>	300,798
<b>Total assets less current liabilities</b>		<b>435,642</b>	356,525
<b>Non-current liabilities</b>			
Obligations under finance lease	25	506	105
Deferred income tax liabilities	19	170	653
Loan notes	28	42,525	—
		<b>43,201</b>	758
<b>NET ASSETS</b>		<b>392,441</b>	355,767

# CONSOLIDATED BALANCE SHEET

As at 31st December 2007

Hantec Investment Holdings Limited

	<i>Note</i>	<b>2007 HK\$'000</b>	2006 HK\$'000
<b>Capital and reserves</b>			
Share capital	23	41,443	41,413
Other reserves	24	216,639	208,262
Retained earnings			
Proposed final dividend	24	10,393	6,212
Others	24	123,631	99,880
<b>Total equity attributable to the equity holders of the Company</b>		<b>392,106</b>	355,767
<b>Minority interests</b>		<b>335</b>	—
<b>TOTAL EQUITY</b>		<b>392,441</b>	355,767

Approved and authorised for issue by the Board of Directors on 8th April 2008.

**Tang Yu Lap**  
Director

**Lam Ngok Fung**  
Director

The notes on pages 32 to 99 form part of these financial statements.



# BALANCE SHEET

As at 31st December 2007

Annual Report 2007

	<i>Note</i>	<b>2007 HK\$'000</b>	2006 HK\$'000
<b>Non-current assets</b>			
Fixed assets	14	221	1,053
Investment in subsidiaries	15	218,286	218,130
		<b>218,507</b>	219,183
<b>Current assets</b>			
Financial assets at fair value through profit or loss	20	1,379	1,022
Other receivables	21	8,889	1,284
Amounts due from subsidiaries	15(a)	152,236	161,798
Bank balances and cash	22	19,193	897
		<b>181,697</b>	165,001
<b>Current liabilities</b>			
Other payables	26	10,354	5,765
Amounts due to subsidiaries	15(a)	28,772	25,570
		<b>39,126</b>	31,335
<b>Net current assets</b>		<b>142,571</b>	133,666
<b>Total assets less current liabilities</b>		<b>361,078</b>	352,849
<b>Non-current liabilities</b>			
Loan notes	28	42,525	—
<b>NET ASSETS</b>		<b>318,553</b>	352,849
<b>Capital and reserves</b>			
Share capital	23	41,443	41,413
Other reserves	24	237,671	237,376
Retained earnings			
Proposed final dividend	24	10,393	6,212
Others	24	29,046	67,848
<b>TOTAL EQUITY</b>		<b>318,553</b>	352,849

Approved and authorised for issue by the Board of Directors on 8th April 2008.

**Tang Yu Lap**  
Director

**Lam Ngok Fung**  
Director

The notes on pages 32 to 99 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2007

Hantec Investment Holdings Limited

	Note	Attributable to equity holders of the Company				Total HK\$'000
		Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Minority interests HK\$'000	
Balance at						
1st January 2006		39,113	192,290	59,690	—	291,093
Shares issued	23	2,300	14,490	—	—	16,790
Share-based payments	6	—	588	—	—	588
Deficit on revaluation of available-for-sale financial assets	18	—	(1,989)	—	—	(1,989)
Exchange difference		—	2,883	—	—	2,883
Profit for the year		—	—	52,269	—	52,269
2006 interim dividend paid	11	—	—	(5,867)	—	(5,867)
Balance at 31st December 2006		41,413	208,262	106,092	—	355,767
Balance at 1st January 2007		41,413	208,262	106,092	—	355,767
Capital contribution from minority shareholders		—	—	—	310	310
Acquisition of a subsidiary	32(b)	—	—	—	23	23
Shares issued under share option scheme	23	30	234	—	—	264
Share-based payments	6	—	1,802	—	—	1,802
Surplus on revaluation of available-for-sale financial assets	18	—	2,057	—	—	2,057
Exchange difference		—	4,284	—	—	4,284
Profit for the year		—	—	40,357	2	40,359
2006 final dividend paid	11	—	—	(6,212)	—	(6,212)
2007 interim dividend paid	11	—	—	(6,213)	—	(6,213)
Balance at 31st December 2007		41,443	216,639	134,024	335	392,441

Included in the consolidated retained earnings at 31st December 2007 are statutory provisions of HK\$203,506 (2006: HK\$59,128) which are required to be held in respect of certain overseas subsidiaries of the Group.

The notes on pages 32 to 99 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2007

Annual Report 2007

	<i>Note</i>	<b>2007</b> <b>HKS'000</b>	2006 HKS'000
Net cash inflow from operating activities	<i>32(a)</i>	<b>62,044</b>	112,034
<b>Investing activities</b>			
Purchase of fixed assets		<b>(7,279)</b>	(11,467)
Sale of fixed assets		<b>8</b>	8
Sale of financial assets at fair value through profit or loss		<b>13,364</b>	17,941
Dividends received from listed securities		<b>479</b>	173
Dividends received from available-for-sale financial assets		<b>138</b>	149
Dividends received from an associate	<i>16</i>	<b>1,637</b>	1,673
Purchase of financial assets at fair value through profit or loss		<b>(2,769)</b>	(6,584)
Purchase of available-for-sale financial assets	<i>18</i>	—	(136)
Purchase of associates	<i>16</i>	<b>(1,171)</b>	—
Loan to an associate	<i>16</i>	<b>(5,000)</b>	—
Purchase of subsidiaries, net of cash and cash equivalents acquired	<i>32(c)</i>	<b>(322)</b>	30,575
Net cash (outflow)/inflow from investing activities		<b>(915)</b>	32,332
<b>Financing activities</b>			
Dividend paid	<i>11</i>	<b>(12,425)</b>	(5,867)
Interest paid		<b>(8,472)</b>	(3,860)
Proceeds from capital contribution by minority shareholders		<b>310</b>	—
Proceeds from shares issued under share option scheme	<i>23</i>	<b>264</b>	—
Issue of loan notes		<b>44,865</b>	—
Repayment of loan notes		<b>(2,340)</b>	—
Advance from finance lease		<b>1,365</b>	123
Repayments under finance leases		<b>(581)</b>	(125)
Net cash inflow/(outflow) from financing activities		<b>22,986</b>	(9,729)
Increase in cash and cash equivalents		<b>84,115</b>	134,637
Cash and cash equivalents at 1st January		<b>246,879</b>	110,330
Effect of foreign exchange rate changes		<b>3,578</b>	1,912
Cash and cash equivalents at 31st December	<i>22</i>	<b>334,572</b>	246,879
<b>Analysis of balances of cash and cash equivalents</b>			
Bank balances — general accounts and cash	<i>22</i>	<b>351,264</b>	267,928
Bank overdrafts	<i>22</i>	<b>(4,692)</b>	(11,049)
Bank loans — unsecured	<i>22</i>	<b>(12,000)</b>	(10,000)
		<b>334,572</b>	246,879

The notes on pages 32 to 99 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 15 to the financial statements.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong Dollars (HK\$'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 8th April 2008.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs, that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Basis of preparation

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale or as financial assets at fair value through profit or loss (see note 2.9)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 2.3 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

#### *(a) Subsidiaries and minority interests*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.



# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Consolidation (Continued)

#### (a) *Subsidiaries and minority interests (Continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

#### (b) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see note 2.7(a)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Consolidation (Continued)

#### *(b) Associates (Continued)*

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

### 2.4 Segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of geographical segment reporting, analysis on consolidated turnover is based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

### 2.5 Foreign currency translation

#### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK Dollars"), which is the Company's functional and presentation currency.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Foreign currency translation (Continued)

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

#### *(c) Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of fixed assets is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold land	not depreciated
Buildings	over the unexpired term of lease or estimated useful life
Leasehold improvements	over the lease periods
Furniture and fixtures	20%
Office and computer equipment	20%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.8).

### 2.7 Intangible assets

#### (a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries or associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

#### (b) Trading rights

Trading rights held in The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited (the "Stock Exchange trading rights" and "Futures Exchange trading right" respectively) are classified as intangible assets. Trading rights have an indefinite useful life and are carried at cost less accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Intangible assets (Continued)

#### (c) *Membership*

The membership of The Chinese Gold & Silver Exchange Society is recognised as an intangible asset on the balance sheet. The membership has an indefinite useful life and is carried at cost less accumulated impairment losses.

### 2.8 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

### 2.9 Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

#### (a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss represents financial assets held for trading. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets held for trading are classified as current assets.

#### (b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (see note 2.10).



# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Investments (Continued)

#### *(c) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

#### *(d) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, except where the receivables are interest-free loans made to related companies without any fixed repayment terms or the effect of discounting would be immaterial. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

### 2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### 2.12 Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2.17, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### 2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Income tax (Continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### 2.15 Employee benefits

#### (a) *Employee leave entitlements*

Employee entitlement to annual leave is recognised when it accrues to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

#### (b) *Profit sharing and bonus plan*

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.15 Employee benefits (Continued)

#### *(c) Pension obligations*

The Group contributes to the mandatory provident fund (“MPF Scheme”), a defined contribution plan in Hong Kong, which is available to all employees. The assets of the MPF Scheme are held separately from the Group in an independently administered fund.

The Group’s contribution to the MPF Scheme is based on 5% of the monthly relevant income of each employee up to a maximum monthly relevant income of HK\$20,000 in accordance with the Mandatory Provident Fund Schemes Ordinance. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

#### *(d) Share-based payments*

The fair value of share options granted to employees and directors is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged / credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company’s shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### 2.17 Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income. (see note 33.2)

# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2.16 if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

### 2.18 Revenue recognition

Brokerage commission income arising from leveraged foreign exchange transactions, securities broking, precious metal contracts and commodities and futures broking are recognised and accounted for on a trade date basis.

Brokerage commission income arising from the brokerage of mutual funds and insurance products is recognised when services are rendered. An amount, based on a certain percentage of the commission income and expenses and based on the historical statistics on the occurrence of the clawback of the brokerage commission income, has been provided for the possible clawback that may be claimed against the Group.

Net revenue from foreign exchange options trading and broking includes both realised and unrealised gains less losses from the foreign currency option contracts. Open option contracts are carried at fair value, with related unrealised gains or losses recognised in the income statement. The open option contracts are valued using pricing models that consider, among other factors, contractual and market prices, time value and volatility factors.

All transactions related to precious metal contracts dealings are recorded in the financial statements based on trade dates. Accordingly, only those transactions which trade dates fall within the accounting year have been taken into account.

Swap interest and foreign exchange trading revenue include both realised and unrealised gains less losses. The swap interest and foreign exchange spread in relation to open positions arising from leveraged foreign exchange transactions are recognised on an accrual basis. The net residual positions of each foreign currency resulting from broking and trading foreign currencies are carried at fair value, with related unrealised gains or losses recognised in the income statement.

Underwriting commissions are recognised when the relevant work or service has been rendered.

Revenue from corporate finance services is recognised in accordance with the terms of agreement for the underlying transactions.

Management fee and subscription fee on asset management are recognised on an accrual basis.



# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Revenue recognition (Continued)

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

### 2.19 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### (a) *Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are expensed in the income statement on a straight-line basis over the period of the lease.

#### (b) *Finance lease*

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### 2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.21 Related parties

For the purposes of these accounts, a party is considered to be related to the Group if:

- (i) The party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) The Group and the party are subject to common control;
- (iii) The party is an associate of the Group;
- (iv) The party is a member of key management personnel of the Group, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) The party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) The party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

### 2.22 Finance costs

Finance costs are charged to the income statement in the year in which they are incurred.

### 2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

### 2.24 Trust accounts

Trust accounts maintained by the subsidiaries of the Company to hold clients' monies are not recognised as an asset in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.25 Off-balance sheet financial instruments

Off-balance sheet financial instruments arising from the leveraged foreign exchange trading and option transactions are marked to market and the gain or loss thereof is recognised in the income statement as foreign exchange trading revenue or net premium income from foreign currency option.

### 2.26 Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

## 3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 35.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 23.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. (see note 41).

# NOTES TO THE FINANCIAL STATEMENTS

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## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

### 4.1 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

### 4.2 Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### 4.3 Estimate of fair value of financial instruments

The best evidence of fair value is current prices in an active market for listed equity securities. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. The Group establishes fair value by using valuation techniques for unlisted securities. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

### 4.4 Litigation

The Group considers each case involving litigation individually to assess the probability of any outflow of resources. If in the opinion of the directors, an outflow of resources embodying economic benefits will be required to settle the litigation, a provision will be made to the extent of the probable outflow. In other cases, unless the possibility of an outflow of resources embodying economic benefits is remote, a contingent liability will be disclosed.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 5 TURNOVER, OTHER REVENUE, OTHER NET INCOME AND SEGMENT INFORMATION

The Company is an investment holding company. The Group is principally engaged in the provision of leveraged foreign exchange trading and broking services, securities broking, commodities and futures broking, provision of corporate financial advisory services, fund management, financial planning and insurance broking, and trading and broking of precious metal contracts. Total revenue recognised during the year is as follows:

	2007 HK\$'000	2006 HK\$'000
Turnover		
Fees and commission	198,948	121,213
Net revenue from		
— foreign currency option trading	6,500	2,569
— bullion trading	102,804	79,638
Net premium income from insurance broking	626	589
Swap interest and foreign exchange trading revenue	94,789	99,088
Interest income	58,123	44,540
Underwriting commission	1,598	1,006
Management, subscription and advisory fee income	2,373	6,777
	<b>465,761</b>	<b>355,420</b>
Other revenue		
Dividend income from listed securities	479	173
Dividend income from available-for-sale financial assets	138	149
Other income	1,231	902
	<b>1,848</b>	<b>1,224</b>
Other net income		
Net exchange gains	6,808	4,402
Net realised gains/(losses) on financial assets at fair value through profit or loss	2,346	(1,557)
Net unrealised (losses)/gains on financial assets at fair value through profit or loss	(3,429)	306
	<b>5,725</b>	<b>3,151</b>
	<b>473,334</b>	<b>359,795</b>

# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 5 TURNOVER, OTHER REVENUE, OTHER NET INCOME AND SEGMENT INFORMATION (Continued)

### Primary reporting format — Business segments

The business of the Group was organised into the following segments during the year:

1. Leveraged foreign exchange trading/broking — provision of dealing and broking in leveraged forex trading services on the world's major currencies.
2. Securities broking — provision of broking services in securities, equity linked products, unit trusts and stock options traded in Hong Kong and selected overseas markets and margin financing services to those broking clients.
3. Commodities and futures broking — provision of broking services in commodities and futures contracts traded in Hong Kong and selected overseas markets.
4. Corporate finance — provision of corporate finance and advisory services to companies listed in Hong Kong.
5. Asset management — managing private funds and acting as an investment manager for investment companies.
6. Financial planning and insurance broking — acting as an agent for the sale of savings plans, unit trusts, general and life insurance and providing advisory services on securities investment and discretionary fund management.
7. Precious metal contracts trading/broking — provision of dealing and broking trading services on selected precious metals.

Certain comparative figures in the primary reporting format of segment information have been reclassified to conform to current year's presentation. The directors consider that these changes result in a more appropriate presentation in these financial statements.

### Secondary reporting format — Geographical segments

Based on the geographical location of the clients, the Group's business is divided into seven main geographical areas, including Hong Kong, Greater China (excluding Hong Kong), Oceania, Switzerland, the United States, United Kingdom and other countries.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 5 TURNOVER, OTHER REVENUE, OTHER NET INCOME AND SEGMENT INFORMATION (Continued)

### Primary reporting format — Business segments

Year ended 31st December 2007

	Leveraged foreign exchange trading/broking 2007 HK\$'000	Securities broking 2007 HK\$'000	Commodities and futures broking 2007 HK\$'000	Corporate finance 2007 HK\$'000	Asset management 2007 HK\$'000	Financial planning/ insurance broking 2007 HK\$'000	Precious metal contracts trading/broking 2007 HK\$'000	Unallocated 2007 HK\$'000	Inter-segment elimination 2007 HK\$'000	Total 2007 HK\$'000
Turnover from external customers	142,379	82,762	10,871	8,446	558	30,091	189,919	735	—	465,761
Inter-segment turnover	14	310	—	604	—	—	—	15,010	(15,938)	—
<b>Total</b>	<b>142,393</b>	<b>83,072</b>	<b>10,871</b>	<b>9,050</b>	<b>558</b>	<b>30,091</b>	<b>189,919</b>	<b>15,745</b>	<b>(15,938)</b>	<b>465,761</b>
Segment results	8,662	21,330	414	967	(987)	(6,120)	41,028	(5,439)	—	59,855
Operating profit										59,855
Finance costs	(4)	(4,849)	(1)	(1)	—	(3)	(55)	(3,559)	—	(8,472)
Share of profits of associates	—	—	—	—	—	—	—	2,047	—	2,047
Profit before taxation										53,430
Income tax										(13,071)
Profit after taxation										40,359
Minority interests										(2)
Profit attributable to equity holders of the Company										40,357
Segment assets	292,722	210,721	33,545	13,567	5,982	30,645	241,547	65,607	—	894,336
Interests in associates	—	—	—	—	—	—	—	15,288	—	15,288
Unallocated assets										2,063
<b>Total assets</b>										<b>911,687</b>
Segment liabilities	261,734	110,301	10,649	264	64	5,884	68,233	57,941	—	515,070
Unallocated liabilities										4,176
<b>Total liabilities</b>										<b>519,246</b>
Capital expenditure	1,700	735	198	458	85	534	1,081	2,686	—	7,477
Depreciation	2,332	395	75	156	29	1,066	632	2,242	—	6,927
Impairment loss charged	765	—	—	—	—	—	146	—	—	911
Other non-cash expenses	58	—	—	—	—	104	—	732	—	894



# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 5 TURNOVER, OTHER REVENUE, OTHER NET INCOME AND SEGMENT INFORMATION (Continued)

### Primary reporting format — Business segments (Continued)

Year ended 31st December 2006

	Leveraged foreign exchange trading/broking 2006 HK\$'000	Securities broking 2006 HK\$'000	Commodities and futures broking 2006 HK\$'000	Corporate finance 2006 HK\$'000	Asset management 2006 HK\$'000	Financial planning/ insurance broking 2006 HK\$'000	Precious metal contracts trading/broking 2006 HK\$'000	Unallocated 2006 HK\$'000	Inter- segment elimination 2006 HK\$'000	Total 2006 HK\$'000
Turnover from external customers	135,694	38,004	17,008	4,752	1,931	24,933	130,247	2,851	—	355,420
Inter-segment turnover	256	280	(172)	1,500	—	—	(3)	9,373	(11,234)	—
<b>Total</b>	<b>135,950</b>	<b>38,284</b>	<b>16,836</b>	<b>6,252</b>	<b>1,931</b>	<b>24,933</b>	<b>130,244</b>	<b>12,224</b>	<b>(11,234)</b>	<b>355,420</b>
Segment results	26,634	9,902	1,093	(350)	198	(5,792)	32,131	(1,650)	—	62,166
Operating profit										62,166
Finance costs	(30)	(3,795)	—	—	—	—	(10)	(25)	—	(3,860)
										58,306
Share of profits of associates	3,463	—	—	—	—	—	—	2,339	—	5,802
Profit before taxation										64,108
Income tax										(11,839)
Profit after taxation										52,269
Minority interests										—
Profit attributable to equity holders of the Company										52,269
Segment assets	336,167	161,982	79,637	11,151	5,953	38,253	103,787	28,171	—	765,101
Interests in associates	—	—	—	—	—	—	—	8,949	—	8,949
Unallocated assets										5,351
<b>Total assets</b>										<b>779,401</b>
Segment liabilities	203,536	97,082	58,649	77	70	4,268	42,732	7,224	—	413,638
Unallocated liabilities										9,996
<b>Total liabilities</b>										<b>423,634</b>
Capital expenditure	4,489	1,041	1,549	293	57	575	1,158	3,820	—	12,982
Depreciation	1,255	751	30	12	3	822	77	1,743	—	4,693
Impairment loss charged	1,682	—	—	40	—	—	329	—	—	2,051
Other non-cash expenses	645	7	—	—	—	70	122	98	—	942

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 5 TURNOVER, OTHER REVENUE, OTHER NET INCOME AND SEGMENT INFORMATION (Continued)

### Primary reporting format — Business segments (Continued)

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, receivables and operating cash, and mainly exclude interests in associates, current and deferred tax assets. Segment liabilities comprise operating liabilities and exclude current and deferred tax liabilities. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions of subsidiaries.

### Secondary reporting format — Geographical segments

	Turnover		Total assets		Capital expenditure	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong	172,514	188,487	552,786	501,745	6,365	11,697
Greater China (excluding Hong Kong)	281,825	93,920	59,191	75,831	999	935
Oceania	886	45,369	13,252	60,691	48	73
Switzerland	1,280	259	89,314	33,218	38	277
United States	1,089	1	55,084	36,782	—	—
United Kingdom	1,799	4,756	87,199	1,911	—	—
Other countries	6,368	22,628	37,510	54,923	27	—
	<b>465,761</b>	<b>355,420</b>	<b>894,336</b>	<b>765,101</b>	<b>7,477</b>	<b>12,982</b>
Interests in associates			15,288	8,949		
Unallocated assets			2,063	5,351		
Total assets			<b>911,687</b>	<b>779,401</b>		

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditures are based on the geographical location of the assets.

The total assets in other countries mainly represent margin and other deposits placed with overseas brokers and financial institutions.

# NOTES TO THE FINANCIAL STATEMENTS

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## 6 STAFF COSTS

	2007 HK\$'000	2006 HK\$'000
Salaries and allowances	84,575	72,942
Equity-settled share-based payments ( <i>note 24</i> )	1,802	588
Defined contribution plans ( <i>note 29</i> )	2,109	1,854
	<b>88,486</b>	<b>75,384</b>

Staff costs include directors' emoluments as set out in note 30.

## 7 OTHER OPERATING EXPENSES

	2007 HK\$'000	2006 HK\$'000
Advertising and promotion	5,858	8,748
Auditors' remuneration	4,877	3,722
Bad debts written off	911	2,051
Bank charges	1,353	636
Communication expenses	4,813	3,332
Consultancy fee	11,600	7,887
Depreciation	6,927	4,693
Entertainment	3,128	2,204
Equipment rental expenses	5,811	5,721
Insurance	2,349	2,186
Legal and professional fee	7,273	3,530
Loss on disposal of fixed assets	793	138
Miscellaneous expenses	8,477	5,459
Printing and stationery	1,995	2,104
Repairs and maintenance	1,172	1,755
Staff welfare	2,331	1,387
Traveling expenses	6,936	8,999
Computer expenses	908	1,062
Exhibition and seminars	2,483	542
Postage	979	903
Water and electricity	879	744
	<b>81,853</b>	<b>67,803</b>

Note: During the current and prior years, certain account executives of a subsidiary of the Group have been reprimanded or censured. The Group incurred legal and professional fees to review its operations and systems of internal control. The Directors of the Group believe that the above cases do not have a material impact on the financial statements for the year ended 31st December 2007.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 8 FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest on bank overdrafts	725	678
Interest on bank loans	4,102	3,140
Interest on other loans	3,558	24
Interest on obligation under finance leases	87	18
	<b>8,472</b>	<b>3,860</b>

## 9 INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement:

	2007 HK\$'000	2006 HK\$'000
Current taxation:		
— Hong Kong profits tax	7,243	7,834
— Overseas taxation	2,646	2,789
— Under provision in respect of prior years	361	160
Deferred taxation relating to the origination and reversal of temporary differences ( <i>note 19</i> )	2,821	1,056
	<b>13,071</b>	<b>11,839</b>

# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 9 INCOME TAX (Continued)

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007 HK\$'000	2006 HK\$'000
Profit before taxation (excluding share of profits of associates)	<b>51,383</b>	58,306
Notional tax on profit before taxation, calculated at the rate applicable to profits in the countries concerned	<b>9,456</b>	10,414
Tax effect of income not subject to taxation	<b>(1,945)</b>	(2,308)
Tax effect of expenses not deductible for taxation purposes	<b>1,031</b>	1,139
Utilisation of previously unrecognised tax losses	<b>(73)</b>	(82)
Tax losses for which no deferred income tax assets were recognised	<b>4,241</b>	2,516
Under-provision in respect of prior years	<b>361</b>	160
Taxation expenses	<b>13,071</b>	11,839

On 27th February 2008, the Financial Secretary of the Hong Kong SAR Government announced his annual Budget which proposes a cut in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008-09 and a one-off reduction of 75% of the tax payable for the 2007-08 assessment subject to a ceiling of HK\$25,000. In accordance with the Group's accounting policy set out in note 2.14, no adjustments have been made to these financial statements as a result of this announcement.

The directors estimate that these proposed changes will result in the opening balances of the Group as at 1st January 2008 being remeasured as follows:

- (a) Current tax payable by the Group will decrease by HK\$91,146; and
- (b) the Group's deferred tax liabilities and deferred tax assets will decrease by HK\$9,694 and HK\$56,290 respectively.

These opening balance adjustments to current and deferred tax balances at 1st January 2008 will be recognised as a reduction and a increase in the Group's income tax expense of HK\$91,146 and HK\$46,596 respectively. It is impracticable to further estimate the impact on future financial statements of the change in tax rate.

## 10 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of HK\$22,196,000 (2006: profit of HK\$22,508,000).

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 11 DIVIDENDS

Dividends payable to equity holders of the Company attributable to the year:

	2007 HK\$'000	2006 HK\$'000
Interim dividend paid:		
HK1.5 cents (2006: HK1.5 cents) per share	6,213	5,867
Final dividend proposed:		
HK2.5 cents (2006: HK1.5 cents) per share	10,393	6,212
	<b>16,606</b>	<b>12,079</b>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

## 12 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of HK\$40,357,000 (2006: HK\$52,269,000) and the weighted average number of 414,173,835 (2006: 393,209,452) ordinary shares in issue during the year.

### (b) Diluted earnings per share

Diluted earnings per share for the current year has not been disclosed as the outstanding share options have no dilutive effects on the basic earnings per share, as their exercise prices were above the average market price of the shares during the year.

The diluted earnings per share for the year ended 31st December 2006 is calculated based on the adjusted weighted average number of 393,565,890 ordinary shares which is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares in respect of share options. The calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 13 INTANGIBLE ASSETS

		Group				
	<i>Note</i>	Stock Exchange trading rights HK\$'000	Futures Exchange trading right HK\$'000	Membership of The Chinese Gold & Silver Exchange Society HK\$'000	Goodwill on acquisition of subsidiaries HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1st January 2006		913	406	180	—	1,499
Acquisition of a subsidiary	<i>32(b)</i>	—	—	—	4,973	4,973
At 31st December 2006 and 1st January 2007		913	406	180	4,973	6,472
Acquisition of a subsidiary	<i>32(b)</i>	—	—	—	399	399
At 31st December 2007		913	406	180	5,372	6,871
<b>Accumulated impairment losses</b>						
At 1st January 2006, 31st December 2006, 1st January 2007 and 31 December 2007		—	—	—	—	—
<b>Carrying amount</b>						
At 31st December 2007		913	406	180	5,372	6,871
At 31st December 2006		913	406	180	4,973	6,472



# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 14 FIXED ASSETS

	Group					
	Freehold land and building	Leasehold improvements	Furniture & fixtures	Office & computer equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>						
At 1st January 2006	—	3,698	2,432	14,972	1,747	22,849
Additions through acquisition of a subsidiary	2,157	—	1,270	2,435	117	5,979
Additions	—	3,282	492	5,665	2,028	11,467
Disposals	—	(880)	(45)	(5,394)	—	(6,319)
Reclassification	—	—	(66)	66	—	—
Exchange difference	168	(9)	138	194	18	509
At 31st December 2006 and 1st January 2007	2,325	6,091	4,221	17,938	3,910	34,485
Additions through acquisition of a subsidiary	—	—	103	—	—	103
Additions	—	3,631	2,300	1,348	—	7,279
Disposals	—	(1,219)	(594)	(507)	—	(2,320)
Exchange difference	200	20	157	266	29	672
At 31st December 2007	2,525	8,523	6,187	19,045	3,939	40,219
<b>Accumulated depreciation</b>						
At 1st January 2006	—	1,510	856	9,573	1,512	13,451
Additions through acquisition of a subsidiary	115	—	348	1,814	44	2,321
Charge for the year	9	1,277	525	2,460	422	4,693
Disposals	—	(795)	(29)	(5,349)	—	(6,173)
Reclassification	—	—	(1)	1	—	—
Exchange difference	9	(11)	35	140	5	178
At 31st December 2006 and 1st January 2007	133	1,981	1,734	8,639	1,983	14,470
Additions through acquisition of a subsidiary	—	—	58	—	—	58
Charge for the year	37	2,412	973	2,888	617	6,927
Disposals	—	(907)	(309)	(304)	—	(1,520)
Reclassification	—	—	1	(1)	—	—
Exchange difference	12	16	66	198	12	304
At 31st December 2007	182	3,502	2,523	11,420	2,612	20,239
<b>Net book value</b>						
At 31st December 2007	2,343	5,021	3,664	7,625	1,327	19,980
At 31st December 2006	2,192	4,110	2,487	9,299	1,927	20,015

The Group's freehold land and building is located outside Hong Kong.

# NOTES TO THE FINANCIAL STATEMENTS

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## 14 FIXED ASSETS (Continued)

	Company			Total HK\$'000
	Leasehold improvements HK\$'000	Furniture & fixtures HK\$'000	Office & computer equipment HK\$'000	
	<b>Cost</b>			
At 1st January 2006	597	295	215	1,107
Additions	629	35	55	719
Disposals	—	(37)	(24)	(61)
<hr/>				
At 31st December 2006 and 1st January 2007	1,226	293	246	1,765
Additions	48	—	78	126
Disposals	(1,124)	(58)	(175)	(1,357)
<hr/>				
At 31st December 2007	150	235	149	534
<hr style="border-top: 1px dashed black;"/>				
<b>Accumulated depreciation</b>				
At 1st January 2006	185	105	42	332
Charge for the year	309	56	45	410
Disposals	—	(23)	(7)	(30)
<hr/>				
At 31st December 2006 and 1st January 2007	494	138	80	712
Charge for the year	400	55	53	508
Disposals	(812)	(32)	(63)	(907)
<hr/>				
At 31st December 2007	82	161	70	313
<hr style="border-top: 1px dashed black;"/>				
<b>Net book value</b>				
At 31st December 2007	68	74	79	221
<hr/>				
At 31st December 2006	732	155	166	1,053
<hr/>				

During the year, additions to office and computer equipment of the Group financed by finance lease were HK\$205,200 (2006: HK\$1,283,357). At the balance sheet date, the net book value of office and computer equipment held under finance leases of the Group was HK\$1,312,710 (2006: HK\$1,471,022).

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 15 INVESTMENT IN SUBSIDIARIES

	Company	
	2007 HK\$'000	2006 HK\$'000
Investment at cost, unlisted shares	<b>218,286</b>	218,130

- (a) The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.
- (b) The following is a list of subsidiaries at 31st December 2007:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held directly	Interest held indirectly
Hantec International Limited ("HIL")	Hong Kong	Leveraged foreign exchange trading in Hong Kong	100 ordinary shares of HK\$1 each, and 100,000,000 non-voting deferred shares of HK\$1 each	—	100%
Hantec International Finance Group Limited ("HIFGL")	Hong Kong	Securities broking and margin financing services in Hong Kong	20,000,100 ordinary shares of HK\$1 each, and 50,000,000 non-voting deferred shares of HK\$1 each	—	100%
HT Futures Limited ("HTFL")	Hong Kong	Commodities and futures broking in Hong Kong	40,000,100 ordinary shares of HK\$1 each, and 10,000,000 non-voting deferred shares of HK\$1 each	—	100%
Hantec Investment Consultant Limited ("HICL")	Hong Kong	Financial planning in Hong Kong	3,000,100 ordinary shares of HK\$1 each, and 5,500,000 non-voting deferred shares of HK\$1 each	—	100%
Hantec Bullion Investments Limited ("HBIL")	Hong Kong	Trading and broking of precious metal contracts in Hong Kong	7,500,000 ordinary shares of HK\$1 each	—	100%
Hantec Asset Management Limited ("HAML")	Hong Kong	Asset management in Hong Kong	7,000,100 ordinary shares of HK\$1 each, and 2,000,000 non-voting deferred shares of HK\$1 each	—	100%
Hantec Asset Management (Cayman) Limited ("HAMCL")	Cayman Islands	Asset management in Hong Kong	1 ordinary shares of US\$1 each	—	100%

# NOTES TO THE FINANCIAL STATEMENTS

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## 15 INVESTMENT IN SUBSIDIARIES (Continued)

(b) The following is a list of subsidiaries at 31st December 2007: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held directly	Interest held indirectly
Hantec Capital Limited (“HCL”)	Hong Kong	Corporate finance services in Hong Kong	100 ordinary shares of HK\$1 each, and 21,000,000 non-voting deferred shares of HK\$1 each	—	100%
Hantec Financial Services Limited (“HFSL”)	Hong Kong	Investment holding in Hong Kong	100 ordinary shares of HK\$1 each	—	100%
Hantec Business Consultant Limited (“HBCL”)	Hong Kong	Investment holding in Hong Kong	1,000,000 ordinary shares of HK\$1 each	—	100%
北京康景商業顧問有限公司* (“康景”)	People’s Republic of China	Consultation services in the People’s Republic of China	US\$150,000 registered and paid-up capital	—	100%
Chinacorp Nominees Limited (“CNL”)	Hong Kong	Provide administrative support services in Hong Kong	100 ordinary shares of HK\$1 each and 10,000 non-voting deferred shares of HK\$1 each	—	100%
Hantec Wealth Management Advisor Limited (“HWMAL”)	Hong Kong	Financial planning and insurance broking in Hong Kong	500,000 ordinary shares of HK\$1 each	—	100%
Hantec Taiwan Investments Limited (“HTIL”)	Hong Kong	Investment holding in Hong Kong	10,000 ordinary shares of HK\$1 each	—	100%
亨達證券投資顧問股份有限公司 (“亨達證券”) (formerly named 亨達富林證券投資顧問股份有限公司)	Taiwan	Wealth management, investment advisory and consultancy services in Taiwan	7,000,000 ordinary shares of NT\$10 each	—	100%
Hantec Financial Services (Suisse) SA (“HFSS”)	Switzerland	Trading and broking services in foreign exchange and precious metal contracts in Switzerland	1,000,000 ordinary shares of CHF1 each	—	100%
Hantec Strategic (BVI) Holdings Limited (“HSBVIHL”)	British Virgin Islands	Investment holding in Hong Kong	50,000 ordinary shares of US\$1 each	100%	—
HT (BVI) Limited (“HTBVIL”)	British Virgin Islands	Investment holding in Hong Kong	7 ordinary shares of US\$1 each	100%	—

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 15 INVESTMENT IN SUBSIDIARIES (Continued)

(b) The following is a list of subsidiaries at 31st December 2007: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held directly	Interest held indirectly
Macro Jess Ltd. ("MJL")	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%	—
Hantec Strategic Plan (HK) Limited ("HSPL")	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%	—
HT (Overseas) Limited ("HTOL")	Macau	Provide administrative support services in Macau	MOP25,000 registered and paid-up capital	—	100%
Cosmos Hantec Investment (NZ) Limited ("CHI")	New Zealand	Trading and broking services in foreign exchange and precious metal contracts in New Zealand	1,000,000 ordinary share of NZ\$1 each	—	100%
Cosmos Hantec International Investments Limited ("CHII")	Macau	Provide administrative support services in Macau	MOP25,000 registered and paid-up capital	—	100%
Hantec (New Zealand) Investment Company Limited ("HNZICL")	New Zealand	Dormant	10,000 ordinary share of NZ\$1 each	—	100%
北京亨達投資諮詢顧問有限公司* ("北京亨達")	People's Republic of China	Business consultancy	HK\$1,000,000 registered and paid-up capital	—	100%
Hantec International Enterprises Limited ("HIEL")	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%	—
Hantec Investimentos Do Brasil Limitada ("HIDBL")	Brasil	Dormant	10,000 ordinary share of R\$1 each	—	100%
Hantec (UK) Incorporated ("HUKI")	British Virgin Islands	Dormant	10,000 ordinary share of US\$1 each	100%	—
Hantec Canada Investments Limited ("HCADIL")	British Virgin Islands	Investment holding in Hong Kong	10,000 ordinary share of US\$1 each	100%	—
Ringus Solution Enterprise Limited ("RSEL")	Hong Kong	IT services	1,240,000 ordinary share of HK\$1 each	—	75%
北京國際經濟技術有限責任公司 ("經濟公司")	People's Republic of China	Business consultancy	RMB700,000 registered and paid-up capital	—	91%

\* Incorporated in the People's Republic of China as a Wholly Foreign Owned Enterprises limited liability company.

# NOTES TO THE FINANCIAL STATEMENTS

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## 15 INVESTMENT IN SUBSIDIARIES (Continued)

### (c) Acquisition of subsidiaries

On 12th September 2007, the Company entered into a sale and purchase agreement with the shareholders of 北京國際經濟技術有限責任公司 (“經濟公司”), all of whom were independent third parties of the Company and its connected persons, to acquire 91% of the total issued share capital of 經濟公司 for a consideration of HK\$631,476.

The key business of 經濟公司 is to provide business consultancy service. 經濟公司 contributed HK\$173,476 turnover and a profit of HK\$48,572 to the Group for the period from acquisition date to the balance sheet date.

Management considered the carrying value of net assets acquired from 經濟公司 to be a close approximation to their fair value and no fair value adjustment is required. The net assets acquired in the above acquisition and the goodwill arising are stated in note 32(b).

The carrying value of the 91% equity interest in 經濟公司 immediately before the date of completion was as follows:

	HK\$'000
Carrying value of 91% equity interest in 經濟公司	232
Goodwill arising from the acquisition	399
	<hr/> 631
Satisfied by :	
Cash	<hr/> 631

If the above acquisitions had occurred on 1st January 2007, total Group turnover would have been HK\$465,701,460 and profit for the year attributable to shareholders of the Company would have been HK\$39,661,639 for the year ended 31st December 2007.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 16 INTERESTS IN ASSOCIATES

	Group	
	2007 HK\$'000	2006 HK\$'000
Share of net assets at 1st January	8,401	14,932
Share of associates' results for the year		
— profit before taxation	2,947	8,546
— taxation	(900)	(2,744)
	2,047	5,802
Acquisition of associates	10,448	20,734
Disposal of an associate	1,171	—
Dividend income from an associate	—	(9,988)
Exchange difference	(1,637)	(1,673)
	(242)	(672)
Share of net assets at 31st December	9,740	8,401
Loan to an associate	5,000	—
Goodwill on acquisition less impairment	548	548
	15,288	8,949
Investment at cost, unlisted shares	12,171	6,000

The amount of loan to an associate is unsecured, interest free and has no fixed repayment terms.



# NOTES TO THE FINANCIAL STATEMENTS

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## 16 INTERESTS IN ASSOCIATES (Continued)

The Group's interests in its principal associates, all of which are unlisted, are as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets HK\$'000	Liabilities HK\$'000	Revenue HK\$'000	Profit/ (loss) HK\$'000	% of interest held indirectly
<b>2007</b>							
HS Hantec Holdings Limited ("HSH")	1,500,000 common shares of CAD 0.1 each	Canada	848	—	—	(309)	25%
Hantec Jiangdu Riverside Developing Zone Water Industry Limited ("HJRDZWIL")	2,000 ordinary shares of HK\$ 1 each	Hong Kong	8,753	8,635	222	3	20%
元太外匯經紀股份有限公司 ("元太")	2,400,000 ordinary shares of NT\$10 each	Taiwan	10,357	1,583	9,004	2,353	20%
			19,958	10,218	9,226	2,047	
<b>2006</b>							
Cosmos Hantec Investment (NZ) Limited ("CHI")#	300,000 ordinary shares of NZ\$1 each	New Zealand	-	-	41,580	3,463	30%
元太外匯經紀股份有限公司 ("元太")	2,400,000 ordinary shares of NT\$10 each	Taiwan	10,622	2,221	9,274	2,339	20%
			10,622	2,221	50,854	5,802	

# From 1st January 2006 to 29th September 2006.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 17 OTHER ASSETS

	Group	
	2007 HK\$'000	2006 HK\$'000
Stock Exchange stamp duty deposit	250	150
Stock Exchange Fidelity Fund deposit	100	100
Stock Exchange Compensation Fund deposit	100	100
Guarantee Fund deposits with the Hong Kong Securities Clearing Company Limited	100	100
Statutory deposits and deposits with the Hong Kong Futures Exchange Limited ("HKFE")	1,500	3,010
Statutory deposits with the Hong Kong Securities and Futures Commission ("SFC")	200	200
Reserve fund deposit with the SEHK Options Clearing House Limited	1,640	1,542
	<b>3,890</b>	<b>5,202</b>

## 18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007 HK\$'000	2006 HK\$'000
Fair value of listed and unlisted securities held for non-trading purposes		
At 1st January	10,236	12,089
Additions	—	136
Revaluation surplus/(deficit) transferred to equity ( <i>note 24</i> )	2,057	(1,989)
At 31st December	<b>12,293</b>	<b>10,236</b>

There were no disposals or impairment provisions on available-for-sale financial assets in 2007.

Available-for-sale financial assets include the following:

	2007 HK\$'000	2006 HK\$'000
Unlisted securities		
Equity securities of private issuers	12,293	10,236

# NOTES TO THE FINANCIAL STATEMENTS

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## 19 DEFERRED INCOME TAX

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%).

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Deferred tax assets	(1,549)	(4,853)	—	—
Deferred tax liabilities	170	653	—	—
	(1,379)	(4,200)	—	—

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Beginning of the year	(4,200)	(5,256)	—	—
Deferred taxation charged to income statement ( <i>note 9</i> )	2,821	1,056	—	—
End of the year	(1,379)	(4,200)	—	—

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Group			
	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000	
At 1st January 2006		666	(5,922)	(5,256)
Charged to income statement		708	348	1,056
At 31st December 2006		1,374	(5,574)	(4,200)
Charged to income statement		5	2,816	2,821
At 31st December 2007		1,379	(2,758)	(1,379)

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 19 DEFERRED INCOME TAX (Continued)

	<b>Company</b>		
	<b>Accelerated tax depreciation HK\$'000</b>	<b>Tax losses HK\$'000</b>	<b>Total HK\$'000</b>
At 1st January 2006	18	(18)	—
(Credited)/charged to income statement	(12)	12	—
At 31st December 2006 and 2007	6	(6)	—

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$47,943,375 (2006: HK\$31,760,067) to carry forward against future taxable income. Tax losses have no expiry date except that losses amounting to HK\$49,499 (2006: HK\$49,118), HK\$1,489,782 (2006: HK\$1,478,326), HK\$4,661,819 (2006: HK\$4,625,971), HK\$6,740,121 (2006: HK\$7,098,108) and HK\$7,431,317 expire in 2008, 2009, 2010, 2011 and 2012 respectively.

## 20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>Group</b>		<b>Company</b>	
	<b>2007 HK\$'000</b>	<b>2006 HK\$'000</b>	<b>2007 HK\$'000</b>	<b>2006 HK\$'000</b>
Listed securities:				
Equity securities — Hong Kong	5,602	16,264	1,379	1,022
Market value of listed securities	5,602	16,264	1,379	1,022

Changes in fair values of financial assets at fair value through profit or loss are recorded in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

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## 21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade receivables from clients	105,741	99,114	—	—
Less: impairment allowance of trade receivables (note (b))	(394)	(1,327)	—	—
Margin and other trade related deposits with brokers and financial institutions (note (c))	247,022	233,654	—	—
Margin finance loans (note (d))	101,248	66,619	—	—
Trade receivables from clearing houses	109	6,555	—	—
Total trade receivables, net	453,726	404,615	—	—
Rental and utilities deposits	6,076	5,788	529	364
Prepayments and other receivables	11,714	15,892	8,360	920
Total trade and other receivables	471,516	426,295	8,889	1,284

The carrying amounts of trade and other receivables approximate their fair value.

(a) As at 31st December 2007, the aging analysis of the trade receivables was as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
Current	447,349	400,447
30–60 days	121	193
Over 60 days	6,256	3,975
	453,726	404,615

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 21 TRADE AND OTHER RECEIVABLES (Continued)

(b) The movement in the impairment allowance during the year was as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
At 1st January	1,327	—
Impairment loss charged	911	2,051
Uncollectible amounts written off	(1,924)	(758)
Exchange difference	80	34
At 31st December	394	1,327

- (c) The Group undertakes foreign exchange transactions, precious metal contracts and executes client trades on overseas commodities and futures contracts with recognised counterparties, local or overseas brokers as appropriate. A recognised counterparty is a counterparty of a licensed leveraged foreign exchange trader recognised under the Securities and Futures Ordinance which includes authorised institutions under the Hong Kong Banking Ordinance. Trade receivables at 31st December 2007 and 2006 include margin deposits and floating profits in respect of transactions and open positions in leveraged foreign exchange, precious metal contracts and commodities and futures trading with recognised counterparties and brokers and are considered current. For those cash securities trading clients, it normally takes two to three days to settle after trade execution. These outstanding unsettled trades due from clients are reported as trade receivables.
- (d) The margin clients of the securities broking business are required to pledge their shares to the Group for credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of shares acceptable by the Group. The fair value of shares accepted as collateral amounted to HK\$332,775,826 (2006: HK\$194,860,593) and the fair value of collaterals that have been repledged is HK\$12,160,000 (2006: HK\$11,262,720).
- (e) Credits are extended to other clients on a case-by-case basis in accordance with the financial status of clients such as their financial conditions, trading records, business profile and collateral available to the Group. Clients trading in leveraged foreign exchange contracts, commodities and futures contracts, precious metal contracts and obtaining securities margin financing from the Group are required to observe the Group's margin policies. For leveraged foreign exchange contracts, commodities and futures contracts and precious metal contracts, initial margins are normally required before trading and thereafter clients are normally required to keep the equity position at a prescribed maintenance margin level.

# NOTES TO THE FINANCIAL STATEMENTS

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## 21 TRADE AND OTHER RECEIVABLES (Continued)

- (f) The Group maintains designated accounts with the SEHK Options Clearing House Limited (“SEOCH”) and HKFE Clearing Corporation Limited (“HKFECC”) as a result of its normal business transactions. At 31st December 2007, the designated accounts with SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK\$277,912 (2006: HK\$367,341) and HK\$30,482,157 (2006: HK\$14,353,770) respectively.
- (g) The Group has no concentration of credit risk with respect to trade receivables and margin loans, as the Group has a large number of customers, widely dispersed. In addition, margin and trade related deposits are deposited with high-credit-quality financial institutions.
- (h) The effective interest rate charged on trade receivables and margin loans as at the balance sheet date ranged from 6.75% to 14.75% per annum (2006: 7.75% to 15.75%). The effective interest rate for margins and other trade related deposits ranged from 1.20% to 4.18% per annum (2006: 1.75% to 5.125%).

## 22 BANK BALANCES AND CASH

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Cash in hand	422	554	30	23
Bank balances				
— pledged	15,706	12,689	—	—
— general accounts	358,056	267,374	19,163	874
	373,762	280,063	19,163	874
	374,184	280,617	19,193	897
By maturity:				
Bank balances				
— current and savings accounts	266,755	245,752	19,163	874
— fixed deposits (maturing within three months)	99,793	34,311	—	—
— fixed deposits (maturing over three months)	7,214	—	—	—
	373,762	280,063	19,163	874



# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 22 BANK BALANCES AND CASH (Continued)

As at 31st December 2007, bank deposits amounting to HK\$11,546,863 (2006: HK\$11,143,076) have been pledged to a bank as security for the provision of a HK\$22 million (2006: HK\$26 million) securities broking facility. In addition, bank deposits amounting to HK\$1,673,659 (2006: HK\$1,546,202) and HK\$2,485,952 (2006: nil) have been pledged to financial institutions as security for the provision of leveraged foreign exchange broking and bullion trading facilities respectively.

The subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 31st December 2007, segregated trust accounts not otherwise dealt with in these financial statements amounted to HK\$255,679,278 (2006: HK\$349,983,448).

### Cash and cash equivalents

	Group	
	2007	2006
	HK\$'000	HK\$'000
Cash in hand	422	554
Bank balances		
— pledged	15,706	12,689
— general accounts	358,056	267,374
<hr/>		
Cash and cash equivalents in the consolidated balance sheet	374,184	280,617
Bank balances		
— pledged	(15,706)	(12,689)
— fixed deposits (maturing over three months)	(7,214)	—
<hr/>		
	351,264	267,928
Secured bank overdrafts	(4,674)	(4,511)
Unsecured bank overdrafts	(18)	(6,538)
Unsecured short-term bank loans	(12,000)	(10,000)
<hr/>		
Cash and cash equivalents in the consolidated cash flow statement	334,572	246,879

# NOTES TO THE FINANCIAL STATEMENTS

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## 23 SHARE CAPITAL

	2007		2006	
	No. of shares '000	Nominal value HK\$'000	No. of shares '000	Nominal value HK\$'000
<b>Authorised</b>				
Ordinary shares of HK\$0.10 each	<b>1,000,000</b>	<b>100,000</b>	1,000,000	100,000
<b>Issued and fully paid</b>				
Ordinary shares of HK\$0.10 each				
At 1st January	<b>414,130</b>	<b>41,413</b>	391,130	39,113
Shares issued	<b>300</b>	<b>30</b>	23,000	2,300
At 31st December	<b>414,430</b>	<b>41,443</b>	414,130	41,413

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the year, the subscription rights attached to 300,000 share options were exercised at the subscription price of HK\$0.88, resulting in the issue of 300,000 shares of HK\$0.10 each for a total consideration, before expenses, of HK\$264,000. HK\$60,600 was transferred from capital reserves to the share premium account.

### Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. In addition, certain subsidiaries of the Group licensed by the SFC are obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("SF(FR)R") at all times.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures each of them maintains liquid capital level adequate to support the activities level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. SF(FR)R returns are filed to the SFC by the licensed subsidiaries on monthly or bi-annually basis as required. During the current and prior financial years, all the licensed subsidiaries complied with the liquid capital requirements under the SF(FR)R at all times.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 23 SHARE CAPITAL (Continued)

### Capital management (Continued)

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables and obligations under finance leases) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain the net debt-to-adjusted capital ratio below 55%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The net debt-to-adjusted capital ratios at 31st December 2007 and 2006 are as follows:

	<i>Note</i>	<b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
Current liabilities:			
Trade and other payables	26	<b>454,810</b>	392,330
Short-term loans and bank overdrafts	27	<b>16,692</b>	21,049
Obligations under finance leases	25	<b>537</b>	154
		<b>472,039</b>	413,533
Non-current liabilities:			
Obligations under finance leases	25	<b>506</b>	105
Loan notes	28	<b>42,525</b>	—
Total debt		<b>515,070</b>	413,638
Add: Proposed dividends	11	<b>10,393</b>	6,212
Less: Cash and cash equivalents	22	<b>(334,572)</b>	(246,879)
Net debt		<b>190,891</b>	172,971
Total equity		<b>392,441</b>	355,767
Less: Proposed dividends	11	<b>(10,393)</b>	(6,212)
Adjusted capital		<b>382,048</b>	349,555
Net debt-to-adjusted capital ratio		<b>49.9%</b>	49.5%

# NOTES TO THE FINANCIAL STATEMENTS

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## 24 RESERVES

	Note	Group					Total HK\$'000
		Share	Capital	Investment	Exchange	Retained	
		premium	reserves	revaluation	reserve	earnings	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2006		89,785	100,189	2,491	(175)	59,690	251,980
Profit for the year		—	—	—	—	52,269	52,269
2006 interim dividend paid	11	—	—	—	—	(5,867)	(5,867)
Shares issued		14,490	—	—	—	—	14,490
Equity-settled share-based transactions	6	—	588	—	—	—	588
Deficit on revaluation of available-for-sale financial assets	18	—	—	(1,989)	—	—	(1,989)
Exchange difference		—	—	—	2,883	—	2,883
<b>At 31st December 2006</b>		<b>104,275</b>	<b>100,777</b>	<b>502</b>	<b>2,708</b>	<b>106,092</b>	<b>314,354</b>
At 1st January 2007, as per above		<b>104,275</b>	<b>100,777</b>	<b>502</b>	<b>2,708</b>	<b>106,092</b>	<b>314,354</b>
Profit for the year		—	—	—	—	40,357	40,357
2006 final dividend paid	11	—	—	—	—	(6,212)	(6,212)
2007 interim dividend paid	11	—	—	—	—	(6,213)	(6,213)
Shares issued under share option scheme	23	295	(61)	—	—	—	234
Equity-settled share-based transactions	6	—	1,802	—	—	—	1,802
Surplus on revaluation of available-for-sale financial assets	18	—	—	2,057	—	—	2,057
Exchange difference		—	—	—	4,284	—	4,284
<b>At 31st December 2007</b>		<b>104,570</b>	<b>102,518</b>	<b>2,559</b>	<b>6,992</b>	<b>134,024</b>	<b>350,663</b>
At 31st December 2007							
Company and subsidiaries		104,570	102,518	2,559	7,593	130,306	347,546
Associates		—	—	—	(601)	3,718	3,117
		<b>104,570</b>	<b>102,518</b>	<b>2,559</b>	<b>6,992</b>	<b>134,024</b>	<b>350,663</b>
At 31st December 2006							
Company and subsidiaries		104,275	100,777	502	3,067	102,784	311,405
Associates		—	—	—	(359)	3,308	2,949
		<b>104,275</b>	<b>100,777</b>	<b>502</b>	<b>2,708</b>	<b>106,092</b>	<b>314,354</b>

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 24 RESERVES (Continued)

	Note	Company				Total HK\$'000
		Share premium	Capital reserves	Contributed surplus	Retained earnings	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January 2006		89,785	—	133,101	57,419	280,305
Shares issued		14,490	—	—	—	14,490
Profit for the year	10	—	—	—	22,508	22,508
2006 interim dividends paid	11	—	—	—	(5,867)	(5,867)
At 31st December 2006		104,275	—	133,101	74,060	311,436
Shares issued under share option scheme	23	295	(61)	—	—	234
Equity-settled share-based transactions	23	—	61	—	—	61
Loss for the year	10	—	—	—	(22,196)	(22,196)
2006 final dividends paid	11	—	—	—	(6,212)	(6,212)
2007 interim dividends paid	11	—	—	—	(6,213)	(6,213)
At 31st December 2007		104,570	—	133,101	39,439	277,110

### (a) Retained earnings are represented as follows:

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Representing:				
Final dividend proposed	10,393	6,212	10,393	6,212
Others	123,631	99,880	29,046	67,848
Retained earnings as at 31st December	134,024	106,092	39,439	74,060

Included in the consolidated retained earnings at 31st December 2007 are retained earnings of HK\$203,506 (2006: HK\$59,128) which are required as statutory provisions in certain overseas subsidiaries of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

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## 24 RESERVES (Continued)

### (b) Capital reserves

The capital reserves of the Group represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the deferred share capital of a subsidiary acquired in 2000 and the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 2.15(d).

### (c) Contributed surplus

Contributed surplus arose as a result of the Group's reorganisation in 2000 and represents the difference between the aggregate net asset value of subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition.

### (d) Investment revaluation reserve

The investment revaluation reserve of the Group represents the changes in the fair value of available-for-sale financial assets.

### (e) Distributable reserves

Under the Company Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

## 25 OBLIGATIONS UNDER FINANCE LEASE

At 31st December 2007, the Group's finance lease liabilities are repayable as follows:

	2007 HK\$'000	2006 HK\$'000
Within one year	586	167
After one year but within five years	523	109
	<b>1,109</b>	276
Future finance charges on finance leases	(66)	(17)
Present value of finance lease liabilities	<b>1,043</b>	259

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 25 OBLIGATIONS UNDER FINANCE LEASE (Continued)

The present value of finance lease liabilities is as follows:

	2007 HK\$'000	2006 HK\$'000
Within one year	537	154
After one year but within five years	506	105
	<b>1,043</b>	259

## 26 TRADE AND OTHER PAYABLES

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade payable to securities trading clients	83,357	73,494	—	—
Margin and other deposits payable to clients	295,318	248,926	—	—
Trade payable to brokers and clearing houses arising from the ordinary course of business of broking in securities, commodities and futures contracts and leveraged foreign exchange trading	35,595	33,875	—	—
Total trade payables	414,270	356,295	—	—
Accruals and other payables	40,540	36,035	10,354	5,765
Total trade and other payables	454,810	392,330	10,354	5,765

The carrying amounts of trade and other payables approximate their fair value.

The settlement terms of payable to clearing houses and securities trading clients from the ordinary course of business of broking in securities range from two to three days after the trade date of those transactions. Margin deposits received from clients for their trading of leveraged foreign exchange, precious metal contracts, commodities and futures contracts, and the balances were payable within one month.

The effective interest rate paid on trade payables as at the balance sheet date ranged from 1.20% to 4.90% per annum (2006: 1.75% to 4.75%).



# NOTES TO THE FINANCIAL STATEMENTS

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## 27 SHORT-TERM LOANS AND BANK OVERDRAFTS

	Group	
	2007 HK\$'000	2006 HK\$'000
Secured bank overdrafts	4,674	4,511
Unsecured bank overdrafts	18	6,538
Unsecured short-term bank loans	12,000	10,000
<b>Total borrowings</b>	<b>16,692</b>	<b>21,049</b>

All the borrowings are repayable within one year and classified as current liabilities. The carrying amounts of the borrowings approximate their fair value.

Total borrowings include secured liabilities of HK\$4,674,102 (2006: HK\$4,511,440) for which client assets and a director's deposit are held as collateral. The fair value of the collateral accepted as at 31st December 2007 amounting to HK\$4,864,000 and HK\$27,135,048 respectively.

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	Group	
	6 months or less HK\$'000	Total HK\$'000
At 31st December 2007		
Total borrowings	16,692	16,692
At 31st December 2006		
Total borrowings	21,049	21,049

The effective interest rates at the balance sheet date are as follows:

	Group	
	2007	2006
Secured bank overdrafts	5.93%–6.50%	6.00%–7.00%
Unsecured bank overdrafts	7.00%	8.00%
Unsecured short-term bank loans	5.63%–6.52%	5.66%

Except for the Group's loan notes which are denominated in United States Dollars, all the borrowings of the Group are denominated in Hong Kong Dollars.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 28 LOAN NOTES

The Company issued loan notes to certain overseas and professional investors. The loan notes are unsecured, mature on the day falling three years after the issue date of the relevant notes and bear interest of 8.5% per annum on the principal amount.

## 29 DEFINED CONTRIBUTION PLANS — MPF SCHEME

The aggregate employer's contributions, net of forfeited contributions, which have been dealt with in the income statement for the year amounted to:

	2007 HK\$'000	2006 HK\$'000
Gross employer's contributions	2,121	1,963
Less: Forfeited contributions utilised to offset employer's contribution for the year	(12)	(109)
<b>Net employer's contributions charged to income statement</b>	<b>2,109</b>	<b>1,854</b>

## 30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' and senior management's emoluments

The remuneration of the directors for the year ended 31st December 2007 is set out below:

Name of Director	Fee HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Other benefits HK\$'000	Shared-based payments HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Tang Yu Lap	—	1,581	840	—	—	12	2,433
Chung Shui Ming, Timpson (note 1)	—	880	—	—	(106)	5	779
Lam Ngok Fung	—	1,285	334	—	262	12	1,893
Ng Chiu Mui	58	903	178	—	49	12	1,200
Law Kai Yee	58	913	140	—	262	12	1,385
Hwang Wei Ming, Ellen (note 2)	—	1,037	275	42	175	10	1,539
Lau Mun Chung (note 2)	—	759	154	—	175	10	1,098
Fong Wo	123	—	—	—	—	—	123
Yu Man Woon	143	—	—	—	—	—	143
Cheng Wing Chi	123	—	—	—	—	—	123
Nyaw Mee Kau	123	—	—	—	—	—	123
Yu Hon To David	213	—	—	—	—	—	213
	841	7,358	1,921	42	817	73	11,052

Notes:

1. Chung Shui Ming, Timpson resigned on 1st June 2007.
2. Hwang Wei Ming, Ellen and Lau Mun Chung were appointed as Executive Directors on 3rd March 2007.

# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

### (a) Directors' and senior management's emoluments (Continued)

The remuneration of the directors for the year ended 31st December 2006 is set out below:

Name of Director	Fee HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Other benefits HK\$'000	Share-based payments HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Tang Yu Lap	—	1,260	1,931	—	—	12	3,203
Chung Shui Ming, Timpson	113	800	171	—	106	6	1,196
Tang Ping Sum	—	1,410	155	—	—	10	1,575
Lam Ngok Fung	—	968	267	—	64	12	1,311
Sze Chong Hoi	—	231	—	—	—	1	232
Ng Chiu Mui	—	698	794	—	12	12	1,516
Poon Wai Ming	—	321	64	—	—	5	390
Law Kai Yee	—	759	223	84	64	14	1,144
Fong Wo	110	—	—	—	—	—	110
Yu Man Woon	130	—	—	—	—	—	130
Cheng Wing Chi	110	—	—	—	—	—	110
Nyaw Mee Kau	110	—	—	—	—	—	110
Yu Hon To David	85	—	—	—	—	—	85
	658	6,447	3,605	84	246	72	11,112

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included five directors (2006: four) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual during the year 2006 are as follows:

	2006 HK\$'000
Basic salaries, other allowances and benefits in kind	1,014
Bonus	140
Share-based payments	15
Defined contribution plans	12
	1,181

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

### (b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

Emolument bands	Number of individuals 2006
HK\$1,000,001 — HK\$1,500,000	1

## 31 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has adopted a share option scheme whereby the Board of the Company may at its discretion grant to any employees, including executive directors, of the Group options to subscribe for shares of the Company.

(a) The terms and conditions of the grants that existed during the years are as follows:

	Number of instruments		Vesting conditions	Contractual life of options
	2007	2006		
Options granted to directors — on 13th November 2006	<b>7,190,000</b>	8,090,000	40% to be vested on 1st May 2007, 30% to be vested on 1st May 2008, 30% to be vested on 1st May 2009	5 years after vesting
Options granted to employees — on 13th November 2006	<b>7,900,000</b>	11,300,000	40% to be vested on 1st May 2007, 30% to be vested on 1st May 2008, 30% to be vested on 1st May 2009	5 years after vesting
Total share options	<b>15,090,000</b>	19,390,000		

# NOTES TO THE FINANCIAL STATEMENTS

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## 31 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2007		2006	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at the beginning of the period	0.88	19,390,000	0.64	11,600,000
Forfeited during the period	0.88	(4,000,000)	0.64	(11,600,000)
Exercised during the period	0.88	(300,000)	—	—
Granted during the period	—	—	0.88	19,390,000
<b>Outstanding at the end of the period</b>	<b>0.88</b>	<b>15,090,000</b>	0.88	19,390,000
<b>Exercisable at the end of the period</b>	<b>0.88</b>	<b>5,856,000</b>	—	—

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.88 (2006: not applicable).

The options outstanding at 31st December 2007 had an exercise price of HK\$0.88 (2006: ranging from HK\$0.6128 to HK\$0.88) and a weighted average remaining contractual life of 5.25 years (2006: 6.23 years).

### (c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of the options granted is measured based on the Black Scholes model. The contractual life of the option is used as an input into this model.

Fair value of share options and assumptions on grant date	13 Nov 2006
Fair value	HK\$0.202
Share price	HK\$0.88
Exercise price	HK\$0.88
Expected volatility	30.01%
Option life	5 years
Expected dividends	3.0%
Risk-free interest rate (based on Exchange Fund Notes)	3.754%

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 31 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

### (c) Fair value of share options and assumptions (Continued)

The expected volatility is based on the daily stock price return over one year preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

During the year ended 31st December 2007, no share options were granted.

## 32 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of operating profit to net cash inflow from operating activities:

	2007 HK\$'000	2006 HK\$'000
Operating profit before taxation	53,430	64,108
Depreciation	6,927	4,693
Diminution/(appreciation) in value of financial assets at fair value through profit or loss	3,429	(306)
(Profit)/loss on disposal of financial assets at fair value through profit or loss	(2,346)	1,557
Interest expenses	8,472	3,860
Dividend income from listed securities	(479)	(173)
Dividend income from available-for-sale financial assets	(138)	(149)
Share of profits of associates	(2,047)	(5,802)
Loss on disposal of fixed assets	793	138
Write back of provision for doubtful debt and clawback	(2)	(91)
Provision for clawback	104	64
Bad debts written off	911	2,051
Equity-settled share-based payment expenses	1,802	588
Increase in fixed deposits with maturity over three months	(7,214)	-
(Increase)/decrease in pledged deposits	(3,017)	10,393
Operating profit before working capital changes	60,625	80,931
Decrease/(increase) in other assets	1,312	(1,393)
Increase in trade and other receivables	(46,057)	(82,903)
Increase in trade and other payables	62,205	120,452
Cash inflow from operations	78,085	117,087
Hong Kong profits tax paid	(10,373)	(2,940)
Overseas tax paid	(5,668)	(2,113)
Net cash inflow from operating activities	62,044	112,034

# NOTES TO THE FINANCIAL STATEMENTS

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## 32 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

### (b) Purchase of subsidiaries:

	2007 HK\$'000	2006 HK\$'000
Net assets acquired		
Fixed assets	45	3,658
Financial assets at fair value through profit or loss	—	25,934
Trade and other receivables	74	148,571
Bank balances and cash — general accounts	309	42,064
Trade and other payables	(173)	(183,804)
Taxation Payable	—	(3,129)
	<b>255</b>	<b>33,294</b>
Share of minority interests	(23)	—
Goodwill arising on acquisition ( <i>note 13</i> )	399	4,973
<b>Total purchase price</b>	<b>631</b>	<b>38,267</b>
Satisfied by :		
Cash	631	11,489
Issue of ordinary shares	—	16,790
Interests in associate prior to the acquisition	—	9,988
	<b>631</b>	<b>38,267</b>

### (c) Analysis of the (cash outflow on acquisition)/net cash acquired on acquisition in respect of the purchase of subsidiaries:

	2007 HK\$'000	2006 HK\$'000
Cash consideration	(631)	(11,489)
Cash and bank balances acquired	309	42,064
<b>(Cash outflow)/net cash acquired</b>	<b>(322)</b>	<b>30,575</b>



# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 33 CONTINGENT LIABILITIES

### 33.1 Outstanding litigation cases

- (a) The Company received a writ of summons on 28th July 2000, filed by a company named Hantec Investment Limited which is unrelated to the Group. The plaintiff sought for injunction to restrain the Company from using the plaintiff's alleged trade name and damages.

The directors have commenced a defence action and will continue to defend it. Potential damages, losses, fees, expenses, proceedings and claims which have been and may be incurred by the Group as a result of the action have been covered by a joint and several indemnity, given by the ultimate controlling shareholders and accordingly no provision has been made by the Group as at 31st December 2007.

- (b) An indirect wholly owned subsidiary of the Company, Hantec International Limited ("HIL") received a writ of summons dated 28th March 2006 from two clients jointly as plaintiffs claiming for damages against HIL and two of its licensed representatives for an amount of HK\$20,600,000 together with costs as a result of a number of transactions of leveraged foreign exchange trading. The directors of HIL have commenced defence action and filed a defence. The directors, after considering the fact and the information available, and after assessing the opinion provided by the Group's legal advisors, are of the opinion that no provision is required to be made at this stage. The directors will closely monitor the development of the case and consider appropriate treatment in the financial statements should the circumstances became unfavourable to HIL.
- (c) A writ of summons dated 11th July 2006 was served to three subsidiaries of the Company as defendants by a former account executive claiming (being the plaintiff) against the three subsidiaries for a total amount of HK\$700,000 as his rightful overriding commissions together with interest and/or alternatively, damages to be assessed. The subsidiaries have instructed their legal advisors to commence defence on the claim. The legal advisors have requested the plaintiff to state clearly his claim but up to the date of this report the plaintiff has still failed to give an answer. As such the legal advisors opine that it is not clear whether the plaintiff will aggressively press ahead with his claim or he will keep the case in abeyance. The directors are of opinion that it is too early to consider a provision as the case is still in early stage.

### 33.2 Financial guarantees issued

- (a) As at the balance sheet date, a subsidiary of the Company engaging in securities broking and providing securities margin financing has secured banking facilities from certain authorized institutions for a total amount of HK\$334 million (2006: HK\$132 million). The Company has issued corporate guarantees for a total principal amount of HK\$322 million (HK\$120 million) for these facilities. As at 31st December 2007, the subsidiary utilized HK\$16,678,805 (2006: HK\$21,048,188) of these aggregate banking facilities.
- (b) The Company also issued corporate guarantees to certain financial institutions for foreign exchange trading and precious metal contracts trading facilities granted to subsidiaries engaging in leveraged foreign exchange trading and precious metal trading. The maximum liability is the trading loss and related incidental costs, in some cases, subject to an overall cap on the amount of the guarantee.

# NOTES TO THE FINANCIAL STATEMENTS

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## 33 CONTINGENT LIABILITIES (Continued)

### 33.2 Financial guarantees issued (Continued)

- (c) As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured and the transaction price was nil.

## 34 LEASE COMMITMENTS

At 31st December 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Others	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Within one year	14,231	7,009	447	623
After one year but within five years	17,110	2,128	183	331
	<b>31,341</b>	9,137	<b>630</b>	954

## 35 FINANCIAL RISK MANAGEMENT

### 35.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a Risk Management Committee (the "RMC") under policies approved by the Board of Directors. The RMC identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The RMC also recommends overall risk management policy for the approval of the Board or the Executive Management Committee (the "EMC") of the Group, covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 35 FINANCIAL RISK MANAGEMENT (Continued)

### 35.1 Financial risk factors (Continued)

#### (a) Foreign exchange risk

The Group carries out business in foreign exchange trading and has certain investments overseas and therefore is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arises from the net assets of the Group's foreign operations in China, Taiwan, New Zealand, Japan and Switzerland.

The Group's net trading positions are denominated in currencies other than its functional currency or presentation currency and are subject to fluctuation in foreign exchange among the different currencies. The treasury function of the Group is responsible for managing the foreign exchange risk under prudent guidelines on position limits and floating loss limits. The RMC reviews the limits from time to time to cope with changes in volatility in the market.

The following table details the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Japanese Yen HK\$'000	United States Dollars HK\$'000	Euro HK\$'000	Sterling HK\$'000	Swiss Franc HK\$'000	Others HK\$'000
<b>At 31st December 2007</b>						
Trade and other receivables	2,041	164,353	34	284	784	21,141
Cash and cash equivalents	1,529	204,224	7,986	34	2,384	12,148
Trade and other payables	(24,719)	(304,979)	(854)	(1,034)	(4,661)	(4,872)
Net exposure arising from recognised assets and liabilities	(21,149)	63,598	7,166	(716)	(1,493)	28,417
Notional amounts of leveraged foreign exchange contracts sales	(695,314)	—	(88,160)	(684,315)	(41,605)	(40,287)
Notional amounts of leveraged foreign exchange contracts purchases	607,675	—	178,368	550,039	73,203	38,455
Notional amounts of foreign exchange option contracts sales	—	—	(56,878)	(154,619)	—	—
Notional amounts of foreign exchange option contracts purchases	—	—	56,878	309,239	—	—
Net notional amounts of precious metal trading contracts	—	27,945	—	—	—	—
Net exposure arising from forecast transactions	(87,639)	27,945	90,208	20,344	31,598	(1,832)
Overall net exposure	(108,788)	91,543	97,374	19,628	30,105	26,585

# NOTES TO THE FINANCIAL STATEMENTS

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## 35 FINANCIAL RISK MANAGEMENT (Continued)

### 35.1 Financial risk factors (Continued)

#### (a) Foreign exchange risk (Continued)

	Japanese Yen	United States Dollars	Euro	Sterling	Swiss Franc	Others
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31st December 2006</b>						
Trade and other receivables	2,628	181,298	128	109	491	9,247
Cash and cash equivalents	120	129,506	3,681	32	3,776	21,809
Trade and other payables	(2,068)	(299,032)	(74)	(1,395)	(13,046)	(8,518)
Net exposure arising from recognised assets and liabilities	680	11,772	3,735	(1,254)	(8,779)	22,538
Notional amounts of leveraged foreign exchange contracts sales	(3,104,000)	—	(292,741)	(2,375,117)	(2,214,268)	(62,551)
Notional amounts of leveraged foreign exchange contracts purchases	3,022,169	—	302,095	2,321,255	2,218,175	58,174
Notional amounts of foreign exchange option contracts sales	(478,952)	—	—	(488,617)	—	—
Notional amounts of foreign exchange option contracts purchases	478,952	—	10,279	503,886	—	—
Net notional amounts of precious metal trading contracts	—	(46,800)	—	—	—	—
Net exposure arising from forecast transactions	(81,831)	(46,800)	19,633	(38,593)	3,907	(4,377)
Overall net exposure	(81,151)	(35,028)	23,368	(39,847)	(4,872)	18,161

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 35 FINANCIAL RISK MANAGEMENT (Continued)

### 35.1 Financial risk factors (Continued)

#### (a) Foreign exchange risk (Continued)

##### *Sensitivity analysis*

The following table indicates the approximate change in the Group's profit before tax in response to possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	Increase/ decrease in exchange rates	2007  <b>Effect on profit before tax HK\$'000</b>	2006  Effect on profit before tax HK\$'000
Japanese Yen	+ 5%	<b>(5,439)</b>	(4,058)
	- 5%	<b>5,439</b>	4,058
Euro	+ 5%	<b>4,869</b>	1,168
	- 5%	<b>(4,869)</b>	(1,168)
Sterling	+ 5%	<b>981</b>	(1,992)
	- 5%	<b>(981)</b>	1,992
Swiss Franc	+ 5%	<b>1,505</b>	(244)
	- 5%	<b>(1,505)</b>	244

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit before tax and equity measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2006.

The Company is not subject to significant foreign exchange risk as most of the Company's assets and liabilities are denominated in Hong Kong Dollar or United States Dollar.

# NOTES TO THE FINANCIAL STATEMENTS

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## 35 FINANCIAL RISK MANAGEMENT (Continued)

### 35.1 Financial risk factors (Continued)

#### (b) Price risk

The Group is exposed to price risk on the net positions on bullion trading. The dealing function of bullion trading is responsible for managing the price risk to ensure that the positions and floating loss are within the limits approved by the RMC.

The following table indicates the approximate change in the Group's profit before tax in response to possible changes in bullion price to which the Group have the net positions on bullion trading at the balance sheet date.

	Increase/ decrease in bullion price	2007 Effect on profit before tax HK\$'000	2006 Effect on profit before tax HK\$'000
Net notional amounts of precious metal trading contracts	+ 30%	8,384	(14,040)
	- 30%	(8,384)	14,040

#### (c) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. It has policies in place to ensure that credits are granted to customers with an appropriate credit history and/or collateral deposited with the Group. For leveraged foreign exchange trading, futures trading and bullion trading, normally an initial margin will be collected before opening of trading positions. Moreover, the Group has no significant concentration of credit risk as credits are granted to a large population of clients. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and only brokers having sound credit ratings will be accepted. The Group has maintained relationship with various financial institutions, and has policies that limit the amount of credit exposure to any financial institution. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 21(a).

The Company's credit risk is primarily attributable to amounts due from subsidiaries. The Company manages this risk by assessing the financial positions of subsidiaries on a regular basis.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 35 FINANCIAL RISK MANAGEMENT (Continued)

### 35.1 Financial risk factors (Continued)

#### (d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group employs a prudent liquidity policy.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, is as follows:

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	After 1 year but within 5 years HK\$'000
At 31st December 2007				
Trade and other payables	455,289	455,289	455,289	—
Short-term loan and bank overdrafts	16,692	16,867	16,867	—
Obligations under finance leases	1,043	1,109	586	523
Loan notes	42,525	52,156	3,675	48,481
	515,549	525,421	476,417	49,004
At 31st December 2006				
Trade and other payables	392,330	392,330	392,330	—
Short-term loan and bank overdrafts	21,049	21,100	21,100	—
Obligations under finance leases	259	276	167	109
	413,638	413,706	413,597	109

The Company's policy is to regularly monitor its liquidity requirements including borrowings from subsidiaries, dividend payments to shareholders and payments of accrued expenses to ensure that it maintains sufficient reserves of cash to satisfy its contractual and foreseeable obligations as they fall due. Details of the liquidity requirements of the Company's loan notes are disclosed in above table.

# NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2007

## 35 FINANCIAL RISK MANAGEMENT (Continued)

### 35.1 Financial risk factors (Continued)

#### (e) Interest rate risk

The Group charged interest on its clients on the basis of its cost of funding plus a mark-up and paid interest to clients on the basis of the interest the Group earned from financial institutions less a charge. Financial assets such as trade and other receivables, bank balances and cash-deposits with regulatory bodies are primarily at floating rates. Financial liabilities subject to floating interest rates are trade and other payables, bank overdrafts and loans. Obligations under finance lease are subject to fixed interest rate determined by the inception of the relevant lease. The Group's income and operating cash flows are not subject to significant interest rate risk.

The Interest rate profile of the Group's net borrowings at the balance sheet date.

	2007		2006	
	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000
<b>Net fixed rate borrowings:</b>				
Obligations under finance leases	6.23% – 7.32%	1,043	6.60% – 7.32%	259
Loan notes	8.50%	42,525	—	—
		<b>43,568</b>		<b>259</b>
<b>Variable rate borrowings:</b>				
Short-term loans	5.63% – 6.52%	12,000	5.66%	10,000
Bank overdrafts	5.93% – 7.00%	4,692	6.00% – 8.00%	11,049
		<b>16,692</b>		<b>21,049</b>
<b>Total net borrowings</b>		<b>60,260</b>		<b>21,308</b>
Net fixed rate borrowings as a percentage of total net borrowings		<b>72.3%</b>		<b>1.2%</b>
<b>Sensitivity analysis</b>				
Assume interest rates decreased by 0.5%				
Profit before tax increased by		<b>83</b>		<b>105</b>



# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 35 FINANCIAL RISK MANAGEMENT (Continued)

### 35.1 Financial risk factors (Continued)

#### *(e) Interest rate risk (Continued)*

At 31st December 2007, it is estimated that a general decrease of 50 basis points in interest rates, with all other variables held constant, would increase the Group's profit before tax by approximately HK\$83,000 (2006: HK\$105,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 50 basis points decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

The Company is exposed to interest rate risk only to the extent that it earns banks interest on deposits. At 31st December 2007, it is estimated that a general decrease of 50 basis points in interest rates, with all other variables held constant, would decrease the Company's profit before tax by approximately \$96,000 (2006: \$4,000).

### 35.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and available-for-sale securities) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The carrying values of other financial assets and liabilities approximate their fair values.

# NOTES TO THE FINANCIAL STATEMENTS

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## 36 RELATED PARTY TRANSACTIONS

### 36.1 Related party transactions

The following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Miscellaneous expenses ( <i>note (a)</i> )	<b>(225)</b>	(142)
Service fee income	—	2,648

- (a) During the year, the Group incurred HK\$224,738 (2006: HK\$142,300) to purchase Chinese paintings as souvenirs from a company in which the Chairman of the Group held a 70% equity interest. The amount was charged at normal commercial terms.

### 36.2 Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	<b>Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>17,696</b>	18,517
Share-based payments	<b>1,515</b>	588
	<b>19,211</b>	19,105

The remuneration of directors and key executives are reviewed by the Remuneration Committee having regard to the performance of individuals and markets trends.

# NOTES TO THE FINANCIAL STATEMENTS

Hantec Investment Holdings Limited

## 37 CAPITAL COMMITMENTS

Capital commitments outstanding and not provided for in the financial statements are as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Contracted but not provided for	14,807	3,301

## 38 COMPARATIVE FIGURES

Certain comparative figures in the primary reporting format of segment information have been reclassified to conform to current year's presentation. The directors consider that these changes result in a more appropriate presentation in these financial statements.

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007.

## 39 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31st December 2007, the directors consider the immediate parent and ultimate controlling party of the Group to be Hantec Holdings Limited, which is incorporated in Hong Kong. This entity does not produce financial statements available for public use.

## 40 POST BALANCE SHEET EVENT

- (a) On 6th March 2008, the Company entered into a sale and purchase agreement to sell an unlisted available-for-sale financial asset located in Japan for a consideration of JPY162 million (approximately HK\$11.3 million). The carrying value of the financial asset at the balance sheet date is approximately HK\$12.2 million.
- (b) After the balance sheet date, the Company redeemed loan notes of an aggregate principal amount of US\$3.25 million (approximately HK\$25.35 million).
- (c) After the balance sheet date, the directors proposed a final dividend of HK2.5 cents per share. Details are disclosed in note 11.

# NOTES TO THE FINANCIAL STATEMENTS

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## **41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST DECEMBER 2007**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31st December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

In addition, HKFRS 8, Operating segments, which is effective for annual periods beginning on or after 1st January 2009, may result in new or amended disclosures in the financial statements.

# FIVE YEAR FINANCIAL SUMMARY

Hantec Investment Holdings Limited

<b>Year ended 31st December</b>					
	<b>2007</b>	2006	2005	2004	2003
<b>Results</b>	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to equity shareholders	<b>40,357</b>	52,269	27,447	23,161	2,878
<b>As at 31st December</b>					
<b>Assets and liabilities</b>	<b>2007</b>	2006	2005	2004	2003
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	<b>911,687</b>	779,401	409,209	369,403	357,607
Total liabilities	<b>(519,246)</b>	(423,634)	(118,116)	(94,404)	(101,401)
<b>Total equity</b>	<b>392,441</b>	355,767	291,093	274,999	256,206

*Notes:*

1. The Company was incorporated in Bermuda on 19th April 2000 and became the holding company of the companies now comprising the Group on 10th July 2000.
2. Segregated trust accounts maintained by the Group to hold clients' monies are treated as off-balance sheet items and were taken off-balance sheet and netted off against the corresponding amounts classified under accounts payable.
3. The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1st January 2005. Figures for 2005 have been adjusted for these new and revised policies in accordance with the transitional provisions. Earlier years have only been restated to the extent that the new accounting policies are adopted retrospectively.