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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this Composite Document, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Hantec Pacific Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance and Transfer to the purchaser or the transferee, or to the bank or the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance and Transfer, the provisions of which form part of the terms of the HPL Offer contained herein.

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**HANTEC HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**HANTEC PACIFIC LIMITED**

*(Incorporated in the British Virgin Islands with limited liability)*

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO  
A VOLUNTARY UNCONDITIONAL CASH OFFER BY**



**ON BEHALF OF  
HANTEC HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
HANTEC PACIFIC LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
THE HHL CONCERT GROUP  
AND PARTIES ACTING IN CONCERT WITH ANY OF ITS MEMBERS)**

*Financial adviser to Hantec Holdings Limited*



*Independent financial adviser to the Independent HPL Shareholders*



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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Optima Capital is set out on pages 6 to 10 of this Composite Document. A letter from the HPL Board is set out on pages 11 to 14 of this Composite Document. A letter from Access Capital containing its advice to the Independent HPL Shareholders in respect of the HPL Offer contained herein is set out on pages 15 to 24 of this Composite Document.

The procedures for acceptance and settlement of the HPL Offer contained herein are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer. Acceptances of the HPL Offer contained herein should be received by the Transfer Agent (Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) by no later than 4:00 p.m. on Tuesday, 23 December 2008 or such later time/or date as HHL may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

2 December 2008

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## EXPECTED TIMETABLE

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2008

Commencement of the HPL Offer . . . . . Tuesday, 2 December

Latest time for acceptance of the HPL Offer . . . . . 4:00 p.m. on Tuesday, 23 December

Closing date of the HPL Offer (*Note 1*) . . . . . Tuesday, 23 December

Announcement of the results of the HPL Offer  
posted on the Stock Exchange's website  
under Hantec and the SFC's website . . . . . By 7:00 p.m. on Tuesday, 23 December

Announcement of the results of the HPL Offer  
published in the newspapers . . . . . Wednesday, 24 December

2009

Latest date for posting of remittances  
for the amounts due in respect of valid acceptances  
received under the HPL Offer (*Note 2*) . . . . . Friday, 2 January

*Notes:*

1. The HPL Offer, which is unconditional, will be closed on 23 December 2008 unless HHL revises or extends the HPL Offer in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange's website under Hantec by 7:00 p.m. on 23 December 2008 stating whether the HPL Offer have been closed, revised or extended, and the next closing date or that the HPL Offer will remain open until further notice. In the event that HHL decides that the HPL Offer will remain open until further notice, at least 14 days' notice in writing will be given before the HPL Offer is closed to those Independent HPL Shareholders who have not accepted the HPL Offer.
2. Acceptance of the HPL Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code. Remittances in respect of the cash consideration payable for the HPL Shares tendered under the HPL Offer will be posted to the accepting HPL Shareholder(s) at his/her/its own risks as soon as possible but in any event within 10 days of the date of receipt by the Transfer Agent of the duly completed Form of Acceptance and Transfer.

**All time references contained in this Composite Document and the Form of Acceptance and Transfer refer to Hong Kong time.**

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## DEFINITIONS

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*Unless the context requires otherwise, the following expressions shall have the following meanings in this Composite Document and the Form of Acceptance and Transfer:*

“Access Capital”	Access Capital Limited, a corporation licensed under the SFO to carry out types 1, 4, 6 and 9 regulated activities for the purposes of the SFO, and the independent financial adviser to the Independent HPL Shareholders in respect of the HPL Offer
“acting in concert”	has the meaning defined in the Takeovers Code
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon is not lowered at or before 12:00 noon or on which a “Black” rainstorm is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business during their normal business hours
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Circular”	the circular of Hantec dated 31 October 2008 in relation to, inter alia, the Group Reorganisation
“Closing Date”	23 December 2008, or if the HPL Offer is extended, the closing date of the HPL Offer as extended by HHL in accordance with the Takeovers Code
“Composite Document”	this offer and response document relating to the HPL Offer issued by HHL and HPL in accordance with the Takeovers Code
“Distributed Businesses”	all businesses other than the Retained Business which are carried on by the HPL Group upon completion of the Group Reorganisation
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Form of Acceptance and Transfer”	the accompanying form of acceptance and transfer of the HPL Shares

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## DEFINITIONS

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“Group Reorganisation”	the reorganisation of the Hantec Group completed on 27 November 2008 pursuant to which: (i) Hantec continues to be a listed company and the Retained Group carries on the Retained Business; (ii) the HPL Group carries on the Distributed Businesses; and (iii) the Hantec Shareholders received HPL Shares by way of distribution in specie on the basis of one HPL Share for each Hantec Share held on the Record Date
“Hantec”	Hantec Investment Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 111)
“Hantec Group”	Hantec and its subsidiaries immediately before completion of the Group Reorganisation
“Hantec Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Hantec
“Hantec Shareholders”	holders of the Hantec Shares
“HHL”	Hantec Holdings Limited, a company incorporated in Hong Kong with limited liability
“HHL Concert Group”	HHL, Mr. Tang, Madam Ng, Convenient Way Limited, Mr. Yeung Sai Hong, Alpha Elite Assets Limited, Ms. Ho Yuet Ying and Mr. Man Kong Yui
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HPL” or “the Company”	Hantec Pacific Limited, a company incorporated in the BVI with limited liability
“HPL Board”	the board of HPL Directors
“HPL Director(s)”	the director(s) of HPL
“HPL Group”	HPL and its subsidiaries
“HPL Offer”	the voluntary unconditional cash offer being made by Optima Capital on behalf of HHL and pursuant to the Takeovers Code to acquire all the HPL Shares other than those already owned by the HHL Concert Group and parties acting in concert with any of its members
“HPL Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of HPL
“HPL Shareholder(s)”	holder(s) of HPL Share(s)

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## DEFINITIONS

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“Independent HPL Shareholders”	the HPL Shareholders other than the HHL Concert Group and parties acting in concert with any of its member
“Latest Practicable Date”	28 November 2008, being the latest practicable date for ascertaining certain information included in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Madam Ng”	Madam Ng Chiu Mui, the spouse of Mr. Tang
“Mr. Tang”	Mr. Tang Yu Lap
“Offer Share(s)”	HPL Share(s) in respect of which the HPL Offer is made, being HPL Share(s) not already owned by the HHL Concert Group and parties acting in concert with any of its members
“Optima Capital”	Optima Capital Limited, a corporation licensed under the SFO to carry out types 1, 4 and 6 regulated activities for the purposes of the SFO, and the financial adviser to HHL
“PRC”	The People’s Republic of China
“Record Date”	17 November 2008, which was the record date for determining entitlements to the distribution in specie of the HPL Shares pursuant to the Group Reorganisation
“Relevant Period”	the period from 5 September 2007, being the date falling on the six months before the date of commencement of the offer period (as defined in the Takeovers Code), up to and including the Latest Practicable Date
“Retained Business”	the business remaining in the Retained Group immediately after completion of the Group Reorganisation, including all the regulated activities currently undertaken by the Hantec Group in Hong Kong under the SFO
“Retained Group”	Hantec and its subsidiaries other than members of the HPL Group immediately after completion of the Group Reorganisation
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transfer Agent”	the transfer agent for the HPL Shares, being Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“HK\$”	Hong Kong dollar(s)
“NT\$”	New Taiwan dollar(s), the lawful currency of Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.



**Optima Capital Limited**  
Unit 3618, 36th Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

2 December 2008

*To the Independent HPL Shareholders*

Dear Sir or Madam,

**VOLUNTARY UNCONDITIONAL CASH OFFER BY  
OPTIMA CAPITAL LIMITED  
ON BEHALF OF  
HANTEC HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
HANTEC PACIFIC LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
THE HHL CONCERT GROUP  
AND PARTIES ACTING IN CONCERT WITH ANY OF ITS MEMBERS)**

**INTRODUCTION**

On 3 September 2008, it was jointly announced by Hantec, HHL and Sinoday Limited that after HHL requested the board of directors of Hantec to place before the Hantec Shareholders the Group Reorganisation which would result in (i) Hantec continuing to be a public listed company on the Main Board of the Stock Exchange with its subsidiaries concentrating on the Retained Business; (ii) all other subsidiaries of the Hantec Group carrying on the Distributed Business being held by HPL; and (iii) the HPL Shares being distributed in specie to the Hantec Shareholders whose names appear on the register of members of Hantec on the Record Date on the basis of one HPL Share for every Hantec Share then held. It was also announced that upon completion of the Group Reorganisation, Optima Capital would, on behalf of HHL and pursuant to the Takeovers Code, make the HPL Offer to the Independent HPL Shareholders. Completion of the Group Reorganisation took place on 27 November 2008.

This letter sets out, among other things, the terms of the HPL Offer, information on HHL and the intentions of HHL regarding the HPL Group. Further details of the terms of the HPL Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer.



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## LETTER FROM OPTIMA CAPITAL

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### THE HPL OFFER

Optima Capital, the financial adviser to HHL, hereby makes the HPL Offer, which is unconditional in all respects, on behalf of HHL in compliance with the Takeovers Code on the following terms:

**For each HPL Share held . . . . . HK\$0.30 in cash**

As at the Latest Practicable Date, HPL had 422,303,000 HPL Shares in issue. As a result of the distribution of specie, the HHL Concert Group and parties acting in concert with any of its members were interested in an aggregate of 266,587,000 HPL Shares, representing approximately 63.1% of the issued share capital of HPL. Accordingly, there are a total of 155,716,000 HPL Shares subject to the HPL Offer. The Offer Shares to be acquired under the HPL Offer shall be fully paid and free from all liens, charges, claims and encumbrances and any third party rights together with all rights attaching to them as at the date of the issue of the HPL Shares, including all dividends and distributions declared, made or paid on or after the date of the issue of the HPL Shares.

The HPL Offer price of HK\$0.30 per Offer Share under the HPL Offer represents a discount of approximately 18.9% to the unaudited pro forma net asset value, calculated on the basis of the unaudited pro forma net asset value of the HPL Group as at 30 June 2008 and 417,890,000 Hantec Shares in issue as at 30 June 2008, of approximately HK\$0.37 per HPL Share.

Save for the 422,303,000 HPL Shares in issue as at the Latest Practicable Date, HPL did not have any other HPL Shares, or outstanding options, derivatives, warrants or securities which are convertible or exchangeable into HPL Shares.

The HPL Offer is unconditional in all respects. Acceptance of the HPL Offer shall be irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that the Independent HPL Shareholders accepting the HPL Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

The procedures for acceptance and further terms of the HPL Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

### VALUE OF THE HPL OFFER

On the basis of the offer price of HK\$0.30 per Offer Share, the entire existing issued share capital of HPL of 422,303,000 HPL Shares is valued at approximately HK\$126.7 million. There are 155,716,000 HPL Shares subject to the HPL Offer. Accordingly, the HPL Offer is valued at approximately HK\$46.7 million based on the offer price of HK\$0.30 per Offer Share.

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## LETTER FROM OPTIMA CAPITAL

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The HPL Offer is financed by term deposits maintained by HHL at the Public Bank (Hong Kong) Limited. HHL does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) incurred by it in connection with the HPL Offer will depend to any significant extent on the business of HPL. Optima Capital is satisfied that sufficient financial resources are available to HHL to meet acceptances in full of the HPL Offer.

### HONG KONG STAMP DUTY

Since HPL is a company incorporated in the BVI and its register of members is located and maintained there, no Hong Kong stamp duty is payable on any transfer of the HPL Shares in the BVI.

### COMPULSORY ACQUISITION

HHL intends to avail itself of any compulsory acquisition or redemption provisions under the applicable laws in the BVI and the relevant provisions of the Takeovers Code. In the event that upon the closing of the HPL Offer, the HHL Concert Group and parties acting in concert with any of its members hold 90% or more of the voting rights of HPL, pursuant to section 176 of the BVI Business Companies Act, the HHL Concert Group and parties acting in concert with any of its members intend to direct HPL to redeem all the HPL Shares not already owned by the HHL Concert Group and parties acting in concert with any of its members.

### INFORMATION ON HHL

HHL is a company incorporated in Hong Kong and is owned as to 35% by Mr. Tang, 35% by Convenient Way Limited (which is a company controlled by Mr. Yeung Sai Hong), 25% by Alpha Elite Assets Limited (which is a company wholly owned by Ms. Ho Yuet Ying) and 5% by Mr. Man Kong Yui. Its principal activities are investment holding.

### INTENTION OF HHL REGARDING HPL

Given that the HPL Shares will not be listed on the Stock Exchange or any other stock exchange upon completion of the Group Reorganisation, the directors of HHL consider that it is appropriate to provide the Independent HPL Shareholders with an opportunity to realise their investments in HPL by making the HPL Offer. It is the intention of HHL that the HPL Group will not conduct any business other than the Distributed Business or hold any assets other than those assets related to the Distributed Business and inherited pursuant to the Group Reorganisation, unless prior approval from its shareholders has been obtained. HHL does not intend to introduce any major changes to the existing operation or to discontinue the employment of any employees of HPL as a result of the HPL Offer. At present, there is no plan for HHL to redeploy any fixed assets of the HPL Group other than in its ordinary course of business. HHL also expects that there will be no material change to the existing business of HPL as a result of the HPL Offer.

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## LETTER FROM OPTIMA CAPITAL

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Presently there is no intention to apply for listing of the HPL Shares on the Stock Exchange or any other stock exchange. **If the relevant thresholds are not reached for the exercise of the compulsory acquisition or redemption rights referred to in the section headed “Compulsory acquisition” above in this letter, the Independent HPL Shareholders who do not accept the HPL Offer will end up holding HPL Shares which are unlisted shares. It may be difficult for the holders of HPL Shares to dispose of the HPL Shares as no on market trading facilities for such shares will be provided.**

### THE HPL BOARD

As at the Latest Practicable Date, the HPL Board comprises Mr. Lam Ngok Fung, Ms. Hwang Wei Ming, Ellen and Mr. Law Kai Yee. HHL will appoint Mr. Tang and Madam Ng as additional executive directors to the HPL Board after despatch of this Composite Document. If HPL remains a public company upon the close of the HPL Offer, it will appoint three independent non-executive directors and it will still be subject to the provisions of the Takeovers Code. Further announcement will be made in this regard as and when appropriate.

### ACCEPTANCE AND SETTLEMENT

Appendix I to this Composite Document and the Form of Acceptance and Transfer contain further details regarding the procedures for acceptance and settlement of the HPL Offer, and further terms of the HPL Offer.

### TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the HPL Offer. It is emphasised that none of HHL, HPL, Optima Capital, any of their respective directors and any persons involved in the HPL Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the HPL Offer.

### OVERSEAS HPL SHAREHOLDERS

The making of the HPL Offer in, or to the Independent HPL Shareholders in, any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. Independent HPL Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should inform themselves about, and observe, all applicable legal and regulatory requirements of the relevant jurisdictions.

It is the responsibility of any Independent HPL Shareholder not resident in Hong Kong who wishes to accept the HPL Offer to satisfy himself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any government or other consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in respect of such jurisdiction.

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**LETTER FROM OPTIMA CAPITAL**

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**ADDITIONAL INFORMATION**

Your attention is drawn to the accompanying Form of Acceptance and Transfer and the additional information set out in the appendices which form part of this Composite Document. Your attention is also drawn to the letter from the HPL Board and the letter from Access Capital to the Independent HPL Shareholders contained in this Composite Document.

Yours faithfully,  
For and on behalf of  
**Optima Capital Limited**  
**Mei H. Leung**  
*Chairman*

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LETTER FROM THE HPL BOARD

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**HANTEC PACIFIC LIMITED**

*(Incorporated in the British Virgin Islands with limited liability)*

*Executive directors:*

Lam Ngok Fung  
Law Kai Yee  
Hwang Wei Ming, Ellen

*Registered office:*

Romasco Place  
Wickhams Cay 1  
Road Town, Tortola  
British Virgin Islands

*Principal place of business  
in Hong Kong:*

Unit 4613, 46th Floor  
COSCO Tower  
183 Queen's Road Central  
Hong Kong

2 December 2008

*To the Independent HPL Shareholders*

Dear Sir or Madam,

**VOLUNTARY UNCONDITIONAL CASH OFFER BY  
OPTIMA CAPITAL LIMITED  
ON BEHALF OF  
HANTEC HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
HANTEC PACIFIC LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
THE HHL CONCERT GROUP  
AND PARTIES ACTING IN CONCERT WITH ANY OF ITS MEMBERS)**

**INTRODUCTION**

On 3 September 2008, Hantec, HHL and Sinoday Limited jointly announced, among other things, that:

- the board of directors of Hantec had been requested by HHL to place before the Hantec Shareholders the Group Reorganisation which, if approved and implemented, would result in the Hantec Shareholders receiving HPL Shares on the basis of one HPL Share for every Hantec Share held on the Record Date; and
- subject to completion of the Group Reorganisation and the agreement in relation to the sale of 258,672,000 Hantec Shares by HHL, Optima Capital would, on behalf of HHL, make the HPL Offer to the Independent HPL Shareholders to acquire all the

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## LETTER FROM THE HPL BOARD

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HPL Shares, other than those then owned or agreed to be acquired by the HHL Concert Group and parties acting in concert with any of its members on the basis of HK\$0.30 in cash for every HPL Share.

The Group Reorganisation was duly completed on 27 November 2008, following which Hantec remains a public listed company with its subsidiaries (other than the HPL Group) concentrating on the business of regulated activities under the SFO in Hong Kong, which includes leveraged foreign exchange trading, securities brokering and margin financing services, commodities and futures brokering, financial planning, asset management and corporate finance services in Hong Kong (being the Retained Business). All other subsidiaries of the Hantec Group carrying on non-regulated activities under the SFO such as trading and brokering of precious metal contracts, provision of financial related services outside Hong Kong and investment in water plant business (being the Distributed Business) have been grouped under HPL. The HPL Shares were distributed in specie to the Hantec Shareholders whose names appeared on the register of members of Hantec on the Record Date on the basis of one HPL Share for each Hantec Share then held. Optima Capital, the financial adviser to HHL, is making the HPL Offer on behalf of HHL to acquire all the HPL Shares not already owned by the HHL Concert Group and parties acting in concert with any of its members.

This Composite Document provides you with, inter alia, information on the HPL Offer, the HPL Group and the letter of advice from Access Capital containing its advice to the Independent HPL Shareholders in respect of the HPL Offer.

### THE HPL OFFER

Optima Capital, the financial adviser to HHL, is making the HPL Offer, which is unconditional in all respects, on behalf of the HHL in compliance with the Takeovers Code on the following basis:

For each HPL Share held . . . . . HK\$0.30 in cash

As at the Latest Practicable Date, HPL has 422,303,000 HPL Shares in issue. As a result of the distribution of specie, the HHL Concert Group and parties acting in concert with any of its members were interested in an aggregate of 266,587,000 HPL Shares, representing approximately 63.1% of the issued share capital of HPL. Accordingly, there are a total of 155,716,000 Shares subject to the HPL Offer. The Offer Shares to be acquired under the HPL Offer shall be fully paid and free from all liens, charges, claims and encumbrances and any third party rights together with all rights attaching to them as at the date of the issue of the HPL Shares, including all dividends and distributions declared, made or paid on or after the date of the issue of the HPL Shares.

The HPL Offer price of HK\$0.30 per Offer Share under the HPL Offer represents a discount of approximately 18.9% to the unaudited pro forma net asset value, calculated on the basis of the unaudited pro forma net asset value of the HPL Group as at 30 June 2008 and 417,890,000 Hantec Shares as at 30 June 2008, of approximately HK\$0.37 per HPL Share.

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## LETTER FROM THE HPL BOARD

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Save for the 422,303,000 HPL Shares in issue as at the Latest Practicable Date, HPL did not have any other HPL Shares, or outstanding options, derivatives, warrants or securities which are convertible or exchangeable into HPL Shares.

The HPL Offer is unconditional in all respects. Acceptance of the HPL Offer shall be irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

The procedures for acceptance and further terms of the HPL Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

### **Information on the HPL Group**

The HPL Group is principally carrying on trading and brokering of precious metal contracts, provision of financial related services outside Hong Kong and investment in water plant business (being the Distributed Business).

Based on the combined financial information of the HPL Group as set out in Appendix II to this Composite Document, turnover of the HPL Group for the year ended 31 December 2007 amounted to approximately HK\$293.6 million, which mainly comprised income generated from bullion trading of approximately HK\$102.8 million, fees and commission of approximately HK\$80.1 million and swap interest and foreign exchange trading of approximately HK\$63.3 million. The audited combined profit attributable to the HPL Shareholders of the HPL Group for the year ended 31 December 2007 amounted to approximately HK\$30.9 million, representing an increase of approximately HK\$1.1 million as compared to approximately HK\$29.8 million recorded for year ended 31 December 2006.

Based on the unaudited pro forma financial information of the HPL Group as set out in Appendix III to this Composite Document, assuming the Group Reorganisation had taken place on 30 June 2008, the net asset value of the HPL Group as at 30 June 2008 would have been approximately HK\$154.4 million.

### **INTENTION OF HHL REGARDING THE HPL GROUP**

Your attention is drawn to the letter from Optima Capital in this Composite Document for the intention of HHL regarding the HPL Group.

### **RECOMMENDATION**

As the HPL Board does not have any non-executive HPL Directors or any independent non-executive HPL Directors, an independent committee of the HPL Board cannot be formed to give recommendation to the Independent HPL Shareholders in connection with the HPL Offer. In the circumstances, Access Capital has been appointed as the independent financial adviser to advise the Independent HPL Shareholders as to whether the terms of the HPL Offer are fair and reasonable so far as the Independent HPL Shareholders are concerned and whether the Independent HPL Shareholders should accept the HPL Offer.

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## LETTER FROM THE HPL BOARD

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Your attention is drawn to the letter from Access Capital which sets out its recommendation in relation to the HPL Offer and the principal factors considered by it in arriving at its recommendation.

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the letter from Optima Capital in this Composite Document, the additional information contained in the appendices to this Composite Document and the accompanying Form of Acceptance and Transfer.

Yours faithfully,  
By order of the board of  
**Hantec Pacific Limited**  
**Lam Ngok Fung**  
*Executive director*



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## LETTER FROM ACCESS CAPITAL

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*Set out below is the full text of the letter of advice from Access Capital Limited to the Independent HPL Shareholders prepared for inclusion in this Composite Document.*



Suite 606, 6th Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

2 December 2008

*To the Independent HPL Shareholders  
of Hantec Pacific Limited*

Dear Sirs,

**VOLUNTARY UNCONDITIONAL CASH OFFER  
BY OPTIMA CAPITAL ON BEHALF OF  
HANTEC HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
HANTEC PACIFIC LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY THE HHL CONCERT GROUP  
AND PARTIES ACTING IN CONCERT WITH ANY OF ITS MEMBERS)**

**I. INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent HPL Shareholders in respect of the HPL Offer, details of which are set out in the letter from the HPL Board (the “Letter from the HPL Board”) contained in the composite offer document (the “Composite Document”) dated 2 December 2008 jointly issued by HHL and HPL to the HPL Shareholders, of which this letter forms part. Unless otherwise stated, terms defined in the Composite Document have the same meanings in this letter.

On 3 September 2008, Hantec, HHL and Sinoday jointly announced, among other things, the proposal for the Group Reorganisation which, if approved and implemented, will result in:

- (i) Hantec continuing to be a public listed company with its subsidiaries carrying on the business of regulated activities under the SFO, including leveraged foreign exchange trading, securities brokering and margin financing services, commodities and futures brokering, financial planning, asset management and corporate finance services in Hong Kong;

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## LETTER FROM ACCESS CAPITAL

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- (ii) all other subsidiaries of Hantec carrying on trading and brokering of precious metal contracts, provision of financial related services outside Hong Kong and investment in water plant business being grouped under the HPL Group;
- (iii) the HPL Shares, following the injection of the Distributed Business into HPL, being distributed in specie to the Shareholders whose names appear on the register of members of Hantec on the Record Date on the basis of one HPL Share for each Share held; and
- (iv) subject to completion of the Group Reorganisation and the Agreement, Optima Capital, on behalf of HHL, making the HPL Offer to the Independent HPL Shareholders to acquire all the HPL Shares, other than those owned or agreed to be acquired by the HHL Concert Group and parties acting in concert with its members on the basis of HK\$0.3 in cash for each HPL Share held.

The Group Reorganisation was duly completed on 27 November 2008, following which all subsidiaries of the Hantec Group carrying on the non-regulated activities under the SFO such as trading and brokering of precious metal contracts, provision of financial related services outside of Hong Kong and investment in water plant business have been grouped under the HPL Group. The HPL Shares have been distributed in specie to the Hantec Shareholders whose name appeared on the register of members of Hantec on the Record Date on the basis of one HPL Share for each Hantec Share. The share certificates of HPL will only be posted to those Independent HPL Shareholders who do not accept the HPL Offer after the close of the HPL Offer.

On behalf of HHL, Optima Capital is making a voluntary offer to the Independent HPL Shareholders of HPL to acquire all the HPL Shares (other than those owned or agree to be acquired by the HHL Concert Group and parties acting in concert with its members) on the basis of HK\$0.30 in cash for each HPL Share.

As the independent financial adviser to the Independent HPL Shareholders, our role is to give an independent opinion and recommendations to the Independent HPL Shareholders as to (i) whether or not the terms of the HPL Offer are fair and reasonable; and (ii) whether the Independent HPL Shareholders should accept the HPL Offer.

## II. BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Composite Document and the information and representations provided to us by HPL and/or HHL. The HPL Directors have declared in a responsibility statement set out in Appendix V to the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than those relating to HHL, the terms and conditions of the HPL Offer and HHL's intention regarding the HPL Group). The directors of HHL have declared in a responsibility statement set out in Appendix V to the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the

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## LETTER FROM ACCESS CAPITAL

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Composite Document relating to HHL, the terms and conditions of the HPL Offer and HHL's intention regarding the HPL Group. We have assumed that all such statements, information, opinions and representations contained or referred to in the Composite Document or otherwise provided or made or given by the HPL Directors and the directors of HHL for which they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Composite Document. We have assumed that all the opinions and representations made or provided by the HPL Directors and the directors of HHL contained in the Composite Document have been reasonably made after due and careful enquiry.

We consider that we have reviewed all information and documents which have been made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the HPL Directors and the directors of HHL. We have also been advised by the HPL Directors and the directors of HHL and believe that no material facts have been omitted from the Composite Document. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of HPL, HHL or any of their respective subsidiaries and associates.

In formulating our opinion, we have not considered the tax implications on the HPL Shareholders of their acceptances or non-acceptances of the HPL Offer as this is particular to their own individual circumstances. It is emphasised that we shall not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the HPL Offer. In particular, the HPL Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions with regard to the HPL Offer and, if in any doubt, should consult their own professional advisers.

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**LETTER FROM ACCESS CAPITAL**

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**III. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion regarding the HPL Offer, we have taken into consideration the following principal factors and reasons:

**1. Background information on the HPL Group**

As referred to in the circular dated 31 October 2008 and the announcement dated 27 November 2008 of Hantec in relation to the Group Reorganisation and in fulfilment of the conditions of the Group Reorganisation, the Group Reorganisation was successfully implemented on 27 November 2008, under which Hantec has divested to HPL the Distributed Business. Set out below is a summary of the financial information on the HPL Group as extracted from Appendix II to the Composite Document:

	<b>For the year ended</b>		<b>For the six months ended</b>	
	<b>31 December</b>		<b>30 June</b>	
	<b>2006</b>	<b>2007</b>	<b>2007</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Audited)
Turnover	189,447	293,637	127,732	128,636
Other revenue	345	808	478	73
Other net income	<u>1,217</u>	<u>6,118</u>	<u>1,596</u>	<u>517</u>
Total Revenue	191,009	300,563	129,806	129,226
Total operating expenses	(159,228)	(261,253)	(114,624)	(120,743)
Operating profits	31,781	39,310	15,182	8,483
Finance costs	(58)	(55)	(27)	(84)
Share of profits of associates	5,802	2,047	1,233	1,407
Income tax	(7,716)	(10,388)	(3,745)	(2,711)
Profit for the year/period	29,809	30,914	12,643	7,095

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**LETTER FROM ACCESS CAPITAL**

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	<b>As at 31 December</b>		<b>As at 30 June</b>
	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Non-current assets	33,289	41,462	54,858
Current assets	384,907	486,287	285,624
Current liabilities	(369,863)	(439,923)	(247,918)
Non-current liabilities	(99)	(94)	(12,135)
Net current assets	15,044	46,364	37,706
Net assets	48,234	87,732	80,429

For the year ended 31 December 2007, the HPL Group recorded audited total revenue of approximately HK\$300.6 million, representing an increase of around 57.4% from approximately HK\$191.0 million for the year ended 31 December 2006. The turnover generated from precious metal contracts trading/brokering and leveraged foreign exchange trading/brokering were the main sources of the HPL Group's revenue and represented about 64.7% and 34.3% respectively of the HPL Group's turnover for the year ended 31 December 2007. Compared with the previous financial year, turnover generated from precious metal contracts trading/brokering increased from approximately HK\$130.2 million to approximately HK\$189.9 million, while turnover generated from leveraged foreign exchange trading/brokering increased by over 95% from approximately HK\$51.7 million to approximately HK\$100.8 million.

For the year ended 31 December 2007, the HPL Group's operating profit increased to around 23.7% from approximately HK\$31.8 million in the previous financial year to approximately HK\$39.3 million. Profit for the year, however, only increased by about 3.7% from approximately HK\$29.8 million in 2006 to approximately HK\$30.9 million for the year ended 31 December 2007. The HPL Group was impacted by the increase in income tax which rose by nearly 34.6% from approximately HK\$7.7 million in the previous year to around HK\$10.4 million in 2007 as well as a reduction in the share of profits of associates, which fell by around 64.7% from approximately HK\$5.8 million in 2006 to approximately HK\$2.0 million in 2007.

For the six months ended 30 June 2008, the HPL Group recorded audited total revenue of approximately HK\$129.2 million, representing a slight decrease of approximately 0.4% from the unaudited turnover of approximately HK\$129.8 million for the corresponding six-month period in 2007. The slight decrease was due to weaker turnover in the leveraged foreign exchange trading/brokering segment which fell by around 13.0% from approximately HK\$43.6 million for the

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six months ended 30 June 2007 to approximately HK\$37.9 million for the six months ended 30 June 2008. During the same period, the HPL Group's unaudited profit for the period amounted to approximately HK\$7.1 million, representing a significant decrease of approximately 43.9% from approximately HK\$12.6 million for the corresponding six-month period in 2007.

Based on the unaudited pro forma assets and liabilities statement of the HPL Group set out in Appendix III to the Composite Document (which was prepared on the assumption that the Group Reorganisation had taken place on 30 June 2008), the HPL Group had unaudited total current assets of approximately HK\$251.8 million and unaudited total current liabilities of approximately HK\$140.7 million, representing net current assets of approximately HK\$111.0 million. In addition, the HPL Group had a secured mortgage loan of around HK\$12.0 million and deferred tax liabilities of approximately HK\$0.1 million, both of which were included in the current liabilities of the HPL Group as at 30 June 2008. The unaudited net assets of the HPL Group amounted to approximately HK\$154.4 million as at 30 June 2008.

Based on our review of the recent financial results of the HPL Group as set out in the above table, we note that while HPL experienced significant growth in turnover and recorded comparable financial results in 2007, it may not be able to sustain such profitable results for 2008 at level as favourable as it recorded in the past as market conditions in 2008 have been significantly changed. As reflected in the decrease in the net profit for the six months ended 30 June 2008, it is likely that growth in HPL's business, which represents primarily the precious metal contracts trading/brokering and leveraged foreign exchange trading/brokering, to be stunted by difficult and volatile global economic conditions. The voracious appetite for investment in the equity markets in 2007 came to a halt as the sub-prime crisis in the US, the cooling of the Mainland economy and the implementation of austerity measures by the PRC government led to a deterioration in market sentiment. As such, investors have shied away from riskier investments as equities fell along with commodity prices and currencies. As at 13 August 2008 (being the last day on which the shares of Hantec were traded on the Stock Exchange prior to the suspension in trading pending the release of its announcement relating to the Group Reorganisation (the "Last Trading Day")), the London PM Fix for gold was down approximately 19.1% from a historical high of US\$1,011.3 per ounce on 17 March to US\$818.5 per ounce. The severe conditions of the precious metal market became much more apparent in October 2008 as the London PM Fix for gold continued to decline and reached its lowest level since the beginning of the year at US\$712.5 per ounce.

In the near-term, it is widely believed that fluctuations in the worldwide investment market are likely to continue, while many countries will face the challenge of recession as the global economy is likely to slow down as a result of the chain effects brought by the sub-prime crisis in the US. On 27 October 2008, the Hang Seng Index was down approximately 65.2% from a historical high of 31,638 points on 30 October 2007 to 11,015 points.

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## LETTER FROM ACCESS CAPITAL

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Based on the above, we are generally of the view that the existing business of the HPL Group, being inherently dependent upon market cycles and factors affecting the market which are primarily beyond the control of HPL, will be highly exposed to the uncertainty and potential contractions in the global economy. Given also the sub-prime crisis and tight credit conditions which have caused instability and uncertainty in the global stock markets, we are of the view that trading conditions may become more difficult in the near future as investors become more cautious about investments in equities and commodities and tend to hold their assets in the form of cash denominated at relatively stable currencies such as the US dollars. The cyclical nature of the financial markets, coupled with the current downturn in the economic environment, suggests that difficulties in the short to medium term may persist. Accordingly, we consider that the HPL Offer provides an opportunity for the Independent HPL Shareholders to dispose of their otherwise illiquid investment in HPL, the prospects of which is uncertain.

### **2. The principal terms of the HPL Offer**

Optima Capital is making, on behalf of HHL, the HPL Offer to acquire all the issued HPL Shares (other than those already owned or agreed to be acquired by the HHL Concert Group and parties acting in concert with any of its members) on the following basis:

For each Offer Share . . . . . HK\$0.30 in cash

As at the Latest Practicable Date, HPL had 422,303,000 HPL Shares in issue. As a result of the distribution of specie of the entire issued share capital of HPL pursuant to the Group Reorganisation, the HHL Concert Group and parties acting in concert with any of its members have become interested in an aggregate of 266,587,000 HPL Shares, representing approximately 63.1% of the issued share capital of HPL. Accordingly, there are a total of 155,716,000 HPL Shares subject to the HPL Offer. The Offer Shares to be acquired under the HPL Offer shall be fully paid and free from Encumbrances and together with all rights attaching to them as at the date of the issue of the HPL Shares, including all dividends and distributions declared, made or paid on or after the date of the issue of the HPL Shares.

On the basis of the offer price of HK\$0.30 per Offer Share (the “Offer Price”), the entire existing issued share capital of HPL of 422,303,000 HPL Shares is valued at approximately HK\$126.7 million. There are 155,716,000 HPL Shares subject to the HPL Offer. Accordingly, on the basis of the Offer Price of HK\$0.30, the HPL Offer is valued at approximately HK\$46.7 million. As set out in the letter from Optima Capital contained in the Composite Document (the “Letter from Optima Capital”), the HPL Offer is financed by term deposits maintained by HHL at the Public Bank (Hong Kong). HHL does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) incurred by it



in connection with the HPL Offer will depend to any significant extent on the business of HPL. Optima Capital is satisfied that sufficient financial resources are available to HHL to meet acceptances in full of the HPL Offer.

The HPL Offer is unconditional in all respects. Acceptance of the HPL Offer shall be irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

Independent HPL Shareholders are advised to read the procedures for acceptance and further terms of the HPL Offer set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

### **3. The Offer Price**

In assessing the fairness and reasonableness of the Offer Price, we have attempted to identify companies listed on the Stock Exchange the principal businesses of which comprise trading and brokering of precious metal contracts, provision of financial related services outside of Hong Kong and investment in a water plant business. However, given the unique business nature of the HPL Group, we are unable to find any such companies listed in the Stock Exchange which may be comparable to HPL. In addition, it should be reminded that the HPL Shares are not, and will not become, listed on the Stock Exchange or any other overseas stock exchange. Accordingly, for the purpose of direct comparison, we have to identify those companies which are not only engaged in principal business similar to those of HPL but also have no securities listed on any stock exchange. As there is no public information available on such companies, we are not able to conduct any analysis on the Offer Price in terms of direct comparison with the relevant statistics of other companies which may be directly comparable to HPL. Nevertheless, given that (i) the prospects of the HPL Group, as discussed above, are uncertain in light of the recent difficult market conditions and (ii) the HPL Shares are illiquid as there are no on-market trading facilities for the HPL Shares, we are of the view that the Independent HPL Shareholders should still consider accepting the HPL Offer.

### **4. Background of HHL and its intention regarding HPL**

As set out in the Letter from Optima Capital, HHL is a company incorporated in Hong Kong and is owned as to 35% by Mr. Tang, 35% by Convenient Way Limited (which is a company controlled by Mr. Yeung Sai Hong), 25% by Alpha Elite Assets Limited (which is a company wholly owned by Ms. Ho Yuet Ying) and 5% by Mr. Man Kong Yui. Its principal activities are investment holding.

Given that the HPL Shares will not be listed on the Stock Exchange or any other stock exchange upon completion of the Group Reorganisation, the directors of HHL consider that it is appropriate to provide the Independent HPL Shareholders with an opportunity to realise their investments in HPL by



making the HPL Offer. It is the intention of HHL that the HPL Group will not conduct any business other than the Distributed Business or hold any assets other than those assets related to the Distributed Business and inherited pursuant to the Group Reorganisation, unless prior approval from its shareholders has been obtained. HHL does not intend to introduce any major changes to the existing operating or to discontinue the employment of any employees of HPL, as a result of the HPL Offer. At present, there is no plan for HHL to redeploy any fixed assets of the HPL Group other than in its ordinary course of business. HHL also expects that there will be no material change to the existing business of HPL as a result of the HPL Offer.

As set out in the Letter from Optima Capital, HHL intends to avail itself of any compulsory acquisition or redemption provisions under the applicable laws in the BVI and the relevant provisions of the Takeovers Code. In the event that upon the closing of the HPL Offer, the HHL Concert Group and parties acting in concert with any of its members hold 90% or more of the voting rights of HPL, pursuant to section 176 of the BVI Business Companies Act, the HHL Concert Group and parties acting in concert with any of its members intend to direct HPL to redeem all the HPL Shares not already owned by the HHL Concert Group and parties acting in concert with any of its members.

As noted in the Letter from Optima Capital, in the event that HHL does not obtain 90% or more of the voting rights of HPL upon completion of the HPL Offer (i.e. the relevant thresholds for the exercise of the compulsory acquisition or redemption rights), HPL will remain to be a public but unlisted company. As such, those Independent HPL Shareholders who do not accept the HPL Offer will end up holding the unlisted HPL Shares which may be difficult to dispose of as no on-market trading facilities for such shares will be provided.

#### **IV. RECOMMENDATION**

In formulating our advice to the Independent HPL Shareholders, we have considered the above principal factors and reasons, in particular, the following:

- (i) The prospects of the HPL Group are uncertain as difficult market conditions are likely to persist and have an impact on the demand for trading in precious metal and leveraged foreign exchange investment products and services offered by the Group.
- (ii) The HPL Offer provides an opportunity for the Independent HPL Shareholders to dispose of their otherwise illiquid investment in HPL. If the Independent HPL Shareholders do not accept the HPL Offer, they will end up holding the unlisted HPL Shares which may be difficult to dispose of as no on-market trading facilities for such shares will be provided.

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**LETTER FROM ACCESS CAPITAL**

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Based on the above factors, we consider the terms of the HPL Offer to be fair and reasonable so far as the Independent HPL Shareholders are concerned. Accordingly, we recommend that the Independent HPL Shareholders should consider accepting the HPL Offer.

Yours faithfully,  
For and on behalf of  
**Access Capital Limited**  
**Alexander Tai**  
*Principal Director*

**PROCEDURES FOR ACCEPTANCE**

**Your registered holding of the HPL Shares is set out in Box B in the accompanying Form of Acceptance and Transfer.** To accept the HPL Offer, you should duly complete the Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the HPL Offer.

**The completed Form of Acceptance and Transfer should then be forwarded by post or by hand to and reach the Transfer Agent (Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) marked "the HPL Offer" on the envelope by no later than 4:00 p.m. on Tuesday, 23 December 2008 (being the Closing Date).**

If your HPL Shares are held through your licensed securities dealer/registered institution in securities/custodian bank through CCASS, you must instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the HPL Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet such deadline, you should check with your licensed securities dealer/registered institution in securities/custodian bank on the timing for the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.

If your HPL Shares are held through your Investor Participant Account maintained with CCASS, you must authorise your instruction via the CCASS Phone System or the CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

No acknowledgement of receipt of any Form of Acceptance and Transfer will be given.

Your attention is also drawn to the further details regarding the procedures for acceptance set out in the Form of Acceptance and Transfer.

**SETTLEMENT**

Provided that a valid Form of Acceptance and Transfer is complete and in good order and has been received by the Transfer Agent by no later than 4:00 p.m. on the Closing Date, a cheque for the amount representing the consideration due to you in respect of the HPL Shares tendered by you under the HPL Offer will be despatched to you by ordinary post at your own risk within 10 days of the date on which the duly completed Form of Acceptance and Transfer which renders such acceptance complete and valid is received by the Transfer Agent.

Settlement of the consideration to which any Independent HPL Shareholder is entitled under the HPL Offer will be implemented in full in accordance with the terms of the HPL Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which HHL may otherwise be, or claim to be, entitled against such Independent HPL Shareholder.

**NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent HPL Shareholders, those Independent HPL Shareholders who hold the HPL Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the HPL Shares whose investments are registered in nominee names to accept the HPL Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the HPL Offer.

The completed Form of Acceptance and Transfer and remittances sent by or to the Independent HPL Shareholders through ordinary post will be sent by or to them at their own risk. The remittances will be sent to them at their addresses as they appear in the register of members of HPL (or in the case of joint Independent HPL Shareholders, to the Independent HPL Shareholder whose name stands first in the register of members of HPL).

All such documents and remittances will be sent at the risk of the persons entitled thereto and none of HHL, HPL, Optima Capital, any of their respective directors and any other persons involved in the HPL Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

**ACCEPTANCE PERIOD, EXTENSIONS AND REVISIONS**

**Unless the HPL Offer has previously been extended or revised, the HPL Offer will close on Tuesday, 23 December 2008 (being the Closing Date). The latest time for acceptance of the HPL Offer will be at 4:00 p.m. on the Closing Date.**

If the HPL Offer is extended or revised, an announcement of such extension or revision will be published by HHL on the Stock Exchange's website under Hantec and the SFC's website by 7:00 p.m. on the Closing Date which will state either the next closing date or that the HPL Offer will remain open until further notice. In the latter case, the HPL Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to those Independent HPL Shareholders who have not accepted the HPL Offer and, unless previously extended or revised, shall be closed on the subsequent closing date. The latest time for acceptance of the HPL Offer will be at 4:00 p.m. on the Closing Date. The benefit of any revision of the HPL Offer will also be available to all Independent HPL Shareholders who have previously accepted the HPL Offer. The execution of any Form of Acceptance and Transfer by or on behalf of any Independent HPL Shareholders who have previously accepted the HPL Offer shall be deemed to constitute acceptance of any revised HPL Offer.

If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance and Transfer shall, except where the context otherwise requires, be deemed to refer to the closing date of the HPL Offer so extended.

**ANNOUNCEMENTS**

By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), HHL shall inform the Executive of its intention in relation to the extension or revision of the HPL Offer. HHL shall publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the HPL Offer has been revised or extended. Such announcement will be republished in accordance with the Takeovers Code on the next Business Day thereafter, which shall state the total number of HPL Shares and rights over HPL Shares:

- (i) for which acceptances of the HPL Offer have been received;
- (ii) held, controlled or directed by the HHL Concert Group and any parties acting in concert with any of its members upon completion of the Group Reorganisation; and
- (iii) acquired or agreed to be acquired after completion of the Group Reorganisation by the HHL Concert Group and any parties acting in concert with any of its members.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in HPL which the HHL Concert Group or any parties acting in concert with any of its members has borrowed or lent, save for any borrowed HPL Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of HPL, and the percentages of voting rights, represented by the above number of HPL Shares.

In computing the number of HPL Shares represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Transfer Agent by no later than 4:00 p.m. on the Closing Date shall be included.

As required under the Takeovers Code, all announcements in relation to the HPL Offer in respect of which the Executive has confirmed that he has no further comments thereon must be published as a paid announcement in at least one English language newspaper and one Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong. All documents published in respect of HPL will be delivered to the Executive in electronic form for publication on the SFC's website.

**RIGHT OF WITHDRAWAL**

Acceptance of the HPL Offer tendered by the Independent HPL Shareholders shall be irrevocable and cannot be withdrawn unless the Executive requires that a right of withdrawal is granted in the event that the requirements of Rule 19 of the Takeovers Code relating to the announcement of results of offer as described in the paragraph headed "Announcements" above have not been complied with.

**GENERAL**

- (i) Acceptance of the HPL Offer by any person will be deemed to constitute a warranty by such person to HHL and HPL that the HPL Shares sold under the HPL Offer are sold by such person free from all rights of pre-emption, options, liens, claim, equities, charges, encumbrances or third party rights of any nature and the relevant HPL Shares are sold with all rights attaching or accruing thereto, including the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of those HPL Shares.
- (ii) All communications, notices, Forms of Acceptance and Transfer and remittances to settle the consideration payable under the HPL Offer to be delivered by or sent to or from the accepting Independent HPL Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of HHL, HPL, Optima Capital, any of their respective directors, agents and advisers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (iii) The provisions set out in the Form of Acceptance and Transfer form part of the terms of the HPL Offer.
- (iv) The accidental omission to despatch this Composite Document and/or the Form of Acceptance and Transfer to any person to whom the HPL Offer is made will not invalidate the HPL Offer in any way.
- (v) The HPL Offer, all acceptances thereof and contracts resulting therefrom will be governed by and construed in accordance with the Laws of Hong Kong.
- (vi) References to the HPL Offer in this Composite Document and in the Form of Acceptance and Transfer shall include any revision or extension thereof.
- (vii) Due execution of the Form of Acceptance and Transfer will constitute an irrevocable authority to any director of HHL or Optima Capital or such person or persons as HHL or Optima Capital may direct to complete and execute, on behalf of the person accepting the HPL Offer, any document and to do any other act that may be necessary or expedient for the purpose of vesting in HHL, or such other person(s) as HHL shall direct, all rights of the accepting Independent HPL Shareholders in respect of the HPL Shares which are the subject of such acceptance.

## 1. FINANCIAL SUMMARY

Set out below is a financial summary of the HPL Group for the three financial years ended 31 December 2007 and for the six months ended 30 June 2008 as extracted from the Circular:

	Year ended 31 December			Six months ended	
	2005	2006	2007	30 June 2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Turnover	<u>41,416</u>	<u>189,447</u>	<u>293,637</u>	<u>127,732</u>	<u>128,636</u>
Profit before taxation	4,490	37,525	41,302	16,388	9,806
Income tax	<u>(1,607)</u>	<u>(7,716)</u>	<u>(10,388)</u>	<u>(3,745)</u>	<u>(2,711)</u>
Profit for the year/period	2,883	29,809	30,914	12,643	7,095
Attributable to:					
Equity holders of HPL	3,267	29,809	30,912	12,643	7,011
Minority interests	<u>(384)</u>	<u>—</u>	<u>2</u>	<u>—</u>	<u>84</u>
	<u>2,883</u>	<u>29,809</u>	<u>30,914</u>	<u>12,643</u>	<u>7,095</u>
Dividends attributable to the year/period:					
Special dividend declared during the year/period	3,500	—	—	—	—
Final dividend proposed after the balance date	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,000</u>
	<u>3,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,000</u>

## Notes:

- (i) An unqualified opinion in respect of the audit of the combined financial statements of the HPL Group has been issued by KPMG for each of the three years ended 31 December 2007 and for the six months ended 30 June 2008.
- (ii) There were no extraordinary items and exceptional items for the HPL Group during each of the three financial years ended 31 December 2007 and the six months ended 30 June 2008.
- (iii) Earnings per HPL Share and dividend per HPL Share are not applicable as the combined financial statements of the HPL Group as set out in section 2 to this appendix were based on the combined financials of the members of the HPL Group before the completion of the Group Reorganisation. For the purpose of the combined financial statements, only one HPL Share was recorded in the financial statements of the HPL Group for each of the three financial years ended 31 December 2007 and for the six months ended 30 June 2008.

## 2. AUDITED FINANCIAL INFORMATION ON THE HPL GROUP

The audited financial information on the HPL Group contained in the Circular is reproduced below. Capitalised terms used in this section shall have the same meanings as those defined in the Circular.

## “COMBINED INCOME STATEMENT

	Note	Year ended 31 December			Six months ended 30 June	
		2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2007 HK\$'000	2008 HK\$'000
					(Unaudited)	
Turnover	4	41,416	189,447	293,637	127,732	128,636
Other revenue	4	2	345	808	478	73
Other net (loss)/income	4	(621)	1,217	6,118	1,596	517
		<u>40,797</u>	<u>191,009</u>	<u>300,563</u>	<u>129,806</u>	<u>129,226</u>
Staff costs	5	10,438	31,968	47,422	19,373	24,810
Commission expenses		12,090	87,891	157,092	73,664	63,089
Operating leases for land and buildings		1,909	3,317	6,247	2,153	4,915
Other operating expenses	6	15,750	36,052	50,492	19,434	27,929
Total operating expenses		<u>40,187</u>	<u>159,228</u>	<u>261,253</u>	<u>114,624</u>	<u>120,743</u>
Operating profit		610	31,781	39,310	15,182	8,483
Finance costs	7	(21)	(58)	(55)	(27)	(84)
Share of profits of associates	13	589	31,723	39,255	15,155	8,399
		<u>3,901</u>	<u>5,802</u>	<u>2,047</u>	<u>1,233</u>	<u>1,407</u>
Profit before taxation		4,490	37,525	41,302	16,388	9,806
Income tax	8	(1,607)	(7,716)	(10,388)	(3,745)	(2,711)
Profit for the year/period		<u>2,883</u>	<u>29,809</u>	<u>30,914</u>	<u>12,643</u>	<u>7,095</u>
Attributable to:						
Equity holders of the Company		3,267	29,809	30,912	12,643	7,011
Minority interests		(384)	—	2	—	84
		<u>2,883</u>	<u>29,809</u>	<u>30,914</u>	<u>12,643</u>	<u>7,095</u>
Dividends attributable to the year/ period:						
Special dividend declared during the year/period	9	3,500	—	—	—	—
Final dividend proposed after the balance date		—	—	—	—	15,000
		<u>3,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,000</u>



## COMBINED BALANCE SHEET

	Note	As at 31 December			As at
		2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	30 June 2008 HK\$'000
<b>Non-current assets</b>					
Intangible assets	10	180	5,153	5,552	5,198
Fixed assets	11	2,914	7,997	7,765	28,409
Interests in associates	13	15,480	8,949	15,288	19,665
Other assets	14	—	—	—	200
Available-for-sale financial assets	15	12,089	10,236	12,293	984
Deferred income tax assets	16	383	954	564	402
		<u>31,046</u>	<u>33,289</u>	<u>41,462</u>	<u>54,858</u>
<b>Current assets</b>					
Financial assets at fair value through profit or loss	17	—	12,858	1,588	2,071
Taxation recoverable		—	—	—	1,914
Trade and other receivables	18	23,941	228,455	242,124	120,683
Amounts due from related companies	19	58	27,085	27,237	50,900
Bank balances and cash	20	42,829	116,509	215,338	110,056
		<u>66,828</u>	<u>384,907</u>	<u>486,287</u>	<u>285,624</u>
<b>Current liabilities</b>					
Trade and other payables	23	34,827	243,877	330,514	135,135
Short-term loans and bank overdrafts	24	1	1	13	3
Amounts due to related companies	19	44,827	117,013	105,491	107,169
Current portion of secured mortgage loan	24	—	—	—	692
Taxation payable		720	8,972	3,905	4,919
		<u>80,375</u>	<u>369,863</u>	<u>439,923</u>	<u>247,918</u>
<b>Net current (liabilities)/assets</b>		<u>(13,547)</u>	<u>15,044</u>	<u>46,364</u>	<u>37,706</u>
<b>Total assets less current liabilities</b>		<u>17,499</u>	<u>48,333</u>	<u>87,826</u>	<u>92,564</u>

	Note	As at 31 December			As at
		2005	2006	2007	30 June
		HK\$'000	HK\$'000	HK\$'000	2008
					HK\$'000
<b>Non-current liabilities</b>					
Secured mortgage loan	24	—	—	—	12,039
Deferred income tax liabilities	16	9	99	94	96
		<u>9</u>	<u>99</u>	<u>94</u>	<u>12,135</u>
<b>NET ASSETS</b>		<u>17,490</u>	<u>48,234</u>	<u>87,732</u>	<u>80,429</u>
<b>Capital and reserves</b>					
Share capital	21	—	—	—	—
Other reserves	22	9,984	10,919	19,170	19,772
Retained earnings	22	<u>7,506</u>	<u>37,315</u>	<u>68,227</u>	<u>60,238</u>
<b>Total equity attributable to the equity holders of the Company</b>	21	17,490	48,234	87,397	80,010
<b>Minority interests</b>		<u>—</u>	<u>—</u>	<u>335</u>	<u>419</u>
<b>TOTAL EQUITY</b>		<u>17,490</u>	<u>48,234</u>	<u>87,732</u>	<u>80,429</u>

## COMBINED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company			Minority interests	Total
		Share capital	Other reserves	Retained earnings		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2005		—	9,164	7,739	3,238	20,141
Acquisition of a subsidiary	28(b)	—	—	—	(2,899)	(2,899)
Surplus on revaluation of available- for-sale financial assets	15	—	2,491	—	—	2,491
Exchange difference			(1,671)		45	(1,626)
Profit for the year		—	—	3,267	(384)	2,883
2005 special dividends paid	9	—	—	(3,500)	—	(3,500)
Balance at 31 December 2005 and 1 January 2006		—	9,984	7,506	—	17,490
Equity-settled share-based transactions	5	—	200	—	—	200
Deficit on revaluation of available- for-sale financial assets	15	—	(1,989)	—	—	(1,989)
Exchange difference		—	2,724	—	—	2,724
Profit for the year		—	—	29,809	—	29,809
Balance at 31 December 2006 and 1 January 2007		—	10,919	37,315	—	48,234
Equity-settled share-based transactions	5	—	888	—	—	888
Capital contribution from controlling shareholder		—	1,086	—	—	1,086
Capital contribution from minority shareholders		—	—	—	310	310
Acquisition of a subsidiary	28(b)	—	—	—	23	23
Surplus on revaluation of available- for-sale financial assets	15	—	2,057	—	—	2,057
Exchange difference		—	4,220	—	—	4,220
Profit for the year		—	—	30,912	2	30,914
Balance at 31 December 2007		—	19,170	68,227	335	87,732

	Note	Attributable to equity holders of the Company			Minority interests HK\$'000	Total HK\$'000
		Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000		
Balance at 1 January 2008		—	19,170	68,227	335	87,732
Equity-settled share-based transactions	5	—	(36)	—	—	(36)
Realised profit on available-for-sale financial assets	15	—	(2,558)	—	—	(2,558)
Deficit on revaluation of available- for-sale financial asset	15	—	(1)	—	—	(1)
Exchange difference		—	3,197	—	—	3,197
Profit for the year		—	—	7,011	84	7,095
2007 final dividends paid	9	—	—	(15,000)	—	(15,000)
Balance at 30 June 2008		<u>—</u>	<u>19,772</u>	<u>60,238</u>	<u>419</u>	<u>80,429</u>
Balance at 1 January 2007		—	10,919	37,315	—	48,234
Equity-settled share-based transaction	5	—	633	—	—	633
Surplus on revaluation of available- for-sale financial assets		—	937	—	—	937
Exchange difference		—	3,105	—	—	3,105
Profit for the period		—	—	12,643	—	12,643
Balance at 30 June 2007		<u>—</u>	<u>15,594</u>	<u>49,958</u>	<u>—</u>	<u>65,552</u>

Included in the combined retained earnings at 31 December 2005, 2006 and 2007, and 30 June 2007 and 2008, are statutory provisions of HK\$Nil, HK\$59,128, HK\$203,506, HK\$193,326, HK\$433,048 which are required to be held in respect of certain overseas subsidiaries of the Group.

## COMBINED CASH FLOW STATEMENT

	Note	Year ended 31 December			Six months ended	
		2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	30 June 2007 HK\$'000	2008 HK\$'000
Net cash inflow/(outflow) from operating activities	28(a)	40,592	30,338	80,583	(6,652)	(97,809)
Investing activities						
Purchase of fixed assets		(2,755)	(2,422)	(2,046)	(412)	(21,859)
Sale of fixed assets		195	7	—	—	7
Sale of available-for-sales financial assets		—	—	—	—	12,670
Sale of financial assets at fair value through profit or loss		3,297	14,879	10,565	36	179
Dividends received from listed securities		—	133	420	313	48
Dividends received from available-for-sale financial assets		—	150	138	138	—
Dividends received from an associate	13	549	1,673	1,637	1,637	1,719
Purchase of financial assets at fair value through profit or loss		(3,066)	(3,213)	(544)	(239)	(1,266)
Purchase of available-for-sale financial assets	15	(6,331)	(136)	—	—	—
Purchase of associates	13	—	—	(1,171)	(2)	—
Loan to an associate	13	—	—	(5,000)	—	(5,000)
Purchase of subsidiaries, net of cash and cash equivalents acquired	28(c)	(2,975)	30,575	(322)	—	(51)
Net cash (outflow)/inflow from investing activities		(11,086)	41,646	3,677	1,471	(13,553)

	Note	Year ended 31 December			Six months ended 30 June	
		2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2007 HK\$'000	2008 HK\$'000
Financing activities						
Dividend paid	9	(3,500)	—	—	—	(15,000)
Interest paid		(21)	(58)	(55)	(27)	(84)
Proceeds from capital contribution by minority shareholders		—	—	310	—	—
Capital contribution from controlling shareholder	22	—	—	1,086	—	—
Advance from mortgage loan		—	—	—	—	12,731
Net cash (outflow)/inflow from financing activities		<u>(3,521)</u>	<u>(58)</u>	<u>1,341</u>	<u>(27)</u>	<u>(2,353)</u>
Increase in cash and cash equivalents		25,985	71,926	85,601	(5,208)	(113,715)
Cash and cash equivalents at 1 January		17,568	42,828	116,508	116,508	205,625
Effect of foreign exchange rate changes		<u>(725)</u>	<u>1,754</u>	<u>3,516</u>	<u>3,390</u>	<u>2,559</u>
Cash and cash equivalents at 31 December	20	<u>42,828</u>	<u>116,508</u>	<u>205,625</u>	<u>114,690</u>	<u>94,469</u>
Analysis of balances of cash and cash equivalents						
Bank balances — general accounts and cash	20	42,829	116,509	205,638	114,691	94,472
Bank overdrafts	24	<u>(1)</u>	<u>(1)</u>	<u>(13)</u>	<u>(1)</u>	<u>(3)</u>
		<u>42,828</u>	<u>116,508</u>	<u>205,625</u>	<u>114,690</u>	<u>94,469</u>

**NOTES TO THE FINANCIAL INFORMATION****1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

Hantec Pacific Limited (“HPL” or the “Company”) is a limited company incorporated in the British Virgin Islands on 20 August 2008 as a wholly-owned subsidiary of Hantec Investment Holdings Limited (“HIHL”). The address of its registered office is Romasco Place, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands, VG1110. Its principal activity is investment holding.

In accordance with the proposed group reorganisation of HIHL as set out in its circular dated 31 October 2008 (the “Group Reorganisation”), HPL will become a holding company of the subsidiaries and associates as set out in notes 12 and 13 upon completion of the Group Reorganisation (“HPL Group entities”). The shares of HPL will be distributed in specie to the shareholders of HIHL on completion of the Group Reorganisation.

The combined balance sheets of HPL and HPL Group entities (the “HPL Group” or the “Group”) as at 31 December 2005, 2006 and 2007, and 30 June 2008 have been prepared to present the assets and liabilities of HPL Group entities as if the HPL group structure had been in existence at those dates. The combined income statements, combined cash flow statements and combined statement of changes in equity for the year ended 31 December 2005, 2006 and 2007 and six months ended 30 June 2008 (the “Relevant Periods”) have been prepared to include the results and cash flows of HPL Group entities as if the HPL group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment or acquisition or up to the date of disposal.

The combined financial information is presented in thousands of units of Hong Kong Dollars (HK\$’000) unless otherwise stated.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Statement of compliance**

This financial information has 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. This financial information also complies 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 effective or available for early adoption for the period ended 30 June 2008. For the purpose of preparing this Financial Information, the HPL Group has adopted all HKFRSs that are first applicable for adoption for the accounting period beginning 1 January 2008, throughout the Relevant Periods. The Group did not adopt HKFRSs that are not yet effective for the accounting period ended 30 June 2008.

**2.2 Basis of preparation**

The measurement basis used in the preparation of the financial information 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 information 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 Basis of combination

#### (a) *Acquisition from entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's combined financial statements.

#### (b) *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.

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 represents 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.

*(c) 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 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.

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.

## **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 be 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 information 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 information is presented in Hong Kong Dollars ("HK Dollars"), which is the Company's functional and presentation currency.

*(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.

**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 subsidiary 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) 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).

(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 Relevant Periods, 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. Any subsequent increase in the fair value of such assets is recognised directly in equity.

**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. 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 and 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.

**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.

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.

(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 by HIHL to employees and directors of the Group 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 HIHL’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 profits).

## 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 information. 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 information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### 2.17 Revenue recognition

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

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 information based on trade dates. Accordingly, only those transactions with trade dates falling 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.

Management, subscription and advisory fee income are recognised on an accrual basis.

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.

### 2.18 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.

### 2.19 Dividend distribution

Dividend distribution is recognised as a liability in the Group's financial information in the period in which the dividends are approved.

### 2.20 Related parties

For the purposes of this financial information, 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.

### 2.21 Finance costs

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

### 2.22 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.

**2.23 Trust accounts**

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

**2.24 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.

**3 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.

**3.1 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.

**3.2 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.

**3.3 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.

**3.4 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.

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

The Company is an investment holding company. The Group is principally engaged in the trading and brokering of precious metal contracts in Hong Kong and out of Hong Kong, provision of leveraged foreign exchange trading and brokering services outside Hong Kong, provision of financial related services outside Hong Kong and investment in a water plant business through an associate. Total revenue recognised during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2007 HK\$'000	2008 HK\$'000
				(Unaudited)	
<b>Turnover</b>					
Fees and commission	6,930	41,413	80,073	35,733	30,350
Net revenue from					
— foreign currency option trading	1,179	2,892	7,070	7,636	732
— bullion trading	20,701	79,638	102,804	40,075	48,969
Swap interest and foreign exchange trading revenue	4,680	33,172	63,300	20,196	31,579
Interest income	2,477	26,532	37,740	22,751	15,761
Management, subscription and advisory fee income	5,449	5,800	2,650	1,341	1,245
	<u>41,416</u>	<u>189,447</u>	<u>293,637</u>	<u>127,732</u>	<u>128,636</u>
<b>Other revenue</b>					
Dividend income from listed securities	—	133	420	313	48
Dividend income from available-for-sale financial assets	—	150	138	138	—
Other income	2	62	250	27	25
	<u>2</u>	<u>345</u>	<u>808</u>	<u>478</u>	<u>73</u>
<b>Other net (loss)/income</b>					
Net exchange (losses)/gains	(852)	4,258	8,384	1,421	(1,955)
Net realised gains/(losses) on financial assets at fair value through profit or loss	231	(2,308)	1,642	13	3
Net unrealised (losses)/gains on financial assets at fair value through profit or loss	—	(733)	(3,908)	162	(603)
Profit on disposal of available-for-sale financial assets	—	—	—	—	3,072
	<u>(621)</u>	<u>1,217</u>	<u>6,118</u>	<u>1,596</u>	<u>517</u>
	<u>40,797</u>	<u>191,009</u>	<u>300,563</u>	<u>129,806</u>	<u>129,226</u>

**Primary reporting format — Business segments**

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

1. Leveraged foreign exchange trading/brokering — provision of dealing and brokering in leveraged forex trading services on the world's major currencies.
2. Financial planning and related services — acting as an agent for the sale of savings plans, unit trusts, and providing advisory services on securities investment and discretionary fund management.
3. Precious metal contracts trading/brokering — provision of dealing and brokering trading services on selected precious metals.

There were no significant transactions between the business segments.

**Secondary reporting format — Geographical segments**

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

There were no significant transactions between the geographical segments.

## Primary reporting format — Business segments

Year ended 31 December 2005

	Leveraged foreign exchange trading/ brokering 2005 HK\$'000	Financial planning and related services 2005 HK\$'000	Precious metal contracts trading/ brokering 2005 HK\$'000	Unallocated 2005 HK\$'000	Total 2005 HK\$'000
Turnover from external customers	7,599	3,994	28,323	1,500	41,416
Segment results	1,151	(5,723)	5,574	(392)	610
Operating profit					610
Finance costs	(18)	—	(3)	—	(21)
Share of profits of associates	1,560	—	—	2,341	589 3,901
Profit before taxation					4,490
Income tax					(1,607)
Profit after taxation					2,883
Minority interests					384
Profit attributable to equity holders of the Company					3,267
Segment assets	35,849	15,619	15,041	15,502	82,011
Interests in associates	6,730	—	—	8,750	15,480
Unallocated assets					383
Total assets					97,874
Segment liabilities	28,703	2,932	4,235	43,785	79,655
Unallocated liabilities					729
Total liabilities					80,384
Capital expenditure	735	1,970	50	—	2,755
Depreciation	78	511	21	36	646
Impairment charge on goodwill	—	861	—	—	861
Other non-cash expenses	—	—	28	1	29

## Primary reporting format — Business segments

Year ended 31 December 2006

	Leveraged foreign exchange trading/ brokering 2006 HK\$'000	Financial planning and related services 2006 HK\$'000	Precious metal contracts trading/ brokering 2006 HK\$'000	Unallocated 2006 HK\$'000	Inter- segment elimination 2006 HK\$'000	Total 2006 HK\$'000
Turnover from external customers	51,652	5,032	130,244	2,519	—	189,447
Inter-segment turnover	—	—	—	2,289	(2,289)	—
Total	<u>51,652</u>	<u>5,032</u>	<u>130,244</u>	<u>4,808</u>	<u>(2,289)</u>	<u>189,447</u>
Segment results	<u>6,133</u>	<u>(7,267)</u>	<u>32,131</u>	<u>784</u>	<u>—</u>	<u>31,781</u>
Operating profit						31,781
Finance costs	(20)	—	(13)	(25)	—	<u>(58)</u>
Share of profits of associates	3,463	—	—	2,339	—	<u>5,802</u>
Profit before taxation						37,525
Income tax						<u>(7,716)</u>
Profit after taxation						29,809
Minority interests						<u>—</u>
Profit attributable to equity holders of the Company						<u>29,809</u>
Segment assets	227,731	22,293	142,696	15,573	—	408,293
Interests in associates	—	—	—	8,949	—	8,949
Unallocated assets						<u>954</u>
Total assets						<u>418,196</u>
Segment liabilities	200,617	1,281	101,798	57,195	—	360,891
Unallocated liabilities						<u>9,071</u>
Total liabilities						<u>369,962</u>
Capital expenditure	329	260	1,158	675	—	2,422
Depreciation	290	805	77	134	—	1,306
Impairment loss charged on trade receivables	1,636	—	330	—	—	1,966
Other non-cash expenses	—	—	—	17	—	17

## Primary reporting format — Business segments

Year ended 31 December 2007

	Leveraged foreign exchange trading/ brokering 2007 HK\$'000	Financial planning and related services 2007 HK\$'000	Precious metal contracts trading/ brokering 2007 HK\$'000	Unallocated 2007 HK\$'000	Inter- segment elimination 2007 HK\$'000	Total 2007 HK\$'000
Turnover from external customers	100,763	1,905	189,919	1,050	—	293,637
Inter-segment turnover	—	—	—	3,128	(3,128)	—
Total	<u>100,763</u>	<u>1,905</u>	<u>189,919</u>	<u>4,178</u>	<u>(3,128)</u>	<u>293,637</u>
Segment results	<u>7,676</u>	<u>(7,596)</u>	<u>41,028</u>	<u>(1,798)</u>	<u>—</u>	<u>39,310</u>
Operating profit						39,310
Finance costs	—	—	(55)	—	—	<u>(55)</u>
						39,255
Share of profits of associates	—	—	—	2,047	—	<u>2,047</u>
Profit before taxation						41,302
Income tax						<u>(10,388)</u>
Profit after taxation						30,914
Minority interests						<u>(2)</u>
Profit attributable to equity holders of the Company						<u>30,912</u>
Segment assets	205,575	14,488	270,838	20,996	—	511,897
Interests in associates	—	—	—	15,288	—	15,288
Unallocated assets						<u>564</u>
Total assets						<u>527,749</u>
Segment liabilities	261,527	991	106,916	66,584	—	436,018
Unallocated liabilities						<u>3,999</u>
Total liabilities						<u>440,017</u>
Capital expenditure	65	54	1,081	846	—	2,046
Depreciation	671	892	633	248	—	2,444
Impairment loss charged on trade receivables	765	—	146	—	—	911
Other non-cash expenses	1	—	—	247	—	248

**Primary reporting format — Business segments***Six months ended 30 June 2007*

	Leveraged foreign exchange trading/ brokering 2007 <i>HK\$'000</i> (Unaudited)	Financial planning and related services 2007 <i>HK\$'000</i> (Unaudited)	Precious metal contracts trading/ brokering 2007 <i>HK\$'000</i> (Unaudited)	Unallocated 2007 <i>HK\$'000</i> (Unaudited)	Inter- segment elimination 2007 <i>HK\$'000</i> (Unaudited)	Total 2007 <i>HK\$'000</i> (Unaudited)
Turnover from external customers	43,593	920	82,701	518	—	127,732
Inter-segment turnover	—	—	—	1,555	(1,555)	—
<b>Total</b>	<b>43,593</b>	<b>920</b>	<b>82,701</b>	<b>2,073</b>	<b>(1,555)</b>	<b>127,732</b>
<b>Segment results</b>	<b>2,747</b>	<b>(4,135)</b>	<b>16,769</b>	<b>(199)</b>	<b>—</b>	<b>15,182</b>
Operating profit						15,182
Finance costs	—	—	(27)	—	—	(27)
						15,155
Share of profits of associates	—	—	—	1,233	—	1,233
Profit before taxation						16,388
Income tax						(3,745)
Profit after taxation						12,643
Minority interests						—
Profit attributable to equity holders of the Company						<u>12,643</u>
Segment assets	138,008	17,939	229,219	23,859	—	409,025
Interests in associates	—	—	—	8,144	—	8,144
Unallocated assets						<u>1,502</u>
<b>Total assets</b>						<b><u>418,671</u></b>
Segment liabilities	168,444	1,069	109,266	63,292	—	342,071
Unallocated liabilities						<u>11,048</u>
<b>Total liabilities</b>						<b><u>353,119</u></b>
Capital expenditure	8	54	219	131	—	412
Depreciation	322	444	241	106	—	1,113
Impairment loss charged on trade receivables	418	—	119	—	—	537



**Primary reporting format — Business segments***Six months ended 30 June 2008*

	Leveraged foreign exchange trading/ brokering 2008 <i>HK\$'000</i>	Financial planning and related services 2008 <i>HK\$'000</i>	Precious metal contracts trading/ brokering 2008 <i>HK\$'000</i>	Unallocated 2008 <i>HK\$'000</i>	Inter- segment elimination 2008 <i>HK\$'000</i>	Total 2008 <i>HK\$'000</i>
Turnover from external customers	37,943	869	87,626	2,198	—	128,636
Inter-segment turnover	—	—	—	3,189	(3,189)	—
Total	<u>37,943</u>	<u>869</u>	<u>87,626</u>	<u>5,387</u>	<u>(3,189)</u>	<u>128,636</u>
Segment results	<u>2,874</u>	<u>(4,011)</u>	<u>8,855</u>	<u>765</u>	<u>—</u>	<u>8,483</u>
Operating profit						8,483
Finance costs	—	—	(20)	(64)	—	<u>(84)</u>
Share of profits of associates	—	—	—	1,407	—	<u>8,399</u> <u>1,407</u>
Profit before taxation						9,806
Income tax						<u>(2,711)</u>
Profit after taxation						7,095
Minority interests						<u>(84)</u>
Profit attributable to equity holders of the Company						<u>7,011</u>
Segment assets	144,486	15,413	120,518	38,084	—	318,501
Interests in associates	—	—	—	19,665	—	19,665
Unallocated assets						<u>2,316</u>
Total assets						<u>340,482</u>
Segment liabilities	101,649	5,061	61,990	86,338	—	255,038
Unallocated liabilities						<u>5,015</u>
Total liabilities						<u>260,053</u>
Capital expenditure	—	—	8	21,852	—	21,860
Depreciation	344	414	411	277	—	1,446
Impairment loss charged on goodwill	—	—	—	399	—	399
Impairment loss charged on trade receivables	118	—	538	—	—	656
Other non-cash expenses	—	—	—	2	—	2

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*

	Year ended 31 December			Six months ended 30 June	
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2007 HK\$'000 (Unaudited)	2008 HK\$'000
Hong Kong	30,021	66,171	3,587	43,858	64,022
Greater China (excluding Hong Kong)	10,434	87,698	278,014	73,145	59,481
Oceania	597	32,704	854	163	240
Switzerland	136	—	1,280	4,262	559
United States	—	—	1,086	442	86
United Kingdom	164	1,478	1,729	3,137	72
Other countries	64	1,396	7,087	2,725	4,176
	<u>41,416</u>	<u>189,447</u>	<u>293,637</u>	<u>127,732</u>	<u>128,636</u>

The following is an analysis of the carrying amount of segment assets, capital expenditure, analyzed by the geographical area in which the assets were located:

*Carrying amount of segment assets*

	As at 31 December			As at 30 June	
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2007 HK\$'000 (Unaudited)	2008 HK\$'000
Hong Kong	25,391	243,651	202,533	158,179	120,862
Greater China (excluding Hong Kong)	16,518	70,330	41,954	88,446	77,640
Oceania	—	13,076	13,112	13,105	14,518
Switzerland	24,194	33,218	89,317	34,106	65,476
United States	—	36,782	55,084	72,787	3,922
United Kingdom	1,381	1,136	73,296	19,535	19,105
Other countries	14,527	10,100	36,601	22,867	16,978
	82,011	408,293	511,897	409,025	318,501
Interests in associates	15,480	8,949	15,288	8,144	19,665
Unallocated assets	383	954	564	1,502	2,316
Total assets	<u>97,874</u>	<u>418,196</u>	<u>527,749</u>	<u>418,671</u>	<u>340,482</u>

*Capital expenditure*

	As at 31 December			As at 30 June	
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2007 HK\$'000 (Unaudited)	2008 HK\$'000
Hong Kong	50	1,138	1,060	217	577
Greater China (excluding Hong Kong)	1,970	935	873	186	21,101
Oceania	—	72	48	1	182
Switzerland	735	277	38	8	—
United States	—	—	—	—	—
United Kingdom	—	—	—	—	—
Other countries	—	—	27	—	—
	<u>2,755</u>	<u>2,422</u>	<u>2,046</u>	<u>412</u>	<u>21,860</u>

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

**5 STAFF COSTS**

	Year end 31 December			Six months ended 30 June	
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2007 HK\$'000 (Unaudited)	2008 HK\$'000
Salaries and allowances	10,222	31,108	45,565	18,303	24,215
Equity-settled share-based transactions ( <i>Note 22</i> )	—	200	888	633	(36)
Defined contribution plans ( <i>Note 25</i> )	<u>216</u>	<u>660</u>	<u>969</u>	<u>437</u>	<u>631</u>
	<u>10,438</u>	<u>31,968</u>	<u>47,422</u>	<u>19,373</u>	<u>24,810</u>

## 6 OTHER OPERATING EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2007 HK\$'000 (Unaudited)	2008 HK\$'000
Advertising and promotion	2,300	5,573	4,096	2,066	3,141
Auditors' remuneration	83	1,346	2,683	616	547
Bank charges	63	288	980	451	346
Communication expenses	398	1,875	3,592	1,707	1,425
Consultancy fee	372	4,999	9,233	3,076	5,133
Depreciation	646	1,306	2,444	1,113	1,446
Entertainment	429	658	1,702	474	1,138
Equipment rental expenses	536	1,141	1,561	802	888
Impairment of goodwill	861	—	—	—	399
Impairment loss on trade receivables	—	1,966	911	537	656
Insurance	395	806	984	314	361
Legal and professional fee	4,038	1,177	1,948	619	1,853
Loss on disposal of fixed assets	29	17	248	—	2
Miscellaneous expenses	2,678	7,994	11,726	4,410	5,346
Printing and stationery	335	692	883	460	531
Repairs and maintenance	377	405	566	223	766
Staff welfare	335	710	1,225	709	857
Traveling expenses	1,354	3,881	3,259	961	2,048
Computer expenses	231	651	466	206	296
Exhibition and seminars	155	273	1,521	502	445
Postage	40	126	169	79	119
Water and electricity	95	168	295	109	186
	<u>15,750</u>	<u>36,052</u>	<u>50,492</u>	<u>19,434</u>	<u>27,929</u>

## 7 FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2005	2006	2007	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest on bank overdrafts	18	25	1	—	1
Interest on bank loans	—	—	—	—	63
Interest on other loans	—	24	—	—	—
Interest on obligation under finance leases	3	9	54	27	20
	<u>21</u>	<u>58</u>	<u>55</u>	<u>27</u>	<u>84</u>

## 8 INCOME TAX

Hong Kong profits tax for the six months ended 30 June 2008 has been provided at the rate of 16.5% (2005, 2006 and 2007: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the Relevant Periods at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the combined income statement:

	Year ended 31 December			Six months ended 30 June	
	2005	2006	2007	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Current taxation:					
— Hong Kong profits tax	947	5,408	7,000	2,939	1,509
— Overseas taxation	390	2,789	2,646	1,940	850
— Under/(over) provision in respect of prior years	—	—	357	(587)	188
Deferred taxation relating to the origination and reversal of temporary differences (Note 16)	270	(481)	385	(547)	169
Effect of decrease in tax rate on deferred tax balance at 1 January (Note 16)	—	—	—	—	(5)
Taxation expenses	<u>1,607</u>	<u>7,716</u>	<u>10,388</u>	<u>3,745</u>	<u>2,711</u>

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

	Year ended 31 December			Six months ended 30 June	
	2005	2006	2007	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation (excluding share of profits of associates)	<u>589</u>	<u>31,723</u>	<u>39,255</u>	<u>15,155</u>	<u>8,399</u>
Notional tax on profit before taxation, calculated at the rate applicable to profits in the countries concerned	(111)	5,762	7,333	2,550	1,192
Tax effect of income not subject to taxation	(8)	(303)	(697)	(370)	(610)
Tax effect of expenses not deductible for taxation purposes	273	463	699	447	120
Utilisation of previously unrecognised tax losses	(30)	(23)	(9)	—	166
Effect on opening deferred tax balances resulting from a decrease in tax rate during the period	—	—	—	—	(5)
Tax losses for which no deferred income tax assets were recognised	1,483	1,817	2,705	1,705	1,660
Under/(over)-provision in prior years	<u>—</u>	<u>—</u>	<u>357</u>	<u>(587)</u>	<u>188</u>
Taxation expenses	<u>1,607</u>	<u>7,716</u>	<u>10,388</u>	<u>3,745</u>	<u>2,711</u>

## 9 DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2005	2006	2007	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Special dividend paid	3,500	—	—	—	—
Final dividend proposed	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,000</u>
	<u>3,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,000</u>

## 10 INTANGIBLE ASSETS

	<i>Note</i>	<b>Membership of The Chinese Gold &amp; Silver Exchange Society <i>HK\$'000</i></b>	<b>Goodwill on acquisition of subsidiaries <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Cost</b>				
At 1 January 2005		180	785	965
Acquisition of a subsidiary	28(b)	<u>—</u>	<u>76</u>	<u>76</u>
At 31 December 2005		180	861	1,041
Acquisition of a subsidiary	28(b)	<u>—</u>	<u>4,973</u>	<u>4,973</u>
At 31 December 2006		180	5,834	6,014
Acquisition of a subsidiary	28(b)	<u>—</u>	<u>399</u>	<u>399</u>
At 31 December 2007		180	6,233	6,413
Acquisition of a subsidiary	28(b)	<u>—</u>	<u>45</u>	<u>45</u>
At 30 June 2008		<u><u>180</u></u>	<u><u>6,278</u></u>	<u><u>6,458</u></u>
<b>Accumulated impairment losses</b>				
At 1 January 2005		—	—	—
Charge for the year		<u>—</u>	<u>861</u>	<u>861</u>
At 31 December 2005, 1 January 2006, 31 December 2006, 1 January 2007, 31 December 2007 and 1 January 2008		<u>—</u>	<u>861</u>	<u>861</u>
Charge for the period		<u>—</u>	<u>399</u>	<u>399</u>
At 30 June 2008		<u><u>—</u></u>	<u><u>1,260</u></u>	<u><u>1,260</u></u>
<b>Carrying amount</b>				
At 31 December 2005		<u><u>180</u></u>	<u><u>—</u></u>	<u><u>180</u></u>
At 31 December 2006		<u><u>180</u></u>	<u><u>4,973</u></u>	<u><u>5,153</u></u>
At 31 December 2007		<u><u>180</u></u>	<u><u>5,372</u></u>	<u><u>5,552</u></u>
At 30 June 2008		<u><u>180</u></u>	<u><u>5,018</u></u>	<u><u>5,198</u></u>

## 11 FIXED ASSETS

	Freehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture & fixtures <i>HK\$'000</i>	Office & computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>						
At 1 January 2005	—	225	12	1,007	—	1,244
Additions	—	1,688	518	486	63	2,755
Disposals	—	(222)	—	(179)	—	(401)
Exchange difference	—	(3)	—	(14)	—	(17)
At 31 December 2005 and 1 January 2006	—	1,688	530	1,300	63	3,581
Additions through acquisition of a subsidiary	2,157	—	1,270	2,435	117	5,979
Additions	—	925	440	878	179	2,422
Disposals	—	—	—	(81)	—	(81)
Reclassification	—	—	(66)	66	—	—
Exchange difference	168	(10)	138	194	18	508
At 31 December 2006 and 1 January 2007	2,325	2,603	2,312	4,792	377	12,409
Additions through acquisition of a subsidiary	—	—	103	—	—	103
Additions	—	1,162	694	190	—	2,046
Disposals	—	—	(344)	(13)	—	(357)
Exchange difference	200	19	157	267	29	672
At 31 December 2007 and 1 January 2008	2,525	3,784	2,922	5,236	406	14,873
Additions	21,057	209	116	477	—	21,859
Write-off	—	—	(13)	(30)	—	(43)
Exchange difference	108	139	70	107	30	454
At 30 June 2008	<u>23,690</u>	<u>4,132</u>	<u>3,095</u>	<u>5,790</u>	<u>436</u>	<u>37,143</u>



	Freehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture & fixtures <i>HK\$'000</i>	Office & computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Accumulated depreciation</b>						
At 1 January 2005	—	75	2	131	—	208
Charge for the year	—	354	56	234	2	646
Disposals	—	(129)	—	(47)	—	(176)
Exchange difference	—	(8)	(2)	(1)	—	(11)
At 31 December 2005 and 1 January 2006	—	292	56	317	2	667
Additions through acquisition of a subsidiary	115	—	348	1,814	44	2,321
Charge for the year	9	634	209	417	37	1,306
Disposals	—	—	—	(57)	—	(57)
Exchange difference	9	(14)	36	140	4	175
At 31 December 2006 and 1 January 2007	133	912	649	2,631	87	4,412
Additions through acquisition of a subsidiary	—	—	58	—	—	58
Charge for the year	37	1,112	486	712	97	2,444
Disposals	—	—	(98)	(11)	—	(109)
Reclassification	—	—	1	(1)	—	—
Exchange difference	12	16	67	196	12	303
At 31 December 2007 and 1 January 2008	182	2,040	1,163	3,527	196	7,108
Charge for the period	71	633	307	381	54	1,446
Write-back	—	—	(4)	(30)	—	(34)
Exchange difference	(1)	117	30	57	11	214
At 30 June 2008	252	2,790	1,496	3,935	261	8,734
<b>Net book value</b>						
At 31 December 2005	—	1,396	474	983	61	2,914
At 31 December 2006	2,192	1,691	1,663	2,161	290	7,997
At 31 December 2007	2,343	1,744	1,759	1,709	210	7,765
At 30 June 2008	23,438	1,342	1,599	1,855	175	28,409

The Group's freehold land and buildings are located outside Hong Kong.

## 12 SUBSIDIARIES

The following is a list of subsidiaries included in this combined financial information at 30 June 2008:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held directly	Interest held indirectly
Hantec Bullion Investments Limited (“HBIL”) <sup>1</sup>	Hong Kong	Trading and broking of precious metal contracts in Hong Kong	7,500,000 ordinary shares of HK\$1 each	—	100%
Hantec Financial Services Limited (“HFSL”) <sup>1</sup>	Hong Kong	Investment holding in Hong Kong	100 ordinary shares of HK\$1 each	—	100%
Hantec Business Consultant Limited (“HBCL”) <sup>1</sup>	Hong Kong	Investment holding in Hong Kong	1,000,000 ordinary shares of HK\$1 each	—	100%
Hantec Taiwan Investments Limited (“HTIL”) <sup>1</sup>	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) <sup>1</sup>	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”) <sup>1</sup>	Switzerland	Trading and broking services in foreign exchange and precious metal contracts in Switzerland	1,000,000 ordinary shares of CHF1 each	—	100%
北京康景商業顧問有限公司* (“康景”) <sup>2</sup>	People’s Republic of China	Consultation services in the People’s Republic of China	US\$150,000 registered and paid-up capital	—	100%
HT (Overseas) Limited (“HTOL”) <sup>3</sup>	Macau	Provide administrative support services in Macau	MOP25,000 registered and paid-up capital	—	100%
Macro Jess Ltd. (“MJL”) <sup>4</sup>	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%	—
Hantec Strategic Plan (HK) Limited (“HSPL”) <sup>4</sup>	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%	—
Hantec (New Zealand) Investment Company Limited (“HNZICL”) <sup>4</sup>	New Zealand	Dormant	10,000 ordinary shares of NZ\$1 each	—	100%

## APPENDIX II

## FINANCIAL INFORMATION ON THE HPL GROUP

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held directly	Interest held indirectly
Cosmos Hantec Investment (NZ) Limited (“CHI”) <sup>5</sup>	New Zealand	Trading and broking services in foreign exchange and precious metal contracts in New Zealand	1,000,000 ordinary shares of NZ\$1 each	—	100%
Cosmos Hantec International Investments Limited (“CHII”) <sup>6</sup>	Macau	Provide administrative support services in Macau	MOP25,000 registered and paid-up capital	—	100%
Hantec International Enterprises Limited (“HIEL”) <sup>7</sup>	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%	—
Hantec Investimentos Do Brasil Limitada (“HIDBL”) <sup>7</sup>	Brasil	Dormant	10,000 ordinary shares of R\$1 each	—	100%
Hantec (UK) Incorporated (“HUKI”) <sup>7</sup>	British Virgin Islands	Dormant	10,000 ordinary shares of US\$1 each	100%	—
Hantec Canada Investments Limited (“HCADIL”) <sup>7</sup>	British Virgin Islands	Investment holding in Hong Kong	10,000 ordinary shares of US\$1 each	100%	—
Ringus Solution Enterprise Limited (“RSEL”) <sup>7</sup>	Hong Kong	IT services	1,240,000 ordinary shares of HK\$1 each	—	75%
Hantec Markets (Australia) Pty Limited <sup>7</sup>	Australia	Leveraged foreign exchange and bullion trading	1,000,000 ordinary shares of AU\$1 each	—	100%
俊森實業有限公司 <sup>7</sup>	Taiwan	Electronic product trading and holding of properties	NT\$5,000,000 registered and paid up capital	100%	—
北京國際經濟技術有限責任公司* (“經濟公司”) <sup>8</sup>	People’s Republic of China	Business consultancy	RMB700,000 registered and paid-up capital	—	91%
北京亨達投資諮詢顧問有限公司* (“北京亨達”) <sup>9</sup>	People’s Republic of China	Business consultancy	HK\$4,000,000 registered and paid-up capital	—	100%

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

*Notes:*

1. The statutory financial statements of these companies for the year ended 31 December 2005 were audited by PricewaterhouseCoopers. KPMG were statutory auditors of these companies for the years ended 31 December 2006 and 2007.
2. The statutory financial statements of this company for the years ended 31 December 2005, 2006 and 2007 were audited by Beijing Sen He Guang Certified Public Accountants Co. Ltd.
3. The financial statements of this company have not been audited for the year ended 31 December 2005 as they were newly incorporated in 2005. The financial statements of this company for the years ended 31 December 2006 and 2007 were audited by HVM & Associates Certified Public Accountants and CSC & Associates respectively.
4. The financial statements of these companies have not been audited as there is no requirement to prepare audited financial statements under the legislation of their respective jurisdictions of incorporation.
5. KPMG were statutory auditors of this company for the years ended 31 December 2005, 2006 and 2007.
6. The financial statements of this company for the years ended 31 December 2005, 2006 and 2007 were audited by Chan Hio Wan, Certified Public Accountant, HVM & Associates Certified Public Accountants and CSC & Associates respectively.
7. The financial statements of these companies have not been audited as they are newly incorporated.
8. This company was newly acquired in 2007. The statutory financial statements of this company for the year ended 31 December 2007 were audited by Beijing Sen He Guang Certified Public Accountants Co. Ltd.
9. This company was newly incorporated in 2007. The statutory financial statements of this company for the year ended 31 December 2007 were audited by Beijing Sen He Guang Certified Public Accountants Co. Ltd.

## 13 INTERESTS IN ASSOCIATES

	As at 31 December			As at 30 June
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
Share of net assets at 1 January	12,468	14,932	8,401	9,740
Share of associates' results for the year/ period				
— profit before taxation	5,652	8,546	2,947	2,043
— taxation	(1,741)	(2,744)	(900)	(636)
— minority interest	(10)	—	—	—
	3,901	5,802	2,047	1,407
	16,369	20,734	10,448	11,147
Acquisition of associates	—	—	1,171	—
Disposal of an associate	—	(9,988)	—	(848)
Dividend income from an associate	(549)	(1,673)	(1,637)	(1,719)
Exchange difference	(888)	(672)	(242)	537
Share of net assets at 31 December/30 June	14,932	8,401	9,740	9,117
Loan to an associate	—	—	5,000	10,000
Goodwill on acquisition less impairment	548	548	548	548
	15,480	8,949	15,288	19,665
Investment at cost, unlisted shares	7,296	6,000	12,171	17,171

The loan to an associate was unsecured, interest free and repayable on demand.

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	Profit/ indirectly				% of interest held
			Assets HK\$'000	Liabilities HK\$'000	Revenue HK\$'000	(loss) HK\$'000	
<b>2005</b>							
Cosmos Hantec Investment (NZ) Limited ("CHI") <sup>1</sup>	300,000 ordinary shares of NZ\$1 each	New Zealand	36,889	30,159	40,309	1,560	30%
元太外匯經紀股份有限公司 ("元太") <sup>2</sup>	2,400,000 ordinary shares of NT\$10 each	Taiwan	10,621	2,419	8,782	2,341	20%
			47,510	32,578	49,091	3,901	

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Revenue	Profit/ (loss)	% of interest held indirectly
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>2006</b>							
Cosmos Hantec Investment (NZ) Limited (“CHI”) <sup>#,1</sup>	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”) <sup>2</sup>	2,400,000 ordinary shares of NTS10 each	Taiwan	10,622	2,221	9,274	2,339	20%
			<u>10,622</u>	<u>2,221</u>	<u>50,854</u>	<u>5,802</u>	
<b>2007</b>							
元太外匯經紀股份有限公司 (“元太”) <sup>2</sup>	2,400,000 ordinary shares of NTS10 each	Taiwan	10,357	1,583	9,004	2,353	20%
Hantec Jiangdu Riverside Developing Zone Water Industry Limited (“HJRDZWIL”) <sup>3</sup>	2,000 ordinary shares of HK\$1 each	Hong Kong	8,753	8,635	222	3	20%
HS Hantec Holdings Limited (“HSH”) <sup>4</sup>	1,500,000 common shares of CAD 0.1 each	Canada	848	—	—	(309)	25%
			<u>19,958</u>	<u>10,218</u>	<u>9,226</u>	<u>2,047</u>	
<b>2008</b>							
元太外匯經紀股份有限公司 (“元太”) <sup>2</sup>	2,400,000 ordinary shares of NTS10 each	Taiwan	10,873	2,346	5,241	1,409	20%
Hantec Jiangdu Riverside Developing Zone Water Industry Limited (“HJRDZWIL”) <sup>3</sup>	2,000 ordinary shares of HK\$1 each	Hong Kong	11,811	11,220	393	(2)	20%
			<u>22,684</u>	<u>13,566</u>	<u>5,634</u>	<u>1,407</u>	

# From 1 January 2006 to 29 September 2006.

*Notes:*

1. KPMG were statutory auditors of this company for the years ended 31 December 2005, 2006 and 2007.
2. The financial statements of this company for the years ended 31 December 2005, 2006 and 2007 were audited by Dinkam & Co., CPAs.
3. The financial statements of this company for the year ended 31 December 2007 were audited by Andrew K. C. Lai & Company, CPAs.
4. The financial statements of these companies have not been audited as they were newly incorporated in 2007.

## 14 OTHER ASSETS

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Chinese Gold & Silver Exchange Society				
— Electronic trading deposit	—	—	—	200
	<u>—</u>	<u>—</u>	<u>—</u>	<u>200</u>

## 15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fair value of listed and unlisted securities held for non-trading purposes				
At 1 January	3,267	12,089	10,236	12,293
Additions	6,331	136	—	848
Disposal	—	—	—	(9,598)
Realised profit on available-for-sale financial assets (Note 22)	—	—	—	(2,558)
Revaluation surplus/(deficit) transferred to equity (Note 22)	<u>2,491</u>	<u>(1,989)</u>	<u>2,057</u>	<u>(1)</u>
At 31 December/30 June	<u>12,089</u>	<u>10,236</u>	<u>12,293</u>	<u>984</u>

There were no impairment provisions on available-for-sale financial assets.

Available-for-sale financial assets include the following:

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted securities	<u>12,089</u>	<u>10,236</u>	<u>12,293</u>	<u>984</u>

## 16 DEFERRED INCOME TAX

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2005, 2006 and 2007: 17.5%).

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets	(383)	(954)	(564)	(402)
Deferred tax liabilities	<u>9</u>	<u>99</u>	<u>94</u>	<u>96</u>
	<u>(374)</u>	<u>(855)</u>	<u>(470)</u>	<u>(306)</u>

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

	As at 31 December			As at 30 June
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
Beginning of the year/period	(661)	(374)	(855)	(470)
Effect on change in exchange rate	17	—	—	—
Effect of decrease in tax rate ( <i>Note 8</i> )	—	—	—	(5)
Deferred taxation charged to income statement ( <i>Note 8</i> )	270	(481)	385	169
End of the year/period	<u>(374)</u>	<u>(855)</u>	<u>(470)</u>	<u>(306)</u>

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2005	9	(671)	(662)
Charged to income statement	—	288	288
At 31 December 2005 and At 1 January 2006	9	(383)	(374)
Charged to income statement	90	(571)	(481)
At 31 December 2006 and At 1 January 2007	99	(954)	(855)
Charged to income statement	(5)	390	385
At 31 December 2007 and At 1 January 2008	94	(564)	(470)
Effect on change in tax rate	(5)	—	(5)
Charged to income statement	7	162	169
At 30 June 2008	<u>96</u>	<u>(402)</u>	<u>(306)</u>

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. As at 31 December 2005, 2006 and 2007, and 30 June 2008, the Group had unrecognised tax losses of HK\$4,868,128, HK\$11,724,079, HK\$20,372,536 and HK\$26,324,434 to carry forward against future taxable income.



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

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed securities:				
Equity securities — Hong Kong	—	12,858	1,588	2,071
Market value of listed securities	—	12,858	1,588	2,071

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

## 18 TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables from clients	1,174	36,064	25,938	50,298
Less: impairment allowance of trade receivables ( <i>Note (b)</i> )	—	(1,327)	(394)	(1,044)
Margin and other trade related deposits with brokers and financial institutions ( <i>Note (c)</i> )	20,201	180,642	213,718	65,323
Total trade receivables, net	21,375	215,379	239,262	114,577
Rental and utilities deposits	342	726	859	1,132
Prepayments and other receivables	2,224	12,350	2,003	4,974
Total trade and other receivables	23,941	228,455	242,124	120,683

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

- (a) As at 31 December 2005, 2006 and 2007, and 30 June 2008, the aging analysis of the trade receivables was as follows:

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current	21,375	211,935	232,912	104,488
30–60 days	—	—	62	—
Over 60 days	—	3,444	6,288	10,089
	21,375	215,379	239,262	114,577

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

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	—	—	(1,327)	(394)
Impairment loss charged	—	(1,966)	(911)	(656)
Uncollectible amounts written off	—	673	1,924	—
Exchange difference	—	(34)	(80)	6
At 31 December	—	(1,327)	(394)	(1,044)

- (c) The Group undertakes foreign exchange transactions and precious metal contracts with counterparties, local or overseas brokers as appropriate. Trade receivables 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.
- (d) 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 and precious metal contracts are required to observe the Group's margin policies. For leveraged foreign exchange 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.
- (e) 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.
- (f) The effective interest rates at the balance sheet dates were as follows:

	2005	As at 31 December		As at 30 June
		2006	2007	2008
Trade receivables and margin loans	7.75%–15.75%	7.75%–15.75%	6.75%–14.75%	5.25%–13.25%
Margins and other related deposit	1.5%	1.75%	1.2%	0.1%

## 19 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

These amounts represented amount due from/(to) subsidiaries of Hantec Investment Holdings Limited. These amounts were unsecured, interest-free and repayable on demand.

## 20 BANK BALANCES AND CASH

	As at 31 December			As at 30 June
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
Cash in hand	35	125	131	83
Bank balances				
— pledged	—	—	2,486	2,522
— general accounts	42,794	116,384	212,721	107,451
	42,794	116,384	215,207	109,973
	42,829	116,509	215,338	110,056
By maturity:				
Bank balances				
— current and savings accounts	28,459	94,876	121,534	48,202
— fixed deposits (maturing within three months)	14,335	21,508	86,459	48,709
— fixed deposits (maturing over three months)	—	—	7,214	13,062
	42,794	116,384	215,207	109,973

As at 31 December 2007 and 30 June 2008, bank deposits amounting to HK\$2,485,952 and HK\$2,522,005 respectively were pledged to a financial institution as security for the provision of bullion trading facilities respectively. There was no pledged deposit as at 31 December 2005 and 2006.

## Cash and cash equivalents

	Note	As at 31 December			As at 30 June
		2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
Cash in hand		35	125	131	83
Bank balances					
— pledged		—	—	2,486	2,522
— general accounts		42,794	116,384	212,721	107,451
Cash and cash equivalents in the combined balance sheet		42,829	116,509	215,338	110,056
Bank balances					
— pledged		—	—	(2,486)	(2,522)
— fixed deposits (maturing over three months)		—	—	(7,214)	(13,062)
Unsecured bank overdrafts	24	42,829 (1)	116,509 (1)	205,638 (13)	94,472 (3)
Cash and cash equivalents in the combined cash flow statement	21	42,828	116,508	205,625	94,469

**21 SHARE CAPITAL**

The Company was incorporated on 20 August 2008 and is authorised to issue up to a maximum of 1 billion shares of HK\$0.10 each, 1 share of which has been issued.

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 general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

**Capital management**

The HPL Group's primary objectives when managing capital are to safeguard the HPL 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.

The HPL Group defined "capital" as including all components of equity loans from HPL Group companies with no fixed terms of repayment, less unaccrued proposed dividends. Trading balances that arise as a result of trading transactions with other HPL Group companies are not regarded by the HPL Group as capital. On this basis the amounts of capital employed at 31 December 2005, 2006 and 2007, and 30 June 2008 were HK\$17,490,000, HK\$48,234,000, HK\$72,732,000 and HK\$80,429,000 respectively.

The HPL 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, to the extent that these do not conflict with the directors' fiduciary duties towards the HPL Group or the requirements of the Hong Kong Companies Ordinance. The results of the directors' review of the HPL Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

The HPL Group was not subject to externally imposed capital requirement.

## 22 RESERVES

		Capital reserves	Investment revaluation reserve	Exchange reserve	Retained earnings	Total
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2005		7,510	—	1,654	7,739	16,903
Profit for the year		—	—	—	3,267	3,267
2005 special dividends paid	9	—	—	—	(3,500)	(3,500)
Surplus on revaluation of available-for-sale financial assets	15	—	2,491	—	—	2,491
Exchange difference		—	—	(1,671)	—	(1,671)
Balance at 31 December 2005		<u>7,510</u>	<u>2,491</u>	<u>(17)</u>	<u>7,506</u>	<u>17,490</u>
Balance at 1 January 2006		7,510	2,491	(17)	7,506	17,490
Profit for the year		—	—	—	29,809	29,809
Equity-settled share-based transactions	5	200	—	—	—	200
Deficit on revaluation of available-for-sale financial assets	15	—	(1,989)	—	—	(1,989)
Exchange difference		—	—	2,724	—	2,724
Balance at 31 December 2006		<u>7,710</u>	<u>502</u>	<u>2,707</u>	<u>37,315</u>	<u>48,234</u>
Balance at 1 January 2007		7,710	502	2,707	37,315	48,234
Profit for the year		—	—	—	30,912	30,912
Capital contributions from controlling shareholder		1,086	—	—	—	1,086
Equity-settled share-based transactions	5	888	—	—	—	888
Surplus on revaluation of available-for-sale financial assets	15	—	2,057	—	—	2,057
Exchange difference		—	—	4,220	—	4,220
At 31 December 2007 and 1 January 2008		<u>9,684</u>	<u>2,559</u>	<u>6,927</u>	<u>68,227</u>	<u>87,397</u>

		Capital reserves	Investment revaluation reserve	Exchange reserve	Retained earnings	Total
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2008		9,684	2,559	6,927	68,227	87,397
Profit for the period		—	—	—	7,011	7,011
2007 final dividend paid	9	—	—	—	(15,000)	(15,000)
Realised profit on available-for-sale financial assets	15	—	(2,558)	—	—	(2,558)
Deficit on revaluation of available-for-sale financial asset	15	—	(1)	—	—	(1)
Equity-settled share-based transactions	5	(36)	—	—	—	(36)
Exchange difference				3,197		3,197
		<u>9,648</u>	<u>—</u>	<u>10,124</u>	<u>60,238</u>	<u>80,010</u>
Balance at 30 June 2008						
At 31 December 2005						
Company and subsidiaries		7,510	2,491	(575)	(120)	9,306
Associates		—	—	558	7,626	8,184
		<u>7,510</u>	<u>2,491</u>	<u>(17)</u>	<u>7,506</u>	<u>17,490</u>
At 31 December 2006						
Company and subsidiaries		7,710	502	3,066	34,007	45,285
Associates		—	—	(359)	3,308	2,949
		<u>7,710</u>	<u>502</u>	<u>2,707</u>	<u>37,315</u>	<u>48,234</u>
At 31 December 2007						
Company and subsidiaries		9,684	2,559	7,528	64,509	84,280
Associates		—	—	(601)	3,718	3,117
		<u>9,684</u>	<u>2,559</u>	<u>6,927</u>	<u>68,227</u>	<u>87,397</u>
At 30 June 2008						
Company and subsidiaries		9,648	—	10,175	56,523	76,346
Associates		—	—	(51)	3,715	3,664
		<u>9,648</u>	<u>—</u>	<u>10,124</u>	<u>60,238</u>	<u>80,010</u>

**(a) Capital reserves**

Capital reserves of the Group represent (i) the capital contributions from the controlling shareholder of the Group and (ii) the fair value of the actual or estimated number of unexercised share options granted to employees of the Group under the share option scheme of HIHL in accordance with the accounting policy adopted for share-based payment in note 2.15(d).

**(b) Investment revaluation reserve**

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

## 23 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Margin and other deposits payable to clients	27,647	190,753	284,940	109,687
Trade payable to brokers and clearing houses arising from the ordinary course of business of broking in leveraged foreign exchange trading	—	32,927	27,751	7,996
Total trade payables	27,647	223,680	312,691	117,683
Accruals and other payables	7,180	20,197	17,823	17,452
Total trade and other payables	34,827	243,877	330,514	135,135

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

Margin deposits received from clients for their trading of leveraged foreign exchange and precious metal contracts, and the balances were payable within one month.

The effective interest rates at the balance sheet dates were as follows:

	2005	As at 31 December		As at 30 June
		2006	2007	2008
Trade payables	1.5%–2%	1.75%–4.75%	1.2%–4.9%	0.1%–2.3%

## 24 BANK LOANS AND OVERDRAFTS

## (a) Bank overdrafts

	Note	As at 31 December			As at 30 June
		2005	2006	2007	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unsecured bank overdrafts	20	1	1	13	3
Total borrowings		1	1	13	3

The effective interest rates at the balance sheet dates were as follows:

	2005	As at 31 December		As at 30 June
		2006	2007	2008
Unsecured bank overdrafts	—	7.5%–8.375%	13.5%	7.75%–16%

**(b) Secured Mortgage loan**

	As at 31 December			As at
	2005	2006	2007	30 Jun
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Within one year	—	—	—	692
After one year but within five years	—	—	—	12,039
	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,731</u>

The mortgage loan was secured by the Group's land and building located in Taiwan of a carrying value of HK\$21,125,000. The mortgage loan is denominated in New Taiwan Dollars and had an effective interest rate of 3%.

**25 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:

	Year ended 31 December			Six months ended 30 June	
	2005	2006	2007	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Gross employer's contributions	220	710	973	441	637
Less: Forfeited contributions utilised to offset employer's contribution for the year	<u>(4)</u>	<u>(50)</u>	<u>(4)</u>	<u>(4)</u>	<u>(6)</u>
Net employer's contributions charged to income statement	<u>216</u>	<u>660</u>	<u>969</u>	<u>437</u>	<u>631</u>

**26 DIRECTORS' AND SENIOR MANAGERMENTS EMOLUMENTS****(a) Directors' emoluments**

No emolument was paid or payable to directors of the Company during the Relevant Periods.



**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the six months ended 30 June 2008, 30 June 2007 and for the year ended 31 December 2007, 31 December 2006 and 31 December 2005 whose emoluments are as follows:

	Year ended 31 December			Six months ended	
				30 June	
	2005	2006	2007	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Basic salaries, other allowances and benefits in kind	1,288	3,677	3,415	1,754	2,331
Bonus	213	1,107	1,544	—	—
Equity-settled share-based transactions	—	52	533	216	165
Defined contribution plans	27	35	39	17	20
	<u>1,528</u>	<u>4,871</u>	<u>5,531</u>	<u>1,987</u>	<u>2,516</u>

The emoluments fell within the following bands:

	Number of individuals			Six months ended	
	Year ended 31 December			30 June	
	2005	2006	2007	2007	2008
Emolument bands					
HK\$Nil–HK\$1,000,000	5	3	3	5	5
HK\$1,000,001–HK\$1,500,000	—	1	1	—	—
HK\$1,500,001–HK\$2,000,000	—	1	1	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

**27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS**

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

- (a) The terms and conditions of the grants awarded to employees of the HPL Group that existed during the Relevant Periods were as follows:

	Number of instruments				Vesting conditions	Contractual Life of options
	Year ended 31 December			Six months ended		
	2005	2006	2007	30 June 2008		
<b>Options granted to employees</b>						
— on 13 November 2006	—	500,000	500,000	150,000	40% to be vested on 1 May 2007, 30% to be vested on 1 May 2008, 30% to be vested on 1 May 2009	5 years after vesting
	<u>—</u>	<u>500,000</u>	<u>500,000</u>	<u>150,000</u>		
<b>Total share options</b>	<u>—</u>	<u>500,000</u>	<u>500,000</u>	<u>150,000</u>		

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

	Year ended 31 December						Six months ended 30 June	
	2005		2006		2007		2008	
	Weighted average exercise price <i>HK\$</i>	Number of options	Weighted average exercise price <i>HK\$</i>	Number of options	Weighted average exercise price <i>HK\$</i>	Number of options	Weighted average exercise price <i>HK\$</i>	Number of options
Outstanding at the beginning of the period	—	—	—	—	0.88	500,000	0.88	500,000
Forfeited during the period	—	—	—	—	—	—	—	—
Exercised during the period	—	—	—	—	—	—	0.88	(350,000)
Granted during the period	—	—	0.88	500,000	—	—	—	—
Outstanding at the end of the period	<u>—</u>	<u>—</u>	<u>0.88</u>	<u>500,000</u>	<u>0.88</u>	<u>500,000</u>	<u>0.88</u>	<u>150,000</u>
Exercisable at the end of the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>0.88</u>	<u>200,000</u>	<u>—</u>	<u>—</u>

The exercise price of outstanding options and weighted average remaining contractual life at the balance sheet date were as follows:

	As at 31 December			As at
	2005	2006	2007	30 June 2008
Exercise price of outstanding options of the end of the Relevant Period ( <i>HK\$</i> )	—	0.88	0.88	0.88
Weighted average remaining contractual life	—	6.23 years	5.23 years	5.83 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.

	13 November 2006
<b>Fair value of share options and assumptions on grant date</b>	
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)	<u>3.754%</u>

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.

No share options have been granted subsequent to 13 November 2006.

## 28 NOTES TO THE COMBINED CASH FLOW STATEMENT

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

	Year ended 31 December			Six months ended 30 June	
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2007 HK\$'000 (Unaudited)	2008 HK\$'000
Operating profit before taxation	4,490	37,525	41,302	16,388	9,806
Depreciation	646	1,306	2,444	1,113	1,446
Diminution/(appreciation) in value of financial assets at fair value through profit or loss	—	733	3,908	(162)	603
(Profit)/loss on disposal of financial assets at fair value through profit or loss	(231)	2,308	(1,642)	(13)	(3)
Profit on disposal of available-for- sales financial assets	—	—	—	—	(3,072)
Interest expenses	21	58	55	27	84
Dividend income from listed securities	—	(133)	(420)	(313)	(48)
Dividend income from available- for-sale financial assets	—	(150)	(138)	(138)	—
Share of profits of associates	(3,901)	(5,802)	(2,047)	(1,233)	(1,407)
Loss on disposal of fixed assets	29	17	248	—	2
Impairment loss for trade and other receivables	—	1,966	911	537	656
Equity-settled share-based transactions	—	200	888	633	(36)
Increase in fixed deposit with maturity over three months	—	—	(7,214)	(7,163)	(5,848)
Impairment charge on goodwill	861	—	—	—	399
Increase in pledged deposits	—	—	(2,486)	—	(36)
Operating profit before working capital changes	1,915	38,028	35,809	9,676	2,546
Increase in other assets	—	—	—	—	(200)
(Increase)/decrease in trade and other receivables	(18,488)	(57,909)	(14,506)	5,016	120,791
(Increase)/decrease in amounts due from related companies	(58)	(27,027)	(152)	21	(23,663)
Increase/(decrease) in trade and other payables	33,127	25,246	86,464	(22,938)	(195,379)
Increase/(decrease) in amounts due to related companies	25,356	55,396	(11,522)	4,118	1,678
Cash inflow/(outflow) from operations	41,852	33,734	96,093	(4,107)	(94,227)
Hong Kong profits tax paid	(1,260)	(1,284)	(9,842)	(7)	—
Overseas tax paid	—	(2,112)	(5,668)	(2,538)	(3,582)
Net cash inflow/(outflow) from operating activities	40,592	30,338	80,583	(6,652)	(97,809)

**(b) Purchase of subsidiaries:**

	Year ended 31 December			Six months ended 30 June	
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2007 HK\$'000	2008 HK\$'000
				(Unaudited)	
Net assets acquired					
Fixed assets	—	3,658	45	—	—
Financial assets at fair value through profit or loss	—	25,934	—	—	—
Trade and other receivables	—	148,571	74	—	6
Bank balances and cash — general accounts	—	42,064	309	—	1,254
Trade and other payables	—	(183,804)	(173)	—	—
Taxation payable	—	(3,129)	—	—	—
Remaining minority interest of a subsidiary acquired	2,899	—	—	—	—
	2,899	33,294	255	—	1,260
Share of minority interests	—	—	(23)	—	—
Goodwill arising on acquisition (Note 10)	76	4,973	399	—	45
Total purchase price	<u>2,975</u>	<u>38,267</u>	<u>631</u>	<u>—</u>	<u>1,305</u>
Satisfied by:					
Cash	2,975	11,489	631	—	1,305
Amounts due to related companies	—	16,790	—	—	—
Interests in associate prior to the acquisition	—	9,988	—	—	—
	<u>2,975</u>	<u>38,267</u>	<u>631</u>	<u>—</u>	<u>1,305</u>

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

	Year ended 31 December			Six months ended 30 June	
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2007 HK\$'000	2008 HK\$'000
				(Unaudited)	
Cash consideration	(2,975)	(11,489)	(631)	—	(1,305)
Cash and bank balances acquired	—	42,064	309	—	1,254
Cash flow on acquisition net of cash acquired	<u>(2,975)</u>	<u>30,575</u>	<u>(322)</u>	<u>—</u>	<u>(51)</u>

**29 CONTINGENT LIABILITIES****Outstanding litigation cases**

A writ of summons dated 11 July 2006 was served on a subsidiary of the Company and two other subsidiaries of HIHL as defendants by a former account executive claiming (being the plaintiff) against the companies 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 the plaintiff has indicated to the court that he would not answer the same and 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. Up to the date of this report, there has been no further development.

**30 LEASE COMMITMENTS**

At 31 December 2005, 2006 and 2007, and 30 June 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

**Land and buildings**

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	1,597	2,729	2,999	4,719
After one year but within five years	<u>2,290</u>	<u>1,618</u>	<u>1,102</u>	<u>3,989</u>
	<u><u>3,887</u></u>	<u><u>4,347</u></u>	<u><u>4,101</u></u>	<u><u>8,708</u></u>

**Others**

	As at 31 December			As at 30 June
	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	25	46	33	25
After one year but within five years	<u>33</u>	<u>34</u>	<u>30</u>	<u>19</u>
	<u><u>58</u></u>	<u><u>80</u></u>	<u><u>63</u></u>	<u><u>44</u></u>

**31 FINANCIAL RISK MANAGEMENT****31.1 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 ("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 ("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.

The Company is not exposed to significant foreign exchange risk, price risk, credit risk, and interest-rate risk. The Company only has liquidity risk of loan notes repayable that is presented in the maturity profile table of note 31.1(d).

**(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 Hong Kong dollar. 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:

	<b>Japanese Yen HK\$ '000</b>	<b>United States Dollars HK\$ '000</b>	<b>Euro HK\$ '000</b>	<b>Sterling HK\$ '000</b>	<b>Swiss Franc HK\$ '000</b>	<b>Others HK\$ '000</b>
<b>At 31 December 2005</b>						
Trade and other receivables	—	8,576	—	—	11,732	2,305
Cash and cash equivalents	—	61	—	—	23,385	11,933
Available-for-sale financial assets	12,089	—	—	—	—	—
Trade and other payables	291	(58)	—	—	(28,805)	(3,261)
Net exposure arising from recognised assets and liabilities	<u>12,380</u>	<u>8,579</u>	<u>—</u>	<u>—</u>	<u>6,312</u>	<u>10,977</u>
Notional amounts of leveraged foreign exchange contracts sales	(192,381)	—	(87,221)	(214,531)	—	—
Notional amounts of leveraged foreign exchange contracts purchases	220,119	—	87,221	217,213	—	—
Net notional amounts of precious metal trading contracts	<u>—</u>	<u>101,312</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net exposure arising from forecast transactions	<u>27,738</u>	<u>101,312</u>	<u>—</u>	<u>2,682</u>	<u>—</u>	<u>—</u>
Overall net exposure	<u><u>40,118</u></u>	<u><u>109,891</u></u>	<u><u>—</u></u>	<u><u>2,682</u></u>	<u><u>6,312</u></u>	<u><u>10,977</u></u>



	<b>Japanese Yen HK\$ '000</b>	<b>United States Dollars HK\$ '000</b>	<b>Euro HK\$ '000</b>	<b>Sterling HK\$ '000</b>	<b>Swiss Franc HK\$ '000</b>	<b>Others HK\$ '000</b>
<b>At 31 December 2006</b>						
Trade and other receivables	1	130,032	—	107	491	8,782
Cash and cash equivalents	(2,429)	78,323	4,821	32	3,776	21,364
Available-for-sale financial assets	10,100	—	—	—	—	—
Trade and other payables	(949)	(236,044)	—	(1,394)	(13,046)	(7,760)
Net exposure arising from recognised assets and liabilities	6,723	(27,689)	4,821	(1,255)	(8,779)	22,386
Notional amounts of leveraged foreign exchange contracts sales	(1,705,554)	—	(139,278)	(1,750,852)	(1,221,870)	(50,061)
Notional amounts of leveraged foreign exchange contracts purchases	1,691,001	—	168,573	1,674,773	1,215,166	28,076
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	(14,553)	(46,800)	39,574	(60,810)	(6,704)	(21,985)
Overall net exposure	(7,830)	(74,489)	44,395	(62,065)	(15,483)	401

	<b>Japanese Yen HK\$'000</b>	<b>United States Dollars HK\$'000</b>	<b>Euro HK\$'000</b>	<b>Sterling HK\$'000</b>	<b>Swiss Franc HK\$'000</b>	<b>Others HK\$'000</b>
<b>At 31 December 2007</b>						
Trade and other receivables	—	129,900	—	284	784	12,312
Cash and cash equivalents	609	170,383	1,632	34	2,384	11,647
Available-for-sale financial assets	12,157	—	—	—	—	—
Trade and other payables	<u>(24,443)</u>	<u>(287,090)</u>	<u>(775)</u>	<u>(1,034)</u>	<u>(4,661)</u>	<u>(5,231)</u>
Net exposure arising from recognised assets and liabilities	----- (11,677)	----- 13,193	----- 857	----- (716)	----- (1,493)	----- 18,728
Notional amounts of leveraged foreign exchange contracts sales	(611,506)	—	(45,161)	(609,200)	(31,421)	(15,404)
Notional amounts of leveraged foreign exchange contracts purchases	502,499	—	71,097	395,130	33,059	6,363
Net notional amounts of precious metal trading contracts	<u>—</u>	<u>27,945</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net exposure arising from forecast transactions	----- (109,007)	----- 27,945	----- 25,936	----- (214,070)	----- 1,638	----- (9,041)
Overall net exposure	<u><u>(120,684)</u></u>	<u><u>41,138</u></u>	<u><u>26,793</u></u>	<u><u>(214,786)</u></u>	<u><u>145</u></u>	<u><u>9,687</u></u>

	Japanese Yen HK\$'000	United States Dollars HK\$'000	Euro HK\$'000	Sterling HK\$'000	Swiss Franc HK\$'000	New Taiwan Dollars HK\$'000	Others HK\$'000
<b>At 30 June 2008</b>							
Trade and other receivables	2,018	103,883	—	1	915	—	7,889
Cash and cash equivalents	53	54,916	3,249	765	2,850	—	29,059
Trade and other payables	(1)	(121,275)	(1,474)	(891)	(2,798)	—	(8,957)
Secured mortgage loan	—	—	—	—	—	(12,731)	—
Net exposure arising from recognised assets and liabilities	<u>2,070</u>	<u>37,524</u>	<u>1,775</u>	<u>(125)</u>	<u>967</u>	<u>(12,731)</u>	<u>27,991</u>
Notional amounts of leveraged foreign exchange contracts sales	(129,971)	—	(243,105)	(354,749)	(19,599)	—	(10,784)
Notional amounts of leveraged foreign exchange contracts purchases	211,703	—	149,622	373,172	33,405	—	11,668
Notional amounts of foreign exchange option contracts sales	(721)	—	(1,413)	(760)	(48)	—	(461)
Notional amounts of foreign exchange option contracts purchases	721	—	1,413	763	48	—	461
Net notional amounts of precious metal trading contracts	—	49,939	—	—	—	—	—
Net exposure arising from forecast transactions	<u>81,732</u>	<u>49,939</u>	<u>(93,483)</u>	<u>18,426</u>	<u>13,806</u>	<u>—</u>	<u>884</u>
Overall net exposure	<u>83,802</u>	<u>87,463</u>	<u>(91,708)</u>	<u>18,301</u>	<u>14,773</u>	<u>(12,731)</u>	<u>28,875</u>

*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 had significant exposure at the balance sheet date:

	Increase/ decrease in exchange rates	As at 31 December			As at
		2005	2006	2007	30 June
		Effect on profit before tax	Effect on profit before tax	Effect on profit before tax	Effect on profit before tax
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Japanese Yen	+ 5%	2,006	(392)	(6,034)	4,190
	- 5%	(2,006)	392	6,034	(4,190)
Euro	+ 5%	—	2,220	1,340	(4,585)
	- 5%	—	(2,220)	(1,340)	4,585
Sterling	+ 5%	134	(3,103)	(10,739)	915
	- 5%	(134)	3,103	10,739	(915)
Swiss Franc	+ 5%	316	(774)	7	739
	- 5%	(316)	774	(7)	(739)
New Taiwan Dollars	+ 5%	—	—	—	(637)
	- 5%	—	—	—	637

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 Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar 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.

**(b) Price risk**

The Group is exposed to price risk on the net positions on bullion trading and available-for-sale financial assets. 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 directors are responsible for monitoring financial performance of the available-for-sale financial assets on a regular basis.

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 had net positions on bullion trading at the balance sheet date:

	Increase/ decrease in exchange rates	As at 31 December			As at
		2005 Effect on profit before tax HK\$'000	2006 Effect on profit before tax HK\$'000	2007 Effect on profit before tax HK\$'000	30 June 2008 Effect on profit before tax HK\$'000
Net notional amounts					
of precious metal	+ 30%	30,394	(14,040)	8,383	14,982
trading contracts	- 30%	(30,394)	14,040	(8,383)	(14,982)

The following table indicates the approximate change in the Group's reserve in response to possible changes in fair value in the available-for-sale financial assets at the balance sheet date:

	Increase/ decrease in fair value	As at 31 December			As at
		2005 Effect on reserve HK\$'000	2006 Effect on reserve HK\$'000	2007 Effect on reserve HK\$'000	30 June 2008 Effect on reserve HK\$'000
Available-for-sale	+ 5%	604	505	608	—
financial assets	- 5%	(604)	(505)	(608)	—

**(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 18(a).

**(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, was as follows:

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	After 1 year but within 5 years <i>HK\$'000</i>
At 31 December 2005				
Trade and other payables	34,827	34,827	34,827	—
Short-term loan and bank overdrafts	<u>1</u>	<u>1</u>	<u>1</u>	<u>—</u>
	<u>34,828</u>	<u>34,828</u>	<u>34,828</u>	<u>—</u>
At 31 December 2006				
Trade and other payables	243,877	243,877	243,877	—
Short-term loan and bank overdrafts	<u>1</u>	<u>1</u>	<u>1</u>	<u>—</u>
	<u>243,878</u>	<u>243,878</u>	<u>243,878</u>	<u>—</u>
At 31 December 2007				
Trade and other payables	330,514	330,514	330,514	—
Short-term loan and bank overdrafts	<u>13</u>	<u>13</u>	<u>13</u>	<u>—</u>
	<u>330,527</u>	<u>330,527</u>	<u>330,527</u>	<u>—</u>
At 30 June 2008				
Trade and other payables	135,135	135,135	135,135	—
Short-term loan and bank overdrafts	3	3	3	—
Mortgage loan	<u>—</u>	<u>12,731</u>	<u>692</u>	<u>12,039</u>
	<u>135,138</u>	<u>147,869</u>	<u>135,830</u>	<u>12,039</u>

*(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 at the balance sheet dates was as follows:

	2005		2006		2007		2008	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000
<b>Assets</b>								
Bank balances	0.73%	<u>42,794</u>	1.12%	<u>116,384</u>	1.94%	<u>215,207</u>	1.19%	<u>109,973</u>
		<u>42,794</u>		<u>116,384</u>		<u>215,207</u>		<u>109,973</u>
<b>Liabilities</b>								
Mortgage loan		<u>—</u>		<u>—</u>		<u>—</u>	3.00%	<u>12,731</u>
		<u>—</u>		<u>—</u>		<u>—</u>		<u>12,731</u>
<b>Sensitivity analysis</b>								
Assume decreased by 0.5%								
Profit after tax decreased by		214		582		1,076		486

As at 31 December 2005, 2006 and 2007, and 30 June 2008, it is estimated that a general decrease of 50 basis points in interest rate, with all other variable held constant, would decrease the Group's profit before tax and retained profits by approximately HK\$214,000, HK\$582,000, HK\$1,076,000 and HK\$486,000 respectively.

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.

**31.2 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.

**32 RELATED PARTY TRANSACTIONS****32.1 Related party transactions**

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

	Year ended 31st December			Six months ended	
	2005	2006	2007	30th June	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net premium expenses from foreign currency option trading and brokering from an associate ( <i>Note (a)(i)</i> )	—	(1,181)	—	—	—
Net premium income from foreign currency option trading and brokering from a fellow subsidiary ( <i>Note (a)(ii)</i> )	1,158	494	—	—	1,550
Service fee income ( <i>Note (b)</i> )	—	2,648	—	—	—
Consultancy fee income ( <i>Note (c)</i> )	1,482	820	742	371	370
Operating leases for land and buildings ( <i>Note (d)</i> )	(346)	(452)	(2,297)	(347)	(1,944)
Management fee ( <i>Note (e)</i> )	(1,334)	(5,981)	(8,018)	(3,085)	(1,440)
Professional fee ( <i>Note (f)</i> )	(2,340)	—	—	—	—



*Commission income received*

- (a)(i) In 2005 and 2006, an associate in New Zealand transacted leveraged foreign exchange trading, precious metal trading and securities trading through the subsidiaries of the HPL Group.

For leveraged foreign exchange transactions and precious metal trading transactions, spreads are based on relevant market rates at the time of each transaction available to other customers and counterparties of the Group with comparable standing. The aggregate notional amount of the transactions entered into by the associate amounted to HK\$12,058 million (2005: HK\$1,715 million) for leveraged foreign exchange trading contracts and HK\$33,924 million (2005: HK\$772 million) for precious metal trading contracts out of the total aggregate notional amount of transactions of HK\$29,206 million (2005: HK\$23,263) and HK\$189,367 million (2005: HK\$27,050 million) respectively entered into by the HPL Group during 2005 and 2006.

Option premiums were charged on these transactions on normal commercial terms. During 2005 and 2006, net option premium expenses of HK\$1,181,232 (2005: HK\$ nil) were included in turnover of the HPL Group.

- (a)(ii) During the year/period, a fellow subsidiary, Hantec International Limited transacted leveraged foreign exchange trading through the subsidiaries of the HPL Group.

For leveraged foreign exchange transactions, spreads were based on relevant market rates at the time of each transaction available for other customers and counterparties of Hantec International Limited with comparable standing. The aggregate notional amount of the transactions entered by the HPL Group for the years ended 31 December 2005, 2006, 2007 and the six months ended 30 June 2008 amounted to HK\$139,429 million, HK\$131,663 million, HK\$58,862 million and HK\$3,574 million respectively (30 June 2007: HK\$44,881 million). The total aggregate notional amount of the transactions of Hantec International Limited amounted to HK\$331,127 million, HK\$226,348 million, HK\$113,681 million and HK\$16,062 million respectively (30 June 2007: HK\$76,368 million).

During the years ended 31 December 2005, 2006, 2007 and the six months ended 2008, net option premium expenses of HK\$1,158,306, HK\$814,354, HK\$nil and HK\$1,549,631 respectively (30 June 2007: HK\$nil) were included in the turnover of the Group.

*Service Fee income*

- (b) In 2006, an associate in New Zealand paid a service fee to a subsidiary of the Group in Macau of HK\$2,648,373 during the year for supporting and administrative services rendered. The amount was charged at agreed terms.

*Consultancy fee income*

- (c) The HPL Group received consultancy fee income for the years ended 31 December 2005, 2006, 2007 and the six months ended 30 June 2008 were HK\$1,481,830, HK\$820,046, HK\$742,064 and HK\$370,023 respectively (30 June 2007: HK\$371,213) for providing consultation services to Hantec International Limited in the People's Republic of China.

*Operating leases for land and buildings*

- (d) Operating leases for land and buildings represented amounts recharged by Chinacorp Nominees Limited for using the rental premises. The amounts paid by the HPL Group for the years ended 31 December 2005, 2006, 2007 and the six months ended 30 June 2008 were HK\$345,827, HK\$451,970, HK\$2,297,339 and HK\$1,943,590 respectively (30 June 2007: HK\$346,689).

*Management fee*

- (e) The management fee was charged by Hantec Investment Holdings Limited for the use of representative offices. During the years ended 31 December 2005, 2006, 2007 and the six months ended 30 June 2008, the amounts paid by the HPL Group were HK\$1,334,164, HK\$5,981,084, HK\$8,017,674 and HK\$1,440,327 respectively (30 June 2007: HK\$3,085,452).

*Professional fee*

- (f) Professional fee is paid to a fellow subsidiary, Hantec Asset Management Limited, for providing financial services to HPL Group. The service fee is charged on normal commercial terms.

**32.2 Compensation of key management personnel**

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

	Year ended 31 December			Six months ended	
	2005	2006	2007	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Salaries and other short-term employee benefits	1,736	7,274	7,741	2,710	3,300
Equity-settled share-based transactions	—	166	717	516	103
	<u>1,736</u>	<u>7,440</u>	<u>8,458</u>	<u>3,226</u>	<u>3,403</u>

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

**33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 JUNE 2008**

Up to the date of issue of this financial information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2008 and which have not been adopted in this financial information.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial position:

	<b>Effective for accounting period beginning on or after</b>
HKFRS 8, Operating segments	1 January 2009
Revised HKAS 1, Presentation of financial statements	1 January 2009
Amendments to HKFRS 2, Share-based payment — Vesting conditions and cancellations	1 January 2009
Amendments to HKAS 32, Financial instruments:	
Presentation and HKAS 1, Presentation of financial statements — Puttable financial instruments and obligations arising on liquidation	1 January 2009
Revised HKFRS 3, Business combinations	1 July 2009

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.”

### 3. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the HPL Group had borrowings amounting to approximately HK\$11,801,000, details of which are as follows:

#### Borrowings

	<i>HK\$</i>
Bank overdrafts	1,000
Mortgage loan (secured)	<u>11,800,000</u>
	<u><u>11,801,000</u></u>

#### Legal contingencies

As at 30 September 2008, the HPL Group was involved in certain lawsuits. While the outcome of such lawsuits cannot be determined at present, the HPL Directors are of the opinion that no liabilities resulting from these proceedings will have a material adverse effect on the HPL Group's financial position, liquidity or operating results.

#### Representation

Save as disclosed above and apart from intra-group liabilities, the HPL Group did not have any loan capital issued and outstanding or agreed to be issued, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 September 2008.

#### No material change

Save as disclosed herein, the HPL Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the HPL Group since 30 September 2008.

**4. MATERIAL CHANGE**

The recent financial tsunami prompted by the sub-prime mortgage crisis in the United States has caused unprecedented volatility in the global financial market since mid September 2008 and investment sentiment has been significantly dampened. In addition, certain of the HPL Group's investments in New Zealand experienced a significant drop in book value due to the abrupt depreciation in the exchange rate of New Zealand dollars against United States dollars and Hong Kong dollars since September 2008.

Save as disclosed above, the HPL Directors were not aware of any material change in the financial or trading position or outlook of the HPL Group subsequent to 30 June 2008 (being the date to which the latest audited combined financial statements of the HPL Group were made up) up to and including the Latest Practicable Date.

*The unaudited pro forma assets and liabilities statement of the HPL Group and the accountants' report thereon which were prepared for the purpose of the Circular are reproduced below. Capitalised terms used in this section shall have the same meanings as those defined in the Circular.*

**“1. UNAUDITED PRO FORMA ASSETS AND LIABILITIES STATEMENT OF THE HPL GROUP UPON COMPLETION OF GROUP REORGANISATION**

**(A) Unaudited pro forma assets and liabilities statement of the HPL Group**

**Introduction**

The unaudited pro forma assets and liabilities statement of the HPL Group has been prepared giving effect to the Group Reorganisation.

The unaudited pro forma assets and liabilities statement of the HPL Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the Group Reorganisation as if the Group Reorganisation had taken place on 30 June 2008.

The unaudited pro forma assets and liabilities statement of the HPL Group is based upon the audited consolidated balance sheet of the HPL Group as at 30 June 2008, which has been extracted from the Accountants' Report of HPL Group set out in the Appendix III of this circular, after giving effect to the pro forma adjustments of the Group Reorganisation that are (i) directly attributable to the transaction; and (ii) factually supportable, are summarized in the accompany notes.

The unaudited pro forma assets and liabilities statement of the HPL Group is based on a number of assumptions, estimates, and uncertainties. The accompanying unaudited pro forma assets and liabilities statement of the HPL Group does not purport to describe the actual financial position of the HPL Group that would have been attained had the Group Reorganisation been completed on 30 June 2008 or to predict the future financial position of the HPL Group upon completion of Group Reorganisation.

The unaudited pro forma assets and liabilities statement of the HPL Group should be read in conjunction with the historical information of the HPL Group as set out in the Accountants' Report of the HPL Group in Appendix III and other financial information included elsewhere in this circular.

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION ON THE HPL GROUP**

	<b>30 June</b>		<b>Pro forma adjustments</b>				<b>Pro forma</b>
	<b>2008</b>						<b>HPL</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>	<i>(Note 5)</i>	<i>(Note 6)</i>	
<b>Non-current assets</b>							
Intangible assets	5,198						5,198
Fixed assets	28,409					600	29,009
Interests in associates	19,665						19,665
Other assets	200						200
Available-for-sale financial assets	984						984
Deferred income tax assets	<u>402</u>						<u>402</u>
	<u>54,858</u>						<u>55,458</u>
<b>Current assets</b>							
Financial assets at fair value through profit or loss	2,071						2,071
Taxation recoverable	1,914						1,914
Trade and other receivables	120,683						120,683
Amounts due from related companies	50,900			(50,900)			—
Bank balances and cash	<u>110,056</u>	75,000		(56,269)	(1,063)	(600)	<u>127,124</u>
	<u>285,624</u>						<u>251,792</u>
<b>Current liabilities</b>							
Trade and other payables	135,135						135,135
Short-term loans and bank overdrafts	3						3
Current portion of secured mortgage loan	692						692
Amounts due to related companies	107,169			(107,169)			—
Taxation payable	<u>4,919</u>						<u>4,919</u>
	<u>247,918</u>						<u>140,749</u>
Net current assets	<u>37,706</u>						<u>111,043</u>
Total assets less current liabilities	<u>92,564</u>						<u>166,501</u>

	30 June 2008						Pro forma HPL Group
	Pro forma adjustments						HK\$'000
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000
Non-current liabilities							
Secured mortgage loan	12,039						12,039
Deferred income tax liabilities	<u>96</u>						<u>96</u>
	<u>12,135</u>						<u>12,135</u>
Net assets	<u>80,429</u>						<u>154,366</u>
Capital and reserves							
Share capital	—		41,789				41,789
Other reserves	19,772	75,000	(41,789)				52,983
Retained earnings	<u>60,238</u>				(1,063)		<u>59,175</u>
Equity attributable to equity holders of the Company	80,010						153,947
Minority interests	<u>419</u>						<u>419</u>
Total equity	<u>80,429</u>						<u>154,366</u>

*Notes:*

- The amounts have been extracted without adjustment from the Accountants' Report on the HPL Group as set out in Appendix III to this circular.
- The amount represents capital contribution by the Company to the HPL Group upon completion of the Group Reorganisation. It is assumed that the Company will inject HK\$75,000,000 to HPL upon completion of the Group Reorganisation.
- The adjustment to share capital represents the issuance of 417,890,000 HPL Shares to HIHL at HK\$0.1 each in consideration for the net assets of the entities injected into HPL upon completion of the Group Reorganisation. The issued HPL Shares will then be distributed in specie by HIHL to the Shareholders whose names appear on the register of members of the Company on the Record Date on the basis of one HPL share for every Share then held.

The corresponding adjustment to other reserves comprises of (i) creation of a share premium reserve of HK\$38,640,000 (Cr), being the difference between the book value of net assets of companies injected to HPL (HK\$80,429,000) and the nominal value of HPL shares issued (HK\$41,789,000) and (ii) adjustment of HK\$80,429,000 to other reserves of the injected companies in relation to HPL's investment cost in the injected companies of HK\$80,429,000.

- This adjustment reflects the settlement of inter-company balances between the Retained Group and HPL Group upon completion of the Group Reorganisation. As set out in the letter from the Board in this circular, certain inter-group balances between members of the Retained Group and members of the HPL Group will be assigned or settled before completion of the Group Reorganisation in cash. For the purpose



of this unaudited assets and liabilities statement, the inter-company balances between members of the Retained Group and members of the HPL Group as at 30 June 2008 will be settled in full by cash upon completion of the Group Reorganisation.

5. The adjustment represents the estimated professional and legal fees and other expenses to be incurred by HPL Group in relation to the Group Reorganisation.
6. The adjustment represents the cost of fixed assets to be purchased by a HPL Group subsidiary from a Retained Group subsidiary as part of the Group Reorganisation.”

**(B) ACCOUNTANTS' REPORT ON PRO FORMA ASSETS AND LIABILITIES  
STATEMENT OF THE HPL GROUP**

8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

31 October 2008

The Board of Directors  
Hantec Investment Holdings Limited  
45th Floor COSCO Tower  
183 Queen's Road Central  
Hong Kong

Dear Sirs,

We report on the unaudited pro forma assets and liabilities statement of Hantec Pacific Limited ("HPL") and its subsidiaries (collectively the "HPL Group") set out on section (A) of Appendix IV to the circular of Hantec Investment Holdings Limited ("the Company") dated 31 October 2008 (the "Circular"), which has been prepared by the directors of the Company, solely for illustrative purposes, to provide information about how the proposed group re-organisation as defined in the Circular (the "Proposed Re-organisation") might have affected the assets and liabilities of the HPL Group on a pro forma basis as at 30 June 2008.

The unaudited pro forma assets and liabilities statement is derived from the audited historical financial information of the HPL Group as set out in Appendix III to the Circular. The basis of preparation of the unaudited pro forma assets and liabilities statement is set out in the introduction and notes to the unaudited pro forma assets and liabilities statements of the HPL Group in section (A) of Appendix IV to the Circular.

**Respective Responsibilities of Directors and the Company and Reporting Accountants**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma assets and liabilities statement in accordance with Paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

It is our responsibility to form an opinion, as required by the Listing Rules, on the unaudited pro forma assets and liabilities statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial

information used in the compilation of the unaudited pro forma assets and liabilities statements beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma assets and liabilities statement with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited pro forma assets and liabilities statement.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma assets and liabilities statement has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustment are appropriate for the purposes of the unaudited pro forma assets and liabilities statement as disclosed pursuant to Paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma assets and liabilities statement is for illustrative purposes only, is based on the judgements and assumptions of the directors of the Company, and because of its nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the HPL Group as at 30 June 2008 or any future date.

**Opinion**

In our opinion:

- (a) the unaudited pro forma assets and liabilities statement has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the HPL Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma assets and liabilities statement as disclosed pursuant to Paragraph 29(1) of Chapter 4 of the Listing Rules.

**KPMG**

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

*Set out below is a summary of certain provisions of the Articles of Association (the “Articles”) of HPL (referred to as the “Company” for the purpose of the summary below):*

**(a) DIRECTORS**

**(i) Power to allot and issue shares and warrants**

Subject to the provisions of the BVI Business Companies Act (the “Act”) and the Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Act, the memorandum of association of the Company and the Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Act and the Articles and any direction that may be given by the Company in general meeting and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

**(ii) Power to dispose of the assets of the Company or any subsidiary**

There are provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries and requirements for approval of members in certain circumstances disclosed in paragraph (r) below. The Directors may also sell, transfer, secure, exchange or otherwise dispose of the assets of the Company without authorisation by the Members pursuant to section 175 of the Act. The

Directors may otherwise exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Act to be exercised or done by the Company in general meeting.

**(iii) Compensation or payments for loss of office**

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

**(iv) Loans and provision of security for loans to Directors**

There are provisions in the Articles prohibiting the making of loans to Directors.

**(v) Disclosure of interests in contracts with the Company or any of its subsidiaries**

A Director may hold any other office or place of profit with the Company (except that of the auditors of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company.

Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Act and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company

shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he is to his knowledge materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract, transactions, arrangement or proposal for giving of any security or indemnity to the Director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract, transaction, arrangement or proposal for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract, transaction, arrangement or proposal in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;
- (ee) any contract, transaction, arrangement or proposal concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates is beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest is derived); or
- (ff) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

**(vi) Remuneration**

The ordinary remuneration of the Directors shall from time to time be determined by the Directors and shall be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Any material variation of such remuneration shall be subject to the approval of the independent Members (as defined in the Articles) in general meeting.

The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become



entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

**(vii) Retirement, appointment and removal**

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation provided that no Director holding office as chairman and/or managing director shall be subject to retirement by rotation, or be taken into account in determining the number of Directors to retire. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the board whereupon the board resolves to accept such resignation;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

**(viii) Borrowing powers**

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

**(ix) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(x) Register of Directors and Officers**

The Articles provide that the Company will maintain at its registered office a register of directors and officers which is not available for inspection by the public.

**(b) ALTERATIONS TO CONSTITUTIONAL DOCUMENTS**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association of the Company (save for an

amendment for purposes of altering the capital as described in (c) below which shall require an ordinary resolution only), to amend the Articles or to change the name of the Company.

**(c) ALTERATION OF CAPITAL**

The Company may from time to time by ordinary resolution amend its memorandum of association to:

- (i) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the Directors may determine; or
- (ii) combine its shares, including issued shares, into a smaller number of shares.

**(d) VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES**

Subject to the Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) SPECIAL RESOLUTION-MAJORITY REQUIRED**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a

majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) VOTING RIGHTS (GENERALLY AND ON A POLL) AND RIGHT TO DEMAND A POLL**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by a representative duly authorised shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

**(g) REQUIREMENTS FOR ANNUAL GENERAL MEETINGS**

An annual general meeting of the Company must be held in each year, other than the year of incorporation (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of incorporation unless otherwise resolved by the members at a general meeting at such time and place as may be determined by the board.

**(h) ACCOUNTS AND AUDIT**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Act and in accordance with the generally accepted accounting principles and practices in Hong Kong or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including the notes thereto and every document required by law to be annexed thereto), prepared in accordance with the generally accepted accounting principles in Hong Kong, which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall be sent to every person entitled thereto within the time prescribed under the Listing Rules (as defined in the Articles); however, subject to compliance with all applicable laws, the Company may instead send to such persons summary financial statements derived from the Company's annual financial statements and the Directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statements and the Directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditors in accordance with generally accepted auditing standards. The auditors shall make a written report thereon in accordance with generally accepted auditing standards applicable in Hong Kong and the report of the auditors shall be sent to the members within the time prescribed under the Listing Rules (as defined in the Articles).

There are no provisions relating to preparation of interim financial reports.

**(i) NOTICES OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

**(j) TRANSFER OF SHARES**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in such other form as the board may approve and which may be under hand or by machine imprinted signature or by such other manner of execution as

the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the British Virgin Islands or such other place at which the principal register is kept in accordance with the Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register a transfer of any share to more than four joint holders or any transfer of any share issued for a promissory note or other binding obligation to contribute money or property or a contribution thereof to the Company on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share, the instrument of transfer is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do) or, if applicable, the instrument of transfer is duly and properly stamped.

The registration of transfers may be suspended and the register closed on giving notice by advertisement in the appointed newspaper or by other means as set out in the Articles, at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.



**(k) POWER FOR THE COMPANY TO PURCHASE ITS OWN SHARES**

Subject to the Act, the memorandum of association of the Company and the Articles, the Company shall have all the powers conferred upon it by the Act to purchase or otherwise acquire its own shares and such power shall be exercisable by the board in such manner, upon such terms and subject to such conditions as it thinks fit, including but not limited to, the purchase of shares at a price less than fair value.

Shares that the Company purchases, redeems or otherwise acquires pursuant to the Articles may be cancelled or held as treasury shares provided that the number of shares purchased, redeemed or otherwise acquired when aggregated with shares already held as treasury shares may not exceed 50% of the shares of that class previously issued (excluding shares that have been cancelled).

**(l) POWER FOR ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN THE COMPANY**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

**(m) DIVIDENDS AND OTHER METHODS OF DISTRIBUTION**

Subject to the Act the Directors may declare and pay to all members on a pro rata basis in respect of each financial year a dividend or a distribution in such amount as they think fit if they are satisfied on reasonable grounds that immediately after payment the value of the Company's assets exceeds its liabilities and the Company is able to pay its debts as they fall due.

Except in so far as the rights attaching to, or the terms of issue of, any Share otherwise provide, all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Whenever the board has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.



Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) PROXIES**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) FORFEITURE OF SHARES**

When any Share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidate by any omission or neglect to give such notice.

The board may accept the surrender of any Share liable to be forfeited and, in such case, references in the Articles to forfeiture will include surrender.

A declaration by a Director or the Secretary that a Share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration shall (subject to the execution of an instrument of transfer by the Company if necessary) constitute a good title to the Share, and the person to whom the share is disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the share. When any share shall have been forfeited, notice of the declaration shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.

Notwithstanding any such forfeiture as aforesaid, the board may at any time, before any shares so forfeited shall have been sold, re allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

**(p) INSPECTION OF SHARE REGISTER**

Pursuant to the Articles the register and branch share register shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) RESERVED MATTERS**

Notwithstanding any provision contained in the Articles, any connected transaction falling within the definition of the Listing Rules as if the Company were a listed issuer which requires the approval of independent shareholders under the Listing Rules shall require the approval by ordinary resolution of the independent Members in general meeting, the notice convening which shall be accompanied by a circular containing the advice of an independent financial adviser to the independent Members in respect of such transaction.

Notwithstanding any provision contained in the Articles, the following transactions shall require the approval by ordinary resolution of shareholders of the Company in general meeting:

- (i) any notifiable transaction falling within the definition of the Listing Rules as if the Company were a listed issuer which requires the approval of shareholders under the Listing Rules; and
- (ii) any issue of shares of the Company or securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new shares of the Company wholly for cash unless an offer of such shares or securities has first been made to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

**(s) PROCEDURES ON LIQUIDATION**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as

nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of properties to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) UNTRACEABLE MEMBERS**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has given notice to, and caused advertisement in the appointed newspaper to be made of its intention to sell such shares and a period of three (3) months, has elapsed since such advertisement. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**1. RESPONSIBILITY STATEMENTS**

The information contained in this Composite Document (other than that relating to HHL, the terms and conditions of the HPL Offer and HHL's intention regarding the HPL Group) is supplied by the HPL Directors. The HPL Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to HHL, the terms and conditions of the HPL Offer and HHL's intention regarding the HPL Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those relating to HHL, the terms and conditions of the HPL Offer and HHL's intention regarding the HPL Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The information contained in this Composite Document relating to HHL, the terms and conditions of the HPL Offer and HHL's intention regarding the HPL Group is supplied by HHL. The directors of HHL jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document relating to HHL, the terms and conditions of the HPL Offer and HHL's intention regarding the HPL Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document relating to HHL, the terms and conditions of the HPL Offer and HHL's intention regarding the HPL Group have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of HPL as at the Latest Practicable Date were as follows:

HK\$

*Authorised:*

<u>1,000,000,000</u> HPL Shares	<u>100,000,000</u>
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*Issued and fully paid or credited as fully paid:*

1 HPL Share allotted and issued on 20 August 2008, being the date of incorporation	0.1
422,302,999 HPL Shares allotted and issued on completion of the Group Reorganisation	42,230,299.9
<u>422,303,000</u> HPL Shares as at the Latest Practicable Date	<u>42,230,300</u>

Save for the 422,302,999 HPL Shares allotted and issued on 27 November 2008, being the date of completion of the Group Reorganisation, HPL has not issued any HPL Shares since 20 August 2008, being the date of its incorporation.

All HPL Shares in issue rank pari passu in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

Save for the 422,303,000 HPL Shares in issue as at the Latest Practicable Date, the HPL Group did not have any other HPL Shares, or outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the HPL Shares.

**3. MARKET PRICES**

As the HPL Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the HPL Shares quoted on the Stock Exchange or any other stock exchanges.

#### 4. DISCLOSURE OF INTERESTS

##### Interests in HPL

As at the Latest Practicable Date, the beneficial interests of the HPL Directors in the share capital of HPL were as follows:

Name	Type of interest	Number of HPL Shares
Lam Ngok Fung	Beneficial owner	1,574,000
Law Kai Yee	Beneficial owner	2,270,000
Hwang Wei Ming, Ellen	Beneficial owner	1,480,000

As at the Latest Practicable Date, none of the HPL Directors had expressed their intention whether to accept or reject the HPL Offer in respect of their own beneficial shareholdings in HPL.

As at the Latest Practicable Date, the beneficial interests of the directors of HHL in the share capital of HPL were as follows:

Name	Type of interest	Number of HPL Shares
Mr. Tang	Beneficial owner	2,034,000
	Interest in controlled corporation ( <i>Note 1</i> )	258,672,000
Madam Ng ( <i>Note 2</i> )	Beneficial owner	273,000
Ms. Ho Yuet Ying	Beneficial owner	3,000,000

*Notes:*

1. These HPL Shares were held by HHL in which Mr. Tang beneficially owned 35% of its issued share capital.
2. Madam Ng is the spouse of Mr. Tang.

##### Interests in HHL

As at the Latest Practicable Date, the HPL Group did not have any beneficial interest in the share capital of HHL or its associates.

As at the Latest Practicable Date, none of the HPL Directors had any beneficial interest in the share capital of HHL or its associates.

##### Dealings in securities of HPL

During the Relevant Period, none of the HPL Group and HPL Directors had any dealings in shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the HPL Shares.

During the Relevant Period, none of HHL, its directors or parties acting in concert with them had dealt in the securities of HPL.

During the period from 5 March 2008, being the date of the commencement of the offer period (as defined under the Takeovers Code), to the Latest Practicable Date,

- (a) none of the subsidiaries of HPL, pension funds of any member of the HPL Group, advisers to HPL as specified in class (2) of the definition of associate under the Takeovers Code, Access Capital and its associate (as defined under the Takeovers Code) had any dealings in any shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the HPL Shares;
- (b) no persons who have an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with HPL or with any person who is an associate of HPL by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code had any dealings in any shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the HPL Shares; and
- (c) no fund managers connected with HPL had any dealings in any shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the HPL Shares.

#### **Dealings in securities of HHL**

During the Relevant Period, none of the HPL Directors had any dealings in shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of HHL.

During the Relevant Period, none of the members of the HHL Concert Group and parties acting in concert with any of its members, and the directors of HHL has borrowed or lent any HPL Shares or other securities of HPL carrying voting rights, or convertible securities, warrants, options or derivatives of HPL.

#### **Service contracts**

Each of Mr. Lam Ngok Fung, Mr. Law Kai Yee and Ms. Hwang Wei Ming, Ellen has entered into a service contract with HPL for a term of three years from 27 November 2008 with monthly remuneration at the rates of HK\$128,800, HK\$87,000 and HK\$123,200 respectively. Each of Mr. Tang and Madam Ng has entered into a service contract with HPL (which will take effect on the earliest date allowed under the Takeovers Code) for a term of three years from the effective date with monthly remuneration at the rates of HK\$153,800 and HK\$88,480 respectively. Under the service contracts, after each completed year of service, their remuneration shall be increased annually at a rate to be determined from time to time by a majority in number of the HPL Board and they will each be entitled to a discretionary bonus provided that the total amount of bonus payable to all the HPL Directors for such year



shall not exceed 15% of the consolidated profit after taxation but before extraordinary items of the HPL Group for the relevant year. Each of these service contracts may be terminated by either party by three months' written notice to the other party.

The above service contracts are on substantially the same terms as their previous service contracts with Hantec except the following:

- (a) references to the Listing Rules, the Stock Exchange, the SFC and the SFO have been deleted; and
- (b) the term of service of Mr. Lam Ngok Fung and Madam Ng are for three years so as to be in line with the service contracts of other HPL Directors.

The monthly remuneration of the HPL Directors and proposed HPL Directors under their previous service contracts with Hantec were increased on 10 January 2008 as follows:

Name	Previous remuneration	Revised remuneration
Mr. Tang	HK\$138,000	HK\$153,800
Lam Ngok Fung	HK\$115,000	HK\$128,800
Hwang Wei Ming, Ellen	HK\$110,000	HK\$123,200
Madam Ng	HK\$79,000	HK\$88,480
Law Kai Yee	HK\$79,000	HK\$87,000

The terms of the service contracts of the HPL Directors/proposed HPL Directors with HPL are not more favourable than those of their service contracts with Hantec, which were terminated on 27 November 2008.

The existing/previous service contracts of each HPL Director/proposed HPL Director with HPL/Hantec do/did not have any arrangement for pension payments except contribution by HPL/Hantec to a retirement fund scheme under the Mandatory Provident Fund Schemes Ordinance.

#### Miscellaneous

As at the Latest Practicable Date,

- (a) no shareholding in HPL was owned or controlled by a subsidiary of HPL or by a pension fund of any member of the HPL Group or by an adviser to HPL as specified in class (2) of the definition of associate under the Takeovers Code or by Access Capital and its associates (as defined in the Listing Rules);
- (b) none of HPL or any person who is an associate of HPL by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code had any arrangement or indemnity of the kind described in note 8 to Rule 22 of the Takeovers Code with any person;

- (c) none of HHL or any person acting in concert with it has any arrangement or indemnity of the kind described in note 8 to Rule 22 of the Takeovers Code with any person;
- (d) no shareholding in HPL was managed on a discretionary basis by fund managers connected with HPL;
- (e) no person has irrevocably committed himself to accept or reject the HPL Offer;
- (f) no benefit (other than statutory compensation) would be given to any HPL Director as compensation for loss of office or otherwise in connection with the HPL Offer;
- (g) there was no agreement, arrangement or understanding (including any compensation arrangement) between HHL or any person acting in concert with it and any director, recent director, shareholder or recent shareholder of HPL which had any connection with or dependence upon the HPL Offer;
- (h) no material contracts have been entered into by HHL in which any HPL Director has any a material personal interest;
- (i) save as disclosed in the paragraph headed “Disclosure of interests” in this appendix, there is no service contract with HPL or any of its subsidiaries or associated companies in force for the HPL Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before the commencement of the HPL Offer period; (ii) which is continuous contract with a notice period of 12 months or more; or (iii) which is fixed term contract with more than 12 months to run irrespective of the notice period;
- (j) there was no agreement or arrangement to which HHL is a party which relate to circumstances in which it may or may not invoke or seek to invoke a condition to the HPL Offer;
- (k) none of HPL or any of the HPL Directors had borrowed or lent any HPL Shares during the Relevant Period; and
- (l) there was no agreement or arrangement between any HPL Director and any other person which is conditional on or dependent upon the outcome of the HPL Offer or otherwise connected with the HPL Offer.

## 5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the HPL Group within the two years preceding 5 March 2008, being the date of commencement of the offer period (as defined in the Takeovers Code), and are or may be material:

- (a) a shareholders' agreement dated 17 May 2007 (as amended on 11 May 2008) between (i) 高峰 (Gao Feng) or his nominee, Fine Loyal International Holdings Limited ("Party A"); and (ii) Hantec International Enterprises Limited ("Party B"), a wholly-owned subsidiary of HPL, in respect of a joint venture relating to Hantec Jiangdu Riverside Developing Zone Water Industry Limited ("JV Co") (in which Party A and Party B have 80% and 20% interests respectively) which recorded the managerial, operational and other arrangements agreed between the shareholders in respect of JV Co and Party A and Party B agreed to advance interest free loans of HK\$20 million and HK\$5 million respectively to JV Co;
- (b) an agreement signed on 12 September 2007 between (i) 姜燕 (as vendor); and (ii) Hantec Business Consultant Limited, a wholly-owned subsidiary of HPL, (as purchaser) relating to the sale and purchase of 91% of the registered capital of 北京國際經濟技術有限責任公司 for a cash consideration of RMB600,000;
- (c) an agreement dated 21 December 2007 between (i) 吳俊良 (Wu Chun-Liang) and 陳淑燕 (Chen Shu-Yen) (as vendors); and (ii) Hantec Taiwan Investments Limited, a wholly owned subsidiary of HPL, (as purchaser) relating to the sale and purchase of all equity capital in 俊森實業有限公司 for a total cash consideration of NT\$5,400,000; and
- (d) an agreement dated 6 March 2008 between (i) Macro Jess Ltd., a wholly-owned subsidiary of HPL, (as vendor); and (ii) Mr. Yozo Hasegawa or his nominee(s) (as purchaser) relating to the sale and purchase of 2,160 ordinary shares of Foreland Forex Co., Ltd for a cash consideration of Japanese Yen 162 million.

## 6. LITIGATION

A writ of summons dated 11 July 2006 was served on, among others, Hantec Bullion Limited, a subsidiary of HPL by a former account executive claiming for commissions of a total amount of HK\$700,000 together with interest and/or alternatively, damages to be assessed. Hantec Bullion Limited has filed a defence. Up to the Latest Practicable Date, the plaintiff has only filed a Notice of Intention to Proceed and has not taken any further action.

Save as disclosed above, neither HPL nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the HPL Directors to be pending or threatened against the HPL or any of its subsidiaries.

## 7. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose letters or reports (as the case may be) are contained in this Composite Document:

Name	Qualification
Optima Capital	a licensed corporation under the SFO permitted to carry out types 1, 4 and 6 regulated activities under the SFO
Access Capital	a licensed corporation under the SFO permitted to carry out types 1, 4, 6 and 9 regulated activities under the SFO
KPMG	Certified Public Accountants

The experts named above have given and have not withdrawn their respective written consents to the issue of this Composite Document, with the inclusion of their letters or reports (as the case may be) or references to their names in the form and context in which they are respectively included.

## 8. GENERAL

- (a) As at the Latest Practicable Date, HHL is owned as to 35% by Mr. Tang, 35% by Convenient Way Limited (which is a company controlled by Mr. Yeung Sai Hong), 25% by Alpha Elite Assets Limited (which is a company wholly owned by Ms. Ho Yuet Ying) and 5% by Mr. Man Kong Yui. The board of directors of HHL comprised Mr. Tang, Madam Ng, Ms. Ho Yuet Ying and Ms. Chung Wing Shan. The correspondence address of the members of the HHL Concert Group and the registered office of HHL is Units 4613–14, 46th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.
- (b) The registered office of HPL is at Romasco Place, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands and its principal place of business in Hong Kong is at Unit 4613, 46th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.
- (c) The registered address of Optima Capital is at Unit 3618, 36th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (d) The registered address of Access Capital is at Suite 606, 6th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (e) The securities to be acquired in pursuance to the HPL Offer will not be transferred, charged or pledged to any other persons.
- (f) The English text of each of this Composite Document and the accompanying Form of Acceptance and Transfer shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) at Unit 4613, 46th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong during normal business hours; (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) on a website at [www.hantec.com](http://www.hantec.com) from the date of this Composite Document up to and including 23 December 2008:

- (a) the Memorandum and Articles of Association of HPL;
- (b) the Memorandum and Articles of Association of HHL;
- (c) the letter of advice from Access Capital, the text of which is set out on pages 15 to 24 of this Composite Document;
- (d) the accountants' report on the HPL Group from KPMG contained in the Circular, part of which is extracted/reproduced in Appendix II to this Composite Document;
- (e) the unaudited pro forma financial information on the HPL Group and the accountants' report thereon from KPMG contained in the Circular, the text of each of which is reproduced in Appendix III to this Composite Document;
- (f) the service contracts referred to in the section headed "Disclosure of interests" in this appendix;
- (g) the material contracts referred to in the section headed "Material contracts" in this appendix;
- (h) the written consents referred to in the section headed "Experts and consents" in this appendix;
- (i) the fund proof documents including the deposit confirmations from Public Bank (Hong Kong) Limited and the undertaking given by HHL in favour of Optima Capital confirming that the deposits were maintained by HHL for the sole purpose of enabling HHL to satisfy the consideration payable for the acceptances of the HPL Offer; and
- (j) the Circular.