HANTEC INVESTMENT HOLDINGS LIMITED

亨達國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 111)

INTERIM RESULTS 2008

The Board of Directors (the "Board") of Hantec Investment Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are pleased to announce the unaudited consolidated result of the Group for the six months ended 30th June 2008 as follow:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2008

		Unaudited Six months ended 30th June	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Turnover	3	**182,628**	206,167
Other revenue	3	**621**	930
Other net income	3	**1,262**	2,144
		184,511	209,241
Staff costs	4(a)	**(41,127)**	(39,321)
Commission expenses		**(84,587)**	(105,692)
Operating leases for land and buildings		**(10,394)**	(6,560)
Other operating expenses		**(40,726)**	(32,585)
Total operating expenses		**(176,834)**	(184,158)
Operating profit		**7,677**	25,083
Finance costs	4(c)	**(1,447)**	(3,968)
		6,230	21,115
Share of profit of associates		**1,407**	1,233
Profit before taxation	4	**7,637**	22,348
Income tax	5	**(2,785)**	(5,178)
Profit for the period		**4,852**	17,170

		Unaudited	
		Six months ended 30th June	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Equity holders of the Company		**4,768**	17,170
Minority interests		**84**	—
		4,852	17,170
Proposed interim dividend	6	**—**	6,213
Earnings per share			
Basic	7(a)	**HK1.15 cents**	HK4.15 cents
Diluted	7(b)	**HK1.14 cents**	N/A

CONSOLIDATED BALANCE SHEET

As at 30th June 2008 and 31st December 2007

	Note	Unaudited 30th June 2008 HK$'000	Audited 31st December 2007 HK$'000
Non-current assets			
Intangible assets		**6,517**	6,871
Fixed assets		**38,624**	19,980
Interests in associates		**19,665**	15,288
Other assets		**3,969**	3,890
Available-for-sale financial assets		**984**	12,293
Deferred income tax assets		**1,395**	1,549
		71,154	59,871
Current assets			
Financial assets at fair value through profit or loss		**5,197**	5,602
Taxation recoverable		**2,140**	514
Trade and other receivables	8	**264,917**	471,516
Bank balances and cash	9	**287,201**	374,184
		559,455	851,816
Current liabilities			
Trade and other payables	10	**201,821**	454,810
Short-term loan and bank overdrafts		**2,003**	16,692
Current portion of obligations under finance lease		**513**	537
Current portion of secured mortgage loan		**692**	—
Taxation payable		**5,073**	4,006
Loan notes	11	**17,176**	—
		227,278	476,045
Net current assets		**332,177**	375,771
Total assets less current liabilities		**403,331**	435,642
Non-current liabilities			
Obligations under finance lease		**245**	506
Secured mortgage loan		**12,039**	—
Deferred income tax liabilities		**98**	170
Loan notes	11	**—**	42,525
		12,382	43,201
NET ASSETS		**390,949**	392,441

	Note	Unaudited 30th June 2008 HK$'000	Audited 31st December 2007 HK$'000
Capital and reserves			
Share capital		**41,789**	41,443
Other reserves		**220,364**	216,639
Retained earnings		**128,377**	134,024
Total equity attributable to the equity holders of the company		**390,530**	392,106
Minority interests		**419**	335
TOTAL EQUITY		**390,949**	392,441

Notes:

1. **Basis of preparation**

   This unaudited condensed consolidated financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

   The condensed consolidated financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

2. **Accounting policies**

   The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st December 2007.

3. **Turnover, other revenue, other net income and segment information**

	Six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
Turnover		
Fees and commission	**68,494**	86,262
Net revenue from		
— foreign currency option trading	**5,955**	7,417
— bullion trading	**48,969**	40,075
Net premium income from insurance broking	**203**	303
Swap interest and foreign exchange trading revenue	**37,503**	38,127
Interest income	**20,538**	32,268
Underwriting commission	**54**	478
Management, subscription and advisory fee income	**912**	1,237
	182,628	206,167
Other revenue		
Dividend income from listed securities	**96**	341
Dividend income from available-for-sales financial assets	**—**	138
Other income	**525**	451
	621	930
Other net income		
Net exchange (loss)/gain	**(642)**	1,273
Net realised gains on financial assets at fair value through profit or loss	**55**	469
Net unrealised (loss)/gain on financial assets at fair value through profit or loss	**(1,223)**	402
Profit on disposal of available-for-sale financial assets	**3,072**	—
	1,262	2,144
	184,511	209,241

Primary reporting format — Business segments

	Six months ended 30th June 2008									
	Leveraged foreign exchange trading/ broking *HK$'000*	Securities broking *HK$'000*	Commodities and futures broking *HK$'000*	Corporate finance *HK$'000*	Asset management *HK$'000*	Financial planning/ insurance broking *HK$'000*	Precious metal contracts trading/ broking *HK$'000*	Unallocated *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Turnover from external customers	50,103	21,615	6,473	2,657	52	13,999	87,515	214	—	182,628
Inter-segment turnover	794	21	—	300	—	—	111	13,413	(14,639)	—
Total	50,897	21,636	6,473	2,957	52	13,999	87,626	13,627	(14,639)	182,628
Segment results	2,563	2,686	487	(1,054)	(618)	(3,407)	8,854	(1,834)	—	7,677
Operating profit										7,677
Finance costs	(2)	(564)	(2)	—	—	(2)	(20)	(857)	—	(1,447)
										6,230
Share of profits of associates	—	—	—	—	—	—	—	1,407	—	1,407
Profit before taxation										7,637
Income tax										(2,785)
Profit after taxation										4,852
Minority interests										(84)
Profit attributable to equity holders of the Company										4,768

	Six months ended 30th June 2007									
	Leveraged foreign exchange trading/ broking	Securities broking	Commodities and futures broking	Corporate finance	Asset management	Financial planning/ insurance broking	Precious metal contracts trading/ broking	Unallocated	Inter-segment elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover from external customers	67,884	33,435	5,691	1,912	317	13,818	82,701	409	—	206,167
Inter-segment turnover	14	215	—	301	—	—	—	5,511	(6,041)	—
Total	67,898	33,650	5,691	2,213	317	13,818	82,701	5,920	(6,041)	206,167
Segment results	5,756	8,557	100	(430)	(273)	(2,788)	16,768	(2,607)	—	25,083
Operating profit										25,083
Finance costs	(6)	(2,302)	(1)	—	—	(2)	(27)	(1,630)	—	(3,968)
										21,115
Share of profits of associates	—	—	—	—	—	—	—	1,233	—	1,233
Profit before taxation										22,348
Income tax										(5,178)
Profit after taxation										17,170
Minority interests										—
Profit attributable to equity holders of the Company										17,170

Secondary reporting format — Geographical segments

	Turnover	
	Six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong	**115,335**	107,937
Greater China (excluding Hong Kong)	**61,171**	85,447
Oceania	**245**	204
Switzerland	**559**	4,338
United States	**86**	443
United Kingdom	**976**	3,160
Other countries	**4,256**	4,638
	182,628	206,167

4. Profit before taxation

Profit before taxation is arrived after charging:

(a) Staff costs

	Six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
Salaries and allowances	**39,652**	37,034
Equity-settled share-based payments	**367**	1,354
Defined contribution plans	**1,108**	933
	41,127	39,321

(b) Other operating expenses

	Six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
Auditors' remuneration	**1,913**	1,913
Bad debts written off	**10**	537
Depreciation of fixed assets	**3,746**	3,176
Impairment loss on trade receivables	**788**	—
Legal and professional fee	**3,648**	1,417
Loss on disposal of fixed assets	**55**	102

(c) Finance cost

	Six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
Interest on bank overdrafts	**95**	367
Interest on bank loans	**530**	1,923
Interest on loan notes	**793**	1,630
Interest on obligation under finance lease	**29**	48
	1,447	3,968

5. Income tax

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

The amount of taxation charged to the consolidated income statement represents:

	Six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
Current taxation:		
— Hong Kong profits tax	**1,626**	3,350
— Overseas taxation	**850**	1,940
— Under/(over)-provision for taxation	**227**	(587)
Deferred taxation relating to the origination and reversal of temporary differences	**35**	475
Effect of decrease in tax rate on deferred tax balances at 1 January	**47**	—
Taxation expenses	**2,785**	5,178

6. **Dividends**

	Six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
Interim dividend declared and paid after the interim period of nil (2007: HK1.5 cents) per ordinary share	**—**	6,213

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2008 (2007: HK1.5 cents).

	Six months ended 30th June	
	2008	2007
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the period, of HK2.5 cents (2007: HK1.5 cents) per ordinary share	**10,415**	6,212

7. **Earnings per share**

The calculation of basic and diluted earnings per share are based on the profit attributable to equity holders of the Company of HK$4,767,743 (2007: HK$17,170,480).

(a) *Basic earnings per share*

The basic earnings per share is based on the weighted average number of 415,490,054 (2007: 414,130,000) ordinary shares in issue during the six months ended 30th June 2008.

(b) *Diluted earnings per share*

The diluted earnings per share for the six months ended 30th June 2008 is based on 419,212,105 (2007: nil) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 3,722,051 (2007: nil) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

8. Trade and other receivables

	Unaudited 30th June 2008 *HK$'000*	Audited 31st December 2007 *HK$'000*
Trade receivables	**251,725**	453,726
Other receivables	**13,192**	17,790
	264,917	471,516

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

As at 30th June 2008, the aging analysis of the trade receivables was as follows:

	Unaudited 30th June 2008 *HK$'000*	Audited 31st December 2007 *HK$'000*
Current	**241,305**	447,349
30–60 days	**52**	121
Over 60 days	**10,368**	6,256
	251,725	453,726

9. Bank balances and cash

	Unaudited 30th June 2008 *HK$'000*	Audited 31st December 2007 *HK$'000*
Cash in hand	**150**	422
Bank balances		
— pledged	**19,084**	15,706
— general accounts	**267,967**	358,056
	287,051	373,762
	287,201	374,184
By maturity		
Bank balances		
— Current and savings accounts	**159,667**	266,755
— Fixed deposits (maturing within three months)	**114,322**	99,793
— Fixed deposits (maturing over three months)	**13,062**	7,214
	287,051	373,762

10. Trade and other payables

	Unaudited 30th June 2008 *HK$'000*	Audited 31st December 2007 *HK$'000*
Trade payables	**172,085**	414,270
Other payables	**29,736**	40,540
	201,821	454,810

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

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

11. Loan notes

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

	Unaudited 30th June 2008 *HK$'000*	Audited 31st December 2007 *HK$'000*
At 1st January	**42,525**	—
Add: Issued	**—**	44,865
Less: Redeemed	**(25,349)**	(2,340)
At 30th June 2008 and 31st December 2007	**17,176**	42,525

After the balance sheet date, the Company redeemed all outstanding loan notes of an aggregate principal amount of US$2.2 million (approximately HK$17.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The financial market in the first half of 2008 experienced a drastic change compared to the previous year. The investment boom in the equity market in 2007 did not continue through into 2008. The sub-prime crisis in the US market had a more serious impact on the investment market than anticipated. Investors have become more prudent and pessimistic about the investment market, especially following a plunge in commodity prices and currencies. The heavy burden of operating costs could not be relieved as inflationary pressure prevailed since 2007. Overall, the Group's financial results decreased as a result in the shrinkage in most business segments. Consequently, operating profit fell from HK$25.1 million to HK$7.7 million, representing a 69% drop. Profit attributable to equity holders fell by 72% to HK$4.8 million (2007: HK$17.2 million).

Leveraged Foreign Exchange Trading

The fierce competition in the foreign exchange market continued into 2008. The Group has no alternative but continue to narrow prices and interest spread to clients. Business from both Hong Kong and overseas markets decreased. The turnover in this segment slipped back to HK$50.1 million (2007: HK$67.9 million), representing a 26% decrease. The segment results dropped significantly to HK$2.6 million (2007: HK$5.8 million). In order to increase the business volume, the Group's electronic trading platform has been further strengthened to enlarge its capacity for business from the overseas market.

Securities Broking

The sub-prime crisis in the US market, combined with the cooling down of the Mainland economy and the implementation of a tighter monetary policy by the Mainland government led to a deterioration in the market sentiment. The Hang Seng Index fell more than 20% from 27,632 as at the beginning of the year to 22,102 as at 30 June 2008. Market turnover dropped significantly compared to the corresponding period in 2007. This caused the segment's turnover to fall to HK$21.6 million (2007: HK$33.4 million). The segment result decreased more seriously to HK$2.7 million (2007: HK$8.6 million) as some fixed costs could not be reduced despite the drop in turnover.

Commodities and Futures Broking

Business in this segment was more stable in the first half of 2008. Despite the volatile price of commodities, investors still showed some interest in this market. As a broker, our Group strived to achieve a small progress in the turnover and result in this segment. Turnover increased slightly to HK$6.5 million (2007: HK$5.7 million) and the segment recorded a profit of HK$0.5 million (2007: HK$0.1 million).

Corporate Finance

During the first half of 2008, we continued to provide corporate advisory services to, and acting as compliance advisors for, listed companies. Turnover in this segment increased to HK$2.7 million (2007: HK$1.9 million). However, losses climbed to HK$1.1 million (2007: loss of HK$0.4 million) due to the increases in the cost of operation, especially in human resources.

Asset Management

The equity fund is the only fund under management by the Group. However, some investors holding a significant number of shares in the fund redeemed their holdings during the first half year. As a result the size of the fund fell below a viable operating level, resulting in the Group having to wind up the fund. The Group is now exploring and analysing other business opportunities. Turnover decreased to less than HK$0.1 million (2007: HK$0.3 million), and this segment posted a loss of HK$0.6 million (2007: loss of HK$0.3 million).

Financial Planning

This segment performed as expected, and business volume was maintained at a similar level as the corresponding period last year. Turnover was HK$14 million (2007: HK$13.8 million). Losses increased from HK$2.8 million to HK$3.4 million mainly due to a surge in operating costs. However, as a services provider in the financial industry, the Group's financial planning business plays an important role since it can refer business to other segments.

Bullion Trading

The price of bullion at the beginning of the period was US$836 per ounce. It peaked at US$1,032 per ounce in March, representing a historic high. However, it closed at approximately US$925 per ounce at 30 June 2008. The upward trend in the bullion price in recent years seems to have halted, and investors' appetite in this market began to show signs of decline. In addition, the bullion business has faced a similar situation as leveraged foreign exchange trading in that the price spread and interest spread have narrowed due to keen competition amongst the service providers. Turnover increased slightly to HK$87.5 million (2007: HK$82.7 million). Profit has dwindled due to low spreads and decrease in trading profit arising from net house positions, decreasing to HK$8.9 million (2007: HK$16.8 million).

Looking Forward

Recent developments in the worldwide investment market suggest that this fluctuation will continue for some time. It is also estimated that economic growth in Hong Kong and the Mainland in 2008 would slow down as a result of Mainland's new tight monetary policy which is designed to curb inflationary pressure. In this environment, the Group will conduct its business both prudently and conservatively. Currently, the Group is working on strengthening its internal control and information technology systems to ensure that they are capable of taking up new challenges.

Financial Resources

The Group continued to maintain sound financial status throughout the period. All the corporations licensed by the Securities and Futures Commission complied with financial resources requirements of the relevant authorities. After the period under review, the Company redeemed the loan notes before its maturity in order to reduce interest expenses. The redemption was financed by the Group's internal resources and had no significant impact on its liquidity. Any idle funds have been placed with authorised institutions in a highly liquid form in order to prepare for unexpected fluctuations in the market.

Contingent liabilities

Other than the litigation cases as detailed in the interim report and corporate guarantees given in favour of the Group's wholly-owned subsidiaries for certain banking facilities, the Group does not have any significant contingent liabilities.

Exposure to fluctuation in foreign exchange rates

For the foreign exchange business, the treasury function followed all policies and exposure limits laid down by the Group on the exposure of different currencies. Major assets and liabilities of the Group are denominated in either HK dollars or US dollars. Because of the implementation of our treasury policy and the fact that the HK dollar is pegged with the US dollar, the Group does not face any significant exposure to the fluctuation in foreign exchange rates.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2008 (2007: HK1.5 cents).

GROUP REORGANIZATION, SALE AND PURCHASE AGREEMENT BETWEEN CONTROLLING SHAREHOLDER AND PURCHASERS

After the balance sheet date, the controlling shareholder of the Company, Hantec Holdings Limited ("HHL"), has requested the Board to place before the shareholders of the Company a proposal for the reorganization of the Group. If approved and implemented, the result of the reorganization will be:

i) the Company continuing to be a public listed company with its subsidiaries concentrating on the business of carrying out regulated activities under the SFO;

ii) all other subsidiaries of the Company carrying on trading and broking of precious metal contracts, provision of financial related services outside of Hong Kong and investment in water plant business being grouped under Hantec Pacific Limited ("HPL"); and

iii) the shares of HPL will be distributed in specie to the shareholders of the Company upon injection of businesses detailed in (ii) into HPL.

On 13th August 2008, HHL has entered into a sale and purchase agreement with Sinoday Limited and Silver Grant International Securities Investment Limited to sell to them a 52.32% and 9.58% stake in the Company respectively.

The reorganization is still under the process of approval by the relevant regulatory authorities and pending shareholders' approval. The completion of the sale and purchase agreement will be subject to the successful implementation of the proposed reorganization.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30th June 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has always strived to enhance our corporate governance and transparency by adopting and implementing appropriate corporate governance practices; and the Group has complied with all the code provisions as set out in the Code on Corporate Governance Practices, Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") with the following exception:

Code Provision A.2.1

This provision states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Tang Yu Lap assumes the role of chairman, and there is no other person designated as chief executive officer. The Board believes that this structure helps maintain strong and effective leadership and leads to a highly efficient decision making process. To help achieve a balance of power and authority, an Executive Management Committee comprising senior executives and chaired by the deputy chairman meets every week to discuss and make decision on issues relating to day-to-day management of the Group's businesses. In addition, the Board comprises reputable professionals also meets regularly to discuss major issues affecting operations of the Group which also helps maintain high level of balance of power without compromising consistent leadership of the Group.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted for compliance by the directors the code of conduct for dealings in securities of the Company as set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), of the Listing Rules, and that the Directors have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30th June 2008 with the directors. The Group's external auditors have carried out a review of the unaudited interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement and the Company's 2008 interim report of the six months ended 30th June 2008 which sets out all applicable information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange of Hong Kong Limited at http://www.hkex.com.hk and the Company's website at http://www.hantec.com in due course.

By Order of the Board
Hantec Investment Holdings Limited
Tang Yu Lap
Chairman

Hong Kong
24th September 2008

As at the date hereof, the Board of Hantec Investment Holdings Limited comprises:

Executive Directors:	Mr. Tang Yu Lap *(Chairman)* Mr. Lam Ngok Fung *(Deputy Chairman)* Ms. Ng Chiu Mui Mr. Law Kai Yee Ms. Hwang Wei Ming, Ellen Mr. Lau Mun Chung
Non-executive Director:	Mr. Fong Wo, Felix
Independent Non-executive Directors:	Mr. Yu Man Woon Mr. Cheng Wing Chi Professor Nyaw Mee Kau Mr. Yu Hon To, David

Website: http://www.hantec.com

* *For identification purposes only*