



Report
of the Directors

Report of the Directors

The directors submit their report together with the audited accounts of Hantec Investment Holdings Limited (the “Company”) and its subsidiaries (collectively referred as “the Group”) for the year ended 31st December 2000.

Group reorganisation

The Company was incorporated in Bermuda on 19th April 2000. Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the Group on 10th July 2000. The shares of the Company were listed on the Stock Exchange on 1st August 2000.

Details of the Reorganisation and the basis of preparation of the accounts are set out in Note 1 to the accounts.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding and that of the major subsidiary of the Group is the provision of leveraged foreign exchange trading services. The activities of the subsidiaries are set out in Note 13 to the accounts. Set out below is an analysis of the Group’s turnover.

	2000	1999
	HK\$’000	HK\$’000
Commission on foreign currency spot contracts	13,090	2,974
Net premium income from foreign currency option contracts	30,441	77,694
Swap interest and foreign exchange trading revenue	27,161	18,574
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	70,692	99,242
Interest income	13,901	15,521
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	84,593	114,763
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No geographical analysis on turnover is provided as all the business is considered to be derived and transacted within Hong Kong, except for interest income which are analysed by geographical location as follows:

	2000	1999
	HK\$'000	HK\$'000
Interest income derived inside Hong Kong	2,995	3,958
Interest income derived outside Hong Kong	10,906	11,563
	13,901	15,521

Results and appropriations

The results for the year are set out in the consolidated profit and loss account on page 22.

The directors of Hantec International Limited (“HIL”), the wholly owned subsidiary, have declared a special dividend of HK10 cents per ordinary share totaling HK\$10,000,000 to its shareholders out of retained profit of HIL on 25th May 2000 prior to the listing of the Company and paid on 5th June 2000.

The directors have declared an interim dividend of HK2.5 cents per ordinary share, totalling HK\$7,475,000, which was paid on 26th October 2000.

The directors have proposed a final dividend of HK2.5 cents per ordinary share, totalling HK\$7,475,000.

Share capital

Details of the movements in share capital of the Company during the year are set out in Note 19 to the accounts.

Five year financial summary

A summary of the result and the assets and liabilities of the Group for the years ended 31st December 2000, 1999, 1998, 1997 and 1996 is set out on page 57.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in Note 20 to the accounts.

Fixed assets

Movements in fixed assets of the Group during the year are set out in Note 12 to the accounts.

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Purchase, sale or redemption of shares

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

Directors

The directors during the year were:

Chairman:

Mr. Tang Yu Lap (appointed on 8th May 2000)

Executive Directors:

Mr. Man Kong Yui (appointed on 8th May 2000)

Mr. Tang Ping Sum (appointed on 25th May 2000)

Mr. Sze Chong Hoi (appointed on 25th May 2000)

Mr. Chan Na Wah (appointed on 25th May 2000)

Non-executive Directors:

Mr. Fan Wai Ming (appointed on 25th May 2000)

Mr. Fong Wo, Felix (appointed on 25th May 2000)

Independent Non-executive Directors:

Mr. Fan Sheung Tak (appointed on 25th May 2000)

Mr. Yu Man Woon (appointed on 25th May 2000)

In accordance with bye-law 86(2) of the Company, Mr. Tang Ping Sum, Mr. Sze Chong Hoi, Ms. Chan Na Wah, Mr. Fan Wai Ming, Mr. Fong Wo, Felix, Mr. Fan Sheung Tak and Mr. Yu Man Woon retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' service contracts

Each of Mr. Tang Yu Lap, Mr. Man Kong Yui, Mr. Tang Ping Sum, Mr. Sze Chong Hoi and Ms. Chan Na Wah has a service contract with the Company for a three years term commencing from 1st June 2000 which is not determinable within one year without payment of compensation. These service contracts shall continue thereafter unless and until terminated by either party by not less than three months' prior written notice.

Save as aforesaid, none of the directors proposed for re-election at the forthcoming annual general meeting has entered into any service agreements with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

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Directors' interests in contracts

Mr. Tang Yu Lap, Mr. Man Kong Yui and Mr. Fan Wai Ming beneficially owned 35%, 10% and 20% respectively of the issued share capital of Hantec Holdings Limited ("HHL"). HHL was a party to the Licence Services Agreement as discussed below under Connected Transactions.

Saved as Mr. Tang Yu Lap, Mr. Man Kong Yui and Mr. Fan Wai Ming's interest in the Licence Services Agreement and except for directors' service contracts, no contracts of significance in relation to the Company's business to which the Company, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transactions

Connected transactions required to be disclosed in accordance with Chapter 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited after the listing of the Company, are as follows:

- (a) Hantec Capital Limited, a wholly-owned subsidiary of HHL, is principally engaged in corporate finance and financial advisory businesses. During the year, Hantec Capital Limited has provided certain corporate finance advisory services to the Group and the advisory fee paid by the Group to Hantec Capital Limited amounted to HK\$1,400,000 (1999: HK\$1,200,000). The directors consider that the terms of the services provided by Hantec Capital Limited are at normal commercial terms.
- (b) On 10th July 2000, the Company entered into a licence services agreement (the "Licence Services Agreement") with the HHL Group under which the Company and its subsidiaries have been granted a licence to occupy the Dealing Room, the Branches and the New Branch and such other premises rented by the HHL Group as may from time to time be specified in writing by the Group.

Under the Licence Services Agreement, the Company has agreed that, with effect from 1st January 2000 or on the commencement date of the tenancy of the relevant premises agreed to be licensed to the Group pursuant to the Licence Services Agreement, the Company will pay a licence fee based on the actual space occupied by the Group in those premises at a rate equivalent to the monthly rental payable by the HHL Group together with outgoings such as management fees and utility charges apportioned by reference to the actual space occupied by the Group.

During the year, a total of HK\$1,378,974 has been paid to the HHL Group in this regard. For the year ended 31st December 1999, HHL Group charged the Group an operating lease rental of HK\$2,100,000 which was allocated based on the actual space occupied by the Group. The Directors consider that the terms of the Licence Services Agreement and the rental charged in 1999 are at normal commercial terms.

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The independent non-executive directors of the Company has reviewed the above transactions and confirmed that:

- (i) the transactions have been entered into in the ordinary and usual course of business of the Group;
- (ii) the transactions have been entered into on normal commercial terms and on arm's length basis, and in accordance with the terms of the agreements governing such transaction or on terms no less favourable than those available to/from independent third parties;
- (iii) the transactions have been entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (iv) the aggregate consideration paid in respect of the corporate finance services provided by the HHL Group in 2000 has not exceeded HK\$3 million or 3% of the Group's turnover, whichever is higher.

Related party transactions are disclosed in Note 25 to the accounts. The brokerage commission paid to a fellow subsidiary as disclosed in Note 25(f) also constituted a connected transaction as defined in the Listing Rules. The directors consider the commissions were paid in the normal course of business and at commercial terms.

Directors' interests in equity or debt securities

At 31st December 2000, the interests of the directors and chief executive in the shares, warrants and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance or as notified to the Company were as follows:

(a) Interest in ordinary shares of HK\$0.1 each

	Number of ordinary shares in the Company				Total
	Personal interests	Family interests	* Corporate interests	Other interests	
Tang Yu Lap	–	–	224,250,000	–	224,250,000

*Note: Mr. Tang Yu Lap beneficially owned 35% of the issued capital of Hantec Holdings Limited which owned 224,250,000 shares of the Company.

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(b) Interest in options to acquire ordinary shares of the Company

	Date	Number of ordinary shares in the options Granted	Exercised	Exercise price per share	Exercise Period
Tang Yu Lap	2nd November 2000	500,000	–	HK\$0.66	2/2/2001-1/2/2006
Man Kong Yui	2nd November 2000	500,000	–	HK\$0.66	2/2/2001-1/2/2006
Tang Ping Sum	2nd November 2000	1,000,000	–	HK\$0.66	2/2/2001-1/2/2006
Sze Chong Hoi	2nd November 2000	500,000	–	HK\$0.66	2/2/2001-1/2/2006
Chan Na Wah	2nd November 2000	500,000	–	HK\$0.66	2/2/2001-1/2/2006

Save as disclosed above, and as at the date of this report, none of the directors and the chief executive officers had any interests in the shares of the Company and its associated corporations as defined in the SDI Ordinance, and none of the directors and chief executive officers or their spouses or children under 18 years of age had any right to subscribe for the shares of the Company, or had exercised any such right during the year and up to date of the report.

Save as disclosed above, at no time during the year and up to the date of this report was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

The options were granted under the Share Option Scheme approved pursuant to written resolutions of the sole shareholder of the Company on 10th July 2000.

Apart from the Share Option Scheme mentioned above, none of the directors (including their spouse and children under 18 years of age) have been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company.

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Substantial shareholders

The register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance disclosed that as at 31st December 2000, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of Shareholder	Number of ordinary shares in the Company		
	Direct interest	Deemed Interest	Percentage
Hantec Holdings Limited	224,250,000***	–	75%
Mr. Tang Yu Lap	–	224,250,000***	75%***
Convenient Way Limited	–	224,250,000***	75%***
Mr. Yeung Sai Hong	–	224,250,000***	75%***

*** 224,250,000 represents the same shares for which Mr. Tang Yu Lap, Convenient Way Limited and Mr. Yeung Sai Hong have interests.

HHL is the registered and beneficial owner of 224,250,000 shares of the Company. Mr. Tang Yu Lap beneficially owned 35% of the issued capital of HHL, Convenient Way Limited beneficially owned 35% of the issued capital of HHL, Mr. Yeung Sai Hong beneficially owned 60% of the issued capital of Convenient Way Limited and is deemed (by virtue of the SDI Ordinance) to be interested in the 224,250,000 shares.

Save as disclosed above, the Company has not been notified of any interests representing 10% or more of the issued share capital of the Company.

Pre-emptive rights

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

Management contracts

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

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Major customers and counterparties

The percentages of the largest five customers and largest five counterparties in terms of trading volume are as follows:

Customers

– the largest customer	24.31%
– five largest customers combined	47.46%

Counterparties

– the largest counterparty	29.75%
– five largest counterparties combined	82.56%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the company's share capital) had an interest in the major customers and counterparties noted above.

Compliance with the Code of Best Practice of the Listing Rules

From the date of listing, the Company was in compliance with the Code of Best Practice as set out in the Appendix 14 of Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. The non-executive directors of the Company were appointed for a two years term expiring on 25th May 2002.

Audit Committee

On 10th July 2000, pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, an audit committee was formed, comprising two independent non-executive directors, namely Mr. Fan Sheung Tak and Mr. Yu Man Woon. The Audit Committee has held four audit committee meetings.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company on the same date. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

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Year 2000 computer compliance

The Group functioned normally when entering into the new millennium. The Group will continue to monitor any problems associated with the Year 2000 issue and the directors believe that the Group's operations will not be significantly affected by the Year 2000 issue.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Tang Yu Lap

Chairman

Hong Kong, 9th April 2001