

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 2002.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 15 to the accounts. An analysis of the Group’s performance for the year by business and geographical segments is set out in Note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 19.

No interim dividend has been declared.

The directors do not recommend the payment of final dividend.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 22 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2002, calculated under the Company Act 1981 of Bermuda (as amended), amounted to HK\$140,323,000. Details are set out in Note 22 (e).

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 21 to the accounts.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the five years ended 31st December 2002 is set out on page 69.

DONATIONS

Donations made by the Group during the year amounted to HK\$50,500.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in Note 13 to the accounts.

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DIRECTORS

The directors of the Company during the year were:

Chairman:

Mr. Tang Yu Lap

Executive Directors:

Mr. Tang Ping Sum (*Deputy Chairman*)

Mr. Man Kong Yui

Mr. Sze Chong Hoi

Ms. Chan Na Wah

Mr. Lam Ngok Fung (appointed on 10th January 2002)

Non-executive Directors:

Mr. Fan Wai Ming

Mr. Fong Wo, Felix

Independent Non-executive Directors:

Mr. Fan Sheung Tak

Mr. Yu Man Woon

In accordance with bye-law 87 of the Company, Mr. Sze Chong Hoi, Ms. Chan Na Wah and Mr. Fan Wai Ming retire at the forthcoming annual general meeting and, except Mr. Fan Wai Ming who will not seek re-appointment, all the other retiring directors, 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-year term which commenced on 1st June 2000 and which is not determinable within one year without payment of compensation. Mr. Lam Ngok Fung has a service contract with the Company for a term of sixteen months and twenty two days which commenced on 10th January 2002 and which is not determinable within one year without payment of compensation. These service contracts shall continue thereafter unless and until being 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

Save for the contracts as disclosed under the heading "Connected transactions" and except for the directors' service contracts, no contracts of significance in relation to the Company's business to which the Company, its fellow subsidiaries or its holding company 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

On 17th December 2002, a wholly owned subsidiary of the Group, Hantec Bullion Investments Limited entered into a sale and purchase agreement with Hantec Bullion and Futures Limited, a subsidiary of Hantec Holdings Limited ("HHL") to acquire a membership in The Chinese Gold & Silver Exchange Society for a consideration of HK\$300,000 in cash. The consideration represented a 14% discount to the estimated market value of HK\$350,000 valued by an independent valuer appointed by the Group. In addition, on the same date the Company entered into a sale and purchase agreement with HHL to acquire office equipment for use in the Company's representative office in Taiwan for consideration of HK\$200,000 in cash. Both acquisitions were completed on 31st December 2002. As HHL is the controlling shareholder of the Company, the transactions constituted connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As the total consideration was less than HK\$1 million, the transactions were exempt from any disclosure or shareholders' approval under the Listing Rules.

Save as disclosed above, significant related party transactions entered by the Group which do not constitute connected transactions are disclosed in Note 28 (a) to (d) to the accounts.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st December 2002, the interests of the directors and chief executive and their associates in the shares, warrants and options of the Company and its associated corporations (within the meaning of the then Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the then SDI 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	
Mr. Tang Yu Lap	500,000	–	256,372,000	–	256,872,000
Mr. Tang Ping Sum	60,000	–	–	–	60,000
Mr. Man Kong Yui	500,000	–	–	–	500,000

* Note: 256,372,000 shares of the Company are held by Hantec Holdings Limited, a company which is owned as to 35% by Mr. Tang Yu Lap, as to 35% by Mr. Yeung Sai Hong and his relatives, as to 20% by Mr. Fan Wai Ming, and as to 10% by Mr. Man Kong Yui.

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DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

(b) Interest in options to acquire ordinary shares of HK\$0.1 each

Save as disclosed below, at no time during the year was the Company or any of its holding company, 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.

Save as disclosed in the information on share options below, at no time during the year, the directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meaning of the then SDI Ordinance).

INFORMATION ON SHARE OPTION

Share options are granted to directors, executives and employees under the Share Option Scheme adopted on 10th July 2000. Details of the share options outstanding as at 31st December 2002 which have been granted under the scheme are as follows:

Grantee	Grant date	Options	Options	Options	Exercise price HK\$	Exercisable period
		held at 1st January 2002	exercised during year	held at 31st December 2002		
Directors						
Mr. Tang Yu Lap	9/5/2001	600,000	–	600,000	0.6128	9/8/2001 – 8/8/2006
Mr. Tang Ping Sum	2/11/2000	700,000	–	700,000	0.66	2/2/2001 – 1/2/2006
Mr. Man Kong Yui	9/5/2001	500,000	–	500,000	0.6128	9/8/2001 – 8/8/2006
	9/5/2001	500,000	–	500,000	0.6128	9/8/2001 – 8/8/2006
Mr. Sze Chong Hoi	2/11/2000	500,000	–	500,000	0.66	2/2/2001 – 1/2/2006
	9/5/2001	500,000	–	500,000	0.6128	9/8/2001 – 8/8/2006
Ms. Chan Na Wah	2/11/2000	500,000	–	500,000	0.66	2/2/2001 – 1/2/2006
	9/5/2001	500,000	–	500,000	0.6128	9/8/2001 – 8/8/2006
Aggregate total of employees	2/11/2000	8,200,000	–	6,300,000	0.66	2/2/2001 – 1/2/2006
	9/5/2001	3,900,000	–	3,900,000	0.6128	9/8/2001 – 8/8/2006

(Note (b))

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INFORMATION ON SHARE OPTION (continued)

Notes:

- (a) No option has been granted to any eligible person during the year ended 31st December 2002.
- (b) During the year, an option covering 1,900,000 ordinary shares of HK\$0.1 each exercisable at HK\$0.66 lapsed as a result of the resignation of one grantee. Such lapsed option is not available to be re-granted to other eligible persons.
- (c) Summary of the prevailing share option scheme is as follows:

Purpose of the scheme	As incentive for continued and improved service with the Group
Participants of the scheme	Employees of the Company or any subsidiary, including executive directors of the Company or any subsidiary
Total number of securities available for issue under the scheme	38,633,000 shares (9.9% of the issued shares as at the date of this report)
Maximum entitlement of each participant under the scheme	25% of the aggregate of all shares subject to the scheme
Period within which the shares must be taken up under an option	Five years commencing on the expiry of three months from the date of grant of the option
Minimum period for which an option must be held before it can be exercised	Three months
Amount payable on application or acceptance of the option and the periods within which payments must or may be made or loans made for such purposes must be repaid	Within 21 days from the offer date, the grantee must accept in writing and remit in favour of the Company HK\$1.00 per option, irrespective of the number of shares covered by the option
Basis of determining the exercise price	The exercise price is determined by the board, but shall not be more than 20 per cent below the average of the closing prices of the shares on the Stock Exchange for five business days immediately preceding the date of grant or the nominal value of the shares, whichever is the higher
Remaining life of the scheme	The scheme will end on the tenth anniversary of the date of Adoption

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SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the then SDI Ordinance disclosed that as at 31st December 2002, 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	256,372,000*	–	65.5%
Mr. Tang Yu Lap	500,000	256,372,000*	65.7%*
Convenient Way Limited	–	256,372,000*	65.5%*
Mr. Yeung Sai Hong	–	256,372,000*	65.5%*

* 256,372,000 shares 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 256,372,000 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 then SDI Ordinance) to have an interest in 256,372,000 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 of the Group's business in terms of turnover are as follows:

Customers	
– the largest customer	9.71%
– five largest customers combined	28.00%

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

Except that one of the five largest customers is an associated company of the Company which also held approximately 5.6% of the issued share capital of the Company as at 31st December 2002, none of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers of either category noted above.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased a total of 9,792,000 ordinary shares of HK\$0.1 each on The Stock Exchange of Hong Kong Limited. Details of the repurchase are as follows:

Month	Number of shares repurchased	Price per share		Total cost HK\$
		Highest HK\$	Lowest HK\$	
May 2002	9,792,000	0.55	0.51	5,263,778

The shares repurchased had been duly cancelled during the year accordingly. The directors considered that the shares were repurchased for the purpose of enhancing the net asset value per share of the Company.

Save as disclosed above, the Company has not redeemed any share during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, 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 "Listing Rules"). The non-executive directors of the Company were appointed for a one-year term expiring on 25th May 2003.

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AUDIT COMMITTEE

The Audit Committee of the Company comprised of two independent non-executive directors and one non-executive director, namely Mr. Fan Sheung Tak and Mr. Yu Man Woon, and Mr. Fan Wai Ming who will retire on 23rd May 2003. The Audit Committee has met four times during the year.

The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The work and findings of the Committee has been reported to the board of directors.

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, 15th April 2003