

# 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 2003.

## ■ 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.

## ■ RESULT AND APPROPRIATIONS ■

The results of the Group for the year are set out in the consolidated income statement on page 23.

No interim dividend has been declared.

The directors recommend the payment of a final dividend of HK\$0.025 per ordinary share, totaling HK\$9,778,250.

## ■ 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 of the Company at 31st December 2003 calculated under the Company Act 1981 of Bermuda (as amended), amounted to HK\$159,422,054. Details are set out in Note 22 to the accounts.

## ■ SHARE CAPITAL ■

Details of the movements in share capital of the Company during the year 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 2003 is set out on page 73.

## ■ FIXED ASSETS ■

Movements in fixed assets of the Group during the year are set out in Note 13 to the accounts.

# Report of the Directors

## ■ DIRECTORS ■

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

### Chairman:

Mr. Tang Yu Lap

### Executive Directors:

Mr. Tang Ping Sum

Mr. Sze Chong Hoi

Ms. Chan Na Wah

Mr. Lam Ngok Fung

Ms. Ng Chiu Mui (appointed on 14th January 2004)

Ms. Poon Wai Ming (appointed on 14th January 2004)

### Non-executive Directors:

Mr. Fong Wo, Felix

Mr. Man Kong Yui (re-designated as non-executive director on 1st March 2004)

Mr. Fan Wai Ming (retired on 23rd May 2003)

### Independent Non-executive Directors:

Mr. Fan Sheung Tak

Mr. Yu Man Woon

Ms. Cheung Man Kok (appointed on 23rd May 2003)

Mr. Chung Shui Ming, Timpson (appointed on 14th January 2004)

In accordance with bye-law 86(2) of the Company, Ms. Ng Chiu Mui, Ms. Poon Wai Ming and Mr. Chung Shui Ming, Timpson shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with bye-law 87 of the Company, Mr. Fong Wo, Felix, Mr. Yu Man Woon and Mr. Fan Sheung Tak shall retire at the forthcoming annual general meeting. Except for Mr. Fan Sheung Tak who will not seek for re-appointment, all the other retiring directors, being eligible, offer themselves for re-election.

# Report of the Directors

## ■ 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 commencing on 1st June 2000 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 commencing on 10th January 2002 that is not determinable within one year without payment of compensation. These service contracts continue thereafter. Either party can terminate the contract by giving not less than three months' prior written notice. The service contract of Mr. Man Kong Yui was terminated on 29th February 2004 and he was re-designated as a non-executive director on 1st March 2004.

Each of Ms. Ng Chiu Mui and Ms. Poon Wai Ming has a service contract with the Company. Either party can terminate the contract by giving 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.

## ■ 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 10th June, 2003, Hantec Financial Services Limited, a wholly owned subsidiary of the Company, has entered into a sale and purchase agreement with Hantec Holdings Limited ("HHL"), the controlling shareholder of the Group to acquire 20% of the issued share capital of Cosmos Foreign Exchange International Company Limited ("CFX") for a cash consideration of HK\$6,000,000. The transaction was completed on the 26th July 2003. CFX is principally engaged in the provision of broking and trading services in foreign exchange, currency funding and foreign exchange swaps in Taiwan. As HHL is the controlling shareholder of the Group, the transaction constituted a connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The transaction was exempted from independent shareholders' approval; however, it was subject to disclosure requirement under the Listing Rules.

# Report of the Directors

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

At 31st December 2003, the register of directors' and chief executive's interest and short positions kept by the Company as required under Section 352 of the Securities and Futures Ordinance (the "SFO") shows the following interests held by the directors and the chief executive:

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

Name of shareholder	Number of ordinary shares			Total
	Personal interests	Corporate interests	Family interest	
Mr. Tang Yu Lap	500,000	256,372,000*	–	256,872,000
Mr. Man Kong Yui	500,000	–	–	500,000
Mr. Lam Ngok Fung	24,000	–	–	24,000

\*Note: 256,372,000 shares of the Company are held by Hantec Holdings Limited, a company in which Tang Yu Lap beneficially owned 35% of its issued share capital.

### (b) Interest in options to acquire ordinary shares of HK\$0.10 each

Save as disclosed below, at no time during the year and up to the date of this report was the Company, its subsidiaries, its associated companies, its holding company or its fellow subsidiaries a party to any arrangement to enable the directors, chief executive or employees of the Company to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

Save as disclosed in the information on share options below, at no time during the year any of the directors and the chief executive (including their spouses or their minor children) had any interest in, or had been granted or exercised, any rights to subscribe for the shares of the Company and its associated corporations up to the date of this report (within the meaning of the SFO).

# Report of the Directors

## ■ 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 2003 which have been granted under the scheme are as follows:

Grantee	Date of grant	Options held at 1st January 2003	Options exercised during the year	Options held at 31st December 2003	Exercise price HK\$	Exercisable period
<b>Directors</b>						
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
	9/5/2001	500,000	–	500,000	0.6128	9/8/2001 – 8/8/2006
Mr. Man Kong Yui	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
<b>Aggregate total of employees</b>	2/11/2000	6,300,000	–	6,100,000	0.66	2/2/2001 – 1/2/2006
	9/5/2001	3,900,000	–	3,850,000	0.6128	9/8/2001 – 8/8/2006

- (a) Pursuant to the requirement of the Listing Rules, no further option can be granted under the existing share option scheme and hence no option has been granted to any eligible person during the year ended 31st December 2003.
- (b) During the year, the options carrying rights to subscribe 200,000 shares at HK\$0.66 per share and 50,000 shares at HK\$0.6128 which were granted to two employees have lapsed due to their resignation.

## Report of the Directors

(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 be not 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

# Report of the Directors

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

As at 31st December 2003, the register of interests in shares and short positions kept as required under section 336 of the SFO shows that the Company had been notified of the following shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

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

Name of shareholder	Number of ordinary shares			Percentage
	Direct interest	Corporate interest	Family interest	
Hantec Holdings Limited ("HHL")	256,372,000***	–	–	65.5%
Ms. Ng Chiu Mui	–	–	256,872,000**	65.7%
Convenient Way Limited	–	256,372,000*	–	65.5%
Mr. Yeung Sai Hong	–	256,372,000*	–	65.5%
Ms. Chan Yu Suk	–	–	256,372,000*	65.5%

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

Name of option holder	Number of underlying ordinary shares			Percentage
	Direct interest	Corporate interest	Family interest	
Ms. Ng Chiu Mui	–	–	600,000**	0.2%

\*\*\* 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 and is regarded as having corporate interest in the 256,372,000 shares held by HHL. Ms. Ng Chiu Mui, the spouse of Mr. Tang Yu Lap, has taken to be interested in the 500,000 shares held by Mr. Tang Yu Lap directly and the 256,372,000 shares held by HHL, and the option to subscribe for 600,000 shares held by Mr. Tang Yu Lap.

\* Convenient Way Limited beneficially owned 35% of the issued capital of HHL and is owned as to 60% by Mr. Yeung Sai Hong whom is regarded as having corporate interest in the 256,372,000 shares held by HHL. Ms. Chan Yu Suk is the spouse of Mr. Yeung Sai Hong and is taken to be interested in the 256,372,000 shares held by HHL.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the issued share capital of the Company.

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## ■ PRE-EMPTIVE RIGHTS ■

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

## ■ MANAGEMENT CONTRACTS ■

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

## ■ MAJOR CUSTOMERS AND SUPPLIERS ■

The Directors believe that the five largest customers of the Group accounted for less than 30% of the total of turnover of the Group for the year.

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

## ■ PURCHASE, SALE OR REDEMPTION OF SHARES ■

The Company has not redeemed any of its shares during the year ended 31st December 2003. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31st December 2003.

## ■ 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 Appendix 14 of the Listing Rules except that one independent non-executive director was not appointed for a specific term but subject to rotation in the annual general meeting. All other non-executive directors and independent non-executive directors are appointed for a term of one year.

## ■ AUDIT COMMITTEE ■

The audit committee has four members comprising the four independent non-executive directors. Mr. Fan Sheung Tak is the Chairman of the audit committee. The primary duties of the audit committee are to review the financial reporting processes and accounting practices adopted by the Group and supervise internal controls system of the Group. The audit committee had met three times during the year.

# *Report of the 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*

19th April 2004