

The Board of Directors (the “Board”) of Hantec Investment Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are pleased to present the Group’s Interim Report and condensed consolidated financial statements for the six months ended 30th June 2006. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th June 2006, and the consolidated balance sheet as at 30th June 2006 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, and have been reviewed by the Audit Committee of the Company are set out on page 10 to 33 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

With investment sentiment worldwide remaining positive and the booming economy of the Mainland, the Group managed to achieve an encouraging result for the first half of 2006. The Group’s efforts to expand its overseas market during past years have enhanced its ability to seize a lot of opportunities and helped to boost its profit performance. The contribution made by the subsidiary in Switzerland increased. The Group’s total revenue increased by 59% to HK\$178.2 million (2005: HK\$111.8 million). Despite increases in operating expenses, profit attributable to shareholders broke the Group’s record and registered a more than double increase to HK\$43.4 million (2005: HK\$12.7 million).

Summary of operating results

	2006 in HK\$’000	2005 in HK\$’000	% change
Total revenue	178,170	111,791	Up 59%
Operating expenses	124,889	96,047	Up 30%
Share of profit of associates	1,662	1,516	Up 10%
Profit before taxation	52,932	16,549	Up 220%
Profit attributable to shareholders	43,356	12,663	Up 242%

Leveraged foreign exchange trading

Leveraged foreign exchange trading remained the major contributor both to the turnover and profit of the Group. The new electronic trading platform has been successfully launched and thus enhancing the Group’s ability to further develop its overseas markets. The business of our subsidiary in Switzerland which focused on high net worth clients in both Greater China and Switzerland started to pick up and contributed materially to the Group. Turnover and result of this segment were HK\$62.1 million (2005: HK\$66.2 million) and HK\$22.4 million (2005: HK\$14.8 million) respectively. Business volume in Hong Kong decreased, resulting in a decrease in the swap interest and foreign exchange trading revenue to HK\$37.6 million (2005: HK\$43.8 million). Commission dropped more significantly from HK\$19.5 million to HK\$7.3 million. However, the drop in turnover has been accompanied by a reduction in costs and hence profitability was maintained.

Securities dealing

After years of sluggish activities, the stock market sentiment revived in the first half of 2006. In May 2006, the Hang Seng Index reached its highest point at 17,328 encouraging optimism amongst investors for the future. Average market daily turnover also increased to HK\$32,596 million, with the second historical record high registered on 28th April 2006 at HK\$57,213 million. Initial public offerings (the “IPO”) were heated in the first quarter as large Mainland state-owned enterprises from different sectors raised billions of fund welcomed by investors. Concurrently transaction volume in the secondary market was boosted substantially. All in all, securities dealers in the market were benefited. Turnover in this segment increased substantially from HK\$11.1 million to HK\$19.8 million which was the result of an increase in commission income from HK\$7.9 million to HK\$13.9 million, and margin interest income from HK\$2.3 million to HK\$4.3 million. Commission and interest expenses increased from HK\$3.4 million to HK\$6.3 million and from HK\$0.7 million to HK\$2.0 million respectively, which were commensurate with the business volume so increased. As a result the segment achieved a profit before taxation of HK\$6.2 million (2005: loss of HK\$0.9 million).

Trading in commodities futures contracts


The price of commodities surged substantially from late 2005, and the market demonstrated great volatility. The clients’ desire to exploit this volatility resulted in the Group’s higher volume in trading commodities contracts. Turnover increased to HK\$8.96 million, which, as compared with the turnover of the last corresponding period of HK\$6.46 million, represents an increase of 39%. The increase was mainly due to commission earned on trading commodities contracts in the overseas market. Gross commission from such contracts increased from HK\$4.3 million to HK\$5.6 million. The trading volume as well as the commission on trading contracts in the Hong Kong Futures Exchange remained stable. For the first half year, profit before taxation was HK\$1.16 million, turned around from a slight loss of HK\$0.3 million in the corresponding prior period.

Corporate finance

The IPO market during the first half of 2006 was dominated by large scale H shares, red chips and their related entities. The sponsors and underwriters of these IPOs were mostly internationally renowned investment banks. As a result our corporate finance team was unable to penetrate into the market effectively. However, we managed to direct our effort towards providing corporate advisory services to listed companies. In the period under review, the Group acted as financial advisor for 10 enterprises listed on the Main Board, some of which were red chips and H shares. Although there were only a few new listings in the Growth Enterprises Market (“GEM”), we were on-going sponsors for two GEM-listed companies. As a result, the corporate finance division produced a profit before taxation of HK\$0.6 million (2005: HK\$1.3 million)

Investment consultancy and wealth management

In Hong Kong, our business within the investment consultancy and wealth management sector experienced a reversal of the downtrend of the last couple of years. Both aggregate turnover and gross profit for the first half year of 2006 recorded moderate growth over the same period of last year by 11% and 16% respectively, amid escalating market competition from banks and insurance companies. This increase was mainly due to the joining of a number of experienced consultants to our distribution force. In addition to this, the recurring fee income from discretionary asset management has made our services distinct from our competitors, and



has emerged as a core growth engine of the division in future. By collaborating with a reputable international bank from early this year, our high net worth clients are now able to have their assets managed under our multi-product platform. Retail customers will also be covered by “block” asset allocation services based on their risk profile categories. These services are scheduled to be launched during the second half of 2006.

The subsidiary in Taiwan is on track to penetrate into the investment consultancy market. A considerable amount has been spent on promoting the brand name of the subsidiary to enhance recognition in the market. As such, the subsidiary still suffered a loss. On the whole, the turnover of this segment increased to HK\$13.6 million (2005: HK\$9 million). The loss of HK\$2.1 million represents a slight decrease as compared to HK\$2.3 million of the last corresponding period.

Bullion trading

Bullion investment has been the talk of the town since late 2005. After breaking through US\$500 per ounce late last year, coupled with the rocketed oil price and the soaring prices in raw materials, the price of gold bullion touched US\$725 per ounce in May. The price volatility has also been high as the daily high and low of gold price within a trading day could be as much as US\$40. Under this kind of atmosphere, the investment public inclined to put more of their investment funds to bullion trading, especially in intra-day trades where the daily high and low could generate a reasonable profit. Consequentially the volume in bullion trading increased significantly and hence our turnover in this segment rose to HK\$65.7 million (2005: HK\$12.7 million). The segment result has soared to a record of HK\$25.4 million (2005: HK\$5.4 million).

Asset management

Both the equity fund and foreign exchange fund managed under the asset management division performed steadily during the first half year of 2006. There was no significant subscription or redemption in both funds. The strategy that the equity fund is for more conservative investors, and that the foreign exchange fund is for investors asking for high return with higher risk, remains unchanged. Turnover improved as compared to the same period last year, a result of the contribution from the foreign exchange fund. Continuing to keep its expenditures within budget, this division successfully turned around to a profit of HK\$0.1 million (2005: loss of HK\$0.6 million). The steady growth in the foreign exchange fund would enable the asset manager to be entitled to a performance bonus at the end of the year. Therefore, the result of the second half-year is optimistic.

Financial resources

Sound financial position and sufficient resources are crucial for the Group to take on business opportunities and, at the same time, to defend against sudden unexpected adverse changes in the market. As on the reporting date, the Group’s cash on hand and amount due from reputable financial institutions was HK\$322.2 million (2005: HK\$262.4 million), i.e. 66% of total assets (2005: 64%). Same as in the previous periods, there were no significant long-term liabilities.

Contingent liabilities

The Company continues to provide corporate guarantees to wholly owned subsidiaries to enable the Group members to secure high quality and favourable banking and trading facilities from reputable financial institutions. Apart from some cases mentioned in the annual report of 2005, there has been no significant addition to contingent liabilities. Details of contingent liabilities are explained in note 18 of the notes to the condensed consolidated financial information.

Looking forward

Interest rates in a number of major currencies, including the US Dollars, Euro and Japanese Yen, have increased in the first half of 2006. The oil price and price of natural resources, especially minerals, remain high. The worry of possible further interest rate rises is obvious. However, current economic indicators tend to suggest that the interest rate in the US is close to its peak. On the other hand, the domestic demand in the Mainland, which is a result of economic growth, remains strong. The appreciation of Renminbi becomes more probable. Investors tend to diversify in investing in different products and different currencies. There are also signs that the IPO market will be re-activated after a few months' adjustment in the local equity market. Looking forward, the investment environment is optimistic. The Group's strategy to establish footholds in different overseas markets will continue. Apart from foreign exchange trading, the Swiss subsidiary has begun to provide bullion trading to selected high net worth clients in the second half of the year. To strengthen our overseas network, we are working towards the completion of the acquisition of the entire issued shares capital of our associated company in New Zealand. The operations in different time zones will not only give clients from different countries the opportunities to access the world's major financial markets but will also facilitate the efficiency and flexibility of the Group's treasury management. We continue to strive for yielding a higher return for our shareholders, which we remain optimistic as the development in overseas markets begins to show positive results.

INTERIM DIVIDEND

The directors are pleased to declare an interim dividend of HK1.5 cents per ordinary share for the six months ended 30th June 2006 (2005: nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

At 30th June 2006, the register of directors' and chief executives' interests and short positions in the Company's shares, underlying shares and debentures 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

	Number of ordinary shares in the Company			Total
	Personal interests	Corporate interests	Family interest	
Mr. Tang Yu Lap	500,000	256,372,000 ¹	—	256,872,000
Mr. Lam Ngok Fung	274,000	—	—	274,000
Mr. Law Kai Yee	200,000	—	—	200,000

¹ 256,372,000 shares of the Company are held by Hantec Holdings Limited ("HHL"), a company in which Mr. Tang Yu Lap beneficially owned 35% of its issued capital.

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

Save as disclosed in the information on share options below, during the period up to 30th June 2006, none of the directors and the chief executive, their spouses or their minor children or any corporations in which they are entitled to exercise or control one-third or more of the voting power at general meetings had any right to subscribe for the shares of the Company, or had exercised any such right during the period and up to 30th June 2006.

All the interests stated above represent long positions. As at 30th June 2006, no short positions were recorded in the Register of Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the company required to be kept under section 352 of the SFO.

INFORMATION ON SHARE OPTIONS

(a) Share option scheme adopted on 10th July 2000 (the "Old Scheme"):

Details of the share options outstanding as at 30th June 2006 which have been granted under the scheme are as follows:

Grantee	Date of grant	Options held at 1st January 2006	Options exercised during the period	Options held at 30th June 2006	Exercise price HK\$	Exercisable period
<i>Directors</i>						
Mr. Tang Yu Lap	9/5/2001	600,000	—	600,000	0.6128	9/8/2001–8/8/2006
Mr. Tang Ping Sum	9/5/2001	500,000	—	500,000	0.6128	9/8/2001–8/8/2006
An ex-director	9/5/2001	700,000	—	700,000	0.6128	9/8/2001–8/8/2006
<i>Aggregate of employees</i>	9/5/2001	2,650,000	—	2,600,000	0.6128	9/8/2001–8/8/2006

Notes:

- ¹ The Old Scheme was terminated by a resolution passed in the 2006 AGM. However, the rights and benefits attached to the outstanding options granted under the Old Scheme are not prejudiced.
- ² Options carrying rights to subscribe for 6,650,000 shares at an exercise price at HK\$0.66 per share expired on 2nd February 2006.
- ³ Options carrying rights to subscribe for 500,000 shares and 50,000 shares, both at HK\$0.6128 per share lapsed during the period ended 30th June 2006 due to the resignation of a director and an employee respectively. Options carrying rights to subscribe for 300,000 ordinary shares at HK\$0.6128 per share lapsed after 30th June 2006 but before expiry due to the resignation of the employee. Options carrying rights to subscribe for 4,100,000 shares at an exercise price at HK\$0.6128 per share expired on 9th August 2006.

(b) Share option scheme adopted on 29th May 2006 (the "Current Scheme"):

The Current Scheme which complies with the requirements of the Listing Rules was adopted in the 2006 AGM. The purpose of the Current Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any invested entity (as defined in the scheme). The rules of the new share option scheme enable the Directors to determine the terms and conditions of any option based in each case on relevant factors as they consider appropriate.

No options have been granted under the current scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

The Register of Interests in Shares and Short Positions kept as required under Section 336 of the SFO shows that as at 30th June 2006, the Company had been notified of the following shareholders' interests, being 5% or more of the Company's share capital. These interests are in addition to those disclosed above in respect of the directors.

Interest in ordinary shares of HK\$0.1 each

Name of shareholder	Direct interest	Number of ordinary shares		Percentage
		Corporate interest	Family interest	
Hantec Holdings Limited ("HHL")	256,372,000 ¹	—	—	65.5%
Convenient Way Limited	—	256,372,000 ²	—	65.5%
Mr. Yeung Sai Hong	—	256,372,000 ²	—	65.5%
Ms. Chan Yu Suk	—	—	256,372,000 ²	65.5%

¹ HHL is the registered and beneficial owner of 256,372,000 shares of the Company.

² Convenient Way Limited beneficially owns 35% of the issued capital of HHL and is owned as to 60% by Mr. Yeung Sai Hong who 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.

All the interests stated above represent long positions. As at 30th June 2006, no short positions were recorded in the Register of Substantial Shareholders' Interests and Short Positions required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2006. 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 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has always strive 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 managing director 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.

Code Provision A.4.2

This provision states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Before the amendment of Bye-Law 87 of the Bye-Laws of the Company, the chairman of the Board and/or the managing director of the Company should not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. To comply with the code provision A.4.2 of the Code, the chairman of the Board has voluntarily retired at the annual general meeting held on 29th May 2006 (the “2006 AGM”) and being eligible, offered himself for re-election. In addition, a resolution has been passed in the 2006 AGM to amend the Bye-Laws of the Company so that every director is required to retire by rotation at least once every three years.

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 2006.



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 2006 with the directors. The Group's external auditors have carried out a review of the unaudited interim financial statements in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the board

Tang Yu Lap
Chairman

20th September 2006