

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements of Hantec Investment Holdings Limited (the “Company”) and its subsidiaries (collectively referred as “the Group”) for the year ended 31st December 2006.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATION

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 15 to the financial statements. An analysis of the Group’s performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 31.

An interim dividend of HK1.5 cents per share (2005: Nil) was paid on 18th October 2006. The directors recommend the payment of a final dividend of HK1.5 cents per share (2005: Nil) in respect of the year ended 31st December 2006.

SHARE CAPITAL

Details of movements in the Company’s share capital during the year, together with the reasons therefore, are set out in note 23 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 24 to the financial statements.

Distributable reserves of the Company at 31st December 2006 calculated under the Company Act 1981 of Bermuda (as amended), amounted to HK\$207,160,537 (2005: HK\$190,519,964). Details are set out in note 24 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK\$254,375 (2005: HK\$574,451).

FIXED ASSETS

Movements in fixed assets of the Group during the year are set out in note 14 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on page 110.

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DIRECTORS

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

Chairman:

Mr. Tang Yu Lap

Deputy Chairman

Mr. Chung Shui Ming, Timpson (appointed on 27th July 2006)
Mr. Tang Ping Sum (resigned on 4th October 2006)

Executive Directors:

Mr. Lam Ngok Fung
Ms. Ng Chiu Mui
Ms. Poon Wai Ming (retired on 29th May 2006)
Mr. Sze Chong Hoi (resigned on 25th January 2006)
Mr. Law Kai Yee
Ms. Hwang Wei Ming, Ellen (appointed on 3rd March 2007)
Mr. Lau Mun Chung (appointed on 3rd March 2007)

Non-executive Director:

Mr. Fong Wo, Felix

Independent Non-executive Directors:

Mr. Yu Man Woon
Mr. Chung Shui Ming, Timpson (resigned on 26th July 2006)
Mr. Yu Hon To, David (appointed on 27th July 2006)
Mr. Cheng Wing Chi
Prof. Nyaw Mee Kau

In accordance with bye-law 86(2) of the Company, Mr. Yu Hon To, David, Ms. Hwang Wei Ming, Ellen and Mr. Lau Mun Chung shall retire at the forthcoming annual general meeting (the "AGM") and they, being eligible, offer themselves for re-election.

Mr. Chung Shui Ming, Timpson has tendered his resignation as an executive director, deputy chairman and managing director of the Company with effect from 1st June 2007 and he will not be a director as at the AGM.

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In accordance with bye-law 87 of the Company, Mr. Yu Man Woon and Mr. Cheng Wing Chi shall retire at the forthcoming AGM and they, being eligible, offer themselves for re-election.

The Company has received annual independent confirmations from the independent non-executive directors and considers them to be independent.

DIRECTORS' SERVICE CONTRACT

Each of Mr. Tang Yu Lap, Mr. Lam Ngok Fung and Ms. Ng Chiu Mui has entered into a service contract with the Company which has not prescribed a term of services but each party can terminate the contract by giving three months' prior written notice to the other party. As those contracts are entered prior to 31st January 2004, they are exempt under rule 13.69 of the Listing Rules.

None of the directors proposed for re-election at the forthcoming AGM has entered into any service contract which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Each of Ms. Hwang Wei Ming, Ellen and Mr. Lau Mun Chung has entered into a service contract with the Company commencing on 3rd March 2007 for a period of three years. Each party can terminate the service contract by giving three months' prior written notice to the other party.

None of Mr. Yu Hon To, David, Mr. Yu Man Woon and Mr. Cheng Wing Chi has entered into any service contract with the Company. They are entitled to a director fee as determined by the Board.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

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

(a) Director's and chief executive's interests in the Company

As at 31st December, 2006, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were

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required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

- (i) Long position in the shares and long position (in respect of equity derivatives) in underlying shares of the Company:

Name of Director	Capacity	Interest in shares	Interest in underlying shares (share option)	Percentage of issued share capital
Mr. Tang Yu Lap (note 2)	Interest in controlled corporation (note 1)	256,372,000	—	61.91%
	Beneficial owner	2,034,000	—	0.49%
Mr. Chung Shui Ming, Timpson	Beneficial owner	12,790,000	3,500,000	3.93%
Mr. Lam Ngok Fung	Beneficial owner	1,074,000	2,100,000	0.77%
Ms. Ng Chiu Mui (note 3)	Beneficial owner	—	390,000	0.09%
Mr. Law Kai Yee	Beneficial owner	800,000	2,100,000	0.70%

Notes:

- (1) 256,372,000 shares were held by Hantec Holdings Limited (“HHL”), a company in which Mr. Tang Yu Lap beneficially owned 35% of its issued share capital. By virtue of the provisions of the SFO, Mr. Tang Yu Lap was deemed to be interested in all the shares in which HHL was interested.
- (2) Mr. Tang Yu Lap is the spouse of Ms. Ng Chiu Mui.
- (3) Ms. Ng Chiu Mui is the spouse of Mr. Tang Yu Lap.

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(a) Director's and chief executive's interests in the Company (Continued)

(ii) Long position in the Shares of associated corporations:

Name of director	Name of Associated Corporation	Capacity	No. of securities	Approximate percentage of Shareholding
Mr. Tang Yu Lap	HHL	Beneficial owner	52,500,000	35%

INFORMATION ON SHARE OPTIONS

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

- (i) The Old Scheme was adopted on 10th July 2000 and was terminated by a resolution passed in the 2006 AGM held on 29th May 2006. However, the rights and benefits attached to the outstanding options granted under the Old Scheme were not prejudiced.
- (ii) Options carrying rights to subscribe for 6,650,000 shares at an exercise price of HK\$0.66 per share expired on 2nd February 2006.
- (iii) Options carrying rights to subscribe for 4,100,000 shares at an exercise price of HK\$0.6128 per share expired on 9th August 2006.
- (iv) During the year, options carrying rights to subscribe for 500,000 shares and 350,000 shares, both at HK\$0.6128 per share lapsed due to the resignation of a director and two employees respectively.

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(b) Share option scheme adopted on 29th May 2006 (the “Current Scheme”)

The Current Scheme was adopted in the 2006 AGM held on 29th May 2006. Details of options granted during the year are as follows:

Name of Directors	Date of Options granted	Number of Options granted	Exercise Price	Exercisable Period	Outstanding Options at 31 December 2006
Mr. Chung Shui Ming, Timpson	13th November 2006	3,500,000	HK\$0.88	01/05/2007– 30/04/2014	3,500,000
Mr. Lam Ngok Fung	13th November 2006	2,100,000	HK\$0.88	01/05/2007– 30/04/2014	2,100,000
Ms. Ng Chiu Mui	13th November 2006	390,000	HK\$0.88	01/05/2007– 30/04/2014	390,000
Mr. Law Kai Yee	13th November 2006	2,100,000	HK\$0.88	01/05/2007– 30/04/2014	2,100,000
Aggregate total of employees	13th November 2006	11,300,000	HK\$0.88	01/05/2007– 30/04/2014	11,300,000

No option has been exercised as the options are exercisable on or after 1st May 2007. Option relating to 600,000 shares were granted and not accepted by the grantees and thereby lapsed accordingly.

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(c) Information on the Current Scheme

The following is a summary of the Current Scheme which was adopted on 29th May 2006 disclosed in accordance with the Listing Rules:

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|---|---|---|
| 1 | Purpose of the Scheme | <ul style="list-style-type: none"> (a) Provide incentives or rewards to participants for their contribution to the Group; and (b) Recruit and retain high-calibre employees and attract human resources that are valuable to the Group. |
| 2 | Participants of the Scheme | <ul style="list-style-type: none"> (a) Employees including executive directors of the Group and its invested entities; and (b) Other persons who has made contribution to the Group as determined by the Board. |
| 3 | Total number of shares available for issue under the Scheme and % of issued share capital that it represents as at 31st December 2006 | 39,113,000 shares, equivalent to approximately 9.44% of the issued share capital of the Company as at 31st December 2006. |
| 4 | Maximum entitlement of each participant under the Scheme | No options may be granted to any participants, which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the options already granted or to be granted to such participant under the Scheme or any other schemes of the Company (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital as at the date of such new grant. Any grant of further options above this limit shall be subject to approval of shareholders of the Company in general meeting. |
| 5 | Period within which the securities must be taken up under an option | The directors may determine the period but shall not end on a date later than ten years from the date of grant. |
| 6 | Minimum period for which an option must be held before it can be exercised | No such requirement, but the directors can determine period of holding. |

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(c) Information on the Current Scheme (Continued)

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| 7 | Amount payable on application or acceptance of the option and the periods within which payments or calls must be made or loans made for such purposes must be repaid | Within 28 days from the date of the offer letter, the grantee must accept the offer in writing and remit in favor of the Company HK\$10 per option, irrespective of the number of shares covered by the option. |
| 8 | Basis of determining the exercise price | <p>The exercise price is determined by the directors and being not less than the highest of:</p> <ul style="list-style-type: none"> (a) the closing price of the Company's shares in the Stock Exchange's daily quotations sheet on the date of grant of the relevant options; (b) an amount equivalent to the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant options; and (c) the nominal value of the Company's shares. |
| 9 | Remaining life of the scheme | The Scheme shall end on 29th May 2016. |

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

As at 31st December 2006, so far as was known to the directors and the chief executives of the Company, the following are details of the persons (other than directors or chief executives of the Company) who had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position

Name	Capacity	Number of Shares held	Approximate percentage of the Company's issued share capital (%)
Hantec Holdings Limited ("HHL")	Beneficial owner	256,372,000	61.91
Convenient Way Limited	Interest through a controlled corporation	256,372,000 (note 1)	61.91
Mr. Yeung Sai Hong	Interest through controlled corporations	256,372,000 (note 1)	61.91
Ms. Chan Yu Suk	Spouse interest	256,372,000 (note 2)	61.91

Notes:

- (1) These shares were held by HHL. The issued share capital of HHL was owned as to 35% by Convenient Way Limited in which Mr. Yeung Sai Hong hold 60% of its capital. By virtue of the provisions of the SFO, Mr. Yeung Sai Hong was deemed to be interested in all the Shares in which HHL was interested.
- (2) Ms. Chan Yu Suk is the wife of Mr. Yeung Sai Hong. By virtue of the provisions of the SFO, Ms. Chan Yu Suk was deemed to be interested in all the Shares in which Mr. Yeung Sai Hong was interested.
- (3) Mr. Tang Yu Lap and Ms. Ng Chiu Mui, the executive directors, are also the directors of HHL.

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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 percentages of turnover for the year attributable to the Group's major customers are as follows:

—	the largest customer	15%
—	five largest customers combined	25%

The largest customer was an associate of the Company in which the Company holds 30% of the issued capital indirectly up to 29th September 2006, after which date the associate become a wholly owned indirect subsidiary of the Company. Apart from this, none of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the share capital) had an interest in the other four major customers noted above.

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 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

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AUDITORS

KPMG were first appointed as auditors of the Company in 2006 upon the retirement of PricewaterhouseCoopers.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Tang Yu Lap
Chairman

Hong Kong, 18th April 2007