

The directors submit their report together with the audited accounts for the year ended 31st December, 2000.

#### Principal activities and geographical analysis of operations

The principal activities of the Company and its subsidiaries during the year were the investment in securities listed on The Stock Exchange of Hong Kong Limited and unlisted investments with a potential for earnings growth and capital appreciation.

The Group's turnover for the year comprised dividends from listed and unlisted investments and interest earned from investments in convertible note and bonds, bank deposits and other sources. The Group's contribution to operating loss for the year comprised commission received from underwriting services for securities listed on The Stock Exchange of Hong Kong Limited and gain on disposal of investments.

No analysis of the Group's turnover and contribution to operating loss for the year by principal activities and markets is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated results of the Group are attributable to markets outside Hong Kong.

#### Results and appropriations

The results for the year are set out in the consolidated profit and loss account on page 13.

The directors do not recommend payment of a final dividend (1999: final dividend of HK0.5 cent per share).

#### Reserves

Movements in the reserves of the Group and the Company during the year are set out in Note 19 to the accounts.

#### Donations

Charitable and other donations made by the Group during the year amounted to HK\$40,000.

#### Fixed assets

Details of the movements in fixed assets of the Group are set out in Note 12 to the accounts.

#### Share capital

Details of the movements in share capital of the Company are set out in Note 18 to the accounts.

#### Convertible bonds

Details of the issue of convertible bonds by the Group are set out in Note 20 to the accounts.

### Distributable reserves

Details of the distributable reserves of the Company at 31st December, 2000 are set out in Note 19 to the accounts.

### Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 48.

### 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:

Lee Fong Lit, David  
Chow Pok Yu, Augustine  
Ho Man Kei, Norman  
Tong Kim Weng, Kelly

In accordance with Article 98(b) of the Company's Articles of Association, Dr. Chow Pok Yu, Augustine retires at the forthcoming annual general meeting but, being eligible, offers himself for re-election.

Mr. Ho Man Kei, Norman and Mr. Tong Kim Weng, Kelly are independent non-executive directors.

### Directors' service contracts

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

### Biographical details of directors

Brief biographical details of directors are set out below:

#### Executive Directors:

**Mr. Lee Fong Lit, David**, aged 54, obtained his BSc degree from McGill University in Montreal and his MBA degree from Columbia University, New York. He assumed the Chairmanship of the Board of Directors of Harmony Asset Limited in February 1998. Mr. David Lee has over 28 years experience in the international finance and investment management industry. He is involved in investing in equity markets of Singapore, Malaysia and Hong Kong.

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**Dr. Chow Pok Yu, Augustine**, aged 48, is also the Chief Executive Officer of the Company. He holds a MSc from London Business School and Ph.D from University of South Australia. Dr. Chow is a director of Haywood Investments Limited, which is a listed investment company in Hong Kong. Dr. Chow has vast experience in managing public listed companies involved in manufacturing, marketing and financial service and specialises in merger and acquisitions.

**Non-executive Directors:**

**Mr. Ho Man Kei, Norman**, aged 34, is an Assistant Fund Manager in Value Partners Limited, a fund management company in Hong Kong. Mr. Ho graduated with a Bachelor of Social Science degree from the University of Hong Kong in 1989. Mr. Ho joined the Board as a non-executive Director in May 1998 and was appointed a member of the Audit Committee of the Company in December 1998.

**Mr. Tong Kim Weng, Kelly**, aged 52, obtained his BA(Hons) in Political Science from Victoria University, New Zealand. He was a former senior officer of the New Zealand Trade Department. After leaving the public sector, he served in various capacities as a consultant involved in merger and acquisitions work, marketing, promotion, sourcing and arranging private equity for a variety of projects. He joined the Board as a non-executive Director in November 1998 and was appointed a member of the Audit Committee in December 1998.

**Directors' interests in contracts**

Details of Dr. Chow Pok Yu, Augustine's interest in contracts of significance in relation to the Group's business are set out in Note 22 to the accounts.

Save as disclosed above, no other contracts of significance in relation to the Group's business to which the Company or its subsidiaries 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**

- (a) Significant related party transactions entered by the Group during the year ended 31st December, 2000, which do not constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), are disclosed in Note 23 to the accounts.
- (b) Other related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed in Note 22 to the accounts.

### Directors' interests in equity or debt securities

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

#### Ordinary shares of HK\$0.01 each in Harmony Asset Limited

Name of director	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Lee Fong Lit, David	-	-	288,012,608*	-	288,012,608*

\*Note: These 288,012,608 shares are held by Sino Path Consultants Limited, a company which is held 70% by Mr. Lee Fong Lit, David and 30% by Dr. Chow Pok Yu, Augustine.

	Options		As at 31/12/00
	Granted	Exercised	
Lee Fong Lit, David	18,000,000	-	18,000,000
Chow Pok Yu, Augustine	18,000,000	-	18,000,000

The options were granted under the Share Option Scheme approved by the shareholders at an annual general meeting on 22nd May, 2000 at the aggregate consideration of HK\$2. The options are exercisable at HK\$0.24 per share at any time prior to 31st July, 2003.

Save as disclosed, none of 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 or warrants of the Company and its associated corporations (within the meaning of the Hong Kong Securities (Disclosures of Interests) Ordinance ("SDI Ordinance")).

At no time during the year was the Company, or its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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### Substantial shareholders

At 31st December, 2000, the register of substantial shareholders maintained under Section 16(1) of the Hong Kong Securities (Disclosure of Interests) Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of the directors and chief executive as disclosed above.

### Subsidiaries

Particulars regarding the subsidiaries are set out in Note 13 to the accounts.

### Management contracts

Details of significant management contracts in relation to the Company's business are set out in Note 22 in the accounts.

Save as disclosed above, no other 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.

### Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association and the Companies Law of the Cayman Islands.

### 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 Listing Rules except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

### Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. Ho Man Kei, Norman and Mr. Tong Kim Weng, Kelly. Two meetings were held during the current financial year.

### Directors' interest in competing business

Set out below is information disclosed pursuant to paragraph 8.10(2) of the Listing Rules:

Dr. Chow Pok Yu, Augustine is a director of Haywood Investments Limited and was a director of UBA Investments Limited prior to his resignation on 9th October, 2000. Both companies engage in investments in listed and unlisted securities which constitute competing business to the Group.

The Board of Directors of the Group has established procedures to identify any conflict of interests due to the Dr. Chow Pok Yu, Augustine's directorships in these companies. If conflict of interest arises, Dr. Chow Pok Yu, Augustine will abstain from participating in making investment decisions. The Group is therefore capable of carrying on such business independently of, and at arm's length from the said competing business.

### Subsequent event

Details of significant post balance sheet event are set out in Note 26 to the accounts.

### Auditors

The accounts for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. PricewaterhouseCoopers replaced Pricewaterhouse in 1999 following their merger with Coopers & Lybrand.

By order of the Board

**Lee Fong Lit, David**

*Chairman*

Hong Kong, 19th April, 2001

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