

## **INTERIM RESULTS**

The Board of Directors of Harmony Asset Limited (the “Company”) is pleased to present the Interim Report and unaudited, condensed, consolidated accounts (“interim accounts”) of the Company and its subsidiaries (“the Group”) for the six months ended 30th June, 2001. The Group’s results, cash flow statement, statement of recognised gains and losses for the six months ended 30th June, 2001, and balance sheet as at 30th June, 2001 are all consolidated, unaudited and condensed. They are set out on pages 6 to 18 of these interim accounts, along with selected explanatory notes.

## **INTERIM DIVIDEND**

The Board of the Directors resolved not to pay an interim dividend for the six months ended 30th June, 2001 (2000: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Turnover for the six months ended 30th June, 2001 was HK\$6.2 million representing a growth of 100% in turnover as compared to HK\$3.1 million for the same period last year.

Profit attributable to shareholders was HK\$9.9 million as compared to HK\$8.3 million for the same period last year, after taking into account an additional provision of HK\$5 million for diminution in investment securities.

As at 30th June, 2001, the Group recorded shareholders’ funds of HK\$170 million as compared to HK\$160 million as at the year ended 31st December, 2000. Total net asset value per share was HK\$0.17 (31st December, 2000: HK\$0.16).

### **FINANCIAL REVIEW**

#### **Liquidity and Financial resources**

As at 30th June, 2001, the Group had no other borrowing, except the outstanding convertible bonds issued last year. The Group had cash on hand of HK\$8 million which was mainly placed with bank as time deposits and the Group had unutilized banking facilities of HK\$25 million.

## **Capital Structure**

There was no change to the Group's capital structure for the six months ended 30th June, 2001 after the placement of new shares and warrants exercised last year. The nominal value of the outstanding warrants as at 30th June, 2001 is HK\$49,168,404 with subscription right at the price of HK\$0.39 per share on or before 31st May, 2002. If the warrants are fully exercised, the Company will be required to issue a further 126,072,831 shares. For the six months ended 30th June, 2001, no share option was granted or exercised under the Share Option Scheme.

## **CHARGE ON GROUP ASSETS**

As at 30th June, 2001, the Group has not made any charge on its assets except the issue of convertible bonds by the Group's subsidiary with a floating charge on its assets last year.

## **SIGNIFICANT INVESTMENTS AND PERFORMANCE**

Despite the unfavorable environment in worldwide securities markets for the past six months, the Group has recorded an unrealised gain of HK\$15.2 million on other investments as at 30th June, 2001. On the other hand, a provision of HK\$5 million for diminution in investment securities has been made for unfavorable results in some technology companies.

For the six months ended 30th June, 2001, the Group made two significant investments. The Group made a further HK\$24.5 million (31st December, 2000: HK\$4.7 million) investment into Chief Finance Limited, an unlisted company which is principally engaged to provide financing business in Hong Kong. This will bring the total investment by the Group into this unlisted company to HK\$29.2 million. The Group also made an investment of HK\$6 million in Fullpower Holdings Limited, an unlisted investment holding company.

## **EMPLOYMENT AND REMUNERATION POLICIES**

As at 30th June, 2001, the Group has 8 employees at markets remunerations with employee benefits such as insurance, retirement benefit and Share Option Scheme.

## FUTURE PROSPECTS

The business environment of the next six months is expected to be more difficult as the world economy continues to slow down. The possibility of the stock markets' ability to revive and to recover from its present doldrums seems remote at the time of writing. One can only hope that the economy will reflate fairly quickly, given the low cost of borrowing in terms of interest rates.

The Group is re-deploying its assets to meet the challenge due to deteriorating external circumstances by investing in high yield investments vis-a-vis share investments in listed companies in the local bourse. The directors will continue to scrutinize each investment opportunity with diligence and caution.

## DIRECTORS' INTERESTS IN SHARES

At 30th June, 2001, the interests of the directors and chief executive in the shares capital of the Company and its associated corporations (within the meaning of the Securities (Disclosures of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance were as follows:

### (A) Ordinary shares of HK\$0.01 each in the Company

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.

**(B) 2002 warrants in the Company**

Name of director	Number of warrants held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Lee Fong Lit, David	-	-	41,144,658*	-	41,144,658*

*\*Note:* These warrants 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.

**(C) Share Options in the Company**

**Outstanding Options  
as at  
30th June, 2001**

Lee Fong Lit, David	<b>18,000,000</b>
Chow Pok Yu, Augustine	<b>18,000,000</b>

The options were granted on 1st August, 2000 under the Share Option Scheme which was approved by the shareholders at an annual general meeting on 22nd May, 2000, at an aggregate consideration of HK\$2. The options are exercisable at HK\$0.24 per share at any time during a period of three years from the date of grant. No option was granted or exercised during the period.

Save as disclosed, as at the date of this report, none of the directors and chief executive (including their spouse and children under 18 years of age) had any interests 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 SDI Ordinance) during the period and up to the date of this report.

Save as disclosed, at no time during the period and up to the date of this report was the Company, or its subsidiaries a party to any arrangements 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.

## **SUBSTANTIAL SHAREHOLDERS**

As at the date of this report, the register of substantial shareholders maintained under Section 16(1) of the SDI 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.

## **COMPLIANCE WITH CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, during the six months period ended 30th June, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months period ended 30th June, 2001, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the 2001 Interim Report.

By order of the Board  
**Lee Fong Lit, David**  
*Chairman*

Hong Kong, 17th September, 2001