

# Chairman's Statement

The Board of Directors of Harmony Asset Limited takes pleasure in presenting to you the audited and consolidated results of the Group for the year 2004.

## BUSINESS REVIEW

For the entire year, total revenue for the Group grew by 6% to reach approximately HK\$27.6 million when compared to the year of 2003 (2003: approximately HK\$26 million). This healthy increase was made possible by liquidating some of the long term investments in listed and unlisted shares amounting to approximately HK\$17.4 million and having unrealised gains on listed investments of approximately HK\$3.3 million. Dividends and interests received from the investment portfolio further contributed approximately HK\$5.2 million, while commissions, fees and other sundry incomes yielded approximately HK\$1.7 million to the total revenue.

Administration costs and other operating expenses, excluding incentive fee of approximately HK\$0.9 million (2003: Nil) of the Group were kept at bay and remained constant at HK\$7.6 million YOY. Several provisions were charged to the profits account on a prudent basis. These included an amount of approximately HK\$5.6 million (2003: approximately HK\$10.4 million) for impairment losses on investments. Further, approximately HK\$2 million was written off on disposal of an associate. Thus, operating profit for the whole year was HK\$10 million.

Finance costs of the Group, consisting of convertible bond interest payments amounted to approximately HK\$1.5 million and instalment loan interest payment of approximately HK\$0.4 million. The Group redeemed HK\$17 million in convertible bonds from several institutions and repaid HK\$0.8 million instalment loan during the year, thereby, saving interest payments to these investors.

The recovery of share prices in the Hong Kong stock market has boosted the value of some of the Group's investments in listed shares. For the year ended 2004, the Group was able to turn around from the previous losses to a net profit of approximately HK\$8.1 million.

## PROSPECTS AND FUTURE PLAN

As business conditions in HK improve, investors are naturally more optimistic in their outlook for 2005. But a number of uncertainties abound. The US twin deficits remain a threat, while high energy costs is another. We remain cautious as to whether or not central banks will reduce their core US\$ holdings, or if China will revalue its yuan to ease inflationary pressures and stem capital inflows. Interest rate hikes in the US is worrisome as any slowdown in the US economy will have worldwide repercussions.

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Bearing these in mind, the Board of Directors will continue to adopt the existing strategy of defensive investment philosophy and will choose investments in selective fields. Health science has been identified as one area with a promising future and in this respect, the Group has invested in two projects, namely, Celsion and GeneTherapy. The former treats prostate enlargement by thermal technique, the latter destroys cancerous cells by genetic manipulation. These projects are in the advanced stage of development and await clinical trials in China. If successful, and approved by regulators, these products will bring high profile and incomes to the Group.

The Group is also expanding into food and beverage business to take advantage of the increasing tourists arrivals, both from mainland and from overseas. At present, we own 20% Hang Heung Kitchen with an outlet at the airport and another 10% with an outlet at New World Centre; and 15% Grappa's with 11 outlets in HK, Manila and Beijing. More outlets of these food and beverage business are envisaged to be opened during 2005 to cater to a variety of consumers. While we do not anticipate these operations to impact strongly on our bottom line immediately, in due course we hope they may be well patronized and contribute to profits eventually.

### PROPOSED DIVIDEND

The Board of Directors has recommended a dividend out of the share premium account of the Company of HK2 cents per share (2003: Nil) in respect of the year ended 31st December, 2004, totaling not less than HK\$2,922,047 (2003: Nil) which is subject to approval of shareholders at the forthcoming annual general meeting to be held on 28th June, 2005 and compliance with the Companies Law of the Cayman Islands.

If approved, the said dividend will be paid on or about 5th July, 2005 to shareholders whose names appear on the register of members of the Company at the close of business on 28th June, 2005.

### APPRECIATION

On behalf of the Board of Directors, I thank the management team and our staff for their continued and dedicated efforts and wish to offer as well our sincere appreciation to our banks and shareholders for their support during the year.

**Lee Fong Lit David**

*Chairman*

Hong Kong, 26th April, 2005