

# Chairman's Statement

The Board of Directors of Harmony Asset Limited presents to you the audited consolidated results of the Group for the year 2001, together with a comparison to the previous year.

## Review of business activities

### Review of results

For the year ended 31st December 2001, the Group reported pre-tax profit of HK\$13.8 million on turnover of HK\$ 37 million. Both figures represented significant improvements from prior year. The results reflected a combination of strong recovery in our investments and continued success in our refocused business strategy. Total revenues were 74% higher than previous year as a result of improved dividend and interest incomes coupled with HK\$24 million gain from disposal of investments.

Profit before tax would have been much higher if not for a HK\$12.3 million specific provision made against possible write-down of investments in technology ventures (2000: HK\$10.8 million). At the attributable level, profit was HK\$13.5 million against a loss of HK\$37.7 million in year 2000.

During the course of the year, the Group kept its expenses consistent with those of the previous year's. Operating costs were HK\$8 million and staff remuneration was HK\$1.6 million.

Due to servicing for a bond issue, the Group suffered higher finance costs at HK\$2.6 million (2000: HK\$1 million).

Net tangible assets backing per share increased by 8.5% to 18 cents, while earnings per share recovered from a loss of 4.28 cents to a profit of 1.39 cents.

## Financial Review

### Liquidity and financial resources

As at 31st December, 2001, the Group had no other borrowing, except the outstanding convertible bonds issued last year. The Group had cash on hand of HK\$22 million while a bank overdraft amounted to HK\$0.9 million. The Group had unutilized banking facilities of HK\$15 million (2000: HK\$25 million).

### Capital structure

There was no change to the Group's capital structure for the year ended 31st December, 2001 after the placement of new shares and warrants exercised last year. The nominal value of the outstanding warrants as at 31st December, 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 further 126,072,831 shares. For the year ended 31st December, 2001, no share option was granted or exercised under the Company's Share Option Scheme. There were no warrants granted or exercised during the year.

### Charge On Group Assets

As at 31st December, 2001, the Group's other investments with an aggregate market value of HK\$23 million were pledged to a bank for its banking facilities. In addition, a subsidiary has issued convertible bonds in prior year with a floating charge on its assets.

### Significant Investments and Performance

In view of continuous unfavorable results incurred by some technology companies, the Group has added a further provision of HK\$12.3 million (2000:HK\$10.8 million) for impairment losses on those investment securities.

During this year, the Group had placed greater emphasis on the investments in traditional business. The Group made a further HK\$30.7 million (31st December, 2000: HK\$4.7 million) investment into Chief Finance Limited, an unlisted company which is principally engaged in providing financing business in Hong Kong. This will bring the total investment by the Group into this unlisted company to HK\$35.4 million. The Group also made an investment of HK\$9.6 million in Fullpower Holdings Limited, an unlisted investment holding company which is a major shareholder of Challenger Services Limited, a company providing car beauty and repairing services in Hong Kong. Another new investment of HK\$14.2 million has been made to Yeelong Enterprises Limited, a Hong Kong private limited company with main investments holding in the PRC.

### Employment and Remuneration Policies

As at 31st December, 2001, the Group has 8 employees at market remuneration with employee benefits such as insurance, retirement benefit and Share Option Scheme.

### Prospects

The year 2001 was a tumultuous one for world economies and equity markets. The terrorist attack on September 11th marked the lowest point in terms of investor confidence in recent times.

The outlook for 2002 seems brighter after a total of 11 Federal Reserve interest rate cuts which spurred corporations to borrow cheap money and to ride out the recession. There are signs of recovery in the United States. However, there are no clear signs of sustained recovery as yet. Moreover, the Price /Earnings ratio of the Dow still appears rather high by historic standard. Much depends on whether the broader economy will register any growth and on whether further terrorist attack or indeed a new war will rattle nerves.

In the short term, equity markets are likely to move within a trading band as investors await clearer signs of global recovery or stronger corporate earnings. In the medium term, we expect equity markets to move ahead bringing modest gains. Under this circumstance, to generate high returns on equity within acceptable risk would be a challenging and demanding discipline. But we are committed to bringing growth to our shareholder's funds and we will endeavour to control risks effectively and prudently, in order to deliver superior returns to our shareholders.

## Chairman's Statement

### 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.

On behalf of the Board of Directors, I take pleasure in presenting the Group's annual report and audited accounts for the year ended 31st December, 2001.

**Lee Fong Lit, David**

*Chairman*

Hong Kong, 19 April, 2002