

Chairman's Statement

The Board of Directors of Harmony Asset Ltd takes pleasure in presenting the audited and consolidated results of the Group for the year ending 2005.

BUSINESS REVIEW

For the year under review, total revenue for the Group grew 87% to reach HK\$51.6 million (2004: HK\$27.6 million). This better result was achieved by increased other revenues amounting to HK\$47.5 million. Dividends and interests received from the investment portfolio further contributed HK\$4.1 million to the total revenue.

The Group reported an unrealised loss of HK\$4.7 million on financial assets at fair value through profit or loss. Administration costs and other operating expenses excluding incentive fee of HK\$1.4 million amounted to HK\$8.8 million (2004: HK\$7.6 million). Provisions of HK\$11.8 million (2004: HK\$5.6 million) were charged to the profit and loss account. These were made up by HK\$10.4 million provision for impairment loss on accounts receivables and an impairment loss of HK\$1.4 million on loans and receivables. Furthermore, HK\$1.5 million was written off as bad debt (2004: HK\$0.05 million). For the year, depreciation amounted to HK\$0.3 million. As a result, the Group chalked up operating profits for the entire year of HK\$23.1 million (2004: HK\$10 million) before finance costs.

During the year, the Group redeemed HK\$7.4 million in convertible bonds and paid off HK\$5 million outstanding loan, thereby reducing the overall financial costs to HK\$0.6 million (2004: HK\$1.9 million). Profit attributable to shareholders increased to HK\$22.4 million, which is a 176% increase when compared to HK\$8.1 million in 2004.

PROSPECTS AND FUTURE PLAN

With rising global interest rates, the yield on the 10-year US Treasury note may soon top 5% for the first time since June 2002, and may curb any market gains. The Board is concerned that the high P/E multiples of stock markets may not be sustainable and therefore will adopt a cautious approach in its overall investment strategy, bearing in mind higher prices for commodities, and added speculations of higher inflation.

Certain investment decisions were taken made during the year. These included our continued expansion in the Food and Beverage businesses. A total of HK\$15 million have been invested in joint ventures with partners located at Cyberport. These involve restaurant outlets, spa retreats, portrait studios, wedding gowns and fashion shops, a wedding chapel as well as a wedding banquet restaurant catering to the high end of the market soon to be open at the same locale.

Expecting further rise in gold prices, the Board has decided to make an initial investment of a tidy sum of money close to HK\$1 million in a gold mining business. Further capital will be raised to expand this mining operation to increase its output to a profitable level.

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A HK\$12 million loan has been extended through an investment vehicle. This loan has the option to be converted to shares in the business of a company that trades in iron, cement, and minerals. A public share issue of the company is being contemplated in the near future. A successful IPO may provide substantial return on our original investment.

PROPOSED DIVIDEND

The Board of Directors has recommended a dividend out of the share premium account of the Company of HK3 cents per share (2004: HK2 cents per share) in respect of the year ended 31st December, 2005, totaling not less than HK\$4,383,071 (2004: HK\$2,922,047) which is subject to the approval of shareholders at the forthcoming annual general meeting to be held on 7th June, 2006 and compliance with the Companies Law of the Cayman Islands.

If approved, the said dividend will be paid on or about 14th June, 2006 to shareholders whose names appear on the register of members of the Company at the close of business on 7th June, 2006.

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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, 25th April 2006