

**HARMONY ASSET LIMITED**  
**MANAGEMENT INFORMATION CIRCULAR**  
**SOLICITATION OF PROXIES**

This Management Information Circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by the management of Harmony Asset Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for use at the Annual General Meeting of Shareholders of the Company to be held at Room 1101, St. George’s Building, 2 Ice House Street, Central, Hong Kong on Thursday, May 22, 2008 at 9:00 a.m. (Hong Kong time) (the “**Meeting**”) for the purposes set forth in the attached Notice of the Annual General Meeting of Shareholders (the “**Notice**”) and at any adjournment thereof. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally by directors, officers or employees of the Company. The cost of such solicitation will be borne by the Company. Unless otherwise indicated, the information in this Circular is given as at April 25, 2008.

**APPOINTMENT, REVOCATION AND DEPOSIT OF PROXIES**

**A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for or on behalf of the shareholder at the Meeting other than the person designated in the enclosed form of proxy. Such right may be exercised by striking out the name of the person designated in the form of proxy, or by preparing another proxy in proper form, and inserting in the blank space provided for that purpose the name of the desired person and delivering the executed proxy to Computershare Investor Services Inc., 100 University Ave., 9th Floor, Toronto, Ontario, M5J 2Y1, not less than 24 hours before the time appointed for holding the Meeting or any adjournment thereof.**

A shareholder forwarding the enclosed form of proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The ordinary shares of the Company (“**Shares**”) represented by the proxy submitted by a shareholder will be voted in accordance with the directions, if any, given in the proxy.

A shareholder who has given the enclosed form of proxy has the right under Article 70 of the Articles of Association of the Company (the “**Articles of Association**”) to revoke the proxy by instrument in writing executed by the shareholder and deposited at Computershare Investor Services Inc., the branch share registrars of the Company in Canada, at 100 University Ave., 9th Floor, Toronto, Ontario, M5J 2Y1, or the registered office of the Company at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, at least one hour before the commencement of the Meeting, or the adjournment thereof.

## MANNER OF VOTING AND EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the Shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such Shares will be voted at the appointed proxy's discretion.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice, and with respect to other matters which may properly come before the Meeting. At the time of the printing of this Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice.

## VOTING BY BENEFICIAL SHAREHOLDERS

**The information set forth in this section is important to the shareholders of the Company who do not hold their Shares in their own name.**

Shareholders who hold Shares of the Company through their brokers, intermediaries, trustees or other nominees (such shareholders being collectively called "**Beneficial Shareholders**") should note that only proxies deposited by shareholders whose names appear on the share register of the Company may be recognized and acted upon at the Meeting. If the Shares are shown on an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases the name of such Beneficial Shareholders will not appear on the share register of the Company. Such Shares will most likely be registered in the name of the broker or an agent of the broker. Such Shares can only be voted by brokers, agents or nominees ("**Intermediaries**") and can only be voted by them in accordance with instructions received from Beneficial Shareholders. **As a result, Beneficial Shareholders should carefully review the voting instructions provided by their broker, agent, or nominee with this Circular and ensure that they communicate how they would like their Shares voted in accordance with those instructions.**

Most brokers delegate responsibility for obtaining voting instructions from clients to a service company (a "**Service Company**"). The Service Company typically supplies voting instructions forms, mails those forms to Beneficial Shareholders, and asks those Beneficial Shareholders to return the forms to the Service Company or to follow the alternative voting procedures detailed on the voting instruction form. The Service Company then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from the Service Company cannot use that form to vote Shares directly at the Meeting. Instead, the Beneficial Shareholder must return the voting instruction form to the Service Company or follow the alternative voting procedures, as mentioned above, well in advance of the Meeting in order to ensure that such Shares are voted.** Alternatively, a Beneficial Shareholder may be given a proxy that has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number of Shares beneficially owned by the Beneficial Shareholder but which is not otherwise completed. Because the Intermediary has already signed the form of proxy, this form of proxy is required to be signed by the Beneficial Shareholder when submitting the proxy. **In this case, the Beneficial Shareholder**

**who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified above under “Solicitation of Proxies”.**

In either case, the purpose of these procedures is to permit Beneficial Shareholders to direct the voting of the Shares of the Company which they beneficially own. A Beneficial Shareholder who wishes to attend and vote at the Meeting in person (or to have another person attend and vote on behalf of the Beneficial Shareholder) should print the Beneficial Shareholder’s (or such other person’s) name in the blank space provided for that purpose in the first paragraph of the proxy form or, in the case of a voting instruction form, follow the corresponding instructions on that form. In either case, Beneficial Shareholders should carefully follow the instructions of their Intermediary and its Service Company, as applicable.

### **VOTING SECURITIES AND PRINCIPAL HOLDER THEREOF**

The authorized share capital of the Company consists of 100,000,000 Shares. As of the date of this circular, an aggregate of 39,002,614 Shares of the Company were issued and outstanding. Each Share entitles the holder thereof to one (1) vote at all meetings of shareholders of the Company.

Shareholders of record at the close of business on Wednesday, April 23, 2008 shall be entitled either to attend or vote at the Meeting in person the Shares held by them or, provided a completed and executed proxy shall have been delivered to the Company, to attend and vote thereat by proxy the Shares held by them.

As of the date of this circular, to the knowledge of management of the Company, no persons or companies beneficially own, directly or indirectly, or exercise control or direction over more than ten percent (10%) of the issued and outstanding Shares of the Company other than Sino Path Consultant Limited which holds 7,200,315 Shares, representing 18.46% of the total issued and outstanding Shares of the Company and ABC Dirt-Cheap Stock Fund which holds 4,042,500 Shares, representing 10.36% of the total issued and outstanding Shares of the Company.

### **CURRENCY**

Unless otherwise indicated, in this Circular all references to “dollars” or the use of the symbol “CDN\$” are to Canadian dollars and all references to “HK\$” are to Hong Kong dollars. The following table sets forth, for the periods indicated, certain information concerning the exchange rate for translating CDN\$ into HK\$ based on rates quoted by the Bank of Canada website. No representation is made that CDN\$ could be converted into HK\$ at that rate or any other rate.

<b>One CDN\$ expressed in HK\$</b>	
<b>Year Ended December 31</b>	<b>Average During Period</b>
2005	6.4196
2006	6.8498
2007	7.2598

## PARTICULARS OF MATTERS TO BE ACTED UPON

### 1. Financial Statements and Auditors' Report

The directors of the Company will submit to the shareholders at the Meeting the audited financial statements of the Company for the financial year ended December 31, 2007, together with the auditors' report thereon. No vote by the shareholders with respect to such financial statements is required or proposed to be taken.

### 2. Re-election of Directors and Remuneration of Directors

The board of directors of the Company (the "Board of Directors" or the "Board") currently consists of seven directors (the "Directors"), namely Mr. LEE Fong Lit (Chairman), Dr. CHOW Pok Yu Augustine (Chief Executive Officer), Dr. LAM Andy Siu Wing, *JP* (Chief Financial Officer), Mr. CHAN Shuen Chuen Joseph, Mr. HO Man Kai Anthony, Mr. TONG Kim Weng Kelly and Dr. WONG Yun Kuen.

Pursuant to the Articles of Association of the Company, Mr. LEE Fong Lit, Dr. LAM Andy Siu Wing, *JP* and Mr. HO Man Kai Anthony shall retire by rotation at the Meeting, being eligible, would offer themselves for re-election.

The following table sets out the name of each person proposed to be nominated for election as a Director, their present principal occupation or employment, the date on which he was first elected or appointed a Director of the Company, and the approximate number of Shares of the Company beneficially owned, directly or indirectly, or over which he exercises control or direction as at the date of this Circular:

Name of Proposed Nominee	Present Principal Occupation or Employment	Director since	Ordinary Shares of the Company beneficially owned, controlled or directed(#)
Mr. LEE Fong Lit David, Hong Kong	Director of Harmony Asset Management Limited, an asset management and consulting company based in Hong Kong.  Director of Sino Path Consultants Limited, a consulting company based in Hong Kong.	February 11, 1998	7,200,315
Dr. LAM Andy Siu Wing, <i>JP</i> Hong Kong	Chief Financial Officer of the Company	March 23, 2004	Nil

Name of Proposed Nominee	Present Principal Occupation or Employment	Director since	Ordinary Shares of the Company beneficially owned, controlled or directed(#)
Mr. HO Man Kai Anthony Hong Kong	Finance Director of Keenmax Development Limited, a manufacturer of wooden molding and wooden picture frames based in Hong Kong.	September 3, 2004	32,000

The details of the retiring Directors proposed to be re-elected at the Meeting are set out as follow:

(a) Mr. LEE Fong Lit David

Mr. LEE Fong Lit David, aged 61, is a resident of Hong Kong and an executive director and Chairman of the Board since February 1998. Mr. LEE obtained his BSc degree from McGill University in Montreal and his MBA degree from Columbia University, New York. Mr. LEE has over 30 years of experience in the international finance and investment management industry. He is involved in investing in equity markets of Singapore, Malaysia and Hong Kong. Mr. LEE is a director of Harmony Asset Management Limited which is the investment manager of the Company since June 1998. Mr. LEE is also a director of Sino Path Consultants Limited, a consulting company based in Hong Kong and a principal shareholder of the Company, holding 18.46% of the total issued and outstanding Shares of the Company.

Save as disclosed above, Mr. LEE has not held any directorships in other listed public companies in the past three years, does not hold any other position with the Company and other members of the Group and does not have any other relationships with any other directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the date hereof, Mr. LEE has corporate interest in 7,200,315 Shares and personal interest in share option granted by the Company to subscribe for 28,000 Shares at exercise price of HK\$4.29 per Share.

There is no service contract entered into between the Company and Mr. LEE. Mr. LEE is subject to retirement by rotation and re-election in accordance with the Company's Articles of Association. There is no agreement as to the director's fee of Mr. LEE and his director's fee will be determined by the Board by reference to the prevailing market conditions and subject to the shareholders' approval at the Meeting. For the year ended December 31, 2007, the Company has not paid any remuneration to Mr. LEE.

(b) Dr. LAM Andy Siu Wing, JP

Dr. LAM Andy Siu Wing, *JP* aged 57, is a resident of Hong Kong and an executive director of the Company since March 2004. Dr. LAM is the Chief Financial Officer of the Company and a director of a number of the Company's subsidiaries. He was involved in strategic investment and planning for listed and unlisted companies over 21 years. He holds a doctoral degree from the University of Bolton and an MBA degree from Oklahoma City University. Professionally, Dr. LAM is an American Certified Public Accountant, a Certified Fraud Examiner, a Chartered Secretaries and a Chartered Marketer. He has also served on a number of government committees, boards and tribunals in Hong Kong and was appointed as a Justice of the Peace on July 1, 2001. Dr. LAM is an independent non-executive director of Tanrich Financial Holdings Limited, a company listed on the Hong Kong Stock Exchange (the "HKSE").

Save as disclosed above, Dr. LAM has not held any directorships in other listed public companies in the past three years, does not hold any other position with the Company and other members of the Group and does not have any other relationships with any other directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the date hereof, Dr. LAM has personal interest in share option granted by the Company to subscribe for 292,000 Shares at exercise price of HK\$4.29 per Share.

There is no service contract entered into between the Company and Dr. LAM. Dr. LAM is subject to retirement by rotation and re-election in accordance with the Company's Articles of Association. He is currently entitled to an annual director's emolument of HK\$574,100 which has been fixed by reference to his position, his level of responsibilities and the remuneration policy of the Group.

(c) Mr. HO Man Kai Anthony

Mr. HO Man Kai Anthony, aged 56, is a resident of Hong Kong and an independent non-executive director and chairman of the audit committee since September, 2004. He is also the chairman of remuneration committee since January 2005. He graduated from the Chinese University of Hong Kong with a BBA degree and an MBA degree from the University of East Asia, Macau. Mr. HO has over 30 years of experience in management accounting, corporate administration and financial management. He is a Fellow Professional National Accountant of the National Institute of Accountants, Australia which is one of the three recognized professional accountants' bodies under the Australian Statute.

Save as disclosed above, Mr. HO has not held any directorships in other listed public companies in the past three years, does not hold any other position with the Company and other members of the Group and does not have any other relationships with any other directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the date hereof,

Mr. HO has personal interest in 32,000 Shares and share options granted by the Company to subscribe for 28,000 Shares at exercise price of HK\$4.29 per Share.

Mr. HO is appointed for a term of one year and is subject to retirement and re-election provisions set out in Articles of Association. There is no agreement as to the directors' fee payable to Mr. HO. His directors' fee is to be determined by the Board with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation and subject to the shareholders' approval at the Meeting. For the year ended 31st December, 2007, Mr. HO was entitled to a directors' fee amounting to HK\$30,000.

In the opinion of the Board, other than the aforesaid matters, there is no other matter that needs to be brought to the attention of the shareholders in relation to the re-election of the retiring Directors.

### **3. Re-appointment of Auditors and Remuneration of Auditors**

BDO McCabe Lo Limited, Certified Public Accountants, ("**BDO McCabe**") are the current auditors of the Company and have been the auditors of the Company since December 29, 2006. Shareholders of the Company will be asked at the Meeting to reappoint BDO McCabe as the Company's auditors to hold office until the close of the next annual general meeting of shareholders of the Company, and to authorize the Directors of the Company to fix the auditors' remuneration.

### **4. Repurchase of Shares of the Company.**

At the annual general meeting of the Company held on June 22, 2007, a general mandate was given to the Directors to exercise the powers of the Company to repurchase Shares of the Company. Such mandate will lapse at the conclusion of the forthcoming Meeting. It is therefore proposed to seek your approval of an ordinary resolution to be proposed at the forthcoming Meeting to give a fresh general mandate to the Directors to exercise the powers of the Company to repurchase Shares.

At the Meeting, shareholders of the Company will be asked to consider and, if deemed advisable, to approve with or without amendment, the following ordinary resolution of the Company:

**"BE IT RESOLVED**, that:

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$1.00 each in the capital of the Company on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") or on any other stock exchange on which the Shares of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution; and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; or
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

#### **5. General Mandate to Issue New Shares of the Company.**

It will also be proposed at the Meeting two ordinary resolutions for granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the resolution, representing 7,800,522 Shares as of the date hereof, and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchases Shares up to 10% of the issued share capital of the Company as at the date of the proposed ordinary resolution (“**Repurchase Resolution**”).

At the Meeting, shareholders of the Company will be asked to consider and, if deemed advisable, to approve with or without variation, the following ordinary resolution of the Company:

“**BE IT RESOLVED**, that:

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$1.00 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorize the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible



into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares of the Company under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; (iii) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time; (iv) an issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; or
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

## **6. Declaration of Dividend and Closure of Register of Members**

As mentioned in the announcement of the Company dated March 28, 2008, it was the intention of the Board of Directors to recommend a dividend out of the share premium account of the Company of HK\$0.17 per Share in respect of the financial year ended December 31, 2007, totalling not less than HK\$6,630,444 (the “**Dividend**”) which is subject to approval of the

shareholders of the Company at the Meeting and compliance with the *Companies Law* of the Cayman Islands, as amended from time to time (“**Companies Law**”).

Under Section 34(2) of the Companies Law, the share premium account may be applied by a company paying dividends to members provided that no dividend may be paid to shareholders out of the share premium account unless, immediately following the date on which the dividend proposed to be paid, the company shall be able to pay its debts as they fall due in the ordinary course of business. The Board confirms that with respect to the Dividend, the Company meets the solvency test as laid down under the Companies Law and shall be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which the Dividend is proposed to be paid.

The register of members will be closed from Wednesday, April 23, 2008 to Thursday, May 22, 2008, both days inclusive. In order to qualify for the Dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Canada, Computershare Investor Services Inc., 100 University Ave., 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, not later than 4:00 p.m. on Tuesday, April 22, 2008.

#### **7. Extension of Period for Closure of Register of Members**

The Company’s Shares have been dual listed on the TSX and the HKSE since June 29, 2007 and in this connection, the Company is required to comply with both the Canadian and Hong Kong securities laws and applicable regulatory rules. Pursuant to National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the record date for notice of the general meeting shall be no fewer than 30 and no more than 60 days before the date of general meeting, subject to any applicable exemption or abridgement. Under Article 38 of the Articles of Association, the register of members of the Company shall not be closed for a period of more than 30 days in any year or such longer period as the shareholders of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any one year. In order to accommodate closure of the register of members and fixing of record date (if any) in the future, it was proposed to seek your approval of an ordinary resolution to be proposed at the forthcoming Meeting to extend the closing of register of members from a period of not more than 30 days to a period of not more than 60 days in any one year. If the ordinary resolution is passed, the Company will have the power to close the register of members up to a period of not more than 60 days in any future years.

At the Meeting, shareholders of the Company will be asked to consider and, if deemed advisable, to approve with or without variation, the following ordinary resolution of the Company:

**“BE IT RESOLVED**, that:

the extension of the period for closure of the register of members if the Company from not more than 30 days to not more than 60 days in any year be and is hereby approved.”

**8. Extension of General Mandate to Issue Shares**

At the Meeting, shareholders of the Company will be asked to consider and, if deemed advisable, to approve, with or without variation, the following ordinary resolution of the Company:

**“BE IT RESOLVED**, that:

subject to the passing of Ordinary Resolutions in items 4 and 5 of the notice convening the meeting, the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares pursuant to Ordinary Resolution in item 5 of the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution in item 4 of the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Ordinary Resolution.”

## STATEMENT OF EXECUTIVE COMPENSATION

### Summary Compensation Table

The term “Named Executive Officers” means the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) of the Company and each of the three most highly compensated officers, other than the CEO and CFO, who were serving as at December 31, 2007 and whose salary and bonus amounted to at least CDN\$150,000. As such, only Dr. CHOW Pok Yu Augustine and Dr. LAM Andy Siu Wing, JP qualify as the Named Executive Officers.

The following table sets forth information regarding compensation of the Named Executive Officers for the financial years ended December 31, 2007, 2006 and 2005.

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			
		Salary (HK\$)	Bonus (HK\$)	Other Annual Compensation (HK\$)	Awards		Payouts	
					Securities Under Options Granted (#)	Shares or Units subject to Resale Restrictions	LTIP Payouts (HK\$)	All Other Compensation (HK\$)
Dr. CHOW Pok Yu Augustine, CEO, Executive Director and member of the Remuneration Committee	2007	Nil	Nil	30,000 <sup>(1)</sup>	28,000	Nil	Nil	1,040,000 <sup>(2)</sup>
	2006	Nil	Nil	25,000 <sup>(1)</sup>	28,000	Nil	Nil	1,040,000 <sup>(2)</sup>
	2005	Nil	Nil	20,000 <sup>(1)</sup>	Nil	Nil	Nil	Nil
Dr. LAM Andy Siu Wing, JP, CFO and Executive Director	2007	574,100	Nil	24,420 <sup>(3)</sup>	292,000	Nil	Nil	Nil
	2006	526,000	Nil	22,200 <sup>(3)</sup>	292,000	Nil	Nil	Nil
	2005	500,000	Nil	21,000 <sup>(3)</sup>	Nil	Nil	Nil	Nil

Notes:

- (1) Director’s fee payable to each director of the Company.
- (2) Remuneration received by Dr. CHOW Pok Yu Augustine in respect of the management services he provided through Harmony Asset Management Ltd. to the Company and its subsidiaries. For more detail regarding the management arrangement between the Company and Harmony Asset Management Ltd. please refer to the Management Contract section of this Circular.
- (3) Contributions to pension scheme. Mandatory Provident Fund (“MPF”) Schemes Ordinance was passed by Legislative Council of Hong Kong in 1995. The aim of this legislation is to ensure that the citizens of Hong Kong will be provided with adequate savings to cover their financial needs when they retire. Under the current MPF legislation, all employers and employees in Hong Kong must make a mandatory contribution of 5% of the employees’ relevant income for the retirement benefits.

### Long-Term Incentive Plan Awards

The Company has no long-term incentive plan as such term is defined under Form 51-102F6 – *Statement of Executive Compensation*.

### Option Grants During the Most Recently Completed Financial Year

The following table sets out the options granted to the Named Executive Officers pursuant to the Company’s incentive stock option plan during the financial year ended December 31, 2007.

Name	Securities under Options Granted (#)	Percent of Total Options granted in Financial Year	Exercise Price (HK\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (HK\$/Security)	Date of Grant	Expiry Date
Dr. CHOW Pok Yu Augustine	28,000	2.10%	\$4.29	\$4.29	April 30, 2007	April 29, 2010
Dr. LAM Andy Siu Wing, JP	292,000	21.89%	\$4.29	\$4.29	April 30, 2007	April 29, 2010

### **Option Exercises During the Most Recently Completed Financial Year and Year-End Value**

The following table sets out the value of the stock options held by the Named Executive Officers as at December 31, 2007.

Name	Securities acquired on exercise (#)	Value Realized (HK\$) <sup>(1)</sup>	Unexercised Options at Financial Year-End Exercisable/Unexercisable (#)	Value of Unexercised In-the-Money Options at Financial Year-End (HK\$) Exercisable/Unexercisable <sup>(2)</sup>
Dr. CHOW Pok Yu Augustine	28,000	87,640	28,000/Nil	38,920/Nil
Dr. LAM Andy Siu Wing, JP	292,000	913,960	292,000/Nil	405,880/Nil

Notes:

- (1) Value of the realized options on exercise (June 22, 2007), is the number of Shares acquired on exercise times the difference between the exercise price of the options (HK\$2.75) and HK\$5.88, being the Share price of the exercise date.
- (2) Value of In-the-Money options at December 31, 2007 is the difference between the exercise price of the options and \$5.68, being the closing price of the common shares of the Corporation on December 31, 2007.

### **Employment Contracts**

There is no service contract or employment agreement entered into between the Company and Dr. Chow Pok Yu Augustine. Dr. Chow is subject to retirement by rotation and re-election in accordance with the Company's Articles of Association. Dr. Chow is also a director of Harmony Asset Management Limited, a management consulting company based in Hong Kong, which provides management services to the Company and its subsidiaries. Dr. Chow received a remuneration in the amount of HK\$1,040,000 from Harmony Asset Management Limited in respect of the management services he provided, through Harmony Asset Management Limited, to the Company and its subsidiaries. For more detail regarding the management arrangement between the Company and Harmony Asset Management Ltd. please refer to the Management Contract section of this Circular.

There is no service contract or employment agreement entered into between the Company and Dr. Lam Andy Siu Wing. Dr. Lam is subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

## **REPORT ON EXECUTIVE COMPENSATION**

### **Remuneration Committee**

The Company's Remuneration Committee is comprised of one executive director, Dr. CHOW Pok Yu Augustine and two independent non-executive directors, Mr. HO Man Kai Anthony and Mr. WONG Yun Kuen. The Remuneration Committee is chaired by Mr. HO Man Kai Anthony, an independent non-executive director.

The Remuneration Committee's responsibilities are, among other things, to review and consider the Company's policy for remuneration of directors and senior management, to determine remuneration packages of executive directors and senior management including benefits in kind, pension rights and compensation payments, and to recommend to the Board remuneration of independent non-executive directors.

### **Remuneration Policy**

The Company's principal goal is to create value for its shareholders. The Company believes that the remuneration policies and practices should reflect the interests of its shareholders in achieving this goal.

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management, is to ensure that the remuneration offered is appropriate for the duties and in line with market practices. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No Director, or any of their associates, is involved in deciding their own remuneration.

The Remuneration Committee determines the remuneration packages of all executive directors and senior management by considering such factors as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere within the Company's wholly owned subsidiaries and desirability of performance-based remuneration.

### **Long-Term Incentives**

The Company grants long-term incentives in the form of stock options. The principal purposes of such long-term incentives are: (i) to advance the interests of the Company and its shareholders and subsidiaries by attracting, retaining and motivating the high calibre performance of the selected Directors and officers of the Company, upon whose judgement, initiative and effort the Company is largely dependent for the successful conduct of its business, and (ii) to link compensation to the performance of the Company and each particular officer or Director of the Company.

### **2007 Compensation of the CEO**

During the most recently completed financial year, Dr. CHOW, Pok Yu Augustine received a director's fee in the amount of HK\$30,000 and HK\$1,040,000 in compensation for the

management services he provided to the Company through his wholly owned management company, Harmony Asset Management Limited. In accordance with the management agreement entered into by the Company and Harmony Asset Management Limited on June 1, 1998, as subsequently amended, Harmony Asset Management Limited agrees to provide investment management services to the Company and assistance to the Directors with the day-to-day management of the Company. Under the terms of the management agreement, Harmony Asset Management Limited is entitled to a monthly fee calculated at 1.5% per annum on the net asset value of the Group of the preceding month and an incentive fee calculated at 10% of the audited net profit of a financial year (before accrual of the incentive fee).

During the most recently completed financial year, Harmony Asset Management Limited received management and incentive fees in the aggregate amount of HK\$4,852,695 in compensation for the services rendered to the Company, representing a 26.22% increase from the previous financial year. Such an increase is in correlation with the increased profitability of the Group. During the most recently completed financial year, the Group's profit before income tax was HK\$61,986,119 as compared to HK\$10,799,748 in the previous financial year, representing a 4,474% increase. The profit attributable to the Shareholders (equivalent to net profit after tax) was HK\$50,907,356 as compared to HK\$10,685,282 in the previous financial year, representing a 376% increase.

It is the view of the Remuneration Committee that the compensation terms of the management agreement are in line with the prevailing market standard and advance the interests of the Company and its Shareholders by linking the compensation of the CEO with his performance and the performance of the Group.

### **Compensation of Directors**

Subject to the determination by the Remuneration Committee, each Director is entitled to be granted stock options of the Company on an annual basis, and Directors who are members of a committee are entitled to an annual fee which may be adjusted by the Remuneration Committee annually.

During the most recently completed financial year, 28,000 options of the Company were awarded to each Director (except Dr. LAM Andy Siu Wing who was awarded 292,000 options of the Company in compensation of his services as the CFO of the Company) and a director's fee in the amount of HK\$30,000 was paid to each Director (except Mr. LEE Fong Lit David, Dr. LAM Andy Siu Wing, JP and Mr. CHAN Shuen Chuen Joseph) during the year.

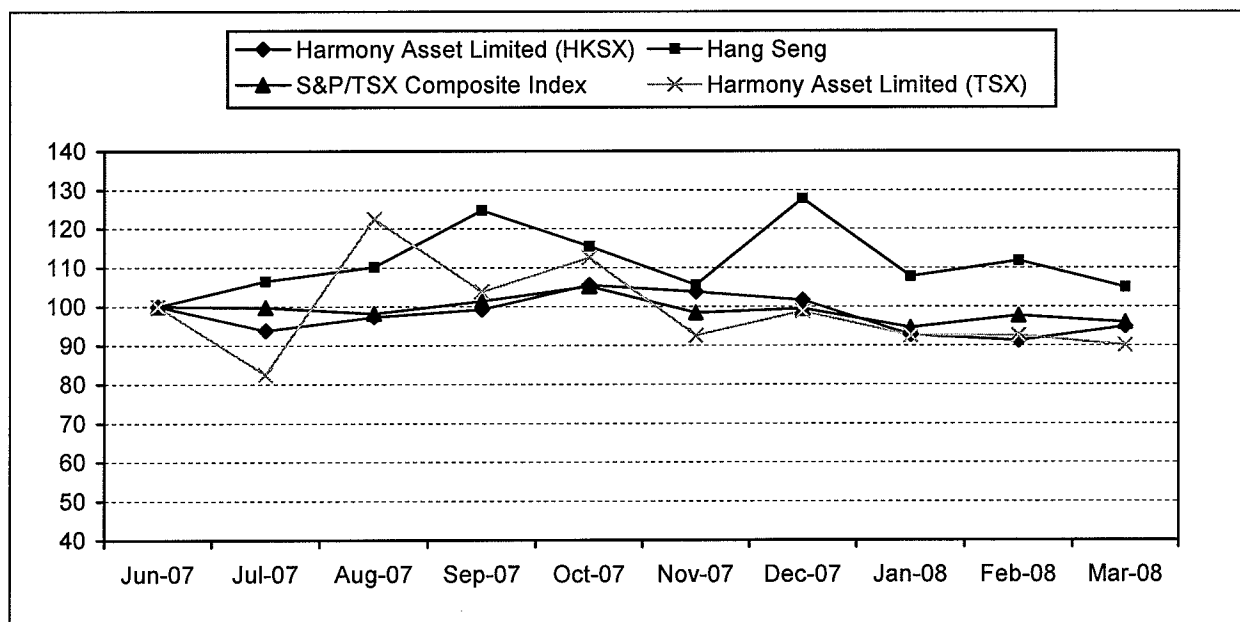
### **Securities Authorized for Issuance under Equity Compensation Plans**

The following table sets out information with respect to compensation plans under which equity securities of the Company are authorized for issuance as at December 31, 2007:

Plan Category	Securities to be issued upon Exercise of Outstanding Options, Warrants and Rights (#)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (\$/Security)	Securities remaining available for future issuance under Equity Compensation Plans (#)
Plans approved by security holders	1,334,000	\$4.67	572,047
Plans not approved by security holders	Nil	Nil	Nil
Total	1,334,000	\$4.67	572,047

### **Performance Graph**

The following graph compares the total cumulative shareholder return for \$100 invested in the Shares of the Company with the cumulative shareholder return of the S&P/TSX Composite Index and the Hang Seng Index for the period commencing on June 29, 2007, the date of the listing of the Shares on the TSX, and ending March 31, 2008.



### **Indebtedness of Directors and Executive Officers**

No Director or officer of the Company or associate of any Director or officer of the Company is, or at any time since the beginning of the most recently completed financial year of the Company, has been indebted to the Company or any of its subsidiaries.



### **Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

None of the proposed Directors are, as at the date hereof, or have been, within the ten years prior to the date hereof, a director or executive officer, of any company that, while that person was acting in the capacity:

- (a) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the proposed Directors have, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

None of the proposed Directors have been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

### **Interest of Informed Persons in Material Transactions**

No informed person of the Company, as defined in National Instrument 51-102 - *Continuous Disclosure Obligations*, or any associate or affiliate of such informed person, has any material interest in any transaction completed since the commencement of the Company's last financial year or in any proposed transaction which has materially affected or will materially affect the Company or its subsidiaries, other than Dr. CHOW Pok Yu Augustine who is the sole shareholder of Harmony Asset Management Limited which has an on-going management contract with the Company. See "Management Contract".

## **Management Contract**

The Company entered into a management agreement on June 1, 1998 with Harmony Asset Management Limited, a company wholly-owned by Dr. CHOW Pok Yu Augustine, the Chief Executive Officer and an executive director of the Company. Under the management agreement, as amended on April 5, 2000 and May 17, 2007, Harmony Asset Management Limited agrees to assist the Board with the day-to-day management of the Company and to provide the Company with investment management services including identifying and analyzing investment opportunities, and structuring and monitoring investments. In accordance with the management agreement, Harmony Asset Management Limited is entitled to a monthly fee calculated at 1.5% per annum on the net asset value of the Group of the preceding month and an incentive fee is calculated at 10% of the audited net profit of a financial year (before accrual of the incentive fee). The management agreement is effective until May 31, 2010, subject to further renewal.

## **Corporate Governance**

The Directors and management acknowledge the importance of good corporate governance practices in the proper conduct of the affairs of the Company. The Company adopted all of the code provisions in the Code on Corporate Governance Practices (the “**Code of Corporate Governance Practices**”) contained in Appendix 14 of the listing rules of HKSE (the “**HKSE Listing Rules**”) as its own code of corporate governance practices and the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code for Securities Transactions**”) contained in Appendix 10 of the HKSE Listing Rules as the code of conduct regarding securities transactions by the Directors. A copy of the Code of Corporate Governance Practices and the Model Code for Securities Transactions can be found on the HKSE website at [www.hkex.com.hk](http://www.hkex.com.hk).

## **Board of Directors**

- (a) The independent members of the Board are Mr. HO Man Kai Anthony, Mr. TONG Kim Weng Kelly and Dr. WONG Yun Kuen.
- (b) The non-independent directors are Mr. LEE Fong Lit David (Chairman of the Board), Dr. CHOW Pok Yu Augustine (CEO), Dr. LAM Andy Siu Wing, JP (CFO) and Mr. CHAN Shuen Chuen Joseph.
- (c) The importance of the independence of the Directors from management is fully endorsed by the Company. Currently, three of the seven Directors of the Company have been determined by the Board to be “independent” within the meaning of the HKSE Listing Rules and Multilateral Instrument 52-110 - Audit Committee. The Company is in compliance with the board independence requirement of the Code on Corporate Governance under the HKSE Listing Rules which requires at least three members of the Board to be independent.
- (d) The Audit Committee is composed entirely of independent members.
- (e) The following Directors of the Company are directors of reporting issuers in a jurisdiction or foreign jurisdiction:

- (i) Dr. LAM Andy Siu Wing, JP is a director of Tanrich Financial Holdings Limited, a company listed on the HKSE; and
- (ii) Dr. WONG Yun Kuen is a director of each of UBA Investment Limited, Grand Field Group Holdings Limited, Golden Resorts Group Limited, Bauhaus International (Holdings) Limited, Challenger Group Holdings Limited, Superb Summit International Timber Company Limited, Poly Investments Holdings Limited, Climax International Company Limited, ProSticks International Holdings Limited and Kong Sun Holdings Limited, all of them being HKSE listed companies.
- (f) During the most recently completed financial year, the Board held 4 regular board meetings at approximately quarterly intervals. The Remuneration Committee, which is composed of Mr. HO Man Kai Anthony (Chairman), Dr. WONG Yun Kuen and Dr. CHOW Pok Yu Augustine, held 2 meeting. The Audit Committee, which is composed of Mr. HO Man Kai Anthony (Chairman), Mr. TONG Kim Weng Kelly and Dr. WONG Yun Kuen, held 3 meetings. The following table sets forth the number of board and committee meetings held, and attendance by Directors/members of committees, for the financial year ended December 31, 2007:

<i>Directors</i>	<i>Board Meetings Attended (in person or by telephone)</i>	<i>Audit Committee Meetings Attended (in person or by telephone)</i>	<i>Remuneration Committee (in person or by telephone)</i>
Mr. Lee Fong Lit David	2 of 4	N/A	N/A
Dr. Chow Pok Yu Augustine	4 of 4	N/A	2 of 2
Dr. Lam Andy Siu Wing, JP	4 of 4	N/A	N/A
Mr. Chan Shuen Chuen Joseph	3 of 4	N/A	N/A
Mr. Ho Man Kai Anthony	4 of 4	3 of 3	2 of 2
Mr. Tong Kim Weng Kelly	3 of 3	3 of 3	N/A
Dr. Wong Yun Kuen	3 of 3	3 of 3	2 of 2

### **Board Mandate**

The Board is responsible for the stewardship of the Company and for supervising the management of its business and affairs. The Board reviews, discusses and approves various matters relating to the Company's strategic direction, business and operations and its organizational structure, with a view to the Company's best interest.

### **Position Descriptions**

The board has developed and implemented written position descriptions for the Chief Executive Officer, the Chairman of the Board, and for the chair of each committee of the Board.

### **Orientation and Continuing Education of New Directors**

A description of the measures the Board takes to orient new Directors and provide continuing education to the members of the Board is set out in the Code of Corporate Governance Practices of the Company.

### **Nomination of Directors**

The Board has not established a nomination committee. According to the Articles of Association of the Company, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new Directors, the Board takes into consideration of the nominee's qualification, ability and potential contributions to the Company.

### **Compensation Procedures**

The Company has a Remuneration Committee composed of a majority of independent Directors. The Remuneration Committee has the delegated responsibilities to determine the specific remunerations packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. In determining executive compensations, the Remuneration Committee takes into consideration such factors as salaries paid by comparable companies, time commitment and responsibilities of the executive directors and senior officers, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

### **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions as set out in Appendix 10 of the HKSE Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the most recently completed financial year, all Directors have complied with the required standards set out under the Model Code for Securities Transactions.

### **Audit Committee**

There are currently no committees other than the Remuneration Committee and the Audit Committee. Information regarding the Audited Committee is contained at pages 20-22 of the annual information form (the "AIF") of the Company for the year ended December 31, 2007. The AIF is accessible on SEDAR at [www.sedar.com](http://www.sedar.com) or, upon request to the Company, shareholders of the Company will promptly receive a copy of the AIF free of charge.

### **Assessments**

The Remuneration Committee conducts annual review of the effectiveness and contribution of the member of the Board as well as the performance of the Board, and changes are recommended where appropriate.

### **Additional Information**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com), the HKEX website at [www.hkex.com.hk](http://www.hkex.com.hk) or the Company's website at [www.harmonyasset.com.hk](http://www.harmonyasset.com.hk). Financial information regarding the Company is provided in the Company's audited consolidated financial statements and management's discussion and analysis for its most recently completed financial year.

An separate information circular with respect to the Meeting prepared in a form that is in compliance with the HKSE Listing Rules (the "**Hong Kong Circular**") has been distributed to the Hong Kong shareholders of the Company on the date hereof. A copy of the Hong Kong Circular has been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and the HKSE website at [www.hkex.com.hk](http://www.hkex.com.hk).

Any shareholder of the Company may obtain from the Company a copy of the Hong Kong Circular, the Company's annual information form, financial statements and accompanying management's discussion and analysis by contacting the Company at (852) 2545 6883 (phone); (852) 2544 9883 (fax) or [harmony@harmonyasset.com.hk](mailto:harmony@harmonyasset.com.hk).

### **OTHER MATTERS**

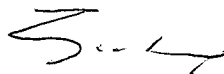
The Board of Directors is not aware of any other matters to come before the Meeting other than the matters referred to in this Circular.

### **DIRECTORS' APPROVAL**

The contents and the sending of this Circular to the shareholders of the Corporation have been approved by the Board of Directors of the Company.

DATED at Hong Kong, this 25<sup>th</sup> day of April, 2008.

**BY ORDER OF THE BOARD OF DIRECTORS**



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Joseph Shuen Chuen Chan  
Director