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HARMONY ASSET LIMITED

亨亞有限公司*

(Incorporated in the Cayman Islands with limited liability)

(HKEX Stock Code: 428)

(TSX Trading Symbol: HAR)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

FINANCIAL HIGHLIGHTS

The financial highlights of Harmony Asset Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 30th June, 2009 are summarised as follows:

- Turnover of the Group for the six months ended 30th June, 2009 was HK\$4,749,799 as compared to HK\$7,711,737 in the same period last year, representing a 38% decrease.
- Profit attributable to equity holders of the Company for the six months ended 30th June, 2009 was HK\$93,329,804 as compared to HK\$14,995,620 in the same period last year, representing a 522% increase.
- Basic earnings per share of the Group was HK cents 239.29 for the six months ended 30th June, 2009 as compared to HK cents 38.45 in the same period last year, representing a 522% increase.

* For identification purpose only

INTERIM RESULTS

The Board of Directors (the “Board”) of Harmony Asset Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2009 with comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2009

		Six months ended 30th June, 2009		Three months ended 30th June, 2009	
		(Unaudited) HK\$	(Unaudited) 2008 HK\$	(Unaudited) HK\$	(Unaudited) 2008 HK\$
	Note				
Turnover	2	4,749,799	7,711,737	1,503,004	5,973,767
Other revenue	2	133,119	452,655	66,000	222,221
Other gains	2	113,169,846	19,730,613	107,547,662	8,691,165
		118,052,764	27,895,005	109,116,666	14,887,153
Employee benefits expenses		(1,316,958)	(3,816,856)	(758,963)	(3,206,354)
Depreciation of property, plant and equipment		(53,558)	(62,316)	(42,765)	(56,066)
Other operating expenses		(7,174,473)	(6,707,587)	(5,375,187)	(3,843,924)
Profit before income tax	3	109,507,775	17,308,246	102,939,751	7,780,809
Income tax expenses	4	(16,177,971)	(2,312,626)	(17,035,971)	(1,438,072)
Profit for the period attributable to equity holders of the Company		93,329,804	14,995,620	85,903,780	6,342,737
Dividend	5	3,900,261	–	3,900,261	–
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share	6				
Basic		239.29	38.45	220.25	16.26
Diluted		239.29	38.28	220.25	16.19

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2009 and 31st December, 2008

	30th June, 2009 (Unaudited) HK\$	31st December, 2008 (Audited) HK\$
Non-current assets		
Property, plant and equipment	83,328	136,886
Interests in associates	—	—
Available-for-sale financial assets	67,860,587	68,058,932
Loans and receivables	7,305,938	20,077,507
	<u>75,249,853</u>	<u>88,273,325</u>
Current assets		
Accounts receivable and prepayments	14,325,174	19,383,342
Financial assets at fair value through profit or loss	202,811,542	72,896,629
Bank balances and cash	10,853,078	10,252,785
	<u>227,989,794</u>	<u>102,532,756</u>
Current liabilities		
Accounts payable and accruals	4,343,140	1,786,655
Tax payable	2,825,920	2,825,920
	<u>7,169,060</u>	<u>4,612,575</u>
Net Current assets	<u>220,820,734</u>	<u>97,920,181</u>
Total assets less current liabilities	<u>296,070,587</u>	<u>186,193,506</u>
Non-current liabilities		
Deferred tax liabilities	18,829,713	2,651,742
Net assets	<u>277,240,874</u>	<u>183,541,764</u>
Capital and reserves		
Share capital	39,002,615	39,002,615
Reserves	238,238,259	144,539,149
Total equity	<u>277,240,874</u>	<u>183,541,764</u>

Notes:

1. Basis of preparation

The unaudited condensed consolidated interim financial statements (“interim financial statements”) are prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December, 2008. The accounting policies and basis of preparation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December, 2008.

2. Turnover, other revenue and other gains

The Group principally invests in securities listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and unlisted securities, including equity securities and convertible notes issued by corporate entities. Turnover, other revenue and other gains or losses recognised during the period are as follows:

	Six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Turnover:		
Interest income from		
– bank interest	9,799	264,358
– loans receivable	240,000	2,142,063
Dividend income from		
– listed investments	–	5,316
– unlisted investments	4,500,000	5,300,000
	4,749,799	7,711,737
Other revenue:		
Sundry income	133,119	452,655
Other gains and (losses):		
Fair value changes on financial assets		
at fair value through profit or loss	133,357,913	14,015,918
Net realised gain on financial assets		
at fair value through profit or loss	7,158,339	5,739,119
Exchange gains (losses), net	3,388	(24,424)
Impairment loss on accounts receivable	(14,010,574)	–
Impairment loss on loans and receivables	(12,771,569)	–
Impairment loss on available-for-sale financial assets		
– deposits on investment written off	(567,651)	–
	113,169,846	19,730,613
	118,052,764	27,895,005

Management considers the Group has only one business segment i.e. investment holding. Accordingly, the Group's turnover, other revenue, other gains and losses, profit for the period, and total assets are attributable to the segment of investment holding.

3. Profit before income tax

Profit before income tax has been arrived at after charging the following:

	Six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees	1,506,906	2,185,021
Incentive fee	3,014,474	—
Pension costs – contributions to defined contribution plan	52,928	55,328
Operating lease in respect of land and buildings	1,199,028	1,506,987

4. Income tax expenses

Hong Kong Profits Tax is calculated at 16.5% (2008:16.5%) of the estimated assessable profits for the period:

	Six months ended 30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Hong Kong Profits Tax		
Provision for current period	—	2,312,626
Deferred taxation	16,177,971	—
	16,177,971	2,312,626

5. Dividend

The Board declares an interim dividend of HK10 cents per share for the six months ended 30th June, 2009 (2008: Nil).

6. Earnings per share

The calculation of basic and diluted earnings per share is as follows:

	Six months ended	
	30th June,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Profit attributable to equity holders of the Company	93,329,804	14,995,620
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	39,002,614	39,002,614
Effect of deemed issue of shares under the Company's share option scheme	–	175,181
Weighted average number of ordinary shares for the purpose of diluted earnings per share	39,002,614	39,177,795
	HK cents	HK cents
Basic earnings per share	239.29	38.45
Diluted earnings per share	239.29	38.28

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of the ordinary shares in issue during the period.

Diluted earnings per share for the period is the same as basic earnings per share as the effect of the assumed conversion of the outstanding share option is anti-dilutive.

Diluted earnings per share for the six months ended 30th June, 2008 is calculated based on the profit attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the period after adjusting for the number of diluted potential ordinary shares granted under the Company's share option scheme.

DIVIDEND

The Board has declared an interim dividend of HK10 cents per share in respect of the six months ended 30th June, 2009, totaling not less than HK\$3,900,261 (2008: Nil). The interim dividend are payable on or about 28th September, 2009 to shareholders whose names appear on the register of members of the Company on 31st August, 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 31st August, 2009 to Friday, 4th September, 2009, both days inclusive. In order to qualify for the interim dividend, all completed transfer forms accomplished by the relevant share certificates must be lodged with the branch share registrars of the Company either (i) the Hong Kong branch share registrars of the Company, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or (ii) the Canadian branch share registrars of the Company, Computershare Investor Services Inc., 100 University Ave., 9th Floor, Toronto, Ontario, M5J 2Y1, not later than 4:00 p.m. on Friday, 28th August, 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Caution Regarding Forward-Looking Statements

This Management Discussion and Analysis ("MD&A") contains forward-looking statements which are subject to risks and uncertainties and other factors that may cause the Company's results to differ materially from expectations. Actual results may differ materially from those expressed or implied by such forward-looking statements. When reviewing the Company's forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These include risks relating to market fluctuations, investee performance, foreign exchange fluctuations and other risks. The forward-looking statements contained in this MD&A speak only as of the date hereof. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update the forward-looking statements and cautions investors from placing undue reliance on forward-looking statements. The Company has an ongoing obligation to disclose material information as it becomes available.

Business review, prospects and future plan

For the six months ended 30th June, 2009, the Group recorded a turnover of HK\$4,749,799 as compared to HK\$7,711,737 in the same period last year, representing a 38% decrease. The interest income was HK\$249,799 (2008: HK\$2,406,421). Dividend received from investments was HK\$4,500,000 (2008: HK\$5,305,316). Gains on disposal of listed investments amounted to HK\$7,158,339 (2008: HK\$5,739,119). With the rebound of Hong Kong stock market, the market value of our investments in listed securities have appreciated in tandem. As at 30th June, 2009, the Group recorded a substantial unrealised gain of HK\$133,357,913 (2008: HK\$14,015,918) on the publicly traded securities. The profit before income tax was HK\$109,507,775 as compared to

HK\$17,308,246 in the same period last year, representing a 533% increase. The profit attributable to equity holders of the Company was HK\$93,329,804 as compared to HK\$14,995,620 in the same period last year, representing a 522% increase.

During the first half of 2009, the Group preserved cash by not making new investments. With the global recession apparently stabilizing, the Group will continue to focus on the technology and resources sector. These two sectors, we believe, will offer better investment returns in the long run. Our focus will remain in Asia and greater China region where opportunities abound. Based on our past experience, these investment activities will not only offer safety but at the same time provide possibility of capital appreciation.

Financial review

Liquidity and financial resources

The Group had available bank balances and cash of HK\$10,853,078 (31st December, 2008: HK\$10,252,785) which were mainly placed with banks as time deposits. Bank balances and cash held by the Group are mainly denominated in Hong Kong dollars.

The Group had shareholders' funds of HK\$277,240,874 at 30th June, 2009 compared to HK\$183,541,764 at 31st December, 2008, representing a 51% increase.

At present, the Group has unutilised banking facilities of HK\$3,000,000 and requires no borrowings for investment and capital expenditures. The interest rate charged on the banking facilities is 2% per annum over the Prime Lending Rate or 2% per annum over the prevailing overnight Hong Kong Interbank Offered Rate, whichever is higher.

As at 30th June, 2009, the Group had no borrowing.

The Group did not have capital expenditure commitment as at 30th June, 2009.

Capital Structure

There was no significant change in the Group's capital structure for the six months ended 30th June, 2009.

During the period, share options to subscribe for 290,000 shares with an exercise price at HK\$6.03 per share and share options to subscribe for 50,000 shares with an exercise price at HK\$5.1 per share were lapsed. As at 30th June, 2009, balance of share options to subscribe for 1,044,000 shares and 522,047 shares with an exercise price at HK\$4.29 and HK\$5.1 per share respectively were outstanding.

Significant investments held and their performance

In the past six months, the Group disposed of certain publicly traded securities with an aggregate proceeds of HK\$10,601,339, resulting in a net realised gain of HK\$7,158,339. The Group also recorded an unrealised gain of HK\$133,357,913 on fair value changes on financial assets through profit or loss. The Group received HK\$4,500,000 of dividend from an unlisted company. Interest income from the bank deposits and loans receivable was HK\$249,799.

Due to the impact of the global economic downturn in the second half of 2008, the Group suspended making any new investments for the six months ended 30th June, 2009.

As at 30th June, 2009, the Group's unlisted investments, which comprise available-for-sale financial assets, and loans and receivables, amounted to HK\$75,166,525 as compared to HK\$88,136,439 as at 31st December, 2008, representing a 14.72% decrease. Such decrease was the result of impairment losses of HK\$13,339,220 on loans and receivables and investment deposit, and an increase of HK\$369,306 in fair value of some investments.

As at 30th June, 2009, the accounts receivable and prepayments were HK\$14,325,174 as compared to HK\$19,383,342 as at 31st December, 2008, representing a 26% decrease, this is resulted of (1) increase in provision of impairment loss of HK\$14,010,574, (2) receivable from disposal of listed securities of HK\$8,878,409 and (3) a net increase of HK\$73,997 in other accounts receivable and prepayments.

POST BALANCE SHEET EVENT

Subsequent to balance sheet date and up to 11th August, 2009, the Group realised a gain of HK\$78,588,559 on disposal of listed securities and received a net cash proceeds of approximately HK\$113 million.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the period ended 30th June, 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

The Company intends to exercise re-purchase of share mandate which was approved by shareholders at the last annual general meeting up to 10% of issued shares at favourable price and availability of funds.

CORPORATE GOVERNANCE

The Company had met the relevant code provisions set out in the Code on Corporate Governance Practices based on the principles set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th June, 2009.

AUDIT COMMITTEE

The audit committee of the Board has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim financial statements for the six months ended 30th June, 2009 with the directors.

By Order of the Board
LEE Fong Lit David
Chairman

Hong Kong, 11th August, 2009

As at the date of this announcement, the Board comprises 4 executive directors, namely, Mr. LEE Fong Lit David, Dr. CHOW Pok Yu Augustine, Dr. LAM Andy Siu Wing JP, Mr. CHAN Shuen Chuen and 3 independent non-executive directors, namely, Mr. TONG Kim Weng Kelly, Dr. WONG Yun Kuen and Mr. HO Man Kai Anthony.