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HARMONY ASSET LIMITED

(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, 2010

FINANCIAL HIGHLIGHTS

The financial highlights of Harmony Asset Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June, 2010 are summarised as follows:

- Turnover of the Group for the six months ended 30th June, 2010 was HK\$9,128,004 as compared to HK\$4,749,799 in the same period last year, representing a 92% increase.
- Profit attributable to owners of the Company for the six months ended 30th June, 2010 was HK\$21,740,726 as compared to HK\$93,329,804 in the same period last year, representing a 77% decrease.
- Basic earnings per share of the Group was HK cents 55.66 for the six months ended 30th June, 2010 as compared to HK cents 239.29 in the same period last year, representing a 77% decrease.

INTERIM RESULTS

The Board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30th June, 2010 with comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

		Three months ended 30th June, 2010 (Unaudited) HK\$		Six months ended 30th June, 2010 (Unaudited) HK\$	
	Note	2009 (Unaudited) HK\$	2009 (Unaudited) HK\$	2009 (Unaudited) HK\$	2009 (Unaudited) HK\$
Turnover	2	4,964,362	1,503,004	9,128,004	4,749,799
Other revenue	2	30,004	66,000	60,005	133,119
Other gains and (losses)	2	(3,882,962)	107,547,662	19,330,463	113,169,846
		1,111,404	109,116,666	28,518,472	118,052,764
Employee benefits expenses		(641,775)	(758,963)	(1,271,924)	(1,316,958)
Depreciation of property, plant and equipment		(79,216)	(42,765)	(158,434)	(53,558)
Other operating expenses		(3,099,832)	(5,375,187)	(5,179,771)	(7,174,473)
Profit (loss) before income tax	3	(2,709,419)	102,939,751	21,908,343	109,507,775
Income tax expense	4	(422,302)	(17,035,971)	(167,617)	(16,177,971)
Profit (loss) for the period attributable to owners of the Company		(3,131,721)	85,903,780	21,740,726	93,329,804
Other comprehensive income:					
Gains (losses) on fair value changes on available-for-sale financial assets		10,619,172	(408,037)	16,031,353	369,306
Transfer to profit or loss upon disposals of available-for-sale financial assets		(11,500,980)	–	(11,500,980)	–
		(881,808)	(408,037)	4,530,373	369,306
Total comprehensive income for the period attributable to owners of the Company		(4,013,529)	85,495,743	26,271,099	93,699,110
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per share	6				
Basic		(8.02)	220.25	55.66	239.29
Diluted		(8.02)	220.25	55.66	239.29

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2010 and 31st December, 2009

	30th June, 2010 (Unaudited) HK\$	31st December, 2009 (Audited) HK\$
Non-current assets		
Property, plant and equipment	1,306,728	1,465,162
Available-for-sale financial assets	82,882,444	110,854,493
Loans and receivables	20,300,779	6,314,135
	<u>104,489,951</u>	<u>118,633,790</u>
Current assets		
Accounts receivable and prepayments	64,275,020	17,810,465
Trading securities	70,056,231	44,930,302
Derivative financial instruments	–	21,322,735
Bank balances and cash	77,626,460	98,065,356
	<u>211,957,711</u>	<u>182,128,858</u>
Current liabilities		
Accounts payable and accruals	431,063	1,249,956
Amount due to a related company	–	6,028,948
Tax payable	15,508,911	13,569,202
	<u>15,939,974</u>	<u>20,848,106</u>
Net current assets	<u>196,017,737</u>	<u>161,280,752</u>
Total assets less current liabilities	<u>300,507,688</u>	<u>279,914,542</u>
Non-current liabilities		
Deferred tax liabilities	641,856	2,413,948
Net assets	<u>299,865,832</u>	<u>277,500,594</u>
Capital and reserves		
Share capital	39,058,615	39,058,615
Reserves	260,807,217	238,441,979
Total equity	<u>299,865,832</u>	<u>277,500,594</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 Standard Board.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December, 2009. The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December, 2009.

2. Turnover, other revenue and other gains and losses

The Group principally invests in securities listed on recognised stock exchanges and unlisted securities, including equity securities and convertible bonds issued by corporate entities. Turnover, other revenue and other gains and losses recognised during the period are as follows:

	Six months ended 30th June,	
	2010 (Unaudited) HK\$	2009 (Unaudited) HK\$
Turnover:		
Interest income from		
– bank deposits	77,377	9,799
– loans receivable	2,083,350	240,000
Dividend income from		
– listed investments	190,195	–
– unlisted investments	6,777,082	4,500,000
	<u>9,128,004</u>	<u>4,749,799</u>
Other revenue		
Sundry income	<u>60,005</u>	<u>133,119</u>
Other gains and (losses)		
Fair value changes on financial assets at fair value through profit or loss:		
– trading securities	(10,336,066)	133,357,913
– derivative financial instruments	6,991,713	–
Net realised gain on disposals of trading securities	13,230,926	7,158,339
Exchange (loss) gain, net	(57,090)	3,388
Net realised gain on disposals of available-for-sale financial assets	11,500,980	–
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)
– equity investment	(2,000,000)	–
	<u>19,330,463</u>	<u>113,169,846</u>
	<u><u>28,518,472</u></u>	<u><u>118,052,764</u></u>

Management considers the Group has only one 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,	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees	2,197,113	1,506,906
Incentive fee	–	3,014,474
Pension costs – contributions to defined contribution plan	58,139	52,928
Operating lease in respect of land and buildings	1,218,975	1,199,028
	<u>1,218,975</u>	<u>1,199,028</u>

4. Income tax expense

Hong Kong Profits Tax is calculated at 16.5% (2009:16.5%) of the estimated assessable profits for the period:

	Six months ended	
	30th June,	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Hong Kong Profits Tax		
Provision for current period	1,939,709	–
Deferred taxation	(1,772,092)	16,177,971
	<u>167,617</u>	<u>16,177,971</u>

5. Dividend

The Board do not recommend payment of any interim dividend for the six months ended 30th June, 2010 (2009: HK10 cents per share, totaling HK\$3,905,861).

6. Earnings per share

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

	Six months ended 30th June,	
	2010 (Unaudited) <i>HK\$</i>	2009 (Unaudited) <i>HK\$</i>
Profit attributable to owners of the Company	21,740,726	93,329,804
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	39,058,614	39,002,614
	<i>HK cents</i>	<i>HK cents</i>
Basic earnings per share	55.66	239.29
Diluted earnings per share	55.66	239.29

Basic earnings per share is calculated by dividing the profit attributable to owners 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 the basic earnings per share as the effect of the assumed conversion of the outstanding share option is anti-dilutive.

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 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. The Company does not have an ongoing obligation to disclose material information as it becomes available.

Business review, prospects and future plan

For the six months ended 30th June, 2010, the Group recorded a turnover of HK\$9,128,004 as compared to HK\$4,749,799 in the same period last year, representing a 92% increase.

Interest income was HK\$2,160,727 as compared to HK\$249,799 in the same period last year, representing an increase of 765%. Dividends received from investments was HK\$6,967,277 as compared to HK\$4,500,000 in the same period last year, representing an increase of 55%. Net realised gain on disposals of listed investments amounted to HK\$13,230,926 as compared to HK\$7,158,339 in the same period last year, representing an increase of 85%.

With the general downturn of the global stock markets in the second quarter of 2010, the Group recorded a net unrealised loss on listed securities of HK\$10,336,066 for the six months ended 30th June, 2010 as compared to the substantial net unrealised gain of HK\$133,357,913 in the same period last year.

However, the Group managed to dispose some private investments resulting in a net realised gain of HK\$11,500,980 during the period.

The Group’s profit before income tax amounted to HK\$21,908,343 as compared to HK\$109,507,775 in the same period last year, representing a 80% decrease. The profit attributable to owners of the Company was HK\$21,740,726 as compared to HK\$93,329,804 in the same period last year, representing a 77% decrease.

The six months ended 30th June, 2010 has been a challenging period for the Group. The European financial crisis have had a great impact on the performances of the Group. Despite the slowdown and fluctuations in the stock markets, the Group believes that by prudently disposing stocks that are profitable and investing in selective stocks, it will ride out of this period strongly.

As part of its investment strategy, the Group followed a cautious approach, but at the same time kept a close look at undervalued private companies/businesses/shares that have high potential returns.

The Group will continue to focus on its core investment pursuits in the fields of resources and real estate investments in Asia and the greater China region as these two business sectors are expected to demonstrate continuous strong growth and capital appreciation.

Financial review

Liquidity and financial resources

The Group had available bank balances and cash of HK\$77,626,460 (31st December, 2009: HK\$98,065,356) 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\$299,865,832 at 30th June, 2010 compared to HK\$277,500,594 at 31st December, 2009, representing a 8% 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, 2010, the Group had no borrowing.

The Group did not have capital expenditure commitment as at 30th June, 2010.

Capital Structure

There was no significant change in the Group's capital structure for the six months ended 30th June, 2010.

Other than 988,000 share options expired on 30th April, 2010, no share options were granted, exercised, lapsed or cancelled under the share option scheme, adopted by the Company at annual general meeting on 28th June, 2005, during the period.

Significant investments held and their performance

For the six months ended 30th June, 2010, due to the increase in the participation of the secured financial projects, the Group received interest income in the aggregate amount of HK\$2,160,727 as compared to HK\$249,799 in the same period last year, representing a 765% increase. Dividend income generated from the investments was HK\$6,967,277 for the six months ended 30th June, 2010 as compared to HK\$4,500,000 in the same period last year, representing a 55% increase. Turnover was HK\$9,128,004 for the six months ended 30th June, 2010 as compared to HK\$4,749,799 in the same period last year, representing a 92% increase. With the general downturn of the global stock markets in the second quarter of 2010, the Group recorded a net unrealised loss on listed securities of HK\$10,336,066 as compared to the substantial unrealised gain of HK\$133,357,913 in the same period last year. In addition, the Group recorded an unrealised gain of HK\$6,991,713 on derivative financial instruments during the interim period. The Group disposed of certain of its publicly traded securities to obtain a net realised gain of HK\$13,230,926 (2009: HK\$7,158,339). An impairment loss on an unlisted investment of HK\$2,000,000 was made during the interim period. Besides that, the Group also disposed two unlisted investments with a net realised gain of HK\$11,500,980. Total revenue for the six months ended 30th June, 2010 was HK\$28,518,472 (2009: HK\$118,052,764).

For the six months ended 30th June, 2010, the profit before income tax was HK\$21,908,343 as compared to HK\$109,507,775 in the same period last year, representing a 80% decrease. The profit attributable to owners of the Company was HK\$21,740,726 as compared to HK\$93,329,804 in the same period last year, representing a 77% decrease.

As at 30th June, 2010, the Group's unlisted investments, which comprised available-for-sale financial assets and loans and receivables, was HK\$103,183,223 as compared to HK\$117,168,628 as at 31st December, 2009, representing a 12% decrease. Such decrease was the net result of: (1) increase in the fair value of the Group's available-for-sale financial assets by HK\$4,530,373; (2) investment of HK\$11,000,000 in an investee company by way of equity of HK\$5,000,000 and convertible bond of HK\$6,000,000; (3) disposals of two investments in the amount of HK\$24,000,001; (4) conversion of convertible bonds, of which debt element in available-for-sale financial assets was HK\$14,863,057, into listed securities; (5) advance to the investee companies of HK\$788,000; and (6) repayment of loans of HK\$989,706 received from two investee companies.

As at 30th June, 2010, accounts receivable and prepayments was HK\$64,275,020 as compared to HK\$17,810,465 as at 31st December, 2009, representing a 261% increase. Such increase was primarily due to: (1) the Group recording receivables in the amount of HK\$23,736,410 as a result of the disposals of certain listed and unlisted securities; (2) participation in the amount of HK\$38,500,000 in three financing projects with accrued interest of HK\$1,161,644; (3) the repayment of accounts receivable and interest receivable of the last year in the amount of HK\$16,979,262; and (4) increase in other prepayment of HK\$45,763.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the period ended 30th June, 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

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 of the Rules Governing the Listing of Securities on the Stock Exchange at any time during the six months ended 30th June, 2010.

AUDIT COMMITTEE

The Audit Committee 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, 2010 with the directors.

By Order of the Board
Harmony Asset Limited
Lee Fong Lit David
Chairman

Hong Kong, 13th August, 2010

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 and Mr. CHAN Shuen Chuen Joseph and 3 independent non-executive directors, namely, Mr. TONG Kim Weng Kelly, Dr. WONG Yun Kuen and Mr. HO Man Kai Anthony.