

# 2013 Interim Report



## HARMONY ASSET LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 428

TSX - Trading Symbol : HAR

This interim report 2013, in both English and Chinese versions, is available on the Company's website at [www.harmonyasset.com.hk](http://www.harmonyasset.com.hk) (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the interim report 2013 posted on the Company Website will promptly upon request be sent the interim report 2013 in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive the interim report 2013 in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Branch Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by sending an email to the Hong Kong Branch Share Registrar of the Company at [harmony.ecom@computershare.com.hk](mailto:harmony.ecom@computershare.com.hk).

Shareholders who have chosen to receive printed copy of the Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this interim report 2013 since both languages are bound together into one booklet.

## INTERIM RESULTS FOR 2013

### 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, 2013 are summarised as follows:

- Turnover of the Group for the six months ended 30th June, 2013 was HK\$2,552,868 as compared to HK\$3,188,891 in the same period last year.
- Loss attributable to owners of the Company for the six months ended 30th June, 2013 was HK\$25,789,082 as compared to HK\$12,818,544 in the same period last year.
- Basic loss per share of the Group was HK cents 66.03 for the six months ended 30th June, 2013 as compared to HK cents 32.82 in the same period last year.

### INTERIM RESULTS

The Board of Directors (the “Board”) of the Company presents the interim report and the unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) of the Group for the six months ended 30th June, 2013. The consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity of the Group for the six months ended 30th June, 2013, and the consolidated statement of financial position of the Group as at 30th June, 2013, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 12 to 27 of this interim report.

### INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th June, 2013 (2012: nil).

## 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. These 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 does not have an ongoing obligation to disclose material information as it becomes available.

### Business review

For the six months ended 30th June, 2013, the Group recorded a turnover of HK\$2,552,868 as compared to HK\$3,188,891 in the same period last year.

For the six months ended 30th June, 2013, the Group recorded other gains and losses in a net loss of HK\$20,871,021 as compared to HK\$8,326,395 in the same period last year.

For the six months ended 30th June, 2013, the loss before income tax was HK\$25,789,082 as compared to HK\$12,818,544 in the same period last year. The loss attributable to owners of the Company was HK\$25,789,082 as compared to HK\$12,818,544 in the same period last year. The loss for the six months ended 30th June, 2013 was mainly due to fair value losses on trading securities and derivative financial instruments.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Prospects and future plan

Our equity portfolio has deteriorated further over the past quarter. Global markets have turned volatile as NYSE index reached new heights even though many European nations remained mired in debt and companies announced uninspiring results. Lacklustre performance by some of our investments caused further erosion in value of our portfolio.

Looking forward, volatility in bond yields stemming from concerns of potential scaling back of QE and slowing growth in emerging economies will continue to dent investor's appetite for risk assets. Equity markets may come under pressure in the short term and the outlook is less sanguine.

We will tread more cautiously in our selection of investment alternatives during this uncertain time but will remain focus on our chosen path of investing in resources, technology, food and healthcare products which constitute a balance approach.

### Financial review

#### *Liquidity and financial resources*

The Group had available bank balances and cash of HK\$14,917,854 (31st December, 2012: HK\$34,096,412) 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\$256,773,649 at 30th June, 2013 compared to HK\$282,783,731 at 31st December, 2012, representing a 9% decrease.

At present, the Group has unutilised banking facilities of HK\$10,000,000 and the Group requires no borrowings for investment and capital expenditures. The interest rate charged on the banking facilities is 3% per annum over the applicable Hong Kong Interbank Offered Rate.

As at 30th June, 2013, the Group had no borrowing.

The Group did not have capital expenditure commitment as at 30th June, 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Financial review (Continued)

#### *Capital Structure*

There was no significant change in the Group's capital structure for the six months ended 30th June, 2013.

During the period, no share options were granted, exercised, lapsed or cancelled under the share option scheme, as adopted by the Company at the annual general meeting held on 28th June, 2005.

### Significant investments held and their performance

For the six months ended 30th June, 2013, the Group received interest income in the aggregate amount of HK\$1,040,440 as compared to HK\$3,121,325 in the same period last year, representing a 67% decrease. The interest income comprises HK\$15,754 earned from bank deposits and HK\$1,024,686 earned from loans receivable and convertible bonds. Dividend income generated from listed and unlisted securities was HK\$1,512,428 (2012: HK\$67,566). Turnover was HK\$2,552,868 as compared to HK\$3,188,891 in the same period last year, representing a 20% decrease.

For the six months ended 30th June, 2013, the Group disposed of certain of its publicly traded securities and realised net gain of HK\$2,250,912 as compared to HK\$1,657,553 in the same period last year, representing a 36% increase. With the impact of unfavorable performance of certain listed trading securities in the second quarter of 2013, the Group continuously recorded a significant unrealised loss of HK\$23,024,265 (2012: HK\$11,541,698) on its publicly trading securities and the derivative financial instruments.

No recovery of impairment loss on accounts receivable was recognised (2012: HK\$1,487,971). Gain on disposals of available-for-sale financial assets ("AFS") previously impaired was HK\$45,000 (2012: nil). Recovery of impairment loss on loans and receivables previously recognised was HK\$124,381 (2012: HK\$32,245). Net exchange loss was HK\$267,049 (2012: net gain of HK\$37,534).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Significant investments held and their performance (Continued)

As at 30th June, 2013, the Group's unlisted investments (comprised of AFS and loans and receivables) were HK\$164,543,440 as compared to HK\$135,556,159 as at 31st December, 2012, representing a 21.4% increase. Such increase was mainly due to: (1) net decrease in fair value of AFS of HK\$221,000; (2) purchase of equities in two unlisted entities in an aggregate amount of HK\$16,193,282; (3) increase in equity interest of an unlisted investment of HK\$1,400,000; (4) subscription of convertible bonds at an aggregate amount of HK\$13,014,999; (5) redemption of a convertible bond in an amount of HK\$2,000,000; and (6) payment of investment deposit of HK\$600,000.

As at 30th June, 2013, accounts receivable and prepayments was HK\$4,713,242 as compared to HK\$12,438,006 as at 31st December, 2012, representing a 62.1% decrease. Such decrease was primarily the result of (1) repayment of accounts receivable of HK\$2,606,250; (2) net decrease of HK\$3,769,014 from other receivable; (3) net decrease of interest receivable of HK\$243,562; and (4) net decrease of deposits and prepayments of HK\$1,105,938.

As at 30th June, 2013, the Group held trading securities and convertible bonds designated as at fair value through profit or loss in an aggregate amount of HK\$64,656,372 as compared to HK\$87,031,396 as at 31st December, 2012, representing a 25.7% decrease. The decrease was primarily due to: (1) purchases of securities during the six months ended 30th June, 2013 for an aggregate amount of HK\$6,094,326; (2) the disposals of certain securities which had a cost of HK\$10,465,512; (3) net decrease in market value in the amount of HK\$18,495,776 of the listed securities; and (4) increase in value of HK\$491,938 on convertible bonds designated as at fair value through profit or loss.

### Employees and remuneration policies

As at 30th June, 2013, the Group employed a total of 9 full-time employees, including the directors of the Group. Employees' remuneration are fixed and determined with reference to the market remuneration.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Segment information

The directors consider that the Group has only one operating segment, i.e. investment holding. Accordingly, the Group's turnover, other revenue, other gains and losses, loss for the period, and total assets are attributable to the segment of investment holding.

### Seasonality/cyclicality of interim operation

The directors are not aware of any significant seasonal and cyclical factors which affect the Group's operations and interim results.

### Exposures to fluctuations in exchange rates and related hedges

The Group has no significant exposures to fluctuations in foreign exchange rates and, therefore, did not use any financial instruments to hedge such exposures.

### Contingent liabilities

As at 30th June, 2013, the Group had no significant contingent liabilities.

### Risk Factors

This MD&A contains forward-looking statements that involve risks and uncertainties (see Caution Regarding Forward-Looking Statements at the beginning of the MD&A). There are also various risks associated with the Company's activities, which could affect its business. Certain of those risks are described below but they are not the only ones facing the Company. Additional risks not currently known to us or that we currently deem immaterial may also impair the Company's business. Economic conditions and market factors such as volatility in the Chinese, Hong Kong and international markets, foreign exchange rates, interest rates, market prices, trading volumes and liquidity can have a significant impact on the Company's business, financial condition, and profitability. Additionally, the Company's business can experience considerable variations in revenue and net income from quarter to quarter, and year to year, due to the risk factors discussed above. These factors are beyond the Company's control and, as a result, revenue and net income will fluctuate, as they have historically.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company did not redeem any of its shares during the six months ended 30th June, 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## **SHARE OPTIONS**

The Company adopted a share option scheme at the annual general meeting held on 28th June, 2005 (the "Share Option Scheme"). Summary of certain terms of the Share Option Scheme is set out in note 11 to the Interim Financial Statements.

During the six months ended 30th June, 2013, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporations.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30th June, 2013, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### Ordinary shares of HK\$1 each in the Company

Name of directors	Number of shares				Percentage of issued share capital as at
	Personal interests	Family interests	Corporate interests	Other interests	30th June, 2013
Lee Fong Lit David	-	-	7,200,315* (Note)	-	18.43%
Ho Man Kai Anthony	60,000 <sup>#</sup>	-	-	-	0.15%

<sup>#</sup> Beneficial owner

\* Interest of controlled corporation

*Note:* These 7,200,315 shares are held by Sino Path Consultants Limited, a company which is held 70% by Mr. Lee Fong Lit David and 30% by Dr. Chow Pok Yu Augustine. Mr. Lee Fong Lit David and Dr. Chow Pok Yu Augustine are the executive directors of the Company.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (CONTINUED)**

Save as disclosed above, as at 30th June, 2013, none of the directors and chief executives of the Company had, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

Other than the interests disclosed under the section "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation", at 30th June, 2013, the Company had been notified of the following substantial shareholders' interests and short position, being 5% or more of the Company's shares and underlying shares which are required to be recorded in the register of interests in shares and short positions maintained under Section 336 of the SFO:

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company as at 30th June, 2013</b>
ABC Dirt-Cheap Stock Fund	Beneficial owner	4,042,500	10.35%
Dynamic Global Value Class Fund	Beneficial owner	2,339,500	5.99%

## **CORPORATE GOVERNANCE**

The Company adopted all code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Listing Rules as its own corporate governance practices.

The Company has complied with the code provisions as set out the Code during the six months ended 30th June, 2013.

## **CHANGES IN DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES**

As at the date of this interim report, the Company is not aware of any changes in Directors’ information since the date of the 2012 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 to the 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 six months ended 30th June, 2013, all Directors have complied with the required standard set out in the Model Code.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the Interim Financial Statements for the six months ended 30th June, 2013 with the directors.

## **MEMBERS OF THE BOARD**

As at the date hereof, the Board comprises 4 executive directors, namely, Mr. Lee Fong Lit David (Chairman), Dr. Chow Pok Yu Augustine (Chief Executive Officer), Mr. Chan Shuen Chuen Joseph and Mr. Cheng Ming Shun; and 3 independent non-executive directors, namely, Mr. Tong Kim Weng Kelly, Dr. Wong Yun Kuen and Mr. Ho Man Kai Anthony.

By Order of the Board

**Harmony Asset Limited**

**Lee Fong Lit David**

*Chairman*

Hong Kong, 14th August, 2013

The management of Harmony Asset Limited is responsible for the preparation of the accompanying condensed consolidated interim financial statements. The interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and are considered by management to present fairly the financial position, operating results and cash flows of the Company and its subsidiaries. These interim financial statements have not been audited, reviewed or otherwise verified for accuracy and completeness of information by the auditor of the Company.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

	Note	Three months ended 30th June,		Six months ended 30th June,	
		2013 (Unaudited) HK\$	2012 (Unaudited) HK\$	2013 (Unaudited) HK\$	2012 (Unaudited) HK\$
<b>Turnover</b>	2	<b>600,630</b>	2,571,012	<b>2,552,868</b>	3,188,891
Other revenue	2	<b>123</b>	177	<b>3,123</b>	7,145
Other gains and (losses)	2	<b>(11,618,642)</b>	(16,099,551)	<b>(20,871,021)</b>	(8,326,395)
		<b>(11,017,889)</b>	(13,528,362)	<b>(18,315,030)</b>	(5,130,359)
Employee benefits expenses		<b>(931,129)</b>	(866,312)	<b>(1,827,084)</b>	(1,585,654)
Depreciation of property, plant and equipment		<b>(173,190)</b>	(168,917)	<b>(346,379)</b>	(337,807)
Other operating expenses		<b>(3,067,740)</b>	(3,008,781)	<b>(5,300,589)</b>	(5,764,724)
<b>Loss before income tax</b>	3	<b>(15,189,948)</b>	(17,572,372)	<b>(25,789,082)</b>	(12,818,544)
Income tax expense	4	-	-	-	-
<b>Loss for the period attributable to owners of the Company</b>		<b>(15,189,948)</b>	(17,572,372)	<b>(25,789,082)</b>	(12,818,544)
<b>Other comprehensive income:</b>					
Gains (losses) on fair value changes on available-for-sale financial assets		<b>43,926</b>	(1,302,735)	<b>(176,000)</b>	(2,319,879)
Transfer of fair value gains to profit or loss upon disposals of available-for-sale financial assets		-	-	<b>(45,000)</b>	-
		<b>43,926</b>	(1,302,735)	<b>(221,000)</b>	(2,319,879)
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>(15,146,022)</b>	(18,875,107)	<b>(26,010,082)</b>	(15,138,423)
		<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>
Loss per share	6				
Basic		<b>(38.89)</b>	(44.99)	<b>(66.03)</b>	(32.82)
Diluted		<b>(38.89)</b>	(44.99)	<b>(66.03)</b>	(32.82)

The notes on pages 18 to 27 form part of these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30TH JUNE, 2013 and 31ST DECEMBER, 2012

	Note	<b>30th June, 2013 (Unaudited) HK\$</b>	31st December, 2012 (Audited) HK\$
<b>Non-current assets</b>			
Property, plant and equipment	7	<b>690,024</b>	1,036,403
Available-for-sale financial assets		<b>107,149,188</b>	85,610,660
Loans and receivables		<b>26,566,655</b>	27,676,654
		<b>134,405,867</b>	114,323,717
<b>Current assets</b>			
Loans and receivables		<b>30,827,597</b>	22,268,845
Accounts receivable and prepayments	8	<b>4,713,242</b>	12,438,006
Financial assets at fair value through profit or loss		<b>64,656,372</b>	87,031,396
Derivative financial instruments		<b>13,700,319</b>	18,228,808
Tax recoverable		–	2,661,127
Bank balances and cash		<b>14,917,854</b>	34,096,412
		<b>128,815,384</b>	176,724,594
<b>Current liabilities</b>			
Accounts payable and accruals	9	<b>6,447,602</b>	7,205,583
Amount due to a related company		–	1,058,997
		<b>6,447,602</b>	8,264,580
<b>Net current assets</b>			
		<b>122,367,782</b>	168,460,014
<b>Total assets less current liabilities/Net assets</b>			
		<b>256,773,649</b>	282,783,731
<b>Capital and reserves</b>			
Share capital	10	<b>39,058,615</b>	39,058,615
Reserves		<b>217,715,034</b>	243,725,116
<b>Total equity</b>			
		<b>256,773,649</b>	282,783,731
<b>Net asset value per share</b>			
		<b>HK\$6.57</b>	HK\$7.24

The notes on pages 18 to 27 form part of these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 FOR THE SIX MONTHS ENDED 30TH JUNE, 2013 AND 2012

	<b>Share capital</b> HK\$	<b>Share premium</b> HK\$	<b>Fair value reserve</b> HK\$	<b>Retained profits</b> HK\$	<b>Total</b> HK\$
At 1st January, 2013 (audited)	39,058,615	162,768,326	36,598,241	44,358,549	282,783,731
Loss for the period	-	-	-	(25,789,082)	(25,789,082)
Losses on fair value changes on available-for-sale financial assets	-	-	(176,000)	-	(176,000)
Transfer of fair value gains to profit or loss upon disposals of available-for-sale financial assets	-	-	(45,000)	-	(45,000)
Other comprehensive income for the period	-	-	(221,000)	-	(221,000)
Total comprehensive income for the period	-	-	(221,000)	(25,789,082)	(26,010,082)
<b>At 30th June, 2013 (unaudited)</b>	<b>39,058,615</b>	<b>162,768,326</b>	<b>36,377,241</b>	<b>18,569,467</b>	<b>256,773,649</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013 AND 2012

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Fair value reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1st January, 2012 (audited)	39,058,615	162,768,326	32,042,831	34,827,577	268,697,349
Loss for the period	-	-	-	(12,818,544)	(12,818,544)
Other comprehensive income for the period:					
Losses on fair value changes on available-for-sale financial assets	-	-	(2,319,879)	-	(2,319,879)
Total comprehensive income for the period	-	-	(2,319,879)	(12,818,544)	(15,138,423)
At 30th June, 2012 (unaudited)	<u>39,058,615</u>	<u>162,768,326</u>	<u>29,722,952</u>	<u>22,009,033</u>	<u>253,558,926</u>

The notes on pages 18 to 27 form part of these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

	<b>Six months ended 30th June,</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	HK\$
<b>Cash flows from operating activities</b>		
Loss before income tax	<b>(25,789,082)</b>	(12,818,544)
Interest income	<b>(1,040,440)</b>	(3,121,325)
Dividend income from available-for-sale financial assets	<b>(1,500,000)</b>	(2,986)
Depreciation of property, plant and equipment	<b>346,379</b>	337,807
Fair value losses on trading securities	<b>18,495,776</b>	11,541,698
Fair value losses on derivative financial instruments	<b>4,528,489</b>	–
Gain on disposals of available-for-sale financial assets	<b>(45,000)</b>	–
Recovery of impairment loss on loans and receivables previously recognised	<b>(124,381)</b>	(32,245)
Recovery of impairment loss on accounts receivable previously recognised	–	(1,487,971)
	<hr/>	<hr/>
Loss before working capital changes	<b>(5,128,259)</b>	(5,583,566)
Decrease (increase) in trading securities	<b>3,879,248</b>	(9,862,913)
Decrease (increase) in accounts receivable and prepayments	<b>7,481,202</b>	(22,717,647)
Decrease in accounts payable and accruals	<b>(757,981)</b>	(714,807)
Decrease in amount due to a related company	<b>(1,058,997)</b>	–
	<hr/>	<hr/>
<b>Cash generated from (used in) operations</b>	<b>4,415,213</b>	(38,878,933)
Hong Kong Profits Tax refunded	<b>2,661,127</b>	–
	<hr/>	<hr/>
<b>Net cash generated from (used in) operating activities</b>	<b>7,076,340</b>	(38,878,933)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

	<b>Six months ended 30th June,</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	HK\$
<b>Cash flows from investing activities</b>		
Interest received	<b>1,284,002</b>	2,295,333
Dividend received from available-for-sale financial assets	<b>1,500,000</b>	2,986
Advances to investee companies	–	(13,750,000)
Repayment from investee companies	<b>124,381</b>	1,065,000
Investment deposit	<b>(600,000)</b>	–
Purchase of property, plant and equipment	–	(9,800)
Purchase of convertible bonds	<b>(13,014,999)</b>	–
Redemption of convertible bond	<b>2,000,000</b>	–
Purchase of available-for-sale financial assets	<b>(17,593,282)</b>	–
Proceeds from disposals of available-for-sale financial assets	<b>45,000</b>	–
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(26,254,898)</b>	(10,396,481)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(19,178,558)</b>	(49,275,414)
	<hr/>	<hr/>
<b>Cash and cash equivalents at 1st January</b>	<b>34,096,412</b>	75,404,609
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30th June</b>	<b>14,917,854</b>	26,129,195
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>14,917,854</b>	26,129,195
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 18 to 27 form part of these financial statements.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 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, 2012. The accounting policies and methods of computation 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, 2012.

Adoption of new or revised International Financial Reporting Standards (“IFRSs”) – effective 1st January, 2013:

IFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
IAS 19 (2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

The adoption of these new or revised IFRSs has no significant impact on the Group’s interim financial statements.

The Group has not early adopted any new or revised IFRSs that have been issued but are not yet effective.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 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:

	<b>Six months ended 30th June,</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	<b>HK\$</b>
<b>Turnover:</b>		
Interest income from		
– bank deposits	<b>15,754</b>	156,404
– loans receivable and convertible bonds	<b>1,024,686</b>	2,964,921
Dividend income from		
– listed investments	<b>12,428</b>	64,580
– unlisted investments	<b>1,500,000</b>	2,986
	<b>2,552,868</b>	3,188,891
<b>Other revenue:</b>		
Sundry income	<b>3,123</b>	7,145
<b>Other gains and (losses):</b>		
Exchange (loss) gain, net	<b>(267,049)</b>	37,534
Fair value losses on financial assets at fair value through profit or loss		
– trading securities	<b>(18,495,776)</b>	(11,541,698)
– derivative financial instruments	<b>(4,528,489)</b>	–
Net realised gain on disposals of financial assets at fair value through profit or loss		
– trading securities	<b>2,250,912</b>	1,657,553
Gain on disposals of available-for-sale financial assets	<b>45,000</b>	–
Recovery of impairment loss on accounts receivable previously recognised	–	1,487,971
Recovery of impairment loss on loans and receivables previously recognised	<b>124,381</b>	32,245
	<b>(20,871,021)</b>	(8,326,395)
	<b>(18,315,030)</b>	(5,130,359)

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 2. Turnover, other revenue and other gains and losses (continued)

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

### 3. Loss before income tax

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

	<b>Six months ended 30th June,</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	HK\$
Management fees	<b>2,014,437</b>	1,993,414
Pension costs – contributions to defined contribution plan	<b>66,427</b>	55,861
Operating lease in respect of land and buildings	<b>1,388,556</b>	1,388,556

### 4. Income tax expense

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profit for the period.

### 5. Dividend

The Board does not declare any interim dividend for the six months ended 30th June, 2013 (2012: nil).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 6. Loss per share

The calculation of loss per share is as follows:

	<b>Six months ended 30th June,</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	<b>HK\$</b>
Loss attributable to owners of the Company	<b>(25,789,082)</b>	(12,818,544)
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share and diluted loss per share	<b>39,058,614</b>	39,058,614
	<b>HK cents</b>	<b>HK cents</b>
Basic loss per share	<b>(66.03)</b>	(32.82)
Diluted loss per share	<b>(66.03)</b>	(32.82)

The calculation of basic loss per share is based on the Group's loss attributable to owners of the Company and the weighted average number of the ordinary shares in issue during the period.

Diluted loss per share is the same as the basic loss per share as there are no potential dilutive shares in issue during the period.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 7. Property, plant and equipment

	<b>As at 30th June, 2013 (Unaudited) HK\$</b>	As at 31st December, 2012 (Audited) HK\$
Cost:		
Furniture and fixtures	<b>544,725</b>	544,725
Motor vehicle	<b>1,444,000</b>	1,444,000
Office equipment	<b>524,437</b>	524,437
Leasehold improvements	<b>1,090,699</b>	1,090,699
	<hr/>	<hr/>
	<b>3,603,861</b>	3,603,861
Accumulated depreciation	<b>2,913,837</b>	2,567,458
	<hr/>	<hr/>
Carrying amount	<b>690,024</b>	1,036,403
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 8. Accounts receivable and prepayments

	<b>As at 30th June, 2013 (Unaudited) HK\$</b>	As at 31st December, 2012 (Audited) HK\$
Accounts receivable	<b>2,000,000</b>	4,606,250
Interest receivable	<b>460,346</b>	703,908
Other receivables	<b>1,370,810</b>	5,139,824
	<hr/>	<hr/>
Receivables after allowance for impairment losses	<b>3,831,156</b>	10,449,982
Deposits	<b>745,682</b>	743,194
Prepayments	<b>136,404</b>	1,244,830
	<hr/>	<hr/>
	<b>4,713,242</b>	12,438,006
	<hr/> <hr/>	<hr/> <hr/>

The ageing analysis of the receivables (after allowance for impairment losses) based on due date is as follows:

	<b>As at 30th June, 2013 (Unaudited) HK\$</b>	As at 31st December, 2012 (Audited) HK\$
Balances neither past due nor impaired	<b>1,831,156</b>	6,543,732
Balances past due but not impaired	<b>2,000,000</b>	3,906,250
	<hr/>	<hr/>
	<b>3,831,156</b>	10,449,982
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 9. Accounts payable and accruals

	<b>As at 30th June, 2013 (Unaudited) HK\$</b>	As at 31st December, 2012 (Audited) HK\$
Accruals and other payables	<b>6,288,172</b>	7,046,153
Unclaimed dividend payable	<b>159,430</b>	159,430
	<b><u>6,447,602</u></b>	<u>7,205,583</u>

The ageing analysis of the accounts payable and accruals is as follows:

	<b>As at 30th June, 2013 (Unaudited) HK\$</b>	As at 31st December, 2012 (Audited) HK\$
Current	<b>6,373,072</b>	7,131,053
Over 1 year	<b>74,530</b>	74,530
	<b><u>6,447,602</u></b>	<u>7,205,583</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 10. Share capital

	Number of shares	Amount <i>HK\$</i>
<b>Authorised:</b>		
Ordinary shares of HK\$1 each at 31st December, 2012 (audited) and 30th June, 2013 (unaudited)	100,000,000	100,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$1 each at 31st December, 2012 (audited) and 30th June, 2013 (unaudited)	39,058,614	39,058,615

The nominal amount of the ordinary shares amounting to HK\$39,058,615 is HK\$1 more than the amount calculated based on the 39,058,614 ordinary shares of HK\$1 each in issue as the fractional shares arising from the Company's share consolidation on 14th December, 2006 had not been issued to its then shareholders.

### 11. Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") at its annual general meeting held on 28th June, 2005. All directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Company and its subsidiaries and consultants, advisors, agents, customers, service providers, contractors, business partners of any member of the Group or any member of it has a shareholding interest, in the sole discretion of the Board, has contributed to the Group or any member of it are eligible to participate in the Share Option Scheme.

Each option gives the holder the right to subscribe for one ordinary share in the Company. Upon acceptance of the options, the grantee shall pay HK\$1 to the Company by way of consideration for the grant.

An option may be exercised at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof. Unless otherwise determined by the Board at its sole discretion, the Share Option Scheme does not require a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised.

The Share Option Scheme will remain in force for a period of ten years from 28th June, 2005.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 11. Share Option Scheme (continued)

During the six months ended 30th June, 2012 and 2013, there were no share options outstanding, granted, lapsed, exercised or cancelled under the Share Option Scheme.

### 12. Management contracts

	<b>Six months ended 30th June,</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	HK\$
Harmony Asset Management Limited ("HAML")		
– Management fees	<b><u>2,014,437</u></b>	<u>1,993,414</u>

On 11th April, 2013, the Company entered into a new investment management agreement with HAML, a company which is wholly-owned by a director of the Company, Dr. Chow Pok Yu Augustine. Under the new investment management agreement, HAML has agreed to assist the Board with the day-to-day management of the Group for additional three years until 31st May, 2016. In accordance with the new investment management agreement, HAML is entitled to a monthly management 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) subject to an annual cap of HK\$7,860,670 which was previously agreed for the period from 1st January, 2013 to 31st May, 2013 and an annual cap of HK\$5,742,025 for the period from 1st June, 2013 to 31st December, 2013.

On 24th April, 2013, the Company and HAML entered into the supplemental agreement to amend the calculation method of the incentive fee under the new investment management Agreement. After entering of the supplemental agreement, the incentive fee payable by the Company to HAML under the new investment management agreement (as amended by the supplemental agreement) in respect of each financial year shall be 10% of the audited net profit of the Company in the financial year and for the purpose of the calculating the audited net profit of the financial year (i) any audited net loss of the Company in any financial year commencing 1st January, 2013 shall be carried forward and set off against the audited net profit of the Company in subsequent financial years, and (ii) the audited net profit of the financial year shall be calculated before accrual of any incentive fee that will be payable. The new investment management agreement and the supplemental agreement were approved by the independent shareholders of the Company on the extraordinary general meeting which was held on 31st May, 2013.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 13. Lease commitments

The Group leases an office under operating leases. The leases typically run from an initial period of three years, with an option to renew the lease after that date at which time all terms are renegotiated.

As at 30th June, 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>As at 30th June, 2013 (Unaudited) HK\$</b>	As at 31st December, 2012 (Audited) HK\$
Within one year	<b><u>1,388,556</u></b>	<u>2,777,112</u>

### 14. Subsequent event

Following the Company's announcements of 24th January, 2013 and 3rd July, 2013, the shares of the Company had been delisted from the Toronto Stock Exchange at the close of business on 22nd July, 2013. The Company also announced the procedure for shareholders of the Company to remove their shares from the Canadian shareholder register to the Hong Kong shareholder register. After the removal of all shares from the Canadian shareholder register to the Hong Kong shareholder register is completed, the Company will no longer maintain the Canadian shareholder register.

### 15. Approval of the unaudited interim financial statements

The unaudited interim financial statements were approved and authorised for issue by the Board on 14th August, 2013.