



HARMONY ASSET LIMITED

亨亞有限公司*

(Incorporated in the Cayman Islands with limited liability)

(HKEX stock code: 428)

(TSX stock symbol: HAR)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2007

FINANCIAL HIGHLIGHTS

The financial highlights of Harmony Asset Limited and its subsidiaries for the year ended 31st December, 2007 are summarised as follows:

- The Group recorded turnover, other revenue and gains (net of losses) of HK\$80,048,650 as compared to HK\$23,594,093 in the previous year, representing a 239% increase.
- Net profit attributable to shareholders was HK\$50,907,356 as compared to HK\$10,685,282 in the previous year, representing a 376% increase.
- Proposed dividend was HK\$6,630,444 (2006: HK\$4,383,071).
- Basic earnings per share was HK\$1.48 (2006: HK\$0.37).

FINAL RESULTS

The Board of Directors of Harmony Asset Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries for the year ended 31st December, 2007 together with comparative figures for the year ended 31st December, 2006. The following consolidated balance sheet, consolidated income statement and related notes, including the comparative figures, have been extracted from the Company’s consolidated financial statements for the year ended 31st December, 2007 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and audited by the Company’s auditors, BDO McCabe Lo Limited.

* *for identification purpose only*

CONSOLIDATED INCOME STATEMENT

		For the year ended	
		31st December	
		2007	2006
	Note	HK\$	HK\$
Turnover	4	5,084,365	5,095,847
Other revenue	4	879,909	6,780,109
Other gains and losses	4	74,084,376	11,718,137
		80,048,650	23,594,093
Employee benefits expenses		(3,063,128)	(2,967,022)
Depreciation of property, plant and equipment		(206,717)	(310,196)
Other operating expenses		(14,789,073)	(9,376,103)
Operating profit	5	61,989,732	10,940,772
Finance costs	6	(3,613)	(141,024)
Profit before income tax		61,986,119	10,799,748
Income tax expenses	7	(11,078,763)	(114,466)
Profit for the year attributable to equity holders of the Company		50,907,356	10,685,282
Proposed dividend		6,630,444	4,383,071
Earnings per share	8		
Basic		HK\$1.48	HK\$0.37
Diluted		HK\$1.46	HK\$0.36

CONSOLIDATED BALANCE SHEET

		As at 31st December	
		2007	2006
	Note	HK\$	HK\$
Non-current assets			
Property, plant and equipment		213,780	370,792
Interests in associates		–	–
Available-for-sale financial assets		58,321,923	43,228,573
Loans and receivables		59,097,252	71,533,757
		<u>117,632,955</u>	<u>115,133,122</u>
Current assets			
Accounts receivable and prepayments	9	28,940,971	19,278,075
Financial assets at fair value through profit or loss		132,070,553	44,868,350
Bank balances and cash		21,698,184	18,715,933
		<u>182,709,708</u>	<u>82,862,358</u>
Current liabilities			
Accounts payable and accruals		2,246,637	7,429,459
Tax payable		10,048,931	121,502
		<u>12,295,568</u>	<u>7,550,961</u>
Net current assets		<u>170,414,140</u>	<u>75,311,397</u>
Net assets		<u><u>288,047,095</u></u>	<u><u>190,444,519</u></u>
Capital and reserves			
Share capital	10	39,002,615	29,220,475
Reserves		249,044,480	161,224,044
Total equity		<u><u>288,047,095</u></u>	<u><u>190,444,519</u></u>
Net asset value per share		<u><u>HK\$7.39</u></u>	<u><u>HK\$6.52</u></u>

Notes:

1. GENERAL

Harmony Asset Limited is incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is Room 1101, St. George's Building, 2 Ice House Street, Central, Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 29th June, 2007, the application for dual-listing of the Company's shares on the Toronto Stock Exchange in Canada was approved.

2. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

- (a) In the current year, the Group has applied all the new and revised standards, amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board ("IASB"), that are relevant to its operation and effective for the current accounting period of the Group.

The adoption of these new IFRSs did not affect recognition or measurement of the amounts recognised in the financial statements for the current or prior accounting periods. As a result, no prior period adjustment has been required.

However, the adoption of "IFRS 7 Financial Instruments: Disclosures" and "Amendment to International Accounting Standard ("IAS") 1, Presentation of Financial Statements: Capital Disclosures" resulted in a much extensive disclosures in respect of financial instruments and an additional disclosure on capital management policy respectively. The relevant comparative information has been presented for the first time in the current year.

- (b) Potential Impact Arising On The New Accounting Standards Not Yet Effective

The Group has not yet applied the following new or revised IFRSs that have been issued but are not yet effective. The directors of the Company anticipated that the application of these new or revised IFRSs will have no material impact on the financial statements of the Group.

IAS 1 (Revised)	Presentation of Financial Statements ¹
IAS 23 (Revised)	Borrowing Costs ¹
IAS 27 (Revised)	Consolidated and Separate Financial Statements ⁵
IAS 32 and IAS 1 (Amendments)	Financial Instruments – Puttable Financial Instruments and Obligations Arising from Liquidation ¹
IFRS 2 (Amendment)	Share-based Payments – Vesting Conditions and Cancellations ¹
IFRS 3 (Revised)	Business Combinations ⁵
IFRS 8	Operating Segments ¹
IFRIC – Interpretation 11	Group and Treasury Share Transactions ⁴
IFRIC – Interpretation 12	Service Concession Arrangements ³
IFRIC – Interpretation 13	Customer Loyalty Programmes ²
IFRIC – Interpretation 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Fund Requirements and their Interaction ³

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st July, 2008

³ Effective for annual periods beginning on or after 1st January, 2008

⁴ Effective for annual periods beginning on or after 1st March, 2007

⁵ Effective for annual periods beginning on or after 1st July, 2009

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group have been prepared in accordance with IFRS issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention except for available-for-sale financial assets and financial assets at fair value through profit or loss which are stated at fair value.

(c) Use of estimate and judgements

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(d) Functional and presentation currency

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

4. TURNOVER, OTHER REVENUE AND OTHER GAINS AND LOSSES

The Group principally invests in securities listed on the Stock Exchange and unlisted securities, including equity securities, convertible notes issued by corporate entities. Turnover, other revenue and other gains and losses recognised during the year are as follows:

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Turnover:		
Interest income from		
– bank deposits	845,809	531,373
– loans receivable	2,877,013	3,519,867
– convertible notes	–	93,699
Dividend income from		
– listed investments	231,543	215,642
– unlisted investments	1,130,000	735,266
	<u>5,084,365</u>	<u>5,095,847</u>
Other revenue:		
Consultancy fee	–	5,000,000
Sundry income	879,909	1,780,109
	<u>879,909</u>	<u>6,780,109</u>
Other gains and (losses):		
Fair value changes on financial assets		
at fair value through profit or loss	75,431,756	9,522,128
Net realised gain on disposal of financial assets		
at fair value through profit or loss	4,929,798	3,403,625
Exchange gain, net	2,434,795	4,408
Reversal of impairment loss on accounts receivable	–	8,300,000
Reversal of impairment loss/(net losses) upon		
disposal of available-for-sale financial assets	800,000	(377,470)
Impairment loss on loans and receivables	(8,973,727)	(228,654)
Impairment loss on available-for-sale financial assets	(288,246)	(5,980,000)
Deposits on investments written off	(250,000)	(2,925,900)
	<u>74,084,376</u>	<u>11,718,137</u>

No analysis of the Group's turnover, other revenue and contribution to operating profit for the year set out by principal activities and geographical markets is provided as the Group has only one single business segment, investment holding, and less than 10% of the turnover and other revenue, results and assets of the Group are attributable to markets outside Hong Kong.

5. OPERATING PROFIT

Operating profit has been arrived at after charging the following:

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Auditor's remuneration		
– Current year	780,000	885,000
– Underprovision in prior year	30,000	–
	<u>810,000</u>	<u>885,000</u>
Management fees	3,427,995	2,657,352
Incentive fee	1,424,700	1,187,254
Pension costs – contributions to defined contribution plan*	62,695	58,943
Operating leases in respect of land and buildings	2,244,839	1,342,966
Equity-settled share-based payment expenses	762,000	908,000
Expenses incurred in connection with dual listing	<u>2,250,586</u>	<u>–</u>

* There was no forfeited contribution in respect of the defined contribution plan available at 31st December, 2007 to reduce future contributions (2006: Nil). There was no outstanding contributions to the plan at 31st December, 2007 (2006: Nil).

6. FINANCE COSTS

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Bank charges	3,613	2,509
Interest on loans wholly repayable within one year	–	138,515
	<u>3,613</u>	<u>141,024</u>

7. INCOME TAX EXPENSES

(a) Provision for Hong Kong Profits Tax has been made at 17.5% (2006:17.5%) of the Group's estimated assessable profits for the year.

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Current tax		
Hong Kong Profits Tax		
– Current year	10,542,229	114,466
– Under provision in prior year	536,534	–
	<u>11,078,763</u>	<u>114,466</u>
Actual income tax expenses	<u>11,078,763</u>	<u>114,466</u>

- (b) At the balance sheet date, the Group had unutilised tax losses of HK\$5,325,477 (2006: HK\$13,383,630) available for offsetting against future assessable profits. However, no deferred tax asset in respect of the tax losses has been recognised due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely.

There was no other material unrecognised deferred taxation at the balance sheet date.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company amounting to HK\$50,907,356 (2006: HK\$10,685,282) and on the weighted average of 34,480,665 (2006: 29,220,474) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year is based on the Group's profit attributable to equity holders of the Company amounting to HK\$50,907,356 (2006: HK\$10,685,282) and the weighted average number of ordinary shares of 34,833,461 (2006: 29,483,310), calculated as follows:

	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	34,480,665	29,220,474
Effect of deemed issue of shares under the Company's share option scheme	352,796	262,836
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Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>34,833,461</u>	<u>29,483,310</u>

9. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Accounts receivable	4,134,412	6,471,880
Loan receivable, secured	8,000,000	8,000,000
Loan receivable, unsecured (<i>Note</i>)	10,000,000	–
Interests receivable	5,324,161	2,547,148
Other receivables	135	8,000
	<hr/>	<hr/>
Deposits	796,994	469,790
Prepayments	685,269	1,781,257
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	<u>28,940,971</u>	<u>19,278,075</u>

Note:

The loan is unsecured and carries interest at 24% per annum. The loan is repayable in full nine months from the date of drawdown of 1st November 2007. The Group is entitled to utilise the loan to subscribe for 5% of the share capital of the borrower at a price to be determined by the Group and the borrower within one year from the date of the loan.

10. SHARE CAPITAL

	Number of Shares	Amount <i>HK\$</i>
Issued and fully paid ordinary shares of HK\$1 each :		
At 1st January, 2007	29,220,474	29,220,475
Issue of shares during the year (<i>Notes a & b</i>)	<u>9,782,140</u>	<u>9,782,140</u>
At 31st December, 2007	<u><u>39,002,614</u></u>	<u><u>39,002,615</u></u>

Note:

(a) Share placement

Pursuant to an agency agreement with a placing agent dated 31st May, 2007, the Company agreed to place through the placing agent an aggregate of 8,766,140 placing shares of HK\$1 each, to five places, at a price of CDN\$0.70 per share. On 18th June, 2007, such placing shares were issued and fully paid.

(b) Exercise of share options

On 22nd June, 2007, the directors and employees exercised 1,016,000 share options granted at exercise price of HK\$2.75 per share which resulted in 1,016,000 new shares of HK\$1 each issued by the Company.

11. COMPARATIVE AMOUNTS

During the year, certain gains or losses from financial assets previously classified as other revenue or separately disclosed in the income statement are reclassified as other gains and losses in order to better reflect their nature and confirm with current year's presentation.

DIVIDEND

The Board of Directors (the "Board") has recommended a dividend out of the share premium account of the Company of HK17 cents per share (2006: HK15 cents per share) in respect of the year ended 31st December, 2007, totalling not less than HK\$6,630,444 (2006: HK\$4,383,071) which is subject to the approval of shareholders at the forthcoming annual general meeting to be held on 22nd May, 2008 and compliance with the Companies Law of the Cayman Islands.

If approved, the said dividend will be paid on or about 29th May, 2008 to shareholders whose names appear on the register of members of the Company at the close of business on 23rd April, 2008.

The dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23rd April, 2008 to Thursday, 22nd May, 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 branch share registrars of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the branch share registrars of the Company in Canada, Computershare Investor Services Inc. at 100 University Ave., Toronto, Ontario, M5J 2Y1, Canada, not later than 4:00 p.m. on Tuesday, 22nd April, 2008.

BUSINESS REVIEW

For the year ended 31st December, 2007, the Group had turnover, other revenue and other gains (net of losses) of HK\$80,048,650 as compared to HK\$23,594,093 in the previous year, representing a 239% increase. The Group's turnover amounted to HK\$5,084,365 as compared to HK\$5,095,847 in the previous year, representing a 0.2% decrease.

The Group recorded fair value gain of HK\$75,431,756 on public traded securities held as financial assets at fair value through profit or loss when compared to HK\$9,522,128 in the previous year, representing a 692% increase. Net realised gain on disposal of listed securities was HK\$4,929,798 (2006: HK\$3,403,625). Impairment losses on loans and receivables, accounts receivable, available-for-sale financial assets and deposits on investment written off amounting to HK\$9,511,973 (2006: HK\$9,134,554) were charged to the income statement. Employees benefits and depreciation expenses were HK\$3,269,845 (2006: HK\$3,277,218) while other operating expenses totalled at HK\$14,789,073 (2006: HK\$9,376,103). Profit attributable to equity holders of the Company for the year recorded HK\$50,907,356 as compared to HK\$10,685,282 in the previous year, representing a 376% increase.

PROSPECTS AND FUTURE PLANS

The Group has enjoyed a successful year for the year ended 31st December, 2007. On one hand, the Group remained debt free; on the other hand, profit of the Group soared along with a 51% (HK\$ 97.6 million) increase in net asset. In addition, the Company has successfully listed its shares on the Toronto Stock Exchange in Canada on 29th June, 2007, securing a dual-listing status that allows us to be more accessible to North American funding sources.

Looking ahead, the sub-prime crisis may continue to affect Asian market sentiment in 2008. If so, it presents opportunities for the Group to acquire high quality, yet undervalued assets. We expect our three areas of investment focus to continue stronger than the rest of the economy. We judge that resources, technology and food/retail experience consistent demand that serves to buffer them somewhat against economic pull-backs, and will continue to provide us with superior capital appreciation.

In the coming year, at least two of our investee companies expect to be listed. Furthermore, the Group has identified excellent investment opportunities in coking coal, renewable energy and pharmaceuticals, among others, all of which fit nicely into the Group's current business strategy of unlocking the value in private companies with our proven management.

SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE

For the year ended 31st December, 2007, the Group had interest income of HK\$3,722,822 as compared to HK\$4,144,939 in the previous year, representing a 10% decrease. Dividend generated from the listed and unlisted securities held by the Group amounted to HK\$1,361,543 as compared to HK\$950,908 in the previous year, representing a 43% increase. The amount of turnover for the whole year was HK\$5,084,365 as compared to HK\$5,095,847 in the previous year, representing a 0.2% decrease. Net realised gain on disposal of listed securities was around HK\$4,929,798 as compared to HK\$3,403,625 in the previous year, representing a 45% increase. The fair value gain on the listed securities was HK\$75,431,756 as compared to HK\$9,522,128 in the previous year, representing a 692% increase. The Group's turnover, other revenue and other gains (net of losses) amounted to HK\$80,048,650 as compared to HK\$23,594,093 in the previous year, representing a 239% increase.

As at 31st December, 2007, the Group has invested HK\$132,070,553 in listed securities held as financial assets at fair value through profit or loss which consists of HK\$4,866,159 of overseas listed securities and HK\$127,204,394 of Hong Kong listed securities. During the year, the Group disposed of listed securities of HK\$17,133,021 to the market resulting in a net realised gain of HK\$4,929,798. The total market value of listed securities held by the Group was HK\$132,070,553 when compared to HK\$44,868,350 in previous year, representing a 194% increase.

As at 31st December, 2007, the Group's unlisted investments, which comprise available-for-sale financial assets as well as loans and receivables, amounted to HK\$108,031,311 as compared to HK\$102,554,231 in the previous year, representing a 5% decrease. Impairment losses on loans and receivables, available-for-sale financial assets and deposits on investment written off amounted to HK\$9,511,973 when compared to HK\$9,134,554 in the previous year, representing a 4% increase. During the year,

the Group invested HK\$7,500,000 in a largest manufacturer of amino acid products, capturing over 70% of China market. The Group also expanded its mining investment by paying of HK\$10,000,000 in form of a loan with an option right to subscribe for 5% share capital of the borrower at a price to be determined between the Group and the borrower. The accounts receivable and prepayments were therefore increased by HK\$9,662,896 from the previous year, representing a 50% increase.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2007, the Group employed a total of 9 full-time employees, including the executive directors of the Company. Employees' remuneration are fixed and determined with reference to the market remuneration.

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 practice. 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 his associates and executive, is involved in deciding his own remuneration.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. As a long-term incentive plan and with the aim at motivating employees in the continued pursuit of the Company's goal and objectives, the Company has granted share options to subscribe for the shares of the Company to the employees of the Company based on their performance and contribution to the Company under the Company's share option scheme.

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 employ any financial instruments to hedge such exposures.

CONTINGENT LIABILITIES

As at 31st December, 2007, the Group has no significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

The Company had met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31st December, 2007.

AUDIT COMMITTEE

The Audit Committee of the Company 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 annual results for the year ended 31st December, 2007.

By Order of the Board
LEE Fong Lit David
Chairman

Hong Kong, 28th March, 2008

As at the date hereof, the executive directors are Mr. Lee Fong Lit David, Dr. Chow Pok Yu Augustine, Dr. Lam Andy Siu Wing, JP and Mr. Chan Shuen Chuen Joseph; and the independent non-executive directors are Mr. Tong Kim Weng Kelly, Dr. Wong Yun Kuen and Mr. Ho Man Kai Anthony.