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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)

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2010**

#### **FINANCIAL HIGHLIGHTS**

The financial highlights of Harmony Asset Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December, 2010 are summarised as follows:

- The Group recorded turnover, other revenue, other gains and losses resulting in a gain of HK\$51,579,976 as compared to HK\$118,953,480 in last year, representing a 57% decrease.
- Profit attributable to owners of the Company was HK\$35,274,924 as compared to HK\$84,954,963 in last year, representing a 58% decrease.
- Proposed dividend was HK15 cents (2009: HK10 cents) per share.
- Basic earnings per share was HK\$0.90 (2009: HK\$2.18).

The Board of Directors of the Company announces the consolidated results of the Group for the year ended 31st December, 2010 together with comparative figures for the corresponding year ended 31st December, 2009. The following consolidated statement of financial position, consolidated statement of comprehensive income and related notes, including the comparative figures, have been extracted from the Company’s consolidated financial statements for the year ended 31st December, 2010 which have been prepared in accordance with International Financial Reporting Standards and audited by the Company’s auditor, BDO Limited.

\* *For identification purposes*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31st December

	<i>Note</i>	<b>2010</b> <b>HK\$</b>	2009 <b>HK\$</b>
Turnover	4	<b>40,628,394</b>	6,089,942
Other revenue	4	<b>120,014</b>	273,134
Other gains and losses	4	<b>10,831,568</b>	112,590,404
		<b>51,579,976</b>	118,953,480
Employee benefits expenses		<b>(2,989,275)</b>	(2,842,510)
Depreciation of property, plant and equipment		<b>(316,324)</b>	(115,724)
Other operating expenses		<b>(14,825,148)</b>	(16,487,382)
Profit before income tax	5	<b>33,449,229</b>	99,507,864
Income tax credit (expenses)	6	<b>1,825,695</b>	(14,552,901)
Profit for the year attributable to owners of the Company		<b>35,274,924</b>	84,954,963
Other comprehensive income:			
Gains on fair value changes on available-for-sale financial assets		<b>2,404,173</b>	12,891,490
Transfer of fair value gains to profit or loss upon disposals of available-for-sale financial assets		<b>(13,555,482)</b>	(222,002)
Impairment losses on available-for-sale financial assets recognised in profit or loss		<b>11,571,164</b>	–
Other comprehensive income for the year		<b>419,855</b>	12,669,488
Total comprehensive income for the year attributable to owners of the Company		<b>35,694,779</b>	97,624,451
Earnings per share	7		
Basic		<b>HK\$0.90</b>	HK\$2.18
Diluted		<b>HK\$0.90</b>	HK\$2.17

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*as at 31st December*

	<i>Note</i>	2010 <i>HK\$</i>	2009 <i>HK\$</i>
<b>Non-current assets</b>			
Property, plant and equipment		1,160,398	1,465,162
Available-for-sale financial assets		60,201,831	110,854,493
Loans and receivables		24,796,040	6,314,135
Deferred tax assets		4,002,372	–
		<b>90,160,641</b>	118,633,790
<b>Current assets</b>			
Accounts receivable and prepayments	9	25,089,549	17,810,465
Trading securities		65,956,302	44,930,302
Derivative financial instruments		758,330	21,322,735
Bank balances and cash		141,083,888	98,065,356
		<b>232,888,069</b>	182,128,858
<b>Current liabilities</b>			
Accounts payable and accruals	10	6,809,600	1,249,956
Amount due to a related company		3,928,169	6,028,948
Tax payable		3,021,429	13,569,202
		<b>13,759,198</b>	20,848,106
<b>Net current assets</b>		<b>219,128,871</b>	161,280,752
<b>Total assets less current liabilities</b>		<b>309,289,512</b>	279,914,542
<b>Non-current liabilities</b>			
Deferred tax liabilities		–	2,413,948
<b>Net assets</b>		<b>309,289,512</b>	277,500,594
<b>Capital and reserves</b>			
Share capital	11	39,058,615	39,058,615
Reserves		270,230,897	238,441,979
<b>Total equity</b>		<b>309,289,512</b>	277,500,594
<b>Net asset value per share</b>		<b>HK\$7.92</b>	HK\$7.10

## 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 has been changed from Room 1101, St. George's Building, 2 Ice House Street, Central, Hong Kong to Room 1902, Cheung Kong Center, 2 Queen's Road Central, Hong Kong since 11th January, 2011. Its shares are dual listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Toronto Stock Exchange.

### 2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

#### (a) Adoption of new or revised IFRSs – effective 1st January, 2010

IFRSs (Amendments)	Improvements to IFRSs
Amendments to IAS 39	Eligible Hedged Items
Amendments to IFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IFRS 3 (Revised)	Business Combinations
IFRIC – Interpretation 17	Distributions of Non-cash Assets to Owners

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

#### (b) New or revised IFRSs that have been issued but are not yet effective

The following new or revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Improvements to IFRSs 2010 <sup>1&amp;2</sup>
IFRIC – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments <sup>1</sup>
IAS 24 (Revised)	Related Party Disclosures <sup>2</sup>
Amendments to IFRS 7	Disclosure – Transfers of Financial Assets <sup>3</sup>
IFRS 9	Financial Instruments <sup>4</sup>

1 Effective for annual periods beginning on or after 1st July, 2010

2 Effective for annual periods beginning on or after 1st January, 2011

3 Effective for annual periods beginning on or after 1st July, 2011

4 Effective for annual periods beginning on or after 1st January, 2013

The Group is in the process of making an assessment of the potential impact of these new or revised IFRSs and the directors so far concluded that the application of these new or revised IFRSs will have no material impact on the Group's financial statements except for IFRS 9.

IFRS 9 “Financial Instruments” replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have an irrevocable election in initial recognition, on an investment-by-investment basis, to recognise the gains and losses in other comprehensive income. There is no recycling of such fair value gains or losses to profit or loss. IFRS 9 carries forward the recognition and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. The directors are in process of assessing the impacts on the application of this new IFRS and currently not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### **3. BASIS OF PREPARATION**

#### **(a) Statement of compliance**

The financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

#### **(b) Basis of measurement**

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

#### **(c) Use of estimates 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 (“HK\$”), 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 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 year are as follows:

	<b>2010</b> <i>HK\$</i>	2009 <i>HK\$</i>
<b>Turnover:</b>		
Interest income from		
– bank deposits	<b>408,441</b>	61,993
– loans receivable and convertible bonds not impaired	<b>6,768,349</b>	1,032,807
– impaired loans receivable	–	220,010
Dividend income from		
– listed investments	<b>555,151</b>	139,132
– unlisted investments	<b>32,896,453</b>	4,636,000
	<b>40,628,394</b>	6,089,942
<b>Other revenue:</b>		
Service fee income	<b>120,014</b>	273,134

	<b>2010</b> <i>HK\$</i>	2009 <i>HK\$</i>
<b>Other gains and (losses):</b>		
Fair value changes on financial assets		
at fair value through profit or loss:		
– trading securities	<b>(17,413,882)</b>	21,695,001
– derivative financial instruments	–	5,375,317
Net realised gain on disposals of financial assets		
at fair value through profit or loss		
– trading securities	<b>19,847,468</b>	110,724,365
– derivative financial instruments	<b>6,998,729</b>	–
	<b>9,432,315</b>	137,794,683
Impairment losses on accounts receivable	–	(18,807,483)
Impairment losses on loans and receivables	<b>(1,922,160)</b>	(14,729,472)
Recovery of impairment loss on loans and receivables previously recognised	–	54,000
Recovery of impairment loss on accounts receivable	<b>113,999</b>	8,000,000
	<b>(1,808,161)</b>	(25,482,955)
Impairment losses on available-for-sale financial assets:		
– equity investments	<b>(11,571,164)</b>	–
– deposits on investments written off	<b>(244,458)</b>	(600,000)
Net realised gain on disposals of available-for-sale financial assets	<b>13,555,482</b>	222,002
	<b>1,739,860</b>	(377,998)
Net exchange gain on financial instruments		
not at fair value through profit or loss	<b>1,467,554</b>	546,674
Gain on disposal of an associate	–	100,000
Gain on disposal of property, plant and equipment	–	10,000
	<b>10,831,568</b>	112,590,404

For management purposes, the Group's business activity is organised into one main operating segment, investing holding.

The following table provides an analysis of the Group's turnover, other revenue, other gains and losses by geographical location which is based on the domicile country or listing of the investees or counterparties as appropriate.

	<b>2010</b>	2009
	<b>HK\$</b>	HK\$
Hong Kong	<b>36,976,859</b>	111,277,059
Canada	<b>16,593,118</b>	7,522,087
Other countries	<b>(1,990,001)</b>	154,334
	<b><u>51,579,976</u></b>	<b><u>118,953,480</u></b>

During the year, dividend income from two (2009: one) unlisted investments accounted for 75% (2009: 74%) of the Group's turnover.

## 5. PROFIT BEFORE INCOME TAX

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

	<b>2010</b>	2009
	<b>HK\$</b>	HK\$
Auditor's remuneration	<b>700,000</b>	780,000
Management fees	<b>4,417,468</b>	3,473,236
Incentive fee	<b>3,928,169</b>	6,028,948
Contributions to defined contribution plan*	<b>73,894</b>	84,537
Operating leases in respect of land and buildings	<b><u>2,175,278</u></b>	<b><u>2,109,360</u></b>

\* There was no forfeited contribution in respect of the defined contribution plan available at 31st December, 2010 and 2009 to reduce future contributions. There was no outstanding contribution to the plan at 31st December, 2010 and 2009.



## 6. INCOME TAX (CREDIT) EXPENSES

Provision for Hong Kong Profits Tax has been made at 16.5% (2009:16.5%) of the Group's estimated assessable profits for the year.

	<b>2010</b>	2009
	<i>HK\$</i>	<i>HK\$</i>
<b>Current tax</b>		
Hong Kong Profits Tax:		
Current year	<b>4,322,474</b>	15,599,334
Under (over) provision in prior years	<b>268,151</b>	(808,639)
	<u><b>4,590,625</b></u>	<u>14,790,695</u>
<b>Deferred taxation</b>		
Current year	<b>(5,047,777)</b>	(635,252)
(Over) under provision in prior years	<b>(1,368,543)</b>	397,458
	<u><b>(6,416,320)</b></u>	<u>(237,794)</u>
	<u><b>(1,825,695)</b></u>	<u>14,552,901</u>

The directors consider the Group has no income subject to taxation in other jurisdictions.

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company amounting to HK\$35,274,924 (2009: HK\$84,954,963) and on the weighted average number of ordinary shares of 39,058,614 (2009: 39,024,093) in issue during the year.

### (b) Diluted earnings per share

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

The calculation of diluted earnings per share for the year ended 31st December, 2009 is based on the Group's profit attributable to owners of the Company amounting to HK\$84,954,963 and the weighted average number of ordinary shares of 39,063,878, calculated as follows:

	2009
Weighted average number of ordinary shares for the purpose of basic earnings per share	39,024,093
Effect of deemed issue of shares under the Company's share option scheme	39,785
	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	39,063,878
	<hr/> <hr/>

## 8. DIVIDENDS

Dividends paid or payable to owners of the Company attributable to the year are as follows:

	2010	2009
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend paid – nil (2009: HK10 cents) per share	–	3,905,861
Proposed dividend – HK15 cents (2009: HK10 cents) per share ( <i>note</i> )	5,858,792	3,905,861
	<hr/>	<hr/>
	5,858,792	7,811,722
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

The Board of Directors of the Company has recommended a final dividend out of the distributable reserve of the Company of HK15 cents (2009: HK10 cents) per share in respect of the year ended 31st December, 2010 totalling not less than HK\$5,858,792 (2009: HK\$3,905,861) which is subject to approval of shareholders at the forthcoming annual general meeting to be held on 31st May, 2011 and compliance with the Companies Law of the Cayman Islands.

The dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period.

## 9. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<b>2010</b>	2009
	<i>HK\$</i>	<i>HK\$</i>
Accounts receivable	<b>1,907,250</b>	1,000
Loans receivable, secured ( <i>note a</i> )	<b>16,666,666</b>	15,000,000
Interests receivable	<b>824,127</b>	792,808
Other receivables	<b>3,616,236</b>	1,252,668
	<hr/>	<hr/>
Receivables after allowance for impairment losses	<b>23,014,279</b>	17,046,476
Deposits	<b>1,511,689</b>	606,883
Prepayments	<b>563,581</b>	157,106
	<hr/>	<hr/>
	<b>25,089,549</b>	17,810,465
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

- (a) As at 31st December, 2010, loan receivable of HK\$6,666,666 was secured by a borrower's certain listed equity securities with fair value of approximately HK\$32,700,000. The loan carried interest at annual fixed rate of 19% and was repayable on 15th December, 2010. Subsequent to the end of reporting period, the loan was repaid in full.

Another loan receivable of HK\$10,000,000 was secured by a guarantor's certain listed equity securities with fair value of approximately HK\$15,600,000. The loan carried interest at annual fixed rate of 26.6% and was repayable on 31st December, 2010. Subsequent to the end of reporting period, HK\$3,000,000 had been repaid. The directors consider that the remaining loan balance should be fully recoverable.

As at 31st December, 2009, the loan was secured by a guarantor's certain equity investments. The loan carried interest at annual fixed rate of 25% and was repayable on 11th January, 2010. The loan was fully repaid in January 2010.

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

	<b>2010</b>	2009
	<i>HK\$</i>	<i>HK\$</i>
Balances neither past due nor impaired		
Current	<b>5,575,928</b>	17,046,476
Balances past due between 1 to 180 days but not impaired	<b>17,438,351</b>	—
	<hr/>	<hr/>
Balances not impaired and receivables after allowance for impairment losses	<b>23,014,279</b>	17,046,476
	<hr/> <hr/>	<hr/> <hr/>

## 10. ACCOUNTS PAYABLE AND ACCRUALS

	2010 HK\$	2009 HK\$
Accruals and other payables	6,652,308	1,133,352
Unclaimed dividend payable	157,292	116,604
	<u>6,809,600</u>	<u>1,249,956</u>

The aging analysis of accounts payable is as follows:

	2010 HK\$	2009 HK\$
Current	6,735,070	1,175,426
Over 1 year	74,530	74,530
	<u>6,809,600</u>	<u>1,249,956</u>

## 11. SHARE CAPITAL

	Number of shares	Amount HK\$
<b>Authorised:</b>		
Ordinary shares of HK\$1 each at 1st January, 2009, 31st December, 2009, and 31st December, 2010	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$1 each at 1st January, 2009	39,002,614	39,002,615
Issue of shares of HK\$1 each during the year ( <i>note</i> )	<u>56,000</u>	<u>56,000</u>
Ordinary shares of HK\$1 each at 31st December, 2009 and 2010	<u>39,058,614</u>	<u>39,058,615</u>

*Note:*

On 14th August, 2009, certain directors of the Company exercised 56,000 share options granted at exercise price of HK\$4.29 per share which resulted in 56,000 new shares of HK\$1 each issued by the Company.

## DIVIDEND

The Board of Directors (the “Board”) has recommended a final dividend out of the distributable reserve of the Company of HK15 cents (2009: HK10 cents) per share in respect of the year ended 31st December, 2010, totalling not less than HK\$5,858,792 (2009: HK\$3,905,861) which is subject to approval of shareholders at the forthcoming annual general meeting to be held on 31st May, 2011 and compliance with the Companies Law of the Cayman Islands.

If approved, the said final dividend will be paid on or about 28th June, 2011 to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 31st May, 2011.

The dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period.

#### **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 25th May, 2011 to 31st May, 2011, both days inclusive. In order to qualify for the proposed final 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 registrar 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 registrar of the Company, Computershare Investor Services Inc., 100 University Ave., 9th Floor, Toronto, Ontario, M5J 2Y1, Canada not later than 4:00 p.m. on 24th May, 2011.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

##### **BUSINESS REVIEW**

For the year ended 31st December, 2010, the Group recorded turnover of HK\$40,628,394 as compared to HK\$6,089,942 in last year, representing a 567% increase. After taking into account of total turnover, other revenue and other gains and losses, the Group resulted in a gain of HK\$51,579,976 for the year ended 31st December, 2010 as compared to HK\$118,953,480 in last year, representing a 57% decrease.

The total operating expense for the year was HK\$18,130,747 (2009: HK\$19,445,616), while profit before income tax was HK\$33,449,229 as compared to HK\$99,507,864 in last year, representing a 66% decrease. The profit attributable to owners of the Company was HK\$35,274,924 as compared to HK\$84,954,963 in last year, representing a 58% decrease.

Lastly, we are pleased to report that our financial accounts remain healthy. The Group has net current assets of HK\$219,128,871, with no bank borrowings.

##### **PROSPECTS AND FUTURE PLANS**

The Group will continue to focus on core investments which include resources related businesses in Asia, real estate developments in the greater China Region, and may devote some assets in the near future to participate in financial projects with recurring income and fixed interest returns.

While profit as a whole decreased 58% when compared to HK\$84,954,963 earned last year, we are satisfied that the Group remained profitable in the face of a difficult year while others have reported substantial losses.

We are confident of the criteria established by our investment committee in choosing new investment opportunities which will enable us to take maximum advantage when the global economy eventually recovers. Prudence will be exercised in the aftermath of the dramatic earthquake and tsunami that has hit Japan badly. We are also cautious of the inflationary trends unfolding worldwide, as well as to the credit tightening effect brought on by the Chinese government to cool down properties prices in the country.

Notwithstanding the upheavals in the financial markets, the measures that have been adopted by the investment committee and the Board have enabled us to achieve a positive result as well as to enhance our future business prospects.

## **Financial review**

### *Liquidity and financial resources*

The Group had available funds of HK\$141,083,888 which were mainly placed with banks as time deposits. Cash and bank balances held by the Group are mainly denominated in Hong Kong dollars and Canadian dollars.

The Group had shareholders' fund of HK\$309,289,512 at 31st December, 2010 compared to HK\$277,500,594 at 31st December, 2009, an 11% increase.

At present, the Group has unutilised banking facilities of HK\$20,000,000 and requires no significant funding for investment and capital expenditure commitments. The interest rate charged on the banking facilities is 3% per annum over the applicable Hong Kong Interbank Offered Rate.

As at 31st December, 2010, the Group had no borrowing (2009: nil).

The Group did not have any capital expenditure commitment, except for leasehold improvements of HK\$883,384 as at 31st December, 2010.

### *Capital Structure*

There was no significant change in the Group's capital structure for the year ended 31st December, 2010.

On 30th April, 2010, 988,000 share options granted to the directors and other employees were lapsed. During the year, no share options were granted, exercised or cancelled.

## **Significant investments held and their performance**

For the year ended 31st December, 2010, due to the increase in the participation of secured financial projects, the Group received interest income in the aggregate amount of HK\$7,176,790 as compared to HK\$1,314,810 in last year, representing a 446% increase. Dividend income generated from the investments was HK\$33,451,604 as compared to HK\$4,775,132 in last year, representing a 601% increase. Turnover was HK\$40,628,394 for the year ended 31st December, 2010 as compared to HK\$6,089,942 in last year, representing a 567% increase. With the impact of uncertainty of the global economy, the Group recorded an unrealised loss of HK\$17,413,882 on trading securities as compared to an unrealised gain of HK\$21,695,001 in last year. The Group disposed of certain trading securities to obtain a realised gain of HK\$19,847,468 (2009: HK\$110,724,365). In addition to trading securities, the Group also disposed of some unlisted investments with a realised gain of HK\$13,555,482. Impairment losses of HK\$11,571,164 were made on certain unlisted investments by reference to the value of investee companies. Impairment losses on loans and receivables were HK\$1,922,160 as compared to HK\$14,729,472 in last year. Total revenue and net gains for the year ended 31st December, 2010 were HK\$51,579,976 as compared to HK\$118,953,480 in last year, representing a 57% decrease.

The profit before income tax was HK\$33,449,229 as compared to HK\$99,507,864 in last year, representing a 66% decrease. The profit attributable to owners of the Company was HK\$35,274,924 as compared to HK\$84,954,963 in last year, representing a 58% decrease.

As at 31st December, 2010, the Group's investments, which comprise available-for-sale financial assets ("AFS"), and loans and receivables, amounted to HK\$84,997,871 as compared to HK\$117,168,628 as at 31st December, 2009, representing a 27% decrease. Such decrease was mainly due to (1) net increase in fair value of HK\$419,855, (2) the investment of HK\$11,000,000 in an investee company by way of equity in the amount of HK\$5,000,000 and convertible bonds in the amount of HK\$6,000,000, (3) the disposals of seven equity investments with carrying value of HK\$29,098,678, (4) the conversion of convertible bonds, of which the debt element in AFS was HK\$14,863,057, (5) the advance to investee companies of HK\$788,000, (6) the repayment of loans of HK\$1,288,706, and (7) impairment losses of HK\$1,922,160 on loans and receivables.

As at 31st December, 2010, the accounts receivable were HK\$23,014,279 as compared to HK\$17,046,476 as at 31st December, 2009, representing a 35% increase. This increase was primarily the result of increase in interest-earning financial projects of HK\$3,572,916.

During the year, the Group had the following major trading transactions: (1) investments in HK\$127 million trading securities, (2) disposals of trading securities with carrying value of HK\$81 million, and (3) exercise of convertible bonds and warrants contributing a net realised gain of HK\$8,540,697.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31st December, 2010, 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 (including directors) 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, 2010, the Group has no significant contingent liabilities.

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

The Company did not redeem 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 relevant code provisions set out in the Code on Corporate Governance Practices based on the principles set out in Appendix 14 to the Listing Rules during the year.



## **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 annual results for the year ended 31st December, 2010.

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

Hong Kong, 30th March, 2011

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