HARMONY ASSET LIMITED
亨亞有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 428)

ANNOUNCEMENT OF 2006 FINAL RESULTS

RESULTS

The Board of Directors of Harmony Asset Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2006 as follows:

Consolidated Income Statement

	Note	Year ended 31.12.2006 HK$	Year ended 31.12.2005 HK$
Turnover	3	**5,095,847**	4,144,202
Other revenue	3	**28,010,270**	46,619,014
		33,106,117	50,763,216
Employee benefits expenses		**(2,967,022)**	(1,822,400)
Depreciation of property, plant and equipment		**(310,196)**	(308,669)
Net realised loss on disposal of available-for-sale financial assets		**(377,470)**	–
Deposits on investments written off		**(2,925,900)**	–
Impairment loss on available-for-sale financial assets		**(5,980,000)**	–
Impairment loss on accounts receivable		**(228,654)**	(11,944,745)
Impairment loss on goodwill		**–**	(55,359)
Fair value changes on financial assets at fair value through profit or loss		**–**	(4,654,492)
Impairment loss on loans and receivables		**–**	(1,353,120)
Other operating expenses		**(9,376,103)**	(8,423,954)
Operating profit	4	**10,940,772**	22,200,477
Finance costs		**(141,024)**	(639,121)
Profit before income tax		**10,799,748**	21,561,356
Income tax expenses	5	**(114,466)**	–
Profit for the year attributable to shareholders		**10,685,282**	21,561,356
Proposed dividend		**4,383,071**	4,383,071
Earnings per share			
Basic	6	**HK cents 36.57**	HK cents 76.33
Diluted	6	**HK cents 36.24**	N/A

Consolidated Balance Sheet

	As at 31.12.2006 *HK$*	As at 31.12.2005 *HK$*
Non-current assets		
Property, plant and equipment	**370,792**	653,175
Interests in associates	**–**	–
Available-for-sale financial assets	**43,228,573**	37,765,412
Loans and receivables	**71,533,757**	55,690,219
Financial assets at fair value through profit or loss	**–**	2,000,000
	115,133,122	96,108,806
Current assets		
Accounts receivable and prepayments	**19,278,075**	58,631,864
Financial assets at fair value through profit or loss	**44,868,350**	19,256,106
Bank balances and cash	**18,715,933**	5,111,090
	82,862,358	82,999,060
Current liabilities		
Accounts payable	**7,429,459**	1,941,424
Interest-bearing borrowings	**–**	7,500,000
Tax payable	**121,502**	7,036
	7,550,961	9,448,460
Net current assets	**75,311,397**	73,550,600
Net assets	**190,444,519**	169,659,406
Capital and reserves		
Share capital	**29,220,475**	29,220,475
Reserves	**161,224,044**	140,438,931
	190,444,519	169,659,406
Net asset value per share	**HK$6.52**	HK$5.81

Note:

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").

The Company's consolidated financial statements up to 31st December, 2005 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). With effect from this financial year, the Company decided to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and convert the comparative financial information for the year ended 31st December, 2005 to be in accordance with IFRS.

The Group is adopting IFRS because it plans to expand its shareholders base from Hong Kong to International. The Group believes the adoption of internationally recognised accounting standards will allow its financial statements to be better understood by its shareholders, the capital markets and the other users globally.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS. IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied in preparing these financial statements. These consolidated financial statements are the Group's first financial statements prepared in accordance with IFRS.

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply IFRS as effective for the year ended 31st December, 2006 retrospectively. The Group has applied the exemption for acquisitions of subsidiaries and interests in associates that occurred before 1st January, 2005 which would have been accounted for under IFRS 3 "Business Combinations".

Reconciliations and explanations of the effect of the conversion from HKFRS to IFRS on the Group's equity and its profit are set out in note 7.

3. TURNOVER AND OTHER REVENUE

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

	2006	2005
	HK$	*HK$*
Turnover:		
Interest income from		
– bank deposits	**531,373**	140,363
– loans receivable	**3,519,867**	1,687,112
– convertible notes	**93,699**	106,301
Dividend income from		
– listed investments	**215,642**	510,426
– unlisted investments	**735,266**	1,700,000
	5,095,847	4,144,202
Other revenue:		
Fair value changes on financial assets at fair value through profit or loss	**9,522,128**	–
Net realised gain on disposal of financial assets at fair value through profit or loss	**3,403,625**	2,549,622
Exchange gain, net	**4,408**	–
Reversal of impairment loss on accounts receivable	**8,300,000**	499,066
Consultancy fee	**5,000,000**	–
Sundry income	**1,780,109**	1,700,520
Net realised gain on disposal of available-for-sale financial assets	**–**	290,331
Dividend forfeited	**–**	301,595
Introductory fee	**–**	41,277,880
	28,010,270	46,619,014
Total revenue	**33,106,117**	50,763,216

No analysis of the Group's turnover 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 consolidated turnover, results and assets of the Group are attributable to markets outside Hong Kong.

4. OPERATING PROFIT

Operating profit has been arrived at after charging the following:

	2006 *HK$*	2005 *HK$*
Auditors' remuneration	**885,000**	300,000
Management fees	**2,657,352**	2,205,760
Incentive fee	**1,187,254**	1,400,508
Pension costs – contributions to defined contribution plan*	**58,943**	54,703
Operating lease in respect of land and buildings	**1,342,966**	1,275,193
Equity-settled share-based payment expenses	**908,000**	–

* There was no forfeited contribution in respect of the defined contribution plan available at 31st December, 2006 to reduce future contributions (2005: Nil). There was no outstanding contributions to the plan at 31st December, 2006 (2005: Nil).

5. INCOME TAX EXPENSES

(a) Provision for Hong Kong Profits Tax for the year amounting to HK$114,466 (2005: Nil) has been made at 17.5% of the Group's estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made for the year ended 31st December, 2005 as the Group had no assessable profit for that year.

(b) At the balance sheet date, the Group had unutilised tax losses of HK$13,383,630 (2005: HK$22,244,223) 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.

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$10,685,282 (2005: HK$21,561,356) and on the weighted average of 29,220,474 (2005: 28,248,474) ordinary shares in issue during the year which have been adjusted for the 5-for-1 share consolidation which took place on 14th December, 2006.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year is based on the Group's profit attributable to shareholders of the Company and the weighted average number of ordinary shares of 29,483,310, calculated as follows:

	Number of shares
Weighted average number of ordinary shares for the year ended 31st December, 2006	29,220,474
Effect of deemed issue of shares under the Company's share option scheme	262,836
Weighted average number of ordinary shares (diluted) for the year ended 31st December, 2006	29,483,310

No diluted earnings per share for the year ended 31st December, 2005 is presented as there is no dilutive potential ordinary share for that year.

7. EXPLANATION OF TRANSITION FROM HKFRS TO IFRS

The transition from HKFRS to IFRS requires the cumulative changes in fair value of available-for-sale financial assets previously recognised in retained profits/accumulated losses as at 1st January, 2005 under HKFRS to be recognised in fair value reserve until subsequent derecognition or impairment. There are no effect on the assets, liabilities and shareholders' equity other than a change in components of the shareholders' equity. There is no other adjustment required for the transition to IFRS.

An explanation of how the transition from HKFRS to IFRS has affected the Group's financial position and financial performance is set out in the following tables and notes that accompanying the tables.

(a) Reconciliation of equity as at 1st January, 2005 (date of transition to IFRS)

	HKFRS	Effect of conversion to IFRS: Cumulative changes in fair value recognised in fair value reserve	IFRS
	HK$	*HK$*	*HK$*
Share capital	24,360,475		24,360,475
Share premium	148,900,601		148,900,601
Fair value reserve	–	(7,023,074)	(7,023,074)
Proposed dividend	2,922,047		2,922,047
Accumulated losses	(34,393,743)	7,023,074	(27,370,669)
Shareholders' equity	141,789,380		141,789,380

(b) Reconciliation of equity as at 31st December, 2005

	HKFRS	Effect of conversion to IFRS		IFRS
		Cumulative changes in fair value recognised in fair value reserve	Fair value reserve released to income statement upon disposal	
	HK$	*HK$*	*HK$*	*HK$*
Share capital	29,220,475			29,220,475
Share premium	147,899,905			147,899,905
Fair value reserve	132,799	(7,023,074)	855,543	(6,034,732)
Proposed dividend	4,383,071			4,383,071
Accumulated losses	(11,976,844)	7,023,074	(855,543)	(5,809,313)
Shareholders' equity	169,659,406			169,659,406

(c) Reconciliation of profit for the year ended 31st December, 2005

	HKFRS *HK$*	Effect of conversion to IFRS Fair value reserve released to income statement upon disposal *HK$* *Note*	IFRS *HK$*
Turnover	4,144,202		4,144,202
Other revenue	47,474,557	(855,543)	46,619,014
Other expense items	(28,562,739)		(28,562,739)
Operating profit	23,056,020		22,200,477
Finance costs	(639,121)		(639,121)
Profit before taxation	22,416,899		21,561,356
Income taxes	–		–
Profit attributable to shareholders	22,416,899		21,561,356

Note: There is no effect on the Group's turnover and other expense items for the year ended 31st December, 2005 other than resulting in an additional loss on disposal of available-for-sale financial assets of HK$855,543 to be deducted from the net gain on disposal of available-for-sale financial assets included in other revenue.

DIVIDEND

The Board of Directors has recommended a dividend out of the share premium account of the Company of HK15 cents per share (2005: HK15 cents per share, adjusted after the 5-for-1 share consolidation) in respect of the year ended 31st December, 2006, totaling not less than HK$4,383,071 (2005: HK$4,383,071) which is subject to approval of shareholders at the forthcoming annual general meeting to be held on 22nd June, 2007 and compliance with law of Cayman Islands.

If approved, the said dividend will be paid on or about 29th June, 2007 to shareholders whose names appear on the register of members of the Company at the close of business on 22nd June, 2007.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 18th June, 2007 to Friday, 22nd June, 2007, 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 share registrars of the Company in Hong Kong, Computershare Investor Hong Kong Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:00 p.m. on Friday, 15th June, 2007.

BUSINESS REVIEW

For the year ended 31st December, 2006, the Group had a total revenue of HK$33.1 million (2005: HK$50.8 million). During the year, the turnover amounted to HK$5.1 million when compared to the year 2005 of HK$4.1 million.

The Group recorded fair value gain of HK$9.5 million (2005: fair value loss of HK$4.7 million) on financial assets at fair value through profit or loss. Impairment losses and deposits on investments written off amounting to HK$9.1 million (2005: HK$13.4 million) were charged to the income statement. As a result, the Group reported profit attributable to shareholders for the year of HK$10.7 million (2005: HK$21.6 million).

PROSPECTS AND FUTURE PLANS

For the year ended 31st December, 2006, the Group had repaid all outstanding debts, declaring itself a company with no debt and accomplishing the financial objective of 2006. The Group recorded a growth of net assets of HK$20.8 million which consolidates the Group's financial status.

The Group has applied for dual-listing on the Toronto Stock Exchange in Canada. The progress is going to the final stage. Provided that the Group can go public both in Hong Kong and Toronto, the Group would be capable of widening its capital sources and drawing in more strategic investors which cements a firmer financial pedestal for the Group's future.

Investment holding remains the core business of the Group in 2006, with an emphasis on investing private companies which have high potential for earnings growth and capital appreciation in China. The three major investment focuses of the Group are resources, technology-enabled manufacturing, and food and retail.

Resources-wise, the Group has invested in a gold mining business and subscribed for the shares in a company that trades in cements, iron ores, logs and miscellaneous products. It is anticipated that the above investments would contribute to the Group's profit in the coming years.

In the area of technology-enabled manufacturing, all the companies that the Group invested are based on China market. Their businesses range from office furniture to energy-saving technology and new biodegradable products. The Group's investment strategy responds to the universal call of environmental protection.

Looking ahead, the Group will keep the business strategy of investing in the three major business areas after the completion of all financing exercises. Meanwhile, the Group will continue to explore more quality, non-listed investment opportunities in Greater China market and unlock the values of these sound, private companies with our proven management.

SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE

The Group has invested around HK$44.9 million in listed securities held as financial assets at fair value through profit or loss which consists of HK$3.2 million of overseas listed securities and HK$41.7 million of Hong Kong listed securities. During the year, certain listed securities were disposed of with a realised gain around HK$3.4 million. A fair value gain of HK$9.5 million was resulted from the listed securities.

As at 31st December, 2006, the available-for-sale financial assets and loans and receivables have been increased by HK$21.3 million when compared to the last year. During the year, the Group has acquired some investments of which, HK$9 million related to a trading company, HK$2 million was invested in a PRC manufacturing company and HK$2 million was invested in an advanced technology company. The Group has converted a loan of HK$2 million into equity of an investment holding company. The Group also spent HK$2 million to increase the shareholding of a private company with an investment of spas and entertainment business in PRC.

As at 31st December, 2006, the accounts receivable and prepayments were reduced by HK$39.4 million when compared to last year.

SEGMENT INFORMATION

No analysis of the Group's turnover and contribution to the 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 consolidated turnover, results and assets of the Group are attributable to markets outside Hong Kong.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2006, the Group employed a total of 8 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, 2006, the Group has no significant contingent liabilities.

EVENT AFTER THE BALANCE SHEET DATE

The Board has approved the disposal of a financial asset at fair value through profit or loss at a consideration of HK$4,900,000. The carrying amount of the financial asset at the balance sheet date was HK$3,850,000.

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 to the Rules Governing the Listing of Securities ("the Listing Rules") on the Stock Exchange at any time during the year ended 31st December, 2006.

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 year ended 31st December, 2006, all Directors have complied with the required standard set out in the Model Code of the Company.

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, 2006.

By Order of the Board
Peter Lee Yip Wah
Secretary

Hong Kong, 18th April, 2007

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

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.