



Our Growth



Interim Report
2009



Harmony Asset Limited

Incorporated in the Cayman Islands with limited liability



HARMONY ASSET LIMITED

INTERIM RESULTS FOR 2009

FINANCIAL HIGHLIGHTS

The financial highlights of Harmony Asset Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 30th June, 2009 are summarised as follows:

- Turnover of the Group for the six months ended 30th June, 2009 was HK\$4,749,799 as compared to HK\$7,711,737 in the same period last year, representing a 38% decrease.
- Profit attributable to equity holders of the Company for the six months ended 30th June, 2009 was HK\$93,329,804 as compared to HK\$14,995,620 in the same period last year, representing a 522% increase.
- Basic earnings per share of the Group was HK cents 239.29 for the six months ended 30th June, 2009 as compared to HK cents 38.45 in the same period last year, representing a 522% increase.

INTERIM RESULTS

The Board of Directors (the “Board”) of the Company is pleased to present the interim report and the unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) of the Group for the six months ended 30th June, 2009. The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity of the Group for the six months ended 30th June, 2009, and the consolidated balance sheet of the Group as at 30th June, 2009, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 11 to 26 of this interim report.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK10 cents per share in respect of the six months ended 30th June, 2009, totaling not less than HK\$3,900,261 (2008: Nil). The interim dividend are payable on or about 28th September, 2009 to shareholders whose names appear on the register of members of the Company on 31st August, 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 31st August, 2009 to Friday, 4th September, 2009, both days inclusive. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrars of the Company either (i) in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong; or (ii) in Canada, Computershare Investor Services Inc., 100 University Ave., Toronto, Ontario, M5J 2Y1, not later than 4:00 p.m. on Friday, 28th August, 2009.

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 speak only as of the date hereof. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update these forward-looking statements. The Company does not have an ongoing obligation to disclose material information as it becomes available.

Business review, prospects and future plan

For the six months ended 30th June, 2009, the Group recorded a turnover of HK\$4,749,799 as compared to HK\$7,711,737 in the same period last year, representing a 38% decrease. The interest income was HK\$249,799 (2008: HK\$2,406,421). Dividend received from investments was HK\$4,500,000 (2008: HK\$5,305,316). Gains on disposal of listed investments amounted to HK\$7,158,339 (2008: HK\$5,739,119). With the rebound of Hong Kong stock market, the market value of our investments in listed securities have appreciated in tandem. As at 30th June, 2009, the Group recorded a substantial unrealised gain of HK\$133,357,913 (2008: HK\$14,015,918) on the publicly traded securities. The profit before income tax was HK\$109,507,775 as compared to HK\$17,308,246 in the same period last year, representing a 533% increase. The profit attributable to equity holders of the Company was HK\$93,329,804 as compared to HK\$14,995,620 in the same period last year, representing a 522% increase.

During the first half of 2009, the Group preserved cash by not making new investments. With the global recession apparently stabilizing, the Group will continue to focus on the technology and resources sector. These two sectors, we believe, will offer better investment returns in the long run. Our focus will remain in Asia and greater China region where opportunities abound. Based on our past experience, these investment activities will not only offer safety but at the same time provide possibility of capital appreciation.

Financial review

Liquidity and financial resources

The Group had available bank balances and cash of HK\$10,853,078 (31st December, 2008: HK\$10,252,785) 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\$277,240,874 at 30th June, 2009 compared to HK\$183,541,764 at 31st December, 2008, representing a 51% increase.

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At present, the Group has unutilised banking facilities of HK\$3,000,000 and requires no borrowings for investment and capital expenditures. The interest rate charged on the banking facilities is 2% per annum over the Prime Lending Rate or 2% per annum over the prevailing overnight Hong Kong Interbank Offered Rate, whichever is higher.

As at 30th June, 2009, the Group had no borrowing.

The Group did not have capital expenditure commitment as at 30th June, 2009.

Capital Structure

There was no significant change in the Group's capital structure for the six months ended 30th June, 2009.

During the period, share options to subscribe for 290,000 shares with an exercise price at HK\$6.03 per share and share options to subscribe for 50,000 shares with an exercise price at HK\$5.1 per share were lapsed. As at 30th June, 2009, balance of share options to subscribe for 1,044,000 shares and 522,047 shares with an exercise price at HK\$4.29 and HK\$5.1 per share respectively were outstanding.

Significant investments held and their performance

In the past six months, the Group disposed of certain publicly traded securities with an aggregate proceeds of HK\$10,601,339, resulting in a net realised gain of HK\$7,158,339. The Group also recorded an unrealised gain of HK\$133,357,913 on fair value changes on financial assets through profit or loss. The Group received HK\$4,500,000 of dividend from an unlisted company. Interest income from the bank deposits and loans receivable was HK\$249,799.

Due to the impact of the global economic downturn in the second half of 2008, the Group suspended making any new investments for the six months ended 30th June, 2009.

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As at 30th June, 2009, the Group's unlisted investments, which comprise available-for-sale financial assets, and loans and receivables, amounted to HK\$75,166,525 as compared to HK\$88,136,439 as at 31st December, 2008, representing a 14.72% decrease. Such decrease was the result of impairment losses of HK\$13,339,220 on loans and receivables and investment deposit, and an increase of HK\$369,306 in fair value of some investments.

As at 30th June, 2009, the accounts receivable and prepayments were HK\$14,325,174 as compared to HK\$19,383,342 as at 31st December, 2008, representing a 26% decrease, this is resulted of (1) increase in provision of impairment loss of HK\$14,010,574, (2) receivable from disposal of listed securities of HK\$8,878,409 and (3) a net increase of HK\$73,997 in other accounts receivable and prepayments.

Employees and remuneration policies

As at 30th June, 2009, 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.

Segment information

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

Seasonality/cyclicality of interim operation

The management is 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 employ any financial instruments to hedge such exposures.

Contingent liabilities

As at 30th June, 2009, the Group has 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 period ended 30th June, 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

The Company intends to exercise re-purchase of share mandate which was approved by shareholders at the last annual general meeting up to 10% of issued shares at favourable price and availability of funds.

SHARE OPTIONS

The Company adopted a share option scheme at the annual general meeting held on 28th June, 2005 (the "Share Option Scheme"). Movements of the options which have been granted under the Share Option Scheme, during the period are set out in note 11 to the Interim Financial Statements.

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

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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, 2009, 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 (the "Listing Rules") on the Stock Exchange were as follows:

(1) Ordinary shares of HK\$1 each in the Company

Name of director	Number of shares				Total	Percentage of issued share capital as at 30th June, 2009
	Personal interests [#]	Family interests	Corporate interests [*]	Other interests		
Lee Fong Lit David	-	-	7,200,315	-	7,200,315 (Note)	18.46%
Ho Man Kai Anthony	32,000	-	-	-	32,000	0.08%

[#] 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 is deemed to be interested in the shares held by Sino Path Consultants Limited. Mr. Lee Fong Lit David and Dr. Chow Pok Yu Augustine are the executive directors of the Company.

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

(2) Underlying shares in respect share options of the Company

	Date of grant	Exercise period	Number of options outstanding as at 1st January, 2009 and 30th June, 2009	Exercise price HK\$	Percentage of issued share capital as at 30th June, 2009
Directors					
Lee Fong Lit David	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29	0.07%
Chow Pok Yu Augustine	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29	0.07%
Lam Andy Siu Wing, JP	30/4/2007	30/4/2007 – 29/4/2010	292,000	4.29	0.75%
Chan Shuen Chuen Joseph	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29	0.07%
Tong Kim Weng Kelly	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29	0.07%
Ho Man Kai Anthony	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29	0.07%
Wong Yun Kuen	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29	0.07%
Total			<u>460,000</u>		

Note: These options represent personal interest held by the relevant directors as beneficial owner.

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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, 2009, none of the directors and chief executives of the Company has, 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, 2009, 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 to record in the register of substantial shareholders maintained under Section 336 of the SFO:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company as at 30th June, 2009
ABC Dirt-Cheap Stock Fund	Beneficial owner	4,042,500	10.36%
Dynamic Global Value Class Fund	Beneficial owner	2,339,500	6.16%

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 at any time during the six months ended 30th June, 2009.

MODEL CODE FOR SECURITIES TRANSACTION 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, 2009, 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 internal controls and financial reporting matters including a review of the Interim Financial Statements for the six months ended 30th June, 2009 with the directors.

MEMBERS OF THE BOARD

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

By Order of the Board

Lee Fong Lit David

Chairman

Hong Kong, 11th August, 2009

HARMONY ASSET LIMITED

NOTICE TO READER

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 BALANCE SHEET

AS AT 30TH JUNE, 2009 AND 31ST DECEMBER, 2008

		30th June, 2009 (Unaudited) HK\$	31st December, 2008 (Audited) HK\$
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	7	83,328	136,886
Interests in associates		–	–
Available-for-sale financial assets		67,860,587	68,058,932
Loans and receivables		7,305,938	20,077,507
		75,249,853	88,273,325
Current assets			
Accounts receivable and prepayments	8	14,325,174	19,383,342
Financial assets at fair value through profit or loss		202,811,542	72,896,629
Bank balances and cash		10,853,078	10,252,785
		227,989,794	102,532,756
Current liabilities			
Accounts payable and accruals	9	4,343,140	1,786,655
Tax payable		2,825,920	2,825,920
		7,169,060	4,612,575
Net current assets		220,820,734	97,920,181
Total assets less current liabilities		296,070,587	186,193,506
Non-current liabilities			
Deferred tax liabilities		18,829,713	2,651,742
Net assets		277,240,874	183,541,764
Capital and reserves			
Share capital	10	39,002,615	39,002,615
Reserves		238,238,259	144,539,149
Total equity		277,240,874	183,541,764

The notes on pages 17 to 26 form part of these interim financial statements.

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CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Note	Six months ended 30th June,		Three months ended 30th June,	
		2009	2008	2009	2008
		(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Turnover	2	4,749,799	7,711,737	1,503,004	5,973,767
Other revenue	2	133,119	452,655	66,000	222,221
Other gains	2	113,169,846	19,730,613	107,547,662	8,691,165
		118,052,764	27,895,005	109,116,666	14,887,153
Employee benefit expenses		(1,316,958)	(3,816,856)	(758,963)	(3,206,354)
Depreciation of property, plant and equipment		(53,558)	(62,316)	(42,765)	(56,066)
Other operating expenses		(7,174,473)	(6,707,587)	(5,375,187)	(3,843,924)
Profit before income tax	3	109,507,775	17,308,246	102,939,751	7,780,809
Income tax expenses	4	(16,177,971)	(2,312,626)	(17,035,971)	(1,438,072)
Profit for the period attributable to equity holders of the Company		93,329,804	14,995,620	85,903,780	6,342,737
Dividend	5	3,900,261	–	3,900,261	–
		HK cents	HK cents	HK cents	HK cents
Earnings per share	6				
Basic		239.29	38.45	220.25	16.26
Diluted		239.29	38.28	220.25	16.19

The notes on pages 17 to 26 form part of these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Six months ended 30th June,		Three months ended 30th June,	
	2009 (Unaudited) HK\$	2008 (Unaudited) HK\$	2009 (Unaudited) HK\$	2008 (Unaudited) HK\$
Profit for the period	93,329,804	14,995,620	85,903,780	6,342,737
Other comprehensive income				
Fair value changes on available-for-sale financial assets recognised in equity	369,306	(1,178,478)	(408,037)	(1,178,478)
Total comprehensive income attributable to equity holders of the Company	93,699,110	13,817,142	85,495,743	5,164,259

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009 AND 2008

	Unaudited						
	Share capital	Share premium	Fair value reserve	Share option reserve	Proposed dividend	Retained profits (accumulated losses)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January, 2009	39,002,615	170,354,945	5,641,393	1,350,000	-	(32,807,189)	183,541,764
Profit for the period	-	-	-	-	-	93,329,804	93,329,804
Fair value changes on available-for-sale financial assets recognised in equity	-	-	369,306	-	-	-	369,306
Total comprehensive income for the period	-	-	369,306	-	-	93,329,804	93,699,110
Transfer to retained profits upon lapse of share options	-	-	-	(274,981)	-	274,981	-
Balance at 30th June, 2009	39,002,615	170,354,945	6,010,699	1,075,019	-	60,797,596	277,240,874
At 1st January, 2008	39,002,615	170,354,945	15,268,766	1,007,000	6,630,444	55,783,325	288,047,095
Profit for the period	-	-	-	-	-	14,995,620	14,995,620
Fair value changes on available-for-sale financial assets recognised in equity	-	-	(1,178,478)	-	-	-	(1,178,478)
Total comprehensive income for the period	-	-	(1,178,478)	-	-	14,995,620	13,817,142
Proposed dividend transferred to current liabilities upon approval of shareholders at annual general meeting	-	-	-	-	(6,630,444)	-	(6,630,444)
Balance at 30th June, 2008	39,002,615	170,354,945	14,090,288	1,007,000	-	70,778,945	295,233,793

The notes on pages 17 to 26 form part of these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Six months ended 30th June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Operating activities		
Profit before income tax	109,507,775	17,308,246
Interest income	(249,799)	(2,406,421)
Dividend income from available-for-sale financial assets	(4,500,000)	(5,300,000)
Depreciation of property, plant and equipment	53,558	62,316
Fair value changes on financial assets at fair value through profit or loss	(133,357,913)	(14,015,918)
Impairment loss on available-for-sale financial assets – deposits on investment written off	567,651	–
Impairment loss on loans and receivables	12,771,569	–
Impairment loss on accounts receivable	14,010,574	–
	<hr/>	<hr/>
Loss before working capital changes	(1,196,585)	(4,351,777)
Decrease in financial assets at fair value through profit or loss	3,443,000	16,430,401
(Increase) decrease in accounts receivable and prepayments	(8,775,447)	3,075,541
Increase (decrease) in accounts payable and accruals	2,556,485	(1,530,691)
	<hr/>	<hr/>
Cash (used in) generated from operations	(3,972,547)	13,623,474
Hong Kong Profits Tax paid	–	(166,817)
	<hr/>	<hr/>
Net cash (used in) from operating activities	(3,972,547)	13,456,657

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Six months ended 30th June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Investing activities		
Interest received	72,840	1,464,359
Dividend income from available-for-sale financial assets	4,500,000	300,000
Advances to investee companies	–	(1,100,000)
Repayment from investee companies	–	1,553,900
Purchase of property, plant and equipment	–	(967)
Purchase of available-for-sale financial assets	–	(12,420,000)
	<hr/>	<hr/>
Net cash from (used in) investing activities	4,572,840	(10,202,708)
	<hr/>	<hr/>
Cash used in financing activities		
Dividend paid	–	(6,630,444)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	600,293	(3,376,495)
Cash and cash equivalents at 1st January	10,252,785	21,698,184
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	10,853,078	18,321,689
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	10,853,078	18,321,689
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 17 to 26 form part of these interim financial statements.

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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, 2008. The accounting policies and basis of preparation 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, 2008.

2. Turnover, other revenue and other gains

The Group principally invests in securities listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and unlisted securities, including equity securities and convertible notes issued by corporate entities. Turnover, other revenue and other gains or losses recognised during the period are as follows:

	Six months ended 30th June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Turnover:		
Interest income from		
– bank deposits	9,799	264,358
– loans receivable	240,000	2,142,063
Dividend income from		
– listed investments	–	5,316
– unlisted investments	4,500,000	5,300,000
	4,749,799	7,711,737
Other revenue:		
Sundry income	133,119	452,655
Other gains and (losses):		
Fair value changes on financial assets		
at fair value through profit or loss	133,357,913	14,015,918
Net realised gain on disposal of financial assets		
at fair value through profit or loss	7,158,339	5,739,119
Exchange gains (losses), net	3,388	(24,424)
Impairment loss on accounts receivable	(14,010,574)	–
Impairment loss on loans and receivables	(12,771,569)	–
Impairment loss on available-for-sale financial assets		
– deposits on investment written off	(567,651)	–
	113,169,846	19,730,613
	118,052,764	27,895,005

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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

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

3. Profit before income tax

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

	Six months ended 30th June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees	1,506,906	2,185,021
Incentive fee	3,014,474	–
Pension costs – contributions to defined contribution plan	52,928	55,328
Operating lease in respect of land and buildings	1,199,028	1,506,987
	<u>1,199,028</u>	<u>1,506,987</u>

4. Income tax expenses

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period.

	Six months ended 30th June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Hong Kong Profits Tax Provision for current period	–	2,312,626
Deferred taxation	16,177,971	–
	<u>16,177,971</u>	<u>2,312,626</u>

5. Dividend

The Board declares an interim dividend of HK10 cents per share for the six months ended 30th June, 2009 (2008: Nil).

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. Earnings per share

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

	Six months ended 30th June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Profit attributable to equity holders of the Company	93,329,804	14,995,620
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	39,002,614	39,002,614
Effect of deemed issue of shares under the Company's share option scheme	–	175,181
Weighted average number of ordinary shares for the purpose of diluted earnings per share	39,002,614	39,177,795
	HK cents	HK cents
Basic earnings per share	239.29	38.45
Diluted earnings per share	239.29	38.28

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of the ordinary shares in issue during the period.

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

Diluted earnings per share for the six months ended 30th June, 2008 is calculated based on the profit attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during that period after adjusting for the number of diluted potential ordinary shares granted under the Company's share option scheme.

HARMONY ASSET LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. Property, plant and equipment

	As at 30th June, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Furniture and fixtures	423,022	423,022
Motor vehicle	528,200	528,200
Office equipment	453,996	453,996
Leasehold improvements	917,606	917,606
	2,322,824	2,322,824
Accumulated depreciation	(2,239,496)	(2,185,938)
Carrying amount	83,328	136,886

8. Accounts receivable and prepayments

	As at 30th June, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Accounts receivable	13,370,438	5,184,826
Loan receivable, secured	–	8,000,000
Interests receivable	210,600	5,429,015
Other receivables	8,963	9,448
Receivables after allowance for impairment loss	13,590,001	18,623,289
Deposits	606,883	606,883
Prepayments	128,290	153,170
	14,325,174	19,383,342

The loan receivable is interest-bearing.

HARMONY ASSET LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

8. Accounts receivable and prepayments (continued)

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

	As at 30th June, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Not yet due	13,579,307	16,710,603
Balances overdue between:		
1 – 180 days	1,730	411,393
181 – 365 days	8,964	384,208
Over 1 year but less than 2 years	–	919,803
Over 2 years	–	197,282
	10,694	1,912,686
	13,590,001	18,623,289

9. Accounts payable and accruals

	As at 30th June, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Accounts payable	–	–
Accruals	4,268,610	1,712,125
Unclaimed dividend payable	74,530	74,530
	4,343,140	1,786,655

HARMONY ASSET LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9. Accounts payable and accruals (continued)

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

	As at 30th June, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Current	4,268,610	1,712,125
Over 1 year	74,530	74,530
	4,343,140	1,786,655

10. Share capital

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$1 each at 31st December, 2008 (audited) and 30th June, 2009 (unaudited)	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$1 each at 31st December, 2008 (audited) and 30th June, 2009 (unaudited)	<u>39,002,614</u>	<u>39,002,615</u>

The nominal amount of the ordinary shares amounting to HK\$39,002,615 is HK\$1 more than the amount calculated based on the 39,002,614 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") at its extraordinary 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.

HARMONY ASSET LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. Share Option Scheme (continued)

Details of the share options granted under the Share Option Scheme during the six months ended 30th June, 2009 are as follows:

	Date of grant	Exercise period	Number of options			Exercise price HK\$
			Outstanding as at 1st January, 2009	Lapsed during the period	Outstanding as at 30th June, 2009	
Directors						
Lee Fong Lit David	30/4/2007	30/4/2007 – 29/4/2010	28,000	–	28,000	4.29
Chow Pok Yu Augustine	30/4/2007	30/4/2007 – 29/4/2010	28,000	–	28,000	4.29
Lam Andy Siu Wing, JP	30/4/2007	30/4/2007 – 29/4/2010	292,000	–	292,000	4.29
Chan Shuen Chuen Joseph	30/4/2007	30/4/2007 – 29/4/2010	28,000	–	28,000	4.29
Tong Kim Weng Kelly	30/4/2007	30/4/2007 – 29/4/2010	28,000	–	28,000	4.29
Ho Man Kai Anthony	30/4/2007	30/4/2007 – 29/4/2010	28,000	–	28,000	4.29
Wong Yun Kuen	30/4/2007	30/4/2007 – 29/4/2010	28,000	–	28,000	4.29
Sub-total			<u>460,000</u>	<u>–</u>	<u>460,000</u>	
Other employees						
in aggregate	30/4/2007	30/4/2007 – 29/4/2010	584,000	–	584,000	4.29
	18/8/2008	18/8/2008 – 17/8/2011	522,047	–	522,047	5.10
Sub-total			<u>1,106,047</u>	<u>–</u>	<u>1,106,047</u>	
Other parties						
Maison Placements						
Canada Inc.	18/6/2007	18/6/2007 – 17/6/2009	290,000	(290,000)	–	6.03
CanCap Advisory Services Ltd	18/8/2008	18/8/2008 – 17/8/2011	50,000	(50,000)	–	5.10
Sub-total			<u>340,000</u>	<u>(340,000)</u>	<u>–</u>	
Grand-total			<u>1,906,047</u>	<u>(340,000)</u>	<u>1,566,047</u>	

During the period, other than the share options lapsed as disclosed above, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme.

HARMONY ASSET LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. Management contracts

	Six months ended 30th June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Harmony Asset Management Limited ("HAML"):		
– Management fees	1,506,906	2,185,021
– Incentive fee	3,014,474	–
	<u>4,521,380</u>	<u>2,185,021</u>

The Company has entered into an investment management agreement with HAML, a company which is wholly-owned by a director of the Company, Dr. Chow Pok Yu Augustine. Under the investment agreement together with a supplemental agreement entered into between the Company and HAML on 17th May, 2007, HAML has agreed to assist the Board with the day-to-day management of the Group for additional three years until 31st May, 2010. In accordance with the investment management agreement and the supplemental 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\$7,430,782 and HK\$6,028,948 for the year ending 31st December, 2009 (as amended on 22nd May, 2008) respectively. Dr. Chow Pok Yu Augustine, being a beneficial shareholder of HAML, was interested in these contracts during the period.

13. Lease commitments

As at 30th June, 2009, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	As at	As at
	30th June,	31st December,
	2009	2008
	(Unaudited)	(Audited)
	HK\$	HK\$
Within one year	1,669,910	2,109,360
In the second to fifth years inclusive	–	615,230
	<u>1,669,910</u>	<u>2,724,590</u>

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

14. Comparative amounts

Bank charges previously classified as finance costs in the income statement for the three months and six months ended 30th June, 2008 were reclassified as other operating expenses in order to better reflect the nature of the expenses.

15. Post balance sheet event

Subsequent to balance sheet date and up to 11th August, 2009, the Group realised a gain of HK\$78,588,559 on disposal of listed securities and received a net cash proceeds of approximately HK\$113 million.

16. Approval of the unaudited interim financial statements

The unaudited interim financial statements were approved and authorised for issue by the Board on 11th August, 2009.