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**Harmony Asset Limited – First Quarterly Report 2009**  
**prepared in accordance with the Canadian Securities Law**

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**Harmony Asset Limited**

*(Incorporated in the Cayman Islands with limited liability)*

HKEX – Stock Code: 428  
TSX – Trading Symbol: HAR

**Unaudited condensed consolidated interim financial statements**

**Three-month periods ended 31st March, 2009**

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**NOTICE TO READER**

The management of Harmony Asset Limited is responsible for the preparation of the accompanying consolidated interim financial statements. The interim financial statements have been prepared in accordance with International Accounting Standards 34 “Interim Financial Reporting” and are considered by management to present fairly the financial position, operation 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.

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**CONDENSED CONSOLIDATED BALANCE SHEET**

*As at 31st March, 2009 and 31st December, 2008*

	<i>Note</i>	31st March, 2009 (Unaudited) <i>HK\$</i>	31st December, 2008 (Audited) <i>HK\$</i>
<b>Non-current assets</b>			
Property, plant and equipment	7	126,094	136,886
Available-for-sale financial assets		68,329,130	68,058,932
Loans and receivables		12,467,269	20,077,507
		80,922,493	88,273,325
<b>Current assets</b>			
Accounts receivable and prepayments	8	19,492,796	19,383,342
Financial assets at fair value through profit or loss		86,632,808	72,896,629
Bank balances and cash		10,532,711	10,252,785
		116,658,315	102,532,756
<b>Current liabilities</b>			
Accounts payable and accruals	9	1,216,015	1,786,655
Tax payable		2,825,920	2,825,920
		4,041,935	4,612,575
<b>Net current assets</b>		112,616,380	97,920,181
<b>Total assets less current liabilities</b>		193,538,873	186,193,506
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,793,742	2,651,742
<b>Net assets</b>		191,745,131	183,541,764
<b>Capital and reserves</b>			
Share capital	10	39,002,615	39,002,615
Reserves		152,742,516	144,539,149
		191,745,131	183,541,764

The notes on pages 10 to 17 form part of these interim financial statements.

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**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the three months ended 31st March, 2009*

		<b>Three months ended 31st March,</b>	
		<b>2009</b>	2008
		<b>(Unaudited)</b>	(Unaudited)
	<i>Note</i>	<b>HK\$</b>	<b>HK\$</b>
Turnover	2	<b>3,246,795</b>	1,737,970
Other revenue	2	<b>67,119</b>	230,434
Other gains	2	<b>5,622,184</b>	11,039,448
		<b>8,936,098</b>	13,007,852
Employee benefits expenses		<b>(557,995)</b>	(610,502)
Depreciation of property, plant and equipment		<b>(10,792)</b>	(6,250)
Other operating expenses		<b>(1,799,287)</b>	(2,863,582)
Operating profit	3	<b>6,568,024</b>	9,527,518
Finance costs	4	–	(81)
Profit before income tax		<b>6,568,024</b>	9,527,437
Income tax credit (expenses)	5	<b>858,000</b>	(874,554)
Profit for the period attributable to equity holders of the Company		<b>7,426,024</b>	8,652,883
Dividend		–	–
		<b>7,426,024</b>	8,652,883
Earnings per share	6		
Basic		<b>19.04 cents</b>	22.19 cents
Diluted		<b>19.00 cents</b>	22.09 cents

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the three months ended 31st March, 2009 and 2008*

	<b>Three months ended</b>	
	<b>31st March,</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	<b>HK\$</b>
<b>Profit for the period</b>	<b>7,426,024</b>	8,652,883
<b>Other comprehensive income</b>		
Fair value changes on available-for-sale financial assets recognized in equity	<u>777,343</u>	<u>–</u>
<b>Total comprehensive income attributable to equity holders of the Company</b>	<b><u>8,203,367</u></b>	<b><u>8,652,883</u></b>

The notes on pages 10 to 17 form part of these interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the three months ended 31st March, 2009 and 2008*

	Unaudited						Total HK\$
	Share capital HK\$	Share premium HK\$	Fair value reserve HK\$	Share option reserve HK\$	Proposed dividend HK\$	Retained profits/ accumulated losses 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	–	–	–	–	–	7,426,024	7,426,024
Fair value changes on available-for-sale financial assets recognised in equity	–	–	777,343	–	–	–	777,343
Total recognised income for the period	–	–	777,343	–	–	7,426,024	8,203,367
Share option scheme							
– value of employee services	–	–	–	–	–	–	–
– placing agent services	–	–	–	–	–	–	–
Transfer of reserve upon exercise of share options	–	–	–	–	–	–	–
Issue of shares	–	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	–	–
Proposed dividend transferred to current liabilities upon approval of shareholders at annual general meeting	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
<b>Balance at 31st March, 2009</b>	<b>39,002,615</b>	<b>170,354,945</b>	<b>6,418,736</b>	<b>1,350,000</b>	<b>–</b>	<b>(25,381,165)</b>	<b>191,745,131</b>
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	–	–	–	–	–	8,652,883	8,652,883
Fair value changes on available-for-sale financial assets recognised in equity	–	–	–	–	–	–	–
Total recognised income for the period	–	–	–	–	–	8,652,883	8,652,883
Share option scheme							
– value of employee services	–	–	–	–	–	–	–
Proposed dividend transferred to current liabilities upon approval of shareholders at annual general meeting	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
<b>Balance at 31st March, 2008</b>	<b>39,002,615</b>	<b>170,354,945</b>	<b>15,268,766</b>	<b>1,007,000</b>	<b>6,630,444</b>	<b>64,436,208</b>	<b>296,699,978</b>

The notes on pages 10 to 17 form part of these interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

*For the three months ended 31st March, 2009*

	<b>Three months ended 31st March,</b>	
	<b>2009</b>	2008
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
<b>Operating activities</b>		
Profit before taxation	6,568,024	9,527,437
Interest income	(246,795)	(1,437,970)
Financial costs	–	81
Dividend income from available-for-sale financial assets	(3,000,000)	(300,000)
Depreciation of property, plant and equipment	10,792	6,250
Fair value changes on financial assets at fair value through profit or loss	(13,736,179)	(5,300,329)
Impairment loss on available-for-sale financial assets – deposits on investment written off	507,145	–
Impairment loss on loans and receivable	7,610,238	–
	<hr/>	<hr/>
(Loss) profit before working capital changes	(2,286,775)	2,495,469
Decrease in financial assets at fair value through profit or loss	–	16,430,401
Decrease (increase) in accounts receivable and prepayments	67,505	(4,562,483)
Decrease in accounts payable and accruals	(570,640)	(252,509)
	<hr/>	<hr/>
Cash (used in) generated from operations	(2,789,910)	14,110,878
Interest paid	–	(81)
Hong Kong tax paid	–	(166,817)
	<hr/>	<hr/>
<b>Net cash (used in) from operating activities</b>	<b>(2,789,910)</b>	<b>13,943,980</b>
	<hr/>	<hr/>
Interest received	69,836	771,574
Dividend income from available-for-sale financial assets	3,000,000	300,000
Advances to investee companies	–	(1,100,000)
Repayment from investee companies	–	253,900
Purchase of property, plant and equipment	–	(967)
Purchase of available-for-sale financial assets	–	–
	<hr/>	<hr/>
<b>Net cash from investing activities</b>	<b>3,069,836</b>	<b>224,507</b>
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)**

*For the three months ended 31st March, 2009*

	<b>Three months ended 31st March,</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	<b>HK\$</b>
<b>Financing activities</b>		
Dividend paid	—	—
	<hr/>	<hr/>
<b>Net cash from financing activities</b>	<b>—</b>	<b>—</b>
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>279,926</b>	14,168,487
<b>Cash and cash equivalents at 1st January</b>	<b>10,252,785</b>	21,698,184
	<hr/>	<hr/>
<b>Cash and cash equivalents at 31st March</b>	<b>10,532,711</b>	35,866,671
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Bank balances and cash	10,532,711	35,866,671
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The notes on pages 10 to 17 form part of these interim financial statements.

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**NOTES TO THE UNAUDITED 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 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, convertible notes, issued by corporate entities. Total revenue and other gains recognised during the period are as follows:

	<b>Three months ended 31st March,</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	<b>HK\$</b>
<b>Turnover:</b>		
Interest income from		
– bank deposits	6,795	171,574
– loans receivable	240,000	1,266,396
Dividend income from		
– listed investments	–	–
– unlisted investments	3,000,000	300,000
	<b>3,246,795</b>	1,737,970
<b>Other revenue:</b>		
Sundry income	67,119	230,434
	<b>67,119</b>	230,434
<b>Other gains and (losses):</b>		
Exchange gain	3,387	–
Fair value changes on financial assets		
at fair value through profit or loss	13,736,179	5,300,329
Net realised gain on disposal of financial assets		
at fair value through profit or loss	–	5,739,119
Impairment loss on loans and receivable	(7,610,238)	–
Impairment loss on available-for-sale financial assets		
– deposits on investment written off	(507,144)	–
	<b>5,622,184</b>	11,039,448
	<b>8,936,098</b>	13,007,852

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

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)**

**3. Operating profit**

Operating profit has been arrived at after charging the following:

	<b>Three months ended 31st March, 2009 (Unaudited) HK\$</b>	<b>2008 (Unaudited) HK\$</b>
Management fees	<b>849,428</b>	1,082,570
Pension costs – contributions to defined contribution plan	<b>25,856</b>	42,954
Operating lease in respect of land and buildings	<b>527,340</b>	710,651

**4. Finance costs**

Amount represents interest on bank overdraft and interest on interest-bearing borrowings.

**5. Income tax credit (expenses)**

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

	<b>Three months ended 31st March, 2009 (Unaudited) HK\$</b>	<b>2008 (Unaudited) HK\$</b>
Current tax		
Hong Kong profits tax		
Provision for the current period	–	874,554
Deferred taxation	<b>(858,000)</b>	–
	<b>(858,000)</b>	874,554

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)**

**6. Earnings per share**

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

	<b>Three months ended 31st March, 2009 (Unaudited) HK\$</b>	<b>2008 (Unaudited) HK\$</b>
Profit attributable to shareholders of the Company	<b>7,426,024</b>	8,652,883
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	<b>39,002,614</b>	39,002,614
Potential dilutive shares – share options	<b>84,951</b>	167,530
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	<b>39,087,565</b>	39,170,144
	<b>HK cents</b>	HK cents
Basic earnings per share	<b>19.04</b>	22.19
Diluted earnings per share	<b>19.00</b>	22.09

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

Diluted earnings per share is calculated based on the profit attributable to shareholders, and the weighted average number of ordinary shares in issue during the period after adjusting for the number of diluted potential ordinary shares granted under the Company's share option scheme.

**7. Property, plant and equipment**

	<b>As at 31st March, 2009 (Unaudited) HK\$</b>	<b>As at 31st December, 2008 (Audited) HK\$</b>
Furniture and fixture	<b>423,022</b>	423,022
Motor vehicle	<b>528,200</b>	528,200
Office equipment	<b>453,996</b>	453,996
Leasehold improvements	<b>917,606</b>	917,606
	<b>2,322,824</b>	2,322,824
Accumulated depreciation	<b>2,196,730</b>	2,185,938
Carrying amount	<b>126,094</b>	136,886

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)**

**8. Accounts receivable and prepayments**

	As at 31st March, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Accounts receivable	5,083,664	5,184,826
Loan receivable, secured	8,000,000	8,000,000
Interests receivable	5,605,974	5,429,015
Other receivables	8,878	9,448
	<u>18,698,516</u>	<u>18,623,289</u>
Deposits	606,883	606,883
Prepayments	187,397	153,170
	<u>19,492,796</u>	<u>19,383,342</u>

The loan receivable is interest-bearing.

The ageing analysis of the receivables is as follows:

	As at 31st March, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Current	16,646,993	16,710,603
Balances overdue between:		
1 – 180 days	482,165	411,393
180 – 365 days	488,963	384,208
Over 1 year but less than 2 years	883,113	919,803
Over 2 years	197,282	197,282
	<u>2,051,523</u>	<u>1,912,686</u>
	<u>18,698,516</u>	<u>18,623,289</u>

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)**

**9. Accounts payable**

	As at 31st March, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Accounts payable	–	–
Accruals	1,141,485	1,712,125
Unclaimed dividend payable	74,530	74,530
	<u>1,216,015</u>	<u>1,786,655</u>

The ageing analysis of the accounts payable is as follows:

	As at 31st March, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Current	1,141,485	1,712,125
Over 1 year	74,530	74,530
	<u>1,216,015</u>	<u>1,786,655</u>

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

10. Share capital

	<b>Number of shares</b>	<b>Amount HK\$</b>
<b>Authorised:</b>		
Ordinary shares of HK\$1 each at 31st December, 2008 (audited) and 31st March, 2009 (unaudited)	100,000,000	100,000,000
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
	<b>Number of shares</b>	<b>Amount HK\$</b>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$1 each at 31st December, 2008 (audited) and at 31st March, 2009 (unaudited)	39,002,614	39,002,615
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

The 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 shares consolidation on 14th December, 2006 had not been issued to its then shareholders.

11. Share Option Scheme

The Company has adopted 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.

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)**

**11. Share Option Scheme (Continued)**

The terms and conditions of the unexpired and unexercised share options at 31st March, 2009 are as follows:

	Date of grant	Exercise period	Number of options		Exercise price HK\$	
			Outstanding as at 1st January, 2009	Granted during the period		
<b>Directors</b>						
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
<b>Sub-total</b>			460,000	–	460,000	
<b>Other employees in aggregate</b>	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
<b>Sub-total</b>			1,106,047	–	1,106,047	
<b>Maison Placements Canada Inc</b>	18/6/2007	18/6/2007 – 17/6/2010	290,000	–	290,000	6.03
<b>CanCap Advisory Services Ltd</b>	18/8/2008	18/8/2008 – 17/8/2011	50,000	–	50,000	5.10
<b>Sub-total</b>			340,000	–	340,000	
<b>Grand-total</b>			<u>1,906,047</u>	<u>–</u>	<u>1,906,047</u>	

On 18th August, 2008, the Company granted 522,047 and 50,000 share options to three employees and a corporate development advisor respectively at an exercise price of HK\$5.1 per share representing 1.5% of the issued share capital of the Company as at 30th September, 2008. During the period, no share options were exercised, lapsed or cancelled under the Share Option Scheme.



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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

**12. Related party transactions**

	<b>Three months ended 31st March, 2009 (Unaudited) HK\$</b>	<b>2008 (Unaudited) HK\$</b>
Management fees paid to:		
– Harmony Asset Management Limited (“HAML”)	<b>849,428</b>	<b>1,082,570</b>

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 agreement together with a supplemental agreement entered into between the Company and HAML on 17th May, 2008. HAML has agreed to assist the Board with the day-to-day management of the Group until 31st May, 2010. In accordance with the investment management agreement, HAML is entitled to a monthly 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 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, is interested in this agreement.

**13. Lease commitments**

As at 31st March, 2009, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>As at 31st March, 2009 (Unaudited) HK\$</b>	<b>As at 31st December, 2008 (Audited) HK\$</b>
Within one year	<b>2,109,360</b>	2,109,360
In the second to fifth years inclusive	<b>87,890</b>	615,230
	<b>2,197,250</b>	<b>2,724,590</b>

The Group leases an office and an incubation centre 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. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

**14. Approval of the unaudited interim financial statements**

The unaudited interim financial statements were approved and authorised for issue by the Board on 15th May, 2009.