



Harmony Asset Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 428



INTERIM REPORT

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INTERIM RESULTS FOR 2007

FINANCIAL HIGHLIGHTS

The financial highlights of Harmony Asset Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30th June, 2007 are summarised as follows:

- Turnover of the Group for the six months ended 30th June, 2007 was HK\$2,624,708 as compared to HK\$1,282,808 in the same period last year, a 104.6% increase.
- Profit attributable to shareholders for the six months ended 30th June, 2007 was HK\$22,416,187 as compared to HK\$9,999,854 in the same period last year, a 124.17% increase.
- Earnings per share of the Group was HK cents 75.01 (2006: HK cents 34.22) for the six months ended 30th June, 2007.

INTERIM RESULTS

The Board of Directors (the “Board”) of the Company is pleased to present the interim report and condensed accounts (“interim financial statements”) of the Group for the six months ended 30th June, 2007. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th June, 2007, and the consolidated balance sheet of the Group as at 30th June, 2007, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 11 to 26 of this Report.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th June 2007 (2006: Nil).

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 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, 2007, the Group recorded a turnover of HK\$2,624,708 as compared to HK\$1,282,808 in the same period last year, a 104.6% increase. The interest income was HK\$1,494,708 (2006: HK\$1,147,542). Dividend received from unlisted investments was HK\$1,130,000 (2006: HK\$135,266). Gain on disposal of listed investment was HK\$1,436,387 (2006: HK\$3,403,625). The fair value gain on listed investments was HK\$29,800,322 (2006: HK\$1,951,241). The profit before income tax was HK\$25,662,700 as compared to HK\$9,999,854 in the same period last year, a 156.63% increase. The profit attributable to shareholders was HK\$22,416,187 as compared to HK\$9,999,854 in the same period last year, a 124.17% increase.

On 18th June, 2007, the Group had successfully expanded its shareholder base in Canada through a placing agent. On 29th June, 2007, the application for dual-listing on the Toronto Stock Exchange ("TSX") in Canada was approved.

Looking forward, the Group continues focus on investing in private companies which have high potential for earning growth and capital appreciation in China as well as increasing in the portfolio of listed securities on undervalued and discounted shares.

Financial review*Liquidity and financial resources*

The Group had available bank balances and cash of HK\$49,359,451 (31st December, 2006: HK\$18,715,933) 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\$250,343,024 at 30th June, 2007 compared to HK\$190,444,519 at 31st December, 2006.

At present, the Group has unutilised banking facilities of HK\$3,000,000 and requires no significant 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, 2007, the Group had no borrowing.

The Group did not have capital expenditure commitment as at 30th June, 2007.

Capital Structure

On 18th June, 2007, the Group issued 8,766,140 new shares to third parties in Canada through a placing agent. The Board approved the placement of shares at a price of CDN\$0.70 per share. After completion of the placement of shares, a gross proceeds of CDN\$6,136,298 (equivalent: HK\$44,794,975) was received by the Company.

On 30th April, 2007, 1,044,000 share options were granted to the Company's directors and employees. On 22nd June, 2007, 1,016,000 share options granted on 17th January, 2006 were exercised by the directors and employees which resulted in 1,016,000 new shares issued by the Company at HK\$2.75 per share. The Company received HK\$2,794,000 from the issue of new shares upon exercise of share options.

On 18th June, 2007, another 290,000 share options were granted to the placing agent at an exercise price of HK\$6.03 per share.

The fair values of 1,044,000 and 290,000 share options granted were valued by an independent valuer which amounted to HK\$762,000 and HK\$245,000 respectively as at the date of grant.

Significant investments held and their performance

In the past six months, the Group had acquired three listed securities in the amount of HK\$6,287,765 as well as selling two listed securities at HK\$6,274,900. The gain on disposal of listed securities was HK\$1,436,387. Fair value gained on listed investments was HK\$29,800,322.

During the period, the Group received a cash dividend of HK\$1,130,000 from the unlisted investments. Interest income of HK\$1,494,708 was received from the bank deposits and loans receivable. An impairment loss of HK\$3,308,261 was recognised on loans receivable.

Employees and remuneration policies

As at 30th June, 2007, 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

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

Seasonality/cyclicality of interim operation

The management is not aware of any significant seasonal and cyclical factors which affect the Group's interim operations and 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, 2007, 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, 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

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 unaudited interim financial statements.

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, 2007, 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, 2007
	Personal interests [#]	Family interests	Corporate interests [*]	Other interests		
Lee Fong Lit David	28,000	-	7,200,315 (Note)	-	7,228,315 (Note)	18.53%
Ho Man Kai Anthony	32,000	-	-	-	32,000	0.08%
Chow Pok Yu Augustine	28,000	-	-	-	28,000	0.07%
Lam Andy Siu Wing, JP	292,000	-	-	-	292,000	0.75%
Tong Kim Weng Kelly	28,000	-	-	-	28,000	0.07%

[#] 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.

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 of equity derivatives of the Company

Director	Date of grant	Exercise period	Number of	Number of	Exercise price HK\$	Percentage
			outstanding options as at 1st January, 2007	outstanding options as at 30th June, 2007		of issued share capital as at 30th June, 2007
Lee Fong Lit David	17/1/2006	17/1/2006 – 16/1/2009	28,000	–	2.75	–
	30/4/2007	30/4/2007 – 29/4/2010	–	28,000	4.29	0.07%
Chow Pok Yu Augustine	17/1/2006	17/1/2006 – 16/1/2009	28,000	–	2.75	–
	30/4/2007	30/4/2007 – 29/4/2010	–	28,000	4.29	0.07%
Lam Andy Siu Wing, JP	17/1/2006	17/1/2006 – 16/1/2009	292,000	–	2.75	–
	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	17/1/2006	17/1/2006 – 16/1/2009	28,000	–	2.75	–
	30/4/2007	30/4/2007 – 29/4/2010	–	28,000	4.29	0.07%
Ho Man Kai Anthony	17/1/2006	17/1/2006 – 16/1/2009	28,000	–	2.75	–
	30/4/2007	30/4/2007 – 29/4/2010	–	28,000	4.29	0.07%
Wong Yun Kuen	17/1/2006	17/1/2006 – 16/1/2009	28,000	–	2.75	–
	30/4/2007	30/4/2007 – 29/4/2010	–	28,000	4.29	0.07%
Total			<u>432,000</u>	<u>460,000</u>		

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

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

At 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.

Save as disclosed above, as at 30th June, 2007, 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, 2007, 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 ordinary shares
			of the Company as at 30th June, 2007
ABC Dirt-Cheap Stock Fund	Beneficial owner	4,042,500	10.36%
Dynamic Global Value Class Fund	Beneficial owner	4,042,500 (Note)	10.36%

Note: 4,042,500 shares includes 1,703,000 shares held by Dynamic Far East Value Fund, which was 100% controlled by Dynamic Global Value Class Fund.

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, 2007.

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, 2007, 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 unaudited interim report for the six months ended 30th June, 2007 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

Peter Lee Yip Wah

Secretary

Hong Kong, 14th August, 2007

NOTICE TO READER

The management of Harmony Asset Limited is responsible for the preparation of the accompanying 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Note	Six months ended 30th June,		Three months ended 30th June,	
		2007	2006	2007	2006
		(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Turnover	2	2,624,708	1,282,808	760,878	801,950
Other revenue and gains	2	32,583,914	14,462,280	32,071,078	7,549,278
		35,208,622	15,745,088	32,831,956	8,351,228
Operating expenses					
Depreciation of property, plant and equipment		(129,565)	(149,964)	(52,131)	(74,982)
Employee benefit expenses		(1,688,851)	(1,910,131)	(1,245,555)	(1,410,989)
Other operating expenses		(4,419,245)	(3,545,175)	(2,841,427)	(1,528,213)
Impairment loss on loans receivable		(3,308,261)	-	(3,308,261)	-
Operating profit	3	25,662,700	10,139,818	25,384,582	5,337,044
Finance costs	4	-	(139,964)	-	(11,142)
Profit before income tax		25,662,700	9,999,854	25,384,582	5,325,902
Income tax expenses	5	(3,246,513)	-	(3,246,513)	-
Profit for the period attributable to shareholders of the Company		22,416,187	9,999,854	22,138,069	5,325,902
Earnings per share	7				
Basic		75.01 cents	34.22 cents	74.08 cents	18.23 cents
Diluted		74.81 cents	34.05 cents	73.88 cents	18.13 cents

The notes on pages 15 to 26 form part of these interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2007 AND 31ST DECEMBER, 2006

	Note	30th June, 2007 (Unaudited) HK\$	31st December, 2006 (Audited) HK\$
Non-current assets			
Property, plant and equipment		282,020	370,792
Available-for-sale financial assets		45,455,053	43,228,573
Loans receivable		68,473,993	71,533,757
		114,211,066	115,133,122
Current assets			
Accounts receivable and prepayments	8	15,565,329	19,278,075
Financial assets at fair value through profit or loss		76,147,924	44,868,350
Bank balances and cash		49,359,451	18,715,933
		141,072,704	82,862,358
Current liabilities			
Accounts payable	9	1,572,731	7,429,459
Tax payable		3,368,015	121,502
		4,940,746	7,550,961
Net current assets		136,131,958	75,311,397
Net assets		250,343,024	190,444,519
Capital and reserves			
Share capital	10	39,002,615	29,220,475
Reserves		211,340,409	161,224,044
Total equity		250,343,024	190,444,519

The notes on pages 15 to 26 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007 AND 2006

	Unaudited						
	Share capital HK\$	Share premium HK\$	Fair value reserve HK\$	Share option reserve HK\$	Proposed dividend HK\$	Retained profits/ (accumulated losses) HK\$	Total HK\$
At 1st January, 2007	29,220,475	143,516,834	7,540,170	908,000	4,383,071	4,875,969	190,444,519
Profit for the period	-	-	-	-	-	22,416,187	22,416,187
Fair value changes on available-for-sale financial assets recognised in equity	-	-	766,279	-	-	-	766,279
Total recognised income for the period	-	-	766,279	-	-	22,416,187	23,182,466
Share option scheme							
- value of employee services	-	-	-	762,000	-	-	762,000
- placing agent services	-	(245,000)	-	245,000	-	-	-
Transfer of reserve upon exercise of share options	-	908,000	-	(908,000)	-	-	-
Issue of shares	9,782,140	37,806,835	-	-	-	-	47,588,975
Share issue expenses	-	(7,251,865)	-	-	-	-	(7,251,865)
Proposed dividend transferred to current liabilities upon approval of shareholders at annual general meeting	-	-	-	-	(4,383,071)	-	(4,383,071)
	9,782,140	31,217,970	-	99,000	(4,383,071)	-	36,716,039
Balance at 30th June, 2007	39,002,615	174,734,804	8,306,449	1,007,000	-	27,292,156	250,343,024
At 1st January, 2006	29,220,475	147,899,905	(6,034,732)	-	4,383,071	(5,809,313)	169,659,406
Profit for the period	-	-	-	-	-	9,999,854	9,999,854
Fair value changes on available-for-sale financial assets recognised in equity	-	-	1,760,875	-	-	-	1,760,875
Total recognised income for the period	-	-	1,760,875	-	-	9,999,854	11,760,729
Share option scheme							
- value of employee services	-	-	-	908,000	-	-	908,000
Proposed dividend transferred to current liabilities upon approval of shareholders at annual general meeting	-	-	-	-	(4,383,071)	-	(4,383,071)
	-	-	-	908,000	(4,383,071)	-	(3,475,071)
Balance at 30th June, 2006	29,220,475	147,899,905	(4,273,857)	908,000	-	4,190,541	177,945,064

The notes on pages 15 to 26 form part of these interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Six months ended 30th June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Net cash (used in) from operating activities	(7,392,553)	45,478,511
Net cash from (used in) investing activities	2,082,032	(11,097,711)
Net cash from (used in) financing activities	35,954,039	(11,879,278)
Net increase in cash and cash equivalents	30,643,518	22,501,522
Cash and cash equivalents at 1st January	18,715,933	5,111,090
Cash and cash equivalents at 30th June	49,359,451	27,612,612
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	49,359,451	27,612,612

The notes on pages 15 to 26 form part of these interim financial statements.

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, 2006. 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, 2006.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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:

	Six months ended 30th June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Turnover:		
Interest income from		
– bank deposits	290,053	249,542
– loans receivable	1,204,655	804,301
– convertible notes	–	93,699
Dividend income from		
– listed investments	–	–
– unlisted investments	1,130,000	135,266
	2,624,708	1,282,808
Other revenue and gains:		
Fair value changes on financial assets at fair value through profit or loss	29,800,322	1,951,241
Net realised gain on disposal of financial assets at fair value through profit or loss	1,436,387	3,403,625
Net realised gain on disposal of available-for-sale financial assets	800,000	–
Reversal of impairment loss on accounts receivable	–	8,300,000
Exchange gain, net	–	3,827
Sundry income	547,205	803,587
	32,583,914	14,462,280
Total revenue and gains	35,208,622	15,745,088

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. Operating profit

Operating profit has been arrived at after charging the following:

	Six months ended 30th June	
	2007 (Unaudited) HK\$	2006 (Unaudited) <i>HK\$</i>
Management fees	1,452,234	1,289,067
Pension costs – contributions to defined contribution plan	41,149	39,363
Operating lease in respect of land and buildings	952,956	671,483
Equity-settled share-based payment expenses	762,000	908,000
Impairment loss on loans receivable	<u>3,308,261</u>	<u>–</u>

4. Finance costs

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

5. Income tax expenses

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the period.

	Six months ended 30th June	
	2007 (Unaudited) HK\$	2006 (Unaudited) <i>HK\$</i>
Hong Kong profits tax	<u>3,246,513</u>	<u>–</u>

6. Dividend

The directors of the Company do not recommend any payment of interim dividend for the six months ended 30th June, 2007 (2006: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. Earnings per share

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

	Six months ended 30th June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Profit attributable to shareholders of the Company	22,416,187	9,999,854
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	29,883,766	29,220,474
Potential dilutive shares – share options	80,689	148,947
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	29,964,455	29,369,421
	HK cents	HK cents
Basic earnings per share	75.01	34.22
Diluted earnings per share	74.81	34.05

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.

The calculation of earnings per share for the six months ended 30th June, 2006 has been adjusted for 5-for-1 share consolidation which took place on 14th December, 2006.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

8. Accounts receivable and prepayments

	As at 30th June, 2007 (Unaudited) HK\$	As at 31st December, 2006 (Audited) HK\$
Accounts receivable	2,776,182	6,471,880
Loan receivable, secured	8,000,000	8,000,000
Interests receivable	3,751,803	2,547,148
Other receivables	10,000	8,000
	14,537,985	17,027,028
Deposits	796,994	469,790
Prepayments	230,350	1,781,257
	15,565,329	19,278,075

The loan receivable is interest-bearing.

The ageing analysis of the receivables is as follows:

	Current	30-60 days	61-90 days	Over 90 days	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Balance at					
30th June, 2007	<u>1,216,842</u>	<u>228,584</u>	<u>220,674</u>	<u>12,871,885</u>	<u>14,537,985</u>
Balance at					
31st December, 2006	<u>5,393,818</u>	<u>284,021</u>	<u>421,842</u>	<u>10,927,347</u>	<u>17,027,028</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9. Accounts payable

	As at 30th June, 2007 (Unaudited) HK\$	As at 31st December, 2006 (Audited) HK\$
Accounts payable	1,324,846	5,000,000
Accruals	149,084	2,427,501
Unclaimed dividend payable	98,801	1,958
	<u>1,572,731</u>	<u>7,429,459</u>

The ageing analysis of the accounts payable is as follows:

	Current	30-60 days	61-90 days	Over 90 days	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Balance at 30th June, 2007	<u>1,465,312</u>	<u>-</u>	<u>-</u>	<u>107,419</u>	<u>1,572,731</u>
Balance at 31st December, 2006	<u>7,402,038</u>	<u>-</u>	<u>-</u>	<u>27,421</u>	<u>7,429,459</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. Share capital

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.2 each at 1st January, 2006	500,000,000	100,000,000
Share consolidation on 14th December, 2006 (Note a)	<u>(400,000,000)</u>	<u>–</u>
Ordinary shares of HK\$1 each at 31st December, 2006 and 30th June, 2007	<u>100,000,000</u>	<u>100,000,000</u>
	Number of shares	Amount HK\$
Issued and fully paid:		
Ordinary shares of HK\$0.2 each at 1st January, 2006	146,102,374	29,220,475
Share consolidation on 14th December, 2006 (Note a)	<u>(116,881,900)</u>	<u>–</u>
Ordinary shares of HK\$1 each at 31st December, 2006	29,220,474	29,220,475
Issue of shares of HK\$1 each (Note b)	<u>9,782,140</u>	<u>9,782,140</u>
Ordinary shares of HK\$1 each at 30th June, 2007	<u>39,002,614</u>	<u>39,002,615</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. Share capital (continued)

Note:

(a) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 13th December, 2006, 5 shares (issued and unissued) of the Company of HK\$0.2 each were consolidated into 1 new share of the Company of HK\$1 each with effect on 14th December, 2006.

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

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

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. Share option scheme (continued)

The terms and conditions of the unexpired and unexercised share options at 30th June, 2007 are as follows:

	Date of grant	Exercise period	Number of options				Exercise price HK\$
			As at 1st January, 2007	Granted during the period	Exercise during the period	As at 30th June, 2007	
Director							
Lee Fong Lit David	17/1/2006	17/1/2006 – 16/1/2009	28,000	-	28,000	-	2.75
	30/4/2007	30/4/2007 – 29/4/2010	-	28,000	-	28,000	4.29
Chow Pok Yu Augustine	17/1/2006	17/1/2006 – 16/1/2009	28,000	-	28,000	-	2.75
	30/4/2007	30/4/2007 – 29/4/2010	-	28,000	-	28,000	4.29
Lam Andy Siu Wing, JP	17/1/2006	17/1/2006 – 16/1/2009	292,000	-	292,000	-	2.75
	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	17/1/2006	17/1/2006 – 16/1/2009	28,000	-	28,000	-	2.75
	30/4/2007	30/4/2007 – 29/4/2010	-	28,000	-	28,000	4.29
Ho Man Kai Anthony	17/1/2006	17/1/2006 – 16/1/2009	28,000	-	28,000	-	2.75
	30/4/2007	30/4/2007 – 29/4/2010	-	28,000	-	28,000	4.29
Wong Yun Kuen	17/1/2006	17/1/2006 – 16/1/2009	28,000	-	28,000	-	2.75
	30/4/2007	30/4/2007 – 29/4/2010	-	28,000	-	28,000	4.29
Sub-total			432,000	460,000	432,000	460,000	
Contracted employees in aggregate	17/1/2006	17/1/2006 – 16/1/2009	584,000	-	584,000	-	2.75
	30/4/2007	30/4/2007 – 29/4/2010	-	584,000	-	584,000	4.29
Sub-total			1,016,000	1,044,000	1,016,000	1,044,000	
Maison Placements Canada Inc	18/6/2007	18/6/2007 – 17/6/2009	-	290,000	-	290,000	6.03
Grand-total			1,016,000	1,334,000	1,016,000	1,334,000	

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. Share option scheme (continued)

Notes:

1. The weighted average closing price of the share immediately before the date on which the options were exercised was HK\$5.86.
2. The closing price of share immediately before the dates of grant on 30th April, 2007 and 18th June, 2007 were HK\$4.23 and HK\$6.02 respectively.
3. During the period, no share options were lapsed or cancelled under the Share Option Scheme.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the options is measured based on the Black-Scholes Options Pricing Model.

The variables of the options served as inputs into the model are listed as follows:

Grant date/Date of valuation	30th April, 2007	18th June, 2007
Option type	American	American
Stock asset price (closing on the date of valuation) (HK\$)	4.29	6.01
Option exercise price (HK\$)	4.29	6.03
Exercise period	30th April, 2007 to 29th April, 2010	18th June, 2007 to 17th June, 2009
Maturity (Year)	Three	Two
Assumed life of option from the date of valuation (years)	1.5	1
Risk-free interest rate (Note a)	3.942%	4.17%
Annualised volatility (Note b)	35.3%	35.46%
Indicated option value (HK\$/share)	0.7297	0.8449
Volume (No. of share, before share consolidation), if exercise	1,044,000	290,000
Fair value of options granted (HK\$)	762,000	245,000

Note:

- (a) Risk-free rate: The applicable risk-free interest rate was the yield of one year and two years Hong Kong Monetary Authority exchange fund notes quoted at the date of valuation.
- (b) Volatility: The conventional measure for systemic risk, or price volatility, is the standard deviation, which is a measure of price dispersion or variation. This variable is just the average of the square of the difference between share price and mean price over time.

The estimated fair values of HK\$762,000 (2006: HK\$908,000) and HK\$245,000 (2006: nil) with respect to share options granted to directors and employees, and the placing agent, were charged to income statement and share premium respectively during the period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. Management contracts

	Six months ended 30th June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees paid to:		
– Harmony Asset Management Limited (“HAML”)	<u>1,452,234</u>	<u>1,289,067</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 agreement, 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 Company 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). Dr. Chow Pok Yu Augustine, being a beneficial shareholder of HAML, was interested in this agreement.

13. Lease commitments

As at 30th June, 2007, 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,
	2007	2006
	(Unaudited)	(Audited)
	HK\$	HK\$
Within one year	2,842,605	727,739
In the second to fifth years inclusive	<u>3,920,681</u>	<u>309,873</u>
	<u>6,763,286</u>	<u>1,037,612</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. Lease commitments (continued)

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 14th August, 2007.