



HARMONY ASSET LIMITED

亨亞有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 428)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

FINANCIAL HIGHLIGHTS

The financial highlights of Harmony Asset Limited and its subsidiaries 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 Harmony Asset Limited (the “Company”) is pleased to announce the unaudited, condensed, consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2007 with comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Six months ended 30th June,		Three months ended 30th June,	
		2007 (Unaudited) <i>HK\$</i>	2006 (Unaudited) <i>HK\$</i>	2007 (Unaudited) <i>HK\$</i>	2006 (Unaudited) <i>HK\$</i>
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					
Basic	6	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

CONDENSED CONSOLIDATED BALANCE SHEET

	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
	<u>114,211,066</u>	<u>115,133,122</u>
Current assets		
Accounts receivable and prepayments	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
	<u>141,072,704</u>	<u>82,862,358</u>
Current liabilities		
Accounts payable	1,572,731	7,429,459
Tax payable	3,368,015	121,502
	<u>4,940,746</u>	<u>7,550,961</u>
Net current assets	<u>136,131,958</u>	<u>75,311,397</u>
Net assets	<u>250,343,024</u>	<u>190,444,519</u>
Capital and reserves		
Share capital	39,002,615	29,220,475
Reserves	211,340,409	161,224,044
Total equity	<u>250,343,024</u>	<u>190,444,519</u>

Notes

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.

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
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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
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Total revenue and gains	35,208,622	15,745,088
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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 in investment holding, and less than 10% of the consolidated turnover, results and assets of the Group are attributable to markets outside Hong Kong.

3. Operating profit

Operating profit has been arrived at after charging the following:

	Six months ended 30th June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$	HK\$
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	3,308,261	–

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	2006
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Hong Kong profits tax	3,246,513	–

6. 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
	<i>Number of shares</i>	<i>Number of shares</i>
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
	<i>HK cents</i>	<i>HK cents</i>
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.

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 MD&A contains forward-looking statements which are subject to risks and uncertainties and other factors that may cause Harmony'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. After completion of the placement of shares, a gross proceeds of CDN\$6,136,298 (HK\$ equivalent: HK\$44,794,975) was received by the Company.

On 30th April, 2007, a further 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.

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.

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.

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 results for the six months ended 30th June, 2007 with the directors.

By Order of the Board
Peter Lee Yip Wah
Secretary

Hong Kong, 14th August, 2007

As at the date of this announcement, the Board of Directors comprises 4 executive directors, namely, Mr. LEE Fong Lit David, Dr. CHOW Pok Yu Augustine, Dr. LAM Andy Siu Wing JP, 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.