



## INTERIM RESULTS FOR 2011

### FINANCIAL HIGHLIGHTS

The financial highlights of Harmony Asset Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30th June, 2011 are summarised as follows:

- Turnover of the Group for the six months ended 30th June, 2011 was HK\$6,873,108 as compared to HK\$9,128,004 in the same period last year, representing a 25% decrease.
- Loss attributable to owners of the Company for the six months ended 30th June, 2011 was HK\$19,284,792 (2010: profit of HK\$21,740,726).
- Basic loss per share of the Group was HK cents 49.37 for the six months ended 30th June, 2011 (2010: the basic earnings per share was HK cents 55.66).



## **INTERIM RESULTS**

The Board of Directors (the “Board”) of the Company presents the interim report and the unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) of the Group for the six months ended 30th June, 2011. The consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity of the Group for the six months ended 30th June, 2011, and the consolidated statement of financial position of the Group as at 30th June, 2011, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 11 to 25 of this interim report.

## **INTERIM DIVIDEND**

The Board resolved not to declare an interim dividend for the six months ended 30th June, 2011 (2010: 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 not have an ongoing obligation to disclose material information as it becomes available.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Business review

For the six months ended 30th June, 2011, the Group recorded a turnover of HK\$6,873,108 as compared to HK\$9,128,004 in the same period last year, representing a 25% decrease.

Interest income was HK\$4,317,341 as compared to HK\$2,160,727 in the same period last year, representing an increase of 100%. Dividends received from investments was HK\$2,555,767 as compared to HK\$6,967,277 in the same period last year, representing a decrease of 63%. Net realised gain on disposals of listed investments and a derivative financial instrument amounted to HK\$4,626,300 as compared to HK\$13,230,926 in the same period last year, representing a decrease of 65%. With the general downturn of the global stock markets in the second quarter of 2011, the Group recorded a net unrealised loss on listed securities of HK\$28,288,912 as compared to HK\$10,336,066 in the same period last year, representing a 174% increase. The Group recorded a net realised gain on disposal of an unlisted investment of HK\$3,420,171 (2010: HK\$11,500,980). Recovery of impairment loss on loans and receivables previously recognised was HK\$1,103,620 (2010: nil). Net exchange gain for the six months ended 30th June, 2011 was HK\$75,237 (2010: loss of HK\$57,090). The Group recorded the turnover, other revenue and other gains and losses in an aggregate loss of HK\$12,163,277 for the six months ended 30th June, 2011 as compared to the total gain of HK\$28,518,472 in same period last year.

For the six months ended 30th June, 2011, the loss before income tax was HK\$19,284,792 as compared to the profit of HK\$21,908,343 in the same period last year. The loss attributable to owners of the Company was HK\$19,284,792 as compared to the profit of HK\$21,740,726 in the same period last year.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Prospects & Future Plan

For the six months ended 30th June, 2011, the uncertainty of the global economy had an adverse effect on the global investment environment. The European financial crisis continues to have a great impact on the Group's overall performance. The unfavourable result in the first half of 2011 further draws the Board's attention on maintaining the prudent policy which is to adopt a defensive investment philosophy and choose investments only in selected fields. The Group remains in investments with an emphasis on undervalued, high-quality private companies. The Group will continue to focus on its core investment pursuits in the fields of resources, real estate development and manufacturing industry in Asia and the greater China region as those sectors are expected to demonstrate continuous, strong growth and capital appreciation.

### Financial review

#### *Liquidity and financial resources*

The Group had available bank balances and cash of HK\$95,917,789 (31st December, 2010: HK\$141,083,888) 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\$284,926,622 at 30th June, 2011 as compared to HK\$309,289,512 at 31st December, 2010, representing a 8% decrease.

At present, the Group's unutilised banking facilities has been revised from HK\$20,000,000 to HK\$10,000,000 and the Group requires no borrowings for investment and capital expenditures. The interest rate charged on the banking facilities is 3% per annum over the applicable Hong Kong Interbank Offered Rate.

As at 30th June, 2011, the Group had no borrowing.

The Group did not have capital expenditure commitment as at 30th June, 2011.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Financial review (Continued)

#### *Capital Structure*

There was no significant change in the Group's capital structure for the six months ended 30th June, 2011.

During the period, no share options were granted, exercised, lapsed or cancelled under the share option scheme, adopted by the Company at annual general meeting on 28th June, 2005.

### Significant investments held and their performance

For the six months ended 30th June, 2011, the Group received interest income in the aggregate amount of HK\$4,317,341 as compared to HK\$2,160,727 in the same period last year, representing a 100% increase. Dividend income generated from the investments was HK\$2,555,767 for the six months ended 30th June, 2011 as compared to HK\$6,967,277 in the same period last year, representing a 63% decrease. Turnover was HK\$6,873,108 for the six months ended 30th June, 2011 as compared to HK\$9,128,004 in the same period last year, representing a 25% decrease. With the general downturn of the global stock markets in the second quarter of 2011, the Group recorded a net unrealised loss on listed securities of HK\$28,288,912 as compared to HK\$10,336,066 in the same period last year, representing a 174% increase. The Group disposed of certain of its publicly traded securities and a derivative financial instrument to obtain a net realised gain of HK\$4,626,300 as compared to HK\$13,230,926 in the same period last year, representing a 65% decrease. The Group recorded a net realised gain on disposal of an unlisted investment of HK\$3,420,171 (2010: HK\$11,500,980). Recovery of impairment loss on loans and receivables previously recognised was HK\$1,103,620 (2010: nil). Net exchange gain for the six months ended 30th June, 2011 was HK\$75,237 (2010: loss of HK\$57,090). The Group recorded the turnover, other revenue and other gains and losses in an aggregate loss of HK\$12,163,277 for the six months ended 30th June, 2011 as compared to the total gain of HK\$28,518,472 in same period last year.

For the six months ended 30th June, 2011, the loss before income tax was HK\$19,284,792 as compared to the profit of HK\$21,908,343 in the same period last year. The loss attributable to owners of the Company was HK\$19,284,792 as compared to the profit of HK\$21,740,726 in the same period last year.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Significant investments held and their performance (Continued)

As at 30th June, 2011, the Group's unlisted investments, which comprised available-for-sale financial assets and loans and receivables, were HK\$109,857,934 as compared to HK\$84,997,871 as at 31st December, 2010, representing a 29% increase. Such increase was the net result of: (1) increase in the fair value of the Group's available-for-sale financial assets by HK\$4,200,865; (2) investment of HK\$13,297,613 in three investments; (3) disposal of an investment with carrying value of HK\$3,420,171; (4) repayment of loans of HK\$2,621,764 received from three investee companies; (5) advance to three investee companies of HK\$12,209,900; and (6) an accrual of interest of HK\$90,000 on the principal of a convertible bond.

As at 30th June, 2011, accounts receivable and prepayments was HK\$28,031,156 as compared to HK\$25,089,549 as at 31st December, 2010, representing a 12% increase. Such increase was primarily due to: (1) financing an amount of HK\$19,800,000 to two investee companies; (2) receipt of accounts receivable in the amount of HK\$16,666,666; and (3) net decrease in prepayment of HK\$191,727.

### Employees and remuneration policies

As at 30th June, 2011, the Group employed a total of 10 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 operating segment i.e. investment holding. Accordingly, the Group's turnover, other revenue, other gains and losses, loss for the period, and total assets are attributable to the segment of investment holding.

### Seasonality/cyclicality of interim operation

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.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Contingent liabilities

As at 30th June, 2011, 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 six months ended 30th June, 2011. 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 Interim Financial Statements.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries 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 of shares in, or debentures of, the Company or its associated corporations.



## 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, 2011, 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 on the Stock Exchange (the "Listing Rules") were as follows:

### 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, 2011
	Personal interests <sup>#</sup>	Family interests	Corporate interests <sup>*</sup>	Other interests		
Lee Fong Lit David	-	-	7,200,315	-	7,200,315 (Note)	18.43%
Ho Man Kai Anthony	60,000	-	-	-	60,000	0.15%

<sup>#</sup> Beneficial owner

<sup>\*</sup> 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 Fong Lit David and Dr. Chow Pok Yu Augustine are 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)**

Save as disclosed above, as at 30th June, 2011, none of the directors and chief executives of the Company had, 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, 2011, 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:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company as at 30th June, 2011</b>
ABC Dirt-Cheap Stock Fund	Beneficial owner	4,042,500	10.35%
Dynamic Global Value Class Fund	Beneficial owner	2,339,500	5.99%



## **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 of the Listing Rules at any time during the six months ended 30th June, 2011.

## **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, 2011, 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, 2011 with the directors.

## **MEMBERS OF THE BOARD**

As at the date hereof, the Board comprises 3 executive directors, namely, Mr. Lee Fong Lit David (Chairman), Dr. Chow Pok Yu Augustine (Chief Executive Officer), and Mr. Chan Shuen Chuen Joseph; one non-executive director, namely, Dr. Lam Andy Siu Wing, JP; 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

**Harmony Asset Limited**

**Lee Fong Lit David**

*Chairman*

Hong Kong, 15th August, 2011



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 STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

	Note	Three months ended 30th June,		Six months ended 30th June,	
		2011 (Unaudited) HK\$	2010 (Unaudited) HK\$	2011 (Unaudited) HK\$	2010 (Unaudited) HK\$
<b>Turnover</b>	2	<b>2,268,269</b>	4,964,362	<b>6,873,108</b>	9,128,004
Other revenue	2	<b>72</b>	30,004	<b>27,199</b>	60,005
Other gains and (losses)	2	<b>(24,620,787)</b>	(3,882,962)	<b>(19,063,584)</b>	19,330,463
		<b>(22,352,446)</b>	1,111,404	<b>(12,163,277)</b>	28,518,472
Employee benefits expenses		<b>(703,460)</b>	(641,775)	<b>(1,247,910)</b>	(1,271,924)
Depreciation of property, plant and equipment		<b>(91,972)</b>	(79,216)	<b>(181,656)</b>	(158,434)
Other operating expenses		<b>(3,234,697)</b>	(3,099,832)	<b>(5,691,949)</b>	(5,179,771)
<b>(Loss) profit before income tax</b>	3	<b>(26,382,575)</b>	(2,709,419)	<b>(19,284,792)</b>	21,908,343
Income tax expense	4	-	(422,302)	-	(167,617)
<b>(Loss) profit for the period attributable to owners of the Company</b>		<b>(26,382,575)</b>	(3,131,721)	<b>(19,284,792)</b>	21,740,726
<b>Other comprehensive income:</b>					
Gains on fair value changes on available-for-sale financial assets		<b>3,534,760</b>	10,619,172	<b>4,200,865</b>	16,031,353
Transfer to profit or loss upon disposals of available-for-sale financial assets		-	(11,500,980)	<b>(3,420,171)</b>	(11,500,980)
		<b>3,534,760</b>	(881,808)	<b>780,694</b>	4,530,373
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>(22,847,815)</b>	(4,013,529)	<b>(18,504,098)</b>	26,271,099
		<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>
<b>(Loss) earnings per share</b>	6				
Basic		<b>(67.55)</b>	(8.02)	<b>(49.37)</b>	55.66
Diluted		<b>(67.55)</b>	(8.02)	<b>(49.37)</b>	55.66

The notes on pages 17 to 25 form part of these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30TH JUNE, 2011 AND 31ST DECEMBER, 2010

	<i>Note</i>	<b>30th June, 2011 (Unaudited) HK\$</b>	31st December, 2010 (Audited) HK\$
<b>Non-current assets</b>			
Property, plant and equipment	7	<b>2,176,927</b>	1,160,398
Available-for-sale financial assets		<b>74,280,138</b>	60,201,831
Loans and receivables		<b>35,577,796</b>	24,796,040
Deferred tax assets		<b>4,002,372</b>	4,002,372
		<b>116,037,233</b>	90,160,641
<b>Current assets</b>			
Accounts receivable and prepayments	8	<b>28,031,156</b>	25,089,549
Trading securities		<b>53,453,045</b>	65,956,302
Derivative financial instruments		<b>758,330</b>	758,330
Bank balances and cash		<b>95,917,789</b>	141,083,888
		<b>178,160,320</b>	232,888,069
<b>Current liabilities</b>			
Accounts payable and accruals	9	<b>6,249,502</b>	6,809,600
Amount due to a related company		–	3,928,169
Tax payable		<b>3,021,429</b>	3,021,429
		<b>9,270,931</b>	13,759,198
<b>Net current assets</b>		<b>168,889,389</b>	219,128,871
<b>Total assets less current liabilities</b>		<b>284,926,622</b>	309,289,512
<b>Net assets</b>		<b>284,926,622</b>	309,289,512
<b>Capital and reserves</b>			
Share capital	10	<b>39,058,615</b>	39,058,615
Reserves		<b>245,868,007</b>	270,230,897
<b>Total equity</b>		<b>284,926,622</b>	309,289,512

The notes on pages 17 to 25 form part of these interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 FOR THE SIX MONTHS ENDED 30TH JUNE, 2011 AND 2010

	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, 2011 (audited)	39,058,615	162,768,326	18,730,736	313,040	5,858,792	82,560,003	309,289,512
Loss for the period	-	-	-	-	-	(19,284,792)	(19,284,792)
Gains on fair value changes on available-for-sale financial assets	-	-	4,200,865	-	-	-	4,200,865
Transfer to profit or loss upon disposals of available-for-sale financial assets	-	-	(3,420,171)	-	-	-	(3,420,171)
Other comprehensive income for the period	-	-	780,694	-	-	-	780,694
Total comprehensive income for the period	-	-	780,694	-	-	(19,284,792)	(18,504,098)
Proposed dividend transferred to current liabilities upon approval of shareholders at annual general meeting	-	-	-	-	(5,858,792)	-	(5,858,792)
<b>At 30th June, 2011 (unaudited)</b>	<b>39,058,615</b>	<b>162,768,326</b>	<b>19,511,430</b>	<b>313,040</b>	<b>-</b>	<b>63,275,211</b>	<b>284,926,622</b>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011 AND 2010

	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, 2010 (audited)	39,058,615	162,768,326	18,310,881	1,034,156	3,905,861	52,422,755	277,500,594
Profit for the period	-	-	-	-	-	21,740,726	21,740,726
Gains on fair value changes on available-for-sale financial assets	-	-	16,031,353	-	-	-	16,031,353
Transfer to profit or loss upon disposals of available-for-sale financial assets	-	-	(11,500,980)	-	-	-	(11,500,980)
Other comprehensive income for the period	-	-	4,530,373	-	-	-	4,530,373
Total comprehensive income for the period	-	-	4,530,373	-	-	21,740,726	26,271,099
Transfer to retained profits upon lapse of share options	-	-	-	(721,116)	-	721,116	-
Proposed dividend transferred to current liabilities upon approval of shareholders at annual general meeting	-	-	-	-	(3,905,861)	-	(3,905,861)
At 30th June, 2010 (unaudited)	39,058,615	162,768,326	22,841,254	313,040	-	74,884,597	299,865,832

The notes on pages 17 to 25 form part of these interim financial statements.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

	<b>Six months ended 30th June,</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	HK\$
<b>Operating activities</b>		
(Loss) profit before income tax	<b>(19,284,792)</b>	21,908,343
Interest income	<b>(4,317,341)</b>	(2,160,727)
Dividend income from available-for-sale financial assets	<b>(2,320,000)</b>	(6,777,082)
Depreciation of property, plant and equipment	<b>181,656</b>	158,434
Fair value changes on financial assets at fair value through profit or loss:		
– trading securities	<b>28,288,912</b>	10,336,066
– derivative financial instruments	–	(6,991,713)
Net realised gain on disposals of available-for-sale financial assets	<b>(3,420,171)</b>	(11,500,980)
Impairment loss on available-for-sale financial assets:		
– equity investment	–	2,000,000
Recovery of impairment loss on loans and receivables previously recognised	<b>(1,103,620)</b>	–
	<b>(1,975,356)</b>	6,972,341
(Loss) profit before working capital changes		
Increase in financial assets at fair value through profit or loss	<b>(15,785,655)</b>	(20,598,938)
Decrease in derivative financial instruments	–	28,314,448
Increase in accounts receivable and prepayments	<b>(2,941,607)</b>	(23,143,724)
Decrease in accounts payable and accruals	<b>(560,098)</b>	(818,893)
Decrease in amount due to a related company	<b>(3,928,169)</b>	(6,028,948)
<b>Net cash used in operating activities</b>	<b>(25,190,885)</b>	(15,303,714)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

	<b>Six months ended 30th June,</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	HK\$
<b>Investing activities</b>		
Interest received	<b>4,227,341</b>	1,791,891
Dividend income from available-for-sale financial assets	<b>2,320,000</b>	6,777,082
Advances to investee companies	<b>(12,209,900)</b>	(788,000)
Repayments from investee companies	<b>2,621,764</b>	989,706
Purchase of property, plant and equipment	<b>(1,198,185)</b>	–
Purchase of available-for-sale financial assets	<b>(13,297,613)</b>	(11,000,000)
Proceeds from disposal of available-for-sale financial asset	<b>3,420,171</b>	1,000,000
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(14,116,422)</b>	(1,229,321)
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<b>Cash used in financing activities</b>		
Dividend paid	<b>(5,858,792)</b>	(3,905,861)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(45,166,099)</b>	(20,438,896)
Cash and cash equivalents at 1st January	<b>141,083,888</b>	98,065,356
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	<b>95,917,789</b>	77,626,460
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>95,917,789</b>	77,626,460
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The notes on pages 17 to 25 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, 2010. The accounting policies and methods of computation 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, 2010.

Adoption of new or revised International Financial Reporting Standards (“IFRSs”) - effective 1st January, 2011:

IFRSs (Amendments)	Improvements to IFRSs 2010
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC – Interpretation 14	Prepayments of a Minimum Funding Requirement
IAS 24 (Revised)	Related Party Disclosures
IFRIC – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of these new or revised IFRSs has no significant impact on the Group’s interim financial statements.

The Group has not early adopted any new or revised IFRSs that have been issued but are not yet effective.



## 2. Turnover, other revenue and other gains and losses

The Group principally invests in securities listed on recognised stock exchanges and unlisted securities, including equity securities and convertible bonds issued by corporate entities. Turnover, other revenue and other gains and losses recognised during the period are as follows:

	<b>Six months ended 30th June,</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	<b>HK\$</b>
<b>Turnover:</b>		
Interest income from		
– bank deposits	<b>370,727</b>	77,377
– loans receivable	<b>3,856,614</b>	2,083,350
– Convertible bond	<b>90,000</b>	–
Dividend income from		
– listed investments	<b>235,767</b>	190,195
– unlisted investments	<b>2,320,000</b>	6,777,082
	<b>6,873,108</b>	9,128,004
<b>Other revenue:</b>		
Sundry income	<b>27,199</b>	60,005
<b>Other gains and (losses):</b>		
Fair value changes on financial assets at fair value through profit or loss:		
– trading securities	<b>(28,288,912)</b>	(10,336,066)
– derivative financial instruments	–	6,991,713
Net realised gain on disposals of		
– trading securities	<b>4,256,029</b>	13,230,926
– derivative financial instrument	<b>370,271</b>	–
Exchange gain (loss), net	<b>75,237</b>	(57,090)
Net realised gain on disposals of available-for-sale financial assets	<b>3,420,171</b>	11,500,980
Recovery of impairment loss on loans and receivables	<b>1,103,620</b>	–
Impairment loss on available-for-sale financial assets	–	(2,000,000)
	<b>(19,063,584)</b>	19,330,463
	<b>(12,163,277)</b>	28,518,472



## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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

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

### 3. (Loss) profit before income tax

(Loss) profit before income tax has been arrived at after charging the following:

	<b>Six months ended 30th June,</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	HK\$
Management fees	<b>2,279,749</b>	2,197,113
Pension costs – contributions to defined contribution plan	<b>60,202</b>	58,139
Operating lease in respect of land and buildings	<b>1,155,123</b>	1,218,975
	<b><u>1,155,123</u></b>	<u>1,218,975</u>

### 4. Income tax expense

No provision for Hong Kong Profits Tax has been made for the six months ended 30th June, 2011 as the Group has no estimated assessable profit for the period. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the six months ended 30th June, 2010.

	<b>Six months ended 30th June,</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	HK\$
Hong Kong Profits Tax		
Provision for current period	–	1,939,709
Deferred taxation	–	(1,772,092)
	<b><u>–</u></b>	<u>167,617</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)****5. Dividend**

The Board does not recommend payment of any interim dividend for the six months ended 30th June, 2011 (2010: nil).

**6. (Loss) earnings per share**

The calculation of basic (loss) and earnings per share is as follows:

	<b>Six months ended 30th June,</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	HK\$
(Loss) profit attributable to owners of the Company	<b>(19,284,792)</b>	21,740,726
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share and diluted (loss) earnings per share	<b>39,058,614</b>	39,058,614
	<b>HK cents</b>	HK cents
(Loss) earnings per share		
Basic	<b>(49.37)</b>	55.66
Diluted	<b>(49.37)</b>	55.66

The calculation of basic (loss) earnings per share is based on the Group's (loss) profit attributable to owners of the Company by the weighted average number of the ordinary shares in issue during the period.

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



## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 7. Property, plant and equipment

	<b>As at 30th June, 2011 (Unaudited) HK\$</b>	As at 31st December, 2010 (Audited) HK\$
Furniture and fixtures	<b>508,809</b>	423,022
Motor vehicle	<b>1,444,000</b>	1,444,000
Office equipment	<b>487,256</b>	465,556
Leasehold improvements	<b>2,008,304</b>	917,606
	<b>4,448,369</b>	3,250,184
Accumulated depreciation	<b>(2,271,442)</b>	(2,089,786)
Carrying amount	<b>2,176,927</b>	1,160,398

### 8. Accounts receivable and prepayments

	<b>As at 30th June, 2011 (Unaudited) HK\$</b>	As at 31st December, 2010 (Audited) HK\$
Accounts receivable	<b>6,932,550</b>	1,907,250
Loans receivable, secured	–	16,666,666
Loans receivable, unsecured	<b>19,800,000</b>	–
Interests receivable	<b>114,260</b>	824,127
Other receivables	<b>290,177</b>	3,616,236
Receivables after allowance for impairment loss	<b>27,136,987</b>	23,014,279
Deposits	<b>750,651</b>	1,511,689
Prepayments	<b>143,518</b>	563,581
	<b>28,031,156</b>	25,089,549

As at 30th June, 2011, the unsecured loans receivable are interest-bearing at annual fixed rate of 24%.

As at 31st December, 2010, the secured loans receivable were interest-bearing at annual fixed rate of 19% to 26.6%.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)****8. Accounts receivable and prepayments (continued)**

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

	<b>As at 30th June, 2011 (Unaudited) HK\$</b>	As at 31st December, 2010 (Audited) HK\$
Balances neither past due nor impaired		
Current	<b>27,136,987</b>	5,575,928
Balances past due between 1 to 180 days but not impaired	–	17,438,351
	<hr/>	<hr/>
Balances not impaired and receivables after allowance for impairment losses	<b>27,136,987</b>	23,014,279
	<hr/> <hr/>	<hr/> <hr/>

**9. Accounts payable and accruals**

	<b>As at 30th June, 2011 (Unaudited) HK\$</b>	As at 31st December, 2010 (Audited) HK\$
Accruals	<b>6,000,462</b>	6,652,308
Unclaimed dividend payable	<b>249,040</b>	157,292
	<hr/>	<hr/>
	<b>6,249,502</b>	6,809,600
	<hr/> <hr/>	<hr/> <hr/>



## 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:

	<b>As at 30th June, 2011 (Unaudited) HK\$</b>	As at 31st December, 2010 (Audited) HK\$
Current	<b>6,174,972</b>	6,735,070
Over 1 year	<b>74,530</b>	74,530
	<b><u>6,249,502</u></b>	<u>6,809,600</u>

### 10. Share capital

	<b>Number of shares</b>	<b>Amount HK\$</b>
<b>Authorised:</b>		
Ordinary shares of HK\$1 each at 31st December, 2010 (audited) and 30th June, 2011 (unaudited)	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$1 each at 31st December, 2010 (audited) and 30th June, 2011 (unaudited)	<u>39,058,614</u>	<u>39,058,615</u>

The nominal amount of the ordinary shares amounting to HK\$39,058,615 is HK\$1 more than the amount calculated based on the 39,058,614 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 annual 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. The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 3,900,261 shares of the Company, being approximately 10% of the issued shares of the Company at the date of refreshment of mandate limit of the Share Option Scheme at the annual general meeting held on 27th May, 2009.

Details of the share options granted under the Share Option Scheme during the six months ended 30th June, 2011 are as follows:

	<b>Date of grant</b>	<b>Exercise period</b>	<b>Number of options Outstanding as at 1st January, 2011 and 30th June, 2011</b>	<b>Exercise price HK\$</b>
<b>Other employees in aggregate</b>	18/8/2008	18/8/2008 – 17/8/2011	<u>522,047</u>	5.10

During the period, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

### 12. Management contracts

	<b>Six months ended 30th June</b>	
	<b>2011</b> <b>(Unaudited)</b> <b>HK\$</b>	2010 (Unaudited) HK\$
Harmony Asset Management Limited ("HAML"):		
– Management fees	<b>2,279,749</b>	2,197,113

On 8th April, 2010, the Company entered into a new investment management agreement with HAML, a company which is wholly-owned by a director of the Company, Dr. Chow Pok Yu Augustine. Under the new investment agreement, HAML has agreed to assist the Board with the day-to-day management of the Group for additional three years until 31st May, 2013. In accordance with the new investment management 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 calculated at 10% of the audited net profit of a financial year (before accrual of the incentive fee) subject to an aggregate cap of HK\$16,919,971 for the year ending 31st December, 2011.

### 13. Lease commitments

At 30th June, 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>As at</b> <b>30th June,</b> <b>2011</b> <b>(Unaudited)</b> <b>HK\$</b>	As at 31st December, 2010 (Audited) HK\$
Within one year	<b>2,777,112</b>	2,497,796
In the second to fifth years inclusive	<b>4,165,668</b>	5,554,224
	<b>6,942,780</b>	8,052,020

The Group leases an office under operating leases. The leases typically run from an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated.

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

The unaudited interim financial statements were approved and authorised for issue by the Board on 15th August, 2011.