



INTERIM RESULTS FOR 2010

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, 2010 are summarised as follows:

- Turnover of the Group for the six months ended 30th June, 2010 was HK\$9,128,004 as compared to HK\$4,749,799 in the same period last year, representing a 92% increase.
- Profit attributable to owners of the Company for the six months ended 30th June, 2010 was HK\$21,740,726 as compared to HK\$93,329,804 in the same period last year, representing a 77% decrease.
- Basic earnings per share of the Group was HK cents 55.66 for the six months ended 30th June, 2010 as compared to HK cents 239.29 in the same period last year, representing a 77% decrease.



INTERIM RESULTS

The Board of Directors (the “Board”) of the Company is pleased to present the interim report and the unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) of the Group for the six months ended 30th June, 2010. 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, 2010, and the consolidated statement of financial position of the Group as at 30th June, 2010, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 11 to 24 of this interim report.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th June, 2010 (2009: HK10 cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Caution regarding forward-looking statements

This Management Discussion and Analysis (“MD&A”) contains forward-looking statements which are subject to risks and uncertainties and other factors that may cause the Company’s results to differ materially from expectations. Actual results may differ materially from those expressed or implied by such forward-looking statements. When reviewing the Company’s forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These include risks relating to market fluctuations, investee performance, foreign exchange fluctuations and other risks. These forward-looking statements speak only as of the date hereof. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update these forward-looking statements. The Company does not have an ongoing obligation to disclose material information as it becomes available.



Business review

For the six months ended 30th June, 2010, the Group recorded a turnover of HK\$9,128,004 as compared to HK\$4,749,799 in the same period last year, representing a 92% increase.

Interest income was HK\$2,160,727 as compared to HK\$249,799 in the same period last year, representing an increase of 765%. Dividends received from investments was HK\$6,967,277 as compared to HK\$4,500,000 in the same period last year, representing an increase of 55%. Net realised gain on disposals of listed investments amounted to HK\$13,230,926 as compared to HK\$7,158,339 in the same period last year, representing an increase of 85%.

With the general downturn of the global stock markets in the second quarter of 2010, the Group recorded a net unrealised loss on listed securities of HK\$10,336,066 for the six months ended 30th June, 2010 as compared to the substantial net unrealised gain of HK\$133,357,913 in the same period last year.

However, the Group managed to dispose some private investments resulting in a net realised gain of HK\$11,500,980 during the period.

The Group's profit before income tax amounted to HK\$21,908,343 as compared to HK\$109,507,775 in the same period last year, representing a 80% decrease. The profit attributable to owners of the Company was HK\$21,740,726 as compared to HK\$93,329,804 in the same period last year, representing a 77% decrease.

Prospects & Future Plan

The six months ended 30th June, 2010 has been a challenging period for the Group. The European financial crisis have had a great impact on the performances of the Group. Despite the slowdown and fluctuations in the stock markets, the Group believes that by prudently disposing stocks that are profitable and investing in selective stocks, it will ride out of this period strongly.

As part of its investment strategy, the Group followed a cautious approach, but at the same time kept a close look at undervalued private companies/businesses/shares that have high potential returns.



The Group will continue to focus on its core investment pursuits in the fields of resources and real estate investments in Asia and the greater China region as these two business 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\$77,626,460 (31st December, 2009: HK\$98,065,356) 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\$299,865,832 at 30th June, 2010 compared to HK\$277,500,594 at 31st December, 2009, representing a 8% increase.

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

As at 30th June, 2010, the Group had no borrowing.

The Group did not have capital expenditure commitment as at 30th June, 2010.

Capital Structure

There was no significant change in the Group's capital structure for the six months ended 30th June, 2010.

Other than 988,000 share options expired on 30th April, 2010, 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, during the period.



Significant investments held and their performance

For the six months ended 30th June, 2010, due to the increase in the participation of the secured financial projects, the Group received interest income in the aggregate amount of HK\$2,160,727 as compared to HK\$249,799 in the same period last year, representing a 765% increase. Dividend income generated from the investments was HK\$6,967,277 for the six months ended 30th June, 2010 as compared to HK\$4,500,000 in the same period last year, representing a 55% increase. Turnover was HK\$9,128,004 for the six months ended 30th June, 2010 as compared to HK\$4,749,799 in the same period last year, representing a 92% increase. With the general downturn of the global stock markets in the second quarter of 2010, the Group recorded a net unrealised loss on listed securities of HK\$10,336,066 as compared to the substantial unrealised gain of HK\$133,357,913 in the same period last year. In addition, the Group recorded an unrealised gain of HK\$6,991,713 on derivative financial instruments during the interim period. The Group disposed of certain of its publicly traded securities to obtain a net realised gain of HK\$13,230,926 (2009: HK\$7,158,339). An impairment loss on an unlisted investment of HK\$2,000,000 was made during the interim period. Besides that, the Group also disposed two unlisted investments with a net realised gain of HK\$11,500,980. Total revenue for the six months ended 30th June, 2010 was HK\$28,518,472 (2009: HK\$118,052,764).

For the six months ended 30th June, 2010, the profit before income tax was HK\$21,908,343 as compared to HK\$109,507,775 in the same period last year, representing a 80% decrease. The profit attributable to owners of the Company was HK\$21,740,726 as compared to HK\$93,329,804 in the same period last year, representing a 77% decrease.

As at 30th June, 2010, the Group's unlisted investments, which comprised available-for-sale financial assets and loans and receivables, was HK\$103,183,223 as compared to HK\$117,168,628 as at 31st December, 2009, representing a 12% decrease. Such decrease was the net result of: (1) increase in the fair value of the Group's available-for-sale financial assets by HK\$4,530,373; (2) investment of HK\$11,000,000 in an investee company by way of equity of HK\$5,000,000 and convertible bond of HK\$6,000,000; (3) disposals of two investments in the amount of HK\$24,000,001; (4) conversion of convertible bonds, of which the debt element in available-for-sale financial assets was HK\$14,863,057, into listed securities; (5) advance to the investee companies of HK\$788,000; and (6) repayment of loans of HK\$989,706 received from two investee companies.



As at 30th June, 2010, accounts receivable and prepayments was HK\$64,275,020 as compared to HK\$17,810,465 as at 31st December, 2009, representing a 261% increase. Such increase was primarily due to: (1) the Group recording receivables in the amount of HK\$23,736,410 as a result of the disposals of certain listed and unlisted securities; (2) participation in the amount of HK\$38,500,000 in three financing projects with accrued interest of HK\$1,161,644; (3) the repayment of accounts receivable and interest receivable of the last year in the amount of HK\$16,979,262; and (4) increase in other prepayment of HK\$45,763.

Employees and remuneration policies

As at 30th June, 2010, the Group employed a total of 9 full-time employees, including the directors of the Group. Employees' remuneration are fixed and determined with reference to the market remuneration.

Segment information

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

Seasonality/cyclicality of interim operation

Management is not aware of any significant seasonal and cyclical factors which affect the Group's operations and interim results.

Exposures to fluctuations in exchange rates and related hedges

The Group has no significant exposures to fluctuations in foreign exchange rates and, therefore, did not employ any financial instruments to hedge such exposures.

Contingent liabilities

As at 30th June, 2010, 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, 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

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

SHARE OPTIONS

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

Save as disclosed above, 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, 2010, 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, 2010
	Personal interests [#]	Family interests	Corporate interests [*]	Other interests		
Lee Fong Lit David	-	-	7,200,315	-	7,200,315 <i>(Note)</i>	18.43%
Ho Man Kai Anthony	60,000	-	-	-	60,000	0.15%

[#] 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)

Save as disclosed above, as at 30th June, 2010, 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, 2010, the Company had been notified of the following substantial shareholders' interests and short position, being 5% or more of the Company's shares and underlying shares to record in the register of substantial shareholders maintained under Section 336 of the SFO:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company as at 30th June, 2010
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, 2010.

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, 2010, 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, 2010 with the directors.

MEMBERS OF THE BOARD

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

By Order of the Board

Lee Fong Lit David

Chairman

Hong Kong, 13th August, 2010



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, 2010

	Note	Three months ended 30th June,		Six months ended 30th June,	
		2010 (Unaudited) HK\$	2009 (Unaudited) HK\$	2010 (Unaudited) HK\$	2009 (Unaudited) HK\$
Turnover	2	4,964,362	1,503,004	9,128,004	4,749,799
Other revenue	2	30,004	66,000	60,005	133,119
Other gains and (losses)	2	(3,882,962)	107,547,662	19,330,463	113,169,846
		1,111,404	109,116,666	28,518,472	118,052,764
Employee benefits expenses		(641,775)	(758,963)	(1,271,924)	(1,316,958)
Depreciation of property, plant and equipment		(79,216)	(42,765)	(158,434)	(53,558)
Other operating expenses		(3,099,832)	(5,375,187)	(5,179,771)	(7,174,473)
Profit (loss) before income tax	3	(2,709,419)	102,939,751	21,908,343	109,507,775
Income tax expense	4	(422,302)	(17,035,971)	(167,617)	(16,177,971)
Profit (loss) for the period attributable to owners of the Company		(3,131,721)	85,903,780	21,740,726	93,329,804
Other comprehensive income:					
Gains (losses) on fair value changes on available-for-sale financial assets		10,619,172	(408,037)	16,031,353	369,306
Transfer to profit or loss upon disposals of available-for-sale financial assets		(11,500,980)	-	(11,500,980)	-
		(881,808)	(408,037)	4,530,373	369,306
Total comprehensive income for the period attribute to owners of the Company		(4,013,529)	85,495,743	26,271,099	93,699,110
		HK cents	HK cents	HK cents	HK cents
Earnings (loss) per share	6				
Basic		(8.02)	220.25	55.66	239.29
Diluted		(8.02)	220.25	55.66	239.29

The notes on pages 16 to 24 form part of these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30TH JUNE, 2010 AND 31ST DECEMBER, 2009

	Note	30th June, 2010 (Unaudited) HK\$	31st December, 2009 (Audited) HK\$
Non-current assets			
Property, plant and equipment	7	1,306,728	1,465,162
Available-for-sale financial assets		82,882,444	110,854,493
Loans and receivables		20,300,779	6,314,135
		104,489,951	118,633,790
Current assets			
Accounts receivable and prepayments	8	64,275,020	17,810,465
Trading securities		70,056,231	44,930,302
Derivative financial instruments		–	21,322,735
Bank balances and cash		77,626,460	98,065,356
		211,957,711	182,128,858
Current liabilities			
Accounts payable and accruals	9	431,063	1,249,956
Amount due to a related company		–	6,028,948
Tax payable		15,508,911	13,569,202
		15,939,974	20,848,106
Net current assets		196,017,737	161,280,752
Total assets less current liabilities		300,507,688	279,914,542
Non-current liabilities			
Deferred tax liabilities		641,856	2,413,948
Net assets		299,865,832	277,500,594
Capital and reserves			
Share capital	10	39,058,615	39,058,615
Reserves		260,807,217	238,441,979
Total equity		299,865,832	277,500,594

The notes on pages 16 to 24 form part of these interim financial statements.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010 AND 2009

	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
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)	<u>39,058,615</u>	<u>162,768,326</u>	<u>22,841,254</u>	<u>313,040</u>	<u>-</u>	<u>74,884,597</u>	<u>299,865,832</u>
At 1st January, 2009 (audited)	39,002,615	170,354,945	5,641,393	1,350,000	-	(32,807,189)	183,541,764
Total comprehensive income for the period	-	-	369,306	-	-	93,329,804	93,699,110
Transfer to retained profits upon lapse of share options	-	-	-	(274,981)	-	274,981	-
At 30th June, 2009 (unaudited)	<u>39,002,615</u>	<u>170,354,945</u>	<u>6,010,699</u>	<u>1,075,019</u>	<u>-</u>	<u>60,797,596</u>	<u>277,240,874</u>

The notes on pages 16 to 24 form part of these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Six months ended 30th June,	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Operating activities		
Profit before income tax	21,908,343	109,507,775
Interest income	(2,160,727)	(249,799)
Dividend income from available-for-sale financial assets	(6,777,082)	(4,500,000)
Depreciation of property, plant and equipment	158,434	53,558
Fair value changes on financial assets at fair value through profit or loss:		
– trading securities	10,336,066	(133,357,913)
– derivative financial instruments	(6,991,713)	–
Net realised gain on disposals of available-for-sale financial assets	(11,500,980)	–
Impairment loss on available-for-sale financial assets:		
– deposits on investment written off	–	567,651
– equity investment	2,000,000	–
Impairment loss on loans and receivables	–	12,771,569
Impairment loss on accounts receivable	–	14,010,574
	<hr/>	<hr/>
Profit (loss) before working capital changes	6,972,341	(1,196,585)
(Increase) decrease in financial assets at fair value through profit or loss	(20,598,938)	3,443,000
Decrease in derivative financial instruments	28,314,448	–
Increase in accounts receivable and prepayments	(23,143,724)	(8,775,447)
(Decrease) increase in accounts payable and accruals	(818,893)	2,556,485
Decrease in amount due to a related company	(6,028,948)	–
	<hr/>	<hr/>
Net cash used in operating activities	(15,303,714)	(3,972,547)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Six months ended 30th June,	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Investing activities		
Interest received	1,791,891	72,840
Dividend income from available-for-sale financial assets	6,777,082	4,500,000
Advances to investee companies	(788,000)	–
Repayment from investee companies	989,706	–
Purchase of available-for-sale financial assets	(11,000,000)	–
Proceeds from disposal of available-for-sale financial assets	1,000,000	–
	<hr/>	<hr/>
Net cash (used in) from investing activities	(1,229,321)	4,572,840
	<hr/>	<hr/>
Cash used in financing activities		
Dividend paid	(3,905,861)	–
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(20,438,896)	600,293
Cash and cash equivalents at 1st January	98,065,356	10,252,785
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	77,626,460	10,853,078
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	77,626,460	10,853,078
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Note: During the period, the conversion elements of convertible bonds and the warrants included in derivative financial instruments totaling HK\$28,314,448 (2009: nil) and the debt element of convertible bonds of HK\$14,863,057 (2009: nil) included in available-for-sale financial assets were converted into trading securities.

The notes on pages 16 to 24 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, 2009. 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, 2009.

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:

	Six months ended 30th June,	
	2010 (Unaudited) HK\$	2009 (Unaudited) HK\$
Turnover:		
Interest income from		
– bank deposits	77,377	9,799
– loans receivable	2,083,350	240,000
Dividend income from		
– listed investments	190,195	–
– unlisted investments	6,777,082	4,500,000
	9,128,004	4,749,799
Other revenue:		
Sundry income	60,005	133,119
Other gains and (losses):		
Fair value changes on financial assets at fair value through profit or loss:		
– trading securities	(10,336,066)	133,357,913
– derivative financial instruments	6,991,713	–
Net realised gain on disposals of trading securities	13,230,926	7,158,339
Exchange (loss) gain, net	(57,090)	3,388
Net realised gain on disposals of available-for-sale financial assets	11,500,980	–
Impairment loss on accounts receivable	–	(14,010,574)
Impairment loss on loans and receivables	–	(12,771,569)
Impairment loss on available-for-sale financial assets		
– deposits on investment written off	–	(567,651)
– equity investment	(2,000,000)	–
	19,330,463	113,169,846
	28,518,472	118,052,764



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

3. Profit before income tax

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

	Six months ended 30th June,	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees	2,197,113	1,506,906
Incentive fee	–	3,014,474
Pension costs – contributions to defined contribution plan	58,139	52,928
Operating lease in respect of land and buildings	1,218,975	1,199,028
	<u> </u>	<u> </u>

4. Income tax expense

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the period.

	Six months ended 30th June,	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Hong Kong Profits Tax Provision for current period	1,939,709	–
Deferred taxation	(1,772,092)	16,177,971
	<u> </u>	<u> </u>
	<u>167,617</u>	<u>16,177,971</u>

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

The Board do not recommend payment of any interim dividend for the six months ended 30th June, 2010 (2009: HK10 cents per share, totaling HK\$3,905,861).

6. Earnings per share

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

	Six months ended 30th June,	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Profit attributable to owners of the Company	<u>21,740,726</u>	<u>93,329,804</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	<u>39,058,614</u>	<u>39,002,614</u>
	HK cents	HK cents
Basic earnings per share	<u>55.66</u>	239.29
Diluted earnings per share	<u>55.66</u>	239.29

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

Diluted earnings per share for the period is the same as the basic 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

	As at 30th June, 2010 (Unaudited) HK\$	As at 31st December, 2009 (Audited) HK\$
Furniture and fixtures	423,022	423,022
Motor vehicle	1,444,000	1,444,000
Office equipment	453,996	453,996
Leasehold improvements	917,606	917,606
	3,238,624	3,238,624
Accumulated depreciation	(1,931,896)	(1,773,462)
Carrying amount	1,306,728	1,465,162

8. Accounts receivable and prepayments

	As at 30th June, 2010 (Unaudited) HK\$	As at 31st December, 2009 (Audited) HK\$
Accounts receivable	23,001,000	1,000
Loans receivable, secured	35,000,000	15,000,000
Loan receivable, unsecured	3,500,000	–
Interests receivable	1,161,644	792,808
Other receivables	824,245	1,252,668
Receivables after allowance for impairment loss	63,486,889	17,046,476
Deposits	646,950	606,883
Prepayments	141,181	157,106
	64,275,020	17,810,465

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

The secured loans receivable and the unsecured loan receivable are interest-bearing at annual fixed rate of 20% and 15% (31st December, 2009: 25% and nil) respectively.

The receivables after allowance for impairment loss are neither past due nor impaired.

9. Accounts payable and accruals

	As at 30th June, 2010 (Unaudited) HK\$	As at 31st December, 2009 (Audited) HK\$
Accruals	263,015	1,133,352
Unclaimed dividend payable	168,048	116,604
	<hr/> 431,063 <hr/>	<hr/> 1,249,956 <hr/>

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

	As at 30th June, 2010 (Unaudited) HK\$	As at 31st December, 2009 (Audited) HK\$
Current	356,533	1,175,426
Over 1 year	74,530	74,530
	<hr/> 431,063 <hr/>	<hr/> 1,249,956 <hr/>



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. Share capital

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$1 each at 31st December, 2009 (audited) and 30th June, 2010 (unaudited)	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$1 each at 31st December, 2009 (audited) and 30th June, 2010 (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.

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.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)****11. Share Option Scheme (continued)**

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 the 10% 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, 2010 are as follows:

	Date of grant	Exercise period	Number of options			Exercise price HK\$
			Outstanding as at 1st January, 2010	Lapsed during the period	Outstanding as at 30th June, 2010	
Directors						
Lee Fong Lit David	30/4/2007	30/4/2007 – 29/4/2010	28,000	(28,000)	–	4.29
Chow Pok Yu Augustine	30/4/2007	30/4/2007 – 29/4/2010	28,000	(28,000)	–	4.29
Lam Andy Siu Wing, JP	30/4/2007	30/4/2007 – 29/4/2010	292,000	(292,000)	–	4.29
Chan Shuen Chuen Joseph	30/4/2007	30/4/2007 – 29/4/2010	28,000	(28,000)	–	4.29
Tong Kim Weng Kelly	30/4/2007	30/4/2007 – 29/4/2010	28,000	(28,000)	–	4.29
Sub-total			<u>404,000</u>	<u>(404,000)</u>	<u>–</u>	
Other employees						
in aggregate	30/4/2007	30/4/2007 – 29/4/2010	584,000	(584,000)	–	4.29
	18/8/2008	18/8/2008 – 17/8/2011	522,047	–	522,047	5.10
Sub-total			<u>1,106,047</u>	<u>(584,000)</u>	<u>522,047</u>	
Grand-total			<u>1,510,047</u>	<u>(988,000)</u>	<u>522,047</u>	

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. Management contracts

	Six months ended 30th June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Harmony Asset Management Limited ("HAML"):		
– Management fees	2,197,113	1,506,906
– Incentive fee	–	3,014,474
	—————	—————

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\$9,057,158 for the period from 1st June, 2010 to 31st December, 2010. The caps of the management fees and the incentive fee under the original investment management agreement with HAML, which expired on 31st May 2010, were HK\$4,042,670 and HK\$2,729,170 for the five months ended 31st May, 2010, respectively. Dr. Chow Pok Yu Augustine, being a beneficial shareholder of HAML, was interested in these agreements during the period.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)****13. Lease commitments**

At 30th June, 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	As at 30th June, 2010 (Unaudited) HK\$	As at 31st December, 2009 (Audited) HK\$
Within one year	<u>1,762,583</u>	<u>615,230</u>

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 13th August, 2010.