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HARMONY ASSET LIMITED

亨亞有限公司*

(Incorporated in the Cayman Islands with limited liability)

(HKEX Stock Code: 428)

(TSX Trading Symbol: HAR)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 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).

The Board of Directors (the “Board”) of the Company presents the unaudited consolidated interim results of the Group for the six months ended 30th June, 2011 with comparative figures for the corresponding period in 2010 as follows:

** for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2011

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2011 and 31st December, 2010

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

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 Standard 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 the 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:

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

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:

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

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.

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

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:

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

7. Accounts receivable and prepayments

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

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%.

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

	As at 30th June, 2011 (Unaudited) HK\$	As at 31st December, 2010 (Audited) HK\$
Balances neither past due nor impaired		
Current	27,136,987	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	27,136,987	23,014,279
	<hr/> <hr/>	<hr/> <hr/>

8. Accounts payable and accruals

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

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

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

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, 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.

Prospects and 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.

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.

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 were 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.

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.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th June, 2011 (2010: nil).

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th June, 2011.

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.

By Order of the Board
Harmony Asset Limited
LEE Fong Lit David
Chairman

Hong Kong, 15th August, 2011

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. LEE Fong Lit David, Dr. CHOW Pok Yu Augustine and Mr. CHAN Shuen Chuen Joseph; one non-executive director, namely, Dr. LAM Andy Siu Wing, JP; and three independent non-executive directors, namely, Mr. TONG Kim Weng Kelly, Dr. WONG Yun Kuen and Mr. HO Man Kai Anthony.