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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 Stock Symbol: HAR)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

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, 2012 are summarised as follows:

- Turnover of the Group for the six months ended 30th June, 2012 was HK\$3,188,891 as compared to HK\$6,873,108 in the same period last year.
- Loss attributable to owners of the Company for the six months ended 30th June, 2012 was HK\$12,818,544 as compared to HK\$19,284,792 in the same period last year.
- Basic loss per share of the Group was HK cents 32.82 for the six months ended 30th June, 2012 as compared to HK cents 49.37 in the same period last year.

* for identification purpose only

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, 2012 with comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

		Three months ended 30th June, 2012		Six months ended 30th June, 2012	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	HK\$	HK\$	HK\$	HK\$
Turnover	2	2,571,012	2,268,269	3,188,891	6,873,108
Other revenue	2	177	72	7,145	27,199
Other gains and (losses)	2	(16,099,551)	(24,620,787)	(8,326,395)	(19,063,584)
		(13,528,362)	(22,352,446)	(5,130,359)	(12,163,277)
Employee benefits expenses		(866,312)	(703,460)	(1,585,654)	(1,247,910)
Depreciation of property, plant and equipment		(168,917)	(91,972)	(337,807)	(181,656)
Other operating expenses		(3,008,781)	(3,234,697)	(5,764,724)	(5,691,949)
Loss before income tax	3	(17,572,372)	(26,382,575)	(12,818,544)	(19,284,792)
Income tax expense	4	—	—	—	—
Loss for the period attributable to owners of the Company		(17,572,372)	(26,382,575)	(12,818,544)	(19,284,792)
Other comprehensive income:					
(Losses) gains on fair value changes on available-for-sale financial assets		(1,302,735)	3,534,760	(2,319,879)	4,200,865
Transfer of fair value gains to profit or loss upon disposals of available-for-sale financial assets		—	—	—	(3,420,171)
		(1,302,735)	3,534,760	(2,319,879)	780,694
Total comprehensive income for the period attributable to owners of the Company		(18,875,107)	(22,847,815)	(15,138,423)	(18,504,098)
		HK cents	HK cents	HK cents	HK cents
Loss per share	6				
Basic		(44.99)	(67.55)	(32.82)	(49.37)
Diluted		(44.99)	(67.55)	(32.82)	(49.37)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2012 and 31st December, 2011

		30th June, 2012 (Unaudited) HK\$	31st December, 2011 (Audited) HK\$
	Note		
Non-current assets			
Property, plant and equipment		1,378,487	1,706,494
Interest in an associate		–	6,681,887
Available-for-sale financial assets		81,529,187	81,497,676
Loans and receivables		49,256,186	32,208,444
		<u>132,163,860</u>	<u>122,094,501</u>
Current assets			
Accounts receivable and prepayments	7	31,445,903	6,414,293
Trading securities		63,686,713	65,365,498
Derivative financial instruments		3,581,809	3,581,809
Tax recoverable		2,661,127	2,661,127
Bank balances and cash		26,129,195	75,404,609
		<u>127,504,747</u>	<u>153,427,336</u>
Current liabilities			
Accounts payable and accruals	8	6,109,681	6,824,488
Net current assets		<u>121,395,066</u>	<u>146,602,848</u>
Total assets less current liabilities/Net assets		<u>253,558,926</u>	<u>268,697,349</u>
Capital and reserves			
Share capital		39,058,615	39,058,615
Reserves		214,500,311	229,638,734
Total equity		<u>253,558,926</u>	<u>268,697,349</u>
Net asset value per share		<u>HK\$6.49</u>	<u>HK\$6.88</u>

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, 2011. 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, 2011.

Adoption of new or revised International Financial Reporting Standards (“IFRSs”) – effective 1st January, 2012:

Amendments to IAS 12
Amendments to IFRS 7

Deferred Tax – Recovery of Underlying Assets
Disclosures – Transfers of Financial Assets

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 IFRS 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,	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Turnover:		
Interest income from		
– bank deposits	156,404	370,727
– loans receivable & convertible bonds	2,964,921	3,946,614
Dividend income from		
– listed investments	64,580	235,767
– unlisted investments	2,986	2,320,000
	<u>3,188,891</u>	<u>6,873,108</u>
Other revenue:		
Sundry income	7,145	27,199
	<u>7,145</u>	<u>27,199</u>
Other gains and (losses):		
Exchange gain, net	37,534	75,237
Fair value losses on financial assets		
at fair value through profit or loss:		
– trading securities	(11,541,698)	(28,288,912)
Net realised gain on disposals of financial assets		
at fair value through profit or loss:		
– trading securities	1,657,553	4,256,029
– derivative financial instruments	–	370,271
Net realised gain on disposals of available-for-sale financial assets	–	3,420,171
Recovery of impairment loss on accounts receivable previously recognised	1,487,971	–
Recovery of impairment loss on loans and receivables previously recognised	32,245	1,103,620
	<u>(8,326,395)</u>	<u>(19,063,584)</u>
	<u>(5,130,359)</u>	<u>(12,163,277)</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 BEFORE INCOME TAX

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

	Six months ended June 30,	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees	1,993,414	2,279,749
Pension costs – contributions to defined contribution plan	55,861	60,202
Operating lease in respect of land and buildings	1,388,556	1,155,123

4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profit for the period.

5. DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30th June, 2012 (2011: nil).

6. LOSS PER SHARE

The calculation of loss per share is as follows:

	Six months ended 30th June,	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Loss attributable to owners of the Company	(12,818,544)	(19,284,792)
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares for the purpose of basic loss per share and diluted loss per share	39,058,614	39,058,614
	HK cents	HK cents
Loss per share		
Basic	(32.82)	(49.37)
Diluted	(32.82)	(49.37)

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

6. LOSS PER SHARE (CONTINUED)

Diluted loss per share for the six months ended 30th June, 2012 is the same as the basic loss per share as there is no share option outstanding during the period.

Diluted loss per share for the six months ended 30th June, 2011 was the same as the basic loss per share as the effect of the assumed conversion of the outstanding share options was anti-dilutive.

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	As at 30th June, 2012 (Unaudited) HK\$	As at 31st December, 2011 (Audited) HK\$
Accounts receivable	1,906,250	1,906,250
Loans receivable, unsecured	23,618,800	–
Interests receivable	989,698	163,706
Other receivables	4,039,709	3,404,295
	<hr/>	<hr/>
Receivables after allowance for impairment losses	30,554,457	5,474,251
Deposits	743,230	741,994
Prepayments	148,216	198,048
	<hr/>	<hr/>
	31,445,903	6,414,293
	<hr/> <hr/>	<hr/> <hr/>

As at 30th June, 2012, the unsecured loans receivable are interest-bearing at annual fixed rate of 6% to 30%.

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

	As at 30th June, 2012 (Unaudited) HK\$	As at 31st December, 2011 (Audited) HK\$
Balances neither past due nor impaired	30,554,457	5,474,251
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8. ACCOUNTS PAYABLE AND ACCRUALS

	As at 30th June, 2012 (Unaudited) HK\$	As at 31st December, 2011 (Audited) HK\$
Accruals and other payables	5,950,251	6,664,918
Unclaimed dividend payable	159,430	159,570
	<hr/>	<hr/>
	6,109,681	6,824,488
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 30th June, 2012 (Unaudited) HK\$	As at 31st December, 2011 (Audited) HK\$
Current	6,035,151	6,749,958
Over 1 year	74,530	74,530
	<hr/>	<hr/>
	6,109,681	6,824,488
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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 contained in this MD&A speak only as of the date hereof. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update the forward-looking statements and cautions investors from placing undue reliance on 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, 2012, the Group recorded a turnover of HK\$3,188,891 as compared to HK\$6,873,108 in the same period last year.

For the six months ended 30th June, 2012, the Group recorded turnover, other revenue and other gains and losses in a loss of HK\$5,130,359 as compared to HK\$12,163,277 in the same period last year.

For the six months ended 30th June, 2012, the loss before income tax was HK\$12,818,544 as compared to HK\$19,284,792 in the same period last year. The loss attributable to owners of the Company was HK\$12,818,544 as compared to HK\$19,284,792 in the same period last year. The loss for the six months ended 30th June, 2012 was mainly due to fair value losses on trading securities.

Prospects and future plan

For the six months ended 30th June, 2012, worldwide stock markets were adversely affected by the global economy downturn. The European financial crisis continues to have a negative impact on the economic environment. The Group suffered a significant unrealised loss on trading securities. Face with such uncertainty, the Group aims to be more careful in identifying its future investments.

The Group remains focused on investments in energy resources, real estate developments and manufacturing in Asia and Greater China region. By maintaining a prudent attitude towards macro business outlook and employing stringent selection criteria on investment opportunities, the Group is resolute in its efforts to increase profitability for our shareholders’ benefit.

Financial review

Liquidity and financial resources

The Group had available bank balances and cash of HK\$26,129,195 (31st December, 2011: HK\$75,404,609) 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\$253,558,926 at 30th June, 2012 compared to HK\$268,697,349 at 31st December, 2011, representing a 6% decrease.

At present, the Group has unutilised banking facilities of 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, 2012, the Group had no borrowing.

The Group did not have capital expenditure commitment as at 30th June, 2012.

Capital Structure

There was no significant change in the Group's capital structure for the six months ended 30th June, 2012.

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

Significant investments held and their performance

For the six months ended 30th June, 2012, the Group received interest income in the aggregate amount of HK\$3,121,325 as compared to HK\$4,317,341 in the same period last year, representing a 28% decrease. The interest income comprises HK\$156,404 earned from bank deposits and HK\$2,964,921 earned from loans receivable and convertible bonds. Dividend income generated from the listed and unlisted securities was reduced to HK\$67,566 (2011: HK\$2,555,767). Turnover was HK\$3,188,891 as compared to HK\$6,873,108 in the same period last year, representing a 54% decrease.

For the six months ended 30th June, 2012, the Group disposed of certain of its publicly traded securities to obtain a net realised gain of HK\$1,657,553 (2011: HK\$4,256,029). With the impact of the ongoing general downturn of global stock markets in the second quarter of 2012, the prices of certain securities held by the Group as at 30th June, 2012 had significantly decreased. The Group recorded a net unrealised loss on trading securities of HK\$11,541,698 (2011: HK\$28,288,912).

Recovery of impairment losses on accounts receivable previously recognised was HK\$1,487,971 (2011: nil). Recovery of impairment losses on loans and receivables previously recognised was HK\$32,245 (2011: HK\$1,103,620). Net exchange gain was HK\$37,534 (2011: HK\$75,237). There were no realised gains on disposal of unlisted investments in this period (2011: HK\$3,420,171). For the six months ended 30th June, 2012, the Group recorded turnover, other revenue and other gains and losses in a loss of HK\$5,130,359 as compared to HK\$12,163,277 in the same period last year.

As at 30th June, 2012, the Group's unlisted investments (comprised of available-for-sale financial assets ("AFS") and loans and receivables) were HK\$130,785,373 as compared to HK\$113,706,120 as at 31st December, 2011, representing a 15% increase. Such increase was mainly due to: (1) net decrease in fair value of HK\$2,319,879; (2) increase in value of AFS by reallocation of investment in an associate of HK\$2,351,389, and loans to an associate of HK\$4,330,498; (3) subscription of two convertible bonds in an aggregate amount of HK\$8,000,000; (4) increases in loans and receivables in an aggregate amount of HK\$5,750,000 in three investee companies; and (5) repayment of HK\$1,032,755 from three investee companies.

As at 30th June, 2012, accounts receivable and prepayments was HK\$31,445,903 as compared to HK\$6,414,293 as at 31st December, 2011, representing a 390% increase. Such increase was primarily the result of (1) financing an aggregate amount of HK\$20,500,000 to two investee companies; (2) net increase in cash held by a security firm of HK\$607,283; (3) net increase in interest receivable and prepayment of HK\$776,160; and (4) subscription of one convertible bond in amount of HK\$3,118,800.

As at 30th June, 2012, the Group held trading securities in the amount of HK\$63,686,713 as compared to HK\$65,365,498 as at 31st December, 2011, representing a 3% decrease. The decrease was primarily due to: (1) purchases of securities during the six months ended 30th June, 2012 for an aggregate amount of HK\$38,960,403; (2) the disposals of certain securities which had a cost of HK\$29,097,490; and (3) net decrease in market value in the amount of HK\$11,541,698 of the listed securities.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the six months ended 30th June, 2012. 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, 2012 (2011: nil).

CORPORATE GOVERNANCE

The Company had met the relevant code provisions set out in the Code on Corporate Governance Practices (the “CGP Code”) 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 (the “Stock Exchange”) during the period from 1st January, 2012 to 31st March, 2012. The CGP Code was amended and renamed by the Stock Exchange as “Corporate Governance Code and Corporate Governance Report” (the “New CG Code”) effective on 1st April, 2012. The Company had also met the relevant code provisions set out in the New CG Code during the period from 1st April, 2012 to 30th June, 2012.

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, 2012 with the directors.

By Order of the Board
HARMONY ASSET LIMITED
Lee Fong Lit David
Chairman

Hong Kong, 6th August, 2012

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Lee Fong Lit David, Dr. Chow Pok Yu Augustine, Mr. Chan Shuen Chuen Joseph and Mr. Cheng Ming Shun; and three independent non-executive directors, namely, Mr. Tong Kim Weng Kelly, Dr. Wong Yun Kuen and Mr. Ho Man Kai Anthony.