



Harmony Asset Limited

Incorporated in the Cayman Islands with limited liability

HKEx - Stock Code : 428

TSX - Trading Symbol : HAR

2012
Interim Report

This interim report 2012, in both English and Chinese versions, is available on the Company's website at www.harmonyasset.com.hk (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the interim report 2012 posted on the Company Website will promptly upon request be sent the interim report 2012 in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive the interim report 2012 in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Branch Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by sending an email to the Hong Kong Branch Share Registrar of the Company at harmony.ecom@computershare.com.hk.

Shareholders who have chosen to receive printed copy of the Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this interim report 2012 since both languages are bound together into one booklet.

INTERIM RESULTS FOR 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.

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, 2012. 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, 2012, and the consolidated statement of financial position of the Group as at 30th June, 2012, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 12 to 27 of this interim report.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th June, 2012 (2011: 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

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, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant investments held and their performance (Continued)

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.

Employees and remuneration policies

As at 30th June, 2012, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Segment information

Management considers that 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.

Contingent liabilities

As at 30th June, 2012, 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, 2012. 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 12 to the Interim Financial Statements.

During the six months ended 30th June, 2012, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme.

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, 2012, 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 directors	Number of shares				Percentage of issued share capital as at
	Personal interests	Family interests	Corporate interests	Other interests	30th June, 2012
Lee Fong Lit David	-	-	7,200,315* (Note)	-	18.43%
Ho Man Kai Anthony	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 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, 2012, 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, 2012, 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 interests in shares and short positions maintained under Section 336 of the SFO:

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company as at 30th June, 2012
ABC Dirt-Cheap Stock Fund	Beneficial owner	4,042,500	10.35%
Dynamic Global Value Class Fund	Beneficial owner	2,339,500	5.99%

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares or the underlying shares of the Company, representing 5% or more of the issued share capital of the Company as at 30th June, 2012.

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 of the Listing Rules 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.

CHANGES IN DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes in Directors’ information since the date of the 2011 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Chan Shuen Chuen Joseph, an executive Director, resigned as a director of Yinfu Gold Corporation, a public listed company in U.S.A., on 6th June, 2012.

Mr. Ho Man Kai Anthony, an independent non-executive Director, was elected as a director of MBMI Resources Inc., a public listed company in Canada, on 30th July, 2012.

Save as disclosed above, the Company is not aware of other change in the Directors’ information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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, 2012, 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, 2012 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), Mr. Chan Shuen Chuen Joseph and Mr. Cheng Ming Shun; 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, 6th August, 2012

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, 2012

	Note	Three months ended 30th June,		Six months ended 30th June,	
		2012 (Unaudited) HK\$	2011 (Unaudited) HK\$	2012 (Unaudited) HK\$	2011 (Unaudited) 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)

The notes on pages 18 to 27 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE, 2012 and 31ST DECEMBER, 2011

	Note	30th June, 2012 (Unaudited) HK\$	31st December, 2011 (Audited) HK\$
Non-current assets			
Property, plant and equipment	7	1,378,487	1,706,494
Interest in an associate	8	–	6,681,887
Available-for-sale financial assets		81,529,187	81,497,676
Loans and receivables		49,256,186	32,208,444
		132,163,860	122,094,501
Current assets			
Accounts receivable and prepayments	9	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
		127,504,747	153,427,336
Current liabilities			
Accounts payable and accruals	10	6,109,681	6,824,488
Net current assets		121,395,066	146,602,848
Total assets less current liabilities/Net assets		253,558,926	268,697,349
Capital and reserves			
Share capital	11	39,058,615	39,058,615
Reserves		214,500,311	229,638,734
Total equity		253,558,926	268,697,349
Net asset value per share		HK\$6.49	HK\$6.88

The notes on pages 18 to 27 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012 AND 2011

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Fair value reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1st January, 2012 (audited)	39,058,615	162,768,326	32,042,831	34,827,577	268,697,349
Loss for the period	-	-	-	(12,818,544)	(12,818,544)
Other comprehensive income for the period:					
Losses on fair value changes on available-for-sale financial assets	-	-	(2,319,879)	-	(2,319,879)
Total comprehensive income for the period	-	-	(2,319,879)	(12,818,544)	(15,138,423)
At 30th June, 2012 (unaudited)	<u>39,058,615</u>	<u>162,768,326</u>	<u>29,722,952</u>	<u>22,009,033</u>	<u>253,558,926</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012 AND 2011

	Share capital HK\$	Share premium HK\$	Fair value reserve HK\$	Share option reserve HK\$	Proposed dividend HK\$	Retained profits HK\$	Total HK\$
As 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 of fair value gains 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)
At 30th June, 2011 (unaudited)	39,058,615	162,768,326	19,511,430	313,040	-	63,275,211	284,926,622

The notes on pages 18 to 27 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	Six months ended 30th June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Cash flows from operating activities		
Loss before income tax	(12,818,544)	(19,284,792)
Interest income	(3,121,325)	(4,317,341)
Dividend income from available-for-sale financial assets	(2,986)	(2,320,000)
Depreciation of property, plant and equipment	337,807	181,656
Fair value losses on trading securities	11,541,698	28,288,912
Gain on disposals of available-for-sale financial assets	–	(3,420,171)
Recovery of impairment loss on loans and receivables previously recognised	(32,245)	(1,103,620)
Recovery of impairment loss on accounts receivable previously recognised	(1,487,971)	–
Loss before working capital changes	(5,583,566)	(1,975,356)
Increase in trading securities	(9,862,913)	(15,785,655)
Increase in accounts receivable and prepayments	(22,717,647)	(2,941,607)
Decrease in accounts payable and accruals	(714,807)	(560,098)
Decrease in amount due to a related company	–	(3,928,169)
Net cash used in operating activities	(38,878,933)	(25,190,885)

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

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	Six months ended 30th June,	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Cash flows from investing activities		
Interest received	2,295,333	4,227,341
Dividend received from available-for-sale financial assets	2,986	2,320,000
Advances to investee companies	(13,750,000)	(12,209,900)
Repayment from investee companies	1,065,000	2,621,764
Purchase of property, plant and equipment	(9,800)	(1,198,185)
Purchase of available-for-sale financial assets	–	(13,297,613)
Proceeds from disposal of available-for-sale financial asset	–	3,420,171
Net cash used in investing activities	(10,396,481)	(14,116,422)
Cash used in financing activities		
Dividend paid	–	(5,858,792)
Net decrease in cash and cash equivalents	(49,275,414)	(45,166,099)
Cash and cash equivalents at 1st January	75,404,609	141,083,888
Cash and cash equivalents at 30th June	26,129,195	95,917,789
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	26,129,195	95,917,789

The notes on pages 18 to 27 form part of these 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, 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

Deferred Tax: Recovery of Underlying Assets

Amendments to IFRS 7

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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
	3,188,891	6,873,108
Other revenue:		
Sundry income	7,145	27,199
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
	(8,326,395)	(19,063,584)
	(5,130,359)	(12,163,277)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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

Management considered 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 30th June,	
	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).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

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
Basic loss per share	(32.82)	(49.37)
Diluted loss per share	(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.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. Property, plant and equipment

	As at 30th June, 2012 (Unaudited) HK\$	As at 31st December, 2011 (Audited) HK\$
Cost:		
Furniture and fixtures	538,808	538,808
Motor vehicle	1,444,000	1,444,000
Office equipment	503,177	493,377
Leasehold improvements	1,090,699	1,090,699
	<hr/>	<hr/>
	3,576,684	3,566,884
Accumulated depreciation	2,198,197	1,860,390
	<hr/>	<hr/>
Carrying amount	1,378,487	1,706,494
	<hr/> <hr/>	<hr/> <hr/>

8. Interest in an associate

During the six months ended 30th June, 2012, the Group reclassified the investment in an associate and loan to an associate into available-for-sale financial assets and loans and receivables respectively as the Group ceased to have significant influence in this investee company.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9. 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
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. 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
	<u>6,109,681</u>	<u>6,824,488</u>

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
	<u>6,109,681</u>	<u>6,824,488</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. Share capital

	Number of shares	Amount <i>HK\$</i>
Authorised:		
Ordinary shares of HK\$1 each at 31st December, 2011 (audited) and 30th June, 2012 (unaudited)	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$1 each at 31st December, 2011 (audited) and 30th June, 2012 (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.

12. 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. Share Option Scheme (continued)

During the six months ended 30th June, 2012, there were no share options outstanding, granted, lapsed, exercised or cancelled under the Share Option Scheme.

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

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

13. Management contracts

	Six months ended 30th June,	
	2012 (Unaudited) HK\$	2011 (Unaudited) HK\$
Harmony Asset Management Limited ("HAML") – Management fees	1,993,414	2,279,749

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\$18,391,986 for the year ending 31st December, 2012.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

14. Lease commitments

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

As at 30th June, 2012, 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, 2012 (Unaudited) HK\$	As at 31st December, 2011 (Audited) HK\$
Within one year	2,777,112	2,777,112
In the second to fifth years inclusive	1,388,556	2,777,112
	<u>4,165,668</u>	<u>5,554,224</u>

15. Approval of the unaudited interim financial statements

The unaudited interim financial statements were approved and authorised for issue by the Board on 6th August, 2012.