



INTERIM RESULTS

The Board of Directors (the "Board") of Harmony Asset Limited (the "Company") is pleased to present the interim report and condensed accounts ("interim financial statements") of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2006. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th June, 2006, and the consolidated balance sheet as at 30th June, 2006 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 10 to 26 of this Report.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th June, 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review, prospects and future plan

For the six months ended 30th June, 2006, the Group recorded a turnover of HK\$1,282,808 (2005: HK\$1,316,612). The profit attributable to shareholders was HK\$9,999,854 when compared to the loss result of HK\$4,198,208 in the last year. Before taking into account of finance costs of HK\$139,964 (2005: HK\$434,903), the Group chalked up operating profits of HK\$10,139,818 (2005: loss of HK\$3,763,305).

In comparison to the interim results of the previous year, the Group had a positive return in this six months period. The Group will continue to adopt a defensive investment philosophy and will selectively choose investments.

Looking forward, the Group continues to invest in the life sciences industry including biotechnology, medical equipment, pharmaceuticals, and health-care services. It is expected two unlisted investments will be listed on overseas stock exchange. We therefore anticipate these investments to generate profits in the near future.



Financial review

Liquidity and financial resources

The Group had available funds of HK\$27,612,612 (31st December, 2005: HK\$5,111,090) which were mainly placed with banks as time deposits. Cash and bank balances held by the Group are mainly denominated in Hong Kong dollars.

The Group had shareholders' fund of HK\$177,945,064 at 30th June, 2006 compared to HK\$169,659,406 at 31st December, 2005.

At present, the Group has unutilised banking facilities of HK\$3,000,000 and requires no significant funding 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, 2006, the Group had no borrowing (31st December, 2005: HK\$7,500,000). The gearing ratio for the Group was 0% (31st December, 2005: 4%) which represents the ratio of the Group's borrowings to the net asset value of the Group.

The Group did not have any capital expenditure commitment as at 30th June, 2006.

Capital structure

There was no significant change in the Group's capital structure for the six months ended 30th June, 2006 except 5,080,000 share options were granted to the Company's directors and employees on 17th January, 2006.

The share option scheme was adopted on 28th June, 2005. As at 30th June, 2006, no share option has been exercised by the Company's directors or employees and the fair value of the share options granted were valued by an independent valuer of HK\$908,000 as at the date of grant.



Significant investments held and their performance

In the past six months, the Group gained HK\$3,403,625 from the disposal of listed securities as well as a net unrealised holding gain of HK\$1,951,241 from the listed securities. The amount of bad and doubtful debts of HK\$8,300,000 provided in previous years was recovered.

During the period, the Group received a cash dividend of HK\$135,266 from an unlisted investment. Interest income of HK\$1,147,542 was received from the bank deposits, loan receivables and convertible notes.

For the past six months under review, the Group had further invested HK\$7.7 million into the project of Cyberport and HK\$2 million into an air conditioner manufacturer in China. Finally, the Group had paid HK\$3 million to develop an international technology and industrial park in Tengzhou, Shandong Province of PRC.

Employees and remuneration policies

As at 30th June, 2006, the Group employed a total of 8 full-time employees, including the directors of the Group. Employees' remuneration are fixed and determined with reference to the market remuneration.

Segment information

No analysis of the Group's revenue and contribution to operating profit for the period set out by principal activities and geographical markets is provided as the Group has only one single business segment, which is investment holding, and less than 10% of the consolidated revenue, results and assets of the Group are attributable to markets outside Hong Kong.

Seasonality/cyclicality of interim operation

The management is not aware of any significant seasonal and cyclical factors which affect the Group's interim operations and 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, 2006, the Group has no significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the period ended 30th June, 2006. 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 13 to the unaudited interim financial statements.