



Harmony Asset Limited

Incorporated in the Cayman Islands with limited liability

HKEx - Stock Code: 428

TSX - Trading Symbol: HAR



INTERIM REPORT 2008

INTERIM RESULTS FOR 2008

FINANCIAL HIGHLIGHTS

The financial highlights of Harmony Asset Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30th June, 2008 are summarised as follows:

- Turnover of the Group for the six months ended 30th June, 2008 was HK\$7,711,737 as compared to HK\$2,624,708 in the same period last year, representing a 193.81% increase.
- Profit attributable to equity holders of the Company for the six months ended 30th June, 2008 was HK\$14,995,620 as compared to HK\$20,165,602 in the same period last year, representing a 25.64% decrease.
- Earnings per share of the Group was HK cents 38.45 for the six months ended 30th June, 2008 as compared to HK cents 67.48 in the same period last year, representing a 43.02% 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, 2008. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th June, 2008, and the consolidated balance sheet of the Group as at 30th June, 2008, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 11 to 27 of this interim report.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th June 2008 (2007: 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 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, prospects and future plan

For the six months ended 30th June, 2008, the Group recorded a turnover of HK\$7,711,737 as compared to HK\$2,624,708 in the same period last year, representing a 193.81% increase. The interest income was HK\$2,406,421 (2007: HK\$1,494,708). Dividend received from listed and unlisted investments was HK\$5,305,316 (2007: HK\$1,130,000). Gain on disposal of listed investment was HK\$5,739,119 (2007: HK\$1,436,387). Due to the market downturn, the fair value gain on listed investments decreased to HK\$14,015,918 (2007: HK\$29,800,322). The profit before income tax was HK\$17,308,246 as compared to HK\$23,412,115 in the same period last year, representing a 26.07% decrease. The profit attributable to equity holders of the Company was HK\$14,995,620 as compared to HK\$20,165,602 in the same period last year, representing a 25.64% decrease.

After the successful dual-listing on the Toronto Stock Exchange in Canada, the Group's focus is to look for more profitable investments for the shareholders. Despite the recent appreciation of Renminbi, the Group believes that the continuous economy growth of the People's Republic of China ("PRC") will bring a lot of business opportunity to the investors. Businesses such as mining, consumable products and property development will continue to have a strong domestic demand. The Group will focus on those investments and anticipate that they will generate higher return to the Group's shareholders.

Financial review

Liquidity and financial resources

The Group had available bank balances and cash of HK\$18,321,689 (31st December, 2007: HK\$21,698,184) 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\$295,233,793 at 30th June, 2008 compared to HK\$288,047,095 at 31st December, 2007, representing a 2.5% increase.

At present, the Group has unutilised banking facilities of HK\$3,000,000 and requires no significant 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, 2008, the Group had no borrowing.

The Group did not have capital expenditure commitment as at 30th June, 2008.

Capital Structure

There was no significant change in the Group's capital structure for the six months ended 30th June, 2008.

As at 30th June, 2008, the outstanding share options were 1,044,000 and 290,000 with an exercise price at HK\$4.29 and HK\$6.03 per share respectively.

Significant investments held and their performance

In the past six months, the Group disposed of certain publicly traded securities with an aggregate proceeds of HK\$22,249,500, resulting in a net realised gain of HK\$5,739,119. The Group also recorded an unrealised gain of HK\$14,015,918 on fair value changes on the publicly traded securities. Dividend income was HK\$5,305,316 of which HK\$5,300,000 was received from unlisted investments. Interest income from the bank deposits and loans receivable was HK\$2,406,421.

On 31st March, 2008, the Group acquired 30% stake on a private company at a consideration of HK\$20,700,000. The company is a manufacturer of high quality wire and electrical accessory products for household electrical appliances, computer, and motor industry. At the date of acquisition by the Group, the company recorded a profit of approximately HK\$34 million for its latest financial year. As at 30th June, 2008, the Group had paid HK\$12,420,000 to the seller as per payment schedule.

As at 30th June, 2008, the Group's unlisted investments, which represent available-for-sale financial assets, and loans and receivables, amounted to HK\$141,486,797 as compared to HK\$117,419,175 as at 31st December, 2007, representing a 20.5% increase. The increase was mainly due to a new investment of HK\$20,700,000 in a private company, increase in investment in a private company equivalent to HK\$5,000,000 from receipt of dividend in new shares, decrease of HK\$1,178,478 in fair value of unlisted investments held and repayment of HK\$453,900 from loans and receivables.

As at 30th June, 2008, the accounts receivable and prepayments were HK\$26,807,493 as compared to HK\$28,940,971 as at 31st December, 2007, representing a 7.37% decrease, which was mainly due to receipt of HK\$10,000,000 loan repayment, deposit of HK\$3,294,939 paid to a property development project in Nanning, Guangxi province of PRC, subscription payment of HK\$2,730,000 for an overseas listed securities and increase in other net prepayment of HK\$1,841,583.

Employees and remuneration policies

As at 30th June, 2008, 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

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 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, 2008, 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, 2008. 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 Interim Financial Statements.

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, 2008, 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 (the "Listing Rules") on the Stock Exchange were as follows:

(1) 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, 2008
	Personal interests#	Family interests	Corporate interests*	Other interests		
Lee Fong Lit David	-	-	7,200,315	-	7,200,315	18.46%
					(Note)	
Ho Man Kai Anthony	32,000	-	-	-	32,000	0.08%

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)

(2) Underlying shares of equity derivatives of the Company

	Date of grant	Exercise period	Number of outstanding options as at 1st January, 2008 and 30th June, 2008	Exercise price HK\$	Percentage of issued share capital as at 30th June, 2008
Director					
Lee Fong Lit David	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29	0.07%
Chow Pok Yu Augustine	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29	0.07%
Lam Andy Siu Wing, JP	30/4/2007	30/4/2007 – 29/4/2010	292,000	4.29	0.75%
Chan Shuen Chuen Joseph	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29	0.07%
Tong Kim Weng Kelly	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29	0.07%
Ho Man Kai Anthony	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29	0.07%
Wong Yun Kuen	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29	0.07%
Total			460,000		

Note: These options represent personal interest held by the relevant directors as beneficial owner.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (CONTINUED)

At no time during the period was the Company, its subsidiaries or its associates 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 shares in, or debentures of, the Company or its associated corporations.

Save as disclosed above, as at 30th June, 2008, none of the directors and chief executives of the Company has, 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, 2008, 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, 2008
ABC Dirt-Cheap Stock Fund	Beneficial owner	4,042,500	10.36%
Dynamic Global Value Class Fund	Beneficial owner	2,339,500	6%

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 Listing Rules at any time during the six months ended 30th June, 2008.

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, 2008, 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, 2008 with the directors.

MEMBERS OF THE BOARD

As at the date hereof, the Board of Directors 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 Yip Wah Peter

Secretary

Hong Kong, 14th August, 2008

NOTICE TO READER

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 INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	Note	Six months ended 30th June,		Three months ended 30th June,	
		2008 (Unaudited) HK\$	2007 (Unaudited and restated) HK\$	2008 (Unaudited) HK\$	2007 (Unaudited and restated) HK\$
Turnover	3	7,711,737	2,624,708	5,973,767	760,878
Other revenue	3	452,655	547,205	222,221	290,325
Other gains	3	19,730,613	28,728,448	8,691,165	28,472,492
		27,895,005	31,900,361	14,887,153	29,523,695
Operating expenses					
Employee benefit expenses		(3,816,856)	(1,688,851)	(3,206,354)	(1,245,555)
Depreciation of property, plant and equipment		(62,316)	(129,565)	(56,066)	(52,131)
Other operating expenses		(6,707,491)	(6,669,830)	(3,843,909)	(5,092,012)
Operating profit	4	17,308,342	23,412,115	7,780,824	23,133,997
Finance costs	5	(96)	-	(15)	-
Profit before income tax		17,308,246	23,412,115	7,780,809	23,133,997
Income tax expenses	6	(2,312,626)	(3,246,513)	(1,438,072)	(3,246,513)
Profit for the period attributable to equity holders of the Company		14,995,620	20,165,602	6,342,737	19,887,484
Dividend	7	-	-	-	-
		HK cents	HK cents	HK cents	HK cents
Earnings per share	8				
Basic		38.45	67.48	16.26	65.12
Diluted		38.28	67.30	16.19	64.78

The notes on pages 16 to 27 form part of these interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2008 AND 31ST DECEMBER, 2007

	Note	30th June, 2008 (Unaudited) HK\$	31st December, 2007 (Audited) HK\$
Non-current assets			
Property, plant and equipment	9	152,431	213,780
Interests in associates		–	–
Available-for-sale financial assets		82,843,445	58,321,923
Loans and receivables		58,643,352	59,097,252
		<u>141,639,228</u>	<u>117,632,955</u>
Current assets			
Accounts receivable and prepayments	10	26,807,493	28,940,971
Financial assets at fair value through profit or loss		129,656,070	132,070,553
Bank balances and cash		18,321,689	21,698,184
		<u>174,785,252</u>	<u>182,709,708</u>
Current liabilities			
Accounts payable and accruals	11	8,995,946	2,246,637
Tax payable		12,194,741	10,048,931
		<u>21,190,687</u>	<u>12,295,568</u>
Net current assets		<u>153,594,565</u>	<u>170,414,140</u>
Net assets		<u>295,233,793</u>	<u>288,047,095</u>
Capital and reserves			
Share capital	12	39,002,615	39,002,615
Reserves		256,231,178	249,044,480
Total equity		<u>295,233,793</u>	<u>288,047,095</u>

The notes on pages 16 to 27 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008 AND 2007

	Unaudited						
	Share capital HK\$	Share premium HK\$	Fair value reserve HK\$	Share option reserve HK\$	Proposed dividend HK\$	Retained profits HK\$	Total HK\$
At 1st January, 2008	39,002,615	170,354,945	15,268,766	1,007,000	6,630,444	55,783,325	288,047,095
Profit for the period	-	-	-	-	-	14,995,620	14,995,620
Fair value changes on available-for-sale financial assets recognised in equity	-	-	(1,178,478)	-	-	-	(1,178,478)
Total recognised income (expense) for the period	-	-	(1,178,478)	-	-	14,995,620	13,817,142
Proposed dividend transferred to current liabilities upon approval of shareholders at annual general meeting	-	-	-	-	(6,630,444)	-	(6,630,444)
Balance at 30th June, 2008	39,002,615	170,354,945	14,090,288	1,007,000	-	70,778,945	295,233,793
At 1st January, 2007	29,220,475	143,516,834	7,540,170	908,000	4,383,071	4,875,969	190,444,519
Profit for the period (Restated) (Note 2)	-	-	-	-	-	20,165,602	20,165,602
Fair value changes on available-for-sale financial assets recognised in equity	-	-	766,279	-	-	-	766,279
Total recognised income for the period	-	-	766,279	-	-	20,165,602	20,931,881
Share option scheme							
- value of employee services	-	-	-	762,000	-	-	762,000
- placing agent services	-	(245,000)	-	245,000	-	-	-
Transfer of reserve upon exercise of share options	-	908,000	-	(908,000)	-	-	-
Issue of shares net of share issue expenses (Restated) (Note 2)	9,782,140	32,805,555	-	-	-	-	42,587,695
Proposed dividend transferred to current liabilities upon approval of shareholders at annual general meeting	-	-	-	-	(4,383,071)	-	(4,383,071)
	9,782,140	33,468,555	-	99,000	(4,383,071)	-	38,966,624
Balance at 30th June, 2007 (Restated)	39,002,615	176,985,389	8,306,449	1,007,000	-	25,041,571	250,343,024

The notes on pages 16 to 27 form part of these interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	Six months ended 30th June	
	2008	2007
	(Unaudited)	(Unaudited and restated)
	HK\$	HK\$
Operating activities		
Profit before income tax	17,308,246	23,412,115
Interest income	(2,406,421)	(1,494,708)
Financial costs	96	-
Dividend income from available-for-sale financial assets	(5,300,000)	(1,130,000)
Depreciation of property, plant and equipment	62,316	129,565
Equity-settled share-based payment expenses	-	762,000
Reversal of impairment loss upon disposal of available-for-sale financial assets	-	(800,000)
Fair value changes on financial assets at fair value through profit or loss	(14,015,918)	(29,800,322)
Impairment loss on loans and receivable	-	3,308,260
Loss before working capital changes	(4,351,681)	(5,613,090)
Decrease (increase) in financial assets at fair value through profit or loss	16,430,401	(1,479,252)
Decrease (increase) in accounts receivable and prepayments	3,075,541	(82,599)
Decrease in accounts payable and accruals	(1,530,691)	(856,729)
Cash generated from (used in) operations	13,623,570	(8,031,670)
Interest paid	(96)	-
Hong Kong Profits Tax paid	(166,817)	-
Net cash from (used in) operating activities	13,456,657	(8,031,670)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	Six months ended 30th June	
	2008	2007
	(Unaudited)	(Unaudited
	HK\$	and restated)
		HK\$
Investing activities		
Interest received	1,464,359	290,053
Dividend income from available-for-sale financial assets	300,000	1,130,000
Advances to investee companies	(1,100,000)	(260,000)
Repayment from investee companies	1,553,900	11,504
Purchase of property, plant and equipment	(967)	(40,793)
Purchase of available-for-sale financial assets	(12,420,000)	(660,200)
	<hr/>	<hr/>
Net cash (used in) from investing activities	(10,202,708)	470,564
	<hr/>	<hr/>
Financing activities		
Dividend paid	(6,630,444)	(4,383,071)
Proceeds from exercise of share options	–	2,794,000
Proceeds from issue of shares	–	44,794,976
Share issue expenses	–	(5,001,281)
	<hr/>	<hr/>
Net cash (used in) from financing activities	(6,630,444)	38,204,624
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(3,376,495)	30,643,518
Cash and cash equivalents at 1st January	21,698,184	18,715,933
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	18,321,689	49,359,451
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	18,321,689	49,359,451
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The notes on pages 16 to 27 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, 2007. The accounting policies and basis of preparation 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, 2007.

2. Prior period adjustment

During the three months and six months ended 30th June, 2007, expenses incurred in connection with the Company's dual listing amounting to HK\$2,250,585 were deducted from share premium. Under International Accounting Standard 32 "Financial Instruments – Presentation", transaction costs incurred not directly relating to issue of shares should be recognised as expenses in the income statement. As such, a prior period adjustment has been made on the interim financial statements for the three months and six months ended 30th June, 2007. The effect on the consolidated interim income statement for the three months and six months ended 30th June, 2007 and consolidated balance sheet as at that date are as follows :

	Three months and six months ended 30th June, 2007 (Unaudited)		
	<i>HK\$</i>		
Consolidated income statement			
Increase in other operating expenses			(2,250,585)
Decrease in profit attributable to the equity holders of the Company			<u>(2,250,585)</u>
Consolidated balance sheet	As at 30th June, 2007 (Unaudited and originally stated)	Prior period adjustment	As at 30th June, 2007 (Unaudited and restated)
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Share premium	174,734,804	2,250,585	176,985,389
Retained profits	27,292,156	(2,250,585)	25,041,571
Effect on total equity		<u>–</u>	

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. Turnover, other revenue and other gains

The Group principally invests in securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and unlisted securities, including equity securities and convertible notes issued by corporate entities. Turnover, other revenue and other gains or losses recognised during the period are as follows:

	Six months ended 30th June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Turnover:		
Interest income from		
– bank deposits	264,358	290,053
– loans receivable	2,142,063	1,204,655
Dividend income from		
– listed investments	5,316	–
– unlisted investments	5,300,000	1,130,000
	7,711,737	2,624,708
Other revenue:		
Sundry income	452,655	547,205
Other gains and (losses):		
Fair value changes on financial assets		
at fair value through profit or loss	14,015,918	29,800,322
Net realised gain on disposal of financial assets		
at fair value through profit or loss	5,739,119	1,436,387
Exchange losses, net	(24,424)	–
Reversal of impairment loss upon disposal of		
available-for-sale financial assets	–	800,000
Impairment loss on loans and receivables	–	(3,308,261)
	19,730,613	28,728,448
	27,895,005	31,900,361

No analysis of the Group's turnover, other 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, investment holding, and less than 10% of the turnover and other revenue, results and assets of the Group are attributable to markets outside Hong Kong.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. Operating profit

Operating profit has been arrived at after charging the following:

	Six months ended 30th June	
	2008	2007
	(Unaudited)	(Unaudited
	HK\$	and restated)
		HK\$
Management fees	2,185,021	1,452,234
Pension costs – contributions to defined contribution plan	55,328	41,149
Operating lease in respect of land and buildings	1,506,987	952,956
Equity-settled share-based payment expenses	–	762,000
Expenses incurred in connection with dual listing	–	2,250,585
	<u>2,747,336</u>	<u>3,402,924</u>

5. Finance costs

Amount represents interest on bank overdraft and interest on interest-bearing borrowings.

6. Income tax expenses

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the period.

	Six months ended 30th June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Hong Kong Profits Tax	2,312,626	3,246,513
	<u>2,312,626</u>	<u>3,246,513</u>

7. Dividend

The directors of the Company do not recommend payment of any interim dividend for the six months ended 30th June, 2008 (2007: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

8. Earnings per share

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

	Six months ended 30th June	
	2008	2007
	(Unaudited)	(Unaudited and restated)
	HK\$	HK\$
Profit attributable to equity holders of the Company	14,995,620	20,165,602
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	39,002,614	29,883,766
Effect of deemed issue of shares under the Company's share option scheme	175,181	80,689
Weighted average number of ordinary shares for the purpose of diluted earnings per share	39,177,795	29,964,455
	HK cents	HK cents
Basic earnings per share	38.45	67.48
Diluted earnings per share	38.28	67.30

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

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the period after adjusting for the number of diluted potential ordinary shares granted under the Company's share option scheme.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9. Property, plant and equipment

	As at 30th June, 2008 (Unaudited) HK\$	As at 31st December, 2007 (Audited) HK\$
Furniture and fixtures	423,022	422,055
Motor vehicle	528,200	528,200
Office equipment	446,140	446,140
Leasehold improvements	1,292,429	1,292,429
	2,689,791	2,688,824
Accumulated Depreciation	(2,537,360)	(2,475,044)
Carrying amount	152,431	213,780

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. Accounts receivable and prepayments

	As at 30th June, 2008 (Unaudited) HK\$	As at 31st December, 2007 (Audited) HK\$
Accounts receivable	11,596,269	4,134,412
Loan receivable, secured	8,000,000	8,000,000
Loan receivable, unsecured	–	10,000,000
Interests receivable	6,266,225	5,324,161
Other receivables	135	135
	<hr/>	<hr/>
Receivables after allowance for impairment loss	25,862,629	27,458,708
	<hr/>	<hr/>
Deposits	796,994	796,994
Prepayments	147,870	685,269
	<hr/>	<hr/>
	26,807,493	28,940,971
	<hr/> <hr/>	<hr/> <hr/>

The loan receivable is interest-bearing.

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

	As at 30th June, 2008 (Unaudited) HK\$	As at 31st December, 2007 (Audited) HK\$
Current	23,578,076	25,541,181
	<hr/>	<hr/>
Balances overdue between:		
1 – 180 days	788,878	715,997
180 – 365 days	480,135	581,603
Over 1 year but less than 2 years	918,258	522,645
Over 2 years	97,282	97,282
	<hr/>	<hr/>
	2,284,553	1,917,527
	<hr/>	<hr/>
	25,862,629	27,458,708
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. Accounts payable and accruals

	As at 30th June, 2008 (Unaudited) HK\$	As at 31st December, 2007 (Audited) HK\$
Accounts payable	8,280,000	–
Accruals	639,008	2,244,870
Unclaimed dividend payable	76,938	1,767
	<u>8,995,946</u>	<u>2,246,637</u>

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

	As at 30th June, 2008 (Unaudited) HK\$	As at 31st December, 2007 (Audited) HK\$
Current	8,977,555	2,217,450
Over 1 year	18,391	29,187
	<u>8,995,946</u>	<u>2,246,637</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. Share capital

	Number of shares	Amount <i>HK\$</i>
Authorised:		
Ordinary shares of HK\$1 each at 31st December, 2007 (audited) and 30th June, 2008 (unaudited)	<u>100,000,000</u>	<u>100,000,000</u>
	Number of shares	Amount <i>HK\$</i>
Issued and fully paid:		
Ordinary shares of HK\$1 each at 31st December, 2007 (audited) and 30th June, 2008 (unaudited)	<u>39,002,614</u>	<u>39,002,615</u>

The nominal amount of the ordinary shares amounting to HK\$39,002,615 is HK\$1 more than the amount calculated based on the 39,002,614 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)**13. Share Option Scheme**

The Company has adopted the Share Option Scheme at its extraordinary 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)

13. Share Option Scheme (continued)

Details of the share options granted under the Share Option Scheme during the six months ended 30th June, 2008 are as follows:

	Date of grant	Exercise period	Number of options	
			Outstanding as at 1st January, 2008 and 30th June, 2008	Exercise price HK\$
Director				
Lee Fong Lit David	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29
Chow Pok Yu Augustine	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29
Lam Andy Siu Wing, JP	30/4/2007	30/4/2007 – 29/4/2010	292,000	4.29
Chan Shuen Chuen Joseph	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29
Tong Kim Weng Kelly	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29
Ho Man Kai Anthony	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29
Wong Yun Kuen	30/4/2007	30/4/2007 – 29/4/2010	28,000	4.29
Sub-total			460,000	
Other employees in aggregate	30/4/2007	30/4/2007 – 29/4/2010	584,000	4.29
Sub-total			1,044,000	
Other parties				
Maison Placements Canada Inc	18/6/2007	18/6/2007 – 17/6/2009	290,000	6.03
Grand-total			1,334,000	

During the period, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

14. Management contracts

	Six months ended 30th June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees paid to:		
– Harmony Asset Management Limited (“HAML”)	<u>2,185,021</u>	<u>1,452,234</u>

The Company has entered into an investment management agreement with HAML, a company which is wholly-owned by a director of the Company, Dr. Chow Pok Yu Augustine. Under the investment agreement together with a supplemental agreement entered into between the Company and HAML on 17th May, 2007, HAML has agreed to assist the Board with the day-to-day management of the Group for additional three years until 31st May, 2010. In accordance with the investment management agreement and the supplemental 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 is calculated at 10% of the audited net profit of a financial year (before accrual of the incentive fee) subject to an annual cap. of HK\$5,672,353 and HK\$5,531,145 for the year ending 31st December, 2008 (as amended on 22nd May, 2008) respectively. Dr. Chow Pok Yu Augustine, being a beneficial shareholder of HAML, was interested in these contracts during the period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. Lease commitments

As at 30th June, 2008, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	As at 30th June, 2008 (Unaudited) HK\$	As at 31st December, 2007 (Audited) HK\$
Within one year	2,499,293	2,419,232
In the second to fifth years inclusive	1,669,910	2,724,590
	<u>4,169,203</u>	<u>5,143,822</u>

The Group leases an office and an incubation centre 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. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

16. Comparative amounts

Certain gains or losses from financial assets previously classified as other revenue or separately disclosed in the income statement are reclassified as other gains and losses in order to better reflect their nature and conform with current period's presentation.

17. Post balance sheet event

Subsequent to balance sheet date and up to 14th August, 2008, the Group recorded a loss on fair value changes on financial assets at fair value through profit or loss amounting to approximately HK\$24,190,000.

18. Approval of the unaudited interim financial statements

The unaudited interim financial statements were approved and authorised for issue by the Board on 14th August, 2008.