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## **HARMONY ASSET LIMITED**

**亨亞有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

(HKEX Stock Code: 428)

(TSX Trading Symbol: HAR)

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2011**

#### **FINANCIAL HIGHLIGHTS**

The financial highlights of Harmony Asset Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December, 2011 are summarised as follows:

- The Group recorded turnover, other revenue, other gains and losses resulting in a loss of HK\$28,322,935 as compared to a gain of HK\$51,579,976 in last year.
- Loss attributable to owners of the Company was HK\$48,045,466 as compared to the profit of HK\$35,274,924 in last year.
- The Board does not recommend payment of any dividend for the year ended 31st December, 2011 (2010: final dividend was HK15 cents per share).
- Basic loss per share was HK\$1.23 (2010: basic earnings per share was HK\$0.90).

The Board of Directors of the Company (the “Board”) announces the consolidated results of the Group for the year ended 31st December, 2011 together with comparative figures for the corresponding year ended 31st December, 2010. The following consolidated statement of financial position, consolidated statement of comprehensive income and related notes, including the comparative figures, have been extracted from the Company’s consolidated financial statements for the year ended 31st December, 2011 which have been prepared in accordance with International Financial Reporting Standards and audited by the Company’s auditor, BDO Limited.

\* *for identification purpose only*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31st December*

	<i>Note</i>	<b>2011</b> <i>HK\$</i>	2010 <i>HK\$</i>
Turnover	4	<b>16,157,407</b>	40,628,394
Other revenue	4	<b>27,575</b>	120,014
Other gains and (losses)	4	<b>(44,507,917)</b>	10,831,568
		<b>(28,322,935)</b>	51,579,976
Employee benefits expenses		<b>(3,176,136)</b>	(2,989,275)
Depreciation of property, plant and equipment		<b>(662,295)</b>	(316,324)
Other operating expenses		<b>(11,971,351)</b>	(14,825,148)
Share of loss of an associate		<b>(1,571,724)</b>	–
(Loss) profit before income tax	5	<b>(45,704,441)</b>	33,449,229
Income tax (expense) credit	6	<b>(2,341,025)</b>	1,825,695
(Loss) profit for the year attributable to owners of the Company		<b>(48,045,466)</b>	35,274,924
Other comprehensive income:			
Gains on fair value changes on available-for-sale financial assets		<b>16,617,266</b>	2,404,173
Transfer of fair value gains to profit or loss upon disposals of available-for-sale financial assets		<b>(3,420,171)</b>	(13,555,482)
Impairment losses on available-for-sale financial assets recognised in profit or loss		<b>115,000</b>	11,571,164
Other comprehensive income for the year		<b>13,312,095</b>	419,855
Total comprehensive income for the year attributable to owners of the Company		<b>(34,733,371)</b>	35,694,779
(Loss) earnings per share	7		
Basic		<b>(HK\$1.23)</b>	HK\$0.90
Diluted		<b>(HK\$1.23)</b>	HK\$0.90

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31st December*

	<i>Note</i>	<b>2011</b>	2010
		<b><i>HK\$</i></b>	<i>HK\$</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,706,494</b>	1,160,398
Interest in an associate		<b>6,681,887</b>	–
Available-for-sale financial assets		<b>81,497,676</b>	60,201,831
Loans and receivables		<b>32,208,444</b>	24,796,040
Deferred tax assets		–	4,002,372
		<u><b>122,094,501</b></u>	<u>90,160,641</u>
<b>Current assets</b>			
Accounts receivable and prepayments	8	<b>6,414,293</b>	25,089,549
Trading securities		<b>65,365,498</b>	65,956,302
Derivative financial instruments		<b>3,581,809</b>	758,330
Tax recoverable		<b>2,661,127</b>	–
Bank balances and cash		<b>75,404,609</b>	141,083,888
		<u><b>153,427,336</b></u>	<u>232,888,069</u>
<b>Current liabilities</b>			
Accounts payable and accruals	9	<b>6,824,488</b>	6,809,600
Amount due to a related company		–	3,928,169
Tax payable		–	3,021,429
		<u><b>6,824,488</b></u>	<u>13,759,198</u>
<b>Net current assets</b>		<u><b>146,602,848</b></u>	<u>219,128,871</u>
<b>Total assets less current liabilities/Net assets</b>		<u><b>268,697,349</b></u>	<u>309,289,512</u>
<b>Capital and reserves</b>			
Share capital	10	<b>39,058,615</b>	39,058,615
Reserves		<b>229,638,734</b>	270,230,897
<b>Total equity</b>		<u><b>268,697,349</b></u>	<u>309,289,512</u>
<b>Net asset value per share</b>		<u><b>HK\$6.88</b></u>	<u>HK\$7.92</u>

**1. General**

Harmony Asset Limited is incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company has been changed from Room 1101, St. George’s Building, 2 Ice House Street, Central, Hong Kong to Room 1902, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong since 11th January, 2011. Its shares are dual listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Toronto Stock Exchange.

**2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

**(a) Adoption of new or revised IFRSs – effective 1st January, 2011**

IFRSs (Amendments)	Improvements to IFRSs 2010
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC – Interpretation 14	Prepayments of a Minimum Funding Requirement
IFRIC – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
IAS 24 (Revised)	Related Party Disclosures

The adoption of these new or revised standards and interpretations has no material impact on the Group’s financial statements.

**(b) New or revised IFRSs that have been issued but are not yet effective**

The following new or revised IFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income <sup>3</sup>
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets <sup>2</sup>
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities <sup>5</sup>
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>4</sup>
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets <sup>1</sup>
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures <sup>6</sup>
IAS 19 (2011)	Employee Benefits <sup>4</sup>
IAS 27 (2011)	Separate Financial Statements <sup>4</sup>
IAS 28 (2011)	Investments in Associates and Joint Ventures <sup>4</sup>
IFRS 9	Financial Instruments <sup>6</sup>
IFRS 10	Consolidated Financial Statements <sup>4</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>4</sup>
IFRS 13	Fair Value Measurement <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2011

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2012

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2012

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2013

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2014

<sup>6</sup> Effective for annual periods beginning on or after 1st January, 2015

The Group is in the process of making an assessment of the potential impact of these new or revised IFRSs and the directors so far concluded that the application of these new or revised IFRSs will have no material impact on the Group's financial statements except for IFRS 9.

IFRS 9 "Financial Instruments" replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have an irrevocable election in initial recognition, on an investment-by-investment basis, to recognise the gains and losses in other comprehensive income. There is no recycling of such fair value gains or losses to profit or loss. IFRS 9 carries forward the recognition and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. The directors are in process of assessing the impacts on the application of this new IFRS and currently not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### **3. Basis of preparation**

#### **(a) Statement of compliance**

The financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

#### **(b) Basis of measurement**

The financial statements have been prepared under the historical cost basis, except that, available-for-sale financial assets and financial assets at fair value through profit or loss are stated at fair value.

#### 4. 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 year are as follows:

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
<b>Turnover:</b>		
Interest income from		
– bank deposits	714,283	408,441
– loans receivable and convertible bonds not impaired	9,139,359	6,768,349
Dividend income from		
– listed investments	983,765	555,151
– unlisted investments	5,320,000	32,896,453
	<u>16,157,407</u>	<u>40,628,394</u>
<b>Other revenue:</b>		
Service fee income	<u>27,575</u>	<u>120,014</u>
<b>Other gains and (losses):</b>		
Fair value (losses) gains on financial assets		
at fair value through profit or loss:		
– trading securities	(58,531,282)	(17,413,882)
– derivative financial instruments	2,823,479	–
Net realised gain on disposals of financial assets		
at fair value through profit or loss		
– trading securities	5,624,865	19,847,468
– derivative financial instruments	370,272	6,998,729
Net (loss) gain on financial assets		
at fair value through profit or loss	<u>(49,712,666)</u>	<u>9,432,315</u>
Impairment losses on loans and receivables	(90,353)	(1,922,160)
Recovery of impairment loss on loans and receivables		
previously recognised	2,080,000	–
Recovery of impairment loss on accounts receivable	–	113,999
Net gain (loss) on loans and receivables	<u>1,989,647</u>	<u>(1,808,161)</u>
Impairment losses on available-for-sale financial assets:		
– equity investments	(115,000)	(11,571,164)
– deposits on investments written off	–	(244,458)
Net realised gain on disposals of available-for-sale financial assets	<u>3,420,171</u>	<u>13,555,482</u>
Net gain on available-for-sale financial assets	<u>3,305,171</u>	<u>1,739,860</u>
Net exchange (loss) gain on financial instruments not		
at fair value through profit or loss	(64,154)	1,467,554
Loss on disposal of property, plant and equipment	(25,915)	–
	<u>(44,507,917)</u>	<u>10,831,568</u>

For management purposes, the Group's business activity is organised into one main operating segment, investment holding.

The following table provides an analysis of the Group's turnover, other revenue, other gains and losses by geographical location which is based on the domicile country or listing of the investees or counterparties as appropriate.

	<b>2011</b>	2010
	<b>HK\$</b>	HK\$
<b>Turnover and other revenue</b>		
Hong Kong	<b>10,001,339</b>	40,748,408
Canada	<b>53,955</b>	–
Other countries	<b>6,129,688</b>	–
	<b><u>16,184,982</u></b>	<u>40,748,408</u>
	<b>2011</b>	2010
	<b>HK\$</b>	HK\$
<b>Other gains and (losses)</b>		
Hong Kong	<b>(15,487,900)</b>	(3,771,549)
Canada	<b>(31,698,237)</b>	16,593,118
Other countries	<b>2,678,220</b>	(1,990,001)
	<b><u>(44,507,917)</u></b>	<u>10,831,568</u>

During the year, dividend income from two (2010: two) unlisted investments accounted for 33% (2010: 75%) of the Group's turnover.

#### 5. (Loss) profit before income tax

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

	<b>2011</b>	2010
	<b>HK\$</b>	HK\$
Auditor's remuneration	<b>700,000</b>	700,000
Management fees	<b>4,342,743</b>	4,417,468
Incentive fee	–	3,928,169
Contributions to defined contribution plan*	<b>124,055</b>	73,894
Operating leases in respect of land and buildings	<b>2,543,678</b>	2,175,278
	<b><u>7,710,476</u></b>	<u>11,284,809</u>

\* There was no forfeited contribution in respect of the defined contribution plan available at 31st December, 2011 and 2010 to reduce future contributions. There was no outstanding contributions to the plan at 31st December, 2011 and 2010.

## 6. Income tax expense (credit)

No provision for Hong Kong Profits Tax has been made for the year as the Group has sustained estimated tax losses for the year. Provision for Hong Kong Profits Tax has been made at 16.5% of the Group's estimated assessable profits for the year ended 31st December, 2010.

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
<b>Current tax</b>		
Hong Kong Profits Tax:		
Current year	–	4,322,474
(Over) under provision in prior years	<u>(1,661,347)</u>	<u>268,151</u>
	<u>(1,661,347)</u>	<u>4,590,625</u>
<b>Deferred taxation</b>		
Current year	4,002,372	(5,047,777)
Over provision in prior years	<u>–</u>	<u>(1,368,543)</u>
	<u>4,002,372</u>	<u>(6,416,320)</u>
	<u><u>2,341,025</u></u>	<u><u>(1,825,695)</u></u>

The directors consider the Group has no income subject to taxation in other jurisdictions.

## 7. (Loss) earnings per share

### (a) Basic (loss) earnings per share

The calculation of basic (loss) earnings per share is based on the Group's loss attributable to owners of the Company amounting to HK\$48,045,466 (2010: profit of HK\$35,274,924) and on the weighted average number of ordinary shares of 39,058,614 (2010: 39,058,614) in issue during the year.

### (b) Diluted (loss) earnings per share

Diluted (loss) earnings per share for the year is the same as the basic (loss) earnings per share as the effect of the assumed conversion of the outstanding share options is anti-dilutive.

## 8. Accounts receivable and prepayments

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Accounts receivable	1,906,250	1,907,250
Loans receivable, secured (note a)	–	16,666,666
Interests receivable	163,706	824,127
Other receivables	<u>3,404,295</u>	<u>3,616,236</u>
Receivables after allowance for impairment losses	5,474,251	23,014,279
Deposits	741,994	1,511,689
Prepayments	<u>198,048</u>	<u>563,581</u>
	<u><u>6,414,293</u></u>	<u><u>25,089,549</u></u>



*Note:*

- (a) As at 31st December, 2010, loan receivable of HK\$6,666,666 was secured by a borrower's certain listed equity securities with fair value of approximately HK\$32,700,000. The loan carried interest at annual fixed rate of 19% and was repayable on 15th December, 2010. During the year ended 31st December, 2011, the loan was repaid in full.

As at 31st December, 2010, another loan receivable of HK\$10,000,000 was secured by a guarantor's certain listed equity securities with fair value of approximately HK\$15,600,000. The loan carried interest at annual fixed rate of 26.6% and was repayable on 31st December, 2010. During the year ended 31st December, 2011, the loan was repaid in full.

- (b) The aging analysis of the receivables (after allowance for impairment losses) based on due date is as follows:

	<b>2011</b>	2010
	<b>HK\$</b>	HK\$
Balances neither past due nor impaired	<b>5,474,251</b>	5,575,928
Balances past due between 1 to 180 days but not impaired	–	17,438,351
Balances not impaired and receivables after allowance for impairment losses	<b><u>5,474,251</u></b>	<b><u>23,014,279</u></b>

#### **9. Accounts payable and accruals**

	<b>2011</b>	2010
	<b>HK\$</b>	HK\$
Accruals and other payables	<b>6,664,918</b>	6,652,308
Unclaimed dividend payable	<b>159,570</b>	157,292
	<b><u>6,824,488</u></b>	<b><u>6,809,600</u></b>

The aging analysis of accounts payable is as follows:

	<b>2011</b>	2010
	<b>HK\$</b>	HK\$
Current	<b>6,749,958</b>	6,735,070
Over 1 year	<b>74,530</b>	74,530
	<b><u>6,824,488</u></b>	<b><u>6,809,600</u></b>

## 10. Share capital

	Number of shares	Amount HK\$
<b>Authorised:</b>		
Ordinary shares of HK\$1 each at 1st January, 2010, 31st December, 2010, and 31st December, 2011	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$1 each at 1st January, 2010, 31st December, 2010, and 31st December, 2011	<u>39,058,614</u>	<u>39,058,615</u>

### **DIVIDEND**

The Board does not recommend payment of any dividend for the year ended 31st December, 2011 (2010: final dividend was HK15 cents per share).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the year ended 31st December 2011, the Group recorded a turnover of HK\$16,157,407 as compared to HK\$40,628,394 in the prior year, representing a decrease of 60%. This reduction in turnover was mainly due to lower dividend received, resulting in the Group having to post an aggregate loss of HK\$28,322,935 with the inclusion of other revenue, other gains and losses as compared to a gain of HK\$51,579,976 in the prior year.

Other operating expenses amounted to HK\$11,971,351 which is a reduction from HK\$14,825,148 as compared to prior year. Together with the share of loss from an associate which amounted to HK\$1,571,724, the group sustained a loss of HK\$45,704,441 before income tax as compared to a profit of HK\$33,449,229 in the prior year. Loss attributable to owners of the Company totaled HK\$48,045,466 as compared to a profit of HK\$35,274,924 reported for 2010. This significant loss for the year 2011 was primarily due to unrealised loss as result of unfavorable price fluctuation of our invested shares.

### **PROSPECTS AND FUTURE PLANS**

The outlook for the year 2012 remains challenging. The uncertainty of sovereign debt crisis in the European Union, while abated somewhat, is still a cause of concern to investors worldwide. The slow down in China's economy to a 7.5% GNP growth will also cast a doubt over its growth model. We foresee a higher degree of volatility in stock markets resulting in wider fluctuation of market values of public traded securities. The unfavourable factors that had adversely impacted on the Groups' performance in the year 2011 show no sign of amelioration even at the time of writing. Accordingly, we will continue to strengthen our scrutinisation process to identify new business propositions that will not only provide safety but will also produce outstanding returns to our investments.

For now, we will maintain our core business investments by focusing on energy resources, real estate developments and manufacture industries in Asia and the Greater China region. By maintaining a prudent attitude towards the macro business outlook and employing a stringent selection criteria on investment opportunities, we are resolute in our efforts to bring profitability back to meet the benefits of our shareholders.

## **Financial review**

### *Liquidity and financial resources*

The Group had available funds of HK\$75,404,609 which were mainly placed with banks as time deposits. Cash and bank balances held by the Group are mainly denominated in Hong Kong dollars and Canadian dollars.

The Group had shareholders' fund of HK\$268,697,349 at 31st December, 2011 compared to HK\$309,289,512 at 31st December, 2010, a 13% decrease.

At present, the Group has unutilised banking facilities which has been revised from HK\$20,000,000 to HK\$10,000,000 and the Group requires no borrowings for investment and capital expenditure commitments. The interest rate charged on the banking facilities is 3% per annum over the applicable Hong Kong Interbank Offered Rate.

As at 31st December, 2011, the Group had no borrowing (2010: nil). The gearing ratio for the Group was 0% (2010: 0%) 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 31st December, 2011.

### *Capital Structure*

There was no significant change in the Group's capital structure for the year ended 31st December, 2011.

On 17th August, 2011, 522,047 share options expired and lapsed under the share option scheme, as adopted by the Company at the annual general meeting on 28th June, 2005.

During the period, no share options were granted, exercised or cancelled under the said share option scheme.

## **Significant investments held and their performance**

For the year ended 31st December, 2011, the Group recorded a turnover of HK\$16,157,407 as compared to HK\$40,628,394 in the prior year, representing a 60% decrease, which was primarily due to substantial dividend income of HK\$29,695,453 from two unlisted securities recorded last year. Income from interest amounted to HK\$9,853,642 (2010: HK\$7,176,790). Dividends received from listed and unlisted investments were HK\$6,303,765 (2010: HK\$33,451,604).

For the year ended 31st December, 2011, gains on disposal of listed investments amounted to HK\$5,624,865 (2010: HK\$19,847,468), representing a 72% decrease in the prior year which was due to exceptional increases in the prices of particular shares held by the Group in 2010. With the impact of the ongoing general downturn of global stock markets in the fourth quarter of 2011, the prices of certain securities held by the Group as at 31st December, 2011 were significantly decreased. The Group recorded a net unrealised loss of HK\$58,531,282 (2010: HK\$17,413,882) on its trading securities.

The Group recorded a net realised gain on disposal of an unlisted investment of HK\$3,420,171 (2010: HK\$13,555,482) for the year ended 31st December, 2011. Recovery of impairment loss on loans and receivables was HK\$2,080,000 (2010: nil). The impairment losses on unlisted investments were HK\$115,000 (2010: HK\$11,571,164). The impairment losses on loans and receivables were HK\$90,353 (2010: HK\$1,922,160). Loss on disposal of property, plant and equipment were HK\$25,915 (2010: nil). The Group recorded the turnover, other revenue and other gains and losses in an aggregate loss of HK\$28,322,935 for the year ended 31st December, 2011 as compared to the total gain of HK\$51,579,976 in the prior year.

For the year ended 31st December, 2011, the total operating expenses before share of loss of associate was HK\$15,809,782 (2010: HK\$18,130,747). Share of loss on an associate was HK\$1,571,724 (2010: nil). For the year ended 31st December, 2011, the loss before income tax was HK\$45,704,441 as compared to the profit of HK\$33,449,229 in the prior year. The loss attributable to owners of the Company was HK\$48,045,466 as compared to the profit of HK\$35,274,924 in the prior year. The significant loss for the year ended 31st December, 2011 was primarily caused by the unrealised loss of trading securities in the stock market.

As at 31st December, 2011, the Group's unlisted investments (comprised available-for-sale financial assets ("AFS"), loans and receivables and interest in an associate) were HK\$120,388,007 as compared to HK\$84,997,871 as at 31st December, 2010, representing a 42% increase. Such increase was the net result of: (1) net increase in fair value of AFS by HK\$16,617,266; (2) purchase of AFS of HK\$8,098,750; (3) disposal of an unlisted investment with carrying value of HK\$3,420,171; (4) repayment of loans of HK\$2,621,764 from three investee companies; (5) advance to two investee companies of HK\$5,253,082; and (6) investment in and loan to an associate of HK\$7,800,000.

As at 31st December, 2011, accounts receivable and prepayments was HK\$6,414,293 as compared to HK\$25,089,549 as at 31st December, 2010, representing a 74% decrease. Such decrease was primarily due to: (1) advance an amount of HK\$3,000,000 to PRC's project; and (2) the repayment of accounts receivable in the amount of HK\$16,666,666; (3) decrease in cash balance of HK\$3,217,754 in two securities firms; and (4) net decrease in deposits and prepayments of HK\$1,135,228.

As at 31st December, 2011, the financial assets at fair value through profit and loss for trading securities was HK\$65,365,498 (2010: HK\$65,956,302), which comprises (1) purchases of securities for an aggregate amount of HK\$153,611,273; (2) the disposal of certain securities which had a cost of HK\$95,670,795; and (3) the decrease in market value in the amount of HK\$58,531,282 of certain listed securities.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 31st December, 2011, the Group employed a total of 10 full-time employees, including the executive directors of the Company. Employees' remuneration are fixed and determined with reference to the market remuneration.

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management, is to ensure that the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates and executive, is involved in deciding his own remuneration.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. As a long-term incentive plan and with the aim at motivating employees in the continued pursuit of the Company's goal and objectives, the Company has granted share options to subscribe for the shares of the Company to the employees (including directors) of the Company based on their performance and contribution to the Company under the Company's share option scheme.

### **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 31st December, 2011, the Group has no significant contingent liabilities.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company did not redeem any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

### **CORPORATE GOVERNANCE**

The Company had met the relevant code provisions set out in the Code on Corporate Governance Practices based on the principles set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the year.

## **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 annual results for the year ended 31st December, 2011.

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

Hong Kong, 26th March, 2012

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