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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)

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2012**

#### **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, 2012 are summarised as follows:

- The Group recorded a gain of HK\$26,962,375 in turnover, other revenue, other gains and losses as compared to a loss of HK\$28,322,935 in last year.
- Profit attributable to owners of the Company was HK\$9,530,972 as compared to the loss of HK\$48,045,466 in last year.
- The Board does not recommend the payment of any dividend for the year ended 31st December, 2012 and 2011.
- Basic earnings per share was HK\$0.24 (2011: Basic loss per share was HK\$1.23).

The Board of Directors of the Company (the “Board”) announces the consolidated results of the Group for the year ended 31st December, 2012 together with comparative figures for the corresponding year ended 31st December, 2011. 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, 2012 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>2012</b> <b>HK\$</b>	2011 <b>HK\$</b>
Turnover	4	<b>10,275,453</b>	16,157,407
Other revenue	4	<b>136,592</b>	27,575
Other gains and (losses)	4	<b>16,550,330</b>	(44,507,917)
		<b>26,962,375</b>	(28,322,935)
Employee benefits expenses		<b>(3,431,119)</b>	(3,176,136)
Depreciation of property, plant and equipment		<b>(707,068)</b>	(662,295)
Other operating expenses		<b>(13,293,216)</b>	(11,971,351)
Share of loss of an associate		–	(1,571,724)
Profit (loss) before income tax	5	<b>9,530,972</b>	(45,704,441)
Income tax expense	6	–	(2,341,025)
Profit (loss) for the year attributable to owners of the Company		<b>9,530,972</b>	(48,045,466)
Other comprehensive income:			
(Losses) gains on fair value changes on available-for-sale financial assets		<b>(7,050,811)</b>	16,617,266
Transfer of fair value gain to profit or loss upon disposal of an available-for-sale financial asset		<b>(1,018,508)</b>	(3,420,171)
Impairment losses on available-for-sale financial assets recognised in profit or loss		<b>12,624,729</b>	115,000
Other comprehensive income for the year		<b>4,555,410</b>	13,312,095
Total comprehensive income for the year attributable to owners of the Company		<b>14,086,382</b>	(34,733,371)
Earnings (loss) per share	7		
Basic		<b>HK\$0.24</b>	(HK\$1.23)
Diluted		<b>HK\$0.24</b>	(HK\$1.23)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31st December*

	<i>Note</i>	<b>2012</b> <b>HK\$</b>	2011 HK\$
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,036,403</b>	1,706,494
Interest in an associate		–	6,681,887
Available-for-sale financial assets		<b>85,610,660</b>	81,497,676
Loans and receivables		<b>27,676,654</b>	32,208,444
		<u><b>114,323,717</b></u>	<u>122,094,501</u>
<b>Current assets</b>			
Loans and receivables		<b>22,268,845</b>	–
Accounts receivable and prepayments	8	<b>12,438,006</b>	6,414,293
Financial assets at fair value through profit or loss		<b>87,031,396</b>	65,365,498
Derivative financial instruments		<b>18,228,808</b>	3,581,809
Tax recoverable		<b>2,661,127</b>	2,661,127
Bank balances and cash		<b>34,096,412</b>	75,404,609
		<u><b>176,724,594</b></u>	<u>153,427,336</u>
<b>Current liabilities</b>			
Accounts payable and accruals	9	<b>7,205,583</b>	6,824,488
Amount due to a related company		<b>1,058,997</b>	–
		<u><b>8,264,580</b></u>	<u>6,824,488</u>
<b>Net current assets</b>		<u><b>168,460,014</b></u>	<u>146,602,848</u>
<b>Total assets less current liabilities/Net assets</b>		<u><b>282,783,731</b></u>	<u>268,697,349</u>
<b>Capital and reserves</b>			
Share capital	10	<b>39,058,615</b>	39,058,615
Reserves		<b>243,725,116</b>	229,638,734
<b>Total equity</b>		<u><b>282,783,731</b></u>	<u>268,697,349</u>
<b>Net asset value per share</b>		<u><b>HK\$7.24</b></u>	<u>HK\$6.88</u>

Notes:

## 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 is Room 1902, Chung Kong Center, 2 Queen's Road Central, Hong Kong. Its shares are dual listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Toronto Stock Exchange (the "TSX"). On 24th January, 2013, the Company announced that it has applied for voluntary delisting of its shares from the TSX. The Company's application has been approved by the TSX. It is expected that trading of the shares of the Company will cease on the TSX and the Company will be delisted from the TSX at the close of business on 22nd July, 2013.

## 2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

### (a) Adoption of amendments to IFRSs – effective 1st January, 2012

Amendments to IFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these amendments 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.

IFRSs (Amendments)	Annual Improvements 2009-2011 Cycle <sup>2</sup>
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
Amendments to IFRS 7	Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
IFRS 9	Financial Instruments <sup>4</sup>
IFRS 10	Consolidated Financial Statements <sup>2</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
IFRS 13	Fair Value Measurement <sup>2</sup>
Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities <sup>3</sup>
IAS 19 (2011)	Employee Benefits <sup>2</sup>
IAS 27 (2011)	Separate Financial Statements <sup>2</sup>
IAS 28 (2011)	Investments in Associates and Joint Ventures <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2013

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2014

<sup>4</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 the following IFRSs.

*Amendments to IAS 1 (Revised) – Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

*Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities*

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

*IFRS 9 – Financial Instruments*

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.

### *IFRS 13 – Fair Value Measurement*

IFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with IFRS 7 “Financial Instruments: Disclosures”. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. IFRS 13 can be adopted early and is applied prospectively.

### **3. BASIS OF PREPARATION**

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

The financial statements have been prepared in accordance with IFRS 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:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
<b>Turnover:</b>		
Interest income from		
– bank deposits	192,233	714,283
– loans receivable and convertible bonds	7,716,793	9,139,359
Dividend income from		
– listed investments	863,441	983,765
– unlisted investments	1,502,986	5,320,000
	<u>10,275,453</u>	<u>16,157,407</u>
<b>Other revenue:</b>		
Service fee income	<u>136,592</u>	<u>27,575</u>
<b>Other gains and (losses):</b>		
Fair value gains (losses) on financial assets		
at fair value through profit or loss:		
– trading securities	8,317,936	(58,531,282)
– derivative financial instruments	12,796,455	2,823,479
Net realised gain on disposals of financial assets		
at fair value through profit or loss:		
– trading securities	5,522,640	5,624,865
– derivative financial instruments	–	370,272
Net gains (losses) on financial assets at fair value	<u>26,637,031</u>	<u>(49,712,666)</u>
through profit or loss		
Impairment losses on loans and receivables	(1,708,524)	(90,353)
Recovery of impairment losses on loans and receivables		
previously recognised	1,225,864	2,080,000
Recovery of loans and receivables previously written off	406,201	–
Recovery of impairment loss on accounts receivable		
previously recognised	1,487,971	–
Net gain on loans and receivables	<u>1,411,512</u>	<u>1,989,647</u>
Impairment losses on available-for-sale financial assets:		
– equity investments	(12,624,729)	(115,000)
Realised gain on disposal of an available-for-sale financial asset	1,018,508	3,420,171
Net (loss) gain on available-for-sale financial assets	<u>(11,606,221)</u>	<u>3,305,171</u>
Net exchange gain (loss) on financial instruments not at		
fair value through profit or loss	108,008	(64,154)
Loss on disposal of property, plant and equipment	–	(25,915)
	<u>16,550,330</u>	<u>(44,507,917)</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 and other gains and losses by geographical location which is based on the domicile country or listing of the investees and counterparties as appropriate.

	<b>2012</b>	2011
	<i>HK\$</i>	<i>HK\$</i>
<b>Turnover and other revenue</b>		
Hong Kong	<b>6,528,718</b>	10,001,339
Canada	<b>813,394</b>	53,955
Other countries	<b>3,069,933</b>	6,129,688
	<u><b>10,412,045</b></u>	<u>16,184,982</u>
	<b>2012</b>	2011
	<i>HK\$</i>	<i>HK\$</i>
<b>Other gains and (losses)</b>		
Hong Kong	<b>(12,115,544)</b>	(15,487,900)
Canada	<b>28,833,607</b>	(31,698,237)
Other countries	<b>(167,733)</b>	2,678,220
	<u><b>16,550,330</b></u>	<u>(44,507,917)</u>

During the year, dividend income from two (2011: two) unlisted investments accounted for 15% (2011: 33%) of the Group's turnover.

## 5. PROFIT (LOSS) BEFORE INCOME TAX

Profit (loss) before income tax has been arrived at after charging the following:

	<b>2012</b>	2011
	<i>HK\$</i>	<i>HK\$</i>
Auditor's remuneration	<b>770,000</b>	700,000
Management fees	<b>3,915,231</b>	4,342,743
Incentive fee	<b>1,058,997</b>	–
Contributions to defined contribution plan*	<b>86,921</b>	124,055
Operating leases in respect of land and buildings	<b>2,777,112</b>	2,543,678
	<u><b>7,608,261</b></u>	<u>7,710,476</u>

\* There was no forfeited contribution in respect of the defined contribution plan available at 31st December, 2012 and 2011 to reduce future contributions. There was no outstanding contribution to the plan at 31st December, 2012 and 2011.

## 6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the years ended 31st December, 2012 and 2011 as the Group has sustained estimated tax losses for the both years.

	<b>2012</b>	2011
	<i>HK\$</i>	<i>HK\$</i>
<b>Current tax</b>		
Hong Kong Profits Tax:		
Over provision in prior years	—	(1,661,347)
	<hr/>	<hr/>
<b>Deferred taxation</b>		
Current year	—	4,002,372
	<hr/>	<hr/>
	—	2,341,025
	<hr/> <hr/>	<hr/> <hr/>

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

## 7. EARNINGS (LOSS) PER SHARE

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

The calculation of basic earnings (loss) per share is based on the Group's profit attributable to owners of the Company amounting to HK\$9,530,972 (2011: loss of HK\$48,045,466) and on the weighted average of ordinary shares of 39,058,614 (2011: 39,058,614) in issue during the year.

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

Diluted earnings per share for the year ended 31st December, 2012 is the same as the basic earnings per share as there is no potential dilutive share in issue during the year.

Diluted loss per share for the year ended 31st December, 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.

## 8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Accounts receivable	4,606,250	1,906,250
Interests receivable	703,908	163,706
Other receivables	5,139,824	3,404,295
	<hr/>	<hr/>
Receivables after allowance for impairment losses	10,449,982	5,474,251
Deposits	743,194	741,994
Prepayments	1,244,830	198,048
	<hr/>	<hr/>
	<b>12,438,006</b>	<b>6,414,293</b>
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

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

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Balances neither past due nor impaired ( <i>note b</i> )	6,543,732	5,474,251
Balances past due but not impaired ( <i>note c</i> )	3,906,250	—
	<hr/>	<hr/>
Receivables after allowance for impairment losses	10,449,982	5,474,251
	<hr/> <hr/>	<hr/> <hr/>

- (b) The balances that were neither past due nor impaired relate to a number of borrowers for whom there was no recent history of default.
- (c) The balances past due but not impaired represent receivables from two debtors. The directors consider these two debtors should be able to meet their obligations to repay the debts taking into account their financial positions and business prospect. Subsequent to the end of reporting period, HK\$1,906,250 has been settled.

## 9. ACCOUNTS PAYABLE AND ACCRUALS

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Accruals and other payables	7,046,153	6,664,918
Unclaimed dividend payable	159,430	159,570
	<u>7,205,583</u>	<u>6,824,488</u>

The aging analysis of accounts payable is as follows:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Current	7,131,053	6,749,958
Over 1 year	74,530	74,530
	<u>7,205,583</u>	<u>6,824,488</u>

## 10. SHARE CAPITAL

	Number of shares	Amount <i>HK\$</i>
<b>Authorised:</b>		
Ordinary shares of HK\$1 each at 1st January, 2011, 31st December, 2011, and 31st December, 2012	<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, 2011, 31st December, 2011, and 31st December, 2012	<u>39,058,614</u>	<u>39,058,615</u>

## 11. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31st December, 2012 and 2011.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the year ended 31st December 2012, the Group recorded a turnover of HK\$10,275,453 as compared to HK\$16,157,407 in the prior year, representing a decrease of 36%. The reduction in turnover was due to lower interest and dividend received during the year. The Group recorded a realised gain of HK\$5,522,640 as compared to HK\$5,624,865 in the prior year, representing a decrease of 2%. With the Euro Zone euro debt crisis stabling after actions taken by the European Central Bank and European authorities, the global stock markets trended upwards in the fourth quarter of 2012 and the share prices of several publicly traded securities held by the Group recovered from their lows. The Group recorded a net gain on fair value of HK\$21,114,391 (2011: net loss of HK\$55,707,803) on its publicly trading securities and the derivative financial instruments, resulting in the Group posting an aggregate gain of HK\$26,962,375 with the inclusion of turnover, other revenue, other gains and losses as compared to a loss of HK\$28,322,935 in the prior year.

After deducting of employee benefits expenses, depreciation expenses and other operating expenses totalling HK\$17,431,403 (2011: HK\$15,809,782), the Group recorded a profit of HK\$9,530,972 before income tax as compared to a loss of HK\$45,704,441 in the prior year. Profit attributable to owners of the Company was HK\$9,530,972 as compared to a loss of HK\$48,045,466 reported for 2011.

### **PROSPECTS AND FUTURE PLANS**

According to the World Bank's Global Economic Prospects Report which is published twice annually, world economy is estimated to grow from 2.3 percent in 2012 to 2.4 percent in 2013.

Emerging markets, facing the prospect of higher inflation, probably will lead the engine of growth, while developed countries are still struggling to recover. Some of the long term structural challenges experienced by global economy in the last several years will take time to resolve. In Asia, however, some central banks have started monetary easing to ensure growth will continue. Asia is likely to be more robust and so we believe there will be ample investment opportunities in the equity market as well as in higher yielding bond market.

Business indicators for the emerging markets will remain at relatively elevated levels above the growth threshold of 50 in most economies. In China, investment growth has accelerated and will remain a cornerstone of government policies.

The Group will maintain focus on China as the government speeds up capital flows between China and Hong Kong. This will undoubtedly fuel greater interest in equities which appear to be in favour for 2013.

The Group has already made several investments which we hope will come to fruition in the medium term. Barring any unforeseeable circumstances such as adverse development in Europe, the Directors are cautiously optimistic in maintaining profitability for the next financial year.

## **Financial review**

### *Liquidity and financial resources*

The Group had available funds of HK\$34,096,412 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\$282,783,731 at 31st December, 2012 compared to HK\$268,697,349 at 31st December, 2011, representing a 5% increase.

At present, the Group has unutilised banking facilities of 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 Rate.

As at 31st December, 2012, the Group had no borrowing (2011: nil). The gearing ratio for the Group was therefore 0% (2011: 0%).

The Group did not have any capital expenditure commitment as at 31st December, 2012.

### *Capital Structure*

There was no significant change in the Group's capital structure for the year ended 31st December, 2012.

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

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

For the year ended 31st December, 2012, the Group recorded a turnover of HK\$10,275,453 as compared to HK\$16,157,407 in the prior year, representing a 36% decrease, which was primarily due to lower interest and dividend received during the year. Interest income amounted to HK\$7,909,026 (2011: HK\$9,853,642). Dividends received from listed and unlisted investments were HK\$2,366,427 (2011: HK\$6,303,765).

For the year ended 31st December, 2012, gains on disposals of listed investments amounted to HK\$5,522,640 (2011: HK\$5,624,865). With the recovery of global shares, in the four quarter of 2012, the prices of several securities held by the Group as at 31st December, 2012 had increased. The Group recorded a net unrealised gain of HK\$8,317,936 (2011: net loss of HK\$58,531,282) on its publicly traded securities. The fair value gain on the derivative financial instruments was HK\$12,796,455 (2011: HK\$2,823,479).

The Group recorded a realised gain on disposal of an unlisted investment of HK\$1,018,508 (2011: HK\$3,420,171) for the year ended 31st December, 2012. Recovery of impairment losses on loans and receivables were HK\$1,632,065 (2011: 2,080,000). The impairment losses on unlisted investments were HK\$12,624,729 (2011: HK\$115,000). The impairment losses on loans and receivables were HK\$1,708,524 (2011: HK\$90,353). Recovery of impairment loss on accounts receivable was HK\$1,487,971 (2011: nil). The Group recorded the turnover, other revenue and other gains and losses in an aggregate gain of HK\$26,962,375 for the year ended 31st December, 2012 as compared to a loss of HK\$28,322,935 in the prior year.

For the year ended 31st December, 2012, the total operating expenses was HK\$17,431,403 (2011: HK\$15,809,782). For the ended 31st December, 2012, the profit before income tax was HK\$9,530,972 as compared to the loss of HK\$45,704,441 in the prior year. The profit attributable to owners of the Company was HK\$9,530,972 as compared to the loss of HK\$48,045,466 in the prior year.

As at 31st December, 2012, the Group's unlisted investments (comprised of available-for-sale financial assets ("AFS") and loans and receivables) were HK\$135,556,159 as compared to HK\$113,706,120 as at 31st December, 2011, representing a 19% increase. The investments comprised the following activities: (1) net increase in fair value of HK\$4,555,410; (2) new investments were made by (a) investing of HK\$7,797,000 in a private investment fund (b) investing HK\$2,728,963 in an private overseas company (c) subscription of three convertible bonds in an aggregate amount of HK\$14,000,000; (3) receipt of HK\$1,938,152 by disposal of partial equity interest of an overseas private investment; and (4) increase in loans and receivables by (a) financing an aggregate amount of HK\$5,915,000 to four investee companies (b) providing an impairment loss of HK\$1,708,524 on a loan to an investee company (c) receipt of the repayment of HK\$2,708,030 by four investee companies.

As at 31st December, 2012, accounts receivable and prepayments was HK\$12,438,006 as compared to HK\$6,414,293 as at 31st December, 2011, representing a 94% increase. The net increase was the result of (1) financing HK\$2,700,000 to two private companies engaging with the business of retail and life science development; (2) further financing of HK\$2,000,000 in a hotel development project in PRC (3) repayment of cash held by brokerages of HK\$346,970; and (4) a net increase in interest receivable and prepayment of HK\$1,586,984.

As at 31st December, 2012, the Group held trading securities in the amount of HK\$82,031,396 as compared to HK\$65,365,498 as at 31st December, 2011, representing a 25% increase. The net increase was the result of: (1) purchases of securities during the year ended 31st December, 2012 for an aggregate amount of HK\$58,988,730; (2) the sale of certain securities with aggregate carrying amount of HK\$50,640,768 and net realised gain of HK\$5,522,640; and (3) the net increase in market value during the year ended 31st December, 2012 in the amount of HK\$8,317,936 of the Group's listed securities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31st December, 2012, the Group employed a total of 9 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 will grant 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, 2012, 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 (effective until 31st March, 2012) and Corporate Governance Code (effective from 1st April, 2012) 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, 2012.

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

Hong Kong, 28th March, 2013

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