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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)

### **OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is made pursuant to the disclosure requirement under rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The attached is third quarterly report 2013 (“2013 3Q Report”) of Harmony Asset Limited (the “Company”) prepared in accordance with Canadian Securities Law to be published on the website of the System for Electronic Document Analysis and Retrieval [SEDAR] ([www.SEDAR.com](http://www.SEDAR.com)) on 13th November, 2013 pursuant to the requirements of the Toronto Stock Exchange. The attached 2013 3Q Report is also published on the website of the Company ([www.harmonyasset.com.hk](http://www.harmonyasset.com.hk)).

For and on behalf of the board of directors  
**Harmony Asset Limited**  
**LEE Fong Lit**  
*Chairman*

Hong Kong, 13th November, 2013

*As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr. Lee Fong Lit David, Dr. Chow Pok Yu Augustine, Mr. Cheng Ming Shun and Mr. Chan Shuen Chuen Joseph; and three independent non-executive directors, namely Mr. Tong Kim Weng Kelly, Dr. Wong Yun Kuen and Mr. Ho Man Kai Anthony.*

\* *For identification purpose only*

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**Harmony Asset Limited – Third Quarterly Report 2013**  
**prepared in accordance with the Canadian Securities Law**

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**Harmony Asset Limited**

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

HKEX – Stock Code: 428

**Unaudited condensed consolidated interim financial statements**

**Nine-month periods ended 30th September, 2013**

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**Harmony Asset Limited – Third Quarterly Report 2013**  
**prepared in accordance with the Canadian Securities Law**

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**NOTICE TO READER**

The management of Harmony Asset Limited is responsible for the preparation of the accompanying consolidated interim financial statements. The interim financial statements have been prepared in accordance with International Accounting Standards 34 “Interim Financial Reporting” and are considered by management to present fairly the financial position, operation 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.

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**Harmony Asset Limited – Third Quarterly Report 2013**  
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2013**

		Three months ended		Nine months ended	
		30th September,		30th September,	
		2013	2012	2013	2012
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	HK\$	HK\$	HK\$	HK\$
<b>Turnover</b>	2	<b>2,033,863</b>	3,588,886	<b>4,586,731</b>	6,777,777
Other revenue	2	117	4,421	3,240	11,566
Other gains and (losses)	2	<b>(4,886,704)</b>	(413,056)	<b>(25,757,725)</b>	(8,739,451)
		<b>(2,852,724)</b>	3,180,251	<b>(21,167,754)</b>	(1,950,108)
Employee benefits expenses		<b>(851,165)</b>	(806,090)	<b>(2,678,249)</b>	(2,391,744)
Depreciation of property, plant and equipment		<b>(172,796)</b>	(167,646)	<b>(519,175)</b>	(505,454)
Other operating expenses		<b>(2,944,529)</b>	(2,588,038)	<b>(8,245,118)</b>	(8,352,761)
<b>Loss before income tax</b>	3	<b>(6,821,214)</b>	(381,523)	<b>(32,610,296)</b>	(13,200,067)
Income tax expense	4	–	–	–	–
<b>Loss for the period attributable to owners of the Company</b>		<b>(6,821,214)</b>	(381,523)	<b>(32,610,296)</b>	(13,200,067)
<b>Other comprehensive income:</b>					
Loss on fair value changes on available-for-sale financial assets		<b>(2,447,337)</b>	(6,486)	<b>(2,623,337)</b>	(2,326,365)
Transfer of fair value gains to profit or loss upon disposals of available-for-sale financial assets		<b>(3,657,105)</b>	–	<b>(3,702,105)</b>	–
		<b>(6,104,442)</b>	(6,486)	<b>(6,325,442)</b>	(2,326,365)
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>(12,925,656)</b>	(388,009)	<b>(38,935,738)</b>	(15,526,432)
		<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>
Loss per share	6				
Basic		<b>(17.46)</b>	(0.98)	<b>(83.49)</b>	(33.80)
Diluted		<b>(17.46)</b>	(0.98)	<b>(83.49)</b>	(33.80)

The notes on pages 9 to 14 form part of these interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*AS AT 30TH SEPTEMBER, 2013 AND 31ST DECEMBER, 2012*

	<i>Note</i>	<b>30th September, 2013 (Unaudited) HK\$</b>	31st December, 2012 (Audited) HK\$
<b>Non-current assets</b>			
Property, plant and equipment	7	517,228	1,036,403
Available-for-sale financial assets		98,067,429	85,610,660
Loans and receivables		33,031,712	27,676,654
		<b>131,616,369</b>	114,323,717
<b>Current assets</b>			
Loans and receivables		11,742,700	22,268,845
Accounts receivable and prepayments	8	16,164,835	12,438,006
Financial assets at fair value through profit or loss		58,253,045	87,031,396
Derivative financial instruments		13,700,319	18,228,808
Tax recoverable		–	2,661,127
Bank balances and cash		18,438,807	34,096,412
		<b>118,299,706</b>	176,724,594
<b>Current liabilities</b>			
Accounts payable and accruals	9	6,068,082	7,205,583
Amount due to a related company		–	1,058,997
		<b>6,068,082</b>	8,264,580
<b>Net Current assets</b>		<b>112,231,624</b>	168,460,014
<b>Total assets less current liabilities/Net assets</b>		<b>243,847,993</b>	282,783,731
<b>Capital and reserves</b>			
Share capital	10	39,058,615	39,058,615
Reserves		204,789,378	243,725,116
<b>Total equity</b>		<b>243,847,993</b>	282,783,731
<b>Net asset value per share</b>		<b>HK\$6.24</b>	HK\$7.24

The notes on pages 9 to 14 form part of these interim financial statements.

**Harmony Asset Limited – Third Quarterly Report 2013**  
**prepared in accordance with the Canadian Securities Law**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*AS AT 30TH SEPTEMBER, 2013 AND 2012*

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Fair value reserve <i>HK\$</i>	Retained profits (accumulated losses) <i>HK\$</i>	Total <i>HK\$</i>
As 1st January, 2013 (audited)	39,058,615	162,768,326	36,598,241	44,358,549	282,783,731
Loss for the period	–	–	–	(32,610,296)	(32,610,296)
Loss on fair value changes on available-for-sale financial assets	–	–	(2,623,337)	–	(2,623,337)
Transfer of fair value gains to profit or loss upon disposals of available-for-sale financial assets	–	–	(3,702,105)	–	(3,702,105)
Other comprehensive income for the period	–	–	(6,325,442)	–	(6,325,442)
Total comprehensive income for the period	–	–	(6,325,442)	(32,610,296)	(38,935,738)
At 30th September, 2013 (unaudited)	<u>39,058,615</u>	<u>162,768,326</u>	<u>30,272,799</u>	<u>11,748,253</u>	<u>243,847,993</u>
As 1st January, 2012 (audited)	39,058,615	162,768,326	32,042,831	34,827,577	268,697,349
Loss for the period	–	–	–	(13,200,067)	(13,200,067)
Other comprehensive income for the period:					
Loss on fair value changes on available-for-sale financial assets	–	–	(2,326,365)	–	(2,326,365)
Other comprehensive income for the period	–	–	(2,326,365)	–	(2,326,365)
Total comprehensive income for the period	–	–	(2,326,365)	(13,200,067)	(15,526,432)
At 30th September, 2012 (unaudited)	<u>39,058,615</u>	<u>162,768,326</u>	<u>29,716,466</u>	<u>21,627,510</u>	<u>253,170,917</u>

The notes on pages 9 to 14 form part of these financial statements.

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**Harmony Asset Limited – Third Quarterly Report 2013**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
*FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2013 AND 2012*

	<b>Nine months ended</b>	
	<b>30th September,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Cash flows from operating activities</b>		
Loss before income tax	(32,610,296)	(13,200,067)
Interest income	(1,572,843)	(4,550,482)
Dividend income from available-for-sale financial assets	(3,000,000)	(1,502,986)
Depreciation of property, plant and equipment	519,175	505,454
Fair value losses on trading securities	26,211,625	14,396,401
Fair value losses on derivative financial instruments	4,528,489	–
Impairment loss on loans and receivables	8,593,872	–
Gain on disposals of available-for-sale financial assets	(3,702,105)	–
Recovery of impairment loss on loans and receivables previously recognised	(884,381)	(282,245)
Recovery of impairment loss on accounts receivable previously recognised	–	(1,487,971)
	(1,916,464)	(6,121,896)
Loss before working capital changes		
(Decrease) increase in trading securities	2,566,726	(12,917,632)
Increase in accounts receivable and prepayments	(3,777,654)	(8,052,771)
Decrease in accounts payable and accruals	(1,137,501)	(692,808)
Decrease in amount due to a related company	(1,058,997)	–
	(5,323,890)	(27,785,107)
<b>Net cash used in operatings</b>		
Hong Kong Profits Tax refunded	2,661,127	–
	(2,662,763)	(27,785,107)
<b>Cash flows from investing activities</b>		
Interest received	1,623,668	3,786,478
Dividend received from available-for-sale financial assets	3,000,000	1,502,986



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)**  
*FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2013 AND 2012*

	<b>Nine months ended</b>	
	<b>30th September,</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	<b>HK\$</b>
Advances to investee companies	<b>(165,000)</b>	(14,450,000)
Repayment from investee companies	<b>2,345,349</b>	1,315,000
Purchase of property, plant and equipment	–	(36,977)
Purchase of convertible bonds	<b>(13,284,999)</b>	–
Redemption of convertible bonds	<b>5,000,000</b>	–
Purchase of available-for-sale financial assets	<b>(19,127,965)</b>	(7,797,000)
Proceeds from disposal of available-for-sale financial assets	<b>7,614,105</b>	–
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(12,994,842)</b>	(15,679,513)
	<hr/>	<hr/>
<b>Cash used in financing activities</b>		
Dividend paid	–	–
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(15,657,605)</b>	(43,464,620)
<b>Cash and cash equivalents at 1st January</b>	<b>34,096,412</b>	75,404,609
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30th September</b>	<b>18,438,807</b>	31,939,989
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>18,438,807</b>	31,939,989
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 14 form part of these financial statements.

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## Harmony Asset Limited – Third Quarterly Report 2013 prepared in accordance with the Canadian Securities Law

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### NOTES TO THE UNAUDITED 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, 2012. 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, 2012.

#### 2. Turnover, other revenue and gains and losses

The Group principally invests in securities listed on recognised stock exchange and unlisted securities and including equity securities, convertible bonds issued by corporate entities. Turnover, other revenue and other gains or losses recognised during the period are as follows:

	<b>Nine months ended</b>	
	<b>30th September,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Turnover:</b>		
Interest income from		
– bank deposits	21,365	161,584
– loans receivable and convertible bonds	1,551,478	4,388,898
Dividend income from		
– listed investments	13,888	724,309
– unlisted investments	3,000,000	1,502,986
	<b>4,586,731</b>	<b>6,777,777</b>
<b>Other revenue:</b>		
Sundry income	3,240	11,566
	<b>3,240</b>	<b>11,566</b>
<b>Other gains and (losses):</b>		
Exchange losses, net	(190,423)	(62,739)
Fair value losses on financial assets at fair value through profit or loss		
– trading securities	(26,211,625)	(14,396,401)
– derivative financial instruments	(4,528,489)	–
Net realised gain on disposals of financial assets		
at fair value through profit or loss		
– trading securities	9,180,198	3,949,473
Gain on disposal of available-for-sale financial assets	3,702,105	–
Impairment loss on loans and receivables	(8,593,872)	–
Recovery of impairment loss on accounts receivable previously recognised	–	1,487,971
Recovery of impairment loss on loans and receivable previously recognised	884,381	282,245
	<b>(25,757,725)</b>	<b>(8,739,451)</b>
	<b>(21,167,754)</b>	<b>(1,950,108)</b>

Management considers the Group has only one operating segment, i.e. investment holding. Accordingly, the Group’s turnover, other revenue, other gains and losses, loss for the period, and total assets are attributable to the segment of investment holding.

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)**

**3. Loss before income tax**

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

	<b>Nine months ended</b>	
	<b>30th September,</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	<b>HK\$</b>
Management fees	<b>2,984,868</b>	2,944,352
Pension costs – contributions to defined contribution plan	<b>99,067</b>	86,821
Operating lease in respect of land and buildings	<b>2,082,834</b>	2,082,834
	<b><u>2,082,834</u></b>	<b><u>2,082,834</u></b>

**4. Income tax expense**

No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profit for the period.

**5. Dividend**

The Board does not recommend payment of any interim dividend for the nine months ended 30th September, 2013 (2012: nil).

**6. Loss per share**

The calculation of loss per share is as follows:

	<b>Nine months ended</b>	
	<b>30th September,</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	<b>HK\$</b>
Loss attributable to owners of the Company	<b>(32,610,296)</b>	(13,200,067)
	<b>Number of</b>	Number of
	<b>shares</b>	shares
Weighted average number of ordinary shares for the purpose of basic loss per share and diluted loss per share	<b>39,058,614</b>	39,058,614
	<b>HK cents</b>	<b>HK cents</b>
Basic loss per share	<b>(83.49)</b>	(33.80)
Diluted loss per share	<b>(83.49)</b>	(33.80)

The calculation of basic loss per share is based on the Group's loss attributable to owners of the Company and the weighted average number of the ordinary shares in issue during the period.

Diluted loss per share is the same as the basic loss per share as there are no potential dilutive shares in issue during the period.

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)**

**7. Property, plant and equipment**

	As at 30th September, 2013 (Unaudited) HK\$	As at 31st December, 2012 (Audited) HK\$
Cost:		
Furniture and fixture	544,725	544,725
Motor vehicle	1,444,000	1,444,000
Office equipment	524,437	524,437
Leasehold improvements	1,090,699	1,090,699
	<u>3,603,861</u>	<u>3,603,861</u>
Accumulated depreciation	3,086,633	2,567,458
Carrying amount	<u><u>517,228</u></u>	<u><u>1,036,403</u></u>

**8. Accounts receivable and prepayments**

	As at 30th September, 2013 (Unaudited) HK\$	As at 31st December, 2012 (Audited) HK\$
Accounts receivable	11,790,073	4,606,250
Interests receivable	653,083	703,908
Other receivables	1,319,568	5,139,824
	<u>13,762,724</u>	<u>10,449,982</u>
Receivables after allowance for impairment losses	13,762,724	10,449,982
Deposits	2,332,471	743,194
Prepayments	69,640	1,244,830
	<u><u>16,164,835</u></u>	<u><u>12,438,006</u></u>

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

	As at 30th September, 2012 (Unaudited) HK\$	As at 31st December, 2011 (Audited) HK\$
Balances neither past due nor impaired	11,762,724	6,543,732
Balances past due but not impaired	2,000,000	3,906,250
	<u><u>13,762,724</u></u>	<u><u>10,449,982</u></u>

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)**

**9. Accounts payable and accruals**

	<b>As at 30th September, 2013 (Unaudited) HK\$</b>	<b>As at 31st December, 2012 (Audited) HK\$</b>
Accruals and other payables	5,908,751	7,046,153
Unclaimed dividend payable	159,331	159,430
	<b>6,068,082</b>	<b>7,205,583</b>

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

	<b>As at 30th September, 2013 (Unaudited) HK\$</b>	<b>As at 31st December, 2012 (Audited) HK\$</b>
Current	5,908,751	7,131,053
Over 1 year	159,331	74,530
	<b>6,068,082</b>	<b>7,205,583</b>

**10. Share capital**

	<b>Number of shares</b>	<b>Amount HK\$</b>
<b>Authorised:</b>		
Ordinary shares of HK\$1 each at 31st December, 2012 (audited) and 30th September, 2013 (unaudited)	100,000,000	100,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$1 each at 31st December, 2012 (audited) and 30th September, 2013 (unaudited)	39,058,614	39,058,615

The nominal amount of the ordinary shares amounting to HK\$39,058,615 is HK\$1 more than the amount calculated based on the 39,058,614 ordinary shares of HK\$1 each in issue as the fractional shares arising from the Company's shares consolidation on 14th December, 2006 had not been issued to its then shareholders.

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## Harmony Asset Limited – Third Quarterly Report 2013 prepared in accordance with the Canadian Securities Law

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### NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

#### 11. 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.

During the nine months ended 30th September, 2013, there was no share options outstanding, granted, lapsed, exercised or cancelled under the Share Option Scheme.

#### 12. Management contracts

	<b>Nine months ended</b>	
	<b>30th September,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
Harmony Asset Management Limited (“HAML”):		
– Management fees	<b>2,984,868</b>	2,944,352

On 11th April, 2013, the Company entered into a new investment management agreement with HAML, a company which is wholly-owned by a director of the Company, Dr. Chow Pok Yu Augustine. Under the new investment management agreement, HAML has agreed to assist the Board with the day-to-day management of the Group for additional three years until 31st May, 2016. In accordance with the new investment management agreement, HAML is entitled to a monthly management fee calculated at 1.5% per annum on the net asset value of the Group of the preceding month and an incentive fee 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\$7,860,670 which was previously agreed for the period from 1st January, 2013 to 31st May, 2013 and an annual cap. of HK\$5,742,025 for the period from 1st June, 2013 to 31st December, 2013.

On 24th April, 2013, the Company and HAML entered into the supplemental agreement to amend the calculation method of the incentive fee under the new investment management agreement. After entering of the supplemental agreement, the incentive fee payable by the Company to HAML under the new investment management agreement (as amended by the supplemental agreement) in respect of each financial year shall be 10% of the audited net profit of the Company in the financial year and for the purpose of the calculating the audited net profit of the financial year (i) any audited net loss of the Company in any financial year commencing 1st January, 2013 shall be carried forward and set off against the audited net profit of the Company in subsequent financial years, and (ii) the audited net profit of the financial year shall be calculated before accrual of any incentive fee that will be payable. The new investment management agreement and the supplemental agreement were approved by the independent shareholders of the Company on the extra general meeting which was held on 31st May, 2013.

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)**

**13. Lease commitments**

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

As at 30th September, 2013, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>As at 30th September, 2013 (Unaudited) HK\$</b>	<b>As at 31st December, 2012 (Audited) HK\$</b>
Within one year	<u>694,278</u>	<u>2,777,112</u>
	<u><b>694,278</b></u>	<u><b>2,777,112</b></u>

**14. Approval of the unaudited interim financial statements**

The unaudited interim financial statements were approved and authorised for issue by the Board on 13th November, 2013.