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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)

### **CONTINUING CONNECTED TRANSACTION**

On 11 April 2013, the Company entered into the Investment Management Agreement with the Investment Manager in relation to the appointment of the Investment Manager for the Management Period. The Investment Management Agreement is conditional upon approval by the Independent Shareholders.

As the Investment Manager is a company wholly-owned by Dr. Chow Pok Yu, Augustine, executive Director, the Investment Manager is a connected person of the Company and the transactions contemplated by the Investment Management Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratio will exceed 25% in respect of each of the proposed annual caps, such transactions are subject to the reporting and announcement requirements and Independent Shareholders' approval by way of poll at an EGM.

An independent board committee comprising Mr. Tong Kim Weng Kelly, Dr. Wong Yun Kuen and Mr. Ho Man Kai Anthony has been formed to advise the Independent Shareholders in respect of the Investment Management Agreement the annual caps thereunder. The Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Investment Management Agreement and the annual caps thereunder.

A circular containing, among others, further details of the Investment Management Agreement, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee and a notice convening the EGM, will be despatched to the Shareholders as soon as possible.

**INVESTMENT MANAGEMENT AGREEMENT**

On 11 April 2013, the Company entered into the Investment Management Agreement with the Investment Manager in relation to the appointment of the Investment Manager for the Management Period, immediately following the expiry date of the Previous Agreement, which is to be 31 May 2013.

**Principal terms**

The principal terms of the Investment Management Agreement, among others, include:

- Duration: From the Renewal Date until 31 May 2016
  
- Services: The Investment Manager shall provide investment management services to the Company which includes identifying and analyzing investment opportunities, structuring and monitoring and supervising investments.
  
- Remuneration: *Management Fee:* 1.5% per annum on the Net Asset Value as per the management account of the Company in the preceding month and payable by the Company monthly in advance. The management fee shall be calculated on the actual number of days elapsed in the month during which investment management services are provided.  
  
*Incentive Fee:* In respect of each Financial Year, 10% of the audited net profit of the Company in the Financial Year before accrual of the incentive fee and payable within 6 months after publishing the audited account of the Company in the relevant Financial Year.

## Annual caps

The annual maximum remuneration payable by the Company to the Investment Manager under the Investment Management Agreement is limited as follows:

	<i>HK\$</i>
For the period from the Renewal Date to 31 December 2013	5,742,025
For the year ended 31 December 2014	10,517,799
For the year ended 31 December 2015	11,241,958
For the period from 1 January 2016 to 31 May 2016	4,761,337

Computation of the annual caps is based on the assumption that the Company will achieve approximately a 17% increase in net asset value before accrual of the incentive fee by reference to the historical record of average audited net profit of the Company during the year ended 31 December, 2007, 2009, 2010 and 2012.

## Historical transaction amounts and the current annual caps

The following is a summary of the historical transaction amounts for the period commencing from 1 January 2010 to 31 December 2012 (both dates inclusive) and the annual caps under the Previous Agreement for the periods commencing from 1 January 2010 to 31 December 2012 (both dates inclusive):—

	<b>Financial Year ended 31 December 2010 (HK\$)</b>	<b>Financial Year ended 31 December 2011 (HK\$)</b>	<b>Financial Year ended 31 December 2012 (HK\$)</b>
Transaction amount	8,345,637	4,342,743	4,974,228
Annual caps	13,093,354	16,919,971	18,391,986

## Condition of the Investment Management Agreement

The Investment Management Agreement is conditional upon the approval by the Independent Shareholders at the EGM. If the condition is not satisfied on or before 31 May 2013, the Investment Management Agreement shall lapse and none of the parties shall have any obligations and liabilities thereunder save for antecedent breaches of terms thereof.

## **Reasons for entering into the Investment Management Agreement**

The Investment Manger has provided investment management services to the Company since 1 June 1998. The Board is of the view that continuity for provision of investment management services by the Investment Manager is important for the management of the Company.

## **LISTING RULE IMPLICATIONS**

The Investment Manager, as the investment manager of the Company under the Previous Agreement, is a connected person of the Company pursuant to Rule 21.13 of the Listing Rules. Accordingly, the transactions contemplated by the Investment Management Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratio will exceed 25% in respect of each of the proposed annual caps, the transactions contemplated by the Investment Management Agreement are subject to the reporting and announcement requirements and the Independent Shareholders' approval by way of poll at an EGM.

## **VOTING ABSTENTION**

The Investment Manager is a company wholly-owned by Dr. Chow Pok Yu, Augustine, executive Director. Therefore, the Investment Manager, Dr. Chow Pok Yu, Augustine and their respective associates have material interests in the transactions contemplated under the Investment Management Agreement and shall abstain from voting at the EGM.

To the best knowledge of the Directors, other than the Investment Manager, Dr. Chow Pok Yu, Augustine and their respective associates, no Shareholder is required to abstain from voting at the EGM.

## **VIEWS OF DIRECTORS**

The Directors (excluding the Independent Board Committee who will reserve their judgment after taking advice from the Independent Financial Adviser) are of the view that the transactions contemplated by the Investment Management Agreement and the annual caps under the Investment Management Agreement are (a) fair and reasonable and in the interests of the Company and the Shareholders as a whole; (b) in the ordinary and usual course of business of the Company; and (c) on normal commercial terms which have been negotiated on an arm's length basis.

## **INFORMATION ON THE COMPANY AND INVESTMENT MANAGER**

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Company principally invests in securities listed on the Stock Exchange and unlisted investments with a potential for earning growth and capital appreciation.

The Investment Manager is a company wholly-owned by Dr. Chow Pok Yu, Augustine, executive Director, and is a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Investment Manager is principally engaged in investment advisory and asset management.

## **GENERAL**

An Independent Board Committee comprising Mr. Tong Kim Weng Kelly, Dr. Wong Yun Kuen and Mr. Ho Man Kai Anthony has been formed to advise the Independent Shareholders in respect of the Investment Management Agreement and the annual caps thereunder. The Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Investment Management Agreement and the annual caps thereunder.

An EGM will be convened at which ordinary resolution(s) will be proposed to consider and, if thought fit, approve the Investment Management Agreement and the annual caps thereunder.

A circular containing, among others, further details of the Investment Management Agreement, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee and a notice convening the EGM, will be despatched to the Shareholders as soon as possible.

## **DEFINITIONS**

“associates”	shall have the same meaning as is provided in the Listing Rules
“Board”	the board of directors of the Company
“Company”	Harmony Asset Limited, a company incorporated in Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange and TSX
“Directors”	the directors of the Company

“EGM”	an extraordinary general meeting of the Company to be convened to approve the Investment Management Agreement and the annual caps thereunder
“Financial Year”	the financial year of the Company during the Management Period, being the period of twelve (12) months from 1st January to 31st December, or as otherwise determined by the Board
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Tong Kim Weng Kelly, Dr. Wong Yun Kuen and Mr. Ho Man Kai Anthony (all being independent non-executive Directors) to make recommendation to the Independent Shareholders in respect of the Investment Management Agreement and the annual caps thereunder
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Investment Management Agreement and the annual caps thereunder
“Independent Shareholders”	Shareholders other than the Investment Manager, Dr. Chow Pok Yu, Augustine and their respective associates
“Investment Manager”	Harmony Asset Management Limited, a company wholly-owned by Dr. Chow Pok Yu, Augustine, executive Director
“Investment Management Agreement”	the investment management agreement dated 11 April 2013 and entered into between the Company and the Investment Manager in relation to the provision of services with effect from the Renewal Date, the terms of which shall be subject to approval by the Independent Shareholders

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Period”	the period from the Renewal Date to 31 May 2016
“Net Asset Value”	the net asset value of the Company calculated in accordance with the articles of association of the Company in force from time to time
“Previous Agreement”	the investment management agreement made between the Company and the Investment Agreement dated 8 April 2010
“Renewal Date”	1 June 2013
“Shareholders”	holders of Shares
“Shares”	ordinary shares in the issued share capital of the Company of a nominal value of HK\$1.00 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TSX”	Toronto Stock Exchange
“%”	per cent

By Order of the Board  
**HARMONY ASSET LIMITED**  
**Lee Fong Lit David**  
*Chairman*

Hong Kong, 11 April 2013

*\* for identification purpose only*

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