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**Harmony Asset Limited – Third Quarterly Report 2009**  
**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  
TSX – Trading Symbol: HAR

**Unaudited condensed consolidated interim financial statements**

**Three-month and nine-month periods ended 30th September, 2009**

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**Harmony Asset Limited – Third Quarterly Report 2009**  
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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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**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

*As at 30th September, 2009 and 31st December, 2008*

	<i>Note</i>	<b>30th September, 2009 (Unaudited) HK\$</b>	31st December, 2008 (Audited) HK\$
<b>Non-current assets</b>			
Property, plant and equipment	7	76,312	136,886
Available-for-sale financial assets		78,542,352	68,058,932
Loans and receivables		7,152,038	20,077,507
		<u>85,770,702</u>	<u>88,273,325</u>
<b>Current assets</b>			
Accounts receivable and prepayments	8	33,463,389	19,383,342
Financial assets at fair value through profit or loss		86,647,344	72,896,629
Bank balances and cash		80,235,563	10,252,785
		<u>200,346,296</u>	<u>102,532,756</u>
<b>Current liabilities</b>			
Accounts payable and accruals	9	8,092,415	1,786,655
Tax payable		17,738,959	2,825,920
		<u>25,831,374</u>	<u>4,612,575</u>
<b>Net current assets</b>		<u>174,514,922</u>	<u>97,920,181</u>
<b>Total assets less current liabilities</b>		<u>260,285,624</u>	<u>186,193,506</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		2,845,598	2,651,742
<b>Net assets</b>		<u>257,440,026</u>	<u>183,541,764</u>
<b>Capital and reserves</b>			
Share capital	10	39,058,615	39,002,615
Reserves		218,381,411	144,539,149
		<u>257,440,026</u>	<u>183,541,764</u>

The notes on pages 10 to 18 form part of these interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the three months and nine months ended 30th September, 2009*

	<i>Note</i>	Three months ended 30th September,		Nine months ended 30th September,	
		2009 (Unaudited) <i>HK\$</i>	2008 (Unaudited) <i>HK\$</i>	2009 (Unaudited) <i>HK\$</i>	2008 (Unaudited) <i>HK\$</i>
Turnover	2	812,693	1,966,340	5,562,492	9,678,077
Other revenue	2	2,999,333	78,415	3,132,452	531,070
Other gains (losses)	2	(14,554,878)	(35,824,529)	98,614,968	(16,093,916)
		<b>(10,742,852)</b>	<b>(33,779,774)</b>	<b>107,309,912</b>	<b>(5,884,769)</b>
Employee benefits expenses		(557,502)	(948,982)	(1,874,460)	(4,765,838)
Depreciation of property, plant and equipment		(7,016)	(32,602)	(60,574)	(94,918)
Other operating expenses		(5,580,697)	(2,900,605)	(12,755,170)	(9,608,096)
Operating profit (loss)	3	(16,888,067)	(37,661,963)	92,619,708	(20,353,621)
Finance costs	4	–	–	–	(96)
Profit (loss) before income tax		(16,888,067)	(37,661,963)	92,619,708	(20,353,717)
Income tax (expenses) credit	5	1,071,076	3,417,972	(15,106,895)	1,105,346
Profit (loss) for the period attributable to equity holders of the Company		<b>(15,816,991)</b>	<b>(34,243,991)</b>	<b>77,512,813</b>	<b>(19,248,371)</b>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per share	6				
Basic		(40.52)	(87.80)	198.69	(49.35)
Diluted		N/A	N/A	198.52	N/A

The notes on pages 10 to 18 form part of these interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the three months and nine months ended 30th September, 2009*

	<b>Nine months ended</b>		<b>Three months ended</b>	
	<b>30th September,</b>		<b>30th September,</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
<b>Profit (loss) for the period</b>	<b>77,512,813</b>	(19,248,371)	<b>(15,816,991)</b>	(34,243,991)
<b>Other comprehensive income</b>				
Fair value changes on available-for-sale financial assets				
Recognized in equity	<b>51,070</b>	(2,049,426)	<b>(318,236)</b>	(870,948)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income attributable to equity holders of the Company</b>	<b><u>77,563,883</u></b>	<b><u>(21,297,797)</u></b>	<b><u>(16,135,227)</u></b>	<b><u>(35,114,939)</u></b>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the nine months ended 30th September, 2009 and 2008*

	Unaudited						Total HK\$
	Share capital HK\$	Share premium HK\$	Fair value reserve HK\$	Share option reserve HK\$	Proposed dividend HK\$	Retained profits/ (accumulated losses) HK\$	
At 1st January, 2009	39,002,615	170,354,945	5,641,393	1,350,000	–	(32,807,189)	183,541,764
Profit for the period	–	–	–	–	–	77,512,813	77,512,813
Fair value changes on available-for-sale financial assets recognised in equity	–	–	51,070	–	–	–	51,070
Total comprehensive income for the period	–	–	51,070	–	–	77,512,813	77,563,883
Issue of shares upon exercise of share options	56,000	184,240	–	–	–	–	240,240
Dividend paid	–	(3,905,861)	–	–	–	–	(3,905,861)
	–	–	–	–	–	–	–
<b>Balance at 30th September, 2009</b>	<b><u>39,058,615</u></b>	<b><u>166,633,324</u></b>	<b><u>5,692,463</u></b>	<b><u>1,350,000</u></b>	<b><u>–</u></b>	<b><u>44,705,624</u></b>	<b><u>257,440,026</u></b>
At 1st January, 2008	39,002,615	170,354,945	15,268,766	1,007,000	6,630,444	55,783,325	288,047,095
Loss for the period	–	–	–	–	–	(19,248,371)	(19,248,371)
Fair value changes on available-for-sale financial assets recognised in equity	–	–	(2,049,426)	–	–	–	(2,049,426)
Total comprehensive income for the period	–	–	(2,049,426)	–	–	(19,248,371)	(21,297,797)
Share option scheme							
– value of employee services	–	–	–	313,020	–	–	313,020
– value of consultancy services	–	–	–	29,980	–	–	29,980
Proposed dividend transferred to current liabilities upon approval of shareholders at annual general meeting	–	–	–	–	(6,630,444)	–	(6,630,444)
	–	–	–	343,000	(6,630,444)	–	(6,287,444)
Balance at 30th September, 2008	<b><u>39,002,615</u></b>	<b><u>170,354,945</u></b>	<b><u>13,219,340</u></b>	<b><u>1,350,000</u></b>	<b><u>–</u></b>	<b><u>36,534,954</u></b>	<b><u>260,461,854</u></b>

The notes on pages 10 to 18 form part of these financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Nine months ended</b>	
	<b>30th September,</b>	
	<b>2009</b>	2008
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
<b>Operating activities</b>		
Profit (loss) before taxation	<b>92,619,708</b>	(20,353,717)
Interest income	<b>(926,492)</b>	(3,372,761)
Financial costs	–	96
Dividend income from available-for-sale financial assets	<b>(4,636,000)</b>	(6,300,000)
Depreciation of property, plant and equipment	<b>60,574</b>	94,918
Equity-settled share-based payment expenses	–	343,000
Fair value changes on financial assets at fair value through profit or loss	<b>(19,782,881)</b>	22,076,038
Impairment loss on available-for-sale financial assets – deposits on Investment written off	<b>567,651</b>	–
Impairment loss on loans and receivables	<b>12,771,569</b>	–
Impairment loss on accounts receivable	<b>14,010,574</b>	–
	<hr/>	<hr/>
Profit (loss) before working capital changes	<b>94,684,703</b>	(7,512,426)
Decrease in financial assets at fair value through profit or loss	<b>6,032,166</b>	16,910,881
Increase in accounts receivable and prepayments	<b>(27,913,662)</b>	(596,241)
Increase (decrease) in accounts payable and accruals	<b>6,305,759</b>	(2,133,731)
	<hr/>	<hr/>
Cash generated from operations	<b>79,108,966</b>	6,668,483
Interest paid	–	(96)
Hong Kong tax paid	–	(166,817)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>79,108,966</b>	6,501,570
Interest received	<b>749,533</b>	1,667,916
Dividend income from available-for-sale financial assets	<b>4,636,000</b>	1,300,000
Advances to investee companies	–	(1,100,000)
Repayment from investee companies	<b>153,900</b>	2,061,700
Purchase of property, plant and equipment	–	(52,133)
Purchase of available-for-sale financial assets	<b>(11,000,000)</b>	(18,432,763)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(5,460,567)</b>	(14,555,280)



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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**

	<b>Nine months ended</b>	
	<b>30th September,</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	<b>HK\$</b>
<b>Financing activities</b>		
Dividend paid	(3,905,861)	(6,630,444)
Proceeds from exercise of share options	240,240	–
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(3,665,621)</b>	<b>(6,630,444)</b>
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>69,982,778</b>	<b>(14,684,154)</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at 1st January</b>	<b>10,252,785</b>	<b>21,698,184</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30th September</b>	<b>80,235,563</b>	<b>7,014,030</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balances of cash and cash equivalents:</b>		
<b>Bank balances and cash</b>	<b>80,235,563</b>	<b>7,014,030</b>
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 18 form part of these financial statements.

# Harmony Asset Limited – Third Quarterly Report 2009

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### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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, 2008. 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, 2008.

**2. Turnover, other revenues and other gains (losses)**

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

	Nine months ended 30th September,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
<b>Turnover:</b>		
Interest income from		
– bank deposits	24,252	310,497
– convertible bond	662,240	–
– loans receivable	240,000	3,062,264
Dividend income from		
– listed investments	–	5,316
– unlisted investments	4,636,000	6,300,000
	5,562,492	9,678,077
	5,562,492	9,678,077
<b>Other revenue:</b>		
Sundry income	3,132,452	531,070
	3,132,452	531,070
	3,132,452	531,070
<b>Other gains:</b>		
Fair value changes on financial assets		
at fair value through profit or loss	19,782,881	(22,076,038)
Net realised gain on disposal of financial assets		
at fair value through profit or loss	105,418,596	6,006,606
Exchange gains (losses)	509,285	(24,484)
Impairment loss on accounts receivable	(13,910,574)	–
Gain on disposal of associate	100,000	–
Impairment loss on loans and receivables	(12,771,569)	–
Impairment loss on available-for-sale financial assets		
– deposits on investment written off	(567,651)	–
– loss recovery	54,000	–
	98,614,968	(16,093,916)
	98,614,968	(16,093,916)
	107,309,912	(5,884,769)
	107,309,912	(5,884,769)

No analysis of the Group’s turnover and contribution to operating profit for the period set out by principal activities and geographical markets is provided as the Group has only one single business segment, which is investment holding, and less than 10% of the consolidated turnover, results and assets of the Group are attributable to markets outside Hong Kong.

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

**3. Operating profit**

Operating profit has been arrived at after charging the following:

	Nine months ended 30th September,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees	2,504,397	3,289,904
Incentive fee	6,028,948	–
Pension costs – contributions to defined contribution plan	78,901	89,141
Operating lease in respect of land and buildings	1,582,020	2,034,382
Equity-settled share-based payment expenses	–	343,000
	<u>                    </u>	<u>                    </u>

**4. Finance costs**

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

**5. Income tax (credit) expenses**

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period.

	Nine months ended 30th September,	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Hong Kong profits tax		
Provision for the current period	12,924,747	2,873,315
Overprovision in prior years	–	(10,549,382)
	<u>                    </u>	<u>                    </u>
	12,924,747	(7,676,067)
Deferred tax	2,182,148	6,570,721
	<u>                    </u>	<u>                    </u>
	15,106,895	(1,105,346)
	<u>                    </u>	<u>                    </u>

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

**6. Earnings per share**

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

	<b>Nine months ended 30th September, 2009 (Unaudited) HK\$</b>	<b>2008 (Unaudited) HK\$</b>
Profit (loss) attributable to shareholders of the Company	<b>77,512,813</b>	<b>(19,248,371)</b>
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	<b>39,012,460</b>	39,002,614
Potential dilutive shares – share options	<b>33,163</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	<b>39,045,623</b>	39,002,614
	<b>HK cents</b>	HK cents
Basic earnings loss per share	<b>198.69</b>	(49.35)
Diluted earnings per share	<b>198.52</b>	N/A

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

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

No diluted loss per share for the nine months ended 30th September, 2008 has been presented as the effect of the assumed conversion of the outstanding share option is anti-dilutive.

**7. Property, plant and equipment**

	<b>As at 30th September, 2009 (Unaudited) HK\$</b>	<b>As at 31st December, 2008 (Audited) HK\$</b>
Furniture and fixture	<b>423,022</b>	423,022
Motor vehicle	<b>528,200</b>	528,200
Office equipment	<b>453,996</b>	453,996
Leasehold improvements	<b>917,606</b>	917,606
	<b>2,322,824</b>	2,322,824
Accumulated Depreciation	<b>2,246,512</b>	2,185,938
Carrying amount	<b>76,312</b>	136,886

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Accounts receivable and prepayments

	As at 30th September, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Accounts receivable	32,508,029	5,184,826
Loan receivable, secured	–	8,000,000
Interests receivable	264,826	5,429,015
Other receivables	11,717	9,448
	<hr/>	<hr/>
	32,784,572	18,623,289
Deposits	606,883	606,883
Prepayments	71,934	153,170
	<hr/>	<hr/>
	<b>33,463,389</b>	<b>19,383,342</b>
	<hr/> <hr/>	<hr/> <hr/>

The loan receivable is interest-bearing.

The ageing analysis of the receivables is as follows:

	As at 30th September, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Current	32,773,879	16,710,603
	<hr/>	<hr/>
Balances overdue between:		
1 – 180 days	–	411,393
180 – 365 days	10,693	384,208
Over 1 year but less than 2 years	–	919,803
Over 2 years	–	197,282
	<hr/>	<hr/>
	10,693	1,912,686
	<hr/>	<hr/>
	<b>32,784,572</b>	<b>18,623,289</b>
	<hr/> <hr/>	<hr/> <hr/>

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

### 9. Accounts payable and accruals

	As at 30th September, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Accounts payable	–	–
Accruals	8,017,885	1,712,125
Unclaimed dividend payable	74,530	74,530
	<b>8,092,415</b>	<b>1,786,655</b>

The ageing analysis of the accounts payable is as follows:

	As at 30th September, 2009 (Unaudited) HK\$	As at 31st December, 2008 (Audited) HK\$
Current	8,017,885	1,712,125
Over 1 year	74,530	74,530
	<b>8,092,415</b>	<b>1,786,655</b>

### 10. Share capital

	Number of shares	Amount HK\$
<b>Authorised:</b>		
Ordinary shares of HK\$1 each at 31st December, 2008 (audited) and 30th September, 2009 (unaudited)	100,000,000	100,000,000
	<b>Number of shares</b>	<b>Amount HK\$</b>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$1 each at 31st December, 2008 (audited)	39,002,614	39,002,615
Issue of shares of HK\$1 each during the period (Note b)	56,000	56,000
Ordinary shares of HK\$1 each at 30th September, 2009 (unaudited)	39,058,614	39,058,615

*Notes:*

- (a) The amount of the ordinary shares amounting to HK\$39,002,615 is HK\$1 more than the amount calculated based on the 39,002,614 ordinary shares of HK\$1 each in issue as the fractional shares arising from the Company's shares consolidation on 14th December, 2006 had not been issued to its then shareholders.
- (b) On 14th August, 2009, the directors exercised 56,000 share options granted at exercised price of HK\$4.29 per share which resulted in 56,000 new shares of HK\$1 each issued by the Company.

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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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.

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

#### 11. Share Option Scheme (Continued)

The terms and conditions of the unexpired and unexercised share options at 30th September, 2009 are as follows:

	Date of grant	Exercise period	Number of options			Outstanding as at 30th September, 2009	Exercise price HK\$
			Outstanding as at 1st January, 2009	Lapsed during the period	Exercised during the period		
<b>Directors</b>							
Lee Fong Lit David	30/4/2007	30/4/2007 – 29/4/2010	28,000	–	–	28,000	4.29
Chow Pok Yu Augustine	30/4/2007	30/4/2007 – 29/4/2010	28,000	–	–	28,000	4.29
Lam Andy Siu Wing, JP	30/4/2007	30/4/2007 – 29/4/2010	292,000	–	–	292,000	4.29
Chan Shuen Chuen Joseph	30/4/2007	30/4/2007 – 29/4/2010	28,000	–	–	28,000	4.29
Tong Kim Weng Kelly	30/4/2007	30/4/2007 – 29/4/2010	28,000	–	–	28,000	4.29
Ho Man Kai Anthony	30/4/2007	30/4/2007 – 29/4/2010	28,000	–	(28,000)	–	4.29
Wong Yun Kuen	30/4/2007	30/4/2007 – 29/4/2010	28,000	–	(28,000)	–	4.29
<b>Sub-total</b>			<u>460,000</u>	<u>–</u>	<u>(56,000)</u>	<u>404,000</u>	
<b>Other employees in aggregate</b>							
	30/4/2007	30/4/2007 – 29/4/2010	584,000	–	–	584,000	4.29
	18/8/2008	18/8/2008 – 17/8/2011	522,047	–	–	522,047	5.10
<b>Sub-total</b>			<u>1,106,047</u>	<u>–</u>	<u>–</u>	<u>1,106,047</u>	
<b>Maison Placements Canada Inc</b>	18/6/2007	18/6/2007 – 17/6/2010	290,000	(290,000)	–	–	6.03
<b>CanCap Advisory Services Ltd</b>	18/8/2008	18/8/2008 – 17/8/2011	50,000	(50,000)	–	–	5.10
<b>Sub-total</b>			<u>340,000</u>	<u>(340,000)</u>	<u>–</u>	<u>–</u>	
<b>Grand-total</b>			<u>1,906,047</u>	<u>(340,000)</u>	<u>(56,000)</u>	<u>1,510,047</u>	

During the period, other than the share options lapsed as disclosed above, 56,000 share options were exercised by the directors at exercised price of HK\$4.29 per share which resulted in 56,000 new shares of HK\$1 each issued by the Company.



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**prepared in accordance with the Canadian Securities Law**

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

**12. Related party transactions**

	<b>Nine months ended</b>	
	<b>30th September,</b>	2008
	<b>2009</b>	(Unaudited)
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$</b>	<b>HK\$</b>
Harmony Asset Management Limited (“HAML”):		
– Management fees	2,504,397	3,289,904
– Incentive fee	<u>6,028,948</u>	<u>–</u>

The Company has entered into an investment management agreement with HAML, a company which is wholly-owned by a director of the Company, Dr. Chow Pok Yu Augustine. Under the agreement together with a supplemental agreement entered into between the Company and HAML on 17th May, 2007. HAML has agreed to assist the Board with the day-to-day management of the Group until 31st May, 2010. In accordance with the investment management agreement, HAML is entitled to a monthly 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 annual cap. of HK\$7,430,782 and HK\$6,028,948 for the year ending 31st December, 2009 (as amended on 22nd May, 2008) respectively. Dr. Chow Pok Yu Augustine, being a beneficial shareholder of HAML, was interested in these contracts during the period.

**13. Lease commitments**

As at 30th September, 2009, 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</b>	<b>As at</b>
	<b>30th September,</b>	31st December,
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$</b>	<b>HK\$</b>
Within one year	1,142,570	2,109,360
In the second to fifth years inclusive	<u>–</u>	<u>615,230</u>
	<u><b>1,142,570</b></u>	<u><b>2,724,590</b></u>

The Group leases an office and an incubation centre under operating leases. The leases typically run from an initial period of three years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

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

#### 14. Financial risk management

##### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

##### (i) Market risk

###### – Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the exchange rate of HK dollar against US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

– Since HK dollar is pegged to US dollar, the directors consider that the Group's foreign exchange risk is not significant.

###### – Price risk

The Group is exposed to price risk of equity securities and embedded derivatives which are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. Such investments are susceptible to market price risk arising from uncertainties about their future prices. Such risk is managed through diversification of investment portfolio.

##### (ii) Credit risk

The Group has no significant concentration of credit risk. Derivative counter parties and cash transactions are limited to those debtors and borrowers considered by directors having a good credit standing. The Group has policies that limit the amount of credit exposure to any debtors and borrowers. The Group regards the maximum credit risk exposure limited to available-for-sale financial assets, financial assets at fair value through profit or loss, loans and receivables and accounts receivable.

##### (iii) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its investment commitments.

#### 15. Approval of the unaudited interim financial statements

The unaudited interim financial statements were approved and authorised for issue by the Board on 13th November, 2009.