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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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

FINANCIAL HIGHLIGHTS

The financial highlights of Harmony Asset Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June, 2013 are summarised as follows:

- Turnover of the Group for the six months ended 30th June, 2013 was HK\$2,552,868 as compared to HK\$3,188,891 in the same period last year.
- Loss attributable to owners of the Company for the six months ended 30th June, 2013 was HK\$25,789,082 as compared to HK\$12,818,544 in the same period last year.
- Basic loss per share of the Group was HK cents 66.03 for the six months ended 30th June, 2013 as compared to HK cents 32.82 in the same period last year.

* *for identification purpose only*

The Board of Directors (the “Board”) of the Company presents the unaudited condensed consolidated interim results of the Group for the six months ended 30th June, 2013 with comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2013

	Note	Three months ended		Six months ended	
		30th June, 2013 (Unaudited) HK\$	2012 (Unaudited) HK\$	30th June, 2013 (Unaudited) HK\$	2012 (Unaudited) HK\$
Turnover	2	600,630	2,571,012	2,552,868	3,188,891
Other revenue	2	123	177	3,123	7,145
Other gains and (losses)	2	(11,618,642)	(16,099,551)	(20,871,021)	(8,326,395)
		<u>(11,017,889)</u>	<u>(13,528,362)</u>	<u>(18,315,030)</u>	<u>(5,130,359)</u>
Employee benefits expenses		(931,129)	(866,312)	(1,827,084)	(1,585,654)
Depreciation of property, plant and equipment		(173,190)	(168,917)	(346,379)	(337,807)
Other operating expenses		<u>(3,067,740)</u>	<u>(3,008,781)</u>	<u>(5,300,589)</u>	<u>(5,764,724)</u>
Loss before income tax	3	(15,189,948)	(17,572,372)	(25,789,082)	(12,818,544)
Income tax expense	4	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the period attributable to owners of the Company		<u>(15,189,948)</u>	<u>(17,572,372)</u>	<u>(25,789,082)</u>	<u>(12,818,544)</u>
Other comprehensive income:					
Gain (losses) on fair value changes on available-for-sale financial assets		43,926	(1,302,735)	(176,000)	(2,319,879)
Transfer of fair value gains to profit or loss upon disposals of available-for-sale financial assets		<u>—</u>	<u>—</u>	<u>(45,000)</u>	<u>—</u>
		<u>43,926</u>	<u>(1,302,735)</u>	<u>(221,000)</u>	<u>(2,319,879)</u>
Total comprehensive income for the period attributable to owners of the Company		<u>(15,146,022)</u>	<u>(18,875,107)</u>	<u>(26,010,082)</u>	<u>(15,138,423)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share	6				
Basic		(38.89)	(44.99)	(66.03)	(32.82)
Diluted		<u>(38.89)</u>	<u>(44.99)</u>	<u>(66.03)</u>	<u>(32.82)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2013 and 31st December, 2012

		30th June, 2013 (Unaudited) HK\$	31st December, 2012 (Audited) HK\$
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		690,024	1,036,403
Available-for-sale financial assets		107,149,188	85,610,660
Loans and receivables		26,566,655	27,676,654
		134,405,867	114,323,717
Current assets			
Loans and receivables		30,827,597	22,268,845
Accounts receivable and prepayments	7	4,713,242	12,438,006
Financial assets at fair value through profit or loss		64,656,372	87,031,396
Derivative financial instruments		13,700,319	18,228,808
Tax recoverable		–	2,661,127
Bank balances and cash		14,917,854	34,096,412
		128,815,384	176,724,594
Current liabilities			
Accounts payable and accruals	8	6,447,602	7,205,583
Amount due to a related company		–	1,058,997
		6,447,602	8,264,580
Net current assets		122,367,782	168,460,014
Total assets less current liabilities/Net assets		256,773,649	282,783,731
Capital and reserves			
Share capital		39,058,615	39,058,615
Reserves		217,715,034	243,725,116
Total equity		256,773,649	282,783,731
Net asset value per share		HK\$6.57	HK\$7.24

Notes

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 methods of computation 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.

Adoption of new or revised International Financial Reporting Standards (“IFRSs”) – effective 1st January, 2013:

IFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
IAS 19 (2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

The adoption of these new or revised IFRSs has no significant impact on the Group’s interim financial statements.

The Group has not early adopted any new or revised IFRSs that have been issued but are not yet effective.

2. 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 period are as follows:

	Six months ended 30th June,	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Turnover:		
Interest income from		
– bank deposits	15,754	156,404
– loans receivable and convertible bonds	1,024,686	2,964,921
Dividend income from		
– listed investments	12,428	64,580
– unlisted investments	1,500,000	2,986
	<u>2,552,868</u>	<u>3,188,891</u>
Other revenue:		
Sundry income	<u>3,123</u>	<u>7,145</u>
Other gains and (losses):		
Exchange (loss) gain, net	(267,049)	37,534
Fair value losses on financial assets		
at fair value through profit or loss		
– trading securities	(18,495,776)	(11,541,698)
– derivative financial instruments	(4,528,489)	–
Net realised gain on disposals of financial assets		
at fair value through profit or loss		
– trading securities	2,250,912	1,657,553
Gain on disposals of available-for-sale financial assets	45,000	–
Recovery of impairment loss on accounts receivable		
previously recognised	–	1,487,971
Recovery of impairment loss on loans and receivables		
previously recognised	124,381	32,245
	<u>(20,871,021)</u>	<u>(8,326,395)</u>
	<u>(18,315,030)</u>	<u>(5,130,359)</u>

Management considered the Group has only one operating segments, 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.

3. LOSS BEFORE INCOME TAX

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

	Six months ended 30th June,	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees	2,014,437	1,993,414
Pension costs – contributions to defined contribution plan	66,427	55,861
Operating lease in respect of land and buildings	<u>1,388,556</u>	<u>1,388,556</u>

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 declare any interim dividend for the six months ended 30th June, 2013 (2012: nil).

6. LOSS PER SHARE

The calculation of loss per share is as follows:

	Six months ended 30th June,	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Loss attributable to owners of the Company	<u>(25,789,082)</u>	<u>(12,818,544)</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share and diluted loss per share	<u>39,058,614</u>	<u>39,058,614</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic loss per share	(66.03)	(32.82)
Diluted loss per share	<u>(66.03)</u>	<u>(32.82)</u>

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.

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	As at 30th June, 2013 (Unaudited) HK\$	As at 31st December, 2012 (Audited) HK\$
Accounts receivable	2,000,000	4,606,250
Interest receivable	460,346	703,908
Other receivables	1,370,810	5,139,824
	<hr/>	<hr/>
Receivables after allowance for impairment losses	3,831,156	10,449,982
Deposits	745,682	743,194
Prepayments	136,404	1,244,830
	<hr/>	<hr/>
	4,713,242	12,438,006
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 30th June, 2013 (Unaudited) HK\$	As at 31st December, 2012 (Audited) HK\$
Balances neither past due nor impaired	1,831,156	6,543,732
Balances past due but not impaired	2,000,000	3,906,250
	<hr/>	<hr/>
	3,831,156	10,449,982
	<hr/> <hr/>	<hr/> <hr/>

8. ACCOUNTS PAYABLE AND ACCRUALS

	As at 30th June, 2013 (Unaudited) HK\$	As at 31st December, 2012 (Audited) HK\$
Accruals and other payables	6,288,172	7,046,153
Unclaimed dividend payable	159,430	159,430
	<hr/> 6,447,602 <hr/>	<hr/> 7,205,583 <hr/>

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

	As at 30th June, 2013 (Unaudited) HK\$	As at 31st December, 2012 (Audited) HK\$
Current	6,373,072	7,131,053
Over 1 year	74,530	74,530
	<hr/> 6,447,602 <hr/>	<hr/> 7,205,583 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Caution Regarding Forward-Looking Statements

This Management Discussion and Analysis (“MD&A”) contains forward-looking statements which are subject to risks and uncertainties and other factors that may cause the Company’s results to differ materially from expectations. Actual results may differ materially from those expressed or implied by such forward-looking statements. When reviewing the Company’s forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These include risks relating to market fluctuations, investee performance, foreign exchange fluctuations and other risks. These forward-looking statements contained in this MD&A speak only as of the date hereof. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update the forward-looking statements and cautions investors from placing undue reliance on forward-looking statements. The Company does not have an ongoing obligation to disclose material information as it becomes available.

Business review

For the six months ended 30th June, 2013, the Group recorded a turnover of HK\$2,552,868 as compared to HK\$3,188,891 in the same period last year.

For the six months ended 30th June, 2013, the Group recorded other gains and losses in a net loss of HK\$20,871,021 as compared to HK\$8,326,395 in the same period last year.

For the six months ended 30th June, 2013, the loss before income tax was HK\$25,789,082 as compared to HK\$12,818,544 in the same period last year. The loss attributable to owners of the Company was HK\$25,789,082 as compared to HK\$12,818,544 in the same period last year. The loss for the six months ended 30th June, 2013 was mainly due to fair value losses on trading securities and derivative financial instruments.

Prospects and future plan

Our equity portfolio has deteriorated further over the past quarter. Global markets have turned volatile as NYSE index reached new heights even though many European nations remained mired in debt and companies announced uninspiring results. Lacklustre performance by some of our investments caused further erosion in value of our portfolio.

Looking forward, volatility in bond yields stemming from concerns of potential scaling back of QE and slowing growth in emerging economies will continue to dent investor’s appetite for risk assets. Equity markets may come under pressure in the short term and the outlook is less sanguine.

We will tread more cautiously in our selection of investment alternatives during this uncertain time but will remain focus on our chosen path of investing in resources, technology, food and healthcare products which constitute a balance approach.

Financial review

Liquidity and financial resources

The Group had available bank balances and cash of HK\$14,917,854 (31st December, 2012: HK\$34,096,412) which were mainly placed with banks as time deposits. Bank balances and cash held by the Group are mainly denominated in Hong Kong dollars.

The Group had shareholders' funds of HK\$256,773,649 at 30th June, 2013 compared to HK\$282,783,731 at 31st December, 2012, representing a 9% decrease.

At present, the Group has unutilised banking facilities of HK\$10,000,000 and the Group requires no borrowings for investment and capital expenditures. The interest rate charged on the banking facilities is 3% per annum over the applicable Hong Kong Interbank Offered Rate.

As at 30th June, 2013, the Group had no borrowing.

The Group did not have capital expenditure commitment as at 30th June, 2013.

Capital Structure

There was no significant change in the Group's capital structure for the six months ended 30th June, 2013.

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

Significant investments held and their performance

For the six months ended 30th June, 2013, the Group received interest income in the aggregate amount of HK\$1,040,440 as compared to HK\$3,121,325 in the same period last year, representing a 67% decrease. The interest income comprises HK\$15,754 earned from bank deposits and HK\$1,024,686 earned from loans receivable and convertible bonds. Dividend income generated from listed and unlisted securities was HK\$1,512,428 (2012: HK\$67,566). Turnover was HK\$2,552,868 as compared to HK\$3,188,891 in the same period last year, representing a 20% decrease.

For the six months ended 30th June, 2013, the Group disposed of certain of its publicly traded securities and realised net gain of HK\$2,250,912 as compared to HK\$1,657,553 in the same period last year, representing a 36% increase. With the impact of unfavorable performance of certain listed trading securities in the second quarter of 2013, the Group continuously recorded a significant unrealised loss of HK\$23,024,265 (2012: HK\$11,541,698) on its publicly trading securities and the derivative financial instruments.

No recovery of impairment loss on accounts receivable was recognised (2012: HK\$1,487,971). Gain on disposals of available-for-sale financial assets (“AFS”) previously impaired was HK\$45,000 (2012: nil). Recovery of impairment loss on loans and receivables previously recognised was HK\$124,381 (2012: HK\$32,245). Net exchange loss was HK\$267,049 (2012: net gain of HK\$37,534).

As at 30th June, 2013, the Group’s unlisted investments (comprised of AFS and loans and receivables) were HK\$164,543,440 as compared to HK\$135,556,159 as at 31st December, 2012, representing a 21.4% increase. Such increase was mainly due to: (1) net decrease in fair value of AFS of HK\$221,000; (2) purchase of equities in two unlisted entities in an aggregate amount of HK\$16,193,282; (3) increase in equity interest of an unlisted investment of HK\$1,400,000; (4) subscription of convertible bonds at an aggregate amount of HK\$13,014,999; (5) redemption of a convertible bond in an amount of HK\$2,000,000; and (6) payment of investment deposit of HK\$600,000.

As at 30th June, 2013, accounts receivable and prepayments was HK\$4,713,242 as compared to HK\$12,438,006 as at 31st December, 2012, representing a 62.1% decrease. Such decrease was primarily the result of (1) repayment of accounts receivable of HK\$2,606,250; (2) net decrease of HK\$3,769,014 from other receivable; (3) net decrease of interest receivable of HK\$243,562; and (4) net decrease of deposits and prepayments of HK\$1,105,938.

As at 30th June, 2013, the Group held trading securities and convertible bonds designated as at fair value through profit or loss in an aggregate amount of HK\$64,656,372 as compared to HK\$87,031,396 as at 31st December, 2012, representing a 25.7% decrease. The decrease was primarily due to: (1) purchases of securities during the six months ended 30th June, 2013 for an aggregate amount of HK\$6,094,326; (2) the disposals of certain securities which had a cost of HK\$10,465,512; (3) net decrease in market value in the amount of HK\$18,495,776 of the listed securities; and (4) increase in value of HK\$491,938 on convertible bonds designated as at fair value through profit or loss.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the six months ended 30th June, 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th June, 2013 (2012: nil).

CORPORATE GOVERNANCE

The Company adopted all code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as its own corporate governance practices.

The Company has complied with the code provisions as set out the Code during the six months ended 30th June, 2013.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the interim financial statements for the six months ended 30th June, 2013 with the directors.

SUBSEQUENT EVENT

Following the Company's announcements of 24th January, 2013 and 3rd July, 2013, the shares of the Company had been delisted from the Toronto Stock Exchange at the close of business on 22nd July, 2013. The Company also announced the procedure for shareholders of the Company to remove their shares from the Canadian shareholder register to the Hong Kong shareholder register. After the removal of all shares from the Canadian shareholder register to the Hong Kong shareholder register is completed, the Company will no longer maintain the Canadian shareholder register.

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

Hong Kong, 14th August, 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.