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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2014

This announcement is made by Harmony Asset Limited (the “Company”) in accordance with Canadian securities law requirements.

The financial data for the nine months ended 30th September, 2014 are based on the internal records and management accounts of the Company and its wholly owned subsidiaries (the “Group”). The financial data and statements have not been audited, reviewed or otherwise verified for accuracy and completeness of information by the auditor of the Company.

The Company’s shareholders and potential investors are urged to exercise caution in dealing in the shares of the Company and should consult their own professional advisers if they are in doubt as to their investment position.

FINANCIAL HIGHLIGHTS

The financial highlights of the Group for the nine months ended 30th September, 2014 are summarised as follows:

- Turnover of the Group for the nine months ended 30th September, 2014 was HK\$3,114,586 as compared to HK\$4,586,731 in the same period last year.
- Loss attributable to owners of the Company for the nine months ended 30th September, 2014 was HK\$32,754,208 as compared to HK\$32,610,296 in the same period last year.
- Basic loss per share of the Group was HK cents 83.86 for the nine months ended 30th September, 2014 as compared to HK cents 83.49 in the same period last year.

* For identification purpose only

The Board of Directors of the Company (the “Board”) presents the unaudited, condensed, consolidated results of the Group for the nine months ended 30th September, 2014 with comparative figures for the corresponding period in 2013 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 2014**

	Three months ended 30th September,		Nine months ended 30th September,	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Turnover	986,157	2,033,863	3,114,586	4,586,731
Other revenue	1	117	5,243	3,240
Other gains and (losses)	(2,586,574)	(4,886,704)	(24,099,194)	(25,757,725)
	(1,600,416)	(2,852,724)	(20,979,365)	(21,167,754)
Employee benefits expenses	(911,853)	(851,165)	(2,514,866)	(2,678,249)
Depreciation of property, plant and equipment	(111,574)	(172,796)	(334,166)	(519,175)
Other operating expenses	(3,305,719)	(2,944,529)	(8,925,811)	(8,245,118)
Loss before income tax	(5,929,562)	(6,821,214)	(32,754,208)	(32,610,296)
Income tax expense	—	—	—	—
Loss for the period attributable to owners of the Company	(5,929,562)	(6,821,214)	(32,754,208)	(32,610,296)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Gains (losses) on fair value changes on available-for-sale financial assets	243,639	(2,447,337)	4,560,500	(2,623,337)
Items reclassified to profit or loss:				
Transfer of fair value gains to profit or loss upon disposals of available-for-sale financial assets	—	(3,657,105)	(2,248,073)	(3,702,105)
Other comprehensive income for the period	243,639	(6,104,442)	2,312,427	(6,325,442)
Total comprehensive income for the period attributable to owners of the Company	(5,685,923)	(12,925,656)	(30,441,781)	(38,935,738)
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share				
Basic	(15.18)	(17.46)	(83.86)	(83.49)
Diluted	(15.18)	(17.46)	(83.86)	(83.49)

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30TH SEPTEMBER, 2014 AND 31ST DECEMBER, 2013

	30th September,	31st December,
	2014	2013
	(Unaudited)	(Audited)
	HK\$	HK\$
Non-current assets		
Property, plant and equipment	371,910	689,397
Available-for-sale financial assets	79,483,267	71,150,303
Loans and receivables	16,267,715	25,181,913
Deposit for investments	5,822,265	3,883,515
	<u>101,945,157</u>	<u>100,905,128</u>
 Current assets		
Loans and receivables	26,020,286	17,896,798
Accounts receivable and prepayments	9,689,636	30,910,631
Financial assets at fair value through profit or loss	37,397,924	54,235,622
Derivative financial instruments	7,845,677	14,383,832
Tax recoverable	—	—
Bank balances and cash	34,594,183	30,878,872
	<u>115,547,706</u>	<u>148,305,755</u>
 Current liabilities		
Accounts payable and accruals	6,252,957	7,529,196
 Net Current assets	<u>109,294,749</u>	<u>140,776,559</u>
 Total assets less current liabilities/Net assets	<u>211,239,906</u>	<u>241,681,687</u>
 Capital and reserves		
Share capital	39,058,615	39,058,615
Reserves	172,181,291	202,623,072
 Total equity	<u>211,239,906</u>	<u>241,681,687</u>
 Net asset value per share	<u>HK\$5.41</u>	<u>HK\$6.19</u>

OVERALL PERFORMANCE

For the nine months ended 30th September, 2014, the Group received interest income in the aggregate amount of HK\$2,845,649 as compared to HK\$1,572,843 in the same period last year, representing a 81% increase. The interest income comprises HK\$58,471 (2013: HK\$21,365) earned from bank deposits and HK\$2,787,178 (2013: HK\$1,551,478) earned from loans receivable and convertible bonds. Dividend income generated only from the listed securities amounted to HK\$268,937 (2013: HK\$13,888 from listed securities and HK\$3,000,000 from an unlisted security). Turnover was HK\$3,114,586 as compared to HK\$4,586,731 in the same period last year, representing a 32% decrease.

For the nine months ended 30th September, 2014, the Group disposed of certain of its publicly traded securities to obtain a net realised gain of HK\$2,355,171 (2013: HK\$9,180,198). With the impact of continuously unfavourable performance of certain listed trading securities in the third quarter of 2014, the Group continuously recorded a significant unrealised loss of HK\$22,390,458 (2013: HK\$30,740,114). No recovery of impairment losses on loans and receivables was recognised (2013: HK\$884,381). Provision for impairment loss on certain loans and receivables was HK\$6,414,198 (2013: HK\$8,593,872). Net gain on disposal of an unlisted investment was HK\$2,248,073 (2013: HK\$3,702,105). Net exchange gain was HK\$102,218 (2013: loss of HK\$190,423).

Loss before income tax was HK\$32,754,208 for the nine months ended 30th September, 2014 as compared to HK\$32,610,296 in the same period last year. The loss attributable to owners was HK\$32,754,208 as compared to HK\$32,610,296 in the same period last year. The loss for the nine months ended 30th September, 2014 was mainly due to a decrease in the fair value of publicly traded securities and derivative financial instruments.

CAUTION STATEMENT

The Company's shareholders and potential investors should note that all the figures contained herein are unaudited. Accordingly, figures contained in this announcement should in no way be regarded as any assurance on the financial results of the Group for the period ended 30th September, 2014 and the financial position as at 30th September, 2014.

The Company's shareholders and potential investors are urged to exercise caution in dealing in the shares of the Company and consult their own professional advisers if they are in doubt as to their investment position.

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

Hong Kong, 14th November, 2014

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