

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)

### **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 first quarterly report 2013 (“2013 1Q 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 14th May, 2013 pursuant to the requirements of the Toronto Stock Exchange. The attached 2013 1Q 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, 14th May, 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

---

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

---



**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)

**Unaudited condensed consolidated interim financial statements**

**Three-month periods ended March 31, 2013**

\* *for identification purpose only*

---

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

---

**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.

---

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

---

**TABLE OF CONTENT**

Unaudited Condensed Consolidated Statement of Comprehensive Income for the three months ended March 31, 2013	4
Unaudited Condensed Consolidated Statement of Financial Position as at March 31, 2013	5
Unaudited condensed consolidated statement of changes in equity for the three months ended March 31, 2013	6
Unaudited condensed consolidated statement of cash flow for the three months ended March 31, 2013	7
Notes to the unaudited condensed consolidated financial statements for the three months ended March 31, 2013	
1. Basis of preparation	9
2. Turnover, other revenue and other gains and (losses)	9
3. (Loss) profit before income tax	10
4. Income tax expense	10
5. Dividend	10
6. (Loss) earnings per share	10
7. Property, plant and equipment	11
8. Accounts receivable and prepayments	11
9. Accounts payable and accruals	12
10. Share capital	12
11. Share Option Scheme	13
12. Management contracts	13
13. Lease commitments	14
14. Approval of the unaudited interim financial statements	14

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the three months ended March 31, 2013*

		Three months ended March 31,	
		2013	2012
		(Unaudited)	(Unaudited)
	<i>Note</i>		
Turnover		1,952,238	617,879
Other revenue	2	3,000	6,968
Other gains and (losses)	2	(9,252,379)	7,773,156
		<u>(7,297,141)</u>	<u>8,398,003</u>
Employee benefits expenses		(895,955)	(719,342)
Depreciation of property, plant and equipment		(173,189)	(168,891)
Other operating expenses		(2,232,849)	(2,755,942)
		<u>(10,599,134)</u>	<u>4,753,828</u>
(Loss) profit before income tax	3	(10,599,134)	4,753,828
Income tax expense	4	–	–
		<u>(10,599,134)</u>	<u>4,753,828</u>
(Loss) profit for the period attributable to owners of the Company		<u>(10,599,134)</u>	<u>4,753,828</u>
Other comprehensive income:			
Losses on fair value changes on available-for-sale financial assets		(264,926)	(1,017,144)
Transfer to profit or loss upon disposal of available-for-sale financial assets		–	–
		<u>(264,926)</u>	<u>(1,017,144)</u>
Other comprehensive income for the period		<u>(264,926)</u>	<u>(1,017,144)</u>
Total comprehensive income for the period attributable to owners of the Company		<u>(10,864,060)</u>	<u>3,736,684</u>
(Loss) earnings per share	6		
Basic		(HK\$0.27)	HK\$0.12
Diluted		(HK\$0.27)	HK\$0.12

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

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at March 31, 2013 and December 31, 2012*

	<i>Note</i>	March 31, 2013 (Unaudited) <i>HK\$</i>	December 31, 2012 (Audited) <i>HK\$</i>
<b>Non-current assets</b>			
Property, plant and equipment	7	863,214	1,036,403
Available-for-sale financial assets		106,505,262	85,610,660
Loans and receivables		33,652,461	27,676,654
		141,020,937	114,323,717
<b>Current assets</b>			
Loans and receivables		22,268,845	22,268,845
Accounts receivable and prepayments	8	7,141,749	12,438,006
Financial assets at fair value through profit or loss		80,126,920	87,031,396
Derivative financial instruments		18,228,808	18,228,808
Tax recoverable		2,661,127	2,661,127
Bank balances and cash		7,980,503	34,096,412
		138,407,952	176,724,594
<b>Current liabilities</b>			
Accounts payable and accruals	9	6,450,221	7,205,583
Amount due to a related company		1,058,997	1,058,997
		7,509,218	8,264,580
<b>Net Current assets</b>		<b>130,898,734</b>	<b>168,460,014</b>
<b>Total assets less current liabilities/Net assets</b>		<b>271,919,671</b>	<b>282,783,731</b>
<b>Capital and reserves</b>			
Share capital	10	39,058,615	39,058,615
Reserves		232,861,056	243,725,116
<b>Total equity</b>		<b>271,919,671</b>	<b>282,783,731</b>
<b>Net asset value per share</b>		<b>HK\$6.96</b>	<b>HK\$7.24</b>

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

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the three months ended March 31, 2013 and 2012*

	Share capital HK\$	Share premium HK\$	Fair value reserve HK\$	Retained profits HK\$	Total HK\$	
As January 1, 2013 (audited)	39,058,615	162,768,326	36,598,241	44,358,549	282,783,731	
Loss for the period	-	-	-	(10,599,134)	(10,599,134)	
Other comprehensive income for the period:						
Losses on fair value changes on available-for-sale financial assets	-	-	(264,926)	-	(264,926)	
Transfer to profit or loss upon disposal of available-for-sale financial assets	-	-	-	-	-	
Total comprehensive income for the period	-	-	(264,926)	-	(264,926)	
At March 31, 2013 (unaudited)	<u>39,058,615</u>	<u>162,768,326</u>	<u>36,333,315</u>	<u>33,759,415</u>	<u>271,919,671</u>	
	Share capital HK\$	Share premium HK\$	Fair value reserve HK\$	Proposed dividend HK\$	Retained profits HK\$	Total HK\$
At January 1, 2012 (audited)	39,058,615	162,768,326	32,042,831	-	34,827,577	268,697,349
Profit for the period	-	-	-	-	4,753,828	4,753,828
Other comprehensive income for the period:						
Losses on fair value changes on available-for-sale financial assets	-	-	(1,017,144)	-	-	(1,017,144)
Transfer to profit or loss upon disposal of available-for-sale financial assets	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(1,017,144)	-	-	(1,017,144)
At March 31, 2012 (unaudited)	<u>39,058,615</u>	<u>162,768,326</u>	<u>31,025,687</u>	<u>-</u>	<u>39,581,405</u>	<u>272,434,033</u>

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

---

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

---

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

*For the three months ended March 31, 2013 and 2012*

	Three months ended	
	March 31,	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$	HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) profit before income tax	(10,599,134)	4,753,828
Interest income	(452,238)	(614,893)
Dividend income from available-for-sale financial assets	(1,500,000)	(2,986)
Depreciation of property, plant and equipment	173,189	168,891
Fair value losses on trading securities	9,289,389	(5,180,112)
Gain on disposals of available-for-sale financial assets	–	–
Recovery of impairment loss on loans and receivables previously recognised	–	–
Recovery of impairment loss on accounts receivable previously recognised	–	(316,611)
	<hr/>	<hr/>
Loss before working capital changes	(3,088,794)	(1,191,883)
Increase in trading securities	(2,384,913)	(10,657,343)
Decrease (increase) in accounts receivable and prepayments	308,695	(13,063,775)
Decrease in accounts payable and accruals	(755,362)	(443,854)
Decrease in amount due to a related company	–	–
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(5,920,374)</b>	<b>(25,356,855)</b>
<b>Cash flows from investing activities</b>		
Interest received	439,800	767,427
Dividend received from available-for-sale financial assets	1,500,000	2,986



---

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

---

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

*For the three months ended March 31, 2013 and 2012*

	Three months ended	
	March 31,	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Advances to investee companies	–	(10,868,800)
Repayment from investee companies	–	–
Purchase of property, plant and equipment	–	–
Purchase of available-for-sale financial assets	(17,593,282)	–
Purchase of convertible bonds	(6,542,053)	–
Redemption of convertible bonds	2,000,000	–
Proceeds from disposal of available-for-sale financial assets	–	–
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(20,195,535)</b>	<b>(10,098,387)</b>
	<hr/>	<hr/>
<b>Cash used in financing activities</b>		
Dividend paid	–	–
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(26,115,909)</b>	<b>(35,455,242)</b>
<b>Cash and cash equivalents at January 1</b>	<b>34,096,412</b>	<b>75,404,609</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at March 31</b>	<b>7,980,503</b>	<b>39,949,367</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balances of cash and cash equivalents:</b>		
Bank balances and cash	7,980,503	39,949,367
	<hr/> <hr/>	<hr/> <hr/>

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

---

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

---

**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 December 31, 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 December 31, 2012.

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

The Group principally invests in securities listed on recognised stock exchange 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:

	Three months ended March 31,	
	2013 (Unaudited) HK\$	2012 (Unaudited) HK\$
<b>Turnover:</b>		
Interest income from		
– bank deposits	13,583	144,432
– loans receivable and convertible bonds	438,655	470,461
Dividend income from		
– listed investments	–	–
– unlisted investments	1,500,000	2,986
	1,952,238	617,879
<b>Other revenue:</b>		
Sundry income	3,000	6,968
	3,000	6,968
<b>Other gains and (losses):</b>		
Exchange gain, net	37,010	(66,241)
Fair value changes on financial assets at fair value through profit or loss		
– trading securities	(9,289,389)	5,180,112
Net realised gain on disposals of financial assets		
at fair value through profit or loss		
– trading securities	–	2,342,674
– derivative financial instruments	–	–
Net realised gain on disposal of	–	–
available-for-sale financial assets	–	–
Recovery of impairment loss on accounts receivable previously recognised	–	316,611
Recovery of impairment loss on loans and receivable previously recognised	–	–
	(9,252,379)	7,773,156
	(7,297,141)	8,398,003

For management purposes, the Group’s business activity is organised into one main operating segment, investment holding.

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

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

**3. (Loss) profit before income tax**

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

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
Management fees	1,020,533	979,417
Incentive fee	--	--
Pension costs – contributions to defined contribution plan	33,787	24,644
Operating lease in respect of land and buildings	<u>694,278</u>	<u>694,278</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 recommend payment of any interim dividend for the three months ended March 31, 2013 (2012: nil)

**6. (Loss) earnings per share**

The calculation of loss per share is as follows:

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$</b>	<b>HK\$</b>
(Loss) profit attributable to owners of the Company	<u>(10,599,134)</u>	<u>4,753,828</u>
	<b>Number of</b>	<b>Number of</b>
	<b>shares</b>	<b>shares</b>
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>
	<b>HK\$</b>	<b>HK\$</b>
Basic (loss) earnings per share	<b>(0.27)</b>	<b>0.12</b>
Diluted (loss) earnings per share	<b>(0.27)</b>	<b>0.12</b>

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 three months ended March 31, 2013 is the same as the basic loss per share as there is no share option outstanding during the period.

Diluted earnings per share for the three months ended March 31, 2012 was the same as the basic earnings per share as there is no share option outstanding during the period.

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

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

**7. Property, plant and equipment**

	As at March 31 2013 (Unaudited) HK\$	As at December 31 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	2,740,647	2,567,458
Carrying amount	<u><u>863,214</u></u>	<u><u>1,036,403</u></u>

**8. Accounts receivable and prepayments**

	As at March 31 2013 (Unaudited) HK\$	As at December 31 2012 (Audited) HK\$
Accounts receivable	2,000,000	4,606,250
Loans receivable, unsecured	2,000,000	–
Interests receivable	716,346	703,908
Other receivables	87,824	5,139,824
	<u>4,804,170</u>	<u>10,449,982</u>
Receivables after allowance for impairment losses	4,804,170	10,449,982
Deposits	1,115,647	743,194
Prepayments	1,221,932	1,244,830
	<u><u>7,141,749</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 March 31 2013 (Unaudited) HK\$	As at December 31 2012 (Audited) HK\$
Balances neither past due nor impaired	5,141,749	6,543,732
Balances past due nor impaired	2,000,000	3,906,250
	<u><u>7,141,749</u></u>	<u><u>10,449,982</u></u>

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

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

**9. Accounts payable and accruals**

	As at March 31 2013 (Unaudited) HK\$	As at December 31 2012 (Audited) HK\$
Accruals and other payables	6,290,791	7,046,153
Unclaimed dividend payable	159,430	159,430
	<b>6,450,221</b>	<b>7,205,583</b>

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

	As at March 31 2013 (Unaudited) HK\$	As at December 31 2012 (Audited) HK\$
Current	6,375,691	7,131,053
Over 1 year	74,530	74,530
	<b>6,450,221</b>	<b>7,205,583</b>

**10. Share capital**

	Number of shares	Amount HK\$
<b>Authorised:</b>		
Ordinary shares of HK\$1 each at December 31, 2012 (audited) and March 31, 2013 (unaudited)	100,000,000	100,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$1 each at December 31, 2012 (audited) and March 31, 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 December 14, 2006 had not been issued to its then shareholders.

---

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

---

**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 June 28, 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 June 28, 2005.

During the three months ended March 31, 2013 and 2012, there was no share options outstanding, granted, lapsed, exercised or cancelled under the Share Option Scheme.

**12. Management contracts**

	As at March 31 2013 (Unaudited) HK\$	As at December 31 2012 (Audited) HK\$
Harmony Asset Management Limited (“HAML”):		
– Management fees	1,020,533	979,417

On April 11, 2013, the Company entered into a new investment management agreement with HAML (the “New Investment Management Agreement”), 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 from June 1, 2013 to May 31, 2016. In accordance with the agreements, 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 January 1, 2013 to May 31, 2013 and the new annual cap. of HK\$5,742,025 for the period from June 1, 2013 to December 31, 2013.

On April 24, 2013, the Company and HAML entered into the supplemental agreement (the “Supplemental Agreement”) to amend the calculation method of the incentive fee under the New Investment Management Agreement. After entering into 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 January 1, 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 are conditional upon approval by the independent shareholders of the Company at the upcoming extraordinary meeting of the Company which is to be held on May 31, 2013.

---

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

---

**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 March 31, 2013, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	As at March 31 2013 (Unaudited) HK\$	As at December 31 2012 (Audited) HK\$
Within one year	2,082,834	2,777,112
In the second to fifth years inclusive	—	—
	<u>2,082,834</u>	<u>2,777,112</u>

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

The unaudited interim financial statements were approved and authorised for issue by the Board on May 14, 2013