

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 2014 ("2014 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) on 15th May, 2014. The attached 2014 1Q Report is also published on the website of the Company (www.harmonyasset.com.hk).

For and on behalf of the board of directors

Harmony Asset Limited

LEE Fong Lit

Chairman

Hong Kong, 15th May, 2014

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

亨亞有限公司*

(Incorporated in the Cayman Islands with limited liability)

(HKEX Stock Code: 428)

Unaudited condensed consolidated interim financial statements

Three-month periods ended March 31, 2014

* *for identification purpose only*

Harmony Asset Limited – First Quarterly Report 2014
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 2014
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, 2014	4
Unaudited Condensed Consolidated Statement of Financial Position for the three months ended March 31, 2014	5
Unaudited condensed consolidated statement of changes in equity for the three months ended March 31, 2014	6
Unaudited condensed consolidated statement of cash flow for the three months ended March 31, 2014	7
Notes to the unaudited condensed consolidated financial statements for the three months ended March 31, 2014	
1. Basis of preparation	9
2. Turnover, other revenue and other gains and losses	9
3. Loss before income tax	10
4. Income tax expense	10
5. Dividend	10
6. Loss 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. Financial risk management	14
15. Approval of the unaudited interim financial statements	14

Harmony Asset Limited – First Quarterly Report 2014
prepared in accordance with the Canadian Securities Law

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2014

		Three months ended	
		March 31,	
		2014	2013
		(Unaudited)	(Unaudited)
	<i>Note</i>		
Turnover	2	887,043	1,952,238
Other revenue	2	174	3,000
Other gains and (losses)	2	(3,493,245)	(9,252,379)
		(2,606,028)	(7,297,141)
Employee benefits expenses		(690,729)	(895,955)
Depreciation of property, plant and equipment		(111,018)	(173,189)
Other operating expenses		(2,414,112)	(2,232,849)
Loss before income tax	3	(5,821,887)	(10,599,134)
Income tax expense	4	–	–
Loss for the period attributable to owners of the Company		(5,821,887)	(10,599,134)
Other comprehensive income:			
Losses on fair value changes on available-for-sale financial assets		(829,217)	(264,926)
Other comprehensive income for the period		(829,217)	(264,926)
Total comprehensive income for the period attributable to Owners of the Company		(6,651,104)	(10,864,060)
Loss per share	6		
Basic		(HK\$0.15)	(HK\$0.27)
Diluted		(HK\$0.15)	(HK\$0.27)

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

Harmony Asset Limited – First Quarterly Report 2014
prepared in accordance with the Canadian Securities Law

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2014 and December 31, 2013

		March 31, 2014 (Unaudited) HK\$	December 31, 2013 (Audited) HK\$
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	7	595,059	689,397
Available-for-sale financial assets		78,093,551	71,150,303
Loans and receivables		22,861,912	25,181,913
Deposits for investments		3,883,515	3,883,515
		105,434,037	100,905,128
Current assets			
Loans and receivables		38,496,798	17,896,798
Accounts receivable and prepayments	8	19,678,509	30,910,631
Financial assets at fair value through profit or loss		54,293,509	54,235,622
Derivative financial instruments		14,383,832	14,383,832
Bank balances and cash		9,199,611	30,878,872
		136,052,259	148,305,755
Current liabilities			
Accounts payable and accruals	9	6,455,713	7,529,196
		6,455,713	7,529,196
Net current assets		129,596,546	140,776,559
Total assets less current liabilities/Net assets		235,030,583	241,681,687
Capital and reserves			
Share capital	10	39,058,615	39,058,615
Reserves		195,971,968	202,623,072
Total equity		235,030,583	241,681,687
Net asset value per share		HK\$6.02	HK\$6.19

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

Harmony Asset Limited – First Quarterly Report 2014
prepared in accordance with the Canadian Securities Law

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at March 31, 2014 and 2013

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Fair value reserve <i>HK\$</i>	Retained profits (accumulated losses) <i>HK\$</i>	Total <i>HK\$</i>
As January 1, 2014 (audited)	39,058,615	162,768,326	34,458,047	5,396,699	241,681,687
Loss for the period	–	–	–	(5,821,887)	(5,821,887)
Loss on fair value changes on available-for-sale financial assets	–	–	(829,217)	–	(829,217)
Other comprehensive income for the period	–	–	(829,217)	–	(829,217)
Total comprehensive income for the period	–	–	(829,217)	–	(829,217)
At March 31, 2014 (unaudited)	<u>39,058,615</u>	<u>162,768,326</u>	<u>33,628,830</u>	<u>(425,188)</u>	<u>235,030,583</u>
				Retained profits (accumulated losses)	Total
	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Fair value reserve <i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At January 1, 2013 (audited)	39,058,615	162,768,326	36,598,241	44,358,549	282,783,731
Profit for the period	–	–	–	(10,599,134)	(10,599,134)
Loss on fair value changes on available-for-sale financial assets	–	–	(264,926)	–	(264,926)
Other comprehensive income for the period	–	–	(264,926)	–	(264,926)
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>

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

Harmony Asset Limited – First Quarterly Report 2014
prepared in accordance with the Canadian Securities Law

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended March 31, 2014 and 2013

	Three months ended	
	March 31,	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Cash flows from operating activities		
Loss before income tax expense	(5,821,887)	(10,599,134)
Interest income	(887,043)	(452,238)
Dividend income from available-for-sale financial assets	–	(1,500,000)
Depreciation of property, plant and equipment	111,018	173,189
Fair value losses on trading securities	4,231,760	9,289,389
	<hr/>	<hr/>
Loss before working capital changes	(2,366,152)	(3,088,794)
Increase in trading securities	(4,289,647)	(2,384,913)
Decrease in accounts receivable and prepayments	11,914,107	308,695
Decrease in accounts payable and accruals	(1,073,483)	(755,362)
	<hr/>	<hr/>
Net cash from (used in) operating activities	4,184,825	(5,920,374)
Cash flows from investing activities		
Interest received	25,058	439,800
Dividend received from available-for-sale financial assets	–	1,500,000

Harmony Asset Limited – First Quarterly Report 2014
prepared in accordance with the Canadian Securities Law

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the three months ended March 31, 2014 and 2013

	Three months ended	
	March 31,	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Repayment from investees	2,500,000	–
Purchase of property, plant and equipment	(16,680)	–
Purchase of available-for-sale financial assets	(7,772,464)	(17,593,282)
Purchase of convertible bonds	(20,600,000)	(6,542,053)
Redemption of convertible bonds	–	2,000,000
	<hr/>	<hr/>
Net cash used in investing activities	(25,864,086)	(20,195,535)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(21,679,261)	(26,115,909)
	<hr/>	<hr/>
Cash and cash equivalents at January 1	30,878,872	34,096,412
	<hr/>	<hr/>
Cash and cash equivalents at March 31	9,199,611	7,980,503
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	9,199,611	7,980,503
	<hr/> <hr/>	<hr/> <hr/>

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

Harmony Asset Limited – First Quarterly Report 2014 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, 2013. 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, 2013.

2. Turnover, other revenue and other 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,	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Turnover:		
Interest income from		
– bank deposits	16,067	13,583
– loans receivable and convertible bonds	870,976	438,655
Dividend income from		
– listed investments	–	–
– unlisted investments	–	1,500,000
	887,043	1,952,238
Other revenue:		
Sundry income	174	3,000
	174	3,000
Other gains and (losses):		
Exchange gain, net	(3,599)	37,010
Fair value changes on financial assets		
at fair value through profit or loss		
– trading securities	(4,231,760)	(9,289,389)
Net realised gain on disposals of financial assets		
at fair value through profit or loss		
– trading securities	742,114	–
– derivative financial instruments	–	–
	(3,493,245)	(9,252,379)
	(2,606,028)	(7,297,141)

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

Harmony Asset Limited – First Quarterly Report 2014
prepared in accordance with the Canadian Securities Law

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

3. Loss before income tax

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

	Three months ended	
	March 31,	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Management fees	871,459	1,020,533
Pension costs – contributions to defined contribution plan	27,947	33,787
Operating lease in respect of land and buildings	488,700	694,278

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, 2014 (2013: nil).

6. Loss per share

The calculation of loss per share is as follows:

	Three months ended	
	March 31,	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Loss attributable to owners of the Company	(5,821,887)	(10,599,134)
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares for the purpose of basic loss per share and diluted loss per share	39,058,614	39,058,614
	HK\$	HK\$
Basic loss per share	(0.15)	(0.27)
Diluted loss per share	(0.15)	(0.27)

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, 2014 and 2013 are the same as the basic loss per share as there is no potential dilutive shares in issue during both periods.

Harmony Asset Limited – First Quarterly Report 2014
prepared in accordance with the Canadian Securities Law

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

7. Property, plant and equipment

	As at March 31 2014 (Unaudited) HK\$	As at December 31 2013 (Audited) HK\$
Cost:		
Furniture and fixture	579,460	562,780
Motor vehicle	1,444,000	1,444,000
Office equipment	524,437	524,437
Leasehold improvements	346,778	346,778
	<u>2,894,675</u>	<u>2,877,995</u>
Accumulated depreciation	2,299,617	2,188,598
Carrying amount	<u><u>595,058</u></u>	<u><u>689,397</u></u>

8. Accounts receivable and prepayments

	As at March 31 2014 (Unaudited) HK\$	As at December 31 2013 (Audited) HK\$
Accounts receivable	11,261,063	25,516,764
Interests receivable	1,139,217	457,232
Other receivables	1,563,115	2,095,300
	<u>13,963,395</u>	<u>28,069,296</u>
Receivables after allowance for impairment losses	13,963,395	28,069,296
Deposits	5,436,619	2,091,649
Prepayments	278,495	749,686
	<u><u>19,678,509</u></u>	<u><u>30,910,631</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 2014 (Unaudited) HK\$	As at December 31 2013 (Audited) HK\$
Balances neither past due nor impaired	13,963,395	28,069,296
Balances past due nor impaired	—	—
	<u><u>13,963,395</u></u>	<u><u>28,069,296</u></u>
Receivables after allowance for impairment losses	<u><u>13,963,395</u></u>	<u><u>28,069,296</u></u>

Harmony Asset Limited – First Quarterly Report 2014
prepared in accordance with the Canadian Securities Law

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

9. Accounts payable and accruals

	As at March 31 2014 (Unaudited) HK\$	As at December 31 2013 (Audited) HK\$
Accruals and other payables	6,296,422	7,369,905
Unclaimed dividend payable	159,291	159,291
	6,455,713	7,529,196

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

	As at March 31 2014 (Unaudited) HK\$	As at December 31 2013 (Audited) HK\$
Current	6,296,422	7,369,905
Over 1 year	159,291	159,291
	6,455,713	7,529,196

10. Share capital

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$1 each at December 31, 2013 (audited) and March 31, 2014 (unaudited)	100,000,000	100,000,000
Issued and fully paid:		
Ordinary shares of HK\$1 each at December 31, 2013 (audited) and March 31, 2014 (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 2014 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, 2014 and 2013, there was no share options outstanding, granted, lapsed, exercised or cancelled under the Share Option Scheme.

12. Management contracts

	Three months ended	
	March 31,	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Harmony Asset Management Limited (“HAML”):		
– Management fees	871,459	1,020,533

The Company has entered into an investment management agreement with Harmony Asset Management Limited (“HAML”), a company which is wholly-owned by a director of the Company, Dr. Chow Pok Yu Augustine. Under the investment management agreement entered into between the Company and HAML on April 8, 2010 (the “Original Investment Management Agreement”). HAML agreed to provide investment management services to the Group for three years until May 31, 2013.

On April 11, 2013, the Company entered into a new investment management agreement with HAML (the “New Investment Management Agreement”) as detailed in the circular dated May 10, 2013 whereby HAML agreed to provide investment management services for three additional years until May 31, 2016. In accordance with the Original Investment Management Agreement and the New Investment Management Agreement, 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 in 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 caps of HK\$2,911,523 and HK\$2,830,502 for management fees and incentive fee respectively 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 Group 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 Group in any financial year commencing January 1, 2013 shall be carried forward and set off against the audited net profit of the Group 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 were approved by the independent shareholders of the Company on the extraordinary meeting of the Company which was held on May 31, 2013.

Harmony Asset Limited – First Quarterly Report 2014
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, 2014, 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, 2014 (Unaudited) HK\$	As at December 31, 2013 (Audited) HK\$
Within one year	1,954,800	1,954,800
In the second to fifth years inclusive	3,074,738	3,563,438
	<u>5,029,538</u>	<u>5,518,238</u>

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 May 15, 2014.