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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)

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 Annual Information Form ("AIF") 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 31st March, 2014 pursuant to the requirements of the Toronto Stock Exchange. The attached AIF 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, 31st March, 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
ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2013

Dated as of March 31, 2014

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In this Annual Information Form for the financial year ended December 31, 2013 (the “**Annual Information Form**”), the “Company” refers to Harmony Asset Limited and its wholly-owned subsidiaries, where applicable. All information contained herein is as at the date of this Annual Information Form, unless otherwise indicated.

All references to “dollar” or the use of the symbol “CDN\$” are to Canadian dollar and all references to “HK\$” are to Hong Kong dollar.

The following table sets forth for the periods indicated certain information concerning the exchange rate for translating CDN\$ into HK\$ based on rates quoted by the Bank of Canada website. No representation is made that CDN\$ could be converted into HK\$ at that rate or any other rate.

Year Ended December 31	Average During Period CDN\$ expressed in HK\$
2011	7.876
2012	7.748
2013	7.383
January 1 to March 31, 2014	7.014

FORWARD LOOKING INFORMATION

This Annual Information Form may include or incorporate by reference certain information that may constitute “forward looking information” within the meaning of Canadian securities legislation. All information, other than statements of historical fact, included or incorporated by reference in this Annual Information Form that address activities, events or developments that the Company or its management expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amounts and nature thereof), business strategies and measures to implement strategies, goals, expansion and growth of its business and operations, plans and references to the future success of the Company, the performance and results of operations of investee companies, and other such matters, are forward-looking information. This forward-looking information is based on certain assumptions and analyses made by the Company and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform to the expectations and predictions of the Company and its management is subject to a number of risks and uncertainties, including those risk factors discussed under the heading of “Risk Factors” and elsewhere in this Annual Information Form and the documents incorporated herein by reference. Consequently, all of the forward-looking information given in this Annual Information Form and the documents incorporated herein by reference is qualified by these cautionary statements and other cautionary statements or factors

contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by the Company and its management will be realized or, even if substantially realized, that they will have the expected consequences for, or effects on, the Company.

CORPORATE STRUCTURE

Corporate Overview

The Company was incorporated in the Cayman Islands on September 28, 1993 pursuant to the *Companies Laws* of the Cayman Islands under the name “SHK Convertibles Limited”. On February 12, 1998, the Company changed its name from “SHK Convertibles Limited” to “Harmony Asset Limited”.

On May 20, 1998, the Company increased its authorized share capital from HK\$1,000,000 to HK\$14,000,000 by creation of an additional 1,300,000,000 ordinary shares in the capital of the Company (the “**Ordinary Shares**”) of HK\$0.01 each. On May 22, 2000, the Company further increased its authorized share capital from HK\$14,000,000 to HK\$100,000,000 by creation of an additional 8,600,000,000 Ordinary Shares of HK\$0.01 each. On January 24, 2003, the Ordinary Shares were consolidated on a 20 for 1 basis. On December 13, 2006, the Ordinary Shares were further consolidated on a 5 for 1 basis. As a result of the aforementioned increases of share capital and share consolidations, the authorized share capital of the Company as of the date hereof is HK\$100,000,000 divided into 100,000,000 Ordinary Shares with a nominal value of HK\$1.00 each.

On March, 28, 2008 and December 10, 2008, the Company passed board resolutions to amend its Audit Committee Terms of Reference. The Audit Committee’s duties were amended as follows: (1) the requirement that the Audit Committee liaise with the person appointed as the Company’s qualified accountant was removed; (2) the Audit Committee shall give due consideration to any matters that have been raised by the Company’s staff responsible for accounting and financial reporting was inserted; and (3) the Audit Committee shall discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company’s accounting and financial reporting functions, training programs and budget was inserted.

The addresses of the Company’s head office and its principal place of business are set out below:

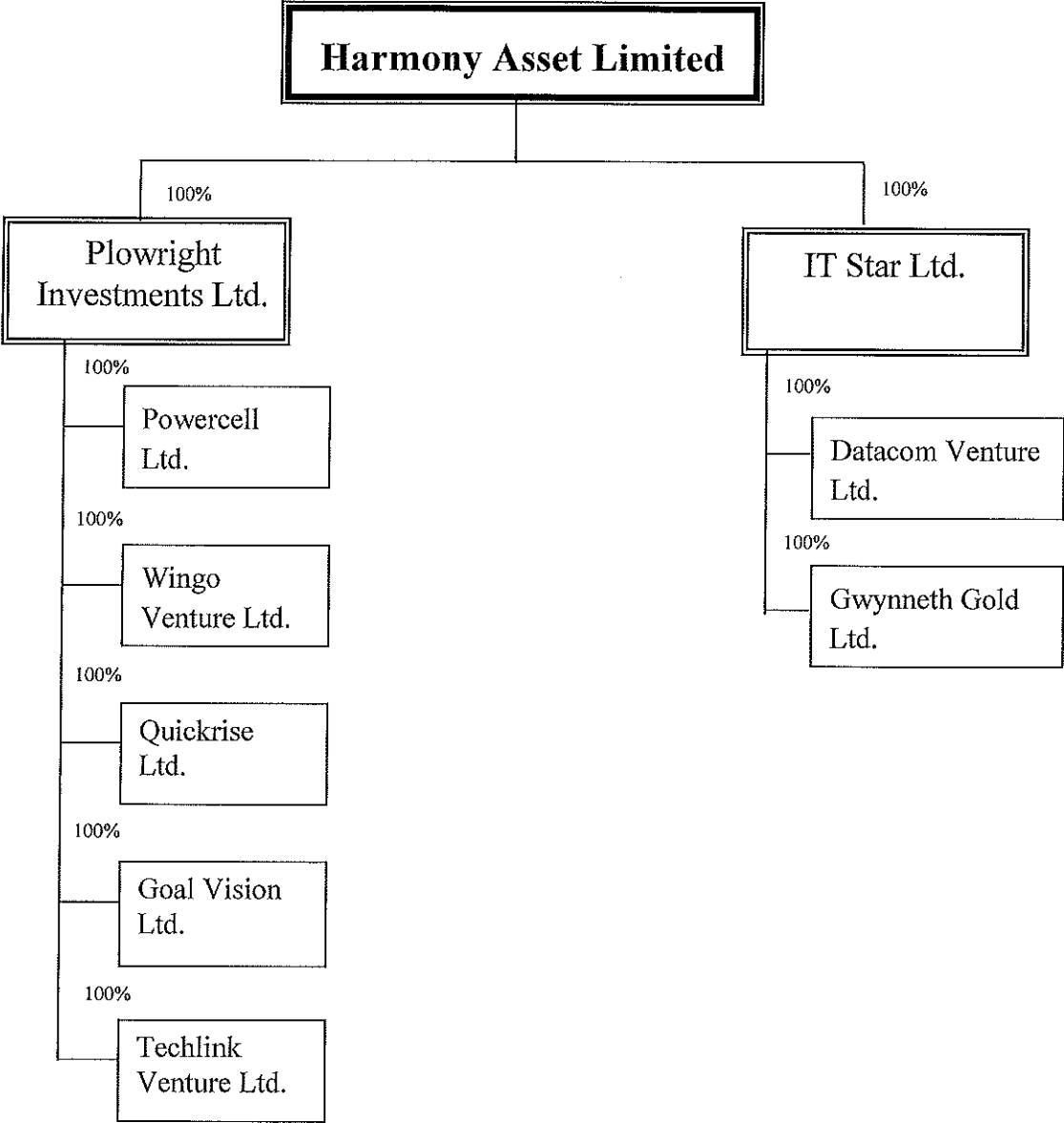
Head Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, Cayman Islands
KY1-1111

Principal Place of Business in Hong Kong

Suite 2806, Bank of America Tower
12 Harcourt Road, Central
Hong Kong

Inter-corporate Relationships



The following list sets out the jurisdiction of incorporation, the ownership and the business operations of each of the Company's subsidiaries:

Name and head office address	Jurisdiction of incorporation or organization	Percentage of voting securities owned	Percentage owned	Nature of business
Datacom Venture Limited	British Virgin Islands	100%	100%	Investment holding in Hong Kong
Goal Vision Limited	British Virgin Islands	100%	100%	Investment holding in Hong Kong
Gwynneth Gold Limited	British Virgin Islands	100%	100%	Investment holding in Hong Kong
IT Star Limited	British Virgin Islands	100%	100%	Investment holding in Hong Kong
Plowright Investments Limited	British Virgin Islands	100%	100%	Investment holding in Hong Kong
Powercell Limited	British Virgin Islands	100%	100%	Investment holding in Hong Kong
Quickrise Limited	British Virgin Islands	100%	100%	Investment holding in Hong Kong
Techlink Venture Limited	British Virgin Islands	100%	100%	Investment holding in Hong Kong
Wingo Venture Limited	British Virgin Islands	100%	100%	Investment holding in Hong Kong

GENERAL DEVELOPMENT OF THE BUSINESS

Below is a summary of the Company's general business development in the last three completed financial years.

During the financial year ended December 31, 2010, the Company focussed its investments on private companies in China with an emphasis on the resource, manufacturing technology, real estate developments and financial projects sectors.

On March 31, 2008, the Company invested HK\$19 million to acquire a 30% interest in Mainco Limited ("**Mainco**"), a private company that manufactures high quality wire and electrical accessory products. As at November 30, 2013, the Company had received total cash dividends of HK\$18.7 million from Mainco since investment. During the year of 2013, the Company disposed its equity interest of Mainco at a consideration of HK\$18 million.

During the years of 2011 and 2012, the Company acquired 900,000 shares of Prosperity Minerals Holdings Limited ("**PMHL**"), which is in the principal business of supplying cement and iron ore to China, at a cost of HK\$10.6 million. During August of 2013, a cash offer was made to the public by Jetgo Development Limited ("**Jetgo Bidco**"), a wholly owned subsidiary of Prosperity International Holdings (H.K.) Limited, to acquire the entire issued capital of PMHL, at offer price of 130 pence per PMHL share (the "**Offer**"). The Company accepted the Offer and had a realised gain of HK\$6.8 million.

On January 31, 2011, the Company subscribed for 16,189,674 new shares of MBMI Resources Inc. ("**MBMI**") at a price of CDN\$0.16 per share for an aggregate amount of CDN\$2.6 million which represents approximately 9.99% of the enlarged capital of MBMI. On March 22, 2011, the Company further subscribed for 6,946,134 new shares of MBMI at a price of CDN\$0.18 per share in an aggregate amount of CDN\$1.25 million which represents approximately 3.8% of the enlarged capital of MBMI. As at December 31, 2011, the market price of MBMI decreased to CDN\$0.025 per share of which the Company suffered a loss approximately of CDN\$3.26 million in fair value change on financial assets through profit and loss account. On April 30, 2012, the Company acquired a convertible debenture of MBMI ("**Debenture**") having a principal amount of CDN\$160,000, with a conversion right of CDN\$0.10 per share. On June 28, 2012, the shares of MBMI were approved to trade on the TSX-V on a ten (10) to one (1) basis. The shares of MBMI held by the Company (being 23,135,808 shares) were consolidated into 2,313,581 shares. On the same date, the Company converted the principal amount of the Debenture into 1,600,000 shares of MBMI along with 800,000 warrants at an exercise price of CDN\$0.12 per share. On August 28, 2012, the Company acquired 2,920,000 shares of MBMI at CDN\$0.05 per share along with 2,920,000 warrants at an exercise price of CDN\$0.1 per share for an aggregate subscription price of CDN\$146,000. On May 18, 2013, the Company acquired a Debenture having a principal amount of CDN\$62,500 with a conversion right of CDN\$0.05 per share. On June 7, 2013, MBMI was the subject of a Cease Trade Order issued by the British Columbia Securities Commission due to a failure to file its annual financial statements and related management's discussion and analysis ("**MD&A**") for its year ended January 31, 2013. MBMI was subject to a subsequent Cease Trade Order issued

by the Alberta Securities Commission on September 6, 2013 due to a failure to file financial statements and related MD&A for the year ended January 31, 2013 and the interim period ended April 30, 2013. The closing price of MBMI on June 6, 2013 was CDN\$0.06. Effective on December 6, 2013, the listing of the MBMI shares was transferred to the NEX board of the TSX-V, as a result of the Cease Trade Orders. Trading of the MBMI shares on the NEX board remains suspended. As at December 31, 2013, the Company recorded an unrealised gain of HK\$0.57 million and the total number of shares of MBMI held by the Company was as follows:

No. of shares	No. of warrants	Expiry date of warrants
6,833,581	800,000	June 28, 2013 (expired)
	2,920,000	August 28, 2013 (expired)

As at January 1, 2011, the Company had 19,090,000 shares of Kaisun Energy Group Limited (“**Kaisun**”) brought forward from the prior year. During the year of 2011, the Company purchased 44,020,000 shares of Kaisun from the stock market in a total amount of approximately HK\$16.1 million at an average price of HK\$0.37 per share. As at December 31, 2011, the market price of Kaisun had dropped to HK\$0.29 per share and the Company suffered a loss approximately of HK\$7.19 million in fair value change on financial assets through profit and loss account. During the year of 2012, the Company acquired 23,840,000 shares of Kaisun at an average price of HK\$0.27. As at December 31, 2013, the market price of Kaisun was HK\$0.125 and the Company recorded an unrealised loss of HK\$4.78 million. As at December 31, 2013, the total number of shares of Kaisun held by the Company was 86,950,000 shares.

On March 17, 2011, the Company invested HK\$7.8 million in Gold China Development Limited, a newly established manufacturing company in the technology park at Tengzhou of Shangdong, PRC.

On June 21, 2011, the Company invested an amount of US\$500,000 in Legend Pictures LLC (“**Legend Pictures**”), an overseas corporation, a world class leading independent motion pictures production and financing company founded in 2004. On December 11, 2012, the Company accepted the Tag-Along Offer provided by Legend Pictures and agreed to sell up to 23.57% of the common units held by the Company to Legend Pictures at a price of US\$1,853.18 per unit, resulting in having a net realised gain of HK\$1 million. As at December 31, 2013, the value of the remaining 76.43% of its shareholding interest was approximately HK\$6.2 million by external valuation.

On June 25, 2011, the Company invested HK\$3 million indirectly in a private equity, which is engaging in the business of providing integrated sales and market strategy services in the PRC offering clients efficient, effective and value-adding media consulting services. During the year of 2013, the Company disposed the investment at a price of HK\$3.67 million with a realised gain of HK\$0.67 million.

Celsion Corporation (“**Celsion**”) is listed on NASDAQ. On July 20, 2011, the Company acquired 117,096 shares of Celsion at a price of US\$4.27 per share. Celsion is

committed to the development of efficient, effective and targeted therapies for the treatment of cancer. During the year of 2013, Celsion consolidated its shares from 9 shares into 2 shares and the Company disposed its shares at an average price of US\$5.17 with a realised loss of HK\$6.6 million as compared to its book value as at January 1, 2013.

EntreMed Inc. (“**EntreMed**”) is listed on NASDAQ. EntreMed is a clinical-stage pharmaceutical company developing targeted therapeutics for the treatment of cancer and inflammatory disease using a joint US-China drug development model. On January 20, 2012, the Company acquired a Convertible Note of EntreMed Inc. having a principal amount of US\$400,000 with a conversion right of US\$1.15 per share. On May 17, 2012, the Company converted the principal amount plus interest into 352,857 shares of EntreMed along with 69,595 warrants at an exercise price of US\$1.40 per share. During the year of 2013, the Company disposed of its shares of EntreMed with a realised gain of HK\$1.2 million.

Medifocus Inc. (“**Medifocus**”) is listed on the TSX Venture Exchange (“**TSX-V**”) and is principally engaged in the business of development and commercialization of cancer treatment devices and systems. The Company has invested in Medifocus since the year 2006. During the year of 2012, the Company acquired 13,000,001 shares of Medifocus at an average price of CDN\$0.15 per share along with 12,400,000 warrants at an exercise price of CDN\$0.20 per share. During the year of 2013, the Company acquired a convertible debenture of Medifocus (“**Debenture**”) having a principal amount of US\$790,000 with a conversion right of US\$0.25 per share. As at December 31, 2013, the market price of Medifocus was CDN\$0.25 and the Company recorded an unrealised loss of HK\$8.2 million. As at December 31, 2013, the total number of shares of Medifocus held by the Company was as follows:

No. of shares	No. of warrants	Expiry date of warrants
16,128,623	8,866,666	June 21, 2014
	3,533,334	September 21, 2014
	1,580,000	December 18, 2016

In January 2013, the Company announced that it has applied for the voluntary delisting of the Ordinary Shares from the Toronto Stock Exchange (“**TSX**”), which application was approved by the TSX. The decision to apply for a voluntary delisting was due to a number of factors, including low trading volume of the Shares on the TSX since listing on the TSX in November 2006 and the significant compliance costs and administrative burden in maintaining the listing of Shares on the TSX, which has not resulted in additional benefit for Shareholders. The Company was delisted from the TSX at the close of business on July 22, 2013 and the trading of the Ordinary Shares on the TSX was ceased.

During the year of 2013, the Company disposed of certain of its listed securities, resulting in an overall realised gain of approximately HK\$3.1 million (2012: HK\$5.5 million). The Company’s earned interest income from bank deposits, loans and receivables was HK\$4.5 million (2012: HK\$7.9 million). Dividend income received from unlisted securities was

approximately HK\$3 million (2012: HK\$1.5 million) and from listed securities was HK\$0.16 million (2012: HK\$0.86 million).

NARRATIVE DESCRIPTION OF THE BUSINESS

Summary of the Business

The Company is an investment company which principally invests in securities listed on the HKSE with an emphasis on undervalued and discounted securities. The Company also invests in privately held companies which have potential for earnings growth and capital appreciation. The Company takes on a principled negotiation role and often retains a strategic interest in the companies in which it has invested. The Company also provides specialist advice to debt stricken companies and advises medium-sized companies seeking financing and strategic partners. As at the date of this Annual Information Form, the Company's investment portfolio (including loans to its investee companies) was valued at approximately HK\$187 million (2012: HK\$241 million) by internal and external valuation.

Employees

As at the date of this Annual Information Form, the Company employed a total of 9 full-time employees, including the directors of the Company.

Investment Objective

The Company's primary investment objective is to achieve superior earnings by investing in transactions that have potentially high returns. The Company's investments are carried out according to a disciplined process that has been developed to maximize returns while minimizing risk and taking advantage of investment opportunities.

Investment Strategy

To achieve the aforementioned objective and to limit overall portfolio risk, the Company continues to adopt a defensive investment philosophy and chooses investments only in selected fields. In recent years, the Company has changed its focus to natural resource and material, real estate developments, pharmaceutical and health care projects as its investment pursuits.

On April 27, 2010, the Company invested a total amount of HK\$5 million in Glory Wing International Limited, an iron ore mining resource company in north-central Inner Mongolia Autonomous Region of PRC. As at December 31, 2013, the value of the Company's 2.5% equity interest of Glory Wing was approximately HK\$0.98 million by external valuation.

On June 21, 2011, the Company invested an amount of US\$500,000 in Legend Pictures LLC, an overseas corporation, a leading independent motion pictures production and financing company founded in 2004. This investment is also scheduled to be listed in overseas stock market. On December 11, 2012, the Company accepted the Tag-Along Offer provided by

Legend Pictures and agreed to sell up to 23.57% of the common units held by the Company to Legend Pictures at a price of US\$1,853.18 per unit, resulting in having a net realised gain of HK\$1 million. As at December 31, 2013, the value of the remaining 76.43% of its shareholding interest was approximately HK\$6.2 million by external valuation.

The Company has invested in Medifocus since the year 2006. During the year of 2012, the Company invested CDN\$1.95 million to acquire 13,000,001 shares of Medifocus at an average price of CDN\$0.15. On June 26, 2012, Medifocus announced an agreement with Boston Scientific Corporation (NYSE:BSX) for the purchase of all of the assets of its Prolieve business, which sells devices for the treatment of Benign Prostatic Hyperplasia (BPH). BPH is the enlargement of the male prostate gland which affects over 50% of men over the age of 50. Prolieve is a patent protected device utilizing an unique combination of microwave heating and dilation of the prostatic urethra intended to offer immediate relief of symptoms such as weak urinary stream and urgency caused by BPH. The Prolieve technology was originally created and commercialized by the current Medifocus scientific and management teams. The total purchase price for this transaction is US \$5 million.

During the year of 2013, the Company acquired 1,482,000 shares of Series A of Dance Biopharm Inc. (“**Dance**”), a Delaware corporation, at an average price of US\$1.69 per share for an aggregate amount of US\$2.5 million. Dance is engaged in the development of a second generation inhaled insulin device. The founder of Dance is the original inventor of Exubera, a first generation FDA approved inhaled insulin device developed in joint venture with Pfizer. It is expected that patient demand for a more sophisticated and convenient delivery system will also bring value to this market. The Company understands that Dance expects to be able to market its insulin system to the market at the same price as injected insulin. Reluctance by patients to start an insulin program due to the issue of having to inject the medicine into their system is well-documented. With the non-invasive delivery system of inhalation, the Company understands that Dance expects the device to not only take up a significant portion of the current insulin market but also expand the current market through earlier adoption of the drug. As at December 31, 2013, the fair value of investment was increased to HK\$40.2 million by reference to the latest transaction placing at a price of US\$3.5 per share of Series B to the investors by Dance.

In the area of real estate developments, the Company invested HK\$18 million which comprised equity investments of HK\$4 million and advances to two investee companies of an aggregate of HK\$14 million in real estate development projects in Shandong and Shenyang in the PRC during the year ended December 31, 2010. As at December 31, 2013, the aggregate fair value of these two equity investments is estimated to be HK\$11.5 million (2012: HK\$19.7 million).

The Group will continue to focus on core investments which include resource related businesses in Asia and real estate developments in the greater China Region and may devote some assets to participate in financial projects with recurring income and fixed interest returns in the near future.

Investment Evaluation Process

The Company evaluates securities of a public issuer or a privately-held company using an evaluation method consistent with the method used to evaluate securities of other public issuers or private companies in the same industry. In selecting securities for the Company's portfolio, the board of directors and management consider various factors, including, but not limited to the following:

- the inherent value of its assets or intellectual property (in the case of a technology or biotechnology company);
- proven management, clearly-defined management objectives and strong technical and professional support;
- future capital requirements to develop the full potential of its business and the expected ability to raise the necessary capital;
- anticipated rate of return and the level of risk;
- financial performance; and
- exit strategies and other criteria.

Investment Valuation Policy

For each financial reporting period, management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements:

Publicly traded investments – the fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price.

Privately held investments – Fair value of financial assets which are not traded in an active market is estimated based on an analysis of:

- financial position and results of the investee;
- risk profile of the investee;
- nature of business of the investee;
- prospects of the investee;
- price of their recent transactions;
- other factors and assumptions not supported by observable market prices or rate;

- reference to recent market valuations for similar entities quoted in an active market;
- current fair value of comparable investments that is substantially the same or applicable price/earning ratios for similar listed companies adjusted to reflect the circumstances of the investee; and
- discounted cash flow method.

Based on the directors' analysis on each of the privately-held investments, the directors consider that it is appropriate to estimate the fair values of a majority of these investments based on their net asset value attributable to the Company.

Principal Portfolio Holdings

The following is a list of the Company's portfolio holdings as at December 31, 2013 of this Annual Information Form:

Name of Company	Type and number of securities owned	Investment cost (rounded up to the nearest thousand)	Fair value (rounded up to the nearest thousand)	If publicly traded, the market(s) where traded
Bartan Limited	1,650 ordinary shares	HK\$2,950,000	HK\$10,300,000	unlisted
Eastern Hero Investments Limited	1,000 ordinary shares	HK\$1,145,000	HK\$1,200,000	unlisted
China High Growth Investment Limited	1000 Class A Series	HK\$7,797,000	HK\$8,966,000	unlisted
Dance Biopharm Inc.	1,482,000 shares of Series A	HK\$19,473,000	HK\$40,222,000	unlisted
Legend Pictures LLC	943.55 common units	HK\$2,982,000	HK\$6,196,000	unlisted
Kaisun Energy Group Limited (formerly known as Challenger Group Holdings Limited)	86,950,000 ordinary shares	HK\$37,658,000	HK\$10,869,000	listed on HK GEM board
Upbest Group Limited	4,000,000 ordinary shares	HK\$1,249,000	HK\$3,880,000	listed on HKEX

Name of Company	Type and number of securities owned	Investment cost (rounded up to the nearest thousand)	Fair value (rounded up to the nearest thousand)	If publicly traded, the market(s) where traded
MBMI Resources Inc.	6,833,581 common shares	HK\$32,762,000	HK\$2,990,000	listed on TSX-V
Allied Properties (HK) Limited	770,000 ordinary shares	HK\$989,000	HK\$1,040,000	listed on HK Main board
Mwana Africa PLC	6,000,000 ordinary shares	HK\$1,121,000	HK\$1,006,000	listed on AIM

Industry Overview and Competitive Conditions

Hong Kong is widely recognised as the leading fund management centre in Asia with the largest concentration of international fund managers according to a survey conducted by the Securities and Futures Commission.

The Chinese mainland has opened up its fund management industry since it joined the World Trade Organisation. Hong Kong is expected to play a key role in sharing its skills and experiences in fostering the development of China's fund management industry.

To strengthen Hong Kong's position as an international asset management centre in the region, the Hong Kong government eliminated estate tax and exempted offshore funds from profit tax.

The fund management industry comprises asset management, advisory business and other private banking businesses. Hong Kong's fund management industry is characterised by its international and offshore nature.

Hong Kong's fund management industry has developed a strong expertise concerning investing in Asia, particularly in the Chinese mainland. Such expertise is vital to Hong Kong's ability to attract funds for management.

The Company is a small boutique investment company with HK\$242 million (2012: HK\$283 million) of shareholders' funds under management as at December 31, 2013. The Company plays a small role in competing for the investment potential China offers.

RISK FACTORS

The following is a summary of certain risk factors inherent in the Company's businesses and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently considers immaterial, may also

impair the business of the Company. If any such risks actually occur, the business, financial condition, liquidity and results of operations of the Company could be materially adversely affected.

Risks of Investing in China

The Company holds investments in China. China's economy and legal system differ from those of most developed countries in many respects, including the level of development and transparency. The Company will be affected by any political or economic instability in China. Changes in investment policies or shifts in political attitude in China may adversely affect the Company's businesses. Operations will also be adversely affected in varying degrees by government regulations including but not limited to restrictions on production, price controls, income taxes, and expropriation of property. The introduction of new policies, legislation or amendments to existing policies or legislation by various levels of government in China or the interpretation of those laws in China or elsewhere could impact adversely on the financial performance of the Company.

Risk of Limited Number of Investments

The Company intends to participate in a limited number of investments and, as a result, the aggregate return of the Company may be substantially adversely affected by the unfavourable performance of even a single investment. In addition, as the Company's investments are concentrated in certain sectors, the Company's performance will be disproportionately subject to adverse developments in those sectors.

Marketability of the Company's Investments

The Company often makes direct investments in publicly-traded securities. The value of these investments may be affected by factors such as investor demand, resale restrictions, general market trends and regulatory restrictions. Fluctuation in the market value of such investments may occur for a number of reasons beyond the control of the board of directors of the Company, and there is no assurance that an adequate market will exist for investments made by the Company. Many of the investments made by the Company may be relatively illiquid and may decline in price if a significant number of such investments are offered for sale by the Company or other investors.

The Company also invests in securities of privately held companies. Investments in privately held companies may be relatively illiquid. As a result, it may impair the Company's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in privately held companies may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for any of the Company's private company investments or that the Company will otherwise be able to realize a return on such investments.

The value attributed to securities of privately held companies will be the cost or net asset value thereof, subject to adjustment in certain circumstances, and therefore may not reflect the amount for which they can actually be sold. Since valuations, and in particular

valuations of investments for which market quotations are not readily available are inherently uncertain, may fluctuate within short periods of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed for the investments.

Due Diligence

The due diligence process that the Company undertakes in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, the Company conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process to varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Company relies on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that is carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation may not necessarily result in the investment being successful.

Lack of Formal Purchase Agreements and/or Shareholder/Subscription Agreements

The Company does not have formal purchase agreements and/or shareholder/subscription agreements in place for some of its investments in privately held companies. As at December 31, 2013, a total carrying value of all these investments is approximately HK\$11.5 million, which is 4.8% of the net asset value of the Group. It is not entirely abnormal for the Company to make investments in privately held companies in the absence of formal purchase agreements and/or shareholder/subscription agreements. As mentioned in the preceding paragraph, due diligence process was undertaken by the Company in connection with its investments through internal resources or by hiring external consultancy and/or professional advisors and most of the investments in privately held companies made by the Company took the form of share equities. Under the laws of the jurisdictions of these privately held companies, the certificates specifying the shares held by the Company are prima facie evidence of the title of the Company to those share equities and the Board considers the risk of the Company having title to its investments challenged due to lack of formal purchase agreements and/or shareholder/subscription agreements is low.

Reliance upon the Directors and Management

Shareholders must rely upon the expertise and discretion of the board of directors and management of the Company in selecting and investing in securities, the composition of the portfolio of such securities owned or acquired by the Company and in determining whether to dispose of any securities held by the Company. The success of the Company will be dependent upon the board of directors and management of the Company successfully identifying and managing the Company's investments. Accordingly, the Company's continued success will

depend upon the continued services of these individuals who are not obligated to remain employed with the Company. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm the Company's ability to maintain or grow its existing assets and raise additional funds in the future.

In addition, the directors and officers of the Company may have conflicts of interest. Certain of the directors and officers of the Corporation also serve as directors and/or officers of other companies and there exists the possibility for such directors and officers to be in a position of conflict of interest. The directors of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest they may have in any project or opportunity of the Corporation. In addition, each of the directors is required by law to declare his or her interest in and refrain from voting on any matter in which he or she may have a conflict of interest, in accordance with applicable laws.

Currency and Foreign Exchange Rate Risks

A substantial proportion of the Company's investments are made in Hong Kong dollar and Chinese Renminbi. The Company may also invest in securities denominated or quoted in other foreign currencies. Therefore, changes in currency exchange rates as well as associated transaction costs could adversely affect the value of the Ordinary Shares during any period. In addition, the Company could also make investments in jurisdictions which may place restrictions on the repatriation of funds. The Company does not enter into hedging or derivative arrangements to manage its foreign exchange risk.

Liquidity Risk

Should the Company be unable to dispose of any portion of the Company's portfolio, the Company may experience delays in receiving the proceeds of disposition of any security within the portfolio until such time as the Company is able to dispose of such securities. Further, should the Company wish to acquire particular securities for the Company's portfolio, the Company may be unable to acquire the desired quantity of such securities at a price acceptable to the Company should the market for such security prove illiquid.

Further, investments in small capitalization companies or privately held companies tend to be less liquid than other types of investments. Due to the Company's investment in small or unlisted companies that can be affected by political and economic events, the securities within the Company's portfolio may be difficult to value or sell. As a result, these securities may trade at values significantly lower than their true value. This may result in the Company's difficulty in converting these securities into cash in a timely and cost effective manner.

Interest Rate Risk

Due to the Company's investment strategy and portfolio composition, the value of the securities within the Company's portfolio may fluctuate with changes in interest rates. These

changes mean that the market price for the securities held in the Company's portfolio will be affected by prevailing interest rates.

Speculative Nature of Ordinary Shares

The investment in the Ordinary Shares of the Company is speculative in nature and suitable only for investors able to sustain a substantial loss of their investment. Shareholders should not rely upon realizing any significant returns from the Ordinary Shares and should be aware that the value of the Ordinary Shares and the income from them could, in common with other shares and bonds, fluctuate. There is no assurance that the investment objectives of the Company will actually be achieved.

Trading Price of Shares relative to Net Asset Value

The Company is neither a mutual fund nor an investment fund and due to the nature of the Company's business and investment strategy and the composition of its investment portfolio, the market price of the Ordinary Shares, at any time, may vary significantly from its net asset value per share. This risk is separate and distinct from the risk that the market price of the Ordinary Shares may decrease.

DIVIDENDS

The Company pays dividends to the holders of its Ordinary Shares on an annual basis, in amounts determined by the board of directors at its discretion on the basis of the Company's earnings, financial requirements and other conditions. The Company's declaration of dividends is subject to the applicable rules under the *Companies Law* of the Cayman Islands. No dividend may be declared or paid other than from funds lawfully available for distribution including share premium. There is no intended change in dividend policy. The cash dividends declared per share for the Ordinary Shares of the Company for each of the three most recently completed financial years are as follows:

Class of Security	Date of distribution	Payment per security	Total cash payment	Total non-cash payment
Ordinary shares	June 28, 2011	HK\$0.15	HK\$5,858,792	Nil

DESCRIPTION OF CAPITAL STRUCTURE

As at the date of this Annual Information Form, there were no shares held in escrow, and 39,058,614 Ordinary Shares and no preferred shares were issued and outstanding. The Company is authorized to issue a maximum of 100,000,000 Ordinary Shares with a nominal value of HK\$1.00 per share. The holders of the Ordinary Shares are entitled to vote at all general meetings of shareholders of the Company and to receive such dividends as the board of directors, in their discretion, shall declare or recommend. The Company did not hold any securities in escrow and did not hold any securities that were subject to contractual restrictions in 2013.

MARKET FOR SECURITIES

The Company's Ordinary Shares ceased trading on the TSX on July 22, 2013.

The Company's Ordinary Shares trade on the HKSE under the trading symbol "00428". The following table provides the historical monthly trading price ranges and trading volumes during the financial year ended December 31, 2013:

<u>Price Range (HK\$)</u>			
<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Monthly Volume</u>
January	3.31	3.20	6,600
February	3.50	3.45	10,000
March	3.45	3.40	13,150
April	3.40	3.30	109,954
May	3.30	3.25	58,030
June	3.35	3.30	7,500
July	3.40	3.35	5,300
August	3.50	3.40	11,300
September	3.60	3.50	39,300
October	3.80	3.58	31,606
November	3.75	3.60	212,028
December	3.75	3.60	6,165

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

The following table outlines the names and municipalities of residence of all the directors and executive officers of the Company together with their respective principal occupations in the past five years. According to the articles of association, at least one-third of the directors of the Company (including those appointed for a specific term) are subject to retirement by rotation and being eligible, will offer himself for re-election at each annual general

meeting of the shareholders of the Company unless a director tenders his resignation. The officers of the Company are appointed by the board of directors of the Company.

Name and Place of Residence	Position/ Office Held	Date of appointment	Expiry of Term ⁽¹⁾	Principal Occupation or Employment
Mr. Lee Fong Lit David, Hong Kong	Executive Director and Chairman of the Board of Directors and chairman of Nomination Committee and member of Investment Committee	February 11, 1998	The 2014 AGM ⁽³⁾ (subject to retirement by rotation and re-election)	<ul style="list-style-type: none"> • Director of Harmony Asset Management Limited, an asset management and consulting company based in Hong Kong. • Director of Sino Path Consultants Limited, a consulting company based in Hong Kong.
Dr. Chow Pok Yu Augustine, Hong Kong	Executive Director, Chief Executive Officer and member of the Remuneration Committee and chairman of Investment Committee and Disclosure Committee	June 11, 1996	The 2015 AGM (subject to retirement by rotation and re-election)	<ul style="list-style-type: none"> • Director of Harmony Asset Management Limited, an asset management and consulting company based in Hong Kong. • Director of Sino Path Consultants Limited, a consulting company based in Hong Kong. • Director of Kaisun Energy Group Limited, a mining resources public listed company in Hong Kong.. • Director of Celsion Corporation, a leading oncology public listed company in USA. • Director of Medifocus Inc., a medical device public listed company in Canada.
Mr. Chan Shuen Chuen Joseph, Markham, Ontario	Executive Director and Qualified Accountant and member of Disclosure Committee	December 29, 2006	The 2015 AGM (subject to retirement by rotation and re-election)	<ul style="list-style-type: none"> • Director of Champion Minerals Inc., a mining resources public listed company in Canada (resigned in March 2013). • Director of Medifocus Inc., a medical device public listed company in Canada. • Director of MBMI Resources Inc., a mining resources public listed company in Canada . • Director of Kaiyue International Inc., a capital pool public listed company in Canada (resigned in September 2012). • Director of Yinfu Gold Corporation, a gold mining public listed company in USA (resigned in June 2012).
Cheng Ming Shun, Hong	Executive Director and	June 1, 2012	The 2015 AGM	<ul style="list-style-type: none"> • Chief Financial Officer of Harmony Asset

Name and Place of Residence	Position/ Office Held	Date of appointment	Expiry of Term ⁽¹⁾	Principal Occupation or Employment
Kong	Chief Financial Officer and member of Investment Committee and Disclosure Committee		(subject to retirement and re-election)	<p>Limited</p> <ul style="list-style-type: none"> An Alternate Authorized Representative of the Company under the requirement of the listing rules of HKSE from 1998 up to present.
Mr. Ho Man Kai Anthony ⁽²⁾ , Hong Kong	Independent Non-Executive Director and Chairman of the Audit Committee and Remuneration Committee and member of Nomination Committee and Disclosure Committee.	September 3, 2004	The 2014 AGM ⁽³⁾ (subject to retirement and re-election)	<ul style="list-style-type: none"> Financial director of Keenmax Development Limited, a manufacturer of wooden molding and wooden picture frames based in Hong Kong, until January 31, 2009.
Mr. Tong Kim Weng Kelly ⁽²⁾ , Hong Kong	Independent Non-Executive Director and member of the Audit Committee	November 9, 1998	December 31, 2014	<ul style="list-style-type: none"> Director of Colinton Investment Limited, a management service company based in Hong Kong.

Name and Place of Residence	Position/ Office Held	Date of appointment	Expiry of Term ⁽¹⁾	Principal Occupation or Employment
Dr. Wong Yun Kuen ⁽²⁾ , Hong Kong	Independent Non-Executive Director and member of the Audit Committee and Remuneration Committee and member of Nomination Committee.	September 3, 2004	The 2014 AGM ⁽³⁾ (subject to retirement by rotation and re-election)	<ul style="list-style-type: none"> • Executive Director of UBA Investment Limited, a HKSE listed investment company based in Hong Kong. • Independent non-executive director (“INED”) of the following public listed companies in Hong Kong: Bauhaus International (Holdings) Limited, China Sandi Holdings Limited, Climax International Company Limited, Kingston Financial Group Limited, Hua Yi Copper Holdings Limited, Kaisun Energy Group Limited, Kong Sun Holdings Limited, China Yunnan Tin Minerals Group Company Limited, New Island Printing Holdings Limited, ZMAY Holdings Limited (“ZMAY”) (Dr.Wong resigned the post of INED of ZMAY in the year 2011), Grand Field Group Holdings Limited (“Grand Field”) (Dr.Wong resigned the post of INED of Grand Field in September 2009) and Sincere Watch (Hong Kong) Limited .

Notes:

1. Article 98 of the Company’s Articles of Association provides that at each annual general meeting (“AGM”) one-third of the directors of the Company shall retire from office by rotation and be eligible for re-election at the annual general meeting.
2. These directors are considered “independent” pursuant to Multilateral Instrument 52-110 – *Audit Committees*.
3. The Company’s next AGM is scheduled to be held on June 30, 2014. The Company anticipates that these directors will be re-elected at the AGM.

As at the date of this Annual Information Form, the directors and executive officers of the Company, as a group, beneficially own, directly or indirectly, 7,260,315 Ordinary Shares representing 18.59% of the issued and outstanding share capital of the Company, which has not changed from the prior year.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, none of the directors or executive officers of the Company are, as at the date hereof, or have been, within the ten years prior to the date hereof, a director, executive officer, or chief financial officer of any company that, while that person was acting in that capacity:

- was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the Company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days.

Dr. Wong Yun Kuen was formerly a director of Grand Field Group Holdings Limited ("Grand Field"). Dr. Wong ceased to be a director of Grand Field effective September 4, 2009. In March 2010, Mr. Tsang Wai Lun, the former chairman and executive director of Grand Field, and his wife Nancy Kwok Wai-man, also a former executive director of Grand Field, were convicted by the High Court in Hong Kong of conspiracy to defraud the HKSE. During the investigation of Grand Field by the authorities and at the request of Grand Field, the ordinary shares of Grand Field were suspended from trading on the HKSE on March 27, 2009. In June 2009, the HKSE requested that Grand Field address certain issues before allowing resumption of trading. Resumption of trading is conditional upon Grand Field (i) addressing any concerns raised by the auditors through qualifications in their audit report; (ii) demonstrating sufficient working capital for at least twelve months from the resumption date; and (iii) resolving issues relating to a piece of leasehold land at Buji Town, Shenzhen. The Grand Field trading was resumed on August 26, 2013.

On June 7, 2013, MBMI was the subject of a Cease Trade Order issued by the British Columbia Securities Commission due to a failure to file its annual financial statements and related MD&A for its year ended January 31, 2013. MBMI was subject to a subsequent Cease Trade Order issued by the Alberta Securities Commission on September 6, 2013 due to a failure to file financial statements and related MD&A for the year ended January 31, 2013 and the interim period ended April 30, 2013. Effective on December 6, 2013, the listing of the MBMI shares was transferred to the NEX board of the TSX-V, as a result of the Cease Trade Orders. Trading of the MBMI shares on the NEX board remains suspended. Both Cease Trade Orders remain in effect as of the date of this Annual Information Form. Mr. Joseph Chan, a director of the Company, is a director and executive officer of MBMI. None of the directors or executive officers of the Company, or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is, as at the date hereof, or has been, within the ten years prior to the date hereof, a director or officer of any company that:

- while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the directors or executive officers of the Company, or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

- any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

None of the directors or executive officers of the Company, or any shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company, or a personal holding company of any such persons has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Conflict of Interests

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

The directors and executive officers of the Company are aware of the existence of laws governing the accountability of directors and executive officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and executive officers' conflicts of interest or in respect of any breaches of duty by any of its directors and executive officers. All such conflicts will be disclosed by such directors or executive officers in accordance with applicable law, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

LEGAL PROCEEDINGS

As at the date of this Annual Information Form, the Company is not a party to, nor is any of its property the subject of, any legal proceedings and has no knowledge of any legal proceedings that are contemplated.

REGULATORY ACTIONS

As at the date of this Annual Information Form, the Company is not a party to, nor is any of its property the subject of, any regulatory actions. The Company has not received any penalties or sanctions, or entered into any settlement agreements, and has no knowledge of any regulatory actions that are contemplated.

AUDIT COMMITTEE

National Instrument 52-110 – *Audit Committee* (“**NI 52-110**”) requires the Company to disclose annually in its annual information form certain information concerning the constitution of its audit committee and its relationship with its external auditor. Information relating to the Company’s audit committee (the “**Audit Committee**”), as required by NI 52-110, is set out below.

Audit Committee Charter

The text of the Audit Committee’s Charter is attached to this Annual Information Form as Schedule “A”.

Composition of the Audit Committee

The Audit Committee is presently composed of three directors, being Mr. Ho Man Kai Anthony (Chairman), Mr. Tong Kim Weng Kelly and Dr. Wong Yun Kuen. All three members of the Audit Committee are “independent” in accordance with NI 52-110.

Relevant Education and Experience

All members of the Audit Committee are considered “independent” and are “financially literate” in accordance with NI 52-110. Each of the members has the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements. The following sets out the education and experience of the members of the Audit Committee:

- **Dr. Wong Yun Kuen** – Dr. Wong received a PhD from Harvard University, was a “Distinguished Visiting Scholar” at Wharton Business School, and a consultant at AIG Financial Products Corporation of the United States. Dr. Wong has worked in the financial industries in the U.S. and Hong Kong for more than 10 years and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute.
- **Mr. Ho Man Kai Anthony** – Mr. Ho graduated from The Chinese University of Hong Kong with a BBA degree, an MBA degree from the University of East Asia, Macau and a Master of Professional Accounting Degree from The Hong Kong Polytechnic University. Mr. Ho has over 30 years of experience in management accounting, corporate administration and financial management. He has held management positions with Gammon-Swire Joint Venture, Drageges et Travaux Publics, Mass Transit Railway

Corporation and The Hong Kong Jockey Club. He is a Fellow of the Institute of Public Accountants in Australia and a Fellow Member of The Hong Kong Taxation Institute.

- **Mr. Tong Kim Weng Kelly** – Mr. Tong holds degrees in Political Science (BA (Hons)) and Public Policy (Master of Public Policy (MPP)) from Victoria University, New Zealand. He began his career as an officer of the New Zealand Trade Department and was involved in trade promotion and negotiations for the Government of New Zealand. After leaving the public sector, he served in various capacities as a private consultant for the financial and IT industries and was principally involved in business development, sourcing and marketing for a variety of services and investments.

External Auditor Service Fees

Below is a summary of the external auditor service fees relating to the Company's two most recently completed financial years:

	Financial Year Ended 2012 (HK\$)	Financial Year Ended 2013 (HK\$)
Audit fees	770,000	774,000
Audit-related fees ⁽¹⁾	-	-
Tax compliance fees ⁽²⁾	63,400	66,300
All other fees ⁽³⁾	78,000	80,000
Total	911,400	920,300

Notes:

1. Aggregate fees billed for audit services rendered in connection with assurance and related services by the Company's external auditor.
2. Aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance and tax computation.
3. Aggregate fees billed for services provided by the Company's external auditor for non-assurance service.

The Company anticipates that the aggregate audit fees for the financial year ended December 31, 2014 will not be materially different from those provided above.

MATERIAL CONTRACTS

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 together with a supplemental agreement entered into between the Company and HAML on May 17, 2007 (the "Original Investment Management Agreement"), HAML had agreed to assist the Board with the day-to-day management of the Group for three years until May 31, 2010.

On April 8, 2010, the Company entered into a new investment management agreement (the "2010 Investment Management Agreement") with HAML as detailed in the management

information circular of the Company dated April 29, 2010, whereby HAML agreed to provide the management services for an additional three years until May 31, 2013. In accordance with the 2010 Investment Management Agreement, HAML was 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 calculated at 10% of the audited net profit of a financial year (before accrual of the incentive fee) subject to an aggregate cap of HK\$18,391,986 for the year ended December 31, 2012.

On April 11, 2013, the Company entered into a new investment management agreement with HAML (the “**New Investment Management Agreement**”). 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 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 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 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 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 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 Group 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.

Dr. Chow Pok Yu Augustine, being a beneficial shareholder of HAML, had an interest in the 2010 Investment Management Agreement and the New Investment Management Agreement during the years ended December 31, 2013 and 2012. The management fees and incentive fee paid and payable to HAML are as follows:

	2013 HK\$	2012 HK\$
Management fees	3,906,350	3,915,231
Incentive fee	-	1,058,997
	3,906,350	4,974,228

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INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

As mentioned above, on April 11, 2013 the Company entered into the New Investment Management Agreement (as amended by the Supplemental Agreement on April 24, 2013) with HAML, a company wholly owned by Dr. Chow Pok Yu Augustine.

Management is unaware of any other material interest of any executive officer or director of the Company, or of any person or any associate or affiliate of any such person, in any transaction within the three most recently completed financial years of the Company or any proposed transaction that has materially affected or would materially affect the Company or any of its affiliates.

REGISTRARS AND TRANSFER AGENT

The Company's registrars and transfer agent for its Ordinary Shares are as follows:

PRINCIPAL REGISTRAR

Codan Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111,

Cayman Islands

British West Indies

HONG KONG BRANCH REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

INTERESTS OF EXPERTS

The auditors of the Company are BDO Limited, certified Public Accountants, 25th Floor, Wing On Centre, 111 Connaught Road central, Hong Kong. To the best knowledge of the Company, BDO Limited does not hold any securities of the Company, or of any associate or affiliate of the Company.

RHL Appraisal Limited is the Company's independent external valuator on the investment of Mainco Limited, Shenyang and Shandong's real estate development project, located at Room 1010, Star House, Tsimshatsui, Kowloon, Hong Kong. To the best knowledge of the Company, RHL Appraisal Limited does not hold any securities of the Company, or of any associate or affiliate of the Company.

BMI Appraisals Limited is the Company's independent external valuator on the investment of Glory Wing International Limited, two convertible bonds issued by private equities, convertible bond and warrants issued by Medifocus, located at 33th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. To the best knowledge of the Company, BMI Appraisals Limited does not hold any securities of the Company, or of any associate or affiliate of the Company.

GCA Professional Services Group is the Company's independent external valuer on the investment of Legend Pictures LLC, located at Room 2703-08, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. To the best knowledge of the Company, GCA Professional Services Group does not hold any securities of the Company, or of any associate or affiliate of the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com, the HKSE website at www.hkex.com.hk or the Company's website at www.harmonyasset.com.hk. Financial information is provided in the Company's Annual Report for the financial year ended December 31, 2013, which includes the audited consolidated financial statements as at December 31, 2013, the notes thereto and the report of the Company's auditor thereon, as well as the Management's Discussion and Analysis for the financial year ended December 31, 2013. Copies of these documents, together with copies of the Annual Information Form and copies of any documents or the pertinent pages of any documents incorporated by reference in this Annual Information Form, are available upon request to the Company, provided that the Company may require payment of a reasonable charge if the request is made by a person who is not a securityholder of the Company.

APPENDIX A

AUDIT COMMITTEE CHARTER

(Effective on 1st April, 2013)



HARMONY ASSET LIMITED

亨亞有限公司*

(Incorporated in the Cayman Islands with limited liability)

(HKEX – Stock Code : 428)

AUDIT COMMITTEE CHARTER

**(EQUIVALENT OF “TERMS OF REFERENCE OF THE AUDIT
COMMITTEE” UNDER HONG KONG LISTING RULES)**

** for identification purpose only*

AUDIT COMMITTEE CHARTER

Constitution

1. The board of directors (the “Board”) of Harmony Asset Limited (the “Company”, together with its subsidiaries, the “Group”) resolved to establish a committee of the Board to be known as the Audit Committee (the “Committee”).

Overall Purpose and Objectives

2. The Committee will assist the directors of the Company in fulfilling their responsibilities under applicable laws, rules, regulations and stock exchange requirements (“Applicable Laws”). To the extent considered appropriate by the Committee or as required by Applicable Laws, the Committee shall review the financial reporting process of the Company, the system of internal controls and management of the financial risks of the Company and the audit process of the financial information of the Company. In fulfilling its responsibilities, the Committee shall maintain an effective working relationship with the directors, the management and the external auditor of the Company as well as monitor the independence of the external auditor.

Membership

3. The Committee members shall be appointed by the Board from amongst the independent non-executive directors of the Company. The Committee shall consist of not less than three members. A quorum for a meeting of the Committee shall be two members.
4. Every member of the Committee shall be a director who is independent and financially literate to the extent required by (and subject to the exemptions and other provisions set out in) Applicable Laws. In this Charter, the terms “independent” and “financially literate” have the meaning ascribed to such terms by Applicable Laws, and include the meanings given to similar terms by Applicable Laws.
5. The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director who has such accounting or related financial management expertise as the directors may determine in their business judgment.

Attendance at Meetings of Committee

6. Representative(s) of investment manager, and a representative of the external auditor shall, at the request of the Committee, attend meetings of the Committee. Other Board members shall also, at the request of the Committee, have the right of attendance. However, at least once a year the Committee shall meet with the external auditor without executive Board members present.
7. The company secretary or such other person designated by the Committee (the “Secretary”) shall be the secretary of the Committee. In the absence of the Secretary in any meeting of the

Committee, a member of the Committee or a representative of the Secretary shall act as the secretary of the meeting of the Committee.

Frequency of Meetings

8. Meetings shall be held not less than once a quarter. The external auditor or any members of the Committee may request a meeting with or without the presence of executive directors if they consider that one is necessary.

Authority

9. The Committee is authorised by the Board to investigate any activity within the terms of this Charter. It is authorised to seek any information it requires from any officer or employee and all officers and employees are directed to co-operate with any request made by the Committee.
10. The Committee is authorised by the Board, subject to prior discussion concerning the cost, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise as it considers necessary.

Duties

11. The Committee shall:
 - (a) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
 - (b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences in order to ensure that no unjustifiable restriction or limitation have been placed on the scope of the proposed audit;
 - (c) be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report on the annual financial statements of the Company or performing other audit, review or attest services for the Company, including the resolution of disagreements between management of the Company and the external auditor of the Company regarding any financial reporting matter and the review of the performance of the external auditor of the Company;
 - (d) develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes, without limitation, any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally.

The Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (e) monitor the integrity of the Company's financial statements and annual report and accounts, quarterly reports, and review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee shall focus on, among other things:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with Applicable Laws in relation to financial reporting;
- (f) regarding paragraph (e) above:
 - (i) members of the Committee shall liaise with the Board and the Company's senior management and the Committee shall meet, at least twice a year, with the Company's external auditor; and
 - (ii) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditor;
- (g) review and be satisfied that adequate procedures are in place for the review of the public disclosure of the Company of financial information extracted or derived from the financial statements of the Company, and periodically assess the adequacy of those procedures;
- (h) review the Company's financial controls, internal control and risk management systems;
- (i) discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (j) consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- (k) discuss problems and reservations arising from the interim review and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- (l) review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- (m) review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (n) where an internal audit function exists, review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;
- (o) establish procedures for,
 - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and
 - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters relating to the Company;
- (p) review and approve the hiring policies of the Company regarding partners, employees and former partners and employees of the present and any former external auditor of the Company;
- (q) ensure that the Board provide a timely response to the issues raised in the external auditor's management letter;
- (r) review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (s) act as the key representative body for overseeing the Company's relations with the external auditor;
- (t) report to the Board on the matters set out in the provisions of this Charter;
- (u) review the Group's financial and accounting policies and practices;
- (v) consider other topics, as requested by the Board; and
- (w) review this Charter once a year and revise as considered appropriate.