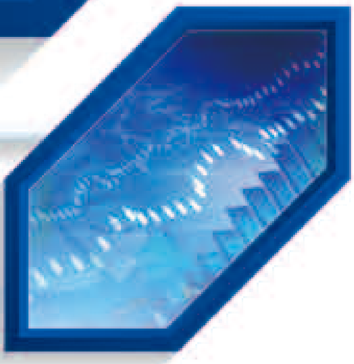



ADAMAS
FINANCE ASIA


ADAMAS FINANCE ASIA LIMITED
ANNUAL REPORT 2015

CONTENTS

Company Information

Directors	Mr. John Croft – *Non-executive Chairman* Mr. Conor MacNamara – *Non-executive Director* Mr. Wong Yiu Kit, Ernest – *Non-executive Director*
Investment Manager	Adamas Global Alternative Investment Management Inc. Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Key Personnel of Investment Manager	Mr. Paul Lincoln Heffner – *Co-founder, Managing Partner and Chief Executive Officer* Mr. Lau Wang Chi, Barry – *Co-founder, Managing Partner and Chief Investment Officer* Mr. Lau Pak Hong – *Chief Financial Officer and Chief Operating Officer* Mr. Mark Hibbs – *Chief Investment Officer*
Registered Office	Commence House, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Company Secretary	Codan Trust Company (B.V.I.) Ltd. Commence House, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Principal Place of Business	1810, 18/F, Tai Yau Building 181 Johnston Road Wanchai, Hong Kong
Registrars	Computershare Investor Services (BVI) Limited Woodbourne Hall PO Box 3162 Road Town, Tortola British Virgin Islands
Depositary Interest Registrars	Computer Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZY
Registered Agent	Codan Trust Company (B.V.I.) Limited Commence House, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110

Nominated Adviser	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Broker	Edmond de Rothschild Securities (UK) Limited (appointed on 1 April 2015 and terminated on 31 March 2016) 4 Carlton Gardens London SW1Y 5AA WH Ireland Limited (appointed on 1 April 2016) 24 Martin Lane London EC4R 0DR
Auditors	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
Legal Advisers ***(as to English law)***	Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES
Legal Advisers ***(as to Hong Kong law)***	Pinsent Masons 50th Floor, Central Plaza 18 Harbour Road Hong Kong
Legal Advisers ***(as to BVI law)***	Conyers Dill & Pearman Romasco Place, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Website	www.adamasfinance.com
Stock Code	AIM: ADAM Frankfurt: 1CP1

Chairman's Statement

The twelve months to 31 December 2015 saw several key moves towards achieving ADAM's long-term investment strategy, but against a backdrop of economic slowdown in our Chinese target market, progress was unfortunately slower than anticipated.

Unable to achieve major disposals from our asset portfolio during the year, as we had hoped, the Company has recorded a write-down of US$2.3 million on its valuation, which under the accounting rules for investment businesses like ADAM is reflected directly in the income statement. A year earlier, during 2014, the Company reported an investment gain of US$2.1 million, but for 2015 the write-down led to an increased loss of US$3.9 million, including operating expenses of US$2.3 million (2014: US$3.3 million). Income for the year, comprising loan interest and dividend income from our fund investments, was US$0.7 million (2014: US$0.7 million), and year-end cash and cash equivalents stood at US$3.6 million.

I will say more about the planned sale of our asset portfolio later in this statement, but following the alteration to ADAM's Investing Policy in 2015, the Board continues to anticipate that cash generated from those sales will eventually be deployed into funds and direct-lending opportunities that will generate regular cash distributions. As I have said previously, the objective is to reposition the Company as cash-generative with no legacy asset portfolio, so that it can begin to pay dividends to its shareholders in due course. Our approach will remain to invest in income-generating credit and investment opportunities that focus on the growth-financing needs of SMEs, predominantly in Greater China, where there is a shortage of such funding. The Company intends to invest in opportunities that provide collateralised lending, structured finance, and strategic finance, with a focus on asset-backed structures.

Since the Company has still not substantially implemented this revised Investing Policy, it will seek the consent of the Shareholders for it to be extended at the Annual General Meeting of the Company on 21 July 2016.

Investing in China is not for the faint hearted, but the performance standards and returns achieved by the ADAM investment advisory team in Hong Kong, Adamas Asset Management (HK) Limited ("Adamas"), have been consistently high. Not only does the team bring a deep understanding of Chinese opportunities and the relationships that go with them, it has also set in place due diligence and operating procedures, not to mention effective legal back-ups, as safeguards for when things go intermittently awry. This often includes taking seats on the boards of investee companies, and the effectiveness of the Adamas approach is demonstrated by the IRRs generated which are consistently over 20%. China is not an easy investment environment, but the Adamas team has developed the expertise to operate within it, and provably so. The team has more than US$600 million under management and has shown a consistent track record in providing credit finance for well managed and high-growth SMEs in China. Adamas funds have to date provided finance to 69 SMEs within China. There have been 62 successful exits, and only seven delays in repayments of principal or interest.

The funds managed by Adamas target investment in a range of sectors including agriculture, natural resources, clean energy, consumer opportunities and health care, among others. This gives ADAM the opportunity, led by the advice from the Adamas Hong Kong team, to participate in co-investment opportunities, potentially also gaining access to additional direct investments. Just before the year end, in December 2015, the Company announced that Adamas is planning to launch a new US$500 million joint venture fund in Hong Kong with Ping An Trust Co. Ltd, an investment subsidiary of one of China's largest insurance giants, the Ping An Group. The establishment of the joint venture with Ping An speaks to the high regard in which Adamas is held.

The two Adamas-managed investment funds into which ADAM was invested throughout 2015 produced cash returns of US$164,000 for the year, equating to a 9% annual yield on the Company's US$1.8 million investment, while loan interest received amounted to US$240,000. It points to the sustainable potential of the Company's reshaped strategy. ADAM invested US$1 million in the first of the two funds, the Greater China Credit Fund ("GCCF") on its launch in August 2013, followed by a further investment of US$3.0 million first announced in September 2015 but not fully committed until March 2016, following the year end. Investments totalling US$800,000 were made into the second fund, the BRJ China Credit Fund Limited ("BRJ"), during 2014. In addition to dividends received from BRJ during the year, ADAM after the year end also received a cash payment of US$755,000 following the sale of a key investment vehicle out of BRJ and into GCCF, and expects to receive a further US$84,000 during the third quarter of 2016. ADAM remains invested in both funds, but following the end of the year, the Directors were notified that GCCF is closed for further investment, and decided also not to invest further in BRJ. The Company is actively seeking similar opportunities for new investment, pending its planned asset sales.

As of the end of 2015, however, the level of available funding for new investment remained lower than the Company would wish following the setbacks to its plans for the disposal of the legacy assets injected during the Reverse Takeover (RTO) of the Company in February 2014. A full synopsis of those assets is provided in the extract from the Directors' Report below, but it is worth mentioning two of them here, both to identify the kinds of problems that arise, and to underscore how Adamas works to deal with challenging situations, within the system with a diligent long-term approach.

The first example is Hong Kong Mining Holdings ("HKMH"), the owner of a large dolomite magnesium limestone mine in Shanxi Province, China. HKMH was scheduled for an IPO on the Hong Kong Stock Exchange, and posted its A1 notice in July 2015. The listing stalled during the year, before the application was rejected in January 2016. This has left ADAM in the position of needing to negotiate an alternative exit, which it is actively pursuing. The Company has meanwhile written down the value of this asset by US$1.6 million to US$8.9 million.

The second of the two examples is Global Pharm Holdings Group Inc. ("Global Pharm"), a company involved in pharmaceuticals, the cultivation of herbs for Traditional Chinese Medicine ("TCM"), TCM processing, ginseng distribution and the operating of electronic ginseng exchanges, including the new GuoFu Exchange in Jilin, in north-eastern China. ADAM signed a profitable redemption agreement with Global Pharm in December 2014 under which it was due to receive a total cash consideration of US$25 million in four instalments up to April 2015. Global Pharm subsequently delayed on some of the instalments and ADAM has now received a total of US$5.8 million, leaving an outstanding balance of US$19.2 million, plus interest. While that is an admittedly large sum, the Adamas team in Hong Kong remains in close dialogue with Global Pharm, where it holds a Board seat, and among other steps has accepted a revised repayment schedule, and agreed during the year that ADAM will additionally take 0.00375% of Global Pharm's outstanding ordinary share capital in respect of each payment more than 30 days late. Transfers will take place on the first business day of each year, and ADAM, using its special purpose vehicle Blazer Delight, took receipt of 223,000 A shares in January 2016 as expected. Global Pharm is also subject to penalty interest on late payments of 26% per annum, compounded on a daily basis.

In summary, I believe that while 2015 saw disappointing delays in our planned asset disposal programme, it also showed how our shift to income-generating investments, whilst still in its early stages, is already yielding high rates of return. Progress with new investments was unavoidably held back, which is frustrating in the light of our strong deal pipeline. ADAM is underpinned by the experienced Adamas team in Hong Kong, however, with proven expertise operating in the Chinese investment sector, and I remain confident that in the long term their investment advice and fund management skills will yield strong returns for ADAM shareholders.

John Croft
Chairman

22 June 2016

Biographies of Directors and Senior Management

Board of Directors

Mr. John Croft *(aged 63), Non-executive Chairman*
Mr. Croft is an experienced director of AIM-quoted companies and has previously worked in executive and non-executive capacities with a number of fast growth companies in the technology and financial services sectors. He is also currently Non-Executive Chairman of Fusionex International PLC (AIM: FXI) and a Non-Executive Director of Goal Group Limited, a leading class action service provider and tax reclamation services specialist. He previously held senior director level positions in Racal Electronics and NCR Corporation, following an early career in banking with HSBC and Grindlays Bank.

Mr. Conor MacNamara *(aged 50), Non-executive Director*
Mr. MacNamara is an experienced investment banker with significant experience in asset management and structuring alternative investment products throughout Asia. He has spent over 25 years in the Japanese and Asian markets, holding senior positions at a number of institutions including been Partner at Adamas Asset Management, Executive Director and Asia Co-Head of Structured Credit & Alternatives at ABN AMRO, RBS Global Banking, Gen Re Securities and RBC Dominion Securities. He has a Bachelor of Commerce degree (B.Comm, Hons) and a Masters of Business Studies degree (MBS, Hons) from University College Dublin (UCD) in Ireland.

Mr. Wong Yiu Kit, Ernest *(aged 48), Non-executive Director*
Mr. Wong has over 20 years of experience in venture capital, corporate finance, business development, legal, IT, financial and general management. He has worked for the Hong Kong Applied Science and Technology Research Institute Company Limited, Vertex Management, Guangdong Investment Ltd, Transpac Capital and Andersen Consulting. He has a BBA (University of Hong Kong) and a MSc in investment management (University of Science & Technology, Hong Kong) and a MSc in Electronic Engineering (Chinese University of Hong Kong). Mr. Wong's professional qualifications include: FCCA, FCPA, CFA, ACA and MHKSI.

Key Personnel of Investment Manager, Adamas Global Alternative Investment Management Inc. ("Adamas Asset Management")

Mr. Paul Lincoln Heffner
Mr. Heffner has extensive experience in asset management, investments, and entrepreneurial ventures. He is a co-founder, Managing Partner and Chief Executive Officer of Adamas Asset Management. Prior to forming Adamas Asset Management, Mr. Heffner was a Partner and Chief Investment Officer of Ajia Partners and the founder of its fund of funds business. He was also a Managing Director for a major family office in Hong Kong responsible for all technology, media and communication investments, including hedge funds, private equity funds and direct investments. Mr. Heffner was previously an Associate Director with Morgan Stanley Private Wealth Management in Hong Kong and New York and has 20 years of investment experience in Hong Kong. He obtained an MBA from Columbia Business School and graduated with Honours in Asia Studies from Trinity College in Hartford, Connecticut.

Mr. Lau Wang Chi, Barry
Mr. Lau is a co-founder, Managing Partner and Chief Investment Officer of Adamas Asset Management. Prior to the founding of Adamas Asset Management, he was Head of Fund Derivatives Asia at BNP Paribas focused on structured collateralised lending on hedge fund assets. The portfolio of collateralised loans he originated, executed and managed was around US$1 billion. Prior to BNP Paribas, he was Head of Fund Derivatives Asia at ABN AMRO focused on writing dynamic guarantees by structuring derivative instruments on hedge funds. He was formerly a lawyer at Clifford Chance LLP, London, focused on private equity and hedge fund establishments and investments. Mr. Lau obtained a law degree from University College London.

Mr. Lau Pak Hong

Mr. Lau is Chief Financial Officer and Chief Operating Officer of Adamas Asset Management. Prior to joining Adamas Asset Management, Mr. Lau was the Operations Director for Samena Capital and Vision Investment Management. He was in charge of the operational due diligence on hedge fund managers before investment. He was previously the Chief Operations Officer for TPG-Axon Capital (HK) Limited, the Hong Kong office of the U.S.-based hedge fund manager. His primary responsibility was to set up the Hong Kong operation and assumed responsibility for setting up the operational and IT infrastructure and was the principal architect in formulating compliance policies and risk management systems. From 2002 to 2004, Mr. Lau was a tax consultant in Deloitte & Touche's Financial Services Tax Practice in New York. His clients included multi-billion dollar, U.S.-based hedge funds and private equity funds. He had also spent seven years as Head of Operations and Finance for two Hong Kong-based alternative investment managers. Mr. Lau has an MBA and Master of Science in Taxation from Fordham University in New York.

Mr. Mark Hibbs

Mr. Hibbs is a Partner, Chief Investment Officer (Asset Allocation Group) of Adamas Asset Management. Prior to joining Adamas, Mr. Hibbs was a Managing Director at Ajia Partners Fund of Funds Group, responsible for the portfolio management of the Ajia Partners Japan Opportunity Fund (now known as Adamas Japan Opportunity Fund) and also for managers' research for the Ajia Partners Asian Opportunity Fund's Japan focused sub-portfolio. Prior to joining Ajia Partners Fund of Funds Group, Mr. Hibbs was a Managing Director of the PFC Financial Intermediaries Group (PFC) for Ajia Partners, responsible for all aspects involved in bringing Japan-focused hedge fund startups to market and overseeing the execution process upon launch completion. Prior to joining Ajia Partners, Mr. Hibbs was a country director for Towry Law (Henderson Group) in Japan with responsibility for the firm's Institutional Business working with and advising local broker partners to structure and market alternative investment strategies and hedge fund linked notes. Mr. Hibbs studied B.Eng (Hons) Mechanical Engineering in Kingston University (Surrey). He is fluent in Japanese and has been working in Japan for both the Private and Public Sectors since 1991. Mr. Hibbs is a regular speaker at Japanese Hedge Fund and Alternative Investor conferences in Japan in addition to being the main panel organizer for Japan Hedge Fund Strategy discussions.

Directors' Report

The board ("the Board") of directors ("the Directors") are pleased to present their report on the affairs of the Company and its subsidiaries (collectively referred to as "the Group"), together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company was incorporated with limited liability under the laws of the British Virgin Islands ("BVI"). The Company's shares were admitted to the AIM Market ("AIM") of the London Stock Exchange on 19 October 2009 and on the Quotation Board of the Open Market of the Frankfurt Stock Exchange on 6 December 2012. Formerly known as China Private Equity Investment Holdings Limited, the Company changed its name to Adamas Finance Asia Limited on 18 February 2014 immediately following a reverse takeover (RTO).

RESULTS AND DIVIDENDS

The loss on ordinary activities of the Group for the year ended 31 December 2015 after taxation was US$3.9 million (2014: loss US$0.5 million).

The increased losses reflect fair value movements (net unrealised losses) in the portfolio of US$2.3 million, operating expenses of US$2.3 million offset by dividend and net interest income of US$0.7 million.

The Directors are not recommending the payment of a dividend for the year.

REVIEW OF THE BUSINESS

The Group's audited net asset value as at 31 December 2015 stood at US$115.0 million (2014: US$118.9 million) equivalent to US$0.60 per share (2014: US$0.62). The increased loss for the year largely reflected a net decrease in fair value on financial assets of US$2.3 million.

Administrative expenses fell to US$2.3 million (2014: US$3.3 million). The main reason for this decrease was the reduction in the level of professional fees which in 2014 included all the costs associated with the RTO that took place at the beginning of that year.

The Company's portfolio of investments reduced in value to US$110.6 million (2014: US$117.6 million). Set out below is a summary of the status of largest components of the portfolio.

1. Fortel Technology Holdings Limited ("Fortel"). Fortel's consolidated sales dropped slightly in 2015 due to a decrease in e-commerce revenue. However, net profit increased due to the rapid growth of the company's IT Solutions business which engages in the implementation of RFID tracking system for clients. The company is planning to list its Chinese subsidiary on the NEEQ exchange in mainland China in 2016, and to facilitate this the Directors of the Company are considering exchanging its current equity holding for a loan which will generate regular income.

2. China iEducation Holdings Limited ("China iEducation"). China iEducation, develops and distributes digital education content to elementary and middle schools in China, and is projecting continued growth in its business. It is continuing to win contracts from education bureaus and schools for its product offering. The investment team continues to seek a strategic investor for the company.

3. Changtai Jinhongbang Real Estate Development Co. Limited ("CJRE"). CJRE is a luxury resort and residential development project in Fujian Province, Eastern China. A highway linking the resort directly with the regional centre of Xiamen has now been opened. There is also a plan to develop the surrounding area of the residential and resort development into a sports and recreation theme park. This should increase the marketability of the development. In the meantime, our investment management team continues to seek buyers for our stake in the project.

4. Hong Kong Mining Holdings Limited ("HKMH"). HKMH is a resources company whose primary asset is a large dolomite magnesium limestone mine in the province of Shanxi, China. HKMH was preparing for an IPO in Hong Kong through the Chapter 18 waiver for mining companies. We were unfortunately notified by the Hong Kong Stock Exchange that the listing was unsuccessful. The primary reason was that the regulators were not comfortable with HKMH's revenue projections. This has left the company in a difficult position as access to funds for expanding its business are no longer available through this process, and consequently we have taken a write down of US$1.6 million on this asset.

5. Meize Energy Industries Holding Limited ("Meize"). Meize is a wind blade manufacturer based in Beijing with operations in Inner Mongolia and Ningxia. Sales for 2015 grew 74% year on year due to a strong order book and a revival in demand from Chinese wind turbine manufacturers. It is carrying a strong order book into 2016. The company is planning for a listing on the NEEQ exchange in mainland China in 2017. Two state-owned entities are looking to invest equity into the company. Adamas is working to sell part of its stake to these two entities and convert the rest into a two year loan with interest to the company.

6. Global Pharm Holdings Group Inc. ("Global Pharm") is a pharmaceutical company involved in pharmaceuticals, the cultivation of herbs for Traditional Chinese Medicine ("TCM"), TCM processing and distribution and the operating of electronic ginseng exchanges. As announced on 18 December 2014, the Company agreed the redemption of the redeemable convertible bond in Global Pharm. However, as further announced previously, Global Pharm did not meet the original redemption payment plan. A formal redemption agreement was signed with the company on 16 October 2015 whereby Global Pharm agreed to make monthly repayments. If Global Pharm defaults on any of the monthly payments, Global Pharm will transfer 0.005% of its outstanding ordinary shares to Adamas as collateral for each payment default, with a cap of 0.1%. Global Pharm subsequently failed to make the US$750,000 monthly payments due in September, October and November 2015 (total: US$2.25 million). Global Pharm paid US$375,000 in December 2015. At the balance sheet date a total of US$5.8 million had been received, leaving an outstanding balance of US$19.2 million, plus interest. Further details are set out in note 9.

Details regarding the status of each of the principal portfolio assets are provided below.

Current portfolio

The principal assets held by the Company are:

Principal Assets	**Effective equity interest**	**Instrument type**	**Valuation as at 31 December 2015** US$ million
Changtai Jinhongbang Real Estate Development Co. Ltd	15.00%	Structured equity and loan	50.9
Global Pharm Holdings Group Inc.	–	Redeemable convertible bond	19.2
Fortel Technology Holdings Limited	33.60%	Structured equity	11.3
Hong Kong Mining Holdings Limited	10.95%	Structured equity	8.9
Meize Energy Industrial Holdings Ltd	7.9%	Redeemable convertible preference shares	8.3
			98.6

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are set out in Note 21 of the financial statements.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who served during the year and up to the date of this report were as follows:

Mr. John Croft
Mr. Wong Yiu Kit, Ernest
Mr. Conor MacNamara

The Director retiring by rotation is Mr. Conor MacNamara, who, being eligible, offers himself for re-election at the Company's forthcoming annual general meeting.

With the exception of the related party transactions stated in Note 19 to the Financial Statements, there were no other significant contracts, other than Executive Directors' contracts of service, in which any Director had a material interest. The Directors who held office as at 31 December 2015 had no beneficial interests in any of the shares of the Company and Group companies other than as follows:

	Number of ordinary shares of no par value as at 31 December			
	2015		2014	
	Direct	**Indirect**	Direct	Indirect
Mr. John Croft	**10,294**	**26,833**	10,294	26,833

SUBSTANTIAL SHAREHOLDINGS IN THE COMPANY

As far as the Company is aware, the following persons are interested in 3% or more of the issued share capital of the Company:

Shareholder	**Number of Ordinary shares**	**Percentage of Issued share capital**
Elypsis Solutions Limited	144,541,666	75.30%

The percentage of shares not in public hands (as defined in the AIM Rules for Companies) is 75.30%.

The Directors have not been made aware of any other beneficial shareholdings of 3% or more of the issued share capital of the Company as of the date of this report.

FINANCIAL INSTRUMENTS

The Group's use of financial instruments is described in Note 9 and Note 17.

FINANCIAL RISK MANAGEMENT OBJECTIVES

Management has adopted certain policies on financial risk management with the objective of ensuring that appropriate funding strategies are adopted to meet the Group's short-term and long-term funding requirements, taking into consideration the cost of funding, gearing levels and cash flow projections. The policies are also set to ensure that appropriate strategies are adopted to manage related interest and currency risk funding; and to ensure that credit risks on receivables are properly managed. In addition, Note 17 to the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk, interest rate risk, liquidity risk, price risk and currency risk.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group seeks to maintain good terms with all of its trading partners. In particular, it is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers and, provided the supplier has complied with its obligations, to abide by the terms of payment agreed.

SHARE CAPITAL

The Company has a single class of shares which is divided into ordinary shares of no par value.

At 31 December 2015, the number of ordinary shares in issue was 191,967,084. Details of movements in the issued share capital during the year are set out in Note 16 to the financial statements.

DIRECTORS' INDEMNITY

The Company's Articles of Association provide, subject to the provisions of BVI legislation, an indemnity for Directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the Directors.

EMPLOYEE INFORMATION

As at 31 December 2015, the Group had nil (2014: nil) employees excluding Directors.

CHARITABLE DONATIONS

The Group has not made any charitable donation during the year (2014: Nil).

ANNUAL GENERAL MEETING

The Company's forthcoming annual general meeting ("Annual General Meeting") will be held on Thursday, 21 July 2016 at 5:00 p.m. (Hong Kong time) at 811-817, 8/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The notice of the Annual General Meeting is enclosed with the financial statements.

GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITORS

A resolution to re-appoint Crowe Clark Whitehill LLP as the Company's auditors will be proposed at the Annual General Meeting.

On behalf of the Board

John Croft
Non-executive Chairman

22 June 2016

Corporate Governance Statement

THE BOARD

The Board is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

COMPOSITION OF THE BOARD

The composition of the Board as at the date of this report is as follows:

Mr. John Croft *(Non-Executive Chairman)*
Mr. Conor MacNamara *(Non-Executive Director)*
Mr. Wong Yiu Kit, Ernest *(Non-Executive Director)*

The Board meets regularly throughout the year. The Board reviews financial performance, regulatory compliance and will consider any matters of significance to the Group including corporate activity.

INTERNAL CONTROL

The Board is responsible for overseeing the Group's system of internal controls. To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group has sound internal control systems which are also indispensable for mitigating the Group's risk exposure. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The Group is committed to identifying, monitoring and managing risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with proper approval process, a sound cash management system and periodic review of the Group's performance by the audit committee and the Board.

AUDIT COMMITTEE

The audit committee comprised Mr. John Croft (Chair), Mr. Wong Yiu Kit, Ernest and Mr. Conor MacNamara throughout the year under review. The audit committee, inter alia, determines and examines matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditor and, in consultation with the auditor, the scope of the audit. It receives and reviews reports from management and the Group's auditor relating to the half year and annual accounts and the accounting and the internal control systems in use throughout the Group, in addition to ensuring that the Group complies with the AIM Rules for companies. The audit committee met twice during the year and will meet at least twice a year in the future.

REMUNERATION COMMITTEE

The remuneration committee comprised Mr. John Croft (Chair), Mr. Wong Yin Kit, Ernest and Mr. Conor MacNamara throughout the year under review. It reviews the performance of the Board and determines their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. The remuneration committee also determines the payment of any bonuses to Directors and any grant of options to Directors, under any share option scheme adopted by the Group.

The remuneration committee reviews and makes recommendations in respect of the Directors' remuneration and benefits packages, including staff incentivisation and the terms of their appointment. The remuneration committee also makes recommendations to the Board concerning the allocation of incentivisation payments to employees and the grant of options to Directors.

INVESTMENT COMMITTEE

The investment committee comprised Mr. John Croft (Chair), Mr. Wong Yiu Kit, Ernest and Mr. Conor MacNamara throughout the year under review. The investment committee decides whether or not to proceed with any investment opportunity. It is also responsible for reviewing existing investments and deciding on divestment issues. The investment committee also needs to approve any investment in a company where any Director is already interested, subject to provisions of the AIM Rules for Companies and applicable law and regulations.

RELATIONS WITH SHAREHOLDERS

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance. The shareholders are encouraged to participate in annual general meetings where the Board will present a review of the results and comments on current business activities.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements for each financial period. These non-statutory financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and are presented in accordance with AIM requirements. The financial statements are required by IFRSs to present fairly the financial position and performance of the Company and the Group. In preparing these financial statements the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of applicable law and regulations. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report

Independent Auditor's Report to the Members of Adamas Finance Asia Limited

We have audited the non-statutory financial statements of Adamas Finance Asia Limited for the year ended 31 December 2015, which comprise the consolidated and parent company statements of financial position, the consolidated and parent company statements of comprehensive income, the consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for the year then ended, and related notes. These financial statements have been prepared under the group's accounting policies set out therein.

The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This report is made solely to the company's members as a body. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by English law, we do not accept or assume responsibility to anyone other than the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information, which comprise the Directors' Report to identify any information that is apparently incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing our audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our audit.

OPINION

In our opinion:

- the non-statutory financial statements give a true and fair view of the state of the consolidated and parent company's affairs as at 31 December 2015, and of their results for the year then ended; and

- the non-statutory financial statements have been properly prepared in accordance with IFRS.

Crowe Clark Whitehill LLP
Registered Auditor

22 June 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 US$'000	2014 US$'000
Realised gain on disposal of investments		–	238
Fair value changes on financial assets at fair value through profit or loss	3	**(2,265)**	1,889
Administrative expenses		**(2,306)**	(3,330)
Operating loss	5	**(4,571)**	(1,203)
Finance income	6	**467**	424
Finance expense		**(216)**	(119)
Dividend income		**404**	324
Other income		–	29
Loss before taxation		**(3,916)**	(545)
Taxation	8	–	–
Loss for the year		**(3,916)**	(545)
Other comprehensive expense:			
Items that will or may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		–	(44)
Total comprehensive expense for the year		**(3,916)**	(589)
Loss per share			
Basic	20	**2.02 cents**	0.34 cents
Diluted	20	**2.02 cents**	0.34 cents

The results reflected above relate to continuing operations.

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Company Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 US$'000	2014 US$'000
Realised gain on disposal of investments		**–**	–
Fair value changes on financial assets at fair value through profit or loss	3	**(2,265)**	1,965
Administrative expenses		**(2,132)**	(7,584)
Operating loss	5	**(4,397)**	(5,619)
Finance income	6	**467**	424
Finance expense		**(216)**	(119)
Dividend income		**404**	324
Other income		**–**	3
Loss before taxation		**(3,742)**	(4,987)
Taxation	8	**–**	–
Loss for the year		**(3,742)**	(4,987)
Other comprehensive expense:			
Items that will or may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**–**	(34)
Total comprehensive expense for the year		**(3,742)**	(5,021)

The results reflected above relate to continuing operations.

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital US$'000	Share based payment reserve US$'000	Foreign translation reserve US$'000	Accumulated losses US$'000	Total US$'000
Group balance at 1 January 2014	35,572	31	44	(10,172)	25,475
Loss for the year	–	–	–	(545)	(545)
Other comprehensive income					
Exchange differences arising on translation of foreign operations	–	–	(44)	–	(44)
Total comprehensive expense for the year	–	–	(44)	(545)	(589)
Issue of shares	93,956	–	–	–	93,956
Share-based payments	–	11	–	–	11
Group balance at 31 December 2014 and 1 January 2015	129,528	42	–	(10,717)	118,853
Loss for the year	–	–	–	(3,916)	(3,916)
Other comprehensive income					
Exchange differences arising on translation of foreign operations	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	(3,916)	(3,916)
Issue of shares	15	–	–	–	15
Share-based payments	–	(41)	–	41	–
Group balance at 31 December 2015	129,543	1	–	(14,592)	114,952

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital US$'000	Share based payment reserve US$'000	Foreign translation reserve US$'000	Accumulated losses US$'000	Total US$'000
Company balance at 1 January 2014	35,572	31	34	(5,585)	30,052
Loss for the year	–	–	–	(4,987)	(4,987)
Other comprehensive income					
Exchange differences arising on translation of foreign operations	–	–	(34)	–	(34)
Total comprehensive expense for the year	–	–	(34)	(4,987)	(5,021)
Issue of shares	93,956	–	–	–	93,956
Share-based payments	–	11	–	–	11
Company balance at 31 December 2014 and 1 January 2015	129,528	42	–	(10,572)	118,998
Loss for the year	–	–	–	(3,742)	(3,742)
Other comprehensive income					
Exchange differences arising on translation of foreign operations	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	(3,742)	(3,742)
Issue of shares	15	–	–	–	15
Share-based payments	–	(41)	–	41	–
Company balance at 31 December 2015	129,543	1	–	(14,273)	115,271

The following describes the nature and purpose of each reserve within owners' equity.

Share capital	Amount subscribed for share capital at no par value
Share based payment reserve	The share based payment reserve represents amounts in previous and the current periods, relating to share based payment transactions granted as options and under the Group's share option scheme (Note 18).
Foreign translation reserve	Foreign translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the Company and its subsidiaries
Retained earnings/ (accumulated losses)	Represents the cumulative net gains and losses recognised in the income statement

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 US$'000	2014 US$'000
Assets			
Unquoted financial assets at fair value through profit or loss	9	**110,593**	117,576
Loans and other receivables	11.1	**3,496**	3,380
Cash and cash equivalents		**3,644**	492
Total assets		**117,733**	121,448
Liabilities			
Loan payables and interest payables	13.1	**2,518**	2,411
Other payables and accruals	14.1	**263**	184
Total liabilities		**2,781**	2,595
Net assets		**114,952**	118,853
Equity and reserves			
Share capital	16	**129,543**	129,528
Share based payment reserve		**1**	42
Accumulated losses		**(14,592)**	(10,717)
Total equity and reserves attributable to owners of the parent		**114,952**	118,853

The financial statements were approved by the Board of Directors and authorised for issue on 22 June 2016 and signed on its behalf by:

John Croft
Director

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Company Statement of Financial Position

As at 31 December 2015

	Notes	2015 US$'000	2014 US$'000
Assets			
Unquoted financial assets at fair value through profit or loss	9	**110,593**	117,576
Loans and other receivables	11.2	**3,496**	3,380
Amount due from subsidiaries	10	**172**	64
Cash and cash equivalents		**3,624**	482
Total assets		**117,885**	121,502
Liabilities			
Loan payables and interest payables	13.2	**2,518**	2,411
Other payables and accruals	14.2	**96**	93
Total liabilities		**2,614**	2,504
Net assets		**115,271**	118,998
Equity and reserves			
Share capital	16	**129,543**	129,528
Share based payment reserve		**1**	42
Accumulated losses		**(14,273)**	(10,572)
Total equity and reserves		**115,271**	118,998

The financial statements were approved by the Board of Directors and authorised for issue on 22 June 2016 and signed on its behalf by:

John Croft
Director

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	2015 US$'000	2014 US$'000
Cash flows from operating activities		
Loss before taxation	**(3,916)**	(545)
Adjustments for:		
Depreciation	**–**	19
Dividend income	**(404)**	(324)
Finance income	**(467)**	(424)
Finance expense	**216**	119
Loss on fixed asset disposal	**–**	56
Fair value changes on unquoted financial assets at fair value through profit or loss	**2,265**	(1,965)
Fair value changes on quoted financial assets at fair value through profit or loss	**–**	76
Realised gain on disposal of investments	**–**	(238)
Share-based expenses	**–**	11
Decrease in other receivables	**431**	38
Increase/(decrease) in other payables and accruals	**79**	(625)
Net cash used in operating activities	**(1,796)**	(3,802)
Cash flows from investing activities		
Dividend income received	**324**	275
Sale proceeds of quoted financial assets at fair value through profit or loss	**–**	846
Purchase of unquoted financial assets at fair value through profit or loss	**(440)**	(4,436)
Loans granted	**(655)**	(2,938)
Proceeds from repayment of loan granted	**5,813**	–
Net cash used in investing activities	**5,042**	(6,253)
Cash flows from financing activities		
Finance expense paid	**(109)**	(108)
Loans borrowed	**–**	2,400
Net proceeds from issue of shares	**15**	7,231
Net cash generated from financing activities	**(94)**	9,523
Net increase/(decrease) in cash and cash equivalents	**3,152**	(532)
Cash and cash equivalent at the beginning of the year	**492**	1,024
Cash and cash equivalent at the end of the year	**3,644**	492

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Company Cash Flow Statement

For the year ended 31 December 2015

	2015 US$'000	2014 US$'000
Cash flows from operating activities		
Loss before taxation	**(3,742)**	(4,987)
Adjustments for:		
Dividend income	**(404)**	(324)
Finance income	**(467)**	(424)
Finance expense	**216**	119
Loss on fixed asset disposal	**–**	3
Fair value changes on unquoted financial assets at fair value through profit or loss	**2,265**	(1,965)
Share-based expenses	**–**	11
Loss on subsidiary disposal	**–**	1
Decrease/(increase) in other receivables	**453**	(50)
Increase/(decrease) in other payables and accruals	**3**	(353)
Net cash used in operating activities	**(1,676)**	(7,969)
Cash flows from investing activities		
Dividend income received	**324**	275
Purchase of unquoted financial assets at fair value through profit or loss	**(440)**	(4,426)
Loans granted	**(655)**	(2,938)
Proceeds from repayment of loan granted	**5,813**	–
(Increase)/decreased in amount due from subsidiaries	**(130)**	5,033
Net cash used in investing activities	**4,912**	(2,056)
Cash flows from financing activities		
Finance expense paid	**(109)**	(108)
Loan borrowed	**–**	2,400
Net proceeds from issue of shares	**15**	7,231
Net cash used in financing activities	**(94)**	19,523
Net increase/(decrease) in cash and cash equivalent	**3,142**	(502)
Cash and cash equivalent at the beginning of the year	**482**	984
Cash and cash equivalent at the end of the year	**3,624**	482

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

The Company is a limited company incorporated in the British Virgin Islands ("BVI") under the BVI Business Companies Act 2004 on 18 January 2008. The address of the registered office is Commerce House, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, British Virgin Islands VG1110 and its principal place of business is 1810, 18/F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong.

The Company is quoted on the AIM Market of the London Stock Exchange (code: ADAM) and the Quotation Board of the Open Market of the Frankfurt Stock Exchange (code: 1CP1).

The principal activity of the Company is investment holding. The Group is principally engaged in investing primarily in unlisted assets in the areas of luxury resorts real estate, pharmaceutical, mining, power generation, telecommunications, media and technology ("TMT"), and financial services or listed assets driven by corporate events such as mergers and acquisitions, pre-IPO, or re-structuring of state-owned assets.

2. ACCOUNTING POLICIES

a) Basis of Preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below.

The Company's and the Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as issued by the IASB. The financial statements have been prepared under the historical cost convention. Financial instruments are measured at fair value at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

b) **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (other than structured entities) controlled by the Company. Control is achieved where the Company:

- has the power over the investee;
- is expected, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Company holds investments through a number of unlisted wholly owned special purpose vehicles (SPV's). The directors have considered the definition of an investment entity in IFRS10 and the associated application guidance and consider that the Company meets that definition. Consequently the Group's investments in SPV's and the underlying investments are accounted for at fair value through profit and loss and the SPV's are not consolidated as subsidiaries.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating activities. Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 – Investment in Associates, which requires investment held by venture organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of change. The Group has no interests in associates through which it carries on its business.

c) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management and Board members. The senior management and Board members, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the senior management and Board members that make strategic decisions. The Group is principally engaged in investment business, the Directors consider there is only one business activity significant enough for disclosure. However, this activity consists of three entities which operate in two geographical locations, ie. BVI and Hong Kong. Each location represents a single cash generating unit.

d) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue and costs, if applicable, can be measured reliably and on the following basis:

- Dividend income is recognised when the Company's right to receive payment is established.

- Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

- Fair value changes on financial assets represents the overall changes in net assets from the investment portfolio net of deal-related costs.

Other income comprised management recharges from the parent company to its subsidiary which are eliminated on consolidation.

e) **Impairment of non-financial assets**

At each balance sheet date, the Group reviews internal and external sources of information to determine whether its fixtures, fittings and equipment and investment in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

f) **Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Unquoted financial assets at fair value through profit or loss

Unquoted:

Classification

The Group classifies its unquoted financial assets as financial assets at fair value through profit or loss. These financial assets are designated by the directors as at fair value through profit or loss at inception.

Financial assets designated as at fair value through profit or loss at inception are those that are managed as part of an investment portfolio and their performance evaluated on a fair value basis in accordance with the Group's Investment Strategy.

Recognition/derecognition

Regular-way purchases and sales of investments are recognised on the trade date – the date on which the Group commits to purchase or sell the investment.

A fair value through profit or loss asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when rights are realised, expire or are surrendered and the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership. Realised gains and losses on fair value through profit or loss assets sold are calculated as the difference between the sales proceeds and cost. Fair value through profit or loss assets that are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group has transacted an unconditional disposal of the assets.

Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed through the profit or loss. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value in accordance with International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as the Group's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the period in which they arise.

Quoted:

The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices and are classified as current assets. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market.

In the opinion of the Directors, cash flows arising from transactions in equity investments represent cash flows from investing activities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are stated at cost less impairments loss. Amortised cost is calculated by taking into account any discount premium on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement. The Group's loans and receivables comprised "loans and other receivables" and "cash and cash equivalents" in the statement of financial position.

Other payables

Other payables are not interest bearing and are stated at their nominal value.

Cash and cash equivalents
For the purpose of the cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts.

Impairment of financial assets
At each balance sheet date, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

Financial liabilities
The Group's financial liabilities include other payables and accruals and amount due to related parties. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

g) **Investment in subsidiaries**
Investments in subsidiaries are stated at cost less provision for any impairment in value. Under IFRS 10, where the parent company is qualified as an investment entity, the subsidiaries have been deconsolidated from the Group financial statements.

h) **Taxation**
The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

i) **Leasing**
Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

j) **Employee benefits**
Salaries, annual bonuses, paid annual leave, leave passage and the costs of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contribution retirement plans are recognised as expense in the income statement as incurred.

k) **Dividends**

Dividends payable are recorded in the financial statements in the period in which they meet the IAS 32 definition of have been declared.

l) **Share based payments**

The Group has applied the requirements of IFRS 2 "Share Based Payments". The Group issues share options as an incentive to certain key management and staff (including directors). The fair value of options granted to Directors, management personnel and employees under the Company's share option scheme is recognized as an expense with a corresponding credit to the share based payment reserve. The fair value is measured at grant date and spread over the period during which the awards vest. The fair value is measured using the Black Scholes Option pricing model.

The Group, on special occasions as determined by the Directors, may issue options to key consultants, advisers and suppliers in payment or part payment for services or supplies provided to the Group. The fair value of options granted is recognised as an expense with a corresponding credit to the share based payment reserve. The fair value is measured at grant date and spread over the period during which the options vest. The fair value is measured at the fair value of receivable services or supplies.

The options issued by the Group are subject to both market-based and non-market based vesting conditions.

Non-market vesting conditions are not taken into account when estimating the fair value of awards as at grant date; such conditions are taken into account through adjusting the equity instruments that are expected to vest.

The proceeds received, net of any attributable transaction costs, are credited to share capital when options are converted into ordinary shares.

m) **Earnings per share**

The Group calculates both basic and diluted earnings per share in accordance with IAS 33 "Earnings per Share". Under IAS 33, basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares during the period plus the period dilutive effect of options outstanding during the period.

n) **Share issue expenses**

Share issue expenses are written off against the share capital account arising on the issue of share capital.

o) **Critical accounting estimates and judgements**

Preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the Financial Statements are in the following areas:

Assessment of accounting treatment under IAS 10, IAS 12 and IAS 27 – Investment entities

The directors have concluded that the Company meets the definition of an Investment Entity because the Company:

a. obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;

b. commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c. measures and evaluates the performance of substantially all of its investments on a fair value basis

As a result, the unlisted open-ended investments (Special Purpose Vehicles ("SPVs")) in which the Company invests in are not consolidated in the Group financial statements.

Assessment of accounting treatment under IAS 28 – Investment in Associates
The Group has taken advantage of the exemption under IAS28 Investments in Associates whereby IAS 28's requirements do not apply to investments in associates held by venture capital organisations. This exemption is conditional on the investments being designated as at fair value through profit and loss or being classified as held for trading upon initial recognition. Such investments are measured at fair value with changes in fair value being recognised in the income statement.

Valuation of unquoted investments
The Group's investment portfolio includes a number of investments in the form of structured loans or equity instruments in private companies operating in emerging markets. Investee companies are often at early or growth stages in their development and operating in an environment of uncertainty in capital markets. Should planned development prove successful, the value of the Group's investment is likely to increase, although there can be no guarantee that this will be the case. Should planned development prove unsuccessful, there is a material risk that the Group's investments may incur fair value losses. The carrying amounts of investments are therefore highly sensitive to the assumption that the strategies of these investee companies will be successfully executed.

In estimating the fair value for an investment, the Group applies a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable market-data. Any changes in the above data will affect the fair value of an investment which may lead to recognition of a fair value loss in the statement of comprehensive income if a fair value loss exists. Carrying values are dealt with in note 9 and note17.

All financial assets at fair value through profit and loss are measured at fair value in accordance with International Private Equity and Venture Capital Valuation ("IPECV") guidelines.

If there was no investment event involving third parties during the year, or if suitable alternative evaluation evidence is not available, the Group would then appoint an independent professional qualified valuer to estimate the value of the investment using an appropriate valuation methodologies as prescribed in IPEVCV guidelines.

p) **Foreign currency translation**

– *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"), which is Hong Kong Dollar. The financial statements are presented in United States Dollars and rounded to the nearest thousand dollars, except when otherwise indicated.

– *Transactions*

Transactions in foreign currencies are converted into the functional currency on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

– *Group companies*

The results and financial position of all the group entities, including the parent company, (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

No material reserve is expected as the HK Dollar is linked to the US Dollar.

3. FAIR VALUE CHANGES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		**Company**	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
Change in fair value of unquoted financial assets (note 9)	**(2,265)**	1,965	**(2,265)**	1,965
Change in fair value of quoted financial assets (note 12)	**–**	(76)	**–**	–
Total	**(2,265)**	1,889	**(2,265)**	1,965

4. SEGMENT INFORMATION

The operating segment has been determined and reviewed by the senior management and Board members to be used to make strategic decisions. The senior management and Board members consider there to be a single business segment, being that of investing activity, which is reportable in two cash generating units (see Note 2c).

The reportable operating segment derives its revenue primarily from debt investment in several companies and unquoted investments.

The senior management and Board members assess the performance of the operating segments based on a measure of adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA"). This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments.

The segment information provided to the senior management and Board members for the reportable segments for the year ended 31 December 2015 is as follows:

	BVI	**Hong Kong**	**Group**
	US$'000	US$'000	US$'000
Fair value changes on financial assets at fair value through profit or loss	(2,265)	–	(2,265)
Financial income	467	–	467
Dividend income	404	–	404
Financial assets attributed by reference to their location			
Financial assets	110,593	–	110,593

The segment information provided to the senior management and Board members for the reportable segments for the year ended 31 December 2014 is as follows:

	BVI	**Hong Kong**	**Group**
	US$'000	US$'000	US$'000
Realised gain on disposal of investments	–	238	238
Fair value changes on financial assets at fair value through profit or loss	1,925	(36)	1,889
Financial income	424	–	424
Dividend income	324	–	324
Other income	3	26	29
Financial assets attributed by reference to their location			
Financial assets	117,576	–	117,576

Revenue attributed by reference to each company's country of operation (see Note 2c):

The amounts provided to the senior management and Board members with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the strategic operations of the segment.

5. OPERATING LOSS

Operating loss is stated after charging:

	Group		Company	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
Depreciation and amortisation	**–**	19	**–**	–
Fees to the Group's auditor				
for audit of the Company	**59**	39	**59**	39
Operating lease rentals – land and buildings	**50**	110	**50**	–

6. FINANCE INCOME

	Group		Company	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
Interest from bank and other loans	**467**	424	**467**	424

7. DIRECTORS' REMUNERATION

	Group		Company	
	2015	2014	**2015**	2014
	US$	US$	**US$**	US$
Short term employment benefits				
Ernest Wong Yiu Kit	**32,542**	55,163	**32,542**	44,729
John Croft	**91,506**	98,838	**91,506**	98,838
Conor MacNamara	**45,753**	44,357	**45,753**	44,357
	169,801	198,358	**169,801**	187,924

There was no pension cost incurred during 2015 (2014: US$ Nil).

The Directors have received no benefits other than those stated above. Directors' remuneration include all applicable social security payments.

8. TAXATION

No charge to taxation arises in the years ended 31 December 2015 and 2014 as there were no taxable profits in either year.

Tax reconciliation:

	Group	
	2015	2014
	US$'000	US$'000
Loss before taxation	**(3,916)**	(545)
Effective tax charge at 16.5% (2014: 16.5%)	**(646)**	(90)
Effect of:		
Differences in overseas taxation rates	**646**	90
Effective tax rate	**–**	–

The effective tax charge is calculated based on the rate of corporate tax in Hong Kong. As at 31 December 2015, the Group has no unused tax losses (2014: Nil) available for offset against future profits.

9. UNQUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group US$'000	Company US$'000
Balance as at 1 January 2014	22,637	22,637
Fair value changes through profit or loss	1,965	1,965
Additions	92,974	92,974
Disposals	–	–
Balance as at 1 January 2015	117,576	117,576
Fair value changes through profit or loss	(2,265)	(2,265)
Additions	1,097	1,097
Disposals	(5,815)	(5,815)
Balance as at 31 December 2015	110,593	110,593

The Group adopted the recent investment methodology prescribed in the IPEVCV guidelines to value its investments at fair value through profit and loss.

Changtai Jinhongbang Real Estate Development Co. Ltd ("CJRE")
Lead Winner Limited, a 100% (2014: 100%) owned subsidiary of the Company incorporated in British Virgin Islands, holds a 15% stake in CJRE and a loan of US$2.4 million to CJRE.

CJRE is the owner of a luxury resort and residential development project in Fujian Province, Eastern China.

An independent professional qualified valuer has performed a valuation of the equity investment, in accordance with IPEVCV guidelines, of our interest in CJRE as of 31 December 2015 and considered the fair value as US$ 48.5 million.

Global Pharm Holdings Group Inc. ("Global Pharm")
Blazer Delight Limited, a 75% (2014: 75%) owned subsidiary of the Company incorporated in British Virgin Islands, holds a redeemable convertible bond issued by Global Pharm.

Global Pharm is a pharmaceutical company involved in pharmaceuticals, the cultivation of herbs for Traditional Chinese Medicine ("TCM") herb cultivation and TCM processing and distribution. Headquartered in Shenzhen, Southern China, Global Pharm has recently completed two major acquisitions to enhance the TCM operations, and has positioned itself in a strong position within China's high-margin ginseng business.

Under the redemption agreement announced on 18 December 2014, the Company was due to receive an initial payment of US$2.4 million on 31 December 2014, a further US$9 million on 31 March 2015 and a final payment of US$13.6 million on 30 April 2015, an aggregate of US$25.0 million. The payments due on 31 March 2015 and on 30 April 2015 were not received in accordance with the agreement and the instalments are being rescheduled and security is being provided by the purchaser. As of 31 December 2015, USD 19.2 million was outstanding, representing the directors assessment of the fair value of the receivable.

Hong Kong Mining Holdings Limited ("HKMH")
Dynamite Win Limited, a 100% (2014: 100%) owned subsidiary of the Company incorporated in British Virgin Islands, holds a 10.95% stake in HKMH.

HKMH is a resources company whose primary asset is a large dolomite magnesium limestone mine in the province of Shanxi, China.

An independent professional qualified valuer has performed a valuation, in accordance with IPEVCV guidelines, of our interest in HKMH as of 31 December 2015 and considered the fair value as US$ 8.9 million.

Meize Energy Industries Holdings Limited ("Meize")

Swift Wealth Investments Limited, a 100% (2014: 100%) owned subsidiary of the Company incorporated in British Virgin Islands, holds a 7.9% stake in Meize.

Meize is a privately-owned company that designs and manufactures blades for wind turbines. It has continued to ramp-up its production volume by utilising its existing facility and revenues for the current year are expected to exceed prior years, reflecting a growing order book.

An independent professional qualified valuer has performed a valuation, in accordance with IPEVCV guidelines, of our interest in Meize as of 31 December 2015 and considered the fair value as US$ 8.3 million.

Fortel Technology Holdings Limited ("Fortel")

CPE TMT Holdings Limited, a 100% (2014: 100%) owned subsidiary of the Company incorporated in British Virgin Islands, holds a 33.6% stake in Fortel.

Fortel, a company incorporated in Hong Kong, is a platform provider for online content distribution in China and has developed an integrated content distribution platform – Fortel Online Content Utility System ("FOCUS") – which provides a one-stop solution for both content providers and consumers to sell and purchase premium digital content in China.

The fair value of our interest in Fortel as of 31 December 2015 is included at the directors' assessment of fair value of US$11.3 million.

China iEducation Holdings Limited ("iEducation")

CPE EDU Holdings Limited, a 100% (2014: 100%) owned subsidiary of the Company incorporated in British Virgin Islands, holds a 40% stake in iEducation.

iEducation develops and distributes digital education content to elementary and middle schools within a market that receives substantial annual funding from the Chinese government to upgrade education resources.

The fair value of our interest in iEducation as of 31 December 2015 was considered as US$4.0 million.

Greater China Credit Fund LP (the "GCCF")

The Company has invested in GCCF, a private equity investment fund launched by Adamas Asset Management (HK) Limited ("Adamas"), the Hong Kong-based investment management firm. The Fund targets high-return investments in small and Medium Enterprises (SMEs) predominantly in Greater China. The investment was valued at US$1.2 million as at 31 December 2015.

BRJ China Credit Fund Limited (the "BRJ ")

The Company directly invested US$0.8 million in the BRJ, a fund managed by BRJ Asset Management Limited. The investment was valued at US$0.8 million as at 31 December 2015.

CPE Finance Limited (the "CPE Finance")

CPE finance Limited was established to hold two loans from Orbrich Group Limited ("Orbrich"), as at 31 December 2015, the carrying value of the loans and interests are US$4.0 million.

The unlisted open-ended investments below are defined as SPVs and are reported at fair value of 31 December 2015.

Name of SPVs	Country of Incorporation	Percentage owned 2015	2014	Principal activities
CPE Growth Capital Limited	BVI	**100%**	100%	Investment Holdings
CPE TMT Holdings Limited	BVI	**100%**	100%	Investment Holdings
CPE Finance Limited	BVI	**100%**	100%	Investment Holdings
CPE EDU Holdings Limited	BVI	**100%**	100%	Investment Holdings
Lead Winner Limited	BVI	**100%**	100%	Investment Holdings
Blazer Delight Limited	BVI	**75%**	75%	Investment Holdings
Dynamite Win Limited	BVI	**100%**	100%	Investment Holdings
Swift Wealth Investments Limited	BVI	**100%**	100%	Investment Holdings

10. INVESTMENT IN SUBSIDIARIES

	2015 US$'000	2014 US$'000
Investment in subsidiaries at cost	**–**	–
Amount due from subsidiaries	**172**	64
	172	64

The subsidiaries of the Company are as follows:

Name of Companies	Country of Incorporation	Percentage owned 2015	2014	Principal activities
Adamas Finance Asia (Hong Kong) Limited	Hong Kong	**100%**	100%	Providing operating and administrative support to the Group

Amount due from subsidiaries are unsecured, interest free and have no fixed term of repayment.

11. LOANS AND OTHER RECEIVABLES

11.1 Group

	2015 US$'000	2014 US$'000
Loans	**2,939**	2,938
Other receivables and prepayments	**557**	442
	3,496	3,380

11.2 Company

	2015 US$'000	2014 US$'000
Loans	**2,939**	2,938
Other receivables and prepayments	**557**	442
	3,496	3,380

As at 31 December 2015, loans and other receivables predominantly represent loans made to and interest receivable from Fortel Technology Holdings Limited ("Fortel") and Eagle Farm Limited ("EFL"). The amount due from Fortel is interest bearing at 8% per annum. The amount due from EFL is interest bearing at 20% per annum.

Other receivables of the Group and Company have been reviewed and are considered not to be impaired nor are they past due and all amounts held are considered to be fully recoverable in value.

12. QUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2015	2014
	US$'000	US$'000
Market value at 1 January	**–**	684
Additions	**–**	–
Profit on disposal during the year	**–**	238
Amounts realized during the year	**–**	(846)
Decrease in fair value recognized in profit or loss	**–**	(76)
Effect of foreign exchange	**–**	–
Balance at 31 December	**–**	–

13. LOAN PAYABLES AND INTEREST PAYABLES

13.1 Group

	2015	2014
	US$'000	US$'000
Loan payables	**2,400**	2,400
Interest payables	**118**	11
	2,518	2,411

13.2 Company

	2015	2014
	US$'000	US$'000
Loan payables	**2,400**	2,400
Interest payables	**118**	11
	2,518	2,411

As at 31 December 2015, loan payables and interest payables predominantly represent principal loan amount and interest due to Elypsis Solution Limited ("Elypsis"). The amount due to Elypsis is interest bearing at 9% per annum.

14. OTHER PAYABLES AND ACCRUALS

14.1 Group

	2015 US$'000	2014 US$'000
Other payables	**167**	126
Amount due to Directors	**13**	16
Accruals	**83**	42
	263	184

14.2 Company

	2015 US$'000	2014 US$'000
Other payables	**–**	35
Amount due to Directors	**13**	16
Accruals	**83**	42
	96	93

Amount due to Directors are unsecured, interest free and has no fixed terms of repayment.

15. OTHER FINANCIAL COMMITMENTS UNDER OPERATING LEASES

The Group has entered into a commercial lease for land and buildings. The minimum future lease payments for the non-cancellable operating leases are as follows:

	2015 US$'000	2014 US$'000
Land and buildings:		
One year	**48**	49
Two to five years	**10**	59
	58	108

16. SHARE CAPITAL

	Number of Shares	Amount US$'000
Authorised, called-up and fully paid ordinary shares of no par value each at 1 January 2014	126,284,645	35,572
Bonus shares issued on 19 February 2014	42,094,858	–
Shares issued for acquisition of special purpose vehicles on 19 February 2014	1,445,416,667	86,725
Ordinary shares issued in cash on 19 February 2014	83,600,000	5,016
Warrant exercised to ordinary shares on 30 May 2014	6,000	–
Ordinary shares issued in cash on 11 July 2014	31,648,000	2,215
Exchange the shareholder warrants on the basis of 1 existing ordinary share for every 4 shareholder warrants held on 11 July 2014	190,374,229	–
Authorised, called-up and fully paid ordinary shares of no par value each at 11 July 2014, before 1-for-10 Ordinary Share Consolidation	1,919,424,399	129,528
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2014 after 1-for-10 Ordinary Share Consolidation	191,942,420	129,528
Warrant over ordinary shares exercised on 18 February 2015	24,664	15
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2015	191,967,084	129,543

Under the terms of the re admission of the Company's shares to trading on AIM Market on 19 February 2014, existing shareholders were issued with 42,094,858 new ordinary shares on the basis of one new ordinary shares for every three ordinary shares held for nil consideration ("Bonus Shares").

The consideration for the acquisition of new unquoted financial assets was the issue to Elypsis Solutions Limited ("Elypsis") by the Company of 1,445,416,667 new ordinary shares at a price of US$0.06 per ordinary share.

On 19 February 2014, the Company placed a total of 83,600,000 ordinary shares at a price of US$0.06 per share and raised gross proceeds of US$5.016 million.

The fair value of the ordinary shares issued was determined with reference to the quoted market price with adjustment made for dilution in respect of bonus shares issued in February 2014.

On 30 May 2014, the Company had received exercise notices in respect of warrants to subscribe for 6,000 new ordinary shares of no par value each at a price of US$0.06 each.

On 11 July 2014, The Company entered into the Subscription Agreements with new investors. Pursuant to the terms of the Subscription Agreements, the investors agreed to subscribe for an aggregate of 31,648,000 Existing Ordinary Shares at a price of US$0.07 per share, raising a total of US$2.215 million for the Company.

On 11 July 2014, a reorganisation of the Existing Ordinary Shares was proposed whereby every 10 Existing Ordinary Shares, whether issued or unissued, was consolidated into one New Ordinary Share.

On 18 February 2015, the Directors issued and allotted 24,664 new ordinary shares of no par value each for consideration of US$14,798 in respect of exercise notice of warrant received at a price of US$0.60 each.

17. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective of ensuring that:

(i) appropriate funding strategies are adopted to meet the Company's and Group's short-term and long-term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections;

(ii) appropriate strategies are also adopted to manage related interest and currency risk funding; and

(iii) credit risks on receivables are properly managed.

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Loans and receivables

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Amount due from subsidiaries	**–**	–	**172**	64
Loans	**2,939**	2,938	**2,939**	2,938
Other receivables	**557**	442	**557**	442
Cash and cash equivalents	**3,644**	492	**3,624**	482
	7,140	3,872	**7,292**	3,926

Other financial liabilities

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Loan payables and interest payables	**2,518**	2,411	**2,518**	2,411
Other payables and accruals	**263**	184	**96**	93
	2,781	2,595	**2,614**	2,504

Financial assets at fair value through profit or loss

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1, 2, or 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from inputs that are not based on observable market data.

	Group	
	2015 US$'000	2014 US$'000
Level 1		
Quoted financial assets at fair value through profit or loss (note 12)	**–**	–
Level 3		
Unquoted financial assets at fair value through profit or loss (note 9)	**110,593**	117,576
	110,593	117,576

There is no transfer between levels in the current period.

The values of Level 3 investments have been determined using the yield capitalisation (Discounted cash flow) method.

Carrying values of all financial assets and liabilities are approximate to fair values.

Significant unobservable inputs used in measuring fair value – Level 3

The table below sets out information about significant unobservable inputs used at 31 December 2015 in measuring material financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair Value at 31 Dec 2015 US$'000	Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Private equity investments	15.0% equity investment in Changtai Jinhongbang Real Estate Development Co. Ltd engaged in a luxury resort and residential development project – US$50.9m; 10.95% equity investment in Hong Kong Mining Holdings Limited engaged in mining project – US$9.0 million; 7.9% equity investment in Meize Energy Industries Holdings Limited engaged in designing and manufacturing blades for wind turbines – US$8.3 million; 40% equity investment in China iEducation Holdings Limited engaged in developing and distributing digital education content – US$4.0 million;	Level 3	Income Approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.	– Weighted average cost of capital, determined using a Capital Asset Pricing Model, ranging from 15 to 20 per cent (2014: 15 to 20 per cent).	– The higher the weighted average cost of capital, the lower the fair value.
	33.6% equity investment in Fortel Technology Holdings Limited engaged in online platform service – US$11.3 million;	Level 3	Present value by reference to exit plan proposals (Note 21)	Not applicable	Not applicable
	Bond receivable from Global Pharm Holdings Group Inc. engaged in online platform service – US$19.2 million;	Level 3	Fair value of future economic benefit of receivable (Note 9)	Not applicable	Not applicable
	Loan receivable from Orbrich – CPE Finance Limited – US$4.0m	Level 3	Fair value of economic benefit of receivables (Note 9)	Not applicable	Not applicable
	Private credit fund – BRJ China Credit Fund Limited – US$0.8 million	Level 3	Unadjusted NAV	Not applicable	Not applicable
	Private credit fund – Greater China Credit Fund LP – US$1.2 million	Level 3	Unadjusted NAV	Not applicable	Not applicable
	Malaysia portfolio investment – CPE Growth Capital Limited – US$1.8m	Level 3	Unadjusted NAV	Not applicable	Not applicable

The above table sets out information about significant unobservable inputs used at 31 December 2015 in measuring material financial instruments categorised as Level 3 in the fair value hierarchy.

If the above unobservable inputs to the valuation models were 2% per cent high/lower while all the other variables were held constant, the carrying amount of investments would decrease by US$ 3.4m (2014: US$ 6.7m)/increase by US$ 3.6m (2014: US$6.67m).

Credit risk
The Company's and the Group's credit risk is primarily attributable to other receivables. Management has a credit policy in place and the exposure to credit risks is monitored on an ongoing basis.

In respect of other receivables, individual credit evaluations are performed whenever necessary. The other receivables included above were not due at the year end. None of the loans and receivables was impaired in the current or prior year.

The Company's and the Group's maximum exposure to credit risk is represented by the total financial assets held by the Company and the Group. The Company and the Group do not hold any collateral over these balances.

Interest rate risks
The Company and the Group currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. As the Group has no borrowings from the bank and the amount of deposits in the bank are not significant, the exposure to interest rate risk is not significant to the Company and the Group. The effect of a 10% increase or fall in interest rates obtainable on cash and on short-term deposits would be to increase or decrease the Group's operating results by not more than US$1,000 (2014: US$1,000).

Other receivables bear interest at a fixed annual rate, therefore there is no exposure to market interest rate risk on these financial asset.

Liquidity risk
The Company and the Group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Company's and the Group's policy to ensure facilities are available as required is to issue equity share capital in accordance with long-term cash flow forecasts.

The Group's financial liabilities are primarily other payables and operational costs. All amounts are due for payment in accordance with agreed settlement terms with professional firms, and all are due within one year. The shareholder's loan is interest free and repayable on demand. A maturity analysis is not provided because it is immaterial.

Price risks
The Group's securities are susceptible to price risk arising from uncertainties about future values of the investment securities. This price risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual investment or financial instrument or its holder or factors affecting all similar financial instruments or investments traded in the market. The Group's investment committee provides the Board of Directors with investment recommendations that are consistent with the Group's objectives. The investment committee recommendations are carefully reviewed by the Board of Directors before the investment decisions are implemented.

During the year under review, the Group did not hedge against movements in the value of its investments. A 10% increase/decrease in the fair value of investments would result in US$11,059,300 (2014: US$11,757,600) increase/decrease in the net asset value.

While investments in companies whose business operations are based in China may offer the opportunity for significant capital gains, such investments also involve a degree of business and financial risk, in particularly for unquoted investment.

Generally, the Group prepares to hold the unquoted investments for middle to long time frame, in particular if admission to trading on a stock exchange is considered likely in the future. Sales of securities in unquoted investments may result in a discount to the book value at the time of future disposal.

Currency risks

Since the Company and the Group operate primarily within its local currency with little exposure to currency fluctuations, management considers that foreign currency exposure is not significant to the Group and as such, there is no hedging in the foreign currencies. As the HK Dollar is linked to the US Dollar, the Directors believe that there is no significant exchange risk.

Capital management

The Company's and the Group's financial strategy is to utilise its resources to further grow the Group's portfolio. The Group keeps investors and the market informed of its progress with its portfolio through regular announcements and raises additional equity finance at appropriate times when market conditions allow.

The Company and the Group regularly reviews and manages its capital structure for the portfolio companies to maintain a balance between the higher shareholder returns that might be possible with certain levels of borrowings for the portfolio and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure of the portfolio in the light of changes in economic conditions.

The capital structure of the Company and the Group consists of cash and cash equivalents, loans and equity comprising issued capital and reserves.

18. SHARE BASED PAYMENTS

The Group has an ownership-based compensation scheme for senior management of the Group. In accordance with the provisions of the plan, senior management may be granted options to purchase ordinary shares. Each share option converts into one ordinary share of Adamas Finance Asia Limited on exercise. No amounts are paid or payable by the recipient of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

On 12 July 2013, the Company issued options over 750,000 (subsequently consolidated to 75,000) ordinary shares in the Company in respect of services provided to the Group at an exercise price of US$0.10 per share. The option will expire 3 years after the date of grant.

On 12 July 2013, the Company also issued options over 750,000 (subsequently consolidated to 75,000) ordinary shares in the Company in respect of services provided to the Group at an exercise price of US$0.15 per share. The option will expire 3 years after the date of grant.

On 5 December 2012, the Company issued options over 750,000 (subsequently consolidated to 75,000) ordinary shares in the Company in respect of services provided to the Group at an exercise price of US$0.25 per share. The option expired 3 years after the date of grant.

All options are equity-settled, the only vesting conditions for all options granted is that the options holder remains in employment over the vesting period.

All options issued in the year 2012 expired during the year ended 31 December 2015. Accordingly the balance of the share based payment reserve in relation to the expired options was transferred to retained earnings.

	2015		2014	
	Number of options	**Weighted average exercise price US$**	Number of options	Weighted average exercise price US$
Balance at beginning of the financial year	**225,000**	**1.7**	225,000	1.70
Expired during the financial year	**(75,000)**	**2.50**	–	–
Balance at end of financial year before 1-for-10 Ordinary Share Consolidation (note 16)	**n/a**	**n/a**	225,000	1.70
Exercisable at end of the financial year before 1-for-10 Ordinary Share Consolidation (note 16)	**n/a**	**n/a**	225,000	1.70
Balance at end of financial year	**150,000**	**1.25**	225,000	1.70
Exercisable at end of financial year	**150,000**	**1.25**	225,000	1.70

19. RELATED PARTY TRANSACTIONS

As at 31 December 2015, Elypsis Solutions Limited holds 75.3% of the Company. Elypsis Solutions Limited is a wholly owned subsidiary of Asia Private Credit Fund Limited, a fund managed by Adamas Global Alternative Investment Management, Inc, the Investment manager of the Group.

During the year, the Company and the Group entered into the following transactions with related parties and connected parties:

	Notes	2015 US$'000	2014 US$'000
Amount due to Directors	(i)		
– Ernest Wong Yiu Kit		**2**	4
– John Croft		**7**	8
– Conor MacNamara		**4**	4
Adamas Global Alternative Investment Management Inc.			
Management fee	(ii)	**1,449**	1,106
Amount due from		**27**	16

(i) The key management personnel of the Company are considered to be the Directors and appropriate disclosure with respect to them is made in note 7 of the financial statements. There are no other contracts of significance in which any Director has or had during the year a material interest.

(ii) Adamas Global Alternative Investment Management Inc. is the Investment Manager of the Group. The management fee, which is calculated and paid bi-annually in advance calculated at an annual rate of 1% of the higher of the net asset value of the Company's portfolio of assets and its market capitalisation.

20. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Group is based on the following:

		2015 US$'000	2014 US$'000
Numerator			
Basic/Diluted:	Net loss	**(3,875)**	(545)
		No. of shares '000	No. of shares '000
Denominator			
Basic:	Weighted average shares	**191,963**	159,663
	Effect of diluted securities:		
	Share options	**150**	225
	Warrant	**–**	465
Diluted:	Adjusted weighted average shares	**192,113**	160,353

For the year ended 31 December 2015 and 2014, the share options are anti-dilutive and therefore the weighted average shares in issue are 191,963,000 and 160,128,000 respectively.

21. EVENTS AFTER THE REPORTING PERIOD

Update on interest in Fortel Technology Holding Limited ("Fortel BVI")

On 19 May 2016, the Company entered into an indicative non-binding term sheet to transfer its 33.6% equity stake in Fortel BVI into a loan receivable at a value of US$11.3 million (the 'Proposed Transfer'). Under the terms of the Proposed Transfer, US$ 11.3 million equivalent of loans receivable by a wholly owned subsidiary of Fortel BVI will be novated to CPE TMT Holdings ("CPE"), a wholly owned subsidiary of the Company. The loan would be repayable within 3 years, can be repaid to CPE at any time within that term in whole or part and will bear interest 3.0% for the first 12 months and 8.0% thereafter till maturity. The amount of the loan to be novated to CPE would be secured by a pledge of the 33.6% equity stake in Fortel BVI to be transferred and supported by an irrevocable and unconditional guarantee to CPE to be provided by a substantial shareholder in Fortel BVI.

ADAMAS FINANCE ASIA LIMITED