



**ADAMAS FINANCE ASIA LIMITED**

Interim Report **2017**





## Contents

Highlights	2
Chairman's Statement	3
Condensed Consolidated Statement of Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Financial Information	15

# Highlights

22 September 2017

**Adamas Finance Asia Limited**

**(AIM: ADAM)**

**("Adamas Finance Asia", "ADAM", the "Company" or the "Group")**

**Interim Consolidated Results for the six months ended 30 June 2017**

**Repositioning to deliver long-term capital and income growth**

Adamas Finance Asia, a London quoted Asian diversified investment vehicle, announces its interim results for the six months ended 30 June 2017, after a period of significant progress in positioning for future growth.

## **Key Points:**

- Net loss of US\$1.03 million (H1 2016: US\$454,000)
- Unrealised fair value gain on asset portfolio of US\$337,000 (H1 2016: US\$280,000)
- Consolidated loss per share of US\$0.54 (H1 2016: US\$0.24)
- Consolidated NAV at 30 June 2017 of US\$76.8 million (31 December 2016: US\$77.8 million)
- Major disposal of legacy asset generating over US\$15m of cash available for re-investment
- Appointment of Harmony Capital as new Investment Manager in May 2017
- Shareholder approval of changes to Investing Policy

# Highlights

**Chairman of Adamas Finance Asia, John Croft, commented:** “The first half of 2017 was one of significant change for the Company as it started to reposition for future growth following the appointment of a new Investment Manager in May and a broadening of the Investing Policy which was approved by shareholders. Activity included the disposal of the Tian Tong Shan Villa Project, generating in excess of US\$15m in cash now available for re-investment. Additionally, post the period end, the Company recently announced the disposal of its investment in Global Pharm for a cash consideration of US\$15.6m. These two disposals represent a significant step forward and, subject to completion of the Global Pharm disposal, provide the Company with substantial cash resources to be deployed into new investments. These proactive actions taken by the Board have provided us with a much firmer and more positive platform from which to grow the business.”

“As mentioned at the time of our 2016 final results in June, we have plans to strengthen the Board with some new key appointments. I was therefore delighted to announce the appointment of Hugh, Viscount Trenchard to the Board shortly after our 2016 final results announcement. Hugh brings a wealth of experience in Asia and a wide network of contacts, as well as insights that will help shape the Company’s new investment strategy and development in the future.”

“I am confident, with our new strategy and Investment Manager in place, that we will be able to announce further progress during the remainder of 2017.”

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# Highlights

## About Adamas Finance Asia (“ADAM”)

ADAM is a London quoted investment company focusing on delivering long-term income and capital growth to shareholders through a diverse portfolio of pan-Asian investments.

ADAM aims to provide uncorrelated returns through a combination of capital growth and dividend income from a broad spectrum of national geographies and asset classes.

The Company's recently appointed investment manager Harmony Capital, which has a dedicated team with real Asian expertise, will focus on the strategy of creating income and capital growth as well as addressing the issues of the ongoing legacy portfolio. Harmony is sourcing predominantly private opportunities and a strong pipeline already exists. Income generating assets include investments in property, mining, pharmaceuticals, and telecoms across Asia.

# Chairman's Statement

The first half of 2017 can be characterised as one of significant change for the Company, which included the disposal of the Tian Tong Shan Villa Project, generating in excess of US\$15m in cash, now available for re-investment.

Financial results for the period continued to show losses driven primarily by operating costs, with net portfolio asset valuations remaining broadly neutral.

The major changes in portfolio asset valuations as compared with 31 December 2016 were as follows:

- The disposal of the Tian Tong Shan Villa Project resulted in a write down of US\$32.0m in the 2016 accounts. During this reporting period, the Company announced receipt of US\$15.1m in cash in part settlement of this transaction leaving a balance of US\$1.8m which has been converted into a zero-coupon two-year loan.
- Post the period end, the Company announced the disposal of the interest in Global Pharm for a cash consideration of US\$15.6m. The consideration is due to be paid within 120 days of 15 September 2017, the date of the sale agreement. Consequently, the carrying value of the interest in Global Pharm was written down to US\$15.6m as at 30 June 2017, resulting in a loss of US\$1.7m being recognised in the income statement for the interim results.
- As at 30 June 2017, the market value of the Company's listed securities investments had risen by US\$1.4m since 31 December 2016.

# Chairman's Statement

The principal assets as at 30 June 2017 are detailed below:

## Current portfolio

Principal Assets	Effective Interest	Instrument type	Valuation as at 30 June 2017 US\$ million
Global Pharm Holdings Group Inc.	–	Redeemable convertible bond	15.6
Fortel Technology Holdings/I-Buying	–	Interest bearing loan	11.5
Hong Kong Mining Holdings Limited	10.95%	Structured equity	8.7
Meize Energy Industrial Holdings Ltd	7.9%	Redeemable convertible preference shares	8.2
GCCF Investment Fund	–		2.7
Listed Securities	–		3.4
Other Investments	–		10.2
Cash	–		15.0
			<hr/>
			<hr/> <b>75.4</b>

# Chairman's Statement

**Global Pharm Holdings Group Inc. ("Global Pharm")** is involved in pharmaceuticals, the cultivation of herbs for Traditional Chinese Medicine ("TCM") and TCM processing and distribution. As announced previously, Global Pharm did not meet the original redemption payment plan agreed in December 2014. Global Pharm has been investing in the planned launch of an online Ginseng Exchange in Jilin Province which resulted in its cash flow being adversely impacted as it invested in building a stockpile of ginseng in readiness for the launch of the exchange. At 31 December 2016, an impairment amounting to US\$1.9m was recognised, equivalent to 10% of the previous US\$19.2 million carrying value. The Company recently announced the disposal of its interest for a cash consideration of US\$15.6m which resulted in a further impairment charge of US\$1.7m being reflected in the interim results. Payment of the consideration is due within 120 days of 15 September 2017.

**Fortel Technology Holdings Limited ("Fortel")** During 2016 the Group agreed to convert its equity holding in Fortel to an interest-bearing loan in order to facilitate the IPO for its Chinese subsidiary on the NEEQ exchange in Beijing. The conversion was completed in October 2016.

**Hong Kong Mining Holdings Limited ("HKMH")** is a resources company whose primary asset is a large dolomite magnesium limestone mine in the province of Shanxi, China. HKMH's application to list on the Hong Kong Exchange was rejected by the exchange as previously announced. ADAM's Investment Manager is exploring various alternatives for restructuring this asset and/or seeking buyers for its stake. The Company recently provided a small additional loan amounting to US\$400,000 to facilitate the first stage of a proposed restructuring of this investment. Further details of this will be announced in due course.

**Meize Energy Industries Holdings Limited ("Meize")** is a privately-owned company that designs and manufactures blades for wind turbines. It has a strong order book and its financial performance has been in line with expectations. Negotiations regarding the partial sale and restructuring of this investment are ongoing.



# Chairman's Statement

## Investment Manager Appointment

During the reporting period, we announced the appointment of a new, highly-experienced Investment Manager, Harmony Capital ("HCIL"). HCIL, with affiliates in Singapore, Hong Kong and London, has its own investment platform and team managed by Mr. Suresh Withana. The team's focus is the growth and management of ADAM's business including, but not limited to, assessing investment opportunities, managing portfolio investments and expanding the Company's capital base for investment in middle-market companies across Asia.

Mr. Withana was most recently Global Head of Special Situations and Co-Head of Asia at Tikehau Capital, the listed investment management company with approximately €10 billion in assets. Previously he was the co-founder and Chief Investment Officer at Harmony Capital Partners which deployed US\$275 million in Asian special situations investments. Prior to that, he was a Director of the Global Special Situations Group at Mizuho International Plc in London and Vice President, Investment Banking at Merrill Lynch International. In total, he has accumulated 23 years of experience, including over 13 years of special situations investing primarily focused on Asia.

In addition to the appointment of a new Investment Manager, the shareholders recently approved amendments to the Investing Policy which is intended to broaden ADAM's activities and provide more flexibility for the Manager to build a portfolio of investments producing income and capital gains. These two significant recent changes have provided us with a much firmer and more positive platform from which to grow the business.

## Board Appointment

As mentioned at the time of our 2016 final results, we also have plans to strengthen the Board with some key new appointments. I was therefore delighted to have been able to announce the appointment of Hugh, Viscount Trenchard to the Board shortly after our final results announcement. Hugh brings a wealth of experience of the region and a wide network of contacts, as well as insights that will help shape the Company's investment strategy and development in the future.

# Chairman's Statement

## Outlook

Our objectives are now clearly focused on providing our shareholders with access to income generating and capital growth opportunities throughout Asia. With a new Investment Manager in place, I am confident we can build a strong and diverse pan-Asian focused portfolio, whilst generating cash from the sale of legacy holdings.

Asset disposals announced during 2017 will, subject to completion of the Global Pharm disposal, generate in excess of US\$30m in cash. This will provide the Company for the first time with significant resources enabling new investments to be made. The Company's new Investment Manager is working on a strong pipeline of opportunities and I look forward to announcing details of new investments in due course."

## John Croft

*Chairman*

# Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June 2017 Unaudited US\$'000	30 June 2016 Unaudited US\$'000	Year ended 31 December 2016 Audited US\$'000
	Note			
Realised gain on disposal of investments		–	5	5
Fair value changes on financial assets at fair value through profit or loss		337	280	(34,094)
Loan Written Off		–	–	(2,238)
Administrative expenses		(1,435)	(1,075)	(1,948)
<b>Operating Loss</b>		<b>(1,098)</b>	<b>(790)</b>	<b>(38,275)</b>
Net finance income/(expense)		40	136	(18)
Dividend income		–	200	911
Other income		28	–	220
<b>Loss before taxation</b>		<b>(1,030)</b>	<b>(454)</b>	<b>(37,162)</b>
Taxation	5	–	–	–
<b>Loss for the period</b>		<b>(1,030)</b>	<b>(454)</b>	<b>(37,162)</b>
Total comprehensive loss for the period		(1,030)	(454)	(37,162)
<b>Loss per share</b>	7			
Basic		<u>(0.54) cents</u>	<u>(0.24) cents</u>	<u>(19.36) cents</u>
Diluted		<u>(0.54) cents</u>	<u>(0.24) cents</u>	<u>(19.36) cents</u>

The results above relate to continuing operations.

# Condensed Consolidated Statement of Financial Position

		30 June 2017 Unaudited US\$'000	30 June 2016 Unaudited US\$'000	31 December 2016 Audited US\$'000
	Note			
<b>Assets</b>				
Unquoted financial assets at fair value through profit or loss	8	60,344	110,091	75,044
Loans and other receivables		1,455	3,749	1,514
Cash and cash equivalents		15,025	869	1,308
<b>Total assets</b>		<b>76,824</b>	<b>114,709</b>	<b>77,866</b>
<b>Liabilities</b>				
Loan payables and interest payables		–	–	
Other payables and accruals		65	211	77
<b>Total liabilities</b>		<b>65</b>	<b>211</b>	<b>77</b>
<b>Net assets</b>		<b>76,759</b>	<b>114,498</b>	<b>77,789</b>
<b>Equity and reserves</b>				
Share capital	9	129,543	129,543	129,543
Share based payment reserve		–	1	–
Accumulated losses		(52,784)	(15,046)	(51,754)
<b>Total equity and reserves attributable to owners of the parent</b>		<b>76,759</b>	<b>114,498</b>	<b>77,789</b>

# Condensed Consolidated Statement of Changes in Equity

	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 2016	129,543	1	–	(14,592)	114,952
Loss for the period	–	–	–	(454)	(454)
<b>Other comprehensive income</b>	–	–	–	–	–
Total comprehensive expense for the period	–	–	–	(454)	(454)
Group balance at 30 June 2016	129,543	1	–	(15,046)	114,498
Loss for the period	–	–	–	(36,708)	(36,708)
<b>Other comprehensive income</b>	–	–	–	–	–
Total comprehensive expense for the period	–	–	–	(36,708)	(36,708)
Share-based payments	–	(1)	–	–	(1)
Group balance at 31 December 2016	129,543	–	–	(51,754)	77,789
Loss for the period	–	–	–	(1,030)	(1,030)
<b>Other comprehensive income</b>	–	–	–	–	–
Total comprehensive expense for the period	–	–	–	(1,030)	(1,030)
Group balance at 30 June 2017	129,543	–	–	(52,784)	76,759

# Condensed Consolidated Statement of Cash Flows

	Six months ended		Year ended
	30-Jun	30-Jun	31 December
	2017	2016	2016
	Unaudited	Unaudited	Audited
	US\$'000	US\$'000	US\$'000
<b><i>Cash flow from operating activities</i></b>			
Loss before taxation	(1,030)	(454)	(37,162)
Adjustments for:			
Dividend Income	–	(200)	(911)
Net finance (income)/expense	(40)	(136)	18
Loan Written Off	–	–	2,238
Fair value changes on unquoted financial assets at fair value through profit or loss	(337)	(280)	34,094
Realised gain on disposal of investment	–	(5)	(5)
Share-based expenses	–	–	(1)
Decrease in other receivables	(12)	65	(12)
(Decrease)/increase in other payables and accruals	99	(52)	(186)
<b>Net cash used in operating activities</b>	<b>(1,320)</b>	<b>(1,062)</b>	<b>(1,927)</b>
<b><i>Cash flow from investing activities</i></b>			
Dividend income received	–	200	1,611
Proceed received from unquoted financial assets at fair value through profit or loss	15,001	3,263	756
Purchase of unquoted financial assets at fair value through profit and loss	–	(2,560)	(2,560)
Loans granted	36	–	–
Proceeds from repayment of loan granted	–	–	2,400
<b>Net cash generated from investing activities</b>	<b>15,037</b>	<b>903</b>	<b>2,207</b>

# Condensed Consolidated Statement of Cash Flows

	Six months ended 30-Jun 2017 Unaudited US\$'000	30-Jun 2016 Unaudited US\$'000	Year ended 31 December 2016 Audited US\$'000
<b><i>Cash flows from financing activities</i></b>			
Net finance income received	–	(216)	(216)
Loans repaid	–	(2,400)	(2,400)
Net proceeds from issue of shares	–	–	–
<b>Net cash used in financing activity</b>	<b>–</b>	<b>(2,616)</b>	<b>(2,616)</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents during the period</b>	<b>13,717</b>	<b>(2,775)</b>	<b>(2,336)</b>
<b>Cash &amp; cash equivalents at the beginning of the period</b>	<b>1,308</b>	<b>3,644</b>	<b>3,644</b>
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>15,025</b>	<b>869</b>	<b>1,308</b>

# Notes to the Financial Information

## 1. CORPORATE 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, P.O. Box 3140, Road Town, Tortola, British Virgin Islands VG 1110 and its principal place of business is 811-817, 8/F, Bank of America Tower, 12 Harcourt Road, Central, 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.

The condensed consolidated interim financial information was approved for issue on 22 September 2017.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost convention, as modified by revaluation of certain financial assets and financial liabilities at fair value through the income statement.

The accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016 and are those the Group expects to apply into financial statements for the year ending 31 December 2017.

The seasonality or cyclicity of operations does not impact on the interim financial information.



# Notes to the Financial Information

## 4. SEGMENT INFORMATION

The operating segment has been determined and reviewed by the Board to be used to make strategic decisions. The Board considers there to be a single business segment, being that of investing activity, which is reportable in two cash generating units.

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

The Board assesses 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 Board for the reportable segments for the periods are as follows:

	<b>BVI</b>		
	Six months ended	Year ended	
	30 June	30 June	31 December
	2017	2016	2016
	US\$'000	US\$'000	US\$'000
Realised gain on disposal of investments	0	5	5
Fair value changes on financial assets at fair value through profit or loss	337	280	(34,094)
Financial income	40	136	80
Dividend income	–	200	911
Other income	28	–	220

Note: There is no activity for the business segment in HK.

# Notes to the Financial Information

## 5. TAXATION

No charge to taxation arises for the six months ended 30 June 2017 and 2016 as there were no taxable profits in either period.

Tax reconciliation:

	Six months ended 30 June 2017 US\$'000	30 June 2016 US\$'000	Year ended 31 December 2016 US\$'000
Loss before taxation	(1,030)	(454)	(37,162)
Effective tax charge at 16.5% (2015:16.5%)	(170)	(221)	(6,132)
Effect of: Differences in overseas taxation rates	170	221	6,132
Effective tax rate	—	—	—

The effective tax charge is calculated based on the rate of corporate tax in Hong Kong. As at 30 June 2017, the Group has no unused tax losses (30 June 2016: Nil) available for offset against future profits.

## 6. DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2017 (30 June 2016: Nil).

# Notes to the Financial Information

## 7. LOSS PER SHARE

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

	Six months ended 30 June 2017 US\$'000	30 June 2016 US\$'000	Year ended 31 December 2016 US\$'000
<b>Numerator</b>			
Basic/Diluted: Net Gain/(loss)	(1,030)	(454)	(37,162)
	'000	'000	'000
<b>Denominator</b>			
Basic: Weighted average shares	191,967	191,967	191,967
Effect of diluted securities:			
Share options	–	150	–
Warrant	–	–	–
Diluted: Adjusted weighted average shares	191,967	192,117	191,967

For the six months ended 30 June 2017 and 2016, the share options are anti-dilutive and therefore the weighted average shares in issue are 191,967,084 and 191,967,084 respectively.

## 8. UNQUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 US\$'000	30 June 2016 US\$'000	31 December 2016 US\$'000
At the beginning of the period	75,044	110,593	110,593
Fair value changes through profit and loss	337	280	(34,094)
Addition	–	2,560	2,480
Disposals	(15,037)	(3,342)	(3,935)
At the end of the period	60,344	110,091	75,044

# Notes to the Financial Information

## 9. SHARE CAPITAL

	Number of Shares	Amount US\$'000
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2016 and 30 June 2017	191,967,084	129,543

Under the BVI corporate laws and regulations, there is no concept of “share premium”, and all proceeds from the sale of no par value equity shares is deemed to be share capital of the Company.

## 10. 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 Level 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.

	As at 30 June 2017 US\$'000	As at 30 June 2016 US\$'000	As at 31 December 2016 US\$'000
<b>Level 3</b>			
Unquoted financial assets at fair value through profit or loss (note 8)	60,344	110,091	75,044
	<u>60,344</u>	<u>110,091</u>	<u>75,044</u>

There is no transfer between levels in the current period. Carrying values of all financial assets and liabilities are approximate to fair values. The value of level 3 investments has been determined using the yield capitalisation (discounted cash flow) method.

# Notes to the Financial Information

## 11. RELATED PARTY TRANSACTIONS

During the period under review, the Group entered into the following transactions with related parties and connected parties:

	Note	30 June 2017 US\$'000	30 June 2016 US\$'000	31 December 2016 US\$'000
Amount due to Directors	(i)			
– John Croft		12	7	–
– Ernest Wong Yiu Kit		3	2	2
– Conor MacNamara		6	3	3
Amount due from Adamas Global Alternative Investment Management Inc.		309	49	292
Period-end balance arising from sales/purchases of services Management fee to Investment Manager	(ii)	735	609	1,182

- (i) The amounts due thereto are unsecured, interest free and have no fixed term of repayment. There are no other contracts of significance in which any director has or had a material interest during the current period.
- (ii) Adamas Global Alternative Investment Management Inc. was the Investment Manager of the Group until 1 May 2017. 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 or market capitalisation.
- (iii) Harmony Capital Investors Limited is the current Investment Manager of the Group and the appointment starts from 1 May 2017. The management fee which is calculated and paid bi-annually in advance calculated at an annual rate of 1.75% of the net asset value of the Company's portfolio of assets. Management fees of US\$235,000 and US\$500,000 were incurred for Harmony Capital and Adamas Global Alternative Investment Management Inc. respectively during the reporting period.

## 12. COPIES OF THE INTERIM REPORT

The interim report is available for download from [www.adamasfinance.com](http://www.adamasfinance.com).



**ADAMAS FINANCE ASIA LIMITED**

