

ORIGO PARTNERS PLC

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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Chairman's Letter

Dear Shareholders,

Origo's net asset value as at year end 2017 was \$14.1 million as compared with \$46.0 million a year earlier. The drop in NAV is primarily a function of substantial write downs of Company assets. China Rice has been written down from \$31.4 million to nil; Unipower has been written down from \$15.8 million to nil; Moly World has been written down from \$3.8 million to nil; and, as explained in more detail below, most other assets have been written down as well. These write downs follow the appointment and subsequent election of a new board and our efforts to take a hard look at the Company, its assets and cost structure to better implement the realization strategy the shareholders voted for in November 2014 – a strategy that has not led to much in the way of realizations and has so far failed to generate distributable cash.

Origo's New Board

The Origo board was reconstituted over several months with the addition of three new directors and the resignations of three directors. In September 2017, Hiroshi Funaki joined the Origo board as a nominee of Origo's largest ordinary shareholder. On 31 October 2017, I joined the Origo board as a nominee of our largest preference shareholder. Also on 31 October 2017, Philip Scales joined the board as an independent director. Concurrent with the appointments of Philip Scales and me, two of the sitting directors resigned. On 20 April 2018, the third sitting director resigned in connection with the restructuring of the advisory arrangement, and I was elected the Company's Chairman.

In the months the new board has been in place, our primary focus has been to establish more robust controls over company assets, strengthen the Company's capital position by repaying debt, reduce costs, renegotiate the advisory agreement, clarify what the Company owns and begin to promote the realization of company assets so cash can be distributed to Origo's shareholders.

Origo Circa Late 2017

Origo is a company that primarily holds minority interests in very illiquid private equity with a focus on China and natural resources in Mongolia. The private equity is typically held through offshore structures far removed from the ultimate assets. The Company is managed at the board level with a third-party advisor, a British Virgin Islands (BVI) legal entity, that operates out of a Company office in Beijing.

Origo typically does not own assets but rather owns equity in shell companies in offshore jurisdictions. These shell companies may then own equity in onshore companies, which may then own physical assets or legal rights to engage in certain activities, typically rights or purported rights to extract minerals. So, for example, in 2011 and 2012 the Company invested about \$28 million in "China Rice Ltd.", a company domiciled in the BVI. In return for its \$28 million investment, Origo received unsecured debt and equity in that BVI company. China Rice owns no assets other than equity in "Winrich International Industry Limited," a Hong Kong company. Winrich International Industry Limited owns no assets other than equity in "Jilin Dechun Grains Processing Company, Ltd." ("Jilin Dechun Grains"). Jilin Dechun Grains is a Chinese registered legal entity located in Jilin Province, a province in northern China that in part abuts North Korea. Jilin Dechun Grains is controlled by one Li Dechun – hence the name Jilin Dechun Grains.

I will get into Jilin Dechun Grains (a/k/a China Rice) a little bit later but the point here is that the Company's ownership interest in any assets that might have value (Jilin Dechun Grains' inventory, plant and equipment, property, and good will) is far removed both geographically and legally from Origo's debt and equity interests in China Rice, a BVI company. Although the China Rice example may be an extreme example of ownership far removed from operating assets (the China Rice investment has two layers of offshore entities), the basic legal structure – Origo owning a minority interest in an offshore company that owns equity in an onshore company – is typical. The problem with this layered form of legal ownership is it is difficult to understand what you really own since your ownership rights are determined by the laws of several jurisdictions, which may be inconsistent, and

Chairman's Letter (continued)

the control rights typically sit at a different legal layer from where the assets sit. And, if it is hard to understand *what you own*, it is *a fortiori* hard to understand the value of what you own.

The Company's cash position when we assumed office was negligible. Prior to the former directors resigning, they had paid themselves about \$259,000 as unpaid accrued board fees, and they had also paid the Company's investment advisor, Origo Advisors Limited ("OAL") \$1.3 million as unpaid fees to that entity. So, when we joined the board the Company had a cash position of about \$1 million and, even allowing for the payments listed above, debt of about \$3.2 million. The debt comprised money owed to the OAL and to a third-party lender. OAL was owed about \$700,000 and the third party a minimum of \$2.5 million plus 12% interest with a minimum repayment obligation.

The obligation to OAL arose from the Company's failure to pay fees in accordance with a contract the Company entered in 2014 and purported to bear interest at a minimum of 8% and a maximum of whatever interest rate the Company was paying others while the OAL debt remained outstanding. The obligation to the private investor arose in late 2016 when the Company borrowed \$2.5 million to meet obligations, primarily fees owed to a law firm. The terms of that loan were that interest accrued at 12% annually with the Company obliged to repay \$3.75 million if the loan was held to its full term.

Perhaps because of its history, Origo did not have a typical fund structure. The typical fund structure includes a third-party manager managing the Company's assets and a third-party administrator controlling the company's bank accounts and maintaining the company's books and records. Separation of functions is important because the manager asking for payment for some obligation and the third-party administrator, usually a regulated entity, having signature authority over company bank accounts, and thus making payment, is a safeguard against fraud. In Origo, the Company did not technically have a third-party manager but, rather, an "Advisor" (OAL) with the primary responsibility of "advising" the board rather than managing the Company's assets. A principal of OAL also sat on the Origo board and served as Origo's Executive Director. OAL also controlled the Company bank accounts and maintained most of the Company's records.

The Defective 2014 Advisory Agreement

In November 2014, the Company entered into an advisory agreement with OAL. OAL at that time seems to have been controlled by several, but not all, of the people who were involved in setting up the Company some years earlier. The 2014 agreement was entered into concurrent with the shareholder vote in November 2014 for a "realization strategy" for the disposal of the Company's assets. The purported purpose of the 2014 Agreement was to provide "asset realization support services" so the Company could "realise its portfolio of assets and distribute net realisation proceeds to its shareholders." The Advisory Agreement had a four-year term and provided for total fixed fees of \$6.5 million over that period plus incentive fees that kicked in once \$90 million had been distributed to shareholders.

The contract did not properly incentivize OAL to realise assets in accordance with the 2014 shareholder vote. It is plainly defective, at least in hindsight, because it failed to accomplish its purported purpose – promote the realization of assets and cash distributions to shareholders.

First, it should have been apparent that given the quality of the Origo portfolio it was highly unlikely that the \$90 million hurdle would be reached within the four-year period and therefore the contract had no real incentives for asset realization. Second, the fixed component of the compensation structure was disproportionately large compared to the incentive component of the compensation structure and this too should have been apparent at the time the contract was entered into. Third, there was no claw back provision in the event that the \$90 million hurdle was not reached so there was no penalty if OAL accomplished very little, which is how things played out. Fourth, the contract imposed no real objective duties on OAL in return for the \$6.5 million. In fact, there was no real obligation imposed on OAL to accomplish much of anything.

Rather, in return for the \$6.5 million OAL was obliged to provide a menu of advisory services such as “provide support” to the Origo board, “provide research and reports” to that same board and “monitor and analyse the performance of the portfolio.” The advisory contract thus guaranteed OAL a substantial amount of money in fees, a number certainly very substantial in comparison with a fair and objective valuation of the portfolio, while it failed to set any real bar for the payment of those fees.

Not surprisingly, when the 2014 Agreement was terminated with effect from year end 2017, total realizations over the three-year period were a little in excess of what OAL received in fees. Nothing about Origo is ever very clear, but our calculations indicate that over the period of the contract OAL accrued about \$5.4 million in fees and interest in return for asset realizations amounting to about \$7 million. The Company though had other operating costs besides the OAL fees, and so, net to the Company, substantially less was received from asset sales than went to pay OAL, the Origo board, and various service providers.

The New Board’s Efforts to Impose a New Order

Some of these issues are sunk costs, a product of bad decisions made in the past, while others can be remedied by a new board with a new focus. Following period end, we repaid the outstanding debt at the face amount of \$2.5 million with no interest or penalties. We also settled in full the unpaid fees due to OAL as part of the renegotiation of the advisory arrangement. We terminated the Company’s Nomad and administrator and replaced them with companies that we believe will offer better services at more appropriate prices. The Company bank accounts are now under the control of our third-party administrator and we are trying to collect company records, so they can be reviewed and maintained by the new administrator. We terminated the Company’s public relations firm, and I will take care of public relations and shareholder communications as part of my duties. We retained a new law firm, which I believe will better meet the Company’s needs. We have renegotiated the audit fee, which has come down this year and we hope can come down further as assets are sold and the size of the portfolio is reduced.

Most importantly in terms of cost, we agreed with the advisor to terminate the former advisory agreement and replaced it with a new agreement effective 1 January 2018 that is entirely incentive based. The new advisory agreement waives OAL’s entitlement to a fixed fee of \$1 million for 2018 and any future fixed fees in return for 8% of all cash returned to shareholders with a hold back of 25% of that amount until Origo’s entire portfolio is sold. Board approval is required for any asset sales to prevent a fire sale and to ensure realizations are at appropriate prices considering market conditions. The Company can now terminate the new agreement without penalty on 90 days’ notice.

The Company will continue to fund certain operating costs incurred in connection with Origo including a modest office share arrangement in Beijing and limited personnel costs. Origo has budgeted \$280,000 for total Beijing operating costs for 2018 and will continually review these costs with the objective of bringing them down further.

Origo’s Portfolio

Origo’s portfolio can be divided into miscellaneous investments in China (China Rice, Niutech, and Unipower) and investments in mining assets primarily, though not entirely, in Mongolia (Celadon, Kincora, Moly World, and Gobi Coal). With the exception of Niutech, all of these investments are problematic. Although we have put substantial effort into understanding the Company’s portfolio (in early July we will be making our third trip to China to meet with our Advisor, co-investors and investee companies) we are still endeavouring to understand the real worth of these investments and then determine realistic realization strategies. I hope that when our midyear report is published we will have more clarity on these issues.

Chairman's Letter (continued)

Chinese Investments

Our Chinese investments comprise Niutech, China Rice and Unipower Battery. Niutech is a successful investment, which we are in the process of exiting, so far at book value. The other two investments are problematic and have been written down to nil. It is, as of the date of this letter, unclear whether any of the value of these two companies is recoverable.

China Rice

China Rice was our largest investment at year end 2016 with a carrying value of \$31.4 million and comprised about a third of the Company's assets. Based on legal advice from Beijing counsel, we have written the asset down to nil.

About a month ago OAL informed the Origo Board that Jilin Dechun Grain was party to a court order made by the Liaoyuan City Intermediary Court, under which Jilin Dechun Grain's assets were to be sold to satisfy obligations to the Industrial and Commercial Bank of China ("ICBC") in connection with the alleged non-payment of a debt. As explained above, Jilin Dechun Grain is a PRC registered company that holds the operating assets of Origo's China Rice investment. If those assets are foreclosed on to satisfy legal Jilin Dechun Grain's legal obligations, Origo's investment in China Rice is worthless.

Origo retained Beijing based counsel to investigate this surprising situation and advise the board on Origo's possible remedies. Counsel has informed us that Jilin Dechun Grain defaulted on its obligation to ICBC sometime in 2017 and that pursuant to enforcement orders Jilin Dechun Grain was ordered to pay ICBC approximately \$42 million, which now, with interest, amounts to about \$45 million. Jilin does not appear to have the \$45 million to satisfy the obligation. It further appears that ICBC has sold the defaulted debt to a third party, which has approached the principal of Jilin Dechun Grain, Li Dechun, with an offer to sell that debt back to the Company at a discounted price. It also appears that Jilin Dechun Grain has other unsatisfied debts (in addition to the \$45 million) that have been the subject of other court orders.

The full situation at Jilin Dechun Grains is as of this date unclear. We will be traveling to China in early July to try to meet Mr. Li and the apparent current owner of the defaulted debt, Great Wall Investment Group Ltd., a substantial Chinese asset manager, to determine if any value can be recovered.

China Rice is and always has been a curious investment. Its operating subsidiary, Jilin Dechun Grain, is not a well-known company. Its principal, Mr. Li, is not a well-known Chinese businessman. Jilin Dechun Grain is based not in Beijing but in an obscure part of north-eastern China. As outlined above, the Company's investment in Jilin Dechun Grain seems to have been made in a very indirect way. Origo's debt has a BVI shell company as the counterparty and is not secured with any assets in China. Origo's equity is in a BVI company so Origo has no equity in Jilin Dechun Grains, the legal entity that holds the structure's assets. There does not seem to be an opinion letter when the investment was made explaining why this structure was used and how Origo might enforce its rights in the event of a dispute.

The accounts of Jilin Dechun Grain have to the best of my knowledge never been audited by a recognized auditing firm and have not been audited by anyone since year end 2015. The 2015 accounts purport to have been audited by an unrecognized local auditing firm so the validity of those accounts is open to question. The company's unaudited 2016 accounts show that Jilin Dechun Grains' sales have been declining for a number of years. According to these financial statements, Jilin Dechun Grains' revenues in 2016 were about 80% lower than its revenues in 2012. The explanation we have been given is for this decline in sales is unclear. We travelled to China in March and endeavoured to meet the China Rice principal, Mr. Li, but were rebuffed because Mr. Li said he was too "busy" to meet with us.

As of the date of this letter, we do not have a clear understanding of why Jilin Dechun Grain defaulted on the debt. As of the unaudited 2016 balance sheet, Jilin Dechun Grain represented that its total debt amounted to about 46% of its then current assets – hardly the kind of numbers that should throw a company into default. In China a company’s managing director has a lot of authority over company assets so whether company assets were pledged for obligations unrelated to Origo’s investment is a real possibility.

Origo has an investment agreement with China Rice that provides Origo with a number of rights including approval rights before any debt is incurred, but Origo seems never to have asserted its rights. An individual OAL procured at some point in the past sits on the board of Jilin Dechun Grains on behalf of Origo but does not seem to have exercised any board powers over the company’s business, its debt, or the default. Given that at least some of the issues involving the China Rice investment occurred during the watch of the old Origo board, we are unclear about how the previous board monitored this investment. We will be inquiring why they failed to inform the market of the ICBC default when it occurred – which according to Chinese counsel was no later than the summer of 2017.

Unipower Battery Ltd.

Unipower is or was a battery manufacturer for electric vehicles. The company does not appear to be operational, has several judgments against it and seems to have legal problems. The company shares office space with OAL in Beijing. Like China Rice, we are unclear about the circumstances surrounding the original investment and why the company has fared so poorly. The company now has a plan to relocate to another province in return for some sort of assistance from that provincial government. It is unclear if this plan will come to fruition and if it did how this might benefit Origo. We have recently retained counsel in Beijing to investigate this investment but given that it does not appear to be a going concern we have valued it at nil.

Mining Investments

Origo has a number of mining investments. Most of these companies are not really going concerns in the sense of companies that extract minerals and then sell them on to a processor or end user. Rather they are typically companies that own exploration licenses or rights to extract minerals. I think it is fair to say that none of these investments has been satisfactory.

Moly World Ltd.

In 2011 Origo invested \$10 million in Moly World Ltd., a BVI company, for 20% of that company’s equity as well as offtake rights to 20% of that company’s future production. Moly World in turn owns the Mongol Resource Corporation (“MRC”), a Mongolian company that own the rights to explore a substantial molybdenum deposit in Mongolia. Molybdenum has had its ups and downs in the world markets, though in recent years the movement has mostly been down. On Origo’s year end 2016 balance sheet this investment was carried at US\$3.78 million largely because of the decline in global molybdenum prices.

In April 2018, MRC received a notification from the Mineral Resource Authority for Mongolia cancelling the mining license issued to MRC in August 2017. It appears that there are questions whether the mining license was validly granted given that the Mongolian governmental authority claims that the company’s mineral deposits overlap with a protected area. One would typically expect an investor like Origo to have a legal opinion as to the validity of the rights being purchased but that opinion, as with China Rice, does not seem to exist. Moly World has retained counsel to protect its rights over the mining license. Given the uncertainty of MRC’s legal right to mine the mineral and the additional uncertainty of the judicial process in Mongolia, Origo’s board believes that the appropriate carrying value for this asset is nil.

Chairman's Letter (continued)

Kincora Copper Limited

Kincora is a public company listed on the Toronto venture exchange. As of the end of March, Kincora had a market capitalization of about \$8 million and an enterprise value of about \$6 million. Origo owned about a quarter of the company. Kincora's story is that it owns mining rights to possible copper deposits in Mongolia that some think promising given the proximity of those rights to substantial copper deposits. Nonetheless, Kincora's most recent drilling efforts have been unsuccessful, and we have seen no objective evidence that these exploration rights have real value.

Kincora does not seem to have sufficient funds to engage in full scale exploration as Kincora's last reported net cash position is about \$2.1 million. It would thus appear that any substantial future exploration will require additional capital and hence the issuance of more equity or the formation of a joint venture with a third party. Kincora's managers are not based in Mongolia. Nor have they made significant cash investments in the company. Their compensation most recently has been with Kincora shares. Given the company's diminutive size and dwindling cash position we had asked the Kincora board to put the company up for sale but were rebuffed. We retained Canadian counsel and explored the possibility of a more aggressive approach to Kincora but concluded that the costs would likely outweigh any likely benefit. In light of Kincora's obvious corporate governance issues, weak capital position and lack of demonstrable success we determined that this investment was entirely speculative. Earlier this month we exited our entire position in Kincora for net proceeds of about \$1.5 million, which represented the market price of these shares as of the sale date.

Celadon Mining Ltd.

Origo invested \$13.1 million for about 8.9% of Celadon Mining, which is a private company with mining rights to the Chang Tang West thermal coal deposits in Ordos, Inner Mongolia (i.e., China). The year end 2017 carrying value of Celadon Mining is about \$4.5 million as compared with \$20.1 million as at year end 2016. The majority shareholder has reported that he is in complex negotiations to monetize the Chang Tang West asset. As a minority shareholder, Origo is not a participant in the negotiations and depends on reports from the majority shareholder leading the negotiation. We have written down this investment because of the apparent lack of clear progress in the negotiations for the sale of the Chang Tang West asset and the uncertainty over the timing and amount of subsequent cash flows to Origo if the sale were concluded.

Gobi Coal and Energy Ltd.

Origo invested, net of a subsequent divestiture, \$15 million in Gobi Coal, which is a BVI registered holding company that through its ownership of local companies in Mongolia has mining rights for coking coal and uranium in that country. Origo owns 7.5% of Gobi Coal but the company is controlled by Aabar, which I am told is an Abu Dhabi sovereign wealth fund. Origo earlier had a board seat but was forced off the board some years ago and consequently has no current ability to direct this investment. The company has had a series of legal disputes resulting in the freezing and confiscation of their licenses that seem to have been resolved in 2018. Gobi Coal's management, put in place by Aabar, say they will monetize this investment over the next several years. Subsequent to year-end 2017, Origo acquired 377,894 additional Gobi Coal shares at \$0.01 per share for about \$6,000 in total. Origo carries this investment at about \$1.1 million, which represents a write down of about 60% from its 2016 carrying value because of corporate governance issues and the absence of clear visibility for any exit.

* * * *

The Origo story is obviously unsatisfactory. Large amounts of money were invested in companies that now appear worthless or of limited value. For certain investments, the issues seem longstanding rather than a function of some event that transpired between the publication of the Company's last set of accounts and this one. Although the Company has been in a realization mode for close to four years, no cash has been returned to shareholders, and the current prospects of cash distributions are uncertain. Private equity and emerging markets are risky asset classes. When you combine the two asset classes the risks may increase exponentially rather than arithmetically. Nonetheless, my overriding impression of Origo is that proper care has not been exercised in a number of respects over a substantial period of time. There may be other issues as well. We are working with lawyers in various jurisdictions on a prudent basis to best determine how to recover value. I will report further in due course.

Very truly yours,

John D. Chapman
Chairman
Origo Partners Plc

Date: 28 June 2018

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2017.

Results and dividends

The result of the Group for the year is set out on page 16 and shows a loss for the year of US\$82,984,000 (2016:US\$12,257,000). The performance, and the share capital structure of the Group, neither justifies nor allows the payment of a dividend at the current time. The Directors are therefore not able to recommend the payment of a dividend for 2017 (2016: US\$nil). The retained loss of the year of US\$82,984,000 (2016:US\$12,257,000) has been transferred to reserves.

Principal activities, review of business and future developments

On 20 November 2014, the Company's Investing Policy changed from that of a closed-ended, permanent capital vehicle to that of a realisation company with the mandate to return the net proceeds of realisations to shareholders over a 4 year period. However, investments will only be realised when the Independent Directors believe the terms are appropriate. A detailed review of the business of the Company is covered in the Chairman's Report.

Directors

At 31 December 2017

	Options	Ordinary shares	Shares in Subsidiaries
Mr John Chapman (appointed October 2017)			
Mr Philip Peter Scales (appointed October 2017)			
Mr Hiroshi Funaki (appointed September 2017)			
Mr. Niklas Ponnert (resigned April 2018)	4,500,000	2,691,009*	1**
Ms. Shonaid Jemmett-Page (resigned October 2017)		560,000	
Mr. Lionel de Saint-Exupery (resigned October 2017)		560,000	

* 400,000 Shares are held in Niklas Ponnert's name, 691,385 Shares are held through Paracelsus Holdings Ltd, and 1,599,624 Shares are held jointly with the EBT pursuant to the Company's Joint Share Ownership Plan.

**1 Ordinary share with voting right accounted for 50% of CCF which is one of subsidiaries of the Group is held in Niklas Ponnert's name.

Directors' responsibilities in respect of the financial statements

The Directors are responsible for the preparation of the financial statements. The Directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them on a consistent basis;
- make judgments and estimates that are reasonable and prudent;
- state whether International Financial Reporting 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 that the company will continue in business.

The Directors are responsible for keeping reliable accounting records which correctly explain the transactions of the company, and which enable the financial position of the company to be determined with reasonable accuracy. 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.

Going concern

The Board has concluded that the Company and the Group is considered to be a going concern and as a result of this the consolidated financial statements for the year ended 31 December 2017 have been prepared on a going concern basis. Notably, previous disputes with Brooks Macdonald Asset Management (International) Limited have been settled and the share capital of the Company has been reorganised so that the redemption of the Redeemable Preference Shares (previously Convertible Preference Shares) will be settled with the proceeds of realisations as and when they occur.

Auditor and disclosure of information to auditor

As far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware.

Financial statements are published on the Group's website in accordance with legislation in the Isle of Man governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Each of the Directors has taken all the steps they ought to have taken individually as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

The auditor, BDO Limited, has indicated their willingness to continue in office.

By Order of the Board

Philip Peter Scales

Director

Date: 28 June 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ORIGO PARTNERS PLC

(incorporated in the Isle of Man with limited liability)

OPINION

We have audited the consolidated financial statements of Origo Partners Plc (the "Company") and its subsidiaries (together the "Group") set out on pages 16 to 67, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF UNQUOTED INVESTMENTS

Refer to notes 1.4(d), 14 and 15 to the consolidated financial statements

Out of the total investments of US\$17,779,000 as at 31 December 2017, US\$7,584,000 of the total investments have no quoted market price available. Unlisted investments comprise investments at fair value through profit or loss and convertible credit agreements. Unquoted investments are measured at fair value, which is established in accordance with IFRS 13 with reference to the International Private Equity and Venture Capital Valuation Guidelines by using measurement of value such as multiples, discounted cash flow and industry valuation benchmarks. Investments are subject to annual valuation by management. Due to the significance in the context of the consolidated financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our response:

Our audit procedures included:

- Enquiring of management to obtain understanding and assessing the design and implementation of valuation processes and control in place;
- Assessing investment realisations in the period, comparing actual sales proceeds to prior year-end valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the Group's approach to valuations;
- Challenging key judgments affecting valuations in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines. In particular, challenging the appropriateness of the valuation basis selected as well as the underlying assumptions, such as discount factors, and the chosen of benchmark for multiples; and
- Evaluating the appropriateness of valuation methodology used by management and result with the assistance of valuation specialists.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in this regard.

INDEPENDENT AUDITOR'S REPORT (continued)

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Alfred Lee
Practising Certificate Number P04960
Hong Kong, 28 June 2018

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
Investment loss:	2		
Realised gains/(losses) on disposal of investments		423	(142)
Unrealised losses on investments		(74,440)	(6,069)
Income from loans		–	627
		(74,017)	(5,584)
Consulting services payable	3	(1,390)	(1,769)
Other income		29	134
Performance fee			
– Performance incentive	4	–	4,195
Other administrative expenses	5	(4,856)	(3,618)
Share-based payments	27	(21)	(67)
Foreign exchange gains		50	178
Net loss before finance costs and taxation		(80,205)	(6,531)
Finance costs	9	(3,598)	(5,791)
Loss before tax		(83,803)	(12,322)
Income tax credit	10	819	65
Loss after tax		(82,984)	(12,257)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		6	5
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		6	5
Tax on other comprehensive income		–	–
Other comprehensive income net of tax		6	5
Total comprehensive loss after tax		(82,978)	(12,252)
Loss after tax			
Attributable to:			
– Owners of the parent		(82,984)	(12,244)
– Non-controlling interests		–	(13)
		(82,984)	(12,257)
Total comprehensive loss			
Attributable to:			
– Owners of the parent		(82,978)	(12,239)
– Non-controlling interests		–	(13)
		(82,978)	(12,252)
Basic loss per ordinary share	11	(11.70) cents	(3.49) cents
Diluted loss per ordinary share	11	(11.70) cents	(3.49) cents
Basic loss per redeemable zero dividend preference share	11	(279.57) cents	N/A
Diluted loss per redeemable zero dividend preference share	11	(279.57) cents	N/A

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2017

Assets	Notes	2017 US\$'000	2016 US\$'000
			(Restated)
Non-current assets			
Property, plant and equipment	12	20	33
Intangible assets		–	2
Investments at fair value through profit or loss	14	–	72,023
Loans	15	350	350
		370	72,408
Current assets			
Investments at fair value through profit or loss	14	17,045	–
Loans due within one year	15	384	24,290
Trade and other receivables	16	881	4,007
Cash and cash equivalents	17	1,199	1,786
		19,509	30,083
Total assets		19,879	102,491
Current liabilities			
Short-term borrowing	20	2,500	–
Trade and other payables	18	1,381	3,472
Performance incentive payable within one year	18	–	8
Financial guarantee contracts	19	435	435
Current tax liabilities		499	499
		4,815	4,414
Non-current liabilities			
Long-term borrowing	20	–	2,500
Provision	21	103	82
Redeemable zero dividend preference shares	22	–	47,469
Deferred income tax liability	10	796	2,017
		899	52,068
Total liabilities		5,714	56,482
Net assets		14,165	46,009
Equity attributable to owners of the parent			
Issued capital	23	56	56
Share premium		150,414	150,414
Share-based payment reserve		5,048	5,048
Accumulated losses		(191,613)	(109,567)
Translation reserve		(1,484)	(1,490)
Other reserve	24	51,744	1,056
		14,165	45,517
Non-controlling interests		–	492
Total equity		14,165	46,009
Total equity and liabilities		19,879	102,491

The consolidated financial statements were approved by the Board of Directors and authorised for issue. They were signed on its behalf by:

Philip Peter Scales

Director

28 June 2018

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Attributable to equity holders of the parent										
	Notes	Issued capital US\$'000	Share premium US\$'000	Share-based payment reserve US\$'000	Accumulated losses US\$'000	Translation reserve US\$'000	Equity component of CZDP US\$'000	Other reserve US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
At 1 January 2016		56	150,414	7,573	(135,824)	(1,495)	8,297	1,056	30,077	505	30,582
Loss for the year		-	-	-	(12,244)	-	-	-	(12,244)	(13)	(12,257)
Other comprehensive income		-	-	-	-	5	-	-	5	-	5
Total comprehensive income/(loss)		-	-	-	(12,244)	5	-	-	(12,239)	(13)	(12,252)
Share-based payment expense	27	-	-	52	-	-	-	-	52	-	52
Lapsed of share-based payment	27	-	-	(2,577)	2,577	-	-	-	-	-	-
Change of fair value upon extinguishment of convertible zero dividend preference shares	22	-	-	-	-	-	27,627	-	27,627	-	27,627
Released upon extinguishment of convertible zero dividend preference shares	22	-	-	-	35,924	-	(35,924)	-	-	-	-
At 31 December 2016		56	150,414	5,048	(109,567)	(1,490)	-	1,056	45,517	492	46,009
Loss for the year		-	-	-	(82,984)	-	-	-	(82,984)	-	(82,984)
Other comprehensive income		-	-	-	-	6	-	-	6	-	6
Total comprehensive income/(loss)		-	-	-	(82,984)	6	-	-	(82,978)	-	(82,978)
Capitalisation of RZDP	22	-	-	-	-	-	-	50,688	50,688	-	50,688
Disposal of subsidiaries		-	-	-	938	-	-	-	938	(492)	446
At 31 December 2017		56	150,414	5,048	(191,613)	(1,484)	-	51,744	14,165	-	14,165

The following describes the nature and purpose of each reserve within parent's equity:

Reserve	Description and purpose
Share premium	Amounts subscribed for share capital in excess of nominal value.
Share-based payment reserve	Equity created to recognise share-based payment expense.
Accumulated losses	Cumulative net gains and losses recognised in profit or loss.
Translation reserve	Equity created to recognise foreign currency translation differences.
Equity component of CZDP	Difference between the proceeds of the convertible zero dividend preference shares ("CZDP") issued and the fair value of the liability component of CZDP.
Other reserve	Own shares acquired, EBT (as defined in Note 24) shares and capital redemption and capitalisation of redeemable zero dividend preference shares ("RZDP").

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
Loss before tax		(83,803)	(12,322)
Adjustments for:			
Depreciation and amortisation	5	14	26
Release of provision for performance incentive	4	–	(4,195)
Share-based payments	27	21	67
Provision for bad debts	5	3,386	1,008
Realised (gains)/losses on disposal of investments	2	(423)	142
Unrealised losses on investments at FVTPL*	2	50,526	6,059
Unrealised losses on loans	2	23,914	10
Income from loans	2	–	(627)
Gain recognised upon extinguishment of CZDP**	22	–	(62)
Foreign exchange gains		(50)	(178)
Interest expenses	9	3,554	5,773
Operating loss before changes in working capital and provisions		(2,861)	(4,299)
Proceeds from disposals of investments at FVTPL*	8	4,954	765
Proceeds from repayment of loans	15	–	383
Increase in trade and other receivables		(345)	(287)
(Decrease)/increase in trade and other payables		(2,395)	1,270
Net cash outflow from operations		(647)	(2,168)
Investing activities			
Disposal of property, plant and equipment		–	7
Net cash inflow from investing activities		–	7
Financing activities			
Proceeds from borrowing	20	–	2,500
Net cash inflow from financing activities		–	2,500
Net (decrease)/increase in cash and cash equivalents		(647)	339
Effect of exchange rate changes on cash and cash equivalents		60	175
Cash and cash equivalents at beginning of year		1,786	1,272
Cash and cash equivalents at end of year	17	1,199	1,786

* FVTPL refers to fair value through profit or loss

** CZDP refers to convertible zero dividend preference shares

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the financial statements

1. Accounting policies

1.1 Corporate information

The consolidated financial statements of Origo Partners Plc ("Origo" or the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 28 June 2018. The Company is a limited liability company incorporated and domiciled in the Isle of Man whose shares are publicly traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. The registered office is located at 33-37 Athol Street, Douglas, Isle of Man IM1 1LB. The principal activity of the Group is that of an investment vehicle. The Group currently holds investments in companies including unquoted interests, and illiquid publicly traded equity interests, based or principally active in China and Mongolia. On 20 November 2014, the Company's shareholders voted to amend the Company's investing policy to that of a realisation vehicle.

1.2 Basis of preparation

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board ("IASB") and adopted for use in the European Union ("EU") and also to comply with relevant Isle of Man law.

The principal accounting policies applied in the preparation of the consolidated financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

- (a) The financial information set out below is based on the financial statements of the Company and its subsidiaries for the year ended 31 December 2017.
- (b) The consolidated financial information has been prepared under the historical cost convention except for certain financial instruments, which have been measured at fair value, and in accordance with IFRS and International Financial Reporting Interpretations Committee's interpretations ("IFRIC") (collectively "IFRSs") issued by the IASB.

The financial statements have been prepared under the historical cost basis.

1.3 Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial information in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial information and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results may differ from those estimates.

The following is a list of accounting policies which cover areas that the directors consider require estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(a) Fair value of unquoted equity instruments

The Group has estimated the value of each of its unquoted equity instruments by using their judgement to select the most appropriate valuation methodology for each investment based on the recommendations of the International Private Equity and Venture Capital Valuation Guidelines (the "Guidelines"). For more information on estimation, refer to Note 14. Valuation methodologies mainly include multiples, discounted cash flow, industry valuation benchmarks, available market prices and

so on, which may apply individually or in combination. Key assumptions and judgements of each methodology concerning the future and other key sources of estimation uncertainty will have a significant risk of causing a material adjustment to the fair value of the instruments within the next financial year.

(b) Assessment of the Company as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to account for most investments in controlled entities as held at fair value through profit or loss. Subsidiaries that provide investment related services or engage in permitted investment related activities with investees continue to be consolidated unless they are also investment entities. The directors have concluded that the Company meets the definition of an investment entity.

(c) Assessment of the subsidiaries as investment entities

The Company controls the voting rights and ownership interests in its subsidiaries as stated in Note 13 for which the countries of incorporation for those subsidiaries are included in the same note.

Per IFRS 10, there is a requirement for the Board to assess whether each subsidiary is itself an investment entity. The Board has performed the assessments and has concluded that the subsidiaries stated in Note 13 are operating subsidiaries of the Group for the reasons below:

- (I) Each subsidiary has its own board of directors;
- (II) The subsidiaries provide services to the Group (including administrative services to the Board of the Group, buying / selling securities as well as managing the portfolios on a fair value basis); and
- (III) The subsidiaries are remunerated for these services.

Furthermore, each subsidiary stated in Note 13 is itself not deemed to be an investment entity investing solely for capital appreciation and investment income and therefore the subsidiaries are consolidated.

(d) Share-based payments

The Group has applied the requirements of IFRS 2 "Share-based payment" in these consolidated financial statements.

The Group has issued share options, which are equity-settled share-based payments, to a director, certain ex-employees and to its advisors for services provided in respect of the admission of the Company to trading on the AIM of the London Stock Exchange. Equity-settled share-based payments to directors and employees are measured at the fair value of equity instruments awarded at the date of grant. Equity-settled share-based payments to non-employees are measured at the fair value of goods or services rendered at the date when the goods or services are received. Where equity investments are granted subject to vesting conditions, equity-settled share-based payments are expensed to the profit or loss on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest. Fair value is measured by use of the Binominal option pricing model.

The Group has also granted upper share rights/contingent share awards, which are cash-settled share-based payments, to a director and certain ex-employees under the Company's JSOS (as defined in Note 27). The cost of cash-settled share-based payments is measured initially at fair value at the grant date using the Binominal Tree model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in expense.

Notes to the financial statements (continued)

When estimating the value of the share options, the upper share rights and contingent share awards, significant assumptions such as the expected life of the share options and the upper share rights, and expected volatility of the shares have been applied based on management's best estimates.

1.4 Summary of significant accounting policies

The following principal accounting policies have been applied consistently throughout the year in dealing with items which are considered material in relation to the consolidated financial information.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group does not consolidate its subsidiaries other than those that solely provide it with services that relate to its investment activities. Subsidiaries that provide services to the Group are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Non-controlling interests represent the portion of profit or loss and net assets that is not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group elects to measure investments in associates at fair value through profit or loss as, in the opinion of the directors, the Company meets the definition of venture capital organisation. This treatment is permitted under IAS 28 "Investments in Associates and Joint Ventures".

(c) Foreign currencies

• Functional and presentation currency

The consolidated financial statements are presented in United States dollar, which is also the parent company's functional currency. For each group entity the Group determines functional currency and items included in the financial statements of each entity are measured using that functional currency.

• Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary financial assets and liabilities that are carried at historic cost are translated using the exchange rate as at the date of initial transactions and are not re-measured. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss.

• Group companies

The results and financial position of all group entities, 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:

- (i) assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position;

Notes to the financial statements (continued)

- (II) income and expenses for each statement of comprehensive income 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 date of the transaction); and
- (III) all resulting exchange differences are recognised in the statement of comprehensive income as other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Financial assets

The Group classifies its financial assets, at initial recognition, into one of the following categories: investments at fair value through profit or loss, loans and receivables and other financial assets depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

- **Investments at fair value through profit or loss**

The investments at fair value through profit or loss are designated by the board of directors at fair value through profit or loss at inception. These include debt and equity securities, convertible credit agreements and derivatives, on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Group.

Recognition/Derecognition:

Acquisitions and disposals of investments are recognised on the trade date on which the Group received acquisitions of investments or delivered disposals of investments. Investment fair value through profit or loss is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group commits to sell an asset, Investments at fair value through the profit or loss are derecognised and corresponding receivables from the buyer for the payment are recognised as of that date.

Measurement:

Investment at fair value through the profit or loss is initially recognised at fair value. Transaction costs are expensed into the profit or loss. Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets held at fair value through profit or loss are presented in the profit or loss in the period in which they arise.

Fair value estimation:

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques in accordance with the Guidelines. Pursuant to the Guidelines, the Group believes the following techniques applied individually, or in combination, are the most suitable ones for the Group's current portfolios:

- (I) Multiples: When valuing investments on a multiple basis, the Group has abided by the following principles:
 - i. apply a multiple that is appropriate and reasonable (giving the risk profile and earnings growth prospects of the underlying company) to the maintainable earnings of the underlying company;
 - ii. adjust the amount derived in (i) above for surplus assets or excess liabilities and other relevant factors to derive the enterprise value for the underlying company;
 - iii. deduct from the enterprise value all amounts relating to financial instruments ranking ahead of the highest ranking instrument of the Group in a liquidation and taking into account the effect of any instrument that may dilute the Group's investments in order to derive the gross attributable enterprise value;
 - iv. apply an appropriate marketability discount to the gross attributable enterprise value derived in (iii) above in order to derive the net attributable enterprise value. The marketability discount relates to an investment rather than to the underlying business. Marketability discounts will vary from situation to situation and is a question of judgement. When a discount is applied, relevant factors in determining the appropriate marketability discount in each particular situation will be considered. A discount in the range of 20% to 30% (in steps of 5%) is generally used in practice, depending upon the particular circumstances; and
 - v. apportion the net attributable enterprise value appropriately between the relevant financial instruments.
- (II) Discounted cash flow: Fair value is estimated by deriving the present value of the investment using reasonable assumptions of expected future cash flows of the underlying business and the terminal value and date, and the appropriate risk-adjusted discount rate that quantifies the risk inherent to the investment. The discount rate is estimated with reference to the market risk-free rate, a risk adjusted premium and information specific to the investment or market sector.
- (III) Industry valuation benchmarks: The use of industry benchmarks is only likely to be appropriate as the main basis of estimating fair value in limited situations, and is more likely to be useful as a sense check of values produced using other methodologies. The Group has primarily relied on such metrics to validate the outcome produced by other valuation techniques.

• Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Income from loans and receivables is recognised as it accrues by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value. The losses arising from impairment are recognised in the statement of comprehensive income.

Notes to the financial statements (continued)

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 16.

- **Derivative financial instruments**

Derivative financial instruments are held at fair value and changes in fair value are recognised in profit or loss of the consolidated statement of comprehensive income.

- **Impairment of financial assets**

For amortised cost loans and receivables, the Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred 'loss event'), have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(e) Financial liabilities

The Group's financial liabilities include trade and other payables, borrowing and financial guarantee contracts.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The measurement of financial liabilities depends on their classification, as described below:

- **Financial liabilities at amortised cost**

Financial liabilities (including trade and other payables and borrowing) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate a shorter period, to the net carrying amount on initial recognition.

- **Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

- **Redeemable zero dividend preference shares**

On initial recognition, redeemable zero dividend preference shares are recognised at the fair value, which are determined using the prevailing market interest of similar non-convertible debts, net of issue costs incurred. In subsequent periods, redeemable zero dividend preference shares are carried at amortised cost using the effective interest method.

- **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

(f) Equity instrument

Financial instruments shall reclassify a financial liability as equity from the date when there is no existence of a contractual obligation to deliver cash or another financial assets by the issuer. The equity instruments are recorded at the fair value of the equity instruments issued. The difference between the carrying amount of the financial liability extinguished and the fair value of the equity instruments issued shall be recognised in profit or loss. The equity instruments issued shall be recognised initially and measured at the date the financial liability is extinguished.

(g) Cash and bank and borrowings

Cash and bank is defined as cash in hand, demand deposits, time deposit and short-term, highly liquid investments that are readily convertible into known amounts of cash. They are subject to an insignificant risk of changes in value, and have a short maturity, generally less than three months, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Borrowings are financial liabilities at amortised cost and are initially measured at fair value, net of directly attributable costs incurred. It is subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

(h) Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions (i.e. share options), whereby employees render services as consideration for equity instruments ("equity-settled transactions"). Certain director, executives and key employees of the Group are granted share appreciation rights (including upper share rights and contingent share awards), which can only be settled in cash ("cash-settled transactions"). Advisors receive equity-settled options in relation to the Company's admission to trading on the AIM of the London Stock Exchange.

The cost of these options with employees are measured by reference to the fair value of the equity instruments awarded at the date of grant, whereas those with non-employees are measured at the fair value of goods or services received at the date when the goods or services have been received. The fair value is determined by using binominal tree model, further details of which are given in Note 27.

Notes to the financial statements (continued)

Equity-settled transactions

The cost of equity-settled transactions (share options) is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. Movements in the liability (other than cash payments) are recognised in profit or loss.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Cash-settled transactions

The cost of cash-settled transactions (upper share rights and contingent share awards) is measured initially at fair value at the grant date using binominal tree model, further details of which are given in Note 27. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in expense.

(i) Taxes

Current Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (I) where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (II) in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- (I) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (II) in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Income taxes are recognised in the profit or loss or directly in equity except when a tax exemption has been granted.

(j) Performance incentive payable

Performance incentive payable is only accrued on those investments (classified as investments at fair value through profit or loss and loans) in which the investment's performance conditions, measured at the end of each reporting period, would be achieved if those investments were realised at fair value. Fair value is determined using the Group's valuation methodology and is measured at the end of each reporting period.

Any changes in the performance incentive provision will be reflected in the line item of performance fee in the consolidated statement of comprehensive income in which the expense establishing the provision was originally recorded.

Notes to the financial statements (continued)

(k) Investment income/loss

Investment income/loss derived from the investment activities is equivalent to "revenue" for the purposes of IAS 1. Investment income/loss is analysed into the following components:

- Realised gains/losses on the disposal of investments are the difference between the fair value of the consideration received less any directly attributable costs, on the sale of equity and the repayment of loans and receivables, and its carrying value at the start of the accounting period.
- Unrealised gains/losses on the revaluation of investments are the movement in the carrying value of investments measured at fair value between the start and end of the accounting period and the impairment of amortised cost loans.
- Income/loss from loans is recognised on a time proportion basis as it accrues by reference to the principal outstanding and the effective interest rate applicable.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

(m) New and revised IFRS that are effective or early adopted in 2017

The following new and revised IFRSs have been applied by the Group in the current year and have affected the presentation and disclosures set out in these consolidated financial statements.

IFRSs (Amendments)	Annual Improvements 2014–2016 Cycle
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above new and revised IFRSs in the current year had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statement of cash flows, note 25.

(n) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards, amendments and interpretations issued that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

Amendments to IFRSs	Annual Improvements 2014-2016 Cycle ¹
Amendments to IFRSs	Annual Improvements 2015-2017 Cycle ^{2*}
IFRS 9	Financial instruments ¹
IFRS 15	Revenue from Contracts with Customers ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ^{3*}
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ^{1*}
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 15	Revenue From Contracts with Customers (Clarification to IFRS 15) ¹
Amendments to IAS 40	Transfer of Investment Property ¹
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over income tax treatment ^{2*}

¹ Effective in the EU for annual periods beginning on or after 1 January 2018

² Effective in the EU for annual periods beginning on or after 1 January 2019

³ Effective in the EU for annual periods beginning on or after 1 January 2021

* Not yet endorsed by the European Union

Except for the new and amendments to IFRSs and interpretation mentioned below, the directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 9 "Financial instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities and impairment requirements for financial assets. A preliminary assessment of IFRS 9 performed by the Group, which is subject to changes arising from a more detailed ongoing analysis, is as follows:

(a) Classification and measurement

The Group's debt securities currently classified as financial assets at fair value through profit or loss ("FVTPL") will not be significantly affected in respect of the accounting treatment, upon adoption of IFRS 9.

The Group's equity securities currently classified as financial assets at FVTPL will continue to be classified under this category. The measurement requirements for financial assets at FVTPL under IFRS 9 are largely unchanged.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events

Notes to the financial statements (continued)

on its other receivables within the next twelve months. The Group does not expect the adoption of IFRS 9 will have a significant impact on the impairment of its financial instruments.

IFRS 15 "Revenue from contracts with customers"

In 2016, the IASB issued classifications to IFRS15 in relation to the identification of performance obligations, principal versus agent considerations as well as licensing application guidance.

The directors anticipate that the application of IFRS 15 in the future may result in more disclosures. However, the directors do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

1.5 Change in accounting estimate

During the year ended 31 December 2017, the Group has reassessed the fair value of certain investments measured at fair value through profit or loss. China Rice Ltd ("China Rice"), Unipower Battery Ltd ("Unipower") and Moly World Ltd were remeasured by using expected recoverable method and Kincora Copper Ltd ("Kincora") by using consensus pricing method to better reflect the expected fair value of the investments. Such change in accounting estimate has been applied prospectively from 1 January 2017 onwards. As a result, unrealised losses on investments for the year ended 31 December 2017 and the carrying of investment as at 31 December 2017 has increased and decreased by approximately US\$52,431,000 respectively.

2. Investment loss

	2017 US\$'000	2016 US\$'000
Realised gains/(losses) on disposal of investments	423	(142)
– Investments at FVTPL	882	(269)
– Loans at FVTPL	–	127
– Subsidiary	(459)	–
Unrealised losses on investments	(74,440)	(6,069)
– Investments at FVTPL	(50,526)	(6,059)
– Loans at FVTPL	(23,761)	–
– Loans at amortised cost	(153)	(10)
Income from loans	–	627
Total	<u>(74,017)</u>	<u>(5,584)</u>

3. Consulting services payable

	2017 US\$'000	2016 US\$'000
Consulting services payable	(1,390)	(1,769)
Total	<u>(1,390)</u>	<u>(1,769)</u>

4. Performance incentive

	2017 US\$'000	2016 US\$'000
Release of provision for performance incentive payable over one year	–	4,195
Total	–	4,195

A provision within the consolidated statement of financial position for future performance incentive for the year ended 31 December 2017 was US\$Nil (2016: US\$Nil). The performance incentives are accrued and payable to Origo Advisors Ltd. Refer to Note 28 for details on Origo Advisors Ltd. The release of provision in 2016 was derived from the amendment agreement of Asset Realisation Support Agreement (the "Amendment Agreement") signed between the Group and Origo Advisors Ltd. on 6 September 2016.

5. Other administrative expenses

	2017 US\$'000	2016 US\$'000
Employee expenses	(154)	(161)
Professional fees	(648)	(1,769)
Audit fees	(120)	(139)
– Current year	(120)	(158)
– Over-provision in respect of prior years	–	19
Depreciation expenses	(13)	(24)
Amortisation expenses	(1)	(2)
Provision for bad debts	(3,386)	(1,008)
Others	(534)	(515)
Total	(4,856)	(3,618)

6. Information regarding directors and employees

	2017 US\$'000	2016 US\$'000
The aggregate payroll costs of these employees were as follows:		
Wages and salaries	(154)	(161)
Share-based payments	(9)	(67)
	(163)	(228)

* Most employees of the Group have been transferred to and employed by Origo Advisors Ltd. in January 2015, which is controlled by entities whose ultimate beneficiaries include Niklas Ponnert (director of the Company who resigned in April 2018) and Chris A Rynning (former director of the Company).

Notes to the financial statements (continued)

7. Directors' remuneration

	2017 US\$'000	2016 US\$'000
Directors' emoluments	(152)	(153)
Share-based payment expenses	(9)	(33)
	<u>(161)</u>	<u>(186)</u>

Directors' remuneration for the year 2017 and the number of options held were as follows:

Name	Salaries* US\$'000	Director fee US\$'000	Share-based payment** US\$'000	Total US\$'000	2017 Number of options
Mr. Niklas Ponnert***	–	–	9	9	4,500,000
Mr. Lionel de Saint-Exupery***	–	59	–	59	–
Ms. Shonaid Jemmett Page***	–	59	–	59	–
Mr. Hiroshi Funaki***	–	16	–	16	–
Mr. Philip Peter Scales***	–	9	–	9	–
Mr. John Chapman***	–	9	–	9	–
	<u>–</u>	<u>152</u>	<u>9</u>	<u>161</u>	<u>4,500,000</u>

Directors' remuneration for the year 2016 and the number of options held were as follows:

Name	Salaries* US\$'000	Director fee US\$'000	Share-based payment** US\$'000	Total US\$'000	2016 Number of options
Mr. Niklas Ponnert	–	–	33	33	4,500,000
Mr. Lionel de Saint-Exupery	–	78	–	78	–
Ms. Shonaid Jemmett Page	–	75	–	75	–
	<u>–</u>	<u>153</u>	<u>33</u>	<u>186</u>	<u>4,500,000</u>

* Short term employee benefits.

** Share-based payment refers to expenses arising from the Company's share option scheme (Note 27).

*** Mr. Lionel de Saint-Exupery and Ms. Shonaid Jemmett Page resigned as non-executive directors of the Company in October 2017. Mr. Hiroshi Funaki was appointed as director of the Company in September 2017, and Mr. Philip Peter Scales and Mr. John Chapman were appointed as directors of the Company in October 2017. Mr. Niklas Ponnert resigned as executive director of the Company in April 2018.

8. Operating segment information

Operating segments are components of the entity whose results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and to assess its performance. The chief operating decision-maker of the Group is considered to be the board of directors. The Group's operating segments have been defined based on the types of investments which was equity investment and debt instrument in 2017 and 2016.

For the year ended 31 December 2017

	Equity US\$'000	Unlisted Debt US\$'000	Total US\$'000	Equity US\$'000	Listed Debt US\$'000	Total US\$'000	Total US\$'000
Investment loss:							
Realised (losses)/gains on disposal of investments	(481)	–	(481)	904	–	904	423
Unrealised losses on investments	(44,986)	(23,914)	(68,900)	(5,540)	–	(5,540)	(74,440)
Total	(45,467)	(23,914)	(69,381)	(4,636)	–	(4,636)	(74,017)
Provision for bad debts	(3,386)	–	(3,386)	–	–	–	(3,386)
Unallocated interest expense							(3,598)
Unallocated depreciation and amortisation expenses							(14)
Unallocated corporate expenses							(2,788)
Loss before tax							(83,803)
Income tax credit	819	–	819	–	–	–	819
Loss for the year							(82,984)
Net divestment							
Net proceeds of divestment	1,000	–	1,000	3,954	–	3,954	4,954
Statement of financial position							
Investment portfolio	6,850	734	7,584	10,195	–	10,195	17,779

The Group's geographical areas based on the location of investment assets, are defined primarily as China, Mongolia, South Africa and Europe, as presented in the following table.

	Europe US\$'000	China US\$'000	Mongolia US\$'000	South Africa US\$'000	Total US\$'000
Investment loss:					
Realised gains/(losses) on disposal of investments	–	437	(14)	–	423
Unrealised losses on investments	(335)	(65,338)	(8,798)	31	(74,440)
Total	(335)	(64,901)	(8,812)	31	(74,017)
Provision for bad debts	–	(3,386)	–	–	(3,386)
Unallocated interest expenses					(3,598)
Unallocated depreciation and amortisation expenses					(14)
Unallocated corporate expenses					(2,788)
Loss before tax					(83,803)
Income tax credit	–	819	–	–	819
Loss for the year					(82,984)
Net divestment					
Net proceeds of divestment	–	4,918	36	–	4,954
Statement of financial position					
Investment portfolio	867	14,097	2,653	162	17,779

Notes to the financial statements (continued)

For the year ended 31 December 2016

		Unlisted			Listed			
	Equity	Debt	Total	Equity	Debt	Total	Total	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
	(Restated)	(Restated)	(Restated)		(Restated)	(Restated)		
Investment loss:								
Realised (losses)/gains on disposal of investments	(440)	–	(440)	171	127	298	(142)	
Unrealised (losses)/gains on investments	(8,337)	(10)	(8,347)	2,278	–	2,278	(6,069)	
Income from loans	–	542	542	–	85	85	627	
Total	<u>(8,777)</u>	<u>532</u>	<u>(8,245)</u>	<u>2,449</u>	<u>212</u>	<u>2,661</u>	<u>(5,584)</u>	
Unallocated interest expenses							(5,791)	
Unallocated depreciation and amortisation expenses							(26)	
Unallocated corporate expenses							(921)	
Loss before tax							(12,322)	
Income tax credit	65	–	65	–	–	–	65	
Loss for the year							<u>(12,257)</u>	
Net divestment								
Net proceeds of divestment	353	–	353	412	383	795	1,148	
Statement of financial position								
Investment portfolio	52,835	24,640	77,475	19,188	–	19,188	96,663	
				Europe	China	Mongolia	South Africa	Total
				US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Investment loss:								
Realised (losses)/gains on disposal of investments				–	(440)	298	–	(142)
Unrealised gains/(losses) on investments				102	(2,833)	(3,255)	(83)	(6,069)
Income from loans				–	542	85	–	627
Total				<u>102</u>	<u>(2,731)</u>	<u>(2,872)</u>	<u>(83)</u>	<u>(5,584)</u>
Unallocated interest expenses								(5,791)
Unallocated depreciation and amortisation expenses								(26)
Unallocated corporate expenses								(921)
Loss before tax								(12,322)
Income tax credit				–	65	–	–	65
Loss for the year								<u>(12,257)</u>
Net divestment/(investment)								
Net proceeds of divestment				–	353	795	–	1,148
Statement of financial position								
Investment portfolio				<u>1,202</u>	<u>83,840</u>	<u>11,490</u>	<u>131</u>	<u>96,663</u>

9. Finance costs

	2017 US\$'000	2016 US\$'000
Interest expenses of redeemable/convertible zero dividend preference shares	(3,219)	(5,773)
Interest expenses of borrowing	(335)	–
Bank charges	(44)	(18)
	<u>(3,598)</u>	<u>(5,791)</u>

10. Income tax

As the Company is not in receipt of income from Manx land, certain related business or property and does not hold a Manx banking licence, it is taxed at the standard rate of 0% on the Isle of Man. The Company is resident for tax purposes in the Isle of Man and subject to corporate income tax at the standard rate of 0% and as such no provision for tax in the Isle of Man has been made.

	2017 US\$'000	2016 US\$'000
Current tax		
Current year	–	–
Deferred tax		
Deferred income tax*	819	65
Total income tax credit in the consolidated statement of comprehensive income	<u>819</u>	<u>65</u>

* As at 31 December 2017, the deferred income tax liability US\$ 796,000 (2016: US\$2,017,000) relates to fair value gain of Niutech Environment Technology Corporation ("Niutech") (2016: Celadon Mining Ltd., China Rice, Niutech and Unipower), estimated in accordance with the relevant tax laws and regulations in the People's Republic of China ("PRC") based on a tax rate of 10%.

The income tax for the year can be reconciled per the consolidated statement of comprehensive income as follows:

	2017 US\$'000	2016 US\$'000
Loss before tax	(83,803)	(12,322)
Loss before tax multiplied by rate of corporate income tax in the Isle of Man of 0% (2016: 0%)	–	–
Effects of:		
Deferred tax on unrealised gains on investments	819	65
Total income tax credit in the consolidated statement of comprehensive income	<u>819</u>	<u>65</u>

Notes to the financial statements (continued)

Deferred income tax

	2017 US\$'000	2016 US\$'000
Opening deferred income tax liability		
Income in accounts taxable in the future	2,017	2,082
	<u>2,017</u>	<u>2,082</u>
Recognised through consolidated statement of comprehensive income		
Income in accounts taxable in the future	(819)	(65)
Realised through investment realisation	(402)	–
	<u>(1,221)</u>	<u>(65)</u>
Closing deferred income tax liability		
Income in accounts taxable in the future	796	2,017
	<u>796</u>	<u>2,017</u>

No deferred tax asset has been recognised in respect of certain unused tax losses of US\$ 236,000 (2016: US\$ 153,000), for offsetting against future taxable profits of the relevant entity in the Group in which the losses arose, due to the unpredictability of future profit streams. The unused tax losses will expire within a maximum period of five years in the PRC.

11. Loss per share (“LPS”)

	2017 US\$'000	2016 US\$'000
Numerator		
Loss for the year attributable to ordinary shareholders of the parent as used in the calculation of basic loss per share	(41,071)	(12,244)
Loss for the year attributable to redeemable zero dividend preference shareholders of the parent as used in the calculation of basic loss per share	(41,913)	N/A
Loss for the year attributable to ordinary shareholders of the parent as used in the calculation of diluted loss per share	(41,071)	(12,244)
Loss for the year attributable to redeemable zero dividend preference shareholders of the parent as used in the calculation of diluted loss per share	(41,913)	N/A

Denominator	2017 Number of Shares	2016 Number of shares
Weighted average number of ordinary shares for basic LPS	351,035,389	351,035,389
Effect of dilution*: Share options	—	—
Weighted average number of ordinary shares adjusted for the effect of dilution	351,035,389	351,035,389
Weighted average number of redeemable zero dividend preference shares for basic LPS before and after adjusted for the effect of dilution	14,991,781	—
Basic LPS of ordinary shares	(11.70) cents	(3.49) cents
Diluted LPS of ordinary shares	(11.70) cents	(3.49) cents
Basic LPS of redeemable zero dividend preference shares	(279.57) cents	N/A
Diluted LPS of redeemable zero dividend preference shares	(279.57) cents	N/A

* Diluted loss per share for the years ended 31 December 2017 and 31 December 2016 is the same as the basic loss per share, as the Company's outstanding share options and convertible zero dividend preference shares had an anti-dilutive effect on the basic loss per share for the years ended 31 December 2017 and 31 December 2016.

12. Property, plant and equipment

	Vehicles US\$'000
Cost	
At 1 January 2016	144
Disposal	(59)
At 31 December 2016 and 2017	85
Accumulated depreciation	
At 1 January 2016	80
Charge for the year 2016	24
Disposal	(52)
At 31 December 2016	52
Charge for the year 2017	13
At 31 December 2017	65
Net book value	
At 31 December 2016	33
At 31 December 2017	20

Notes to the financial statements (continued)

13. Investments in subsidiaries

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Proportion of ownership interest at 31 December 2017	Proportion of ownership interest at 31 December 2016
Ascend Ventures Ltd	Malaysia	100%	100%
Origo Resource Partners Ltd	Guernsey	100%	100%
PHI International Holding Ltd	Bermuda	100%	100%
PHI International (Bermuda) Holding Ltd*	Bermuda	100%	100%
Ascend (Beijing) Consulting Ltd**	China	100%	100%
China Cleantech Partners, L.P. ("CCP Fund")	Cayman Islands	100%	100%
ISAK International Holding Ltd***	British Virgin Islands	–	71.2%

* Owned by Origo Resource Partners Ltd

** Owned by Ascend Ventures Ltd

***Struck off

14. Investments at fair value through profit or loss

As at 31 December 2017

Name	Country of incorporation	Fair value hierarchy level	Proportion of ownership interest	Cost US\$'000	Fair value US\$'000
Niutech (Note b)	British Virgin Islands	3	11.8%	4,819	8,555
Celadon Mining Ltd	British Virgin Islands	3	8.9%	13,069	4,477
Kincora (Notes c and d)	Canada	3	30.9%	8,571	1,607
Six Waves Inc	British Virgin Islands	3	1.1%	240	1,065
Gobi Coal & Energy Ltd (Note c and e)	British Virgin Islands	3	7.5%	14,960	1,013
Marula Mines Ltd	South Africa	3	0.9%	250	162
Fram Exploration AS	Norway	3	0.6%	1,223	133
Staur Aqua AS	Norway	3	9.2%	719	–
Unipower (Note d)	Cayman Islands	3	16.5%	4,301	–
China Rice (Note d)	British Virgin Islands	3	32.1%	13,000	–
Moly World Ltd (Note d)	British Virgin Islands	3	20.0%	10,000	–
Other quoted investments (Note c)		1		593	33
					17,045

The shares held in China Rice and Unipower are all convertible preference shares whilst the remaining investments held in the other entities are all ordinary equity shares. The 'proportion of ownership interest' represents the percentage of the shares held by the Group in all share classes.

As at 31 December 2016

Name	Country of incorporation	Fair value hierarchy level	Proportion of ownership interest	Cost US\$'000	Fair value US\$'000
Niutech (Note b)	British Virgin Islands	3	18.4%	6,350	14,160
Celadon Mining Ltd	British Virgin Islands	3	8.9%	13,069	20,059
Kincora (Notes c and d)	Canada	1	30.9%	8,571	4,957
Six Waves Inc	British Virgin Islands	3	1.1%	240	1,464
Gobi Coal & Energy Ltd (Note c and e)	British Virgin Islands	3	10.8%	14,960	2,679
Marula Mines Ltd	South Africa	3	0.9%	250	131
Fram Exploration AS	Norway	3	0.6%	1,223	145
Staur Aqua AS	Norway	3	9.2%	719	562
Unipower (Note d)	Cayman Islands	3	16.5%	4,301	6,648
China Rice (Note d)	British Virgin Islands	3	32.1%	13,000	16,364
Moly World Ltd (Note d)	British Virgin Islands	3	20.0%	10,000	3,783
Rising Technology Corporation Ltd/Beijing Rising Information Technology Ltd (Note f)	British Virgin Islands	3	2%/1.6%	5,565	1,000
Other quoted investments (Note c)		1		685	71
					<u>72,023</u>

Notes

- There are no significant restrictions that will have an impact on ability to transfer these investments.
- The Company holds 95.3% interest in Niutech Energy Ltd, by which Niutech is indirectly held.
- Investments held partially by China Commodities Absolute Return Ltd, one of the subsidiaries of the Group, in 2015. During the year 2016, the investments had been transferred and held by the Company.
- These investments are associates of the Group measured at fair value through profit or loss.
- During the course of 2017, certain licenses of Gobi Coal & Energy Ltd were subject to freezing and confiscation orders imposed by Mongolian courts in relation to a dispute between the former chairman of the company and one of its shareholders. As of 31 December 2017 these orders were still in effect.
- 2% equity stake in Rising Technology Corporation Ltd and 1.6% beneficial interest in Beijing Rising Information Technology Ltd, a company incorporated in the PRC, under a nominee agreement. The investment was disposed in during the year.

In accordance with IFRS 13 "Fair Value Measurement", investments recognised at fair value are required to be analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. In 2017, the Group transferred an

Notes to the financial statements (continued)

investment with fair value of approximately US\$1,607,000 as at 31 December 2017 from Level 1 to Level 3, primarily related to an equity security traded in active markets while there have been no transfers between levels during the year of 2016. The Group has used a quoted offered price of Kincora from a market pricing service agent in 2017 (2016: quoted price in active market) due to lack of liquidity from reduced daily transaction volume during the year in the active market.

The following table provides an analysis of investments carried at fair value by level of fair value hierarchy:

	2017			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Investments at fair value through profit or loss				
– Listed equity investments	33	–	10,162	10,195
– Unlisted equity investments	–	–	6,850	6,850
	<u>33</u>	<u>–</u>	<u>17,012</u>	<u>17,045</u>
	2016			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Investments at fair value through profit or loss			(Restated)	
– Listed equity investments	5,028	–	14,160	19,188
– Unlisted equity investments	–	–	52,835	52,835
	<u>5,028</u>	<u>–</u>	<u>66,995</u>	<u>72,023</u>

Changes in investments at fair value through profit or loss based on Level 3:

	2017 US\$'000	2016 US\$'000
Opening balance	66,995	76,125
Proceeds from disposals of investments	(4,918)	(353)
Realised gain/(losses) on disposals of investments	918	(440)
Bank charges	(11)	–
Transaction costs	(402)	–
Transfer from Level 1	1,607	–
Net exchange difference	1,832	(4,657)
Movement in unrealised losses on investments		
– In profit or loss	(49,009)	(3,680)
Closing balance	<u>17,012</u>	<u>66,995</u>

The fair value decrease on investments categorised within Level 3 of US\$47,177,000 (2016: US\$8,337,000) was recorded in the consolidated statement of comprehensive income.

Description of significant unobservable inputs to valuation:

As at 31 December 2017

	Valuation technique	Significant unobservable inputs	Range
Investments in quoted equity shares – Kincora	Consensus pricing method	Offered quote	USD 1,607,000
Investments in unquoted equity shares – Celadon Mining Ltd, Gobi Coal & Energy Ltd and Fram Exploration AS	Multiples method	Discount for lack of marketability	20% – 30%
		Share price volatility	80%
Investments in unquoted equity shares – Marula Mines Ltd	Consensus pricing method	Offered quote	USD 162,000
Investments in unquoted equity shares – Six Waves Inc	Multiples method	Discount for lack of marketability	30%

As at 31 December 2016

	Valuation technique	Significant unobservable inputs	Range
Investments in unquoted equity shares – Moly World Ltd	Discounted cash flow method	Weighted average cost of capital ("WACC")	23%
		Discount for lack of marketability	20% – 30%
Investments in unquoted equity shares - others in Mining Investments*	Multiples method	Discount for lack of marketability	20%– 30%
Investments in unquoted equity shares – China Investments*	Multiples method	Discount for lack of marketability	30%
Investments in unquoted equity shares – Staur Aqua AS	Multiples method	Discount for lack of marketability	30%
Investments in unquoted equity shares – Six Waves Inc	Multiples method	Discount for lack of marketability	30%

* Investments disclosed in the Origo's Portfolio in Chairman's Letter.

Notes to the financial statements (continued)

Risk management activities

Fair value risk

The Group's financial assets are predominantly investments in unquoted companies, and the fair value of each investment depends upon a combination of market factors and the performance of the underlying asset. The Group does not hedge the market risk inherent in the portfolio but manages asset performance risk on an asset-specific basis by continuously monitoring each asset's performance. Changes of each asset's fair value is taken to the statement of comprehensive income as necessary. The Group believes that the carrying amount is a reasonable approximation of fair value for their financial assets and liabilities.

Valuation techniques

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current closing price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group has estimated the value of each of its unquoted equity instruments by using judgement to select the most appropriate valuation methodology for each investment based on the recommendations of the Guidelines. Valuation methodologies mainly include multiples, discounted cash flow, industry valuation benchmarks, available market prices and so on, which may apply individually or in combination. Key assumptions and judgements of each methodology concerning the future and other key sources of estimation uncertainty will have a significant risk of causing a material adjustment to the fair value of the instruments within the next reporting period.

Sensitivity risk of investments at fair value through profit or loss based at Level 3

Level 3 inputs are sensitive to assumptions made when ascertaining fair value of financial assets. A reasonable alternative assumption would be to apply a standard marketability discount of 25% for all assets rather than the specific approach adopted. This would have a negative impact on the portfolio of US\$180,000 (2016: increased US\$2,442,000) or 1.17% (2016: increased 3.70%) of total investments at fair value through profit or loss based at level 3.

Increase in WACC by 1% would decrease/increase the fair value by nil (2016: US\$282,000).

15. Loans

The Group has entered into convertible credit agreements and has the right to convert the outstanding principal balance of relevant loans into borrower's shares according to certain conversion conditions, and loan agreements with certain investee companies as set forth in the table below.

As at 31 December 2017

Borrower	Loan rates %	Loan principal US\$'000	Loans due within one year US\$'000	Loans due after one year US\$'000	Fair value US\$'000
Convertible credit agreements*					
Staur Aqua AS	0-15	3,848	384	350	734
			384	350	734

* Loans in relation to convertible credit agreements are measured at fair value. Loans in relation to loan agreements are measured at amortised cost using the effective interest rate method less any identified impairment losses.

As at 31 December 2016

Borrower	Loan rates %	Loan principal US\$'000	Loans due within one year US\$'000	Loans due after one year US\$'000	Fair value US\$'000
Convertible credit agreements*					
China Rice	4	15,000	15,000	–	15,000
Unipower	6	9,000	9,000	–	9,000
Staur Aqua AS	0-15	3,848	145	350	495
Sub-total			24,145	350	24,495
Loan agreements*					
Unipower	12	164	145	–	145
Sub-total			145	–	145
Total			24,290	350	24,640

Statement of changes in loans:

	2017 US\$'000	2016 US\$'000
Opening balance	24,640	26,443
Repayment	–	(383)
Converted into ordinary shares	–	(1,532)
Net exchange difference	8	(5)
Movement in realised and unrealised losses on investments – In profit or loss	(23,914)	117
Closing balance	734	24,640

Changes in convertible credit agreements based on Level 3:

	2017 US\$'000	2016 US\$'000
Opening balance	24,495	26,288
Repayment	–	(383)
Converted into ordinary shares	–	(1,532)
Net exchange difference	–	(5)
Movement in realised and unrealised losses on investments – In profit or loss	(23,761)	127
Closing balance	734	24,495

The fair value decrease on convertible credit agreements categorised within Level 3 of US\$23,914,000(2016: increase of US\$117,000) was recorded in the consolidated statement of comprehensive income.

Convertible loans issued to China Rice of US\$15,000,000 and Unipower of US\$9,000,000 were fully impaired in 2017.

Notes to the financial statements (continued)

16. Trade and other receivables

	2017 US\$'000	2016 US\$'000
Trade debtors	278	5
Other debtors	596	889
Loan interest receivables	–	3,113
Prepayment	7	–
Total	881	4,007

2017 Aging for the Group

	0-30 days US\$'000	31-60 days US\$'000	61-90 days US\$'000	91-180 days US\$'000	181- 365 days US\$'000	Over 365 days US\$'000	Total US\$'000
Aging for the Group							
Trade debtors	278	–	–	–	–	–	278
Other debtors and prepayment	51	17	1	16	113	1,925	2,123
Loan interest receivables	–	–	–	–	–	8,161	8,161
Provision against loan interest receivables	–	–	–	–	–	(8,161)	(8,161)
Provision of bad debts	–	–	–	–	–	(1,520)	(1,520)
Total	329	17	1	16	113	405	881
Percentage	37%	2%	0%	2%	13%	46%	100%

2016 Aging for the Group

	0-30 days US\$'000	31-60 days US\$'000	61-90 days US\$'000	91-180 days US\$'000	181-365 days US\$'000	Over 365 days US\$'000	Total US\$'000
Aging for the Group							
Trade debtors	–	–	–	–	–	5	5
Other debtors	19	240	2	10	14	2,941	3,226
Loan interest receivables	46	44	46	136	223	7,666	8,161
Provision against loan interest receivables	–	–	–	–	–	(5,048)	(5,048)
Provision of bad debts	–	–	–	–	–	(2,337)	(2,337)
Total	65	284	48	146	237	3,227	4,007
Percentage	2%	7%	1%	4%	6%	80%	100%

The below table reconciles the impairment loss of trade debtors for the year:

	2017 US\$'000	2016 US\$'000
At 1 January	7,385	10,753
Impairment loss recognised	3,386	1,008
Bad debts written off	(1,090)	(4,376)
Total	9,681	7,385

The Group identified an impairment of US\$3,386,000 (2016: US\$1,008,000) on trade and other receivables, and the impairment is recognised within the other administrative expenses.

17. Cash and cash equivalents

	2017 US\$'000	2016 US\$'000
Current account	1,199	1,786
Total cash and cash equivalents	1,199	1,786

18. Trade and other payables

	2017 US\$'000	2016 US\$'000
Trade payables	–	5
Other payables	1,381	3,467
Performance incentive payable within one year	–	8
Total	1,381	3,480

19. Financial guarantee contracts

	2017 US\$'000	2016 US\$'000
Financial guarantee contracts*	435	435
Total	435	435

* In July 2013, the Group entered into a guarantee agreement with IRCA Holdings Ltd and ABSA Bank Limited to guarantee the repayment of loan facilities of up to Rand 6,769,000 extended by ABSA Bank Limited to IRCA Holdings Ltd, which has applied for liquidation, so the Group recognised it as a liability. The payment request related to this provision is expected at any time requested by ABSA Bank.

20. Short-term/Long-term borrowing

	2017 US\$'000	2016 US\$'000
Current liabilities		
Short-term borrowing*	2,500	–
Non-current liabilities		
Long-term borrowing*	–	2,500
Total borrowing	2,500	2,500

* On 2 December 2016, the Company entered into an unsecured loan agreement with an independent third party for an unsecured loan US\$2,500,000 (the "Facility"). The Facility carries a rate of return (payable at repayment) of the higher of 12% per annum (calculated on a non-compounding basis) and US\$1,250,000 (accrued on a day to day basis).

The proceeds of the Facility will be applied in accordance with article 13.1.1 of the Company's articles of association ("Articles").

The Facility is repayable on the earlier of (i) 2 December 2020; and (ii) when the Company has distributed US\$6,000,000 to the Company's shareholders in accordance with articles 4.10 to 4.12 of the Company's Articles provided it has sufficient funds to repay the Facility. The Company may at any time prepay the Facility, in whole or in part, without penalty. As at 31 December 2017, no distribution had been made in accordance with articles 4.10 to 4.12 of the Company's Articles. The Company expected to settle the borrowing in 2018, and thus, management reclassified the borrowing as short-term borrowing as at 31 December 2017.

Notes to the financial statements (continued)

21. Provision

	2017	2016
	US\$'000	US\$'000
Upper share rights/contingent share awards*	103	82
Total	103	82
	2017	2016
	US\$'000	US\$'000
Opening balance	82	4,262
Movement in upper share rights/contingent share awards*	21	15
Movement in performance incentive provision**	–	(4,195)
Total	103	82

* The provision relates to the fair value of upper share rights and contingent share awards granted to certain directors, executives and ex-employees under the Company's joint share ownership scheme. Further details about the upper share rights and contingent share awards are included in Note 27. The provision is expected to be utilised in the next 8 years provided the upper share rights are exercised.

**Refer to Note 4 for total performance incentive expenses. The provision is expected to be utilised when investments are realised and the hurdle is reached.

22. Redeemable/convertible zero dividend preference shares

	Number of shares	Liability component US\$'000	Equity component US\$'000	Other reserve US\$'000
Balance at 1 January 2016	57,000,000	69,385	8,297	–
Interest expense on convertible zero dividend preference shares	–	4,674	–	–
Interest expense on redeemable zero dividend preference shares	–	1,099	–	–
Gain recognised upon extinguishment*	–	(62)	–	–
Change in fair value upon extinguishment	–	–	27,627	–
Released upon extinguishment	–	(73,997)	(35,924)	–
Recognition of redeemable zero dividend preference shares	–	46,370	–	–
Balance at 31 December 2016	57,000,000	47,469	–	–
Interest expense on redeemable zero dividend preference shares	–	3,219	–	–
Capitalisation of redeemable zero dividend preference shares	–	(50,688)	–	50,688
Balance at 31 December 2017	57,000,000	–	–	50,688

* Gain recognised upon extinguishment was recognised in other income during the year 2016.

In September 2016, the Company restructured the terms of its existing convertible zero dividend preference shares, where the conversion feature has been removed, which were revised as redeemable zero dividend preference shares. The principal terms of restructure includes: i) removal of redemption of at least 12 million convertible zero dividend preference shares and/or maturity date; ii) reset of the accreted principal amount per preference shares to US\$1.0526 each; iii) no rate of return on the outstanding amount will begin to accrete until 1 January 2018 and, iv) in respect of each preference share still in issue on 1 January 2018, its principal amount of US\$1.0526 shall be subject to the accretion of a rate of return equal to 4 per cent per annum from (and including) 1 January 2018 to (and including) the date on which such amount is redeemed, with such return accruing on a simple and not compound basis. Due to the revised terms, the convertible zero dividend preference shares were regarded as an extinguishment and redeemable zero dividend preference shares were therefore recognised. The redeemable zero dividend preference shares effective interest rate is 9.18% per annum.

On 27 September 2017, the rights attaching to the redeemable zero dividend preference shares and the ordinary shares changed so that they rank alongside each other, and the redeemable zero dividend preference shareholders receive distributions when ordinary shareholders do. Post 27 September 2017, the redeemable zero dividend preference shares are accounted for as an equity instrument in accordance with the accounting policies disclosed in Note 1.4(f).

All future distributions to ordinary and redeemable zero dividend preference shareholders are on the following basis (pro rata within the respective classes of shares):

- in respect of the first US\$15 million of distributions, 80 percent (i.e. US\$12 million) to the redeemable zero dividend preference shareholders and 20 percent (i.e. US\$3 million) to the ordinary shareholders;
- in respect of distributions in excess of the first US\$15 million: until such time as all redeemable zero dividend preference shares have been redeemed in full, 44 percent to the redeemable zero dividend preference shareholders and 56 percent to the ordinary shareholders; thereafter, 100 percent to the ordinary shareholders.

The redeemable zero dividend preference shares are now subject to the distribution in accordance with articles 4.10 to 4.12 of the Articles. In summary, the distribution is mandatory to distribute when:

- (i) the Company has available funds, which is the aggregate amount of the Company's net cash less working capital requirements for the following 12 months and;
- (j) the Company would be able to comply with the solvency test under the Companies Act 2006 ("Solvency Test") immediately after distribution.

Notes to the financial statements (continued)

23. Issued capital

	2017		2016	
	Number of shares	£'000	Number of shares	£'000
Authorised				
Ordinary shares of £ 0.0001 each	<u>500,000,000</u>	<u>50</u>	<u>500,000,000</u>	<u>50</u>
Issued and fully paid				
Ordinary shares of £ 0.0001 each				
At beginning and end of the year	<u>358,746,814</u>	<u>56</u>	<u>358,746,814</u>	<u>56</u>
Redeemable zero dividend preference shares of no par value	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 1 January	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Capitalisation of redeemable zero dividend preference shares (note 22)	<u>57,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December	<u>57,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

24. Other reserve

This mainly comprised of 57,000,000 (US\$50,688,000) redeemable zero dividend preference shares at no par value capitalised in September 2017 (2016: the debit amount of US\$2,106,000 from 7,711,425 shares of the Company held by Employee Benefit Trust ("EBT") and the amounts of US\$3,162,000 credited from the capital redemption of CCP Fund in 2014).

25. Note to the consolidated statement of cash flows

(a) Major non-cash transaction

During the year ended 31 December 2017, interest expenses of US\$3,554,000 (2016: US\$5,773,000) related to interest on borrowings and redeemable zero dividend preference shares.

(b) Reconciliation of liabilities arising from financing activities:

	Borrowing US\$'000	Redeemable zero dividend preference shares US\$'000
At 1 January 2017	2,500	47,469
Changes include in financing cash flows:		
Interest expenses paid	335	3,219
Other changes:		
Capitalisation of redeemable zero dividend preference shares	—	(50,688)
Interest expenses	(335)	—
At 31 December 2017	<u>2,500</u>	<u>—</u>

26. Financial instruments – Risk management

The Group are exposed through their operations to one or more of the following risks:

- Fair value risk
- Cash flow interest rate risk
- Currency risk
- Credit risk
- Liquidity risk
- Concentration risk
- Price risk

The policy for managing these risks is set by the board. The policy for each of the above risks is described in more detail below:

Fair value risk

The Group's financial assets are predominantly investments in unquoted companies, and the fair value of each investment depends upon a combination of market factors and the performance of the underlying asset. The Group does not hedge the market risk inherent in the portfolio but manages asset performance risk on an asset-specific basis by continuously monitoring each asset's performance and charging the change of each asset's fair value to the consolidated statement of comprehensive income as necessary.

Cash flow interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is relatively small as the Group's outstanding debt is fixed rate. Meanwhile, the interest income is not material in the context of the total portfolio return as a whole.

Currency risk

Some of the Group's assets, liabilities, income and expenses are effectively denominated in currencies other than US Dollars (the Group's presentation and functional currency). Fluctuations in the exchange rates between these currencies and US Dollars will have an effect on the reported value of those items.

Notes to the financial statements (continued)

The following table demonstrates the sensitivity of the Group's loss before tax due to a change in the fair value of monetary assets and liabilities resulting from a reasonably possible change in the US dollar, with all other variables held constant.

	Appreciation/ (depreciation) in US\$	Effect on loss before tax US\$'000	Effect on net asset value US\$'000
2017	+10%	701	701
	-10%	(701)	(701)
2016	+10%	2,739	2,739
	-10%	(2,739)	(2,739)

The assumed movement for currency rate sensitivity analysis is based on the currently observable market environment.

The Group's assets and liabilities that are effectively denominated in currencies other than the functional currency, US Dollars, are:

	GBP US\$'000	NOK US\$'000	RMB US\$'000	HKD US\$'000	CAD US\$'000	ZAR US\$'000	Total US\$'000
2017							
Cash and bank balances	62	–	3	49	–	–	114
Investments at FVTPL*	4,484	133	–	–	1,635	–	6,252
Loans	–	734	–	–	–	–	734
Trade and other receivables	–	–	488	–	–	–	488
Total Assets	4,546	867	491	49	1,635	–	7,588
Trade and other payables	–	–	(42)	–	–	–	(42)
Financial guarantee contracts	–	–	–	–	–	(435)	(435)
Provision	(103)	–	–	–	–	–	(103)
Total Liabilities	(103)	–	(42)	–	–	(435)	(580)
2016							
Cash and bank balances	176	–	141	50	–	–	367
Investments at FVTPL *	20,065	707	–	–	5,023	–	25,795
Loans	–	495	145	–	–	–	640
Trade and other receivables	–	–	385	–	–	–	385
Total Assets	20,241	1,202	671	50	5,023	–	27,187
Trade and other payables	–	–	(78)	–	–	–	(78)
Financial guarantee contracts	–	–	–	–	–	(435)	(435)
Provision	(82)	–	–	–	–	–	(82)
Total Liabilities	(82)	–	(78)	–	–	(435)	(595)

Credit risk

The Group is primarily exposed to credit risk from the loans including convertible credit agreements and loan agreements extended to unquoted portfolio companies, loan interest receivables and other debtors, in which the directors consider the maximum credit risk to be the carrying value of the convertible credit agreements, loan agreements, loan interest receivables and other debtors which amounted to US\$1,615,000 (2016: US\$28,647,000). Directors consider cash and cash equivalents do not expose to significant credit risk, because the cash is held at reputable banks. The credit risk exposure is managed on an asset-specific basis by management.

	2017 not past due US\$'000	2017 up to 12 months past due US\$'000	2017 more than 12 months past due US\$'000	2017 Total US\$'000	2016 not past due US\$'000	2016 up to 12 months past due US\$'000	2016 more than 12 months past due US\$'000	2016 Total US\$'000
Convertible credit agreements	-	384	350	734	-	-	24,495	24,495
Loan agreements	-	-	-	-	-	-	145	145
Trade and other receivables	-	476	405	881	-	780	3,227	4,007
Total	-	860	755	1,615	-	780	27,867	28,647

Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date or, if earlier, the expected date on which the financial liabilities will be settled. The amounts in the table are the contractual undiscounted cash flows.

Liabilities	Carrying amount US\$'000	Less than 1 month US\$'000	1-3 months US\$'000	3-12 months US\$'000	over 12 months US\$'000	Total US\$'000
31 December 2017						
Other payables	1,880	1,545	-	-	1,250	2,795
Upper share rights/contingent share awards	103	-	-	-	103	103
Short-term borrowing	2,500	-	-	-	2,500	2,500
Total	4,483	1,545	-	-	3,853	5,398
Financial guarantees issued						
Maximum amount guaranteed	435	-	-	435	-	435

Notes to the financial statements (continued)

Liabilities 31 December 2016	Carrying amount US\$'000	Less than 1 month US\$'000	1-3 months US\$'000	3-12 months US\$'000	over 12 months US\$'000	Total US\$'000
Trade payables	5	5	–	–	–	5
Other payables	3,966	3,966	–	–	–	3,966
Performance incentive payable	8	–	–	8	–	8
Upper share rights/contingent share awards	82	–	–	–	82	82
Long-term borrowing	2,500	–	–	–	2,500	2,500
Redeemable zero dividend preference shares	47,469	–	–	–	57,000	57,000
Contractual interest payable	–	–	–	–	13,777	13,777
Total	54,030	3,971	–	8	73,359	77,338
Financial guarantees issued						
Maximum amount guaranteed	435	–	–	435	–	435
Total	435	–	–	435	–	435

Concentration risk

The main concentration risk for Origo is that the largest investments are concentrated in China for the amount of US\$14,097,000 (2016: US\$83,840,000), 79% (2016: 87%) out of the total portfolio value of US\$17,779,000 (2016: US\$96,663,000).

Price risk

Price risk may affect the value of listed and unlisted investments as a result of changes in market prices (other than arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

As the majority of financial instruments are carried at fair value, with fair value changes recognised in the consolidated statement of comprehensive income, all changes in market conditions will directly affect reported portfolio returns.

Price risk is managed by constructing a diversified portfolio of instruments traded on various markets and hedging where appropriate.

The following table details the sensitivity to a 10% variation in equity prices. The sensitivity analysis includes all equity investments held at fair value through profit or loss and adjusts their valuation at the year end for a 10% change in value.

	2017 US\$'000	2016 US\$'000
Increase in price	1,705	7,202
Decrease in price	(1,705)	(7,202)

The sensitivity to equity and fund investments has not increased during the year due to net investments and investment portfolio loss in the year.

27. Share-based payments

The Group has a number of share schemes that allow a director, certain ex-employees and its advisors to acquire shares in the Company, as detailed in Note 1.3(c).

The total cost recognised in the consolidated statement of comprehensive income is shown below:

	2017 US\$'000	2016 US\$'000
Equity-settled option	–	(52)
Upper share rights/contingent share awards	(21)	(15)
Total	(21)	(67)

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, share options during the years ended 31 December 2017 and 31 December 2016.

	2017 No.	2017 WAEP	2016 No.	2016 WAEP
Outstanding at 1 January	13,500,000	29.22p	20,951,932	26.87p
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Expired during the year	–	–	(7,451,932)	(22.62p)
Outstanding at 31 December	13,500,000	29.22p	13,500,000	29.22p
Exercisable at 31 December	13,500,000	29.22p	13,500,000	29.22p

The weighted average remaining contractual life for the share options outstanding as at 31 December 2017 was 1.56 years (31 December 2016: 2.56 years).

The range of exercise prices for options outstanding at the end of the year was 20 pence to 59.85 pence (31 December 2016: 20 pence to 59.85 pence).

During the year 2016, options including 6,800,000 equity-settled options granted on 26 October 2006 and 651,932 equity-settled options granted on 21 December 2006 have expired.

Outstanding options include 3,500,000, 500,000 and 13,600,000 equity-settled options granted on 13 March 2008, 6 February 2009 and 2 February 2012 respectively to certain directors and employees of the Company. The Company did not enter into any share-based transactions with parties other than employees during the years from 2007 to 2016, except as described above.

During the year 2017, there were no options granted, forfeited, exercised or expired.

Notes to the financial statements (continued)

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in upper share rights and contingent share awards during the years ended 31 December 2017 and 31 December 2016.

	2017	2017	2016	2016
	No.	WAEP	No.	WAEP
Outstanding at 1 January	7,711,425	9.48p	7,711,425	9.48p
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Expired during the year	–	–	–	–
Outstanding at the end of the year	7,711,425	9.48p	7,711,425	9.48p
Exercisable at the end of the year	7,711,425	9.48p	7,711,425	9.48p

* The weighted average share price at the date of exercise of these options was 9.48 pence.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2017 was 3.51 years (2016: 4.51 years).

The range of exercise prices for options outstanding at the end of the year was zero to 15.5 pence (2016: zero to 15.5 pence).

On 16 October 2009, 4,847,099 of upper share rights were granted to certain director, executives and key employees under the Company's joint share ownership scheme ("JSOS"). 50% of upper share rights vested 12 months from the date of grant and 50% of upper share rights vested 24 months from the date of grant. The fair value of the upper share rights is estimated at the end of each reporting period using the binomial tree option pricing model. The contractual life of each upper share rights granted is 10 years.

On 20 July 2012, 1,120,000 of contingent share awards were granted to certain directors, executives and key employees under the Company's JSOS, which vested 197 days from the date of grant. The contractual life of each contingent share award granted is 10 years.

On 30 December 2014, 2,423,358 of share awards were granted to certain key employees under the Company's JSOS, which vested immediately at the date of grant. The contractual life of each share offer granted is 10 years.

The following table lists the inputs to the model used to calculate the fair value of upper share rights for the year.

	2017	2016
Underlying stock price (pence)	1.575	2.125
Exercise price (pence)	15.4	15.4
Expected life of option (years)	2	2
Expected volatility (%)	182.20	373.64
Expected dividend yield (%)	–	–
Risk-free interest rate (%)	0.50	0.50

The volatility assumption, measured at the standard deviation of expected share price returns, was based on a statistical analysis of the Company's daily share prices from 1 January 2014 to 31 December 2017 using source data from Reuters.

The carrying amount of the liability relating to the upper share rights and the contingent share award as at 31 December 2017 is US\$103,000 (2016: US\$82,000) and the credit expense recognised as share-based payments during the year is US\$21,000 (2016: credit expense of US\$67,000).

28. Related party transactions

Identification of related parties

The Group has a related party relationship with its subsidiaries, associates and key management personnel. The Company receives and pays certain debtors and creditors on behalf of its subsidiaries and the amounts are recharged to the entities. Transactions between the Company and its subsidiaries have been eliminated on consolidation.

Transactions with key management personnel

The Group's key management personnel are the executive and non-executive directors as identified in the director's report (Note 7).

Service receiving transactions

The following table provides the total amount of significant transactions and outstanding balances which have been entered into with related parties during the years ended 31 December 2017 and 31 December 2016.

	2017	2016
	US\$'000	US\$'000
Amounts due to related parties*		
Key management personnel:		
Lionel de Saint-Exupery***	–	(66)
Shonaid Jemmett Page***	–	(138)
Hiroshi Funaki***	(8)	–
Philip Peter Scales***	(9)	–
John Chapman***	(9)	–
Other:		
Origo Advisors Ltd**	(760)	(2,422)
Amounts due from related parties*		
Origo Advisors Ltd**	278	189
Transactions		
Origo Advisors Ltd**		
– Consulting services payable	(1,390)	(1,769)
– Release of provision for performance incentive	–	4,195
	<u>–</u>	<u>4,195</u>

Notes to the financial statements (continued)

As at 31 December 2017 and 31 December 2016, the Group is committed to pay Origo Advisors Ltd for consulting services fee as below:

	2017 US\$'000	2016 US\$'000
Within 1 year	1,000	1,200
After 1 year but within 5 years	–	1,000
Total	<u>1,000</u>	<u>2,200</u>

* The amount due to Origo Advisors Ltd is unsecured, has no fixed terms of repayment, and bears interest at 8 percent per annum. The other amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

** Origo Advisors Ltd is controlled by entities whose ultimate beneficiaries include Niklas Ponnert (director of the Company who resigned in April 2018) and Chris A Rynning (former director of the Company). The transactions were mutually agreed by both parties at a fixed sum or charged based on cost incurred. The agreement was signed for four years up to 31 December 2018. A new Asset Realisation Support Agreement was signed in May 2018 to waive the fixed sum of US\$1 million for 2018 as disclosed in Note 28 above and Note 33.

*** Ms. Shonaid Jemmett Page and Mr. Lionel de Saint-Exupery resigned as non-executive directors of the Company in October 2017. Mr. Hiroshi Funaki was appointed as director of the Company in September 2017, and Mr. Philip Peter Scales and Mr. John Chapman were appointed as directors of the Company in October 2017.

29. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages and makes appropriate adjustments to its capital structure on an ongoing basis in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders and/or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes total liabilities less cash and bank balances. Capital includes equity attributable to equity holders of the parent company. The gearing ratios as at the reporting dates were as follows:

	2017 US\$'000	2016 US\$'000 (restated)
Total liabilities	5,714	56,482
Less: Cash and bank balances	(1,199)	(1,786)
Net debt	<u>4,515</u>	<u>54,696</u>
Equity attributable to equity holders of the parent	14,165	45,517
Capital	<u>14,165</u>	<u>45,517</u>
Capital and net debt	<u>18,680</u>	<u>100,213</u>
Gearing ratio	24%	55%

30. Summary of financial assets and financial liabilities by category

	2017 US\$'000	2016 US\$'000
Financial assets		
Loans and receivables	2,073	5,938
Fair value through profit or loss – designated*	17,779	96,518
	<u>19,852</u>	<u>102,456</u>
Financial liabilities		
Financial liabilities measured at amortised cost	3,984	53,940
Financial guarantee contracts	435	435
	<u>4,419</u>	<u>54,375</u>

* Included investments in associates of the Group that measured at fair value through profit or loss of US\$1,607,000 (2016: US\$31,752,000).

31. Commitments and contingencies

There were no material contracted commitments or contingent assets or liabilities at 31 December 2017 (31 December 2016: none) that have not been disclosed in the consolidated financial statements.

32. Comparative figures

Certain comparative figures have been reclassified to conform the current year's presentation.

33. Subsequent events

- (a) In February and April 2018, the Company announced that the sale of a 4.6% and a 3.5% beneficial interest respectively in Niutech, the operating company of Niutech Energy Ltd., to Chinese institutional and other investors, for net cash proceeds of US\$5.4 million in total. Post the sales, Origo continues to hold a 3.7 % indirect interest in Niutech.
- (b) In April 2018, the Company repaid the US\$2.5 million loan that the Company entered into on 5 December 2016 by repaying the US\$2.5 million principal amount of the loan in full satisfaction of the obligation with no interest or penalty payments. The terms of the loan had required the accrual of 12% annual interest with full repayment of principal and interest no later than December 2020 in an amount no less than US\$3.75 million.
- (c) In April 2018, the Company announced the appointment of Arden Partners plc as its nominated advisor and broker and the resignation of Niklas Ponnert from the Board with immediate effect.
- (d) In May 2018, the Company announced that, following the passing of relevant resolutions at the Extraordinary General Meeting held on 18 May 2018, the 2014 Asset Realisation Support Agreement with the Company's investment consultant Origo Advisers Limited had been replaced with a new agreement effective 1 January 2018 (the "New ARA"). The New ARA waives Origo Advisers Limited's entitlement to a fixed fee of US\$1 million for 2018 and any future fixed fees in return for an ongoing fee of 8 percent of all cash returned to shareholders with a hold back of 25 percent of that amount until all the Group's assets are sold.
- (e) In June 2018, the Company disposed of a 30.9% beneficial interest respectively in Kincora for net cash proceeds of US\$1.5 million in total. Post the sales, Origo holds no interest in Kincora.

Directors, Advisors and Other Information

Directors	John Chapman, Non-Executive Chairman (appointed in October 2017) Hiroshi Funaki, Non-Executive Director (appointed in September 2017) Philip Peter Scales, Non-Executive Director (appointed in October 2017) Niklas Ponnert, Director (resigned in April 2018) Shonaid Jemmett-Page, Non-Executive Director (resigned in October 2017) Lionel de Saint-Exupery, Non-Executive Director (resigned in October 2017)
Country of incorporation of parent company	Isle of Man
Company number	005681V
Auditor	BDO Limited 25/F, Wing On Centre 111 Connaught Road Central Hong Kong
Nominated adviser and broker	Arden Partners Plc 125 Old Broad Street, London EC2N 1AR
UK legal advisers	Travers Smith LLP 10 Snow Hill, London EC1A 2AL

