ORIGO PARTNERS PLC

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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Chairman's Letter

Dear Shareholders,

Origo's net asset value as at year end 2018 was about $6.3 million[1] or about $0.018 per share as compared to about $14.2 million or about $0.039 per share as at year end 2017. The primary reasons for this decline in net asset value were: (i) write offs of the Company's investments in Celadon, Gobi Coal, Staur Aqua, Fram, Six Waves, and Unipower; (ii) realized losses from the Company's sale of its investments in Kincora Copper and Niutech; and, (iii) the costs of administering the Company, including ongoing running costs and extraordinary costs such as termination payments and legal fees. Write offs comprised about $6.7 million and realised losses about $300,000 of the $7.9 million loss. The Company's projected recurring running costs are about $700,000 with the remainder representing legal fees in several jurisdictions, termination payments, and other one-off expenses.

To give the year end 2018 $6.3 million NAV number context, the Company's purported NAV reached its apogee in late 2011 upon the completion of the $60 million preference share capital raise and the $32.5 million ordinary share capital raise. The Company appears to have raised in total about $276 million as of the end of 2011 and at that point gave its investments a "fair value" of about $250 million. At year-end 2014, when the former board entered into an "Asset Realisation Support Agreement" with the former advisor, the Company purported to have a net asset value of about $118 million (with the preference shares treated as equity – as they are now). As of the last set of accounts the former board of directors signed, the Company showed a net asset value of about $82 million. In the first set of accounts issued under the aegis of the current Board a year ago, the Company's net asset value was written down to about $14.2 million and now the net asset value has been reduced to about $6.5 million. I will return to the subject of "where did the money go?" later in this letter under the rubric of "Origo's Catastrophic Destruction of Shareholder Value."

More Recent Developments

Since Origo issued its last set of audited accounts, the board has terminated its contract with the investment advisor, Origo Advisors Ltd.("OAL"), for cause, sold Kincora Copper and Niutech for cash, fenced with the Company's former directors in an effort to recover the Company's records, and retained lawyers in several jurisdictions to analyse legal issues in connection with the dissipation of shareholder value referred to above.

The Termination of Origo Advisors Limited

The Board terminated its "advisor," OAL, for cause this past March. OAL is a company incorporated in the British Virgin Islands ("BVI") that is, or was at various times, apparently owned by Christopher A. Rynning and K. Niklas Ponnert, two of the original promoters of Origo Partners Plc and its predecessor companies, and perhaps others over the years. I say apparently because OAL is a BVI company, and BVI is a secrecy jurisdiction so ultimate ownership is opaque. In addition, Rynning has claimed in connection with recent Norwegian media reporting relating to the Origo situation (Rynning is, or was, a Norwegian national) that contrary to what is represented in say footnote 27 to the 2016 accounts he did not have an ownership interest in OAL during at least part of the time period in question.

It is probably close to impossible to get to the bottom of the ultimate ownership of OAL because Rynning and Ponnert appear to have owned their interests in OAL through other offshore vehicles, in the case of Rynning through something called "Amalie International Holdings Limited" a BVI company, and in the case of Ponnert through something called "Paracelcus Holdings Ltd. (501070)," which appears to be a Hong Kong company.

Leaving aside the issue of who had what interest in OAL when, it appears though, based on the work of our administrator's accountants, that the Company paid out in total over $20 million in cash or shares to OAL for advisory and management services, director fees and the purchase of Ascend

1 Because the functional currency of Origo is the United States dollar all currency references in this report are to USD.

Ventures, a company that held some investments that Rynning seems to have made prior to the formation of Origo. In excess of $20 million or anything close to it is obviously a lot of money given that Origo shareholders will see a destruction of at least 95% of their investment. Another way to look at this number is that it represents approximately 7.2% of the $276 million in capital the Company raised. Again, that is a lot of money in the context of the Company's dismal results.

When the current Board took office in late 2017, OAL was acting under a 2014 contract to provide advisory services to the Company in connection with its portfolio (the "2014 Advisory Agreement"). The beneficiaries of the 2014 Advisory Agreement seem certainly to have been Ponnert with the interest of Rynning, as noted above, subject to question. Ponnert also sat on the Origo Board while Rynning had resigned his Origo board position at the end of 2014 – though Rynning continued to use an Origo business card to bill Origo for several years of "expenses" from 2015 into 2018: (i) that do not appear to have been incurred on behalf of Origo; (ii) which Ponnert seems to have permitted; and, (iii) which Rynning has never reimbursed, notwithstanding that this matter has been brought to his attention. The amount of money at issue is not exceedingly large, about $37,000 in total, but one has to wonder about a lot of things including the company's internal controls when this is permitted (or neglected) over a period of about four years.

The 2014 Advisory Agreement was entered into concurrent with the shareholder vote in November 2014 for a "realisation strategy" for the disposal of the Company's assets. The professed purpose of the 2014 Advisory Agreement was to provide "asset realisation support services" so the Company could "realise its portfolio of assets and distribute net realisation proceeds to its shareholders." The 2014 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 raised from investment disposals.

The 2014 contract was obviously defective for reasons I outlined a year ago in my 2017 Chairman's letter. If the portfolio really were worth $91 million or more the $6.5 million fixed fee would seem quite generous (7.2% of assets) but it is obvious now that the portfolio has not for a long time been worth anything close to $91 million. And in my opinion even in 2014 it should have been obvious that the assets were not worth anywhere close to that amount especially given that at year end 2014, the market valued the company at about $34 million. This fact should have set off an alarm bell to the Board that the assets were likely substantially overvalued.

Another feature of management compensation is also noteworthy – the Company did not generate sufficient cash to pay the advisory fee so OAL advanced credit to the Company for unpaid fees at an 8% interest rate, and thus OAL received about $360,000 in addition to the contractual amount.

The 2014 Advisory Agreement's incentives were, therefore, doubly perverse – first a way out of the money hurdle (and therefore no incentive to realise anything) and second a large interest rate on unpaid fees (and therefore an incentive to not even realise sufficient cash to pay the management fee). In a more sensible world, you would think a manager charged with selling assets would be punished not rewarded for failing to sell sufficient assets to meet his fees under a "realisation contract." Just why the former Board approved this contract and the former Nominated Adviser issued a "Fair and Reasonable" opinion in respect of it is anyone's guess.

The current Board renegotiated the 2014 Advisory Agreement in early 2018 and eliminated the fixed fee in favour of compensation based on the return of cash to shareholders. The advisor ended up receiving nothing under the 2018 contract, first, because the advisor was terminated for cause and, second, because no cash has yet been returned to shareholders – each factor an independent ground for not paying the advisor anything.

Portfolio Developments During 2018

As at year end 2017, Origo's portfolio of investments with a substantial cost basis were composed of the following assets with the following fair values from the year end accounts for that year and the next:

Asset	Domicile	Purchased	Cost ($m)	2017 Fair Value ($m)	2018 Fair Value ($m) (* sale proceeds up to 31/12/2018)
Celadon Mining Ltd.	BVI	2011	13.1	4.47	1.129
China Rice Ltd.	BVI	2010	28.0	nil	nil
Fram Exploration AS	Norway	2010	1.223	0.133	nil
Gobi Coal & Energy Ltd.	BVI	2009	14.96	1.013	0.275
Kincora Copper	Vancouver	2010	8.571	1.607	*1.519
Moly World Ltd.	BVI	2011	10	nil	nil
Niutech Ltd.	BVI	2010	4.819	8.555	*5.697
Staur Aqua AS	Norway	2007	4.567	0.734	nil
Unipower Battery Ltd.	Cayman	2010	13.5	nil	nil

Celadon Mining

Origo's 2016 Annual Report valued Celadon at over $20 million and described it thus:

> Celadon is a China focused coking coal mining and development company. Through its Chinese subsidiaries Celadon owns three coal mines and a substantial exploration area in . . . Heilongjiang Province . . . [and] Chang Tan West which has total reserves and resources of approximately 1.05 billion tonnes in Inner Mongolia Province, northwest China.

Origo paid about $13.1 million for an 8.9% stake in Celadon, a privately held company domiciled in BVI. Celadon owns some sort of rights to mine thermal coal in northern China. Celadon has never released cash to its shareholders and has not produced an audited balance sheet in at least the time this Board has been in place.

Origo bought its interest in Celadon from another portfolio investor and has no contractual rights to influence the company or protect its investment. This Board meets and communicates with the controlling shareholder periodically. Origo also receives quarterly reports from Celadon's controlling shareholder. These reports seem to indicate that the company is endeavouring to sell itself for a substantial premium to Origo's carrying value.

In November 2017, when the Celadon asset was being carried at $9.8 million, OAL presented this Board with the following "exit strategy and monetization plan" for the Celadon asset:

> In 2015, OAL together with [Celadon's] management, agreed to a) formalize the realization strategy, i.e., a sale of the company's assets and distribution of proceeds to

> shareholders; and b) implemented a strategic sale process. . . . Celadon's management anticipates that indicative terms may be concluded over the next coming months, which would likely represent the best available estimate of the fair value of the position for FY2017. Subject to the absence of any external shocks, we see limited down/upside (+/- 20%) for today's mark [i.e., $9.8 million]."

This statement like a lot of what OAL represented seems unduly optimistic[2]. If the agreement referred to was in writing, we have never seen it, and the controlling shareholder does not seem in the habit of soliciting shareholder advice on how to run Celadon. Celadon's controlling shareholder now says he has entered into an agreement to sell Celadon's asset to an unidentified buyer contingent on that unidentified buyer obtaining financing. This arrangement appears to have been the status quo for some time and besides what the controlling shareholder states in the quarterly reports Origo has no real insight, and limited confidence, in completion.

There appear to be permitting issues, possible third-party legal claims in the event a sale is completed, issues regarding whether the unidentified buyer will obtain the requisite financing to complete any transaction, and issues regarding whether and when cash would be released from the BVI holding company in the event of an asset sale. Given these uncertainties, Origo has decided to write this investment down further to $1.129 million.

China Rice

As at year end 2016, Origo valued its China Rice investment at $31.4 million and the Annual Report described it thus:

> China Rice and its subsidiaries form one of China's leading privately held rice processing and distribution groups with an annual production capacity of approximately 300,000 tons. The Company maintains a strong resource and procurement base in the north eastern province of Jilin, one of China's largest rice producing belts.

In November 2017, OAL represented the following to the new Origo Board:

> OAL and the company's controlling shareholder agreed to explore the prospect for a trade sale. The parties then worked in tandem to implement a strategic sale process, which focused on selected domestic players with an interest in the sector. The process resulted in an [sic.] LOI [letter of intent] being entered into with a large stated [sic.] owned enterprise (SEO) in 2016 with two other potential buyers still being in the mix. The lead player is a state-owned grain company HuNan Grain Group. . . . The other interested party is XiaMen. . .. The equity and debt positions are currently carried at a small premium to cost (total value of US$31.4 million) based on a peer-analysis Net/Book value, reflecting the standard approach of Chinese SEO's when valuing/acquiring local companies. The valuation model is benchmarked against the indicative terms of a potential sale derived from discussions with relevant parties.

Although we asked, this Board never saw clear evidence that any meaningful letter of intent had ever been entered into between China Rice and a third-party buyer, which, according to the above, OAL says "resulted" in 2016. And, certainly in retrospect, it seems odd that any third-party buyer would have been interested in purchasing the assets of a company that most likely had already been pledged to secure the personal debts of the China Rice promoter.

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2 Note for example Origo's 23 November 2016 RNS announcement, which stated: "68 per cent of the portfolio by fair value is now either listed or subject to indicative, non-binding terms of mergers or disposal." Given that the Company's portfolio "by fair value" then totalled about $105 million the unwary reader of this RNS announcement might have thought based on this representation that about $71 million of the Company's portfolio was liquid and saleable and might even be distributed to shareholders. We have never seen evidence supporting this 68% figure and can only wonder why the Origo Board and Nomad permitted this RNS to be released.

The facts are that in 2010, Origo had paid about $28 million for a 32% equity interest and some convertible debt in a BVI company called "China Rice Ltd." The BVI company owned no assets in China but instead owned equity in a Hong Kong company called "Winrich International Industrial Ltd.," which in turned owned equity in "Jilin Dechun Grain," which owned operating assets and inventory in Jilin Province, China[3].

The promoter pledged the assets of Jilin Dechun Grain to the large Chinese state-owned bank ICBC in order to secure personal debts that had nothing to do with the rice business in which Origo had invested. He defaulted on those debts. ICBC seized the collateral and transferred it to "Great Wall," a state-owned entity that apparently functions to take bad debt off of the balance sheets of state-owned banks like ICBC.

A person affiliated with OAL, one Shen Lin, supposedly sat on the board of directors of Jilin Dechun Grains throughout but he does not seem to have noticed that the company's assets had been seized. In fact, this development was first noticed by a third-party professional in connection with the year end 2017 audit in May 2018. Our Beijing lawyers further confirmed that the PRC maintains a public data base of this sort of information, which is available online to anyone who can both read Mandarin and cares to take a look. Another reason the promoter's fraud might not have been discovered is that Jilin Dechun Grains had never been audited by a recognised auditing firm, and the only financial statement we ever saw was a single sheet of paper prepared by someone without a recognisable name. When we questioned OAL about why the company had not been properly audited (this was before the fraud was discovered) we were told that this is the way business is done in China.

We met with the promoter about a year ago and listened to his far-fetched scheme to recover China Rice's assets (predicated on his earnest hope that someone would finance this scheme). He promised that our interests would be protected since, as he put it, we are all one family. Unfortunately, the promoter had no money and, family or not, we were unwilling to finance him a second time. You have to give the promoter credit though – he had recently been incarcerated for something apparently separate from our issues and therefore his movement inside China was limited; because of the criminal issue he was barred from using public transport, such as an airplane or train, so he had to drive many hours from Jilin Province to the Beijing meeting.

Regardless, we were not interested in providing further financing and given the facts it is hard to imagine someone else would finance this sort of situation. But, in any event, our interests in the company had been wiped out: we were not even a creditor to Jilin Dechun Grains because the counterparty to our debt was the BVI company, China Rice Ltd. We retained lawyers in the PRC and elsewhere and one of our large shareholders active in China generously provided the services of a Chinese asset recovery specialist gratis.

The unanimous view of two sets of lawyers and the asset recovery specialist was that the situation was hopeless because of the way the investment had been structured – i.e., Origo owned nothing in the PRC and therefore had no standing in any legal proceeding in the PRC to assert any claims against anyone in connection with the China Rice debacle. Origo did not even have a claim for fraud against the promoter because Origo had no legal relationship with the promoter. The Origo Board has therefore maintained its nil valuation of this asset.

3 Remarkably, OAL (and a fortiori the former board) did not seem to have understood how this transaction had in fact been structured. In the November 2017 report to this Board OAL erroneously stated that "[t]he BVI company, in turns [sic.] owns a 100% interest in China Rice Industry Co., Ltd (WOFE), i.e., the operating company, based in Jilin province of North-East China." This assertion is wrong and critical – there is an intermediary company between the BVI company in which Origo owns shares and the operating company, Dechun Grains, Winrich International Industrial Ltd., a Hong Kong company. Because of the existence of this intermediary company China Rice, the BVI company, owns nothing in China and therefore has no standing to assert any claims in connection with the promoter's pledge of all of the Dechun Grains' assets to secure his personal debts. We are unaware of any operating company in Jilin Province called China Rice Industry Co., Ltd. in which the BVI company "owns a 100% interest."

Fram Exploration

Origo paid about $1.2 million for equity in Fram Exploration, a Norwegian company that purportedly owned extraction interests in connection with oil and gas assets in the western US states of Colorado and North Dakota. Fram seems at some point to have been affiliated with the Staur group of companies based in Trondheim, Norway. As an aside, Rynning seems to have had a small financial interest in Fram, and after he left Origo, went to work for one of the entities in the Staur Group and while working for Staur and until our administrator caught this in 2018 used the Origo business card to fill up on petrol in Trondheim, pay travel expenses, pay for meals and so on.

The Staur Holdings website currently describes Fram as follows:

> Using sophisticated analytical and modelling tools to locate commercial oil and gas reserves others have overlooked, the Company has focused, from a geoscience perspective, on assets that are undervalued or under-evaluated in regions with stable political regimes and at attractive fiscal terms. With registered offices in Trondheim and executive offices Colorado, Fram is an international oil and gas exploration and production company with assets onshore in Colorado and North Dakota, and is actively reviewing additional opportunities in other locations.

This certainly sounds promising, "using sophisticated analytical and modelling tools to locate oil and gas reserves that others have overlooked," but unfortunately the reality seems to be that Fram is defunct. None of Origo's available internal records provides much information about this company, and in recent years the company does not seem to have published anything. Origo's 2016 annual report does not refer to Fram in the "portfolio overview" section though footnote 14 of that report notes that Origo had paid $1.223 million for this investment and that at year end it had a "fair value" of $145,000. Fram's website no longer seems to exist. There was news on the internet about Fram about a year ago that indicated that it was about to be stricken from the Norwegian companies register for failure to publish financial statements. Earlier this year, I spoke to the controlling shareholder in the Staur group of companies, and he said that Fram was defunct and that our shares were worthless. We have subsequently written the value of the asset down to nil.

Gobi Coal and Energy Ltd.

As at year end 2016, Origo's annual report described Gobi Coal thus:

> Gobi is a privately held coking coal development company with significant high-quality coal resources in south western Mongolia, positioned to supply growing demand from China.

In 2009, the Company paid about $15 million for a 10.8%[4] interest in Gobi Coal, a BVI registered company that through wholly-owned Mongolian subsidiaries purports to own mining rights in Mongolia to mine coal and other minerals. Origo had a board seat on the Gobi Coal board of directors some years ago, which it lost in unclear circumstances. The company was apparently the victim of a fraud and the original promoter is in prison, though, perhaps not surprisingly, he maintains his innocence. The current company management has vigorously claimed that a former OAL principal bears some responsibility for the fraud, though the OAL principal in question has denied this allegation.

4 The precise percentage ownership of Origo's interest in Gobi Coal is unclear and has been represented differently at different times perhaps because it is unclear how many shares Gobi has in issue.

In a report prepared for this Board in November 2017, OAL projected the following exit scenario:

> Provided that the Company is able to settle the dispute with its domestic shareholder, recent developments on the asset level in 2H 2017 suggests a potential exit valuation at a multiple to its current carrying values (i.e., $2.7 million).
>
> After all, Gobi owns the largest, most developed privately held coal asset in the country, which ranks well in terms of resource size, grade (semi-soft, hard coking coal) and production potential (up to 10 MT/per annum). Moreover, unlike its peers, the company has no debt. A benchmarking exercise against its listed Mongolian peer (coal only), prepared by management in early 2017, indicates a valuation range (EV/resource) of US$1.7-2.1 MT, suggesting a fair value of Gobi of US$400-500 million.

So, on the one hand, according to OAL nineteen months ago, Gobi had a “fair value” of $400-500 million (meaning Origo’s stake would be worth about $48 million) but on the other hand, Gobi Coal has not published audited financial statements in many years and releases such information as it chooses. The company publishes a newsletter with an unaudited balance sheet that seems to show a net asset value of about $50 million (mostly mining assets and minimal cash), which would indicate that as a proportion of NAV Origo’s stake in the company is worth around $5 million.

Gobi Coal appears to be controlled by nominees of Aabar, which a Google search tells us is an arm of the government of Abu Dhabi. It is unclear how Aabar took control of Gobi Coal, how the current board took its place and what the Company’s share count is. There are also issues with the Company’s title to its assets and the practicability of extracting those assets given the demand situation in China and other issues. A few months ago, we received an offer to purchase Origo’s stake in Gobi Coal for about its current carrying value, which the board rejected. Origo has many contractual legal rights in connection with this investment that have been ignored. We have retained counsel to determine whether to enforce those rights given various practical considerations. Given the lack of a public market for Gobi’s shares, the absence of audited financial statements, the lack of transparency over corporate governance and other issues, some of which are identified above, the Origo Board has decided to write this asset down to $275,000.

Moly World Ltd

At year-end 2016, Origo’s annual report described Moly World thus:

> Moly World is the owner of an advanced stage molybdenum exploration project in Mongolia known as Mandal Moly, which covers an area of 2,360 hectares . . . in northern Mongolia. The project has a JORC near surface compliant resources of 256,000 tons at 0.126% Mo.

In 2011, Origo paid $10 million for a 20% stake in Moly World, a private BVI company with interests in a Mongolian company that apparently has the right to mine molybdenum in Mongolia. Molybdenum is an ingredient in steel, and when the China commodities story was at its apogee this company, or at least the assets it appeared to own, seemed to have value. The China commodities story is now in remission and global molybdenum prices seem to be about 25% of what they were at their peak over a decade ago.

In addition to the global decline in molybdenum prices, the company has had some other problems. First, the original promoter, an apparently recognised force in Mongolian geological circles, died and was replaced by his much younger daughter. The Mongolian government then tried to seize the company’s assets because they allegedly lay in an environmentally protected zone. After a trial and several appeals, the company prevailed but seems in the process to have run out of cash. Certain shareholders purport to have injected capital into the company in the form of debt, and therefore changed the company’s capital structure seemingly to the detriment of equity holders like Origo.

Origo has contractual rights that preserve its place in the capital structure but, given the structure of the company, the liquidity of the company's balance sheet, the location of its assets, and global molybdenum prices, whether it is practicable to enforce those rights is unclear. There has been no audit of the company in many years, and the company's financial statements seem to be prepared locally according to local accounting standards.

In November 2017, OAL presented the Board with the following exit scenario:

> OAL and the Company has [sic.] reinitiated discussions with interested parties. The preferred approach is to emulate the Kincora strategy: i.e. first seek a market introduction (through a reversed [sic.] merger), raise a limited amount of institutional funds (US3-7.5 million) to further develop the assets, before positioning the company for a sale to a strategic buyer at a more opportune time in the cycle.
>
> OAL has identified potential investors interested in funding a RTO [a reverse takeover transaction, another name for a reverse merger, where a private company is sold to a listed company in return for shares in the listed company, an outcome similar to an IPO of the private company].

This November 2017 report does not identify the "potential investors interested in funding a RTO," and this board does not think a listing or "institutional investors" pumping money into Moly is at all a realistic possibility. The Board's efforts to generate interest in either Origo's interest in Moly or the entire company have so far been unsuccessful. Given these facts, the Board has maintained its nil valuation of Moly World.

Staur Aqua AS

Staur Aqua AS (a/k/a Aqualyng Holding AS) is a Norwegian company that is part of the Staur Group, a group of affiliated family-controlled companies based in Trondheim, Norway. The Staur website, which appears out of date, describes Aqualyng Holding AS as follows:

> Aqualyng is [a, the?] global leader in the international desalination market. With a range of successful, state of the art products and services, the company delivers fresh water- whenever and wherever needed. In the relatively short span of time since 1998, Aqualyng have garnered an excellent industry reputation for delivering desalination plants for production of all qualities of water.

Origo's 2016 Annual report described Staur Aqua as follows:

> Staur is a world-class supplier of desalination technology and desalination plant design.

Origo invested about $4.5 million in this company about twelve years ago in return for ordinary shares and a class of preference shares. According to a conversation I had with the Staur Group's controlling shareholder, Staur Aqua's primary asset is a partially completed desalinization plant in China. Further, according to the controlling shareholder, the project is about 85% complete but cannot be finished until it is connected to the local power grid. That, he tells me, has not happened, and Staur Aqua is mired in a dispute with Chinese governmental authorities about this issue. Further according to the promoter, there is a class of preference shares that ranks ahead of Origo's interests.

The promoter noted that given the delays in completing the project, presumably also the possibility that the project will never be completed under its current ownership, as well as Staur Aqua's capital structure, Origo's ordinary shares are certainly worthless and its preferred interest most likely worthless. Origo offered to sell its Staur Aqua shares back to the promoter but he declined and said that he was unaware of anyone interested in buying them. Origo's Board has thus decided to write down its investment in Staur Aqua to nil.

Unipower Battery Ltd.

Origo's 2016 Annual Report valued the Unipower investment at $15.8 million and described it thus:

> Unipower is a China based provider of lithium-Ion materials and battery solutions. Producing high-quality material and battery solutions for the Electric Vehicle ("EV") and power storage industries, Unipower is supported by patents, facilities and a technical management team with more than 20 years of experience.

This sounds good, patents, an experienced management team and so on, but like so many of Origo's investments, Unipower is hard to get your hands around. The company would appear to manufacture a product that is in demand and according to this description also owns valuable intellectual property. Nonetheless, the company appears worthless. The company had some legal problems that are incomprehensible, at least to this Board, and those legal problems seems to have led to the demise of the company.

As for OAL's perspective, in November 2017 OAL noted that "[A] prospective partner . . . has agreed in principle to acquire stock in the holding company [though] in Q3, the production line was disassembled in preparation for a move to a new site. Consequently, there was no production or sales in 2H of 2017. In the mid-term, this development may be exciting for a number of reasons" etc. "If a deal can be completed in Q4 [of 2017] it is expected that operations will recommence before [Chinese New Year, in February 2018] and there will be a potential for liquidity at a premium in 2019/2020."

Like many representations concerning the Origo portfolio this was apparently, shall we say, over optimistic. This board never saw any "agreement in principle" that showed that anyone had a genuine interest in or ability to complete an acquisition of Unipower. We never saw any evidence that Unipower was in fact a functioning company. It seemed to share office space with Origo in Beijing, but we never met any Unipower employees or were shown any Unipower manufacturing facilities. We tried to get a handle on the intellectual property the company purported to own but were unable to. We had various local people look at the situation, but they too were also unable to make head or tail of it. We were told that the company owned some sort of a permit that had value as well as the "patents" noted above, but our local lawyers were unable to get to the bottom of those issues either.

What we did eventually learn for a fact, however, is that Origo was paying one Yuan "Gerry" Ge $10,000 a month under the aegis of something called "City Continental Limited" to "introduce prospective buyers of the Company's interest in Unipower. . . [and] serve as a Director on the Board of Unipower. . . ." We met with Mr. Ge and listened to a far-fetched plan to move Unipower's assets to some distance province, where for reasons that are unclear, that local province would provide some sort of financial incentives. Because Origo had paid Mr. Ge a total of $430,000 before we put a stop to those payments, we asked to see some written evidence of the work he may have done, for example a list of the "prospective buyers" he had introduced and whatever written reports Mr. Ge had prepared. Unfortunately, however, we were never provided with any documentation evidencing work he had done. We decided that continuing to pay $10,000 a month for Mr. Ge was throwing good money after bad and terminated the contract with "City Continental Limited." Our accountants tell us however that Origo has a receivable from Mr. Ge in the amount of $174,000. We have written this off as uncollectable and value Origo's investment in Unipower at nil.

* * * *

In sum, the bulk of the Origo portfolio is worthless. Two of the Company's assets, Gobi Coal and Celadon, have a positive value with a wide range of possible outcomes. Moly World is carried at nil but may have a positive outcome depending on corporate governance issues and global molybdenum prices.

* * * *

Origo's Catastrophic Destruction of Shareholder Value

Origo represents a catastrophic destruction of shareholder value. Of the approximately $276 million that the Company raised, only about $6.3 million remains on the Company balance sheet mostly in the form of cash and a few investments noted above. No real capital was ever returned to shareholders. The Company never paid a dividend and besides peculiar share repurchases in 2012 and a few years later totalling a little more than $700,000, never returned capital through a buy back. The remainder was dissipated in, as best as we can tell, shockingly bad investments, fees paid to OAL and others, fees paid to former board members, fees paid to the former Nomad, fees paid to lawyers, fees paid to previous auditors and so on.

Several of us trying to unravel the Origo story have noticed that so much of what the Company did benefited a privileged few to the detriment of the Company's shareholders. So, a former director's daughter ended up with a board seat and also a consulting contract. The father of an OAL principal ended up in some business relationship with the Company. An early investor in the Company, a large London based "hedge fund," paid the Company for "research." The Company then rebated much of this payment to an employee of the hedge fund who also happened to be the then Executive Chairman's wife. Non-transparent subsidiary companies were formed where insiders and family members seem to have had financial interests. Origo made investments in a company, and later its former CEO went to work for an affiliate of that company. Lawyers, even by London standards, did shockingly well. The previous Nomad, the lawyers and the former auditors were well paid for work that had little or no benefit to shareholders. OAL was rewarded with interest accruing at 8% in order to pay the fees that the Company was unable to pay because OAL had failed to sell assets sufficient to pay its fees. And so on.

There are many ways to slice and dice the Origo numbers, and, unfortunately, we do not now control all of the information necessary to forensically dissect the Company. The former board has not been forthcoming in providing information and a lot of the Company records we have received are a mess. Our administrator's accountants have thus used Origo's published accounts and by working backward have tried to recreate the Company's flow of funds. There are, unfortunately, still some large gaps in our knowledge.

Nonetheless, we think it is possible to roughly show where the money went. On 1 January 2011, Origo had cash in the bank of $33.4 million. During 2011 the Company raised $92.5 million. In 2016, the Company also borrowed $2.5 million in order to meet its expenses since by that time it had burned though most of its cash. So roughly where did that money go?

The Company seems to have made net investments of about $70 million, most of which seems to have been subsequently written off and had expenditures of about $57 million. Of that $57 million, about $16 million went to pay employees and, beginning in 2015, OAL after the Company in 2014 adopted a fund rather than operating company structure. About $11.5 million went to pay "professionals," presumably primarily lawyers. About $4.6 million went to pay directors. About $3.6 million was paid in fees in connection with the 2011 capital raise. The auditors received about $1.6 million. The remaining $19 million is hard to put your finger on because it is buried within accounting categories that are not self-explanatory.

The Origo story is a dismal one with lots of blame to go around beginning with the Board, who are ultimately responsible for what happens inside a public company, the manager/advisor for obvious reasons, the previous Nomad and the previous auditors. In light of the facts set forth above, we will solicit the views of our shareholders on how they wish to proceed and provide further details in due course.

Very truly yours,

John D. Chapman
Chairman
Origo Partners Plc

Date: 27 June 2019

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2018.

Results and dividends

The result of the Group for the year is set out on page 22 and shows a loss for the year of US$8,036,000 (2017: US$82,984,000). The performance, and the share capital structure of the Group, neither justifies nor allows the payment of a dividend at the current time. The Directors are therefore not able to recommend the payment of a dividend for 2018 (2017: US$nil). The retained loss of the year of US$8,036,000 (2017: US$82,984,000) 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 2018

	Options	Ordinary shares
Mr John Chapman (appointed October 2017)		
Mr Peter Philip Scales (appointed October 2017)		
Mr Hiroshi Funaki (appointed September 2017)		
Mr. Niklas Ponnert (resigned April 2018)	4,500,000	2,691,009*
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.

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.

Corporate Governance Statement

The Board of Origo Partners Plc has adopted the Quoted Companies Alliance 2018 Corporate Governance Code (the "QCA Code"). The Company is committed to the highest standards of corporate governance, ethical practices and regulatory compliance. In particular, the Board is committed to ensuring that the Company is governed in a manner to allow efficient and effective decision making, with robust risk management procedures.

The Company is reliant upon its service providers for many of its operations and as such will maintain an ongoing and rigorous review of these providers. The Company's compliance with the QCA Code is reported on the Company's website (www.origoplc.com), and on pages 57 to 61 of this report. The Company will provide annual updates on changes to compliance with the QCA Code.

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 2018 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

Following a tender process, BDO Limited resigned as auditors and the Board appointed Lubbock Fine, who, being eligible, have expressed their willingness to continue in office in accordance with the Isle of Man Companies Act 2006.

By Order of the Board

Director:

Date: 27 June 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ORIGO PARTNERS PLC

(incorporated in the Isle of Man with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Origo Partners Plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

BASIS FOR QUALIFIED OPINION

During the year, the Group's Statement of Changes of Comprehensive Income includes the following:

	2018 (US$ '000)	2017 (US$ '000)
Realised (losses)/gains on disposal of investments	(292)	423
Unrealised losses on investments	(5,843)	(74,440)
Bad debt provision	(1,222)	(3,386)
Income tax credit	499	819

We were unable to obtain sufficient appropriate audit evidence as to whether any of these profits or losses should have been recognised in periods prior to the year ended 31 December 2018 or 31 December 2017. Consequently, we were unable to determine whether any adjustments were required to the losses made in the year ended 31 December 2018 or 31 December 2017 or the respective Consolidated Statement of Financial Position amounts as 31 December 2017:

	31 December 2017 (US$ '000)
Investments at fair value through profit or loss	17,045
Loans	734
Trade and other receivables	881
Current tax liabilities	(499)
Accumulated loss	(191,613)

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 ethical requirements that are relevant to our audit of the consolidated financial statements in the United Kingdom, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the directors have not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the consolidated financial statements are authorised for issue.

KEY AUDIT MATTERS

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 and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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.

Key audit matter	How our audit addressed the key audit matter
Valuation of investments (Note 12) The Group holds unquoted investments with a fair value at 31 December 2018 of $3,527k. These are held at fair value and are revalued annually by management. Unquoted investments have no readily available market price and so are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines by using measurement of value such as multiples, discounted cash flow and industry valuation benchmarks. Due to the significance of these balances to the financial statements this represents a key audit matter	Obtaining an understanding of the processes and controls around investment valuation Evaluating the appropriateness of the valuation approach and methodology applied by management. Challenging key assumptions and inputs into the valuation models used

Key audit matter	How our audit addressed the key audit matter
Opening balances and comparatives The prior year financial statements were not audited by ourselves. This represents a key audit matter due to difficulties in being able to obtain sufficient audit evidence in respect of these opening balances and comparatives. In particular, whether further provisions were necessary against investments at fair value through profit or loss of $17,045k, loans due within one year of $384k, trade and other receivables of $881k and current tax liabilities of $499k, given the provisions made in the current year.	Reviewing key working papers relating to the prior year's balances. Ultimately we were unable to obtain sufficient audit evidence in this area and our audit report was modified accordingly.
Going concern Given the recurring losses made by the Group, the going concern assumption represents a key audit matter.	Evaluating management's assessment around the going concern assumption evaluating and challenging the reasonableness of these assumptions made.

OUR APPLICATION OF MATERIALITY

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the consolidated financial statements.

We define financial statements materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions taken on the basis of the consolidated financial statements by reasonable users.

We also determine a level of performance materiality, which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the consolidated financial statements as a whole.

- **Overall materiality** – We determine materiality for the consolidated financial statements as a whole to be $136,000. This was based on the key performance indicator, being 2% of gross assets. We believe gross asset values are the most appropriate bench mark due to the minimal income statement activity during the year and existence of key balance sheet items.

- **Performance materiality** – On the basis of our risk assessment, together with our assessment of the company's control environment, our judgement is that performance materiality for the consolidated financial statements should be 55% of materiality, amounting to $£75,000.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Group, its activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement. During the audit, we reassessed and re-valuated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and management of specific risk.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our Auditors' Report thereon. Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the consolidated financial statements or a material misstatement of the other information. 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE GROUP 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 Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 of 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 director.

- Conclude on the appropriateness of the director's 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 Auditors' Report to the related disclosures in the 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 Auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with our engagement letter dated 2 October 2018. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Lubbock Fine
Chartered Accountants & Statutory Auditors
3rd Floor Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Date: 27 June 2019

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Investment loss:	2		
Realised gains/(losses) on disposal of investments		(292)	423
Unrealised losses on investments		(5,843)	(74,440)
Income from loans		–	–
		(6,135)	**(74,017)**
Consulting services payable	3	–	(1,390)
Other income		139	29
Other administrative expenses	4	(1,644)	(1,470)
Bad debt provision	5	(1,222)	(3,386)
Share-based payments	25	–	(21)
Foreign exchange (loss)/gains		(11)	50
Net loss before finance costs and taxation		**(8,873)**	**(80,205)**
Finance costs	7	338	(3,598)
Loss before tax		**(8,535)**	**(83,803)**
Income tax credit	8	499	819
Loss after tax		**(8,036)**	**(82,984)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		146	6
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**146**	**6**
Tax on other comprehensive income		–	–
Other comprehensive income net of tax		**146**	**6**
Total comprehensive loss after tax		**(7,890)**	**(82,978)**
Loss after tax			
Attributable to:			
– Owners of the parent		(8,036)	(82,984)
– Non-controlling interests		–	–
		(8,036)	**(82,984)**
Total comprehensive loss			
Attributable to:			
– Owners of the parent		(7,890)	(82,978)
– Non-controlling interests		–	–
		(7,890)	**(82,978)**
Basic loss per ordinary share	9	**(0.45) cents**	**(11.70) cents**
Diluted loss per ordinary share	9	**(0.45) cents**	**(11.70) cents**
Basic loss per redeemable zero dividend preference share	9	**(42.10) cents**	**(279.57) cents**
Diluted loss per redeemable zero dividend preference share	9	**(42.10) cents**	**(279.57) cents**

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

Consolidated statement of financial position
At 31 December 2018

Assets	Notes	2018 US$'000	2017 US$'000
Non-current assets			
Property, plant and equipment	10	5	20
Investments at fair value through profit or loss	12	–	–
Loans	13	–	350
		5	370
Current assets			
Investments at fair value through profit or loss	12	3,527	17,045
Loans due within one year	13	–	384
Trade and other receivables	14	27	881
Cash and cash equivalents	15	3,883	1,199
		7,437	19,509
Total assets		**7,442**	**19,879**
Current liabilities			
Short-term borrowing	18	–	2,500
Trade and other payables	16	382	1,381
Financial guarantee contracts	17	435	435
Current tax liabilities		–	499
		817	4,815
Non-current liabilities			
Provision	19	103	103
Deferred income tax liability	8	247	796
		350	899
Total liabilities		**1,167**	**5,714**
Net assets		**6,275**	**14,165**
Equity attributable to owners of the parent			
Issued capital	21	56	56
Share premium		150,414	150,414
Share-based payment reserve		5,048	5,048
Accumulated losses		(199,649)	(191,613)
Translation reserve		(1,338)	(1,484)
Other reserve	22	51,744	51,744
		6,275	14,165
Non-controlling interests		–	–
Total equity		**6,275**	**14,165**
Total equity and liabilities		**7,442**	**19,879**

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

27 June 2019

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

Consolidated statement of changes in equity

For the year ended 31 December 2018

		Attributable to equity holders of the parent									
	Notes	Issued capital US$'000	Share premium US$'000	Share-based payment reserve US$'000	Accu-mulated losses US$'000	Trans-lation reserve US$'000	Equity com-ponent of CZDP US$'000	Other reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2017		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)
Share-based payment expense	25	–	–	–	–	–	–	–	–	–	–
Lapsed of share-based payment	25	–	–	–	–	–	–	–	–	–	–
Disposal of subsidiaries		–	–	–	938	–	–	–	938	(492)	446
Capitalisation of RZDP	20	–	–	–	–	–	–	50,688	50,688	–	50,688
At 31 December 2017		56	150,414	5,048	(191,613)	(1,484)	–	51,744	14,165	–	14,165
Loss for the year		–	–	–	(8,036)	–	–	–	(8,036)	–	(8,036)
Other comprehensive income		–	–	–	–	146	–	–	146	–	146
Total comprehensive income/(loss)		–	–	–	(8,036)	146	–	–	(7,890)	–	(7,890)
At 31 December 2018		56	150,414	5,048	(199,649)	(1,338)	–	51,744	6,275	–	6,275

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 25) 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 2018

	Notes	2018 US$'000	2017 US$'000
Loss before tax		**(8,535)**	**(83,803)**
Adjustments for:			
Depreciation and amortisation	4	16	14
Share-based payments	25	–	21
Provision for bad debts	5	1,222	3,386
Realised (gains)/losses on disposal of investments	2	292	(423)
Unrealised losses on investments at FVTPL*	2	5,843	50,526
Unrealised losses on loans	2	–	23,914
Foreign exchange gains		14	(50)
Interest expenses		–	3,554
Operating loss before changes in working capital and provisions		**(1,148)**	**(2,861)**
Proceeds from disposals of investments at FVTPL*	12	7,383	4,954
Movement in loans	13	734	–
Current and deferred tax		(550)	–
Decrease/(Increase) in trade and other receivables		(371)	(345)
(Decrease)/increase in trade and other payables		(999)	(2,395)
Net cash inflow/(outflow) from operations		**5,049**	**(647)**
Investing activities			
Disposal of property, plant and equipment		–	–
Net cash inflow from investing activities		**–**	**–**
Financing activities			
Repayment of borrowing	18	(2,500)	–
Net cash outflow from financing activities		**(2,500)**	**–**
Net (decrease)/increase in cash and cash equivalents		**2,549**	**(647)**
Effect of exchange rate changes on cash and cash equivalents		135	60
Cash and cash equivalents at beginning of year		1,199	1,786
Cash and cash equivalents at end of year	15	**3,883**	**1,199**

* 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 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 IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP. 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 Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). These comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee that remain in effect, to the extent that IFRS have been adopted by the EU.

The comparative information is for the year from 1 January 2017 to 31 December 2017.

1.3. 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.

1.4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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 12. 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 11 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 11 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 an ex 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 an ex director and certain ex-employees under the Company's JSOS (as defined in Note 25). 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.

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.

1.5 Summary of significant accounting policies

The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the period 1 January 2018 to 31 December 2018.

Standards and amendments are effective for the period beginning 1 January 2018 or later

The Company has applied IFRS 9 from 1 January 2018. No restatement of comparative information was required from the adoption of this new accounting standard. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS:

- impairment of financial assets to be presented in a separate line item in the statement of comprehensive income; and
- separate presentation in the statement of comprehensive income of interest revenue calculated using the effective interest method. Previously the Company disclosed this amount in the notes to the Financial Statements.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures, which are applied to disclosures about 2019 but have not generally been applied to comparative information.

Under IAS 39, cash and cash equivalents and receivables were classified as loans and receivables. Under IFRS 9 these are classified as measured at amortised cost. Under IAS 39, equity instruments were classified as at fair value through profit or loss on initial recognition. Under IFRS 9 these are classified as mandatorily at fair value through profit or loss. Financial liabilities, other than derivative financial instruments, remain classified as measured at amortised cost. There was no change to the carrying amount of any financial instruments as a result of this change in classification.

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Fund’s assets do not have a history of credit risk or expected future recoverability issues, therefore under the expected credit loss model there is no impairment to be recognised and hence no change to the carrying values of the Fund’s assets as a result of this change in impairment model.

The adoption of IFRS 9 had no material impact on the net assets attributable to holders of shares or the Company.

Financial instruments

i) *Recognition and initial measurement*

The Company initially recognises financial assets and financial liabilities at fair value through profit or loss (“FVTPL”) on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii) *Classification and subsequent measurement*

Classification of financial assets

On initial recognition, the Company classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest ("SPPI").

All other financial assets of the Fund are measured at FVTPL.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Company considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales of financial assets and expectations about the future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

The Company has determined that it has two business models.

- *Held-to-collect business model:* this includes cash and cash equivalents and receivables. These financial assets are held to collect contractual cash flow.
- *Other business model:* this includes equity investments. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment and extension features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Company were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Subsequent measurement of financial assets

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including foreign exchange gains and losses, are recognised in the statement of comprehensive income.

Equity investments and derivative financial instruments are included in this category.

Financial assets at amortised cost (2017: loans and receivables)

These assets are subsequently measured at amortised cost using the effective interest method. Interest income is recognised in 'interest income calculated using the effective interest method', foreign exchange gains and losses are recognised in 'net foreign exchange loss' and impairment is recognised in 'impairment losses on financial instruments' in the statement of comprehensive income. Any gain or loss on derecognition is also recognised in profit or loss.

Cash and cash equivalents, receivables and balances due from brokers are included in this category.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities at amortised cost:

- This includes trade and other payables.

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.

iii) *Amortised cost measurement*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. 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 the current ability to direct 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 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.

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.

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".

Foreign currencies

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;

(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.

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.

Share-based payments

Ex employees (including former senior executives) of the Group received 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 ex director, executives and key employees of the Group were granted share appreciation rights (including upper share rights and contingent share awards), which can only be settled in cash ("cash-settled transactions"). Advisors received 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 ex 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.

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 ex 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 25. 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.

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.

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.

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.

New standards and interpretations not applied

IASB and IFRIC have issued and endorsed the following standards and interpretations, applicable to the Company, which are not yet effective for the year ended 31 December 2018 and have therefore not been applied in preparing these Financial Statements.

New/Revised International Financial Reporting Standards	Effective date for annual periods beginning on or after
Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards	1 January 2019
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2019

The Directors do not anticipate that the initial adoption of the above standards, amendments and interpretations will have a material impact in future periods.

2. Investment loss

	2018 US$'000	2017 US$'000
Realised gains/(losses) on disposal of investments	(292)	423
– Investments at FVTPL	(292)	882
– Loans at FVTPL	–	–
– Subsidiary	–	(459)
Unrealised losses on investments	(5,843)	(74,440)
– Investments at FVTPL	(5,843)	(50,526)
– Loans at FVTPL	–	(23,761)
– Loans at amortised cost	–	(153)
Income from loans	–	–
Total	**(6,135)**	**(74,017)**

3. Consulting services payable

	2018 US$'000	2017 US$'000
Consulting services payable	–	(1,390)
Total	**–**	**(1,390)**

4. Other administrative expenses

	2018 US$'000	2017 US$'000
Recurring expenses:	(826)	(659)
– Directors fees	(205)	(152)
– Audit fees	(62)	(120)
– Depreciation expenses	(15)	(13)
– Amortisation expenses	(1)	(1)
– Other	(543)	(373)
Non-recurring expenses*	(818)	(811)
Total	**(1,644)**	**(1,470)**

* Non recurring expenses include professional fees of an ad-hoc nature and previous advisor fees.

5. Bad debt provision

	2018 US$'000	2017 US$'000
Loans with Staur Aqua	(734)	–
Loans with Unipower	(182)	(3,113)
Other receivables	(306)	(273)
Total	**(1,222)**	**(3,386)**

6. Directors' remuneration

	2018 US$'000	2017 US$'000
Directors' emoluments	(205)	(152)
Share-based payment expenses	–	(9)
	(205)	**(161)**

Directors' remuneration for the year 2018 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	2018 Number of options
Mr. Niklas Ponnert***	–	–	–	–	–
Mr. Lionel de Saint-Exupery***	–	–	–	–	–
Ms. Shonaid Jemmett Page***	–	–	–	–	–
Mr. Hiroshi Funaki***	–	75	–	75	–
Mr. Philip Peter Scales***	–	50	–	50	–
Mr. John Chapman***	–	80	–	80	–
	–	205	–	205	–

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	–
	–	152	9	161	4,500,000

* Short term employee benefits.

** Share-based payment refers to expenses arising from the Company's share option scheme (Note 25).

*** 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.

7. Finance costs

	2018 US$'000	2017 US$'000
Interest expenses of redeemable/convertible zero dividend preference shares	–	(3,219)
Interest expenses of borrowing	335	(335)
Bank charges	3	(44)
	338	**(3,598)**

8. 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.

	2018 US$'000	2017 US$'000
Current tax		
Current year*	499	–
Deferred tax		
Deferred income tax	–	819
Total income tax credit in the consolidated statement of comprehensive income	**499**	**819**

* The current year tax credit represents a reversal of a 2011 audit adjustment relating to Six Waves investment.

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

	2018 US$'000	2017 US$'000
Loss before tax	**(8,535)**	**(83,803)**
Loss before tax multiplied by rate of corporate income tax in the Isle of Man of 0% (2017: 0%)	–	–
Deferred tax		
Effects of:		
Deferred tax on unrealised gains on investments	–	819
Release of current taxation provision	499	–
Total income tax credit in the consolidated statement of comprehensive income	**499**	**819**

Deferred income tax liability:

	2018 US$'000	2017 US$'000
Deferred income tax liability**	247	796
Total deferred income tax liability	**247**	**796**

** As at 31 December 2018, the deferred income tax liability US$247,000 (2017: US$796,000) relates to fair value gain of Niutech Environment Technology Corporation ("Niutech"), 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%.

9. Loss per share ("LPS")

Numerator	2018 US$'000	2017 US$'000
Loss for the year attributable to ordinary shareholders of the parent as used in the calculation of basic loss per share	(1,578)	(41,071)
Loss for the year attributable to redeemable zero dividend preference shareholders of the parent as used in the calculation of basic loss per share	(6,312)	(41,913)
Loss for the year attributable to ordinary shareholders of the parent as used in the calculation of diluted loss per share	(1,578)	(41,071)
Loss for the year attributable to redeemable zero dividend preference shareholders of the parent as used in the calculation of diluted loss per share	(6,312)	(41,913)

Denominator	**2018 Number of Shares**	**2017 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	14,991,781
Basic LPS of ordinary shares	(0.45) cents	(11.70) cents
Diluted LPS of ordinary shares	(0.45) cents	(11.70) cents
Basic LPS of redeemable zero dividend preference shares	(42.10) cents	(279.57) cents
Diluted LPS of redeemable zero dividend preference shares	(42.10) cents	(279.57) cents

* Diluted loss per share for the years ended 31 December 2018 and 31 December 2017 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 2018 and 31 December 2017.

10. Property, plant and equipment

	Vehicles US$'000
Cost	
At 1 January 2018	85
Disposal	–
At 31 December 2018	85
Accumulated depreciation	
At 1 January 2017	52
Charge for the year 2017	13
Disposal	–
At 31 December 2017	65
Charge for the year 2018	15
At 31 December 2018	80
Net book value	
At 31 December 2017	20
At 31 December 2018	5

11. Investments in subsidiaries

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Proportion of ownership interest at 31 December 2018	Proportion of ownership interest at 31 December 2017
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%

* Owned by Origo Resource Partners Ltd

** Owned by Ascend Ventures Ltd

*** Closed April 2018

12. Investments at fair value through profit or loss

As at 31 December 2018

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	3.7%	2,654	2,120
Celadon Mining Ltd	British Virgin Islands	3	8.9%	13,069	1,129
Kincora (Notes c and d)	Canada	3	30.9%	8,571	–
Six Waves Inc	British Virgin Islands	3	1.1%	240	–
Gobi Coal & Energy Ltd (Note c)	British Virgin Islands	3	7.5%	14,960	275
Marula Mines Ltd	South Africa	3	0.9%	250	–
Fram Exploration AS	Norway	3	0.6%	1,223	–
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	3
					3,527

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 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)	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.

Notes

a. There are no significant restrictions that will have an impact on ability to transfer these investments.

b. The Company holds 95.3% interest in Niutech Energy Ltd, by which Niutech is indirectly held.

c. 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.

d. These investments are associates of the Group measured at fair value through profit or loss.

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:

a) Quoted prices in active markets for identical assets or liabilities (Level 1);

b) 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

c) 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 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 2018.

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

	2018			
	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	3	–	2,120	2,123
– Unlisted equity investments	–	–	1,404	1,404
	3	**–**	**3,524**	**3,527**

	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
	33	**–**	**17,012**	**17,045**

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

	2018 US$'000	**2017 US$'000**
Opening balance	17,012	66,995
Proceeds from disposals of investments	(7,378)	(4,918)
Realised gain/(losses) on disposals of investments	(292)	918
Bank charges	–	(11)
Transaction costs	–	(402)
Transfer from Level 1	–	1,607
Net exchange difference	–	1,832
Movement in unrealised losses on investments		
– In profit or loss	(5,818)	(49,009)
Closing balance	**3,524**	**17,012**

The fair value decrease on investments categorised within Level 3 of US$5,818,000 (2017: US$47,177,000) was recorded in the consolidated statement of comprehensive income.

Description of significant unobservable inputs to valuation:

As at 31 December 2018

	Valuation technique	Significant unobservable inputs	Range
Celadon Mining Ltd	Multiples method	Discount for lack of marketability	80%
Gobi Coal & Energy Ltd	Consensus pricing method	Offered quote	$275,348

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	Multiples method	Discount for lack of marketability	20% – 30%
Coal & Energy Ltd and Fram Exploration AS		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%

13. 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 2018:

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	–	–	–
			–	–	–

The convertible loan issued to Staur Aqua was fully impaired in 2018.

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.

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

Statement of changes in loans (and changes in convertible credit agreements based on Level 3):

	2018 US$'000	2017 US$'000
Opening balance	734	24,640
Written off	(734)	–
Converted into ordinary shares	–	–
Net exchange difference	–	8
Movement in realised and unrealised losses on investments		
– In profit or loss	–	(23,914)
Closing balance	**–**	**734**

The fair value decrease on convertible credit agreements categorised within Level 3 of US$734,000 (2017: US$23,914,000) was recorded in the consolidated statement of comprehensive income.

14. Trade and other receivables

	2018 US$'000	2017 US$'000
Trade debtors	–	278
Other debtors	22	596
Loan interest receivables	–	–
Prepayment	5	7
Total	**27**	**881**

15. Cash and cash equivalents

	2018 US$'000	2017 US$'000
Current account	3,883	1,199
Total cash and cash equivalents	**3,883**	**1,199**

16. Trade and other payables

	2018 US$'000	2017 US$'000
Trade payables	–	–
Other payables	382	1,381
Total	**382**	**1,381**

17. Financial guarantee contracts

	2018 US$'000	2017 US$'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.

18. Short-term/Long-term borrowing

	2018 US$'000	2017 US$'000
Current liabilities		
Short-term borrowing*	–	2,500
Non-current liabilities		
Long-term borrowing*	–	–
Total borrowing	**–**	**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 borrowing was repaid in full in April 2018.

19. Provision

	2018 US$'000	2017 US$'000
Upper share rights/contingent share awards*	103	103
Total	**103**	**103**

	2018 US$'000	2017 US$'000
Opening balance	103	82
Movement in upper share rights/contingent share awards *	–	21
Total	**103**	**103**

* 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 25. The provision is expected to be utilised in the next 8 years provided the upper share rights are exercised.

20. 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 2017	**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**
Balance at 31 December 2018	**57,000,000**	**–**	**–**	**50,688**

In September 2017, 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.

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 1.5.

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 distributions will be made, at such reasonable time as the Board shall decide, 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.

21. Issued capital

	2018		2017	
Authorised	**Number of shares**	**£'000**	**Number of shares**	**£'000**
Ordinary shares of £ 0.0001 each	500,000,000	50	500,000,000	50
Issued and fully paid	**Number of shares**	**US$'000**	**Number of shares**	**US$'000**
Ordinary shares of £ 0.0001 each				
At beginning and end of the year	**358,746,814**	**56**	**358,746,814**	**56**
Redeemable zero dividend preference shares of no par value				
At 1 January	**57,000,000**	**–**	**–**	**–**
Capitalisation of redeemable zero dividend preference shares (note 22)	–	–	57,000,000	–
At 31 December	**57,000,000**	**–**	**57,000,000**	**–**

22. 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.

23. Note to the consolidated statement of cash flows

(a) Major non-cash transaction

During the year ended 31 December 2018, interest expenses of (US$335,000) (2017: US$3,554,000) related to interest on borrowings and redeemable zero dividend preference shares.

(b) Reconciliation of liabilities arising from financing activities:

	Borrowing US$'000
At 1 January 2018	2,500
Changes include in financing cash flows:	
Interest expenses paid	–
Other changes:	
Repayment of loan	(2,500)
At 31 December 2018	–

24. 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
- 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 exchanges rates between these currencies and US Dollars will have an effect on the reported value of those items.

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
2018	+10%	69	69
	-10%	(69)	(69)
2017	+10%	701	701
	-10%	(701)	(701)

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:

2018	**GBP US$'000**	**NOK US$'000**	**RMB US$'000**	**HKD US$'000**	**CAD US$'000**	**ZAR US$'000**	**Total US$'000**
Cash and bank balances	126	–	1	66	–	–	193
Investments at FVTPL*	–	–	–	–	–	–	–
Loans	–	–	–	–	–	–	–
Trade and other receivables	–	–	(4)	–	–	–	(4)
Total Assets	126	–	(3)	66	–	–	189
Trade and other payables	–	–	–	–	–	–	–
Financial guarantee contracts	–	–	–	–	–	(435)	(435)
Provision	(103)	–	–	–	–	–	(103)
Total Liabilities	(103)	–	–	–	–	(435)	(538)

2017	GBP US$'000	NOK US$'000	RMB US$'000	HKD US$'000	CAD US$'000	ZAR US$'000	Total US$'000
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)

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 31 December 2018	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
Other payables	382	382	–	–	–	382
Upper share rights/contingent share awards	103	–	–	–	103	103
Short-term borrowing	–	–	–	–	–	–
Total	485	382	–	–	103	485
Financial guarantees issued						
Maximum amount guaranteed	435	–	–	435	–	435

Liabilities 31 December 2017	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
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

Concentration risk

The main concentration risk for Origo is that the largest investments are concentrated in China for the amount of US$3,249,000 (2017: US$14,097,000), 86% (2017: 79%) out of the total portfolio value of US$3,527,000 (2017: US$17,779,000).

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.

	2018 US$'000	**2017 US$'000**
Increase in price	353	1,705
Decrease in price	(353)	(1,705)

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

25. Share-based payments

The Group has a number of share schemes that allow an ex-director, certain ex-employees and its advisors to acquire shares in the Company, as detailed in Note 1.4(d).

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

	2018 US$'000	**2017 US$'000**
Equity-settled option	–	–
Upper share rights/contingent share awards	–	(21)
Total	**–**	**(21)**

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 2018 and 31 December 2017.

	2018 No.	2018 WAEP	2017 No.	2017 WAEP
Outstanding at 1 January	**13,500,000**	**29.22p**	**13,500,000**	**29.22p**
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Expired during the year	3,500,000	–	–	–
Outstanding at 31 December	10,000,000	32.37p	13,500,000	29.22p
Exercisable at 31 December	**10,000,000**	**32.37p**	**13,500,000**	**29.22p**

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was 2.94 years (31 December 2017: 1.56 years).

The range of exercise prices for options outstanding at the end of the year was 31 pence to 59.85 pence (31 December 2017: 20 pence to 59.85 pence).

Outstanding options include 500,000 and 9,500,000 equity-settled options granted on 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 2018, except as described above.

During the year 2018, there were no options granted, forfeited or exercised.

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 2018 and 31 December 2017.

	2018 No.	2018 WAEP	2017 No.	2017 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 2018 was 2.53 years (2017: 3.51 years). The range of exercise prices for options outstanding at the end of the year was zero to 15.5 pence (2017: 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 carrying amount of the liability relating to the upper share rights and the contingent share award as at 31 December 2018 is US$103,000 (2017: US$103,000) and the credit expense recognised as share-based payments during the year is US$nil (2017: US$21,000).

26. 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 6).

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 2018 and 31 December 2017.

	2018 US$'000	2017 US$'000
Amounts due to related parties*		
Key management personnel:		
Hiroshi Funaki***	(19)	(8)
Philip Peter Scales***	(13)	(9)
John Chapman***	(35)	(9)
Other:		
Origo Advisors Ltd**	–	(760)
Amounts due from related parties*		
Origo Advisors Ltd**	–	278
Transactions		
Origo Advisors Ltd**		
– Consulting services payable	–	(1,390)

As at 31 December 2018 and 31 December 2017, the Group is committed to pay Origo Advisors Ltd for consulting services fee as below:

	2018 US$'000	2017 US$'000
Within 1 year	–	1,000
After 1 year but within 5 years	–	–
Total	**–**	**1,000**

* 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.

*** 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.

27. 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 2018 and 31 December 2017.

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:

	2018 US$'000	2017 US$'000
Total liabilities	1,167	5,714
Less: Cash and bank balances	(3,883)	(1,199)
Net debt	**(2,716)**	**4,515**
Equity attributable to equity holders of the parent	6,275	14,165
Capital	**6,275**	**14,165**
Capital and net debt	**3,559**	**18,680**
Gearing ratio	**(76%)**	**24%**

28. Summary of financial assets and financial liabilities by category

	2018 US$'000	2017 US$'000
Financial assets		
Cash	3,883	1,199
Financial assets at amortised cost	28	874
Fair value through profit or loss – designated	3,527	17,779
	7,438	**19,852**
Financial liabilities		
Financial liabilities measured at amortised cost	485	3,984
Financial guarantee contracts	435	435
	920	**4,419**

29. Commitments and contingencies

There were no material contracted commitments or contingent assets or liabilities at 31 December 2018 (31 December 2017: none) that have not been disclosed in the consolidated financial statements.

30. Comparative figures

Certain comparative figures have been reclassified to conform the current year's presentation. During the year the company applied IFRS 9 for the first time. This change resulted in a re-designation of the amounts held within financial assets but had no impact on their carrying value.

31. Subsequent events

(a) In January 2019, the Company announced that it had sold its remaining interest in Niutech, the operating company of Niutech Energy Ltd., to Chinese institutional and other investors, for approximately USD 2.1 million and has received 90 per cent of the sale proceeds with the remainder due upon the fulfillment of certain conditions. The sale price was at a discount of 20% to book value, partially reflecting depreciation of the RMB as against the US dollar since the last reporting period.

(b) In March 2019, the Company terminated its investment advisor, Origo Advisers Ltd, with immediate effect for cause. The board will continue to monitor the company's portfolio with a view to liquidating the company's remaining assets and returning excess capital to shareholders. The board is considering whether completion of this process is most effectively accomplished by the board directly or by retaining a new advisor.

Statement of Compliance with the QCA Corporate Governance Code

(This disclosure was last reviewed and updated on 27 June 2019)

Introduction

The Board of Origo Partners Plc (the "Company") has adopted the 2018 QCA Corporate Governance Code (the "QCA Code"). The Board intends to take appropriate measures to ensure that the Company complies with the QCA Code.

Principle 1 – Establish a strategy and business model which promote long-term value for shareholders

The Company is now in realisation mode and entered in to an amended Asset Realisation Agreement with the Company's investment consultant Origo Advisers Limited on 20 April 2018. This Agreement was terminated for cause in March 2019.

The Company holds a portfolio of unquoted interests and illiquid, publicly traded, equity interests, in companies principally based or active in China and Mongolia ("Portfolio").

The Company shall, through an orderly realisation program, seek to divest the entire Portfolio over a period of no longer than 4 years ("Realisation Period") at such time and under such conditions as the Independent Directors may determine in order to maximize value on behalf of Shareholders. The 4 year period ended on 20 November 2018. Shareholders will be asked to either approve an extension to the Realisation Period or consider alternative proposals at the 2019 Annual General Meeting.

The Company's realisation policy will not result in any immediate or accelerated sales; investments will only be realised when, in the opinion of the Independent Directors, appropriate terms can be agreed.

During the Realisation Period, the Company shall maintain the ability at its discretion, to pursue follow-on investments in the existing Portfolio companies in order to maximize value and/or facilitate future divestments.

All divestments, and any follow-on investments relating to a Portfolio company, above a cumulative threshold of US$500,000, will be considered and approved by the Independent Directors.

Net proceeds of divestments shall, pursuant to the Company's Articles of Association, be distributed to shareholders at such time as determined by the Board of Directors, at its absolute discretion, for the purpose of maximizing returns to shareholders while maintaining sufficient liquidity for working capital and provisions for follow-on investments.

Principle 2 – Seek to understand and meet shareholder needs and expectations

Although the Company is in realisation mode the Directors actively seek to build a relationship with its shareholders and continue to manage shareholder's expectations. The Company remains committed to listening and communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. Meetings are held with shareholders, typically following the issuing of results.

For shareholders the AGM is the main forum for dialogue with the Board and Directors are available to answer questions raised by shareholders. The results of the AGM are subsequently published on the Company's website.

There are also periodic class meetings held which is another forum for dialogue with the Directors, the results of these class meetings are also published on the Company's website. The Directors are the main point of contact for the shareholders.

Statement of Compliance with the QCA Corporate Governance Code (continued)

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success.

This principle now has limited applicability, given that the investment policy of the Company is to realise its portfolio and to return the net proceeds to shareholders. The Board has oversight, accountability and contact with key resources and relationships.

The group's stakeholders include shareholders, members of staff of the investment advisor, auditors, regulators and industry bodies.

Engaging with stakeholders strengthens relationships and helps with business decisions in order to deliver the investment policy.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Company's investment activities expose it to various types of risks, which are associated with the financial instruments and markets in which it invests. The Board needs to ensure that the Company's risk management framework identifies and addresses all relevant risks.

The Board is responsible for reviewing and evaluating risk and considers the risks to the business at regular board meetings.

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

- Country risk
- 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 and is available to view on the Company's website.

The Board has overall responsibility for the Company's systems of internal controls, for reviewing their effectiveness and ensuring efficient day to day operations. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information used within the business and for publication are reliable.

Following their appointment in 2017, the new board appointed FIM Capital Limited as Administrator in order to improve the levels of corporate governance, accounting and day to day management of the Company.

Principle 5 – Maintain the board as a well-functioning, balanced team led by the chair.

The Origo board was reconstituted in late 2017 with the appointment of three new directors and the resignations of two of the incumbent directors. In September 2017, Hiroshi Funaki joined the Origo board as a nominee of Origo's largest ordinary shareholder. On 31 October 2017, John Chapman 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. John Chapman was elected the Company's Chairman. In April 2018, Niklas Ponnert an employee of the investment adviser resigned from the Board.

In the period since the new board was appointed, the 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 the assets owned and begin to accelerate the realization of company assets in order to be able to return cash to shareholders.

The Board now comprises three non- executive directors, John Chapman (Chairman), Hiroshi Funaki and Philip Scales and all three have an effective and an appropriate balance of skills and experience for a company of this size.

The Board holds regular meetings, a minimum of at least 4 times per annum, either formally in person or informally by telephone and ad hoc meetings are held as required. For the year ended 31 December 2018 fifteen board meetings took place. Fourteen meetings were attended by all directors and one was attended by a majority of directors.

Principle 6 – Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.

The Board currently consists of three Non- Executive Directors. The Board is satisfied that between the Directors it has an effective and appropriate balance of skills and experience, reflecting a broad range of commercial and professional skills across geographies and industries that is necessary to ensure the Company is equipped to deliver is investment objective. Additionally, each Director has experience with public companies.

John Chapman is an experienced investment company director with significant experience in managing and advising investment companies in many emerging and developed markets. Mr. Chapman is a member of the New York State Bar and holds the Chartered Financial Analyst (CFA) credential.

Hiroshi Funaki worked at Edmond de Rothschild Securities from 2000 to 2015 where he led the Investment Companies team, focusing on Emerging Markets and Alternative Assets. Prior to that, he was Head of Research at Robert Fleming Securities, also specialising in closed-end funds. He currently acts as a consultant to a number of emerging market investors. He has a BA in Mathematics and Philosophy from Oxford University.

Philip Scales has over 40 years' experience working in offshore corporate, trust, and third party administration. For 18 years, he was Managing Director of Barings Isle of Man (subsequently to become Northern Trust) where he specialised in establishing offshore fund structures, latterly in the closed-ended arena (both listed and unlisted entities). Mr. Scales subsequently co-founded FIM Capital Limited where he is Deputy Chairman. He is a Fellow of the Institute of Chartered Secretaries and Administrators and holds a number of directorships of listed companies and collective investment schemes.

FIM Capital Limited ("FIM") is the Fund's administrator, registrar and registered agent, and provide specialist fund administration services to a variety of closed ended funds and collective investment schemes. Many of the closed ended schemes are quoted on the London Stock Exchange. FIM

Capital Limited act as secretary to the Company and are available to advise and support the Board on corporate governance and secretarial matters.

Legal firms in London and China have been appointed to specifically provide advice to the Board on all matters relating to the sale of the portfolio of assets.

Principle 7 – Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

The Directors intend to carry out board evaluations by the end of 2019 and annually thereafter.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours.

It is the board who set the standard/culture within the organisation and they ensure that there are appropriate codes of practice in place.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.

The Board has joint authority and decision-making powers for all aspects of the Company's activities.

The Board has adopted appropriate delegations of authority that set out matters that are reserved to the Board.

The Non-Executive Chairman is responsible for the effectiveness of the Board together with the responsibility to oversee the company's corporate governance practices.

The responsibility for the Company's day-to-day operations has been delegated by the Board to FIM.

There are no separate committees as the board does not feel these are necessary given the size of the Board, the Company and the investment objective of realising all assets matters normally considered by a committee are considered by the Board as a whole.

Whilst there has been no formal adoption of matters reserved for the Board, the Directors review and approve the following:

- Strategy and management
- Policies and procedures
- Financial reporting and controls
- Capital structure
- Contracts
- Shareholder documents/Press announcements
- Adherence to Corporate Governance and best practice procedures

Principle 10 – Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

There are no additional committees and the board does not feel it is necessary at this time due to the size of the company and the fact that it is in realisation mode.

If a significant proportion of votes (e.g. 20% of independent votes) have been cast against a resolution at any general meeting, the Company will include, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.

The results of votes taken at meetings are published on the Company's website. Historical annual reports and notices are also published on the website.

COMMITTEES

As detailed in Principle 5 there are no Board committees (and therefore no committee reports) and this will be highlighted in future Reports and Accounts.

The Company will monitor and review the need to form Committees to support the function of the Board.

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	Lubbock Fine Paternoster House 65 St Paul's Churchyard London EC4M 8AB
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