2013 ANNUAL REPORT

ADAMAS FINANCE ASIA LIMITED

ADAMAS FINANCE ASIA

CONTENTS

Company Information

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

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Broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Auditors	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
Legal Advisers ***(as to English law)***	Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES
Legal Advisers ***(as to Hong Kong law)***	Pinsent Masons 50th Floor, Central Plaza 18 Harbour Road Hong Kong
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Website	www.adamasfinance.com
Stock Code	AIM: ADAM Frankfurt: 1CP

Chairman's Statement

I am pleased to report on your Company's progress during 2013, which turned out to be a transitional year leading to what I believe is the Company's most significant strategic development since its arrival on AIM in 2009.

I referred last June in my 2012 Chairman's Report to the importance of an alliance agreed eight months earlier with Hong Kong-based Adamas Asset Management (HK) Limited ("Adamas"). The Company, which was then called China Private Equity Investment Holdings Limited ("CPE"), was intending to anchor the alliance with a planned US$20 million co-investment programme with Adamas. Instead, on the final day of what I believe will prove to have been a key year in the Company's evolution, the CPE Board announced it would seek shareholder approval for the acquisition through reverse takeover of a portfolio of four investments from Elypsis Solutions Ltd, a wholly-owned subsidiary of a credit fund managed by an Adamas affiliate (the "RTO").

The reasons for this decision have already been outlined in the AIM Admission Document published in January 2014. As I explained at the time, the Board took the decision on the basis that bringing Adamas' management and deal sourcing capability, as well as an investment portfolio of substantial value, into the Company could provide significant benefits for shareholders.

Against that very positive background, it is disappointing that, while the financial results for the year showed a significant improvement on 2012, the Company recorded a loss of US$1.72 million (2012: US$10.25 million). The loss was partly due to professional fees of US$185,000 incurred as a result of the RTO which started in 2013 but did not complete until February 2014. The loss arising from the fair value adjustment of the Company's historic asset portfolio was much lower than the previous year at US$319,000 (2012: US$9.25 million), details of which are provided in the Directors' report below.

Adamas has established a strong presence in Asia, where its assets under management have grown to in excess of US$600 million and where it can point to a proven track record of identifying and managing investments into high-growth businesses. A key element of the Adamas approach is its sharp focus on high-yielding, cash generative opportunities, founded on a rigorous approach to due diligence and insistence on solid collateral support. Adamas has achieved exits from earlier financings yielding regular dividend distributions and gross internal rates of return ranging between 27% and 34%. Earlier this year Adamas was a close runner-up to the global giant KKR Asset Management for the Private Debt Investor award for "2013 Asia Lender of the Year". Crucially for the Company, the Adamas team has developed proven successful experience filling a huge funding gap for SMEs in China that do not have access to bank lending but are operationally strong and can offer property or offshore collateral to secure short-term growth capital.

During the course of the year, in September 2013, the Company made its first investment of US$1 million into a fund administered by Adamas, and has already seen an early return in the form of a first dividend payment of US$79,000 – a yield of nearly 8%. Following the year-end, during April 2014 the Company invested US$500,000 into another fund launched by Adamas, the BRJ China Credit Fund ("BRJ"). Since that investment, Adamas has announced two successful exits by BRJ from early investments yielding an IRR of just under 30%, with consequent increases in its net asset value and capital available for further investment.

We therefore already have tangible evidence that the strategic changes planned during the course of 2013 are yielding returns auguring a brighter future for the Company. With Adamas as our investment manager, we are now positioned to continue building a quality portfolio which we plan over time to be centred entirely on income generating assets. The eventual objective of this is to deliver regular income distributions to our shareholders.

At the year end, cash and short term loans available to the Group stood at US$3.2 million, although this was supplemented during February 2014 by an equity fundraising of £3 million (then approximately US$4.6 million) as part of the RTO. Two of the four investee companies acquired during the RTO are currently being prepared for stock exchange listings in Hong Kong, and the Board is also hopeful that the setbacks which have delayed the planned Hong Kong listing of Fortel Technology Holdings Limited, in which the Company holds a 33.6% stake, have at last been largely resolved. In particular, the problems associated with the audit of historic results for Fortel have now been dealt with and I am hopeful that once Fortel completes its financial year end of December 2014, the listing application will be submitted to the Growth Enterprise Market ("GEM") of the Hong Kong Stock Exchange in the first quarter of 2015, with the listing approval expected by early second quarter in 2015.

In summary, looking back over a year that led to what I believe is the most significant development in the Company's AIM history, I feel confident in stating that while these are still early days for the reshaped operation, the Company's new structure and close relationship with Adamas has the potential to deliver a solid and improving performance for our shareholders in the years ahead, and I look forward to providing further updates on progress in due course.

John Croft
Chairman of the Board

5 June 2014

Adamas Asset Management and the Private Credit Market in China

The debate over the potential economic impact of the risks embedded in China's private credit market seems never-ending. As far back as 2003, The World Bank was warning that Chinese small and medium enterprises (SMEs), a crucial component in the functioning and growth of China's economy, faced "important" credit constraints, and as recently as last January, a survey sponsored by Beijing's Central University of Finance and Economics found that SMEs will be among the hardest hit if credit tightens further. The whole issue came dramatically to the fore again in March when Shanghai Chaori Solar Energy Science & Technology Co. became the first ever company to default in China's onshore bond market. That unwelcome event served to highlight both the challenges faced by China's SMEs in obtaining short-term credit, and the risks inherent in lending to them.

From the perspective of the Adamas Asset Management teams in Asia, those risks are very real, but – handled properly – they also present a golden opportunity. Based in Hong Kong, and with office also in Shanghai, Adamas has over the past four and a half years attracted more than US$600 million of capital from investors keen to exploit its experience and understanding of the credit needs of Asian SMEs needing capital, with a particular focus on Greater China. In that relatively short time, Adamas has demonstrated its ability to identify and work with operationally sound SME borrowers, generating internal rates of return as high as 34%. Our approach is characterised by the transliteration of the Adamas name into Chinese – 'An De Si' – which mean 'Safety – Integrity – Thoughtfulness', and our team takes a thorough and effective approach to credit lending and management.

In February 2014, Adamas became the investment manager for Adamas Finance Asia Ltd (ADAM) following a reverse takeover on AIM of China Private Equity Investment Holdings Ltd which involved the purchase of a US$87 million asset portfolio from a fund managed by Adamas. For Adamas, this was an important step, providing our experienced Asian team with valuable exposure and access to a wider base of international investors. But we believe the step has been equally as significant for ADAM and its shareholders against the backdrop of China's huge SME credit gap and Adamas' track record and access to deal flow in that market. Acutely aware of the risks of lending in developing economies, and especially aware of a suspicion of China among many Western investors, the Adamas team exercises a rigorous pre and post-financing methodology, takes a proven, hands-on approach to involvement with the management of its borrowers – including a seat on the Board of Directors – and always seeks collateral that is either rooted in cautiously-valued property or located outside China.

The scale of opportunity in China's lending market leaves little room for doubt that a very large number of suitable, solid lending targets exist. According to China's Ministry of Industry and Technology, SME's represent 99% of the total number of domestic enterprises, are responsible for 80% of the nation's employment, drive 60% of its GDP, and generate more than 50% of national tax revenue. Yet despite this clear overriding importance to the health of the national economy, SMEs have limited access to long term credit from mainstream Chinese banks, which have always preferred to lend to large firms and enterprises affiliated to local governments. The already tight situation created by that approach to risk assessment and mitigation worsened in the aftermath of the 2008 financial crisis, when the Chinese Government implemented a series of measures that increased interest rates and tightened the requirements on banks' capital reserve ratios in a bid to counter inflation threats. In Europe, historically, around 80% of SMEs have been successful in obtaining bank loans; in the US, the figure is more like 30%. China's mainstream media, heavily State-controlled, have frequently cited that fewer than 10% of the SMEs in China have access to bank loans. Reflecting that, a report by the China Banking Regulatory Commission has identified an SME credit gap of around US$1 trillion, leading borrowers to seek alternative providers of capital. These range from credit guarantee firms, financial leasing companies and institutional private debt funds, through to wealthy private individuals and even pawnshops.

Recognising the investment opportunity created by this financing gap, Adamas has over the past four and a half years successfully provided growth capital to growing SMEs by structuring collateralised direct loans backed by solid, accessible collateral. The evidence so far suggests two conclusions. First, high-quality borrowers who can meet the tough operational and collateral exist in China in large numbers. Second, the risk-adjusted returns offered by our strategy represent a sound proposition for investors who want to be involved in the Chinese growth market without taking the volatility risks of direct equity investment, where the opportunities for most investors are in any event limited. ADAM's shareholders and potential investors now have access to transactions structured by the Adamas team which involve senior debt, bridge loans, convertible instruments and other types of structured private financing.

As the Chairman's Statement in this Annual Report states, recent announcements have recorded that ADAM itself has already seen an early return from this approach, in the form of a near 8% dividend distribution from the Greater China Credit Fund (GCCF), an investment vehicle established by Adamas to fund operationally-sound SMEs with an enterprise value of under US$400 million and EBITDA of less than US$40 million. Adamas' decision to launch GCCF last year followed successes achieved with an earlier Adamas fund established in March 2010, the Asia Private Credit Fund, where approximately 90% of invested deals have been exited, yielding a projected gross IRR of 28%.

Two further examples of how Adamas works to capture opportunities in China's tight credit market have arisen over the past two months from a third fund launched by Adamas, the BRJ China Credit Fund Limited ("BRJ"). In April, the Company announced that Project Changlelu, an entertainment and leisure business in China, had repaid the entire principal and interest of a RMB15 million (approx. US$2.4 million) loan structured by Adamas and provided through BRJ. Then earlier this month it was similarly announced that BRJ had achieved a second exit, this time from Project Renheng, a successful pharmaceutical business in China that repaid the principle and interest on a RMB13 million (approx. US$2.1 million) loan.

The borrowers in both projects needed bridge-funding, and were unable to find satisfactory sources of finance within China. In both cases Adamas, through BRJ, made the funding available only after extensive due diligence, and with an insistence on robust, realisable collateral backing. In the case of Project Changlelu, the collateral was a historic building located at Changlelu in Shanghai that provided an overall loan-to-value ratio of approximately 57%. The collateral was further underpinned by corporate guarantors involved with the borrower. The collateral backing for Project Renheng was two penthouse apartments in a prime location in Pudong, the Central Business District of Shanghai. That was further underpinned by corporate guarantors involved with the borrower, and by a personal guarantee. The overall loan-to-value ratio was 29.78%. Project Changlelu yielded an IRR of 31.83% while Project Renheng yielded 27.26% – an average IRR for BRJ to date of just under 30%.

ADAM has invested US$500,000 into BRJ, which itself plans to invest US$50 million in total and which is structured so that the cash generated by the Project Changlelu repayment is now available for future investment.

Nobody can sensibly deny that the ongoing debate mentioned above recognises that a major credit threat exists within the Chinese economy. At the same time, it is equally obvious that strong SMEs will continue to survive and to require accessible sources of solid financing as the country continues with its rapid economic development. The award-winning Adamas teams in Hong Kong and Shanghai comprise over 20 professionals whose investment experience, global capital market exposure and deep industry knowledge are underpinned by strong relationships with China's leading State Owned Enterprises, entrepreneurs, institutional investors and government officials. The difficulties faced by China's growing SMEs, and the risks involved in helping to fund their growth are both real, but we believe the rewards are potentially greater.

Biographies of Directors and Senior Management

Board of Directors

Mr. John Croft *(aged 61), Non-executive Chairman*
Mr. Croft is an experienced director of AIM-quoted companies and has previously worked in executive and non-executive capacities with a number of fast growth companies in the technology and financial services sectors. He is also currently Non-Executive Chairman of Fusionex International PLC (AIM: FXI) and a Non-Executive Director of Goal Group Limited, a leading class action service provider and tax reclamation services specialist. He previously held senior director level positions in Racal Electronics and NCR Corporation, following an early career in banking with HSBC and Grindlays Bank.

Mr. Conor MacNamara *(aged 48), Non-executive Director*
Mr. MacNamara is Head of Business Development at Adamas and is responsible for the capital raising for all of their funds, including the Asia/Japan fund of funds and the Asia and Greater China private credit funds. He is an experienced investment banker with significant experience in structuring alternative investment products. Mr. MacNamara has spent most of his career in the Japanese and Asian markets, holding senior positions at a number of institutions including ABN AMRO, RBS Global Banking, Gen Re Securities and RBC Dominion Securities.

Mr. Wong Yiu Kit, Ernest *(aged 46), Non-executive Director*
Mr. Wong has over 20 years of experience in venture capital, corporate finance, business development, legal, IT, financial and general management. He has worked for the Hong Kong Applied Science and Technology Research Institute Company Limited, Vertex Management, Guangdong Investment Ltd, Transpac Capital and Andersen Consulting. He has a BBA (University of Hong Kong) and a MSc in investment management (University of Science & Technology, Hong Kong) and a MSc in Electronic Engineering (Chinese University of Hong Kong). Mr. Wong's professional qualifications include: FCCA, FCPA, CFA, ACA and MHKSI.

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

Mr. Paul Lincoln Heffner
Mr. Heffner has extensive experience in asset management, investments, and entrepreneurial ventures. He is a co-founder, Managing Partner and Chief Executive Officer of Adamas Asset Management. Prior to forming Adamas Asset Management, Mr. Heffner was a Partner and Chief Investment Officer of Ajia Partners and the founder of its fund of funds business. He was also a Managing Director for a major family office in Hong Kong responsible for all technology, media and communication investments, including hedge funds, private equity funds and direct investments. Mr. Heffner was previously an Associate Director with Morgan Stanley Private Wealth Management in Hong Kong and New York and has 20 years of investment experience in Hong Kong. He obtained an MBA from Columbia Business School and graduated with Honours in Asia Studies from Trinity College in Hartford, Connecticut. Mr. Heffner also serves as a Non-Executive Director of New Times Energy Corporation Limited (166.HK).

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

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

Directors' Report

The board ("the Board") of directors ("the Directors") are pleased to present their report on the affairs of the Company and its subsidiaries (collectively referred to as "the Group"), together with the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company was incorporated with limited liability under the laws of the British Virgin Islands ("BVI"). The Company's shares were admitted to the AIM Market ("AIM") of the London Stock Exchange on 19 October 2009 and on the Quotation Board of the Open Market of the Frankfurt Stock Exchange on 6 December 2012. Formerly known as China Private Equity Investment Holdings Limited, the Company changed its name into Adamas Finance Asia Limited on 18 February 2014. The principal activity of the Company is investment holding. The Group is principally engaged in investing primarily in unlisted assets in the areas of telecommunications, media and technology ("TMT") as well as financial services or listed assets driven by corporate events such as mergers and acquisitions, pre-IPO, or re-structuring of state-owned assets.

The Investing Policy, as required under the AIM Rules for Companies is as follows:

- The transactions will be structured as senior debt, bridge loans, mezzanine finance and other types of structured private financing.
- Target companies will be SMEs in Asia with a focus on Greater China.
- The Company is generally sector agnostic, but will focus on agriculture, clean energy, consumer, food and beverage, healthcare, new materials, real estate and resources.
- The average maturity of the transactions will range from 24 to 36 months.
- Each new asset will have a targeted internal rate of return of 20 per cent. per annum.
- The investment in each new asset will not represent more than 20 per cent. of the Company's net asset value immediately following the transaction.
- The Company has an indefinite life and is targeting both capital and income returns over time for its shareholders.
- Assets will be managed actively, including through appropriate investor protections which will be negotiated on each transaction.
- The Company is designed for investors seeking access to yield-producing investment opportunities in Asia.
- The Company will not use debt to finance individual investments, but may take on debt at the Company-level with no specific limit.

RESULTS AND DIVIDENDS

The loss of the Group for the year ended 31 December 2013 after taxation was US$1.7 million (2012: loss US$10.3 million).

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

REVIEW OF THE BUSINESS

The Group's audited consolidated loss for the year ended 31 December 2013 amounted to US$1,728,000 (2012: loss: US$10,251,000). The Group's audited net asset value as at 31 December 2013 stood at US$25,475,000 (2012: US$23,174,000) equivalent to US$0.20 per share (2012: US$0.30)

The loss for the year resulted from a net decrease in fair value of the underlying assets of US$319,000 (2012: US$9,246,000 decrease) and administrative expenses of US$1.8 million (increased from US$1.4 million in 2012), but nevertheless represents a significant improvement over the prior year loss of US$10.3 million.

The increase in administrative expenses was driven predominantly by one-off fees incurred as part of the reverse takeover process completed after the Company's year end. Other administrative expenses were reduced primarily as a result of a sharp reduction in Directors' fees.

The decrease in fair value of the assets was derived from a writedown in the value of the Company's investment in Patimas Computers Berhad ("Patimas"), referenced later in this report, of US$1.4 million, offset by rises in the fair value of the Company's investment in Asia Biotechnology Holdings of US$440,000 and a surplus of US$587,000 on the disposal of its investment in AIP Global.

During the year the Company made three major new investments, disposed of one portfolio asset, and raised new equity to support its investment plans.

In February the Company invested US$1.5 million in Patimas, a data centre business located in Kuala Lumpur with a quotation on the Malaysian Stock Exchange. Unfortunately later in the year Patimas was suspended from the Malaysian Stock Exchange and was subsequently delisted, in spite of our Board representative's efforts to keep the company listed via a detailed financing proposal which was submitted to the exchange. As a result the majority of the value of this investment has been written down. Efforts are being made to dispose of this business, and we are hopeful that this will result in at least a partial recovery of our investment.

In April 2013 the Company raised a total of US$4 million through the issue of new equity to provide additional working capital and to support its investment plans.

In May 2013 the Company invested a total of US$1.1 million in Asia Bioenergy Technologies Berhad, a biotechnology incubation fund located in Kuala Lumpur with a listing on the Malaysian Stock Exchange. Later in the year the Company announced its intention to invest a further US$1.6 million via a rights issue and this was completed at the end of April 2014. The company appears to be performing in line with expectations, and seems to be well supported by its shareholders.

In July 2013 the Company announced that it planned to embark on a co-investment plan with Adamas Asset Management (HK) Ltd ("Adamas"). The first investment made under this plan was a US$1 million investment in Adamas's Greater China Credit Fund completed in August. Later in the year detailed discussions were entered into regarding the development of a much closer relationship, which ultimately resulted in the reverse takeover completed early in 2014.

In September 2013 the Company announced the disposal of its holding in AIP Global resulting in a net US$587,000 credit to the Company's NAV.

At the time of preparing this Directors' Report, Fortel's management has confirmed that the issues which previously caused the delay in the planned IPO have been addressed and the audited accounts up to 31 December 2012 have been signed off by their auditors. Completion of the 2013 audit is now expected before the end of June.

Trading at Fortel in 2013 has been strong with markedly improved results as compared to 2012. Fortel's core business has shifted from a software development and licensing model to the more exciting and rapidly growing electronic and mobile commerce area, including the provision of IT and logistics services to merchants selling a variety of merchandises to hundreds of millions of online consumers in China.

Fortel's board has been advised that to maximise its potential IPO value it should delay its application to the Hong Kong Exchange until 2014 results have been audited, which means this is now scheduled for the first half of 2015.

EVENTS AFTER THE REPORTING PERIOD

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

DIRECTORS AND DIRECTORS' INTERESTS

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

Mr. Patrick Macdougall *(Resigned as Non-executive Director and Chairman on 28 February 2013)*
Mr. John Croft – Non-executive Director *(Appointed as Chairman on 28 February 2013 and re-designated from Executive Director to Non-executive Director on 18 February 2014)*
Mr. Wong Yiu Kit, Ernest *(re-designated from Executive Director to Non-executive Director on 18 February 2014)*
Mr. Hanson Cheah *(Resigned as Non-executive Director on 19 November 2013)*
Mr. Conor MacNamara *(Appointed as Non-executive Director on 1 November 2013)*

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

With the exception of the related party transactions stated in Note 20 to the Financial Statements, there were no other significant contracts, other than Executive Directors' contracts of service, in which any Director had a material interest. The Directors who held office as at 31 December 2013 had no beneficial interests in any of the shares of the Company and Group companies other than as follows:

	Number of ordinary shares of no par value as at 31 December			
	2013		2012	
	Direct	Indirect	Direct	Indirect
Mr. John Croft	**70,590**	**184,000**	70,590	184,000

SUBSTANTIAL SHAREHOLDINGS IN THE COMPANY

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

Shareholder	**Number of Ordinary shares**	**Percentage of Issued share capital**
Elypsis Solutions Limited	1,445,416,667	85.15%

The percentage of shares not in public hands (as defined in the AIM Rules for Companies) is 85.35%.

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

FINANCIAL INSTRUMENTS

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

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

SHARE CAPITAL

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

At 31 December 2013, the number of ordinary shares in issue was 126,284,645. Details of movements in the issued share capital during the year are set out in Note 16 to the financial statements.

DIRECTORS' INDEMNITY

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

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

EMPLOYEE INFORMATION

As at 31 December 2013, the Group had 6 (2012: 6) employees excluding Directors. They perform clerical, research, business development, and administrative functions for the Group.

It is the Group's policy that the selection of employees for recruitment, training, development and promotion should be determined solely on their skills, abilities and other requirements which are relevant to the job, regardless of their sex, race, religion or disability. The Group recognises the value of its employees and seeks to create an energetic, dynamic and creative environment in which to work.

CHARITABLE DONATIONS

The Group has not made any charitable donation during the year (2012: Nil).

ANNUAL GENERAL MEETING

The Company's forthcoming annual general meeting ("Annual General Meeting") will be held on Friday, 11 July 2014 at 5:00 p.m. (Hong Kong time) at 1810, 18/F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong. The notice of the Annual General Meeting is enclosed with the financial statements.

GOING CONCERN

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

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

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

On behalf of the Board

John Croft
Non-executive Chairman

5 June 2014

Corporate Governance Statement

THE BOARD

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

COMPOSITION OF THE BOARD

The Board consists of three Non-executive Directors. The non-executive Director's role is to bring independent judgement to Board discussions and decisions.

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

Mr. John Croft – *Non-executive Chairman*
Mr. Conor MacNamara – *Non-executive Director*
Mr. Wong Yiu Kit, Ernest– *Non-executive Director*

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

INTERNAL CONTROL

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

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

AUDIT COMMITTEE

The audit committee comprised Mr. Hanson Cheah (Chair) (until he resigned on 19 November 2013), Mr. John Croft and Mr. Wong Yiu Kit, Ernest as well as Mr. Conor MacNamara (since he was appointed to replace Mr. Hanson Cheah on 19 November 2013) throughout the year under review. The audit committee, inter alia, determines and examines matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditor and, in consultation with the auditor, the scope of the audit. It receives and reviews reports from management and the Group's auditor relating to the half year and annual accounts and the accounting and the internal control systems in use throughout the Group, in addition to ensuring that the Group complies with the AIM Rules for companies. The audit committee met twice during the year and will meet at least twice a year in the future.

REMUNERATION COMMITTEE

The remuneration committee comprised Mr. Patrick Macdougall (Chair) (until he retired on 28 February 2013), Mr. John Croft and Mr. Hanson Cheah (until he resigned on 19 November 2013) as well as Mr. Ernest Wong (since he was appointed to replace Mr. Hanson Cheah on 19 November 2013) throughout the year under review. It reviews the performance of the executive Directors and determines their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. The remuneration committee also determines the payment of any bonuses to Directors and any grant of options to Directors and employees, under any share option scheme adopted by the Group.

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

INVESTMENT COMMITTEE

The investment committee comprised Mr. John Croft (Chair), Mr. Hanson Cheah (until he resigned on 19 November 2013) and Mr. Duncan Chui Tak Keung, the Chief Investment Officer, throughout the year under review. The investment committee decides whether or not to proceed with any investment opportunity. It is also responsible for reviewing existing investments and deciding on divestment issues. The investment committee also needs to approve any investment in a company where any Director is already interested, subject to provisions of the AIM Rules for Companies and applicable law and regulations.

RELATIONS WITH SHAREHOLDERS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

Independent Auditor's Report

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

We have audited the non-statutory financial statements of Adamas Finance Asia Limited for the year ended 31 December 2013, which comprise the consolidated and parent company statements of financial position, the consolidated and parent company statements of comprehensive income, the consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for the year then ended, and related notes. These financial statements have been prepared under the group's accounting policies set out therein.

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

OPINION

In our opinion:

- the non-statutory financial statements give a true and fair view of the state of the consolidated and parent company's affairs as at 31 December 2013, and of their results for the year then ended; and

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

Crowe Clark Whitehill LLP
Registered Auditor

5 June 2014

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Realised gain on disposal of investments		**548**	–
Fair value changes on financial assets at fair value through profit or loss	3	**(867)**	(9,246)
Administrative expenses		**(1,741)**	(1,401)
Operating loss	5	**(2,060)**	(10,647)
Other income		**137**	–
Finance income	6	**223**	275
Finance charges		**(21)**	(1)
Loss before taxation		**(1,721)**	(10,373)
Taxation	8	**–**	–
Loss for the year		**(1,721)**	(10,373)
Other comprehensive expense			
Currency translation differences		**(7)**	122
Total comprehensive expense for the year		**(1,728)**	(10,251)
Loss per share			
Basic	20	**1.57 cents**	13.60 cents
Diluted	20	**1.57 cents**	13.60 cents

The results reflected above relate to continuing operations.

The accompanying notes on pages 24 to 44 are an integral part of these financial statements.

Company Statement of Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Realised gain on disposal of investments		**548**	–
Fair value changes on financial assets at fair value through profit or loss	3	**39**	(3,344)
Administrative expenses		**(775)**	(588)
Operating loss	5	**(188)**	(3,932)
Finance income	6	**223**	275
Profit/(loss) before taxation		**35**	(3,657)
Taxation	8	**–**	–
Profit/(loss) for the year		**35**	(3,657)
Other comprehensive expense			
Currency translation differences		**(7)**	102
Total comprehensive income/(expense) for the year		**28**	(3,555)

The results reflected above relate to continuing operations.

The accompanying notes on pages 24 to 44 are an integral part of these financial statement.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital US$'000	Share based payment reserve US$'000	Foreign translation reserve US$'000	(Accumulated losses)/ retained earnings US$'000	Total US$'000
Group balance at 1 January 2012	31,572	799	(71)	1,123	33,423
Loss for the year	–	–	–	(10,373)	(10,373)
Other comprehensive income					
Currency translation differences	–	–	122	–	122
Total comprehensive (expense)/income for the year	–	–	122	(10,373)	(10,251)
Expired options	–	(799)	–	799	–
Issue of options	–	2	–	–	2
Group balance at 31 December 2012 and 1 January 2013	31,572	2	51	(8,451)	23,174
Loss for the year	–	–	–	(1,721)	(1,721)
Other comprehensive expense					
Currency translation differences	–	–	(7)	–	(7)
Total comprehensive expense for the year	–	–	(7)	(1,721)	(1,728)
Issue of shares	4,000	–	–	–	4,000
Issue of options	–	29	–	–	29
Group balance at 31 December 2013	35,572	31	44	(10,172)	25,475

Company Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital US$'000	Share based payment reserve US$'000	Foreign translation reserve US$'000	Accumulated losses US$'000	Total US$'000
Company balance at 1 January 2012	31,572	799	(61)	(3,631)	28,679
Loss for the year	–	–	–	(3,657)	(3,657)
Other comprehensive income					
Currency translation differences	–	–	102	–	102
Total comprehensive (expense)/income for the year	–	–	102	(3,657)	(3,555)
Expired options	–	(799)	–	799	–
Issue of options	–	2	–	–	2
Company balance at 31 December 2012 and 1 January 2013	31,572	2	41	(6,489)	25,126
Profit for the year	–	–	–	35	35
Other comprehensive income					
Currency translation differences	–	–	(7)	–	(7)
Total comprehensive income/(expense) for the year	–	–	(7)	35	28
Issue of shares	4,000	–	–	–	4,000
Issue of options	–	29	–	–	29
Company balance at 31 December 2013	35,572	31	34	(6,454)	29,183

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

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

The accompanying notes on pages 24 to 44 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Non-current assets			
Fixtures, fittings and equipment	9.1	**75**	7
Unquoted financial assets at fair value through profit or loss	10	**20,168**	20,133
Total non-current assets		**20,243**	20,140
Current assets			
Loans and other receivables	12	**1,864**	3,023
Quoted financial assets at fair value through profit or loss	13	**3,182**	–
Cash and cash equivalents		**1,344**	489
Total current assets		**6,390**	3,512
Total assets		**26,633**	23,652
Current liabilities			
Other payables and accruals	14	**1,158**	478
Net current assets		**5,232**	3,034
Net assets		**25,475**	23,174
Equity and reserves			
Share capital	16	**35,572**	31,572
Share based payment reserve		**31**	2
Foreign translation reserve		**44**	51
Accumulated losses		**(10,172)**	(8,451)
Total equity and reserves attributable to owners of the parent		**25,475**	23,174

The financial statements were approved by the Board of Directors and authorised for issue on 5 June 2014 and signed on its behalf by:

John Croft
Director

The accompanying notes on pages 24 to 44 are an integral part of these financial statements.

Company Statement of Financial Position

As at 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Non-current assets			
Fixtures, fittings and equipment	9.2	**3**	4
Investment in subsidiaries	11	**23,818**	19,041
Unquoted financial assets at fair value through profit or loss	10	**3,048**	3,007
Total non-current assets		**26,869**	22,052
Current assets			
Loans and other receivables	12	**1,775**	3,008
Cash and cash equivalents		**984**	194
Total current assets		**2,759**	3,202
Total assets		**29,628**	25,254
Current liabilities			
Other payables and accruals	14	**445**	128
Net current assets		**2,314**	3,074
Net assets		**29,183**	25,126
Equity and reserves			
Share capital	16	**35,572**	31,572
Share based payment reserve		**31**	2
Foreign translation reserve		**34**	41
Accumulated losses		**(6,454)**	(6,489)
Total equity and reserves		**29,183**	25,126

The financial statements were approved by the Board of Directors and authorised for issue on 5 June 2014 and signed on its behalf by:

John Croft
Director

The accompanying notes on pages 24 to 44 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	2013 US$'000	2012 US$'000
Cash flows from operating activities		
Loss before taxation	**(1,721)**	(10,373)
Adjustments for:		
Depreciation	**58**	3
Financing income	**(223)**	(275)
Fair value changes on unquoted financial assets at fair value through profit or loss	**(587)**	9,223
Fair value changes on quoted financial assets at fair value through profit or loss	**906**	23
Share-based expenses	**29**	2
Decrease in receivables	**82**	(39)
Increase/(decrease) in other payables and accruals	**681**	(17)
Net cash used in operating activities	**(775)**	(1,453)
Cash flows from investing activities		
Acquisition of leasehold improvements, fixtures, fittings and equipment	**(126)**	(3)
Finance income received	**223**	275
Sale proceeds of quoted financial assets at fair value through profit or loss	**400**	154
Purchase of quoted financial assets at fair value through profit or loss	**(4,489)**	–
Sale proceeds of unquoted financial assets at fair value through profit or loss	**1,548**	–
Purchase of unquoted financial assets at fair value through profit or loss	**(1,002)**	–
Loans granted	**(3,564)**	(3,528)
Proceeds from repayment of loan granted	**4,639**	3,919
Net cash (used in)/generated from investing activities	**(2,371)**	817
Cash flows from financing activities		
Net proceeds from issue of shares	**4,000**	–
Repayment of loan from shareholders	**–**	(36)
Net cash generated from/(used in) financing activities	**4,000**	(36)
Net increase/(decrease) in cash and cash equivalents	**854**	(672)
Cash and cash equivalent at the beginning of the year	**489**	1,159
Effect of foreign exchange	**1**	2
Cash and cash equivalent at the end of the year	**1,344**	489

The accompanying notes on pages 24 to 44 are an integral part of these financial statements.

Company Cash Flow Statement

For the year ended 31 December 2013

	2013 US$'000	2012 US$'000
Cash flows from operating activities		
Profit/(loss) before taxation	**35**	(3,657)
Adjustments for:		
Depreciation	**1**	2
Finance income	**(223)**	(275)
Fair value changes on unquoted financial assets at fair value through profit or loss	**(587)**	3,344
Share-based expenses	**29**	2
Decrease/(increase) in other receivables	**155**	(43)
Increase in other payables and accruals	**317**	12
Net cash used in operating activities	**(273)**	(615)
Cash flows from investing activities		
Advances to subsidiaries	**(4,782)**	(746)
Finance income received	**223**	275
Purchase of unquoted financial assets at fair value through profit or loss	**(1,002)**	–
Sale proceeds of unquoted financial assets at fair value through profit or loss	**1,548**	–
Loans granted	**(3,564)**	(3,528)
Proceeds from repayment of loan granted	**4,639**	3,919
Net cash used in investing activities	**(2,938)**	(80)
Cash flows from financing activities		
Net proceeds from issue of shares	**4,000**	–
Repayment of loan from shareholders	**–**	(9)
Net cash generated from/(used in) financing activities	**4,000**	(9)
Net increase/(decrease) in cash and cash equivalent	**789**	(704)
Cash and cash equivalent at the beginning of the year	**194**	898
Effect of foreign exchange	**1**	–
Cash and cash equivalent at the end of the year	**984**	194

The accompanying notes on pages 24 to 44 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

The Company is a limited company incorporated in the British Virgin Islands ("BVI") under the BVI Business Companies Act 2004 on 18 January 2008. The address of the registered office is Commerce House, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, British Virgin Islands VG1110 and its principal place of business is 1810, 18/F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong. The Company was set up with an intention to position itself to be a Chinese and Asian focused AIM listed private equity investment holding group. The Company will seek to identify suitable private equity investment opportunities in China.

The Company is listed on AIM of the London Stock Exchange (code: ADAM); and with effect from 6 December 2012, the Company's ordinary shares have been included on the Quotation Board of the Open Market of the Frankfurt Stock Exchange (code: 1CP).

2. ACCOUNTING POLICIES

a) Basis of Preparation

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

The Company's and the Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as issued by the IASB. The financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets and financial liabilities at fair value through the income statement, and on a going concern basis.

The accounting policies adopted by the Company and the Group are consistent with those of the previous financial year except as follows:

The Company and Group have adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2013.

		Effective Date Accounting periods beginning on or after
Amendments to IFRSs	Annual improvements to IFRSs 2009 – 2012 cycle	01/01/2013
Amendments to IFRS 7	Disclosures – Offsetting financial assets and financial liabilities	01/01/2013
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance	01/01/2013
Amendments to IAS 1	Presentation of items of other comprehensive income	01/07/2012
IFRS 10	Consolidated financial statements	01/01/2013
IFRS 11	Joint arrangements	01/01/2013
IFRS 12	Disclosure of interests in other entities	01/01/2013
IFRS 13	Fair value measurement	01/01/2013
IAS 19 (as revised in 2012)	Employee benefits	01/01/2013
IAS 27 (as revised in 2012)	Separate financial statements	01/01/2013
IAS 28 (as revised in 2012)	Investments in associates and joint ventures	01/01/2013
IFRIC – INT 20	Stripping costs in the production phase of a surface mine	01/01/2013

The following standards and interpretations have been issued but are not yet effective and have not been early adopted in these financial statements.

		Effective Date Accounting periods beginning on or after
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 cycle	01/07/2014
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 cycle	01/07/2014
IFRS 9	Financial instruments	To be determined
Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures	To be determined
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities	01/01/2014
Amendments to IAS 19	Defined benefits plans; Employee contributions	01/07/2014
Amendments to IAS 32	Offsetting financial assets and financial liabilities	01/01/2014
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets	01/01/2014
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting	01/01/2014
IFRIC – Int 21	Levies	01/01/2014
IFRS 14	Regulatory Deferral Accounts	01/01/2016
IAS 16 and IAS 38	Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation	01/01/2016
IFRS 11	Amendments to Accounting for Acquisitions of Interests in Joint Operations	01/01/2016

The directors do not currently expect any other standards to have any material impact on accounting policies or disclosures.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

c) **Segment reporting**

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

d) **Revenue recognition**

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

- Dividend income is recognised when the Company's right to receive payment is established.
- Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- Fair value changes on financial assets represents the overall changes in net assets from the investment portfolio net of deal-related costs but excluding exchange movements.
- Other income comprised management recharges from the parent company to one of its subsidiaries, which are eliminated on consolidation.

e) **Leasehold improvements, fixtures, fittings and equipment and depreciation**

Leasehold improvements, fixtures, fittings and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of fixtures, fittings and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of leasehold improvements, fixtures, fittings and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the period of the lease
Fixtures, fittings and equipment	20%

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

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

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

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

g) **Financial instruments**

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

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

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

Unquoted financial assets at fair value through profit or loss

Unquoted:

Classification

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

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

Recognition/derecognition

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

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

Measurement

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

Quoted:

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

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

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

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

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

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

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

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

h) **Investment in subsidiaries**

Investments in subsidiaries are stated at cost less provision for any impairment in value.

i) **Provisions**

Provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

j) **Taxation**

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

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

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

k) Leasing

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

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

l) Employee benefits

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

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

m) Dividends

Dividends payable are recorded in the financial statements in the period in which they are declared.

n) Share based payments

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

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

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

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

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

o) Earnings per share

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

p) Share issue expenses

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

q) **Critical accounting estimates and judgements**

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

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

Assessment of the recoverability of receivables from and investments in subsidiaries

The Group follows the guidance of IAS 36 and IAS 39 in determining whether investments in subsidiaries are impaired. The determination required the assumption made regarding the duration and extent to which the value is less than cost. Management's assessment for impairment of investment in subsidiaries is based on the estimation of value in use by forecasting the expected future cashflows, using a suitable discount rate.

Assessment of accounting treatment under IAS 28 – Investment in Associates

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

The Group considers that the equity or proportionate consolidation methods for investments held by the Group produce information that is not relevant to the management and shareholders. The business of our respective investee companies is different in nature to that of ours and it is not our strategy to hold the interest of these investments on a perpetual basis. Therefore, the Group considers that the fair value measurement produces more relevant information to us. Moreover, the level of ownership in our investments will have frequent changes. So the financial statements of the portfolio companies are less useful than the fair value from the point of view of the management, shareholders and investors.

Valuation of unquoted investments

In estimating the fair value for an investment, the Group applies a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable market-data. Any changes in the above data will affect the fair value of an investment which may lead to recognition an impairment loss in the statement of comprehensive income if an impairment exists. Carrying values are dealt with in note 10.

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

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

r) **Foreign currency translation**

– *Functional and presentation currency*

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

The financial statements have been translated into US$ at the exchange rate prevailing on 31 December 2013, being US$1 = HK$7.75375.

– *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 income statement.

– *Group companies*

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

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

3. FAIR VALUE CHANGES ON FINANCIAL ASSETS AT FAIR VALUE

	Group		**Company**	
	2013 US$'000	2012 US$'000	**2013 US$'000**	2012 US$'000
Change in fair value of unquoted financial assets (note 10)	**39**	(9,223)	**39**	(3,344)
Change in fair value of quoted financial assets (note 13)	**(906)**	(23)	**–**	–
Total	**(867)**	(9,246)	**39**	(3,344)

4. SEGMENT INFORMATION

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

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

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

The segment information provided to the senior management and executive Board members for the reportable segments for the year ended 31 December 2013 is as follows:

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

	BVI	**Hong Kong**
	US$'000	US$'000
Realised gain on disposal of investments	548	–
Fair value changes on financial assets at fair value through profit or loss	(904)	36
Other income	–	137
Total financial income	223	–
Non-current assets attributed by reference to their location		
Non-current assets	20,168	75
Additions to non-current assets	–	126

The segment information provided to the senior management and executive Board members for the reportable segments for the year ended 31 December 2012 is as follows:

	BVI	**Hong Kong**
	US$'000	US$'000
Fair value changes on financial assets at fair value through profit or loss	(5,879)	(3,367)
Total financial income	275	–
Non-current assets attributed by reference to their location		
Non-current assets	19,133	1,007
Additions to non-current assets	–	3

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

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

5. OPERATING LOSS

Operating loss is stated after charging:

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Depreciation and amortisation	**58**	3	**1**	2
Fees payable to the Group's auditor for audit of the Company	**34**	33	**33**	32
Operating lease rentals – land and buildings	**232**	155	**–**	–

6. FINANCE INCOME

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Interest from bank and other loans	**223**	275	**223**	275

7. DIRECTORS' REMUNERATION

	Group		Company	
	2013 US$	2012 US$	2013 US$	2012 US$
Short term employment benefits				
Patrick Macdougall	**12,909**	79,710	**12,909**	79,710
Duncan Chui Tak Keung	**–**	3,329	**–**	–
Ernest Wong Yiu Kit	**92,858**	92,887	**–**	–
John Croft	**103,388**	150,752	**103,388**	150,752
Hanson Cheah	**34,177**	38,703	**–**	–
Jacky Chau Vinh Heng	**–**	29,714	**–**	–
Conor MacNamara	**2,000**	–	**2,000**	–
	245,332	395,095	**118,297**	230,462

There was no pension cost incurred.

Director's benefit-in-kind of US$Nil (2012: US$1,332) was included in directors' remuneration.

The Directors have received no benefits other than those stated above.

Hanson Cheah, Duncan Chui Tak Keung and Jacky Chau Vinh Heng resigned from the Board on 19 November 2013, 9 January 2013 and 17 December 2012 respectively.

Conor MacNamara was appointed to the Board on 1 November 2013.

8. TAXATION

No charge to taxation arises in the years ended 31 December 2013 and 2012 as there were no taxable profits in either year. The Company and one of its subsidiaries, CPE TMT Holdings Limited, are both incorporated in the BVI and are not subject to any income tax.

Tax reconciliation:

	Group	
	2013 US$'000	2012 US$'000
Loss before taxation	**(1,721)**	(10,373)
Effective tax charge at 16.5% (2012: 16.5%)	**(284)**	(1,712)
Effect of:		
Differences in overseas taxation rates	**284**	1,712
Effective tax rate	**–**	–

As at 31 December 2013, the Group has no unused tax losses (2012: Nil) available for offset against future profits.

9. LEASEHOLD IMPROVEMENTS, FIXTURES, FITTINGS AND EQUIPMENT

9.1 Group

	Leasehold improvements, fixtures, fittings and equipment US$'000
Cost:	
At 1 January 2012	12
Additions	3
At 31 December 2012 and 1 January 2013	15
Additions	126
At 31 December 2013	141
Depreciation:	
At 1 January 2012	5
Charge for the year	3
At 31 December 2012 and 1 January 2013	8
Charge for the year	58
At 31 December 2013	66
Net book value:	
At 31 December 2013	75
At 31 December 2012	7

9.2 Company

	Leasehold improvements, fixtures, fittings and equipment US$'000
Cost:	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	10
Depreciation:	
At 1 January 2012	4
Charge for the year	2
At 31 December 2012 and 1 January 2013	6
Charge for the year	1
At 31 December 2013	7
Net book value:	
At 31 December 2013	3
At 31 December 2012	4

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

	Group 2013 US$'000	**Company 2013** US$'000
Balance as at 1 January 2012	29,248	6,329
Fair value changes through profit or loss	(9,223)	(3,344)
Effect of foreign exchange	108	22
Balance as at 31 December 2012 and 1 January 2013	20,133	3,007
Fair value changes through profit or loss	39	39
Additions	1,002	1,002
Disposals	(1,000)	(1,000)
Effect of foreign exchange	(6)	–
Balance as at 31 December 2013	20,168	3,048

The Group adopted the recent investment methodology prescribed in the IPEVCV guidelines to value its investments at fair value through profit and loss. Applying the methodology, the Group has used the purchase consideration paid by third parties in the acquisition of new shares in Fortel and Enfinium as the basis to estimate the fair value of the investment.

Fortel Technology Holdings Limited ("Fortel")
CPE TMT holds a 33.6% stake in Fortel.

This has been accounted for as a financial asset at fair value through profit or loss as it is to be held as part of an investment portfolio. The Group will dispose of the shareholding upon approval by the investment committee which monitors the investment/divestment decision on an ongoing basis. In November 2012, shares of Fortel were transferred between shareholders at a consideration of HK$1,000 per share ("Fortel Share Transfer"). Based on the Fortel Share Transfer, a decrease in fair value of US$5.879 million in the valuation of Fortel was recognized in the statement of comprehensive income for the year ended 31 December 2012. An independent professional qualified valuer has performed a valuation in accordance with IPEVCV guidelines for the valuation of our interest in Fortel as of 31 August 2013. The Directors consider this therefore is a fair valuation as at 31 December 2013 there having been no reported changes in Fortel's financial position since then.

Fortel was incorporated in Hong Kong and its principal places of business are in Hong Kong and the PRC.

AIP Global Holdings Limited ("AIP Global")

The Company signed an agreement with Capital VC Limited ("Capital VC") on 17 September 2013 pursuant to which the Company agreed to sell its entire holding in AIP Global to Capital VC for a cash consideration of HK$15 million (equivalent to approximately US$1.9 million) and the above disposal was completed on 4 November 2013 with final agreed cash consideration of HK$12 million (equivalent to approximately US$1.5 million). The book value of the Company's investment as at the date of disposal was US$1 million.

China iEducation Holdings Limited ("iEducation")

During the year ended 31 December 2010, the Company entered into a subscription agreement with iEducation to subscribe its guaranteed convertible note (the "Note") at a consideration of US$2,000,000. The major shareholder of iEducation is the guarantor of the Note. The Note was converted into 6,666 ordinary shares of iEducation in December 2011, represented a 40% interest in iEducation. An independent professional qualified valuer has performed a valuation in accordance with IPEVCV guidelines for the valuation of our interest in iEducation as of 31 August 2013 at a valuation of US$2.17 million. The Directors consider the valuation of iEducation of US$2 million is a fair valuation as of 31 December 2013.

iEducation was incorporated in the BVI and is mainly engaged in investment holding, and the principal place of business of its subsidiaries is in the PRC.

Greater China Credit Fund LP (the "Fund")

The Company invested US$1 million in a new private equity investment fund, the Fund, launched by Adamas Asset Management (HK) Limited ("Adamas"), the Hong Kong-based investment management firm. The Fund plans to raise a total of up to US$275 million to target high-return investments in small and Medium Enterprises (SMEs) predominantly in Greater China.

11. INVESTMENT IN SUBSIDIARIES

	2013 US$'000	2012 US$'000
Investment in subsidiaries at cost	**1**	1
Amount due from subsidiaries	**23,817**	19,040
	23,818	19,041

The subsidiaries of the Company are as follows:

Name of Company	Country of Incorporation	Percentage owned 2013	Percentage owned 2012	Principal activities
CPE TMT Holdings Limited	BVI	**100%**	100%	Investment for TMT deals
China Private Equity Investment Group Limited	Hong Kong	**100%**	100%	Financial investments in Hong Kong
CPE Growth Capital Limited	BVI	**100%**	100%	Investment holding

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

12. LOANS AND OTHER RECEIVABLES

12.1 Group

	2013 US$'000	2012 US$'000
Loans	**1,754**	2,832
Other receivables and prepayments	**110**	191
	1,864	3,023

12.2 Company

	2013 US$'000	2012 US$'000
Loans	**1,754**	2,832
Other receivables and prepayments	**21**	176
	1,775	3,008

As at 31 December 2013 and 31 December 2012, loans and other receivables predominantly represent loans made to and interest receivable from Orbrich Group Limited ("Orbrich") and iEducation. The amount due from Orbrich is interest bearing at 8% per annum and repayable on demand. The amount due from iEducation is interest bearing at 5% per annum and repayable on demand.

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

13. QUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group	
	2013 US$'000	2012 US$'000
Market value at January	–	176
Additions	**4,489**	–
Profit on disposal during the year	**40**	(23)
Amounts realized during the year	**(400)**	(154)
Decrease in fair value recognized in profit or loss	**(946)**	–
Effect of foreign exchange	**(1)**	1
Balance at 31 December	**3,182**	–

The quoted financial assets at fair value through profit and loss amounting to US$739,000 (2012: US$Nil) were pledged under a securities margin account.

14. OTHER PAYABLES AND ACCRUALS

14.1 Group

	2013 US$'000	2012 US$'000
Other payables	**698**	182
Amount due to Directors	**161**	107
Accruals	**299**	189
	1,158	478

14.2 Company

	2013 US$'000	2012 US$'000
Other payables	**253**	36
Amount due to directors	**18**	35
Accruals	**174**	57
	445	128

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

15. OTHER FINANCIAL COMMITMENTS UNDER OPERATING LEASES

The Group has entered into commercial leases for land and buildings. These leases have an average life of one to five years and there are no restrictions placed on the lessee by entering into the leases. The minimum future lease payments for the non-cancellable operating leases are as follows:

	2013 US$'000	2012 US$'000
Land and buildings:		
One year	**349**	85
Two to five years	**378**	–
	727	85

16. SHARE CAPITAL

	Number of Shares	**Amount** US$'000
Authorised, called-up and fully paid ordinary shares of no par value each at 1 January 2012, 31 December 2012 and 1 January 2013	76,284,645	31,572
Ordinary shares issued in cash on 19 April and 11 May 2013	50,000,000	4,000
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2013	126,284,645	35,572

On 19 April and 11 May 2013, the Company placed a total of 50,000,000 Ordinary shares in the Company at a price of US$0.08 per share and raised gross proceeds of US$4 million.

As at 31 December 2013, the Company was authorised to issue up to a maximum of 300,000,000 ordinary shares of a single class without par value.

The Company was incorporated in the BVI under the BVI Business Companies Act 2004. Under the BVI laws and registration, there is no concept of "share premium", and all proceeds from the sale of no par value equity shares is deemed to be share capital of the Company.

17. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

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

(iii) ensuring that credit risks on receivables are properly managed.

Financial instruments by category

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

Loans and receivables

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Non-financial instruments	**110**	57	**21**	42
Loans with subsidiaries	**–**	–	**23,817**	19,040
Loans (current)	**1,754**	2,832	**1,754**	2,832
Other receivables	**–**	134	**–**	134
Cash and cash equivalents	**1,344**	489	**984**	194
	3,208	3,512	**26,576**	22,242

Other financial liabilities

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Non-financial instruments	**299**	156	**174**	57
Other payables and accruals	**859**	322	**271**	71
	1,158	478	**445**	128

Financial assets at fair value through profit or loss

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

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

	Group	
	2013 US$'000	2012 US$'000
Level 1		
Quoted financial assets at fair value through profit or loss (note 13)	**3,182**	–
Level 2		
Unquoted financial assets at fair value through profit or loss (note 10)	**–**	17,133
Level 3		
Unquoted financial assets at fair value through profit or loss (note 10)	**20,168**	3,000
	23,350	20,133

During the year unquoted financial assets with a carrying value of US$17,120,000 (2012: US$3 million) were transferred from level 2 to level 3 due to the lack of available, observable input data.

The value of level 3 investments have been determined using the yield capitalisation (Discounted cashflow method. The valuation of Fortel and iEducation have been assessed by an independent professional valuer using discounted cashflow approach on the basis of projected business plan provided by the management of Fortel and iEducation at a discount rate of 17.5%.

The Directors considered that there would be no reasonable change in the above assumptions that would result in a material misstatement in the value of the unquoted financial assets in the next twelve months.

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

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

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

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

Interest rate risks
The Company and the Group currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. As the Group has no borrowings from the bank and the amount of deposits in the bank are not significant, the exposure to interest rate risk is not significant to the Company and the Group. The effect of a 10% increase or fall in interest rates obtainable on cash and on short-term deposits would be to increase or decrease the Group's operating results by not more than US$1,000 (2012: US$1,000).

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

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

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

Price risks

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

During the year under review, the Group did not hedge against movements in the value of its investments. A 10% increase/decrease in the fair value of investments would result in US$2,335,000 (2012: US$2,601,000) increase/decrease in the net asset value.

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

Generally, the Group prepares to hold the unquoted investments for middle to long time frame, in particularly if an admission to trading on a stock exchange has not yet been ready. Sales of securities in unquoted investments may result in discount to the book value.

Currency risks

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

Capital management

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

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

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

18. SHARE BASED PAYMENTS

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

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

All options issued in the years 2009 to 2010 expired during the year ended 31 December 2012. Accordingly the balance of the share based payment reserve in relation to the expired options was transferred to retained earnings.

	2013		2012	
	Number of options	Weighted average exercise price US$	Number of options	Weighted average exercise price US$
Balance at beginning of the financial year	**750,000**	**0.25**	5,382,539	0.63
Effect of share options granted on 5 December 2012	**–**	**–**	750,000	0.25
Effect of share options granted on 12 July 2013	**1,500,000**	**0.13**	–	–
Expired during the financial year	**–**	**–**	(5,382,539)	0.63
Balance at end of financial year	**2,250,000**	**0.17**	750,000	0.25
Exercisable at end of the financial year	**2,250,000**	**0.17**	750,000	0.25

The fair value of share based share options granted on 5 December 2012 and 12 July 2013 is approximately at an average of US$0.082 and US$0.043 per option respectively which is considered to be the fair value of the services to be received.

19. RELATED PARTY TRANSACTIONS

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

	Notes	2013 US$'000	2012 US$'000
Amount due to Directors	(i)		
– Hanson Cheah (resigned on 19 November 2013)		**47**	12
– Ernest Wong Yiu Kit		**96**	61
– John Croft		**16**	13
– Patrick Macdougall		**–**	20
– Conor MacNamara		**2**	–
Fortel Solution Limited			
Business center services expenses	(ii)	**20**	93
Amount due to		**–**	16
Business center services income		**83**	–
Capital VC Limited			
Professional services expenses	(iii)	**–**	–
Amount due to		**–**	54
Professional services income		**54**	–
China iEducation Holdings Limited	(iv)		
Interest income		**22**	26
Amount due from		**92**	650

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

(ii) Fortel Solutions Limited is a subsidiary of Fortel Technology Holdings Limited ("Fortel"). As at 31 December 2013, CPE TMT retains a 33.6% stake in Fortel. Please refer to note 10 for details of shareholding in Fortel.

(iii) Duncan Chui Tak Keung was a director of Capital VC Limited as at 31 December 2011 and resigned on 27 July 2012.

(iv) Please refer to note 10 to the financial statement for details of the shareholdings in iEducation and note 12 for the terms of the amount due therefrom.

20. LOSS PER SHARE – CONTINUING OPERATIONS

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

		2013 US$'000	2012 US$'000
Numerator			
Basic/Diluted:	Net loss	**(1,721)**	(10,373)
		No. of shares '000	No. of shares '000
Denominator			
Basic:	Weighted average shares	**109,984**	76,285
	Effect of diluted securities:		
	Share options	**2,250**	750
Diluted:	Adjusted weighted average shares	**112,234**	77,035

For the year ended 31 December 2013 and 2012, the share options are anti-dilutive and therefore the weighted average shares in issue are 109,984,000 and 76,285,000 respectively.

21. EVENTS AFTER THE REPORTING PERIOD

On 30 December 2013, the Company signed a conditional agreement with Elypsis Solutions Limited ("Elypsis") to acquire interests in four special purpose vehicles ("Acquisition") which, in turn, hold interests in four domestic Chinese businesses. Elypsis is a wholly owned subsidiary of Asia Private Credit Fund Limited, which is managed by an affiliate of Adamas Asset Management (HK) Limited.

Name of special purpose vehicle	**Percentage to be acquired**	**Consideration** US'000	**Satisfied by the issue number of ordinary shares in the capital of the Company**	**Fair Value to the Company** US'000
Blazer Delight Limited	75%	21,995	366,575,000	22,360
Dynamite Win Limited	100%	10,098	168,300,000	9,940
Lead Winner Limited	100%	47,980	799,675,000	48,460
Swift Wealth Investments Limited	100%	6,652	110,866,667	6,733
		86,725	1,445,416,667	87,493

Due to the size of the transaction in relation to the Company, the Acquisition constituted a reverse takeover under the AIM Rules.

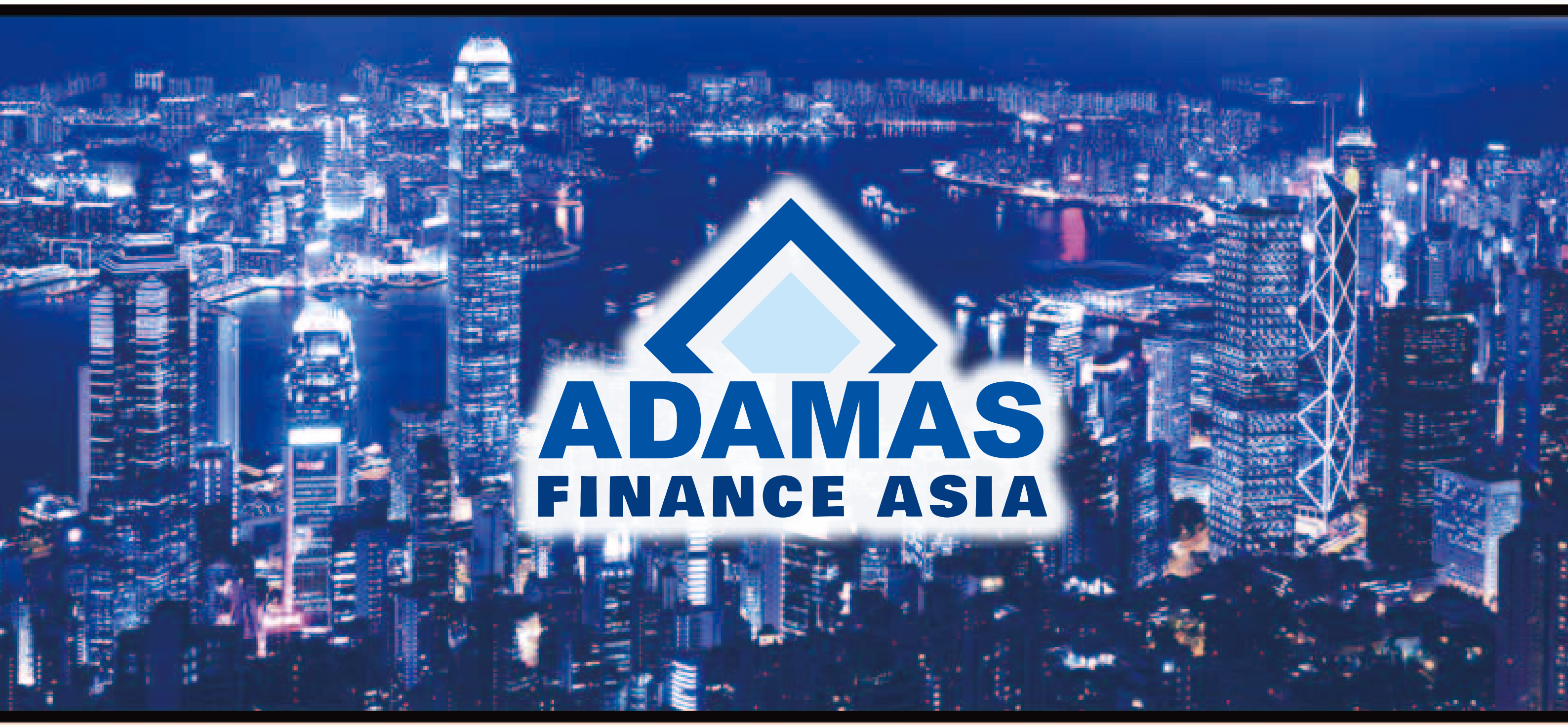
The consideration for the Acquisition was the issue to Elypsis by the Company of 1,445,416,667 new Ordinary Shares at a price of US$0.06 per Ordinary Share. In addition, the Company issued to Elypsis warrants to subscribe for 722,708,333 new Ordinary Shares at US$0.06 per share exercisable between one and six years following admission. The fair value of the ordinary shares issued was determined with reference to the quoted market price with adjustment made for dilution in respect of bonus shares issued in February 2014.

The above transaction was approved by the Shareholders at the General Meeting held on 18 February 2014 and on the same day, the Company changed its name to Adamas Finance Asia Limited.

The fair value of the assets accrued was as follows:

	Blazer Delight Limited US'000	**Dynamite Win Limited** US'000	**Lead Winner Limited** US'000	**Swift Wealth Investments Limited** US'000
Unquoted financial assets at fair value through profit or loss	29,806	9,932	48,436	6,726
Cash and cash equivalents	7	8	24	7
Non-controlling interest	(7,453)	–	–	–
	22,360	9,940	48,460	6,733
Goodwill arising on acquisition	365	(158)	480	81

Acquisition related costs of US$185,000 were recognised for the year ended 31 December 2013. Further acquisition related costs of US$880,000 will be recognised as administrative expenses in the Statement of Comprehensive Income in early 2014.



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