ADAMAS
FINANCE ASIA

ADAMAS FINANCE ASIA LIMITED

ANNUAL REPORT 2017

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Company Information

Directors	Mr. John Croft *– Non-executive Chairman* Mr. Hugh Viscount Trenchard *– Non-executive Director* (Appointed on 1 July 2017) Mr. Wong Yiu Kit, Ernest *– Non-executive Director* Dr. Lee George Lam *– Non-executive Director* (Appointed on 1 October 2017) Mr. Conor MacNamara *– Non-executive Director* (Resigned on 30 September 2017)
Investment Manager	Adamas Global Alternative Investment Management Inc. (Terminated on 30 Apr 2017) Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands Harmony Capital Investors Limited (Appointed on 1 May 2017) Intertrust Corporate Services (Cayman) Limited 190 Elgin Avenue, George Town Grand Cayman KY1-9007 Cayman Islands
Key Personnel of Investment Manager	**Harmony Capital Investors Limited** Mr. Suresh Withana *– Co-founder, Managing Partner*
Registered Office	Commence House, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Company Secretary	Conyers Trust Company (BVI) Limited Commence House, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Principal Place of Business	811-817, 8/F Bank of America Tower 12 Harcourt Road, Central 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	Conyers Trust Company (BVI) Limited Commence House, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Nominated Adviser	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Broker	finnCap Limited 60 New Broad Street London EC2M 1JJ
Auditors	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
Legal Advisers	Locke Lord (UK) LLP Second Floor 201 Bishopsgate London EC2M 3AB Conyers Dill & Pearman Romasco Place, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Website	www.adamasfinance.com
Stock Code	AIM: ADAM Frankfurt: 1CP1

Chairman's Statement

Since the beginning of 2017, I am very pleased to report that significant progress has been made in reshaping our portfolio in line with our new strategy, most significantly with agreeing the disposal of a number of our largest assets and thereby bringing cash into the Company that will be available for reinvestment in the exciting pipeline of investments which our Investment Manager, Harmony Capital Investors Limited ("Harmony Capital"), has already identified.

Whilst some of the agreed disposals have resulted in write downs in value directly impacting our income statement, they will nevertheless generate much needed cash for reinvestment, which your Board believes is a better option than retaining interests in assets which may take many years to deliver acceptable returns.

In contrast, the increase in our holding in Hong Kong Mining ("HKMH") announced in December 2017 resulted in a significant increase in the audited carrying value of that investment. The increase in shareholding in HKMH is a result of the completion of the enforcement of a share pledge following the suspension of HKMH's IPO process as announced in January 2016.

A summary of each of the major investments in the asset portfolio is provided in the report which follows.

The net effect of the changes described above is that the Company is reporting a net profit for 2017 amounting to US$11.7 million, principally comprising a realised loss on investment disposals of US$14.3 million and unrealised gains on fair value changes of US$33.9 million, resulting in an increase in the NAV of US$15.8 million to US$93.6 million.

Since the end of 2017 we have also been able to make further announcements regarding the disposal of other legacy assets which were identified for disposal, as well as our first new investment since the appointment of Harmony Capital as Investment Manager.

The most significant disposal was that of the Company's interests in a significant proportion of its legacy portfolio announced in April 2018, comprising China iEducation Holdings Limited, CPE Finance Limited, CPE Growth Capital Limited, CPE TMT Holdings Limited and the Fortel Loan. In consideration for the disposal, the Company will be issued with an interest bearing US$26.5 million Convertible Bond by the Issuer, which, upon completion of a restructuring, will be the controlling shareholder of a long-established and well-known Hong Kong-based food and beverage business, primarily operating in high-end Chinese restaurants. A further announcement will be made in due course.

The previously announced disposal of our interest in Global Pharm Holdings Group Inc. did not complete as originally planned. Revised terms for the disposal were announced on 15 June 2018. The Company will still receive a cash injection of US$15.6 million, through US$3 million in consideration and a subscription for US$12.6 million in new equity. As a result, the results reflect a balance sheet write down of US$14.3 million in respect of the Global Pharm interest.

Now that many of the legacy assets have been either restructured, sold or are in the process of being sold, Harmony Capital is able to focus its energies more fully on new investments. They are working on a strong deal pipeline and I anticipate we will be announcing more new investments in due course.

Overall, 2017 saw major progress being achieved particularly with reshaping the portfolio and I am confident that 2018 will be a year of further progress both with disposals and new investments as we move towards a predominantly income generating portfolio. This will enable us ultimately to make regular dividend distributions to our shareholders.

The principal assets held by the Company at the year-end were:

Portfolio at 31 December 2017

Principal Assets	**Effective Interest**	**Instrument type**	**Valuation as at 31 December 2017** US$ million
CPE Legacy Portfolio (Fortel Loan/China iEducation etc.)	–	Interest bearing loan/Equity	26.5
Hong Kong Mining Holdings Limited	79.26%	Structured equity	39.4
Meize Energy Industrial Holdings Ltd	7.9%	Redeemable convertible preference shares	8.2
Global Pharm Holdings Group Inc.	–	Receivable	3.0
GCCF/Other			3.3
Cash			13.2
Total net asset value			**93.6**

Global Pharm Holdings Group Inc. ("Global Pharm") In September 2017 the Company announced the planned disposal of the Group's interest in Global Pharm for a cash consideration of US$15.6 million to Fortune Insight Limited ("Fortune"), a special purpose vehicle (SPV) set up specifically to acquire the interest in Global Pharm and other unrelated assets. However, settlement of the transaction was not completed on time and the terms of the disposal were renegotiated. Under the new terms announced on 15 June 2018, the Company is entitled to receive US$3.0 million in cash in settlement of the disposal, and in addition Fortune will subscribe to new shares to the value of US$12.6 million. The Company has therefore incurred a balance sheet write-down of approximately US$14.3 million in the results for the year.

CPE Legacy Portfolio (Fortel Loan/China iEducation etc.) Post year end, the Company announced the disposal of its interests in a significant portion of its legacy portfolio, comprising China iEducation Holdings Limited, CPE Finance Limited, CPE Growth Capital Limited, CPE TMT Holdings Limited and the Fortel Loan. In consideration for these disposals, the Company will be issued with an interest bearing Convertible Bond by the Issuer, which, upon completion of a restructuring, will be the controlling shareholder of a long-established and well-known Hong Kong-based food and beverage business primarily operating in high-end Chinese restaurants.

The Issuer is a newly incorporated special purpose vehicle, set up as part of a wider concurrent restructuring exercise being undertaken by Chinese Food and Beverage Group Limited ("**CFBG**"), which is a Hong Kong listed restaurant, food and beverage business. Prior to completion of the restructuring, CFBG's subsidiaries owned a substantial interest in the assets and business comprising the Fook Lam Moon restaurant business, being the Hong Kong restaurants in Wanchai and Kowloon (including the freehold interest in those properties), related intellectual property and management companies and certain other real estate holdings in Hong Kong.

Hong Kong Mining Holdings Limited ("HKMH") HKMH is a natural resources company whose primary asset is a large dolomite magnesium limestone mine in the province of Shanxi, China. HKMH is in the process of restarting operations.

The increase in shareholding in HKMH is the result of the completion of the enforcement of a share pledge in favour of Dynamite Win Limited by Superior Profit International Investment Limited ("Superior Profit"), the previous controlling shareholder of HKMH, following the suspension of HKMH's IPO process as announced in January 2016.

Mine operations are scheduled to restart during the second half of 2018 and it is anticipated that HKMH will seek an admission to the Hong Kong Stock Exchange at an appropriate time once full operations and sales have been fully established.

Meize Energy Industries Holdings Limited ("Meize") Meize is a privately-owned company that designs and manufactures blades for wind turbines. It has a strong order book and its financial performance has been in line with expectations. Negotiations regarding the partial sale and restructuring of this investment are continuing and we hope to be able to update the market on this in due course.

Administrative expenses increased from US$1.9 million to US$8.0 million principally as a result of an incentive fee of US$3.5 million payable to the Investment Manager and the award of warrants under the ownership-based compensation scheme for senior management and the equity compensation scheme for the Investment Manager to the directors and the Investment Manager with an aggregate fair value of US$2.3 million.

Quarterly NAV Updates
Due to the significant increase in ADAM's percentage holding in HKMH during the year and its potential impact on the NAV, in February 2018 the Board determined not to publish an estimated NAV per share prior to completion of the audit for the year ended 31 December 2017. In future, the Board plans to resume publishing an estimated NAV per share following each quarter end.

John Croft
Chairman of the Board

21 June 2018

Biographies of Directors and Senior Management

Board of Directors

Mr. John Croft *(aged 65), 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 a Non-Executive Chairman 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.

Hugh Viscount Trenchard *(aged 67), Non-executive Director*
Viscount Trenchard began his career at Kleinwort Benson in 1973 and has more than 40 years' experience in investment banking, including 35 years of involvement with Japan, 12 of them as a resident. He ran Kleinwort Benson's Japanese operations for 11 years and was Head of Japanese Investment Banking with Robert Fleming & Co. Limited, before working with Mizuho International plc for 6 years. He served as a Senior Adviser for Japan and Korea to Prudential Financial, Inc. from 2002 to 2008. He is also currently Chairman of the investment company Stratton Street PCC Limited, whose funds include the Renminbi Bond Fund managed by Stratton Street Capital LLP. He has also been a consultant to Simon Robertson Associates LLP since March 2013. Lord Trenchard is a member of the House of Lords and a Vice-Chairman of the British-Japanese Parliamentary Group.

Mr. Wong Yiu Kit, Ernest *(aged 50), 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.

Dr. Lee George Lam *(aged 58), Non-executive Director*
Dr. Lee George Lam is the Chairman of Hong Kong Cyberport Management Company Limited and the Non-Executive Chairman of Macquarie Bank's Infrastructure and Real Assets business in the Hong Kong and ASEAN region. He is also a Member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-Industrialization, the Hong Kong Council on Smoking and Health, the Council on Professional Conduct in Education (CPC), and the Court of the City University of Hong Kong. Currently, Dr. Lam serves as the Vice Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Business Advisory Council and Chairman of its Task Force on Banking and Finance. Furthermore, he is the Chairman of the Permanent Commission on Economic and Financial Issues for the World Union of Small and Medium Enterprises (WUSME). Dr. Lam also maintains a keen interest in developing business links across the Asia-Pacific region. To this end, he is a Board Member of the Chinese General Chamber of Commerce of Hong Kong, a Board Member of the Australian Chamber of Commerce in Hong Kong and Macau, a founding Board Member and the Honorary Treasurer of the Hong Kong-Vietnam Chamber of Commerce, Vice Chairman of the Hong Kong-Myanmar Chamber of Commerce, a Founding Member of the Hong Kong-Korea Business Council, and finally, a Member of the Hong Kong-Thailand Business Council. Dr. Lam is a Solicitor of the High Court of Hong Kong, a Fellow of the Hong Kong Institute of Arbitrators and the Hong Kong Institute of Directors, an Honorary Fellow of CPA Australia and a Fellow of CMA Australia.

Key Personnel of Investment Manager, Harmony Capital Investors Limited. ("Harmony")

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

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 2017.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The gain on ordinary activities of the Group for the year ended 31 December 2017 after taxation was US$11.7 million (2016: loss US$37.2 million).

The gains reflect fair value movements in the portfolio of US$33.9 million, realised loss on disposal of US$14.3 million, operating expenses of US$8.0 million offset by interest income of US$0.1 million.

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

REVIEW OF THE BUSINESS

The Group's audited net asset value as at 31 December 2017 stood at US$93.6 million (2016: US$77.8 million) equivalent to US$1.22 per share (2016: US$0.40). The gain for the year reflected a net increase in fair value on financial assets of US$19.6 million.

Administrative expenses increased to US$8.0 million (2016: US$2.0 million). The main reason for this increase was due to the addition in the level of professional fees, share based payment expense, investment management fee and incentive fee.

The principal investment assets held by the Company at the year-end, together with their valuations are set out in the Chairman's statement.

EVENTS AFTER THE REPORTING PERIOD

The significant events after the reporting period are set out in Note 19 of the financial statements, none of which impact on the results and net assets reported in these financial statements.

DIRECTORS AND DIRECTORS' INTERESTS

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

Mr. John Croft
Mr. Hugh Viscount Trenchard
Mr. Wong Yiu Kit, Ernest
Dr. Lee George Lam

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.

With the exception of the related party transactions stated in Note 17 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 2017 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			
	2017		2016	
	Direct	Indirect	Direct	Indirect
Mr. John Croft	4,117	10,733	10,294	26,833
Mr. Conor MacNamara (Resigned on 30 September 2017)	–	195,000	–	195,000

	Number of warrants over ordinary shares of no par value as at 31 December			
	2017		2016	
	Direct	Indirect	Direct	Indirect
Mr. John Croft	800,000	–	–	–
Mr. Hugh Viscount Trenchard	400,000	–	–	–
Mr. Wong Yiu Kit, Ernest	400,000	–	–	–
Dr. Lee George Lam	400,000	–	–	–

SUBSTANTIAL SHAREHOLDINGS IN THE COMPANY

As far as the Directors are 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	57,816,666	75.30%

The percentage of shares not in public hands (as defined in the AIM Rules for Companies) is 75.30%. Further details about Elypsis Solutions Limited are set out in note 17 to the financial statements.

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

FINANCIAL INSTRUMENTS

The Group's use of financial instruments is described in Note 9 and Note 15.

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 15 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 2017, the number of ordinary shares in issue was 76,786,805. Details of movements in the issued share capital during the year are set out in Note 14 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 2017, the Group had nil (2016: Nil) employees excluding Directors.

CHARITABLE DONATIONS

The Group has not made any charitable donation during the year (2016: Nil).

ANNUAL GENERAL MEETING

The Company's forthcoming annual general meeting ("Annual General Meeting") will be held on Friday, 17 August 2018 at 5:00 p.m. (Hong Kong time) at 811-817, 8/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The notice of the Annual General Meeting is enclosed with the financial statements.

GOING CONCERN

The financial statements are required to be prepared on the going concern basis unless it is inappropriate to do so. The Directors, having considered "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies" issued by The Financial Reporting Council in 2016, consider the going concern basis of preparation to be appropriate in preparing the financial statements.

The key conclusions are summarised below:

- The Group realises and applies its investment resources in accordance with its available liquidity.
- The Group held cash and cash equivalents of US$13.2 million at 31 December 2017 and had no debt.
- As set out in Note 19 under the revised terms of its disposal of its interest in Global Pharm, the directors expect to realise cash receipts of US$15.6 million in the short term.

In considering the appropriateness of this basis of preparation, the Directors have reviewed the Group's working capital forecasts for a minimum of 12 months from the date of the approval of this financial information. Following this assessment, the Directors have reasonable expectation that the Group has adequate resources to continue for the foreseeable future and that carrying values of intangible assets are supported. Thus, they continue to adopt the going concern basis of accounting in preparing this financial information.

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

21 June 2018

Corporate Governance Statement

THE BOARD

As an AIM listed company, Adamas Finance Asia Limited is not required to comply with the provisions of the UK Corporate Governance Code published by the Financial Reporting Council in 2016. However, the Board is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

COMPOSITION OF THE BOARD

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

Mr. John Croft *(Non-Executive Chairman)*
Mr. Hugh Viscount Trenchard *(Non-Executive Director)*
Mr. Wong Yiu Kit, Ernest *(Non-Executive Director)*
Dr. Lee George Lam *(Non-Executive Director)*

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

INTERNAL CONTROL

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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

INVESTMENT COMMITTEE

The investment committee comprised Mr. John Croft (Chair), Mr. Hugh Viscount Trenchard, Mr. Wong Yiu Kit, Ernest and Dr. Lee George Lam 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 under BVI company law and the requirements of AIM 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.

The maintenance and integrity of the Adamas Finance Asia Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the BVI governing the preparation and dissemination of the accounts and the other information included in Annual Reports may differ from legislation in other jurisdictions.

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Adamas Finance Asia Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2017, which comprise:

- the Consolidated and Company statements of comprehensive income for the year ended 31 December 2017;
- the Consolidated and Company statements of financial position as at 31 December 2017;
- the Consolidated and Company statements of cash flows for the year then ended;
- the Consolidated and Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board ('IASB').

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2017 and of the Group's and Company's profit for the period then ended;
- the Group and Company financial statements have been properly prepared in accordance with IFRSs issued by the IASB; and
- the financial statements of the of the Company have been prepared in accordance with the relevant requirements of the BVI Business Companies Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be US$1.5 million, based on approximately 1.5% of total assets, which is the most appropriate measure for an investment entity.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of US$50,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

We conducted a full scope audit of the Company and the Group from the UK, engaging where appropriate with management and the Investment Manager.

Our audit approach was developed by obtaining a thorough understanding of the Group's activities and is risk based. Based on this understanding we assessed those aspects of the Group and the Company's transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly. We undertook a combination of analytical procedures and substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	***How the scope of our audit addressed the key audit matter***
Valuation and classification of investments	
The financial statements include unquoted financial assets at fair value of US$75.6 million. Substantially all off those investments are measured at fair value based on Level 3 (unobservable) inputs. Consequently, the valuation of investments requires the exercise of considerable judgement which increases the risk that valuation and presentation of investments may be mis-stated.	Valuation: We benchmarked and challenged key assumptions in management's valuation models used to determine fair value and/or recoverable amount and also discount rates used, performed testing of the mathematical accuracy of underlying cash flow models, re-performed relevant calculations and challenged and agreed the key assumptions to available data.

Key audit matter	*How the scope of our audit addressed the key audit matter*
Furthermore, the Investment Manager, which is responsible for advising on the valuation of investments, is remunerated by reference to a percentage of the value of investments and is entitled to receive a performance incentive fee if certain performance criteria are met. These remuneration arrangements increase the risk of bias in the calculations.	Wherever possible we benchmarked the assessments of value to independent sources. We considered the appropriateness of the use of external experts and valuations, the valuation methodologies applied and consider management's evaluation of the sensitivity of valuations to changes in assumptions and inputs. We reviewed the disclosure of valuations and inputs within the financial statements. Classification: We reviewed the classification of investments and ensured that it is appropriate and in compliance with IFRS 7. We ensured that any consequent fair value changes arising from the valuations are appropriately classified through the income statement.
Revenue recognition	
There is a presumption under ISA 240 (para 110) that there is always a risk of material misstatement due to improper revenue recognition. We do not consider it appropriate to rebut this presumption.	The key sources of revenue are principally profit or losses arising on disposal or recognition of changes in fair value of investments and/or finance income. Procedures were undertaken to re-perform the basis for calculating amounts recognized in profit or loss on disposals and in unrealized gains and losses. We also reviewed the Group's revenue recognition policy to ensure compliance with IFRS.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with the terms of our engagement letter. 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 law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Bullock (Senior Statutory Auditor)
for and on behalf of
Crowe Clark Whitehill LLP
Registered Auditor
London

21 June 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Realised (loss)/gain on disposal of investments	9	**(14,329)**	5
Fair value changes on financial assets at fair value through profit or loss	3	**33,885**	(34,094)
Loan written off		**–**	(2,238)
Administrative expenses		**(7,958)**	(1,948)
Operating gain/(loss)	5	**11,598**	(38,275)
Finance income	6	**82**	80
Finance expense		**–**	(98)
Dividend income		**–**	911
Other income		**14**	220
Profit/(Loss) before taxation		**11,694**	(37,162)
Taxation	8	**–**	–
Profit/(Loss) for the year		**11,694**	(37,162)
Other comprehensive income:			
Items that will or may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**–**	–
Total comprehensive income/(expense) for the year		**11,694**	(37,162)
Profit/(Loss) per share			
Basic	18	**15.23 cents**	(48.40) cents
Diluted	18	**14.96 cents**	(48.40) cents

The results reflected above relate to continuing operations.

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Company Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Realised (loss)/gain on disposal of investments	9	**(14,329)**	5
Fair value changes on financial assets at fair value through profit or loss	3	**33,885**	(34,094)
Loan written off		–	(2,238)
Administrative expenses		**(7,828)**	(1,732)
Operating gain/(loss)	5	**11,728**	(38,059)
Finance income	6	**82**	80
Finance expense		–	(98)
Dividend income		–	911
Other income		**14**	220
Profit/(Loss) before taxation		**11,824**	(36,946)
Taxation	8	–	–
Profit/(Loss) for the year		**11,824**	(36,946)
Other comprehensive income:			
Items that will or may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		–	–
Total comprehensive income/(expense) for the year		**11,824**	(36,946)

The results reflected above relate to continuing operations.

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital US$'000	Share based payment reserve US$'000	Accumulated losses US$'000	Total US$'000
Group balance at 1 January 2016	129,543	1	(14,592)	114,952
Loss for the year	–	–	(37,162)	(37,162)
Other comprehensive income				
Exchange differences arising on translation of foreign operations	–	–	–	–
Total comprehensive expense for the year	–	–	(37,162)	(37,162)
Issue of shares	–	–	–	–
Share-based payments	–	(1)	–	(1)
Group balance at 31 December 2016 and 1 January 2017	129,543	–	(51,754)	77,789
Profit for the year	–	–	11,694	11,694
Other comprehensive income				
Exchange differences arising on translation of foreign operations	–	–	–	–
Total comprehensive income for the year	–	–	11,694	11,694
Issue of shares	–	–	–	–
Share-based payments	–	4,070	–	4,070
Group balance at 31 December 2017	129,543	4,070	(40,060)	93,553

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital US$'000	Share based payment reserve US$'000	Accumulated losses US$'000	Total US$'000
Company balance at 1 January 2016	129,543	1	(14,273)	115,271
Loss for the year	–	–	(36,946)	(36,946)
Other comprehensive income				
Exchange differences arising on translation of foreign operations	–	–	–	–
Total comprehensive expense for the year	–	–	(36,946)	(36,946)
Issue of shares	–	–	–	–
Share-based payments	–	(1)	–	(1)
Company balance at 31 December 2016 and 1 January 2017	129,543	–	(51,219)	78,324
Profit for the year	–	–	11,824	11,824
Other comprehensive income				
Exchange differences arising on translation of foreign operations	–	–	–	–
Total comprehensive income for the year	–	–	11,824	11,824
Issue of shares	–	–	–	–
Share-based payments	–	4,070	–	4,070
Company balance at 31 December 2017	129,543	4,070	(39,395)	94,218

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

Share capital	Amount subscribed for share capital at no par value
Share based payment reserve	The share based payment reserve represents amounts in previous and the current periods, relating to share based payment transactions granted as options/warrants and under the Group's share option scheme (Note 16)
Total comprehensive income/ (Total comprehensive expense)	Represents the cumulative net gains and losses recognised in the statement of comprehensive income

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Assets			
Unquoted financial assets at fair value through profit or loss	9	**75,639**	75,044
Loans and other receivables	11.1	**6,579**	1,514
Cash and cash equivalents		**13,217**	1,308
Total assets		**95,435**	77,866
Liabilities			
Loan payables and interest payables		**–**	–
Other payables and accruals	12.1	**1,882**	77
Total liabilities		**1,882**	77
Net assets		**93,553**	77,789
Equity and reserves			
Share capital	14	**129,543**	129,543
Share based payment reserve		**4,070**	–
Accumulated losses		**(40,060)**	(51,754)
Total equity and reserves attributable to owners of the parent		**93,553**	77,789

The financial statements were approved by the Board of Directors and authorised for issue on 21 June 2018 and signed on its behalf by:

John Croft
Director

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Company Statement of Financial Position

As at 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Assets			
Unquoted financial assets at fair value through profit or loss	9	**75,639**	75,044
Loans and other receivables	11.2	**6,579**	1,514
Amount due from subsidiaries	10	**572**	534
Cash and cash equivalents		**13,198**	1,288
Total assets		**95,988**	78,380
Liabilities			
Loan payables and interest payables		**–**	–
Other payables and accruals	12.2	**1,770**	56
Total liabilities		**1,770**	56
Net assets		**94,218**	78,324
Equity and reserves			
Share capital	14	**129,543**	129,543
Share based payment reserve		**4,070**	–
Accumulated losses		**(39,395)**	(51,219)
Total equity and reserves		**94,218**	78,324

The financial statements were approved by the Board of Directors and authorised for issue on 21 June 2018 and signed on its behalf by:

John Croft
Director

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	2017 US$'000	2016 US$'000
Cash flows from operating activities		
Gain/(Loss) before taxation	11,694	(37,162)
Adjustments for:		
Dividend income	–	(911)
Finance income	(82)	(80)
Finance expense	–	98
Exchange gain	(453)	–
Loan written off	–	2,238
Fair value changes on unquoted financial assets at fair value through profit or loss	(33,885)	34,094
Realised loss/(gain) on disposal of investments	14,329	(5)
Share-based expenses	4,070	(1)
Decrease/(Increase) in other receivables	(139)	(12)
Increase/(Decrease) in other payables and accruals	1,805	(186)
Net cash used in operating activities	**(2,661)**	(1,927)
Cash flows from investing activities		
Dividend income received	–	1,611
Sale proceeds of unquoted financial assets at fair value through profit or loss	15,100	756
Purchase of unquoted financial assets at fair value through profit or loss	–	(2,560)
Loans granted	(530)	–
Proceeds from repayment of loan granted	–	2,400
Net cash generated in investing activities	**14,570**	2,207
Cash flows from financing activities		
Finance expense paid	–	(216)
Loans repayment	–	(2,400)
Net proceeds from issue of shares	–	–
Net cash used from financing activities	**–**	(2,616)
Net increase/(decrease) in cash and cash equivalents	**11,909**	(2,336)
Cash and cash equivalents and net debt at the beginning of the year	**1,308**	3,644
Cash and cash equivalents and net debt at the end of the year	**13,217**	1,308

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Company Cash Flow Statement

For the year ended 31 December 2017

	2017 US$'000	2016 US$'000
Cash flows from operating activities		
Gain/(Loss) before taxation	**11,824**	(36,946)
Adjustments for:		
Dividend income	**–**	(911)
Finance income	**(82)**	(80)
Finance expense	**–**	98
Exchange gain	**(453)**	–
Loans written off	**–**	2,238
Fair value changes on unquoted financial assets at fair value through profit or loss	**(33,885)**	34,094
Realised loss/(gain) on disposal of investments	**14,329**	(5)
Share-based expenses	**4,070**	(1)
Decrease/(Increase) in other receivables	**(177)**	(374)
Increase/(Decrease) in other payables and accruals	**1,714**	(40)
Net cash used in operating activities	**(2,660)**	(1,927)
Cash flows from investing activities		
Dividend income received	**–**	1,611
Sale proceeds of unquoted financial assets at fair value through profit or loss	**15,100**	755
Purchase of unquoted financial assets at fair value through profit or loss	**–**	(2,559)
Loans granted	**(530)**	–
Proceeds from repayment of loan granted	**–**	2,400
Net cash generated in investing activities	**14,570**	2,207
Cash flows from financing activities		
Finance expense paid	**–**	(216)
Loan repayment	**–**	(2,400)
Net cash used from financing activities	**–**	(2,616)
Net increase/(decrease)in cash and cash equivalent	**11,910**	(2,336)
Cash and cash equivalents and net debt at the beginning of the year	**1,288**	3,624
Cash and cash equivalents and net debt at the end of the year	**13,198**	1,288

The accompanying notes on pages 26 to 48 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

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 811-817, 8/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

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

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

2. ACCOUNTING POLICIES

a) Basis of Preparation

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

b) Basis of consolidation

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

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

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

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

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating activities.

Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 – Investment in Associates, which requires investment held by venture organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of change. The Group has no interests in associates through which it carries on its business.

The Company is an investment entity, and, as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as fair value through profit and loss and measured at fair value. The treatment is permitted by IFRS 10 – Consolidated Financial Statements.

c) Segment reporting

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

d) **Revenue recognition**

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

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

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

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

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

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

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

f) **Financial instruments**

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

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

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

Unquoted financial assets at fair value through profit or loss

Unquoted:

Classification

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

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

Recognition/derecognition

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

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

Measurement

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

Quoted:

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

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

Loans and receivables

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

Other payables

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

Cash and cash equivalents

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

Impairment of financial assets

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

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

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

g) Investment in subsidiaries

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

h) Taxation

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

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

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

i) Leasing

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

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the shorter of the term of the relevant lease and the period to the first break clause.

j) Employee benefits

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

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

k) Dividends

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

l) **Share based payments**

The Group has applied the requirements of IFRS 2 "Share Based Payments". The Group issues share options/warrants as an incentive to certain key management and staff (including directors) and its Investment Manager. The fair value of options/warrants granted to Directors, management personnel, employees and Investment Manager under the Company's share option/warrant 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/warrants to key consultants, advisers and suppliers in payment or part payment for services or supplies provided to the Group. The fair value of options/warrants 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/warrants vest. The fair value is measured at the fair value of receivable services or supplies.

The options/warrants 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/warrants are converted into ordinary shares.

m) **Earnings per share**

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

n) **Share issue expenses**

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

o) **Critical accounting estimates and judgements**

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

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

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

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

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

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

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

The investment objective of the Group is to produce returns from capital growth and to pay shareholders a dividend. The Group has multiple unrelated investors and indirectly holds multiple investments. Investment positions are in the form of structured loans or equity instruments in private companies operating which is valued on a fair value basis.

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

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

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

In estimating the fair value for an investment, the Group applies a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable market-data. Any changes in the above data will affect the fair value of an investment which may lead to recognition of a fair value loss in the statement of comprehensive income if a fair value loss exists. Carrying values are dealt with in Note 9 and Note15.

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

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

p) Foreign currency translation

– *Functional and presentation currency*

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

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

– *Group companies*

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

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

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

New standards, amendments to standards or interpretations

At the date of authorisation of this financial information, the Directors have reviewed the standards in issue by the International Accounting Standards Board ("IASB") and IFRIC, which are effective for annual accounting periods ending on or after the stated effective date. In their view, none of these standards would have a material impact on the financial reporting of the Group in future period, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will impact the treatment of an operating leases and its presentation.

The Group plans to adopt these new standards on the required effective date. The Group does not expect a significant impact on its balance sheet or equity on the adoption of IFRS 9, IFRS 15 and IFRS 16. The director will commence to develop appropriate systems, internal controls, policies and procedures necessary to collect information for the purpose of disclosure as required by IFRS 15. IFRS 16 is likely to require the recognition of most operating lease commitments on the Group's balance sheet as assets and the recognition of a corresponding liability. At 31 December 2017 the present value of operating lease obligations was US$ Nil.

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

	Group		**Company**	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Change in fair value of unquoted financial assets (Note 9)	**33,885**	(34,094)	**33,885**	(34,094)
Total	**33,885**	(34,094)	**33,885**	(34,094)

4. SEGMENT INFORMATION

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

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

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

The segment information provided to the senior management and Board members for the reportable segments for the year ended 31 December 2017 is as follows:

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

	BVI	**Hong Kong**	**Group**
	US$'000	US$'000	US$'000
Fair value changes on financial assets at fair value through profit or loss	33,885	–	33.885
Financial income	82	–	82
Dividend income	–	–	–
Financial assets attributed by reference to their location			
Financial assets	75,639	–	75,639

The segment information provided to the senior management and Board members for the reportable segments for the year ended 31 December 2016 is as follows:

	BVI	**Hong Kong**	**Group**
	US$'000	US$'000	US$'000
Fair value changes on financial assets at fair value through profit or loss	(34,094)	–	(34,094)
Financial income	80	–	80
Dividend income	911	–	911
Financial assets attributed by reference to their location			
Financial assets	75,044	–	75,044

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

5. OPERATING GAIN/(LOSS)

Operating gain/(loss) is stated after charging:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Fees to the Group's auditor for audit of the Company	**38**	48	**38**	48
Share based payment expense (Note 16)	**2,319**	–	**2,319**	–
Operating lease rentals – land and buildings	**70**	51	**70**	51

6. FINANCE INCOME

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Interest from bank and other loans	**82**	80	**82**	80

7. DIRECTORS' REMUNERATION

	Group		Company	
	2017	2016	**2017**	2016
	US$	US$	**US$**	US$
Short term employment benefits				
John Croft	**78,125**	80,682	**78,125**	80,682
Hugh Trenchard	**20,009**	–	**20,009**	–
Ernest Wong Yiu Kit	**23,091**	23,191	**23,091**	23,191
Lee George Lam	**9,621**	–	**9,621**	–
Conor MacNamara (Resigned on 30 September 2017	**28,854**	40,341	**28,854**	40,341
	159,700	144,214	**159,700**	144,214

Directors' remuneration includes all applicable social security payments. There was no pension cost incurred during 2017 (2016:US$ Nil).

In addition to the above, the Directors have received warrants during the year ended 31 December 2017. Further details of warrants are set out in Note 16. The fair value of the 2,000,000 warrants awarded to Directors on 20 November 2017 was as follows:

	No of warrants	**Fair value**
		US$
John Croft	**800,000**	244,746
Hugh Trenchard	**400,000**	122,373
Ernest Wong Yiu Kit	**400,000**	122,373
Lee George Lam	**400,000**	122,373
	2,000,000	611,865

Mr. Hugh Trenchard and Dr. Lee George Lam were appointed to the Board on 1 July 2017 and 1 October 2017 respectively.

8. TAXATION

The Company is incorporated in the BVI and is not subject to any income tax.

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

	Group US$'000	Company US$'000
Balance as at 1 January 2016	110,593	110,593
Fair value changes through profit or loss	(34,094)	(34,094)
Additions	2,480	2,480
Disposals	(3,935)	(3,935)
Balance as at 1 January 2017	75,044	75,044
Fair value changes through profit or loss	33,885	33,885
Disposals	(33,290)	(33,290)
Balance as at 31 December 2017	75,639	75,639

The Group follows the investment methodology prescribed in the IPEVCV guidelines in valuing its investments at fair value through profit and loss.

Changtai Jinhongbang Real Estate Development Co. Ltd ("CJRE")

Lead Winner Limited("LWL"), a 100% (2016: 100%) owned subsidiary of the Company incorporated in British Virgin Islands, holds a 15% stake in CJRE through S&T Group Holdings Limited("S&T"). CJRE is the owner of a luxury resort and residential development project in Fujian Province, Eastern China.

On 4 January 2017, the Company agreed terms for the sale of its indirect 15% interest in the CJRE for a total consideration of up to RMB 113.58 million (approximately US$16.4 million). Under the terms of the agreement between the shareholders of S&T, LWL has the option to require Mr. Wang Chun Fang, the majority indirect holder of CJRE, to purchase shares representing 10% of S&T from LWL for a consideration of RMB 50 million (approximately US$7.2 million) (the "Put Option"). LWL has exercised the Put Option.

On 13 January 2017, LWL has entered into a sale and purchase agreement with R&F Properties Co. Limited ("R&F"), a Guanzhou-based real estate developer listed on the Hong Kong Stock Exchange and Splendid Sun, the vehicle of Mr. Wang Chun Fang, to sell its remaining 20% holding in S&T for a consideration of RMB 63.58 million (approximately US$9.2 million).

LWL has received US$700,000 on 24 February 2017, US$1,000,000 on 31 March 2017, HKD$52,353,176 (approximately US$6.8 million) on 13 June 2017 and HK$50,545,526 (approximately US$6.6 million) on 21 June 2017, an aggregate of US$15.1 million in relation to the disposal.

Following receipt of the payments, LWL has no remaining interest in S&T or CJRE. The remaining consideration payable for the disposal is RMB 12 million (approximately US$1.8 million), which is the subject of a zero coupon, two-year loan to the purchaser and is to be received in 5 installments before 21 December 2018.

Global Pharm Holdings Group Inc. ("Global Pharm")

Blazer Delight Limited ("Blazer Delight"), a 75% (2016: 75%) owned subsidiary of the Company incorporated in British Virgin Islands.

On 15 September 2017 (the "Signing Date"), the Company entered into a sale and purchase agreement with Fortune Insight Limited ("Fortune") for the sale of its 75% interest in Blazer Delight, through which the Company holds its interest in Global Pharm for US$3 million in cash. The consideration is recognised as a receivable as of 31 December 2017.

Global Pharm is a pharmaceutical company involved in pharmaceuticals, the cultivation of herbs for Traditional Chinese Medicine ("TCM") herb cultivation and TCM processing and distribution.

Hong Kong Mining Holdings Limited ("HKMH")
Dynamite Win Limited, a 100% (2016: 100%) owned subsidiary of the Company incorporated in British Virgin Islands, holds a 79.26 % stake in HKMH.

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

On 21 December 2017, the Company's shareholding in HKMH increased from 10.95% to 79.26%, as a result of the completion of the enforcement of a share pledge in favour of Dynamite Win by Superior Profit International Investment Limited ("Superior Profit"), the previous controlling shareholder of HKMH, following the suspension of HKMH's IPO process as announced in January 2016. Superior Profit has completed the transfer of its 68.32% shareholding in HKMH to Dynamite Win for no consideration as part of an agreed plan to restart operations at the mine in due course. The longer-term objective remains to list HKMH on a recognised stock exchange.

An independent professionally qualified competent persons report on the mining project was commissioned to evaluate the mining project and to perform a project economic analysis to estimate net present value of the anticipated future cash flows from the project. ('Project NPV') The resultant value of US$62.04 million was arrived after discounting the project cash flows using a discount rate of 9.69%. After taking into account current estimated liabilities and adjusting for the Group's equity holding in HKMH and for the value of priority loan receivables the Group's share of the estimated net present value of the anticipated future cash flows from the project is US$49.8 million. A further discount of 20% was then applied to arrive at the estimated fair value of US$39.4 million.

Meize Energy Industries Holdings Limited ("Meize")
Swift Wealth Investments Limited, a 100% (2016: 100%) owned subsidiary of the Company incorporated in British Virgin Islands, holds a 7.9% stake in Meize.

Meize is a privately-owned company that designs and manufactures blades for wind turbines. It has continued to ramp-up its production volume by utilising its existing facility.

As of 31 December 2017, the Group's interest in Meize was valued based on the discounted estimated cash flows from redemption of the investment position over a period of two years and is considered on that basis to have a fair value of US$ 8.2 million (2016: US$8.2 million).

Legacy portfolio investments:
Greater China Credit Fund LP (the "GCCF")
The Company has invested in GCCF, a private equity investment fund launched by Adamas Asset Management (HK) Limited ("Adamas"), the Hong Kong-based investment management firm. The Fund targets high-return investments in Small and Medium Enterprises (SMEs) predominantly in Greater China.

As of 31 December 2017, our interest in GCCF has an allocated fair value as US$ 2.8 million (2016: US$2.7 million) within the legacy portfolio (see below).

Loan to Mr. David Chen and Ms. Zhong Ying Ying ("I-Buying Loan")
CPE TMT Holdings Limited, a 100% (2016: 100%) owned subsidiary of the Company incorporated in British Virgin Islands, holds a loan with US$ 11.3m million as of 31 December 2017.

I-Buying is engaged in e-commerce business and was spinned off from the Fortel Group for an onshore National Equities Exchange and Quotations ("NEEQ") IPO in 2016. It is currently listed in the onshore NEEQ Board. The loan is repayable after three years and has a coupon of 3% per annum in the first year and 8% per annum thereafter.

As of 31 December 2017, the carrying value of the loan and interest has been allocated a fair value of US$12.2 million (2016: US$11.3 million) within the legacy portfolio (see below).

China iEducation Holdings Limited ("iEducation")
CPE EDU Holdings Limited, a 100% (2016: 100%) owned subsidiary of the Company incorporated in British Virgin Islands, holds a 40% stake in iEducation.

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

As of 31 December 2017, the Group's interest in iEducation has been allocated a fair value of US$4.0 million (2016: US$4.0 million) within the legacy portfolio (see below).

CPE Finance Limited (the "CPE Finance")
CPE Finance Limited was established to hold two loans from Orbrich Group Limited ("Orbrich"), as at 31 December 2017, the carrying value of the loans and interest are US$4.6 million (2016: US$4.3 million).

As set out in Note 19 (iv), after the reporting date the Company announced the disposal of a significant part of its legacy portfolio of investments including the iBuying loans, the investment in iEducation and the loans held by CPE Finance. The fair value of the aggregate consideration receivable for the legacy portfolio assets has been taken into account in determining the carrying value of those assets of US$26.5 million.

SPV's
The unlisted open-ended investments below are defined as SPVs and are reported at the fair value of their underlying investments described above at 31 December 2017.

Name of SPVs	Country of Incorporation	Percentage owned		Principal activities
		2017	2016	
CPE Growth Capital Limited	BVI	**100%**	100%	Investment Holdings
CPE TMT Holdings Limited	BVI	**100%**	100%	Investment Holdings
CPE Finance Limited	BVI	**100%**	100%	Investment Holdings
CPE EDU Holdings Limited	BVI	**100%**	100%	Investment Holdings
Lead Winner Limited	BVI	**100%**	100%	Investment Holdings
Blazer Delight Limited	BVI	**75%**	75%	Investment Holdings
Dynamite Win Limited	BVI	**100%**	100%	Investment Holdings
Swift Wealth Investments Limited	BVI	**100%**	100%	Investment Holdings

Further details of financial assets and investment valuation methodologies are set out in Note 15.

10. INVESTMENT IN SUBSIDIARY

	2017	2016
	US$'000	US$'000
Investment in subsidiary at cost	**–**	–
Amount due from subsidiary	**572**	534
	572	534

The subsidiary of the Company is as follows:

Name of Companies	Country of Incorporation	Percentage owned		Principal activities
		2017	2016	
Adamas Finance Asia (Hong Kong) Limited	Hong Kong	**100%**	100%	Providing operating and administrative support to the Group

Amount due from subsidiary is unsecured, interest free and has no fixed term of repayment.

11. LOANS AND OTHER RECEIVABLES

11.1 Group

	2017 US$'000	2016 US$'000
Loans	**1,000**	1,000
Other receivables and prepayments	**5,579**	514
	6,579	1,514

11.2 Company

	2017 US$'000	2016 US$'000
Loans	**1,000**	1,000
Other receivables and prepayments	**5,579**	514
	6,579	1,514

As at 31 December 2017, loan represents loan made to and interest receivable from Fortel Technology Holdings Limited ("Fortel"). The amount due from Fortel is interest bearing at 8% per annum.

As at 31 December 2017, other receivables and prepayments predominantly represents redemption receivables of CJRE, US$1.84 million (equivalent to CNY 12 million) and Global Pharm, US$3 million. The Group and Company have been reviewed and are considered not to be impaired nor are they past due and all amounts held are considered to be fully recoverable in value.

12. OTHER PAYABLES AND ACCRUALS

12.1 Group

	2017 US$'000	2016 US$'000
Other payables	**1,846**	20
Amount due to Directors	**2**	5
Accruals	**34**	52
	1,882	77

12.2 Company

	2017 US$'000	2016 US$'000
Other payables	**1,734**	10
Amount due to Directors	**2**	5
Accruals	**34**	41
	1,770	56

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

As at 31 December 2017, other payables predominantly represent the incentive fee payable to the Company's Investment Manager and appropriate disclosure with respect to incentive fee is made in Note 17(iii).

13. OTHER FINANCIAL COMMITMENTS UNDER OPERATING LEASES

The Group has not entered into a new commercial lease for land and buildings after expiry of tenancy agreement in March 2017. Instead of entering a new lease agreement, the Group has signed an Office Sharing Agreement with a related company, Adamas Asset Management (HK) Limited, which is to share a portion of monthly rent from 17 March 2017 to 31 October 2019.

	2017	2016
	US$'000	US$'000
Land and buildings:		
One year	–	10
Two to five years	–	–
	–	10

14. SHARE CAPITAL

	Number of Shares	**Amount**
		US$'000
Authorised, called-up and fully paid ordinary shares of no par value each at 1 January 2016	191,967,084	129,543
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2016	191,967,084	129,543
Share consolidation – two new ordinary shares of no par value for every five existing Shares	(115,180,279)	–
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2017	76,786,805	129,543

On 18 July 2017, a reorganisation of the existing ordinary share was proposed whereby every five existing ordinary shares were consolidated into two new ordinary shares ("Share Consolidation"). The record date for the Share Consolidation on 20 September 2017.

15. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

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

(iii) credit risks on receivables are properly managed.

Financial instruments by category

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

Loans and receivables

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Amount due from subsidiary	**–**	–	**572**	534
Loans	**1,000**	1,000	**1,000**	1,000
Other receivables	**5,579**	514	**5,579**	514
Cash and cash equivalents	**13,217**	1,308	**13,198**	1,288
	19,796	2,822	**20,349**	3,336

Other financial liabilities

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Loan payables and interest payables	**–**	–	**–**	–
Other payables and accruals	**1,882**	77	**1,770**	56
	1,882	77	**1,770**	56

Financial assets at fair value through profit or loss

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

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

	Group	
	2017	2016
	US$'000	US$'000
Level 3		
Unquoted financial assets at fair value through profit or loss (Note 9)	**75,639**	75,044
	75,639	75,044

There is no transfer between levels in the current period.

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

Significant unobservable inputs used in measuring fair value – Level 3

Description	Fair Value at 31 Dec 2017 US$'000	Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Private equity investments	79.26% equity investment in Hong Kong Mining Holdings Limited engaged in mining project – US$39.4m; (2016: US$8.8m) 7.9% equity investment in Meize Energy Industries Holdings Limited engaged in designing and manufacturing blades for wind turbines – US$8.2m; (2016: US$8.2m)	Level 3	Income Approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investments.	Risk appropriate market based discount rate applied, ranging from 15 to 20 per cent (2016: 15 to 20 per cent)	The higher the weighted average cost of capital, the lower the fair value.
	40% equity investment in China iEducation Holdings Limited engaged in developing and distributing digital education content – US$4.0m; (2016: US$4.0m)	Level 3	Fair value of future economic benefit of receivable (Note 9)	Not applicable	Not applicable
	Loan receivable from Orbrich – CPE Finance Limited – US$4.6m. (2016: US$4.3m)	Level 3	Fair value of future economic benefit of receivable (Note 9)	Not applicable	Not applicable
	Loan receivable to Mr. David Chen and Ms. Zhong Ying Ying who own 100% of the I-Buying which is engaged in e-commerce business listed in onshore – US$12.2m (US$11.3m loan receivable and remaining is interest receivable); (2016: US$11.3m)	Level 3	Fair value of future economic benefit of receivable (Note 9)	Not applicable	Not applicable

Description	Fair Value at 31 Dec 2017 US$'000	Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	Private credit fund – Greater China Credit Fund LP – US$2.8m; (2016: US$2.7m)	Level 3	Unadjusted NAV	Not applicable	Not applicable
	Malaysia portfolio investment – CPE Growth Capital Limited – US$4.5m (2016: US$2.0m)	Level 3	Unadjusted NAV	Not applicable	Not applicable

The above table sets out information about significant unobservable inputs used at 31 December 2017 in measuring material financial instruments categorised as Level 3 in the fair value hierarchy.

The discount of 20% applied to Project NPV in estimating fair value of the investment in Hong Kong Mining Holdings is a key unobservable input into the valuation model for the investment in HKMH. In the event that other possible discounts had been applied the impact on carrying value of the investment would be as follows:

Discount rate applied	Impact on carrying value (US$ million)
10%	5.20
30%	(5.21)
40%	(10.41)

If the other above unobservable inputs to the valuation models were 2% per cent higher/lower while all the other variables were held constant, the carrying amount of investments would decrease by US$ 11.3m (2016: US$ 3.4m)/ increase by US$ 15.9m (2016: US$3.6m).

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, 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 (2016: 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 assets.

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.

Price and valuation risks
The Group's securities are susceptible to risk arising from uncertainties about future values of the investment securities, either in relation to market prices (for quoted securities) or fair values (for unquoted securities). This risk is that the fair value or future cash flows will fluctuate because of changes in market prices or valuations, 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$7,563,900 (2016: US$7,504,400) increase/decrease in the net asset value.

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

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

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

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

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

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

16. SHARE BASED PAYMENTS

16.1 Ownership-based compensation scheme for senior management

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

On 20 November 2017, the Company issued a total of 2,000,000 warrants to the Company's directors (John Croft: 800,000; Hugh Viscount Trenchard: 400,000; Dr Lee George Lam: 400,000 and Ernest Wong: 400,000) to subscribe for ordinary shares in respect of services provided to the Group at an exercise price of US$1.21 per share. The warrants will expire 10 years after the date of grant. All warrants are equity-settled and may be exercised at any time from the date of grant to the date of their expiry.

In the event that a director's appointment is terminated for any reason, then in such circumstances each director's subscription rights shall, to the extent he/she has not been issued or exercised either (i) prior to the date of termination (Date of Termination); or (ii) within the period of 60 days immediately following the Date of Termination, be immediately cancelled.

16.2 Equity compensation scheme for Harmony Capital Investors Limited ("Investment Manager")

The Group has an equity compensation scheme for Investment Manager of the Group. In accordance with the provision of the scheme, Investment Manager is granted warrants to subscribe for 20 million (before share consolidation undertaken by the Company on 20 September 2017) ordinary shares, which is to be issued in five equal tranches with an exercise price. No amounts are paid or payable by the recipient of the warrants. The warrants carry neither rights to dividends nor voting rights. Warrants may be exercised at any time from the date of vesting to the date of their expiry. Any equity compensation shares issued to or acquired by Investment Manager subject to an orderly market period, which is 12 months after each date of issue. During each orderly market period, Investment Manager undertakes to the Company and the broker not to effect a disposal of the relevant shares unless the Investment Manager gives written notice to do so.

All warrants are equity-settled, the only conditions for all warrants granted is that the warrants holder remains in the office when exercises.

On 1 May 2017, the Company issued 1,600,000 warrants (noting that the number of warrants have been recalculated pursuant to paragraph 2 of Section 2 of the warrant instruction to reflect the share consolidation undertaken by the Company on 20 September 2017) to the Investment Manager to subscribe for ordinary shares in respect of services provided to the Group at an exercise price of US$1.21 per share. The warrants will expire 10 years after the date of grant. On 1 November 2017, the Company further issued 1,600,000 warrants to Investment Manager at the same exercise price and term as the first tranche of warrants.

	2017			2016		
	Number of options	**Number of warrants**	**Weighted average exercise price US$**	Number of options	Number of warrants	Weighted average exercise price US$
Balance at beginning of the financial year	–	–	–	150,000	1.7	
Issuance during the financial year						
–Investment Manager	–	**3,200,000**	**1.21**	–	–	–
–Directors	–	**2,000,000**	**1.21**	–	–	–
Expired during the financial year	–	–	–	(150,000)	–	–
Balance at end of financial year	–	**5,200,000**	**1.21**	–	–	–
Exercisable at end of financial year	–	**5,200,000**	–	–	–	–

16.3 Equity-settled share-based payment for Investment Manager as incentive fee

Investment Manager is entitled to receive an incentive fee from the Company in the event that the audited net asset value for each year is (1) equal to or greater than the audited net asset value for the last year in relation to which an incentive fee became payable ("High Water Mark"); and (2) in excess of 105% of the audited net asset value as at the last calendar year end ("the Hurdle"). Subject to the High Water Mark and Hurdle being excessed in respect of any calendar year, the incentive fee will be equal to 20% of the difference between the current year end NAV and the previous year end NAV. 50% of incentive fee shall be paid in cash and the remaining 50% of incentive fee shall be paid by ordinary shares.

The remaining 50% of incentive fee ("Equity Compensation Amount") shall be satisfied by the Company issuing to Investment Manager such number of ordinary shares as have a Fair Market Value which in aggregate is equal to the Equity Compensation Amount. The Fair Market Value is the closing Volume Weighted Average Price (VWAP) for the ordinary shares trading on AIM for the ninety prior trading days as at the relevant calculation period year end, i.e. 31 December 2017. The shares issued to or acquired as incentive fee by Investment Manager is subject to an orderly market period, which is 12 months after each date of issue. During each orderly market period, Investment Manager undertakes to the Company and the broker not to effect a disposal of the relevant shares unless the Investment Manager gives written notice to do so.

16.4 Fair value of warrants issued in the period

The fair value of the 5,200,000 warrants awarded under the ownership-based compensation scheme for senior management and the equity compensation scheme for Harmony Capital was US$2,319,113. The fair value was calculated at date of grant using a Black Scholes valuation model. The principal inputs into the model were as follows:

Date of issue	**1 May 2017**	**1 Nov 2017**	**20 Nov 2017**
Warrants issued	1,600,000	1,600,000	2,000,000
Warrant period	10 years	10 years	10 years
Share price	$1.45	$1.2875	$1.0375
Strike price	$1.21	$1.21	$1.21
Volatility	20.48%	19.10%	21.30%

17. RELATED PARTY TRANSACTIONS

As at 31 December 2017, Elypsis Solutions Limited holds 75.3% of the Company. Elypsis Solutions Limited is a wholly owned subsidiary of Asia Private Credit Fund Limited, a fund managed by Adamas Global Alternative Investment Management, Inc.

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

	Notes	**2017 US$'000**	2016 US$'000
Remuneration payable to Directors (see Note 7)	(i)	**160**	144
Fair value of warrants issued to Directors under the ownership-based compensation scheme for senior management:		**612**	–
Amounts due to Directors at 31 December:			
– Ernest Wong Yiu Kit		**2**	2
– Conor MacNamara (resigned on 30 September 2017)		**–**	3
– Hugh Trenchard		**2**	–
Adamas Global Alternative Investment Management Inc.			
Management fee	(ii)	**385**	1,182
Amount due from Adamas Global Alternative Investment Management Inc. at 31 December		**428**	292
Harmony Capital Investors Limited	(iii)		
– Management fee		**901**	–
– Incentive fee		**3,503**	–
Fair value of warrants issued under the equity compensation scheme for Harmony Capital Investors Limited		**1,707**	–
Amount due to Harmony Capital Investors Limited at 31 December		**1,734**	–
Fortune Insight Limited			
Other receivables-disposal of interest in Global Pharm	(iv)	**3,000**	–
Amount due from Fortune Insight Limited at 31 December		**3,000**	–

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

(ii) Adamas Global Alternative Investment Management Inc. was the Investment Manager of the Group until 30 April 2017. The management fee, which was calculated and paid bi-annually in advance calculated at an annual rate of 1% of the higher of the net asset value of the Company's portfolio of assets and its market capitalisation.

(iii) Harmony Capital Investors Limited has been appointed as the new Investment Manager of the Group starting from 1 May 2017. The management fee, which was calculated and paid bi-annually in advance calculated at a rate of 0.875% of the net asset value of the Group's portfolio of assets at 30 June and 31 December in each calendar year.

Harmony Capital Investors Limited is entitled to receive an incentive fee from the Company in the event that the audited net asset value for each year is (1) equal to or greater than the audited net asset value for the last year in relation to which an incentive fee became payable ("High Water Mark"); and (2) in excess of 105% of the audited net asset value as at the last calendar year end ("the Hurdle"). Subject to the High Water Mark and Hurdle being excessed in respect of any calendar year, the incentive fee will be equal to 20% of the difference between the current year end NAV and the previous year end NAV. 50% of incentive fee shall be paid in cash and the remaining 50% of incentive fee shall be paid by ordinary shares.

(iv) On 15 September 2017, the Company entered into a sale and purchase agreement with Fortune Insight ("Fortune") Limited for the sale of its 75% interest in Blazer Delight Limited, through which the Company holds its interest in Global Pharm Holdings Group Inc. for US$3 million in cash, which is payable by Fortune on 31 May 2018. Fortune is managed by affiliates of Adamas Asset Management (HK) Limited ("AAM"). The Company's largest shareholder, Elypsis Solutions Limited, is also managed by affiliates of AAM and therefore the transaction is classified as a related party transaction under the AIM Rules for Companies. The Directors, having consulted with WH Ireland Limited, the Company's nominated adviser, consider that the terms of the transaction are fair and reasonable insofar as shareholders are concerned.

18. PROFIT/(LOSS) PER SHARE

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

		2017 US$'000	2016 US$'000
Numerator			
Basic/Diluted:	Net profit/(loss)	**11,694**	(37,162)
		No. of shares '000	No. of shares '000
Denominator			
Basic:	Weighted average shares	**76,787**	76,787
	Incentive fee-50% in ordinary shares (Note17(iii))	**1,367**	–
Diluted:	Adjusted weighted average shares	**78,154**	76,787
Profit/(Loss) per share			
Basic		**15.23 cents**	(48.40) cents
Diluted		**14.96 cents**	(48.40) cents

19. EVENTS AFTER THE REPORTING PERIOD

(i) On 15 January 2018, the Company announced that it has agreed to extend the date for payment due from Fortune Insight Limited ("Fortune") in respect of disposal of interest in Global Pharm Holdings Group Inc. ("Global Pharm") for US$ 15.6 million to 31 March 2018.

On 27 April 2018, the Company announced that as a result of a change in the identity of the principal investor in a fundraising being undertaken by Fortune, it is no longer in a position to complete the acquisition of the interest in Global Pharm on the terms set out in Sales and Purchase Agreement on 15 September 2017. Under the revised terms, the consideration payable by Fortune is US$3 million in cash and the subscription of ordinary shares in ADAM at a price of US$0.71 per share in such number to have an aggregate subscription amount of US$12.6 million.

(ii) On 19 March 2018, the Company announced that it has invested in a new project, DocDoc Pte. Ltd ("DocDoc"). The Company was the lead investor in DocDoc via a US$ 2.0 million subscription to a convertible bond offering.

(iii) On 26 March 2018, the Company announced that the increase of the Company's indirect shareholding in Hong Kong Mining Holdings Limited ("HKMH") from 79.26% to 84.81%. The Company has issued 4,277,568 new ordinary shares of no par value each ("New Ordinary Shares") at US$1.20 per share in consideration for the acquisition of shares in HKMH held by certain minority shareholders (the "Vendors"). A further 319,694 ordinary shares will be issued to one of the Vendors in two equal tranches in 12 months and 24 months. The investment in HKMH is held via the Company's wholly owned subsidiary, Dynamite Win Limited.

Following the issue of the 4,277,568 new ordinary shares, the Company's enlarged issued share capital comprises 81,064,373 ordinary shares. The Company does not hold any ordinary shares in treasury.

The Company has entered into agreements with the Vendors to transfer their shareholdings in HKMH to the Company in exchange for the new ordinary shares. The Vendors shall also waive repayment of outstanding loans to HKMH subsidiaries totaling HK$41.9 million (approximately US$5.36 million).

(iv) On 26 April 2018, the Company announced the proposed disposal of a significant portion of its legacy portfolio, comprising China iEducation, CPE Finance, CPE Growth Capital, CPE TMT and Fortel loan ("Sale Portfolio") was duly passed by Shareholders and that disposal has thereby been approved. Completion of the disposal of the Sale Portfolio remains conditional upon completion of acquisition of 31% of Flame Soar Limited ("Flame Soar") by FLMH from Chinese Food and Beverage Group Limited. Flame Soar is the parent company of (1) Fook Lam Moon Restaurant Limited; (2) Fook Lam Moon (Kowloon) Restaurant Limited; and (3) Fook Lam Moon F&B Management Limited.

(v) On 15 June 2018 the Company announced that it had agreed revised terms for the disposal of its interest in Global Pharm Holdings Inc. to Fortune Insight Limited ("Fortune"). The revised terms, contained in a deed of amendment to the original sale and purchase agreement, involve a cash payment to be made by Fortune to the Company of US$3 million. In addition, the Company intends to issue 17,746,479 new ordinary shares of no par value each to Fortune at a subscription price of US$0.71 thereby raising US$12.6 million, meaning a total cash receipt for the Company of US$15.6 million. The issue of the new ordinary shares is subject to shareholders approving resolutions to increase the Company's share capital available for issue which are be put to shareholders at a general meeting.

ADAMAS FINANCE ASIA LIMITED