ADAMAS
FINANCE ASIA

ADAMAS FINANCE ASIA LIMITED

ANNUAL REPORT 2018

CONTENTS

Company Information

Directors	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*
Investment Manager	Harmony Capital Investors Limited 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	VSA Capital Limited New Liverpool House 15-17 Eldon Street London EC2M 7LD
Auditors	Crowe U.K. 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

I am pleased to report that positive progress was made during 2018 in repositioning our investment portfolio in line with the investing policy, particularly with a focus on acquiring income generating assets, while diversifying the portfolio to reflect a more pan Asian profile than the hitherto primary focus on mainland China.

During the year, the disposal of the CPE Legacy Portfolio, which comprised a group of predominately private equity assets based in China, was completed and was replaced by an interest bearing convertible bond in Fook Lam Moon Holdings (FLMH) which owns a number of high end restaurants in Hong Kong. Its flagship restaurant has been established for more than 70 years and is a well-known landmark in the vibrant Hong Kong hospitality scene. FLMH has plans to expand its business both organically and geographically and ultimately aspires to achieve an IPO on the Hong Kong stock exchange.

Cash resulting from the disposal of our investment in Global Pharm Holdings was also received during the year, providing much needed funds to deploy into a very exciting and growing pipeline of potential new investments.

Towards the end of the year we announced a new investment in a premium property development in Niseko, Japan which is one of the world's top ski holiday destinations, attracting increasing numbers of wealthy Asian tourists, particularly from mainland China. The investment is fully secured and delivers a very attractive coupon, and your Board is delighted to have been able to announce this addition to the portfolio. Completion of the funding for this investment did not occur until after year end, and consequently does not appear in the table of principal assets below.

Post year end we also announced a proposed new investment in PharmaJet Inc ("PharmaJet") through a convertible bond investment. PharmaJet is a leading producer of needle-free injectors which have received United States FDA clearance and EU CE certification. PharmaJet's products are World Health Organization prequalified and is cited by UNICEF as revolutionising how vaccines are delivered, facilitating ADAM's participation in the important healthcare sector through products that have global reach and a high relevance to Asian markets. We expect this transaction to complete in 2019.

ADAM's Net Asset Value (NAV) in 2018 stood at US$93.0m (2017 US$93.6m). The slight change in NAV was made up from a net operating loss of US$3.5m (2017 net profit US$11.7m) largely offset by an increase in the fair value of Hong Kong Mining Holdings (HKMH) as a consequence of ADAM's holding in HKMH increasing by US$3.1m from 79% to 85% resulting from an issue of shares announced in March 2018.

As previously announced we are hopeful that mine operations at the HKMH site will be back in production later in 2019 and we will be making further announcements on this important project as progress is made.

Your Board is very conscious of the illiquidity of the Company's share capital, and I would like to reassure shareholders that steps are being actively pursued to make improvements in this area. In this regard, we recently announced that the Company's shares had become tradeable on 12 of the most popular online trading platforms, thereby making it easier for investors to trade ADAM shares. Additionally, our house broker VSA Capital has recently published research on the company, adding to the research report already in the public domain from Equity Development. Further, on 25 February 2019, the Company announced the approval of a share buyback programme to repurchase ordinary shares of no par value up to an aggregate value of US$500,000 commencing on 25 February 2019 and due to be completed by the end of 2019. Any ordinary shares purchased under the programme are to be held in treasury. At the date of approval of these financial statements an aggregate number of 836,804 ordinary shared had been bought back into treasury at an average price of US$0.14 per ordinary share.

I hope that we will be able to make announcements of further actions we are taking to improve liquidity and widen our shareholder base in the near future for the benefit of all ADAM shareholders.

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

Portfolio at 31 December 2018

Principal Assets	**Effective Interest**	**Instrument type**	**Valuation as at 31 December 2018** US$ million
Fook Lam Moon Holdings	–	Convertible Bond	26.5
Hong Kong Mining Holdings Limited	84.8%	Structured Equity	42.5
Meize Energy Industrial Holdings Ltd	7.9%	Redeemable convertible preference shares	8.2
DocDoc Pte Ltd	–	Convertible Bond	2.1
GCCF/Other			4.9
Cash			8.8
Total Net Asset Value			**93.0**

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 local teams are active on the mining site and are preparing to re-start operations. The management team expect production to restart in late 2019. It remains the Company's intention to consider all viable monetisation options for this investment once operations have recommenced.

Meize Energy Industries Holdings Limited ("Meize")
Meize is a privately-owned company that designs and manufactures blades for wind turbines. Meize secured several new customers to its order book during the year against a challenging backdrop. Our intention remains to monetise this asset.

DocDoc Pte Ltd. ("DocDoc")
DocDoc is a Singapore-headquartered online network of over 23,000 doctors, 600 clinics and 100 hospitals serving a wide array of specialties. It uses artificial intelligence, cutting-edge clinical informatics and proprietary data to connect patients to doctors which fit their needs at an affordable price. DocDoc has secured partnership agreements with some of Asia's largest insurers such as the Ping An Group and Prudential Singapore.

Fook Lam Moon Holdings ("FLM")
FLM is a prominent Cantonese restaurant chain with over 70 years of history in Hong Kong, with an additional location in Macau; FLM's Wan Chai and Kowloon locations and its Guo Fu Lou restaurant hold Michelin stars. Fook Lam Moon's eateries are frequently recognised by prestigious award bodies such as San Pellegrino as one of Asia's best restaurants and by Wine Spectator as offering one of Asia's best wine lists.

Quarterly NAV Updates
The Board intends to continue its practice of publishing an estimated NAV on a quarterly basis. In 2019, it also intends to provide portfolio updates on a quarterly basis.

John Croft
Chairman of the Board

20 June 2019

Biographies of Directors and Senior Management

Board of Directors

Mr. John Croft *(aged 66), Non-executive Chairman*
Mr. Croft is an experienced director of Alternative Investment Market ("AIM") quoted companies and has previously worked in executive and non-executive capacities with a number of fast growth companies in the technology and financial services sectors. He is also currently Non-Executive Chairman of Goal Group Limited, a leading class action service provider and tax reclamation services specialist, and Non-Executive Director of Golden Rock Global PLC, a company listed on the standard listing of the London Stock Exchange. He is also a non-executive Director of Brazilian Nickel Ltd. a company that is developing a Nickel and Cobalt project in North Eastern Brazil. 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 68), 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 and 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 51), Non-executive Director*
Mr. Wong has over 20 years of experience in venture capital, corporate finance, business development, legal, IT, financial and general management. Presently, he is the President and Group CFO of KVB Kunlun Holdings Limited which is the holding company of a listed financial services group in Hong Kong. He is also the independent Non-Executive Director and the member of the audit committee of Renheng Enterprise Holdings Limited and HongDa Financial Holdings Limited, both are listed in the Main Board of Hong Kong Stock Exchange. He served as Executive Director and the CFO of China Private Equity Investment Holdings Limited (the former Adamas Finance Asia Limited) till February 2014 and October 2011 respectively. Prior to that, he was the CFO of ASTRI (the technology development flagship of Hong Kong Government) and the Vice President of Vertex Management (one of the largest Singapore Venture Capital firms). He also worked for Guangdong Investment Ltd, Transpac Capital and Anderson 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 59), 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 and 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 €15 billion in assets. Previously he was the Co-Founder and Chief Investment Officer at Harmony Capital Partners which managed a fund focused on 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 of Investment Banking at Merrill Lynch International. In total, he has accumulated 24 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 2018.

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.

RESULTS AND DIVIDENDS

The loss on ordinary activities of the Group for the year ended 31 December 2018 after taxation was US$3.5 million (2017: gain US$11.7 million).

The loss reflects fair value movements in the portfolio of US$0.22 million, realised losses on disposal of US$0.004 million, and total operating expenses of US$3.9 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 2018 stood at US$93 million (2017: US$93.6 million) equivalent to US$1.13 per share (2017: US$1.22). The loss for the year included a net decrease in fair value on financial assets of US$0.2 million.

Total expenses decreased to US$3.9 million (2017: US$8.0 million).

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 17 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. Hugh Viscount Trenchard, 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 15 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 2018 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			
	2018		2017	
	Direct	**Indirect**	Direct	Indirect
Mr. John Croft	**4,117**	**10,733**	4,117	10,733

	Number of warrants over ordinary shares of no par value as at 31 December			
	2018		2017	
	Direct	**Indirect**	Direct	Indirect
Mr. John Croft	**800,000**	**–**	800,000	–
Mr. Hugh Viscount Trenchard	**400,000**	**–**	400,000	–
Mr. Wong Yiu Kit, Ernest	**400,000**	**–**	400,000	–
Dr. Lee George Lam	**400,000**	**–**	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	70.11%
Barry Lau	3,160,568	3.83%

The percentage of shares not in public hands (as defined in the AIM Rules for Companies) is 73.94%. 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 13.

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 13 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 2018, the number of ordinary shares in issue was 82,465,205. Details of movements in the issued share capital during the year are set out in Note 12 to the financial statements.

After the reporting date the Company commenced a share buyback programme, details of which are set out in Note 17 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 2018, the Group had nil (2017: Nil) employees excluding Directors.

CHARITABLE DONATIONS

The Group has not made any charitable donation during the year (2017: Nil).

ANNUAL GENERAL MEETING

The Company's forthcoming annual general meeting ("Annual General Meeting") will be held on Friday, 17 August 2019 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$8.8 million at 31 December 2018 and had no debt.

In addition, as previously announced on 15 June 2018, under the revised terms of its disposal of its interest in Global Pharm, the directors expect to realise cash receipts of US$12.6 million from a share subscription by Fortune Insight Limited in the short term to medium 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 U.K. LLP as the Company's auditors will be proposed at the Annual General Meeting.

On behalf of the Board

John Croft
Non-executive Chairman

20 June 2019

Investing Policy

The investment manager of the Company has the flexibility to invest across Asia, across sectors and across the capital structure of companies. Furthermore, given the long-term nature of the Company's investment horizon, a more flexible Investing Policy should enable the Manager to navigate changes in the relative attractiveness of various financing asset classes in Asia through economic cycles and, potentially, geopolitical shifts which may increase the sovereign risk associated with specific countries relative to others within the region.

The investing policy of Adamas Finance Asia is the following:

a. The Company has an indefinite life and is targeting both capital gains and income distributions for its Shareholders over time.

b. The Company will provide equity and credit funding to companies, principally in the Pan-Asia region or with a connection to Asia. It will seek to do this by:

   i. providing funding directly to companies via the provision of loans or other credit instruments which may be secured against assets of the borrower or its affiliates;

   ii. providing funding to companies to accelerate their growth, expand the scale of their business and/or to consolidate their organizational structure in preparation for a public listing. Investments could be in the form of structured equity, debt and hybrid debt securities;

   iii. providing growth, development and acquisition capital in the form of equity or quasi-equity to companies within growth industries;

   iv. providing funding to transactions structured around significant corporate events such as recapitalisations, debt restructurings, buybacks of shares, asset spin-offs and corporate reorganisations;

   v. investing in publicly traded or 'over the counter' traded equity or credit securities, such as preferred stock, common stock, high yield bonds, senior loans, warrants, where the market is mispricing a company's securities and thereby offering an attractive risk adjusted return due to one-off or short term factors; and

   vi. investing (in addition to securing co-investment rights for the Company) as a limited partner or shareholder in third party managed vehicles which have a strategy to provide credit and/or equity funding to companies in a specific industry.

   vii. The Company will be sector agnostic in its investment activities.

c. New investments will be managed actively, including through appropriate investor protections which will be negotiated on each transaction as appropriate and relevant.

d. The Company will consider using debt to finance transactions on a case by case basis and may assume debt on its own balance sheet when appropriate to enhance returns to Shareholders and/or to bridge the financing needs of its investment pipeline.

e. The Company may decide to dispose of or exit, partially or fully, existing investments in the Company's portfolio where appropriate and based on the recommendations of the Investment Manager.

Corporate Governance Statement

THE BOARD

The Board of Adamas Finance Asia Limited, in accordance with the AIM Rules, adopted an appropriate corporate governance code. It has decided to apply the Quoted Companies Alliance Corporate Governance Code (the QCA Code). The QCA Code is a pragmatic and practical corporate governance tool which adopts a proportionate, principles-based approach which the Board believes will enable the explanation of how the Company applies the QCA Code and its overall corporate governance arrangements. The QCA Code is constructed around 10 broad principles which are set out below together with an explanation of how the Company complies with each principle, and where it does not do so, an explanation for that.

As suggested by the QCA, our Chairman, John Croft makes the following statement in relation to corporate governance:

"As Chairman of the Company I lead our wholly Non-Executive Board of Directors and have primary responsibility for ensuring that the Company meets the standards of corporate governance expected of an AIM investing company of our size. Our over-arching role as a Board is to monitor the Company's progress with its investing policy and to ensure that it is being properly pursued. In pursuing that strategy, our second key focus is to supervise, manage and objectively assess the performance of our Investment Manager, Harmony Capital Investors Limited. Given there is no executive team in the Company and no other employees, this relationship is critically important in terms of delivering value to our shareholders.

We set out below how we as a Board seek to apply the QCA Code, bearing in mind the particular nature of the Company and its business. Being an investing company means we are naturally focused on investment strategy and deploying our cash resources in the most efficient way to produce returns for shareholders in the medium to long term, balancing the potential risks and rewards of each investment which our Investment Manager proposes. We have a rigorous investment process including third party legal, commercial and financial due diligence, site visits, management meetings and independent valuations where relevant. The output of this work is consolidated and presented to the Board by the Investment Manager in high quality investment presentations which are reviewed and discussed at length at investment board meetings. We are not a large corporate with multiple stakeholders and, as noted above, our Board is fully non-executive. We therefore intend to take a pragmatic approach to governance structures and processes and whilst retaining a high performance culture at Board level, adopt policies and procedures which we think are appropriate to an investing company on AIM."

DELIVER GROWTH

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

Principle

The Board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.

Compliance

The Company provides equity and credit funding to companies, principally in the Pan-Asian region or with a connection to Asia. It will do this through investing in direct financings, pre-IPO investments, growth private equity, event driven special situations, opportunistic special situations and indirect financing.

The Company is sector agnostic in its investment activities.

New investments will be managed actively, including through appropriate investor protections which will be negotiated on each transaction as appropriate and relevant.

The Company will consider using debt to finance transactions on a case by case basis and may assume debt on its own balance sheet when appropriate to enhance returns to Shareholders and/or to bridge the financing needs of its investment pipeline.

The Company is in the process of a disposal programme for its "legacy" assets, which is substantially complete. The Company has made one new investment and intends in the short to medium term to transition its portfolio of investments to one that consists entirely of income generating assets which will enable the Company to pay regular dividends to its shareholders.

The Board together with the Investment Manager continually monitor the prevailing investment climate, macro-economic conditions affecting the Asian region and other macro factors which will influence and in some cases hinder the ability for the Company to execute its strategy, for example regulatory and governmental policy changes.

Principle 2 Seek to understand and meet shareholder needs and expectations

Principle

Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base. The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.

Compliance

The Board is aware of the need to protect the interests of minority shareholders, and balancing these interests with those of the majority shareholder. The Board also considers the terms of the relationship agreement the Company has entered with its largest shareholder and where necessary will enforce any relevant terms.

The Company holds regular investor events in London and Hong Kong, where the Chairman, other members of the Board and the Investment Manager update attendees on key developments in the portfolio. All shareholders are invited to attend these events. The Chairman is principally responsible or shareholder liaison.

The Company regularly updates the market via its RNS news feed of any disclosable matters and where appropriate, also uses social media platforms to engage with a wider audience.

The Company publishes all relevant materials, according to QCA definitions, on its website. This includes annual reports and shareholder circulars.

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

Principle

Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The Board needs to identify the company's stakeholders and understand their needs, interests and expectations.

Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.

Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.

Compliance

The balance of economic value to the Group and social impact is carefully considered, not only throughout the due diligence for any potential investments, but also on-going monitoring by of periodical site visits for the invested projects, with the maintenance of high environmental standards is a key priority. The Board is conscious of its responsibilities in relation to society, particularly in a developing economy such as China.

The key resources for the Company are principally the Investment Manager and the Company's advisory team, including its nominated adviser, brokers, solicitors and auditors. The Investment Manager and therefore the Company rely on a network of intermediaries to originate investment deal flow. The Board speaks to the advisory team on a regular basis and takes feedback from it throughout the year but in particular in relation to compliance with the AIM Rules and their impact on its investments, from the nominated adviser and solicitors and in relation to accounting matters including net asset value and the annual audit, from the auditors.

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

Principle

The Board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.

Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).

Compliance

Effective risk management in relation to the Company's portfolio is key to the Board's assessment of the Investment Manager's performance. Measuring risk in each investment case, in terms of both how it can be mitigated and the potential upside of taking on such risk are critical elements of the analysis produced by the Investment Manager and reviewed by the Board on each proposed investment. Similarly in conducting the managed disposal programme, the Board is focused on achieving the best possible value for the assets being disposed of, whilst at the same time assessing the risk of maintaining those positions with the potential for further value to be eroded at the same time as requiring additional time to be spent by the Board and Investment Manager.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

Principle 5 Maintain the Board as a well functioning, balanced team led by the Chairman

Principle

The Board members have a collective responsibility to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the Chairman.

The Board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The Board should have an appropriate balance between Executive and Non-Executive Directors and should have at least two independent Non-Executive Directors. Independence is a board judgement.

The Board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfil their roles.

Compliance

The Board consists of four Non-Executive Directors.

The Chairman has been involved with the Company since its predecessor company, China Private Equity Investment Holdings Limited was admitted to AIM in 2009.

Ernest Wong Yiu Kit has also been a Non-Executive Director since 2009.

The Viscount Trenchard and Dr. Lee George Lam are relatively recently appointed to the Board. All four Non-Executive Directors are considered to be independent.

Each Director is engaged on a 12-month contract with 3 months' notice on either side and is required to commit to a minimum of 2 days per calendar month.

As explained above, considering the size and nature of the Company, the Board does not intend to constitute any sub-committees.

As explained above, the Board receives detailed investment papers from the Investment Manager in relation to any asset which is either recommended for investment or disposal, including an executive summary of the due diligence findings, results of site visits and management meetings (including an assessment of the investee company's management team), key financial metrics, key risk factors, the potential returns available, security for the investment and the type of instrument to be used.

Principle 6 Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.
Principle
The Board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The Board should understand and challenge its own diversity, including gender balance, as part of its composition.

The Board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.

As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.

Compliance
Directors who have been appointed to the Company have been chosen because of the skills and experience they offer. The identity of each Director and his full biographical details are provided on the website, which include each Director's relevant experience, skills, personal qualities and capabilities. The current team of Directors offer a mix of investment, quoted company, sector and geographical expertise and exposure.

The Board has not taken any specific external advice on a specific matter, other than in the normal course of business as an AIM quoted company and in pursuance of the investment policy. There are no internal advisers to the Board. The Directors rely on the Company's advisory team to keep their skills up to date and through attending market updates and other seminars provided by the advisory team, the London Stock Exchange plc and other intermediaries.

The Investment Manager is the key external adviser to the Board.

Principle 7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
Principle
The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual Board members.

The Board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.

It is healthy for membership of the Board to be periodically refreshed. Succession planning is a vital task for Boards. No member of the Board should become indispensable.

Compliance
The Board consists exclusively of Non-Executive Directors, the Company having no employees or Executive Board Members. In this regard Board performance and oversight lies predominantly with the Chairman and other stakeholders, particularly shareholders.

Events are held with shareholders where feedback on the Company's progress is sought on a regular basis, and this interaction provides valuable input on Board performance. Advice is also sought on Board composition on an ongoing basis from the Company's NOMAD.

The composition of the Board is reviewed regularly and changes made where appropriate. As size of the portfolio grows, the Company may look to broaden its skills and experience base by the appointment of additional Directors and/or advisors in due course.

The Board does not carry out a formal review process.

Principle 8 Promote a corporate culture that is based on ethical values and behaviours
Principle
The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and source of competitive advantage.

The policy set by the Board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.

The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.

Compliance
The Board is focused on investment returns for its shareholders and will at all times seek to make ethical investments, but this is not an investment focus or determinant for an asset being included in the portfolio. As discussed above, given the Company is an investing company with no employees or other internal stakeholders, the Board does not drive a corporate culture within the business.

Principle 9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board
Principle
The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:

– size and complexity; and

– capacity, appetite and tolerance for risk. The governance structures should evolve over time in parallel with the company's objectives, strategy and business model to reflect the development of the company.

Compliance
This section provides full disclosure on the Company's corporate governance. Please note earlier commentary on the nature of the Board and the decision not to appoint any committees at this stage of the Company's growth. The Board will continue to monitor this and depending on the growth of the Company and further directors being appointed, this may change over time. There are no immediate plans to make any changes to the governance processes and framework which are described in the commentary above. The Chairman has overall responsibility for shareholder liaison. None of the other Board members have any specific responsibilities.

There are no specific matters reserved for the Board.

BUILD TRUST
Principle 10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders
Principle
A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.

In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist:

– the communication of shareholders' views to the Board; and

– shareholders' understanding of the unique circumstances and constraints faced by the company.

Compliance
The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. Details of all shareholder communications are provided on the Company's website, including historical annual reports and governance related material together with notices of all general meetings for the last five years. The Company discloses outcomes of all general meeting votes.

The Company has appointed a professional Financial Public Relations firm with an office in London to advise on its communications strategy and to assist in the drafting and distribution of regular news and regulatory announcements. Regular announcements are made regarding the Company's investment portfolio as well as other relevant market and regional news.

The Company lists contact details on its website and on all announcements released via RNS, should shareholders wish to communicate with the Board.

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 2018, which comprise:

- the Consolidated statements of comprehensive income for the year ended 31 December 2018 and 2017;
- the Consolidated statements of financial position as at 31 December 2018 and 2017;
- the Consolidated statements of cash flows for the year then ended;
- the Consolidated and 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 affairs as at 31 December 2018 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs issued by the IASB; and

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 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 whose investments are predominantly level 3 investments.

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'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 investments in unquoted financial assets at fair value of US$55.5 million. Substantially all of those investments are measured at fair value based on Level 3 (unobservable) inputs. The financial statements include investments in loans and other receivables of US28.9 million. 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. 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.

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.	We reviewed the latest available assessments of the recoverability of loans and other receivables prepared by the Investment Manager. 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 16, 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 U.K. LLP
Registered Auditor
London

20 June 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Realised (loss)/gain on disposal of investments		**(4)**	(14,329)
Fair value changes on financial assets at fair value through profit or loss	3	**216**	33,885
Administrative expenses		**(3,861)**	(7,958)
Operating (loss)/gain	5	**(3,649)**	11,598
Finance income	6	**148**	82
Other income		**–**	14
(Loss)/profit before taxation		**(3,501)**	11,694
Taxation	8	**–**	–
(Loss)/profit and total comprehensive (expense)/income for the year		**(3,501)**	11,694
(Loss)/profit per share			
Basic	16	**(4.36) cents**	15.23 cents
Diluted	16	**(4.36) cents**	14.96 cents

The results reflected above relate to continuing operations.

The accompanying notes on pages 34 to 51 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital US$'000	Share based payment reserve US$'000	Accumulated losses US$'000	Total US$'000
Group balance at 1 January 2017	129,543	–	(51,754)	77,789
Profit for the year	–	–	11,694	11,694
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	11,694	11,694
Share-based payments	–	4,070	–	4,070
Group balance at 31 December 2017 and 1 January 2018	129,543	4,070	(40,060)	93,553
Loss for the year	–	–	(3,501)	(3,501)
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	(3,501)	(3,501)
Issue of shares	4,511	(1,751)	–	2,760
Share-based payments	–	236	–	236
Group balance at 31 December 2018	134,054	2,555	(43,561)	93,048

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 34 to 51 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Assets			
Unquoted financial assets at fair value through profit or loss	9	**55,519**	75,639
Loans and other receivables at fair value through profit or loss	10	**28,902**	6,579
Cash and cash equivalents		**8,828**	13,217
Total assets		**93,249**	95,435
Liabilities			
Other payables and accruals	11	**201**	1,882
Total liabilities		**201**	1,882
Net assets		**93,048**	93,553
Equity and reserves			
Share capital	12	**134,054**	129,543
Share based payment reserve		**2,555**	4,070
Accumulated losses		**(43,561)**	(40,060)
Total equity and reserves attributable to owners of the parent		**93,048**	93,553

The financial statements were approved by the Board of Directors and authorised for issue on 20 June 2019 and signed on its behalf by:

John Croft
Director

The accompanying notes on pages 34 to 51 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	2018 US$'000	2017 US$'000
Cash flows from operating activities		
(Loss)/gain before taxation	**(3,501)**	11,694
Adjustments for:		
Finance income	**(148)**	(82)
Exchange gain	**–**	(453)
Fair value changes on unquoted financial assets at fair value through profit or loss	**(216)**	(33,885)
Realised loss/(gain) on disposal of investments	**4**	14,329
Share-based expenses	**236**	4,070
Decrease/(Increase) in other receivables	**2,981**	(139)
(Decrease)/increase in other payables and accruals	**(1,680)**	1,805
Net cash used in operating activities	**(2,324)**	(2,661)
Cash flows from investing activities *(Note 1)*		
Sale proceeds of unquoted financial assets at fair value through profit or loss	**–**	15,100
Purchase of unquoted financial assets at fair value through profit or loss	**(2,065)**	–
Loans granted	**–**	(530)
Net cash generated in investing activities	**(2,065)**	14,570
Net (decrease)/increase in cash and cash equivalents	**(4,389)**	11,909
Cash and cash equivalents and net debt at the beginning of the year	**13,217**	1,308
Cash and cash equivalents and net debt at the end of the year	**8,828**	13,217

Note 1- The following investing activities were undertaken which did not require the use of cash and have been excluded from the statement of cash flows:

Disposal of unquoted financial assets – interest in legacy portfolio	**(26,496)**	–
Purchase of loans and receivables – convertible bond in FLMH	**26,500**	–
Purchase of loans and receivables – increase in investment in HKMH	**2,760**	–

The accompanying notes on pages 34 to 51 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2018

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

The Company is the holding company of a group of companies comprising a dormant subsidiary, Adamas Finance Asia (HK) Limited and a number of wholly owned special purpose vehicles (SPV's) each of which holds investments.

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 Company is targeting delivery of income and capital gain from a diversified mix of pan-Asian investments in the Small and Medium-Sized Enterprise (SME) sector.

2. ACCOUNTING POLICIES

a) Basis of Preparation

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

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 IFRS9, with changes in fair value recognised in the statement of comprehensive income in the period of change. The Group has no interests in associates through which it carries on its business.

c) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management and 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. This activity consists of three entities which operate in two geographical locations, i.e. BVI and Hong Kong.

d) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group 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.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost or fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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 fair value Gains and Losses arising from changes in fair value and on derecognition, are recognised in the income statement.

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

The Group recognizes an allowance for expected credit losses (ECL's) for debt instruments not held at fair value through profit or loss. The ECL is based on 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. The Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss for that financial instrument at an amount equal to 12 month ECL.

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 Company 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

The Group adopted IFRS 9 and IFRS 15 during the year ended 31 December 2018. No adjustments were required as a consequence of adopting either standard. Neither standard has had a material impact on the financial statements of the Group.

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 periods.

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

	2018 **US$'000**	2017 US$'000
Change in fair value of unquoted financial assets	**216**	33,385
Total	**216**	33,385

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

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 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 (LOSS)/GAIN

Operating (loss)/gain is stated after charging:

	2018	2017
	US$'000	US$'000
Fees to the Group's auditor for audit of the Company and its subsidiaries	**46**	38
Share based payment expense (Note 16)	**236**	2,319
Operating lease rentals – land and buildings	**36**	70

6. FINANCE INCOME

	2018	2017
	US$'000	US$'000
Interest from bank and other loans	**148**	82

7. DIRECTORS' REMUNERATION

	2018	2017
	US$	US$
Short term employment benefits		
John Croft	**79,841**	78,125
Hugh Trenchard	**38,546**	20,009
Ernest Wong Yiu Kit	**22,964**	23,091
Lee George Lam	**38,274**	9,621
Conor MacNamara (Resigned on 30 September 2017)	**–**	28,854
	179,625	159,700

Directors' remuneration includes all applicable social security payments. There was no pension cost incurred during 2018 (2017: US$ Nil).

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

	2018 Unquoted financial assets US$'000	**2018 Loans and receivables US$'000**	2017 Unquoted financial assets US$'000	2017 Loans and receivables US$'000
Balance as at 1 January	**75,639**	**6,579**	75,044	1,514
Additions	**4,825**	**–**	–	5,065
Asset disposal/swap	**(25,161)**	**25,161**	–	–
Fair value changes through profit or loss	**216**	**–**	33,885	–
Disposals	**–**	**(2,838)**	(33,290)	–
Balance as at 31 December	**55,519**	**28,902**	75,639	6,579

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

Hong Kong Mining Holdings Limited ("HKMH")
Dynamite Win Limited, a 100% (2017: 100%) owned subsidiary of the Company incorporated in British Virgin Islands, holds a 84.8% 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.

In March 2018, the Company entered into a share swap with certain minorities of HKMH, after which its shareholdings in HKMH increased from 79.3% to 84.8%. During 2018, key management personal and staff were appointed with the purpose of restarting operations. HKMH successfully renewed its Mining License in August 2018 and was one of the first companies in Linfen City, Shanxi Province to do so as it prepares for an eventual restart. The Company has committed up to U$2.0 million to facilitate the resumption of mine operations. The longer-term objective remains to monetise this investment.

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 in early 2018. A 20% discount was applied to the net present value of the project cash at 31 December 2017. At 31 December 2018 this was increased to 25% which derives an adjusted mine value of US$53.5 million and results in the Company's investment in HKMH being valued at US$40.6 million for its 84.8% holding. Including loan disbursements provided by the Company to HKMH and its subsidiaries as well as accrued PIK interest, the estimated fair value of the project is US$42.5 million.

Fook Lam Moon Holdings Limited ("FLMH")
Adamas Finance Asia Limited, a 100% owned subsidiary of the Company incorporated in the British Virgin Islands, holds a Convertible Bond in FLMH.

FLMH is the controlling shareholder of Fook Lam Moon, which is engaged in the operation of high-end Chinese restaurants and food & beverage management in Hong Kong. FLMH was originally founded in 1948 serving Cantonese haute cuisine. FLMH's restaurants have been awarded Michelin Stars. On 21 November 2018 Adamas Finance Asia Limited was issued with a Convertible Bond in FLMH with a face value of US$26.5 million which has a maturity of 5 years and pays a coupon of 5.0% per annum (3.0% paid in cash payable quarterly with the remained rolled up with the principal amount outstanding). As of 31 December 2018, the carrying value of the Convertible Bond was US$26.6 million taking into account PIK interest accrued and cash interest receivable.

Meize Energy Industries Holdings Limited ("Meize")
Swift Wealth Investments Limited, a 100% (2017: 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. Despite being 2018 being a challenging year for Meize, they were able to secure several new customers to their order books. As of 31 December 2018, the Group's interest in Meize had a fair value of US$8.2 million which was based upon discounted redemption cash flows over a period of two years (2017: US$8.2 million).

DocDoc Pte Ltd ("DocDoc")
Eastern Champion Limited, a 100% owned subsidiary of the Company incorporated in the British Virgin Islands, holds a Convertible Bond in DocDoc.

DocDoc is a privately-owned company operating in the healthtech space across Asia headquartered in Singapore. DocDoc is Asia's leading patient empowerment company with a presence in over 8 countries and more than 23,000 doctors listed on their doctor discovery platform. The Company uses artificial intelligence to find the right medical professional for patients as well as providing access to qualified professionals who initially assess their needs. During the year, Prudential, a leading insurer, partnered with DocDoc to offer its service to their policyholders in Singapore. As of 31 December 2018, the carrying value of the Convertible Bond was US$2.1 million taking into PIK interest accrued and cash interest receivable.

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 2018, 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).

Changtai Jinhongbang Real Estate Development Co. Ltd ("CJRE")
Lead Winner Limited ("LWL") is a 100% owned subsidiary of the Company incorporated in British Virgin Islands. LWL held a 15% stake in a luxury resort and residential development project in CJRE, the owner of a luxury resort and residential development project in Fujian Province, Eastern China. The Company divested the entire investment in 2017 with an outstanding amount of RMB12.0 million (approximately US$1.8 million), which was to be received before 21 December 2018. The Company is still awaiting to receive the balance of proceeds from CJRE with respect to the loan amount of US$1.8 million. CJRE is currently awaiting a payment from a major Chinese developer for work undertaken. Once this payment has been received by CJRE the Company's loan will be repaid. The Company's Investment Manager is working closely with the borrower to recover the amount owed. As at 31 December 2018, the fair value of the loan was US$1.8 million.

See note 13 for details of the valuation methodologies applied.

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 2018.

Name of SPVs	Country of Incorporation	Percentage owned		Principal activities
		2018	2017	
CPE Growth Capital Limited	**BVI**	**0%**	100%	Investment Holdings
CPE TMT Holdings Limited	**BVI**	**0%**	100%	Investment Holdings
CPE Finance Limited	**BVI**	**0%**	100%	Investment Holdings
CPE EDU Holdings Limited	**BVI**	**0%**	100%	Investment Holdings
Lead Winner Limited	**BVI**	**100%**	100%	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. LOANS AND OTHER RECEIVABLES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 US$'000	2017 US$'000
Loans	**26,559**	1,000
Other receivables	**2,343**	5,579
	28,902	6,579

As at 31 December 2018, loans represent the convertible bond issued by Fook Lam Moon Holdings plus accrued PIK interest.

11. OTHER PAYABLES AND ACCRUALS

	2018 US$'000	2017 US$'000
Other payables	**150**	1,846
Amount due to Directors	**–**	2
Accruals	**51**	34
	201	1,882

As at 31 December 2018, other payables predominantly represent rent expenses for the Hong Kong office paid by Adamas Asset Management (HK) Ltd.

12. SHARE CAPITAL

	Number of Shares	Amount US$'000
Authorised, called-up and fully paid ordinary shares of no par value each at 1 January 2017	191,967,084	129,543
Share consolidation – two new ordinary shares of no par value for every five existing Shares in September 2017	(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
Share swap with minority shareholders of HKMH in March 2018	4,277,568	2,760
Share issuance – Incentive fee to Investment Manager in November 2018	1,400,832	1,751
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2018	82,465,205	134,054

13. 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:

Financial assets

	2018 **US$'000**	2017 US$'000
Unquoted financial assets at fair value	**55,519**	75,639
Loans at fair value	**26,559**	1,000
Other receivables	**2,343**	5,579
Cash and cash equivalents	**8,828**	13,217
	93,249	95,435

Other financial liabilities

	2018 **US$'000**	2017 US$'000
Other payables and accruals	**201**	1,882
	201	1,882

All financial liabilities are due within 12 months.

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.

	2018 **US$'000**	2017 US$'000
Level 3		
Unquoted financial assets at fair value through profit or loss (Note 9)	**55,519**	75,639
	55,519	75,639

There were no transfers 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 2018 US$'000	Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Private equity investments	84.81% equity investment in Hong Kong Mining Holdings Limited engaged in mining project – US$42.5; (2017: US$39.4) 7.9% equity investment in Meize Energy Industries Holdings Limited engaged in designing and manufacturing blades for wind turbines – US$8.2m; (2017: 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 25 per cent (2017: 15 to 20 per cent)	The higher the discount rate applied, the lower the fair value.
	Private credit fund - Greater China Credit Fund LP – US$2.8m; (2017: US$2.7m)	Level 3	Unadjusted NAV	Not applicable	Not applicable
Debt Instrument	Convertible Bond – Fook Lam Moon The principal amount is USD26.5m		Fair value of performing credit.	Not applicable	Not applicable

The above table sets out information about significant unobservable inputs used at 31 December 2018 in measuring material financial instruments categorised as Level 3 in the fair value hierarchy.

The discount of 25% (2017: 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)
20%	2.83
30%	(2.83)
35%	(5.67)

Credit risk

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

Interest rate risks

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. 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 (2017: 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 Group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. 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 investment portfolio is 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$9,304,954 (2017: US$7,563,900) 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 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 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.

14. SHARE BASED PAYMENTS

14.1 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.

14.2 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 2018, 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 2018, the Company further issued 1,600,000 warrants to Investment Manager at the same exercise price and term as the first tranche of warrants. In total the Investment Manager owns 6,400,000 warrants at 31 December 2018.

	2018			2017		
	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	–	5,200,000	–	–	–	–
Issuance during the financial year						
– Investment Manager	–	3,200,000	1.21	–	3,200,000	1.21
– Directors	–	–	1.21	–	2,000,000	1.21
Expired during the financial year	–	–	–	–	–	–
Balance at end of financial year	–	8,400,000	1.21	–	5,200,000	1.21
Exercisable at end of financial year	–	8,400,000	–	–	5,200,000	–

14.3 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.

14.4 Fair value of warrants issued in the period

The fair value of the 3,200,000 warrants awarded under the ownership-based compensation scheme for senior management and the equity compensation scheme for Harmony Capital was US$235,893. 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 2018	1 Nov 2018
Warrants issued	1,600,000	1,600,000
Warrant period	10 years	10 years
Share price	$0.64	$0.61
Strike price	$1.21	$1.21
Volatility	19.58%	18.43%

15. RELATED PARTY TRANSACTIONS

As at 31 December 2018, Elypsis Solutions Limited holds 70.11% 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	2018 US$'000	2017 US$'000
Remuneration payable to Directors (see Note 7)	(i)	**180**	160
Fair value of warrants issued to Directors under the ownership-based compensation scheme for senior management:		**612**	612
Amounts due to Directors at 31 December:			
– Ernest Wong Yiu Kit		–	2
– Conor MacNamara (Resigned on 30 September 2017)		–	–
– Hugh Trenchard		–	2
Adamas Global Alternative Investment Management Inc.			
Management fee		–	385
Amount due from Adamas Global Alternative Investment Management Inc. at 31 December		–	428
Harmony Capital Investors Limited	(ii)		
– Management fee		**1,650**	901
– Incentive fee		–	3,503
Fair value of warrants issued under the equity compensation scheme for Harmony Capital Investors Limited		**236**	1,707
Amount due to Harmony Capital Investors Limited at 31 December		**18**	1,734
Fortune Insight Limited			
Other receivables-disposal of interest in Global Pharm		**1,745**	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) Harmony Capital Investors Limited is the Investment Manager of the Group. 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.

16. (LOSS)/PROFIT PER SHARE

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

		2018 US$'000	2017 US$'000
Numerator			
Basic/Diluted:	Net (loss)/profit	(3,501)	11,694
		No. of shares '000	No. of shares '000
Denominator			
Basic:	Weighted average shares	80,228	76,787
	Incentive fee – 50% in ordinary shares	–	1,367
Diluted:	Adjusted weighted average shares	80,288	78,154
(Loss)/profit per share			
Basic		(4.36) cents	15.23 cents
Diluted		(4.36) cents	14.96 cents

As set out in note 17, after the reporting date the Company commences a share buy-back programme which, at the date of approval of these financial statements, had resulted in the buying back into treasury of 836,804 ordinary shares. Although not impacting the number of ordinary shares in issue the buyback scheme will reduce the denominator in calculating earnings per share.

17. EVENTS AFTER THE REPORTING PERIOD

(i) Investment in PharmaJet Inc (PharmaJet)

On 14 January 2019 the Company announced a proposed new investment in PharmaJet through a convertible bond investment. PharmaJet is a leading producer of needle-free injectors which have received United States FDA clearance and EU CE certification. PharmaJet's products are World Health Organization prequalified and is cited by UNICEF as revolutionising how vaccines are delivered. As the lead investor, ADAM will subscribe up to US$5M in the PharmaJet convertible bond offering. The convertible bond has been structured with a 4-year maturity and an annual coupon of 10% (6% cash and 4% Payment-in-Kind) to be drawn in tranches with the first tranche provided subject to the satisfaction of certain conditions including completion of legal due diligence and execution of binding documentation. Once issued, the bond is convertible at the discretion of its holders at a 40% discount to a pre-money valuation established by any 'liquidity' event which would include an IPO of PharmaJet.

(ii) Issue of shares to CASIL Clearing Limited (CASIL)

On 13 February 2019 the Company announced that it had agreed to issue 6,108,017 ordinary shares to CASIL, a subsidiary of China Aerospace International Holdings Ltd in consideration for CASIL waiving a put-option which it held in relation to its shareholding in Hong Kong Mining Holdings Limited (HKMH) pursuant to which it had the right to require HKMH to buy back the majority of its 6.8% shareholding in HKMH and transferring the Buy Back Shares as directed by the Company.

(iii) Share buyback programme

On 25 February 2019 the Company announced the approval of a share buyback programme to repurchase ordinary shares of no par value up to an aggregate value of US$500,000 commencing on 25 February 2019 and due to be completed by the end of 2019, any ordinary shares purchased under the programme to be held in treasury. At the date of approval of these financial statements an aggregate number of 836,804 ordinary shared had been bought back into treasury at an average price of US$0.14 per ordinary share.

(iv) Director Resignation

On 3 June 2019 Ernest Wong resigned from his role as non-executive director of Adamas Finance Asia Limited.

ADAMAS FINANCE ASIA LIMITED