ADAMAS
FINANCE ASIA

ADAMAS FINANCE ASIA LIMITED

ANNUAL REPORT 2019

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Company Information

Directors	Mr. John Croft – *Non-executive Chairman* Hugh Viscount Trenchard – *Non-executive Director* Mr. Wong Yiu Kit, Ernest (resigned June 2019) – *Non-executive Director* Dr. Lee George Lam – *Non-executive Director* Mr. Stuart Crocker (appointed June 2019) – *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	10/F, CMA Building, 64 Connaught Road Central, 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	Pello Capital Limited 18 St. Swithins Lane London EC4N 8AD
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

Company Description & Investing Policy

Adamas Finance Asia ("ADAM" or the "Company") is focused on providing growth capital and financing to emerging and established Small and Medium Enterprises ("SMEs") throughout Asia, well diversified by national geographies, instruments and asset classes. This vital segment of the economy is underserved by the traditional banking industry and capital markets due to regulatory and structural reasons. The Company is focused on providing shareholders with attractive uncorrelated risk-adjusted returns over the short and longer term from a diversified portfolio of pan-Asian investments.

Adamas Finance Asia is an investment company holding portfolio investments while Harmony Capital Investors Limited acts as its external Investment Manager.

Our common stock is publicly traded on the Alternative Investment Market ("AIM") sub-market of the London Stock Exchange, under the ticker symbol "ADAM".

The Board of Adamas Finance Asia works together with Harmony Capital Investors Limited ("Harmony Capital") to execute our investment strategy. Ultimate authority for investment decisions vests with the independent directors of the Board.

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 Investment 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 organisational 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;

   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; and

   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.

Chairman's Statement 2019

I am delighted to report that your Company had a successful 2019 with very positive progress at key portfolio companies and increasing income generation from its investment portfolio.

The world has changed since we began work on the annual report at the beginning of 2020. The COVID-19 pandemic has affected all of us - in our businesses and our personal lives - and the future remains uncertain, but we continue to have confidence in the underlying strength of the Company and the markets in which we operate and invest in.

While the majority of this report relates to the events of the last financial year, you will find throughout the report that we have taken care to inform you of our thinking about and mitigation of the impact of COVID-19 on your Company.

The Company's primary focus remains the health, safety and wellbeing of our people and stakeholders, whilst working hard to support our portfolio companies and business partners, to ensure that the Company's financial position remains robust over the long-term and the value of the business and our investment portfolio is protected.

The COVID-19 pandemic continues to create global uncertainty, but the Company remains relatively well positioned given its resilient and diversified portfolio of pan-Asian investments and strong liquidity position. The Board draws comfort from the established investment expertise and relationships across Asia of Harmony Capital, the Company's Investment Manager. With its rigorous due diligence and disciplined risk management processes, Harmony Capital has an established track record of generating attractive returns throughout market cycles across the globe for over 20 years and with a focus on Asia for over 17 years, where it selectively invests in assets with downside protection and proactively manages them.

The Company's investment portfolio from a valuation perspective has not been materially impacted in 2019 and the Board expects this to remain the case in 2020. Whilst the markets in which our portfolio companies operate have been affected by the pandemic to varying degrees, many of these countries, including China and Hong Kong, are exhibiting early signs of recovery with the gradual lifting of lock-down measurers.

Asian countries generally have benefited from the experiences gained from previous pandemics such as Bird Flu and SARS and this resulted in far quicker changes to behaviours and travel restrictions than was the case in the West. As a result, in Hong Kong and China, new cases of COVID-19 have now largely been eliminated.

Some of our portfolio companies, like DocDoc the digital healthcare company, have been largely unaffected, whilst others in sectors like hospitality, such as FLM Holdings, have unsurprisingly suffered from a reduction in revenues caused initially by the protests in Hong Kong earlier in 2019 and now by the COVID-19 pandemic. Our investment in the high-end ski resort property project in Niseko, Japan has been unaffected thus far but we will have to wait to see how quickly tourism levels return to previous levels to gauge the future impact this will have.

All the Company's investments have business continuity procedures and protocols in place to effectively mitigate the impact of virus pandemic. At the start of this year, Harmony Capital met with each of them to review the additional steps they have been putting in place to prepare for COVID-19 and continues to be in constant communication with all of its portfolio company investments and business partners. Harmony Capital has at least weekly calls with the senior management teams at its investments focusing on operating and financial data along with situation reports on how the pandemic is affecting their businesses and operations.

This disciplined, proactive and timely engagement leaves the Company well-placed to effectively navigate the effects of this global pandemic.

Through Harmony Capital, the Company is also seeing an increasingly attractive and growing pipeline of investment opportunities in emerging and established small and medium sized enterprises across Asia, which are even more starved of capital, a situation that is accelerating due to the impact of this global pandemic.

Additionally, the Company has strong cash reserves and we are hopeful that we will attract further subscribers to our Corporate Bond, which would further underpin this position.

The Company is continuing to monitor closely the impact of COVID-19 and will keep shareholders updated on any material developments that affect the Group as the situation evolves.

2019 Results

Significant progress was made during the year on a number of fronts. Income generated from our portfolio increased to US$2.2 million (2018: US$360,000) an increase of over 500%, which reflects the ongoing transition of the portfolio to income generating assets, a trend that will continue in 2020 as new investments are made and where we expect to dispose of some of our older equity based investments.

ADAM's net asset value ("NAV") at 31 December 2019 increased 8% to US$100.9 million/GBP75.7 million, GBP0.72 NAV per share (2018: US$93.0 million/GBP72.5 million, GBP0.88 NAV/Share).

During the year, we launched our Corporate Bond raising an initial US$1.9 million of new capital for the Company. This was the first new capital raised by the company since its initial admission to the London Stock Exchange's AIM in 2014 and represents a useful structure for future potential capital raises with an investment limit of US$10 million on aggregate.

In February 2019, the Company announced a Share Buy Back programme designed to take advantage of some forced sellers having to sell at below market prices. During the year, the Company purchased 3,316,804 shares at an average price of approximately US$0.16 per share (GBP0.12). These shares have been taken into Treasury.

Since the financial year end and following the Company's Share Buyback announcement on 23 December 2019, ADAM successfully placed 1,264,000 of such shares, pursuant to that announcement, with a syndicate of three third-party investors at a price of GBP0.16 (US$0.21) per Ordinary Share, for an aggregate consideration of GBP203,504 (US$265,440).

The price at which the Company placed the shares is the same price that the Company acquired the shares on 23 December 2019. Furthermore, the Company understands that each investor views its shareholding in ADAM as long-term investments in the Company.

The shares placed represent 52.7% of the total shares originally purchased by the Company in December 2019 and the Company confirms that the remaining shares will continue to be held in Treasury by the Company for the foreseeable future.

Company Overview

Adamas Finance Asia is a London quoted company focused on providing shareholders with attractive uncorrelated risk adjusted returns from a diversified portfolio of pan-Asian investments.

Our strategy is to provide growth capital and financing to emerging and established Small and Medium Enterprises ("SMEs") focused on growth sectors throughout Asia, well diversified by national geographies, instruments and asset classes.

Our objective is to provide shareholders with unique access to a diverse portfolio of assets across a variety of high-growth geographies throughout Asia.

The Investment Manager of ADAM, Harmony Capital, has the flexibility to invest across Asia, across sectors and across the capital structure over a long-term horizon, assisting in navigating various economic cycles and geopolitical shifts. It targets both capital gains and income generation.

Compelling Investment Case

Track Record:
Harmony Capital, ADAM's Investment Manager, has an established track record of successfully executing and exiting investments and generating excess returns throughout market cycles across the globe for the past +25 years. For the last 17 years, its focus has been Asian special situations. It has dedicated employees in investments, operations and risk management across its offices in London, Hong Kong and Singapore.

Established Investment Expertise and Networks:
The Investment Manager seeks to capitalise on its team's established investment expertise and broad networks and offices across Asia.

Market Opportunity:
Over 250 million Asian SMEs have limited access to traditional bank financing, equating to a US$2.7 trillion funding gap per the IFC, which lead to significant opportunities to deploy capital selectively in this vital segment of the economy.

Robust Risk Management:
Rigorous due diligence and disciplined risk management is exercised by the Investment Manager, with downside protection through selectively investing in assets and proactively managing them.

Discount to NAV:
The Company's share price is currently trading at a c.75% discount to NAV (as at 31 December 2019).

Strong Governance:
The four experienced and independent directors comprising the Company's Board provide strong governance.

Majority Shareholder:
The Company's 55% majority shareholder has been a long-term holder since 2014 and has not sold any shares.

Portfolio Overview

Future Metal Holdings Limited

Our largest asset by value is the Dolomite quarry project in China, Future Metal Holdings Limited ("FMHL"), which was previously known as Hong Kong Mining Holdings. The Company has an 85% shareholding in FMHL. FMHL was brought back into trial production towards the end of the year following a period of investment in staff, site infrastructure and the securing of the requisite operating licenses. This was a key milestone. We are expecting the quarry to build up to full production levels in 2020, generating free cash flows from the business. The businesses' current Mining License was to be renewed in the 1st quarter of 2020. However, due to the COVID-19 pandemic the local Ministry of Natural Resources granted a 3-month extension for the renewal of the license, which is now expected to be granted in the second quarter of 2020.

In June 2019, an independent market research firm and a leading research agency in China, the China Market Research Centre ("CMRC"), was engaged by the Company to conduct a detailed study on the dolomite and wall rock markets in China.

The study concluded that the products have a readily accessible market for a number of reasons including a shortage of supply, the quarry's proximity to smelters and an early mover advantage in terms of compliance with strict environmental regulations. The market prices estimated in the CMRC study indicated that sales prices for qualified dolomite, unqualified dolomite and wall rock were RMB50-65 (US$7.0-9.1), RMB30-40 (US$4.2-5.6) and RMB55-60 (US$7.7-8.4) per ton respectively. Compared to the assumptions of sales prices used in the 2018 Competent Persons Report ("CPR"), the study indicated higher prices for unqualified dolomite and wall rock.

Including loan disbursements provided by the Company to FMHL and its subsidiaries and accrued PIK interest, the estimated fair value of the Company's investment is US$44.7 million as of 31 December 2019.

As a result of the restrictions imposed by the local Government in order to contain COVID-19, in February and early March 2020, the operations of the quarry were temporarily halted. While this was a legal requirement, local management originally planned for limited production in this period due to traditionally adverse winter weather conditions at the beginning of the year. In line with wide-ranging industrial activity in China, the quarry resumed operations in mid-March 2020. The local management team is actively pursuing sales orders from domestic construction companies who have all commenced operations.

Fook Lam Moon

Our second largest investment by value is in the Hong Kong restaurant group Fook Lam Moon ("FLM"). The business was impacted first by the protests in 2019 and more recently by the COVID-19 pandemic, both of which severely impacted inward tourism particularly from mainland China. However, FLM is a 70-year old business that has weathered many past storms such as SARS and we know the business is continuing to take appropriate steps to ensure its long-term future is sustained. The main restaurant business of the Fook Lam Moon group is housed in a building which it owns, further providing it with flexibility in managing its fixed overheads. We are aware also that recently business has begun to return to more normalised levels.

The Company holds a Convertible Bond of US$26.5 million in FLMH. The Convertible Bond has a maturity of 5 years and pays a coupon of 5.0% per annum (3.0% paid in cash with the remainder rolled up with the principal amount outstanding).

As of 31 December 2019, the carrying value of the Convertible Bond was US$27.5 million taking into account PIK interest accrued and cash interest receivable, less an Expected Credit Loss ("ECL") provision against aged cash interest receivables (see Note 10 for details).

Infinity TNP

In November 2019, the Company acquired 40% of ICG's wholly owned subsidiary Infinity TNP, which holds units in a luxury hotel condominium called Tellus Niseko, in exchange for US$7.2 million in shares in the Company at a price of GBP 0.348 per share, representing a premium of 20% to the 30-day weighted average price per share in ADAM immediately prior to the execution of the sale and purchase agreement.

Tellus Niseko is a unique development in Hirafu Village, with its high-end concierge service, a Michelin star chef-managed restaurant, in-room onsen (hot spring) baths and prime location just minutes away from the Grand Hirafu ski lifts.

As at 31 December 2019, the residential area of Tellus Niseko was fully completed with the apartments were leased to guests for the 2019/20 winter season.

An independent 3rd party valuation of Infinity TNP's assets was utilised to derive the value of the Company's stake. As of 31 December 2019, the carrying value of its investment was US$7.3 million.

The occupancy at Tellus Niseko in 2020 has been negatively impacted by the spread of COVID-19 in Japan, as tourism from Greater China was sharply reduced. Local management has monitored the COVID-19 situation in Japan closely and implemented a series of measures at the property to ensure guests' safety and hygiene. It is their expectation that the recovery in tourism will be felt in the summer period as Japan likely re-opens its borders.

Infinity Capital Group ("ICG")

Ultimate Prosperity Limited, a 100% owned subsidiary of the Company incorporated in the British Virgin Islands, holds a Secured Loan to ICG.

ICG develops premium residential projects in Hirafu Village, a world-class ski village in Niseko, Japan – one of the most popular winter travel destinations in the world. The Company agreed to provide a US$4.0 million Secured Loan note facility to ICG in December 2018. The facility included two equal tranche drawdowns, carrying a coupon of 17.5% per annum in cash. The first tranche was drawn on the 31 January 2019 upon the completion of all Conditions Precedent. The land of an ICG project was pledged to the Company as security for the first tranche. The second tranche was drawn on the 30th of August 2019. ICG has also pledged two apartments from a local property complex to the Company as security for the second tranche. The Company was also issued detachable warrants, which gives it the right to purchase shares in ICG or its parent company should either undertake a liquidity event, such as an Initial Public Offering.

In July 2019, a Hong Kong based family office agreed to participate alongside the Company to fund 50% of the facility and in turn share in the economic benefit and obligations of the investment.

As of 31 December 2019 the carrying value of the Secured Loan was US$2.1 million taking into account cash interest receivable.

The Government of Hokkaido, the province in which ICG's residential projects are located, declared a state of emergency in late February 2020 due to the outbreak of COVID-19. Winter tourism was severely affected as a result. While the restrictions have caused ICG to re-assess its construction plans for residential projects in 2020, it did not impact the security package pledged to the Company for the Secured Loan which consisted of land and already completed apartments.

Meize Energy Industries Holdings Limited ("Meize")

Swift Wealth Investments Limited, a 100% (2018: 100%) owned subsidiary of the Company incorporated in the British Virgin Islands, holds a 7.2% stake in Meize through a redeemable preference share structure.

Meize is a privately-owned company that designs and manufactures blades for wind turbines. In 2019, the organisation experienced an issue with its sole client, a Chinese State-Owned Enterprise ("SOE") which effectively underwent a restructuring and repudiated a number of its commercial contracts. In response, Meize, continued to pursue outstanding amounts owing from its contracts and also completed its own internal restructuring, which lead to a recommencement of operations in late 2019.

As of 31 December 2019, the Company's interest in Meize had a fair value of US$8.2 million which was derived from a Discounted Cash Flow analysis originally conducted by an external valuer in 2018 (2018: US$8.2 million), but which also represents a discount of over 50% to the full redemption value of the Company's investment.

In early 2020, the operations of Meize were halted as a result of the restrictions imposed by the local government authorities in order to contain the COVID-19 pandemic. In the early days of the pandemic, Meize experienced a shortage of labour due to the travel restrictions imposed across the country. From March 2020 onwards, conditions have been improving in China and the company has recommenced operations experiencing gradual increase in levels of production. The local management team has also re-engaged with its target market as it continues to increase its order book given the renewed focus on clean energy initiatives by the Chinese Government.

DocDoc Pte Ltd ("DocDoc")
Eastern Champion Limited, a 100% (2018: 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 and it is headquartered in Singapore. It is Asia's leading patient empowerment company with a presence in over eight 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 to provide access to qualified professionals who initially assess the patients' needs.

In June 2019, the business had closed its Pre-Series B Convertible Bond round at US$13 million. The round was led by the Company and included co-investors such as Hong Kong's Cyberport Marco Fund, family offices and a fund managed by a global investment firm specialising in financial services. During the COVID-19 pandemic, DocDoc has experienced an increased amount of inquiries from a range of global insurance companies and multi-national corporates seeking to understand how its platform can assist in the reduction of costs and enhance their core offerings to policyholders and employees.

As of 31 December 2019, the carrying value of the Convertible Bond was US$2.2 million taking into PIK interest accrued and cash interest receivable (2018: US$2.1 million).

A detailed narrative on each portfolio asset follows in the main body of the report in Note 9 to the financial statements.

Our Investment Manager: Harmony Capital
As an established firm with investment expertise and broad networks and offices across Asia, Harmony Capital has an extensive and deep network of relationships and a robust pipeline in this growing, but fragmented, industry where proprietary relationships are key to gaining access and serve as a powerful filter of opportunities.

Harmony Capital:

- has a disciplined deal origination process that has generated more than 30 qualified investment opportunities across Asia over the last 17 years
- screens potential portfolio companies based on various criteria including management growth strategy, robust financials and market opportunity
- has extensive reach and ability to meet with management teams, attend conferences and thoroughly diligences opportunities

Through Harmony Capital's local offices, it can originate proprietary transactions and negotiate attractive transaction terms directly with companies rather than competing in processes involving a number of funds. It follows a multi-phase thorough due diligence process once a potential investment is identified which includes the use of external industry specialists where deemed necessary.

Through its well established and rigorous due diligence and disciplined risk management procedures, it selectively invests in assets with downside protection and proactively manages them across their investment life.

Outlook

The Board expects the Company's investment portfolio in 2020, from a valuation perspective, to avoid any material impact from COVID-19. Many of the countries in which our portfolio companies operate, including China and Hong Kong, are exhibiting early signs of recovery with the gradual lifting of lock-down measurers. Moreover, most Asian countries are benefiting from the experience gained from previous pandemics.

We continue to draw comfort from this and the expertise, networks and robust risk management processes of our Investment Manager, which leaves the Company well placed to come through this period stronger and to protect and grow the value of the business.

We are seeing an increasing number of attractive investment opportunities partly driven by the global impact of COVID-19. The Asian SME sector was starved of capital prior to the impact of COVID-19 and this financing gap will likely continue to widen in the short term, thereby further constraining their access to capital. ADAM is one of very few institutional sources of capital for this sector in the region and we are already seeing a very significant increase in pipeline opportunities as a result.

The fact that our investment focus is diversified across sectors as well as geographies also ensures we can cherry pick the best deals without being constrained by a narrow investment strategy.

In 2020, we anticipate that income from our portfolio will continue to increase bringing us nearer to commencing dividend payments to our shareholders and I remain confident in the outlook for the business and of delivering value to our shareholders over the short and longer term.

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

Portfolio at 31 December 2019

Principal assets	Effective interest %	Instrument type	Valuation at 31 December 2018 US$ million	Credit income US$ million	Credit investment US$ million	Cash receipts US$ million	Equity investment/ other movement US$ million	Fair value adjustment US$ million	Provision US$ million	Valuation at 31 December 2019 US$ million
Fook Lam Moon Holdings	–	Convertible Bond	26.6	1.3	–	(0.2)	–	–	(0.2)	27.5
Future Metal Holdings Limited	84.8	Structured Equity	42.5	0.4	1.7	–	0.1	–	–	44.7
Meize Energy Industrial Holdings Ltd	7.9	Redeemable convertible preference shares	8.2	–	–	–	–	–	–	8.2
DocDoc Pte Ltd	–	Convertible Bond	2.1	0.1	–	–	–	–	–	2.2
Infinity Capital Group	–	Secured Loan Notes	–	0.4	2.0	(0.3)	–	–	–	2.1
Infinity TNP	40	Equity	–	–	–	–	7.2	0.1	–	7.3
GCCF & Other investments	–		5.0	–	–	–	3.9	–	–	8.9
Corporate debt	–		–	–	–	(1.9)	–	–	–	(1.9)
Other liabilities	–		(0.2)	–	–	–	(2.0)	–	–	(2.2)
Cash			8.8	–	(3.7)	2.4	(3.4)	–	–	4.1
Total Net Asset Value			93.0	2.2	–	–	5.8	0.1	(0.2)	100.9

John Croft
Chairman of the Board

15th of May, 2020

Biographies of Directors and Senior Management

Board of Directors

Mr. John Croft *(aged 67), Non-executive Chairman*
Mr. Croft is an experienced Director of AIM-quoted companies and has previously worked in executive and non-executive capacities at a number of fast growth companies in the technology and financial services sectors. 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 69), 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. Lord Trenchard is a member of the House of Lords and a Vice-Chairman of the British-Japanese Parliamentary Group.

Mr. Charles Stuart Crocker *(aged 66), Non-executive Director*
Mr. Crocker was in the British Army and served in the United Kingdom, Northern Ireland and Germany until 1985. On leaving, he began his career in banking at Merrill Lynch and has lived in the Middle East for over 20 years. Latterly, he became the CEO HSBC Private Bank UAE and Oman and the Global Head Private Banking Group at Abu Dhabi Islamic Bank. Most recently he has become a Founding Member and COO of the English Business Council, Dubai. Actively involved in voluntary charity work, he has been a Director, and then Trustee, at St. Martin-in-the-Fields in London for over 25 years.

Dr. Lee George Lam *(aged 60), Non-executive Director*
Dr. Lam is Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman - Hong Kong and ASEAN Region and Chief Adviser to Macquarie Infrastructure and Real Assets Asia, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-Industrialization and of the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Vice Chairman of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road and Greater Bay Area Committee, Chairman of the Innovation and Technology Committee and a Board member of the Belt and Road General Chamber of Commerce, and a member of the Sir Murray MacLehose Trust Fund Investment Advisory Committee and the Advisory Board of the Hong Kong Investor Relations Association. Dr. Lam is a Solicitor of the High Court of Hong Kong, a Fellow of Certified Management Accountants (CMA) Australia, the Institute of Public Accountants, the Institute of Financial Accountants, the Hong Kong Institute of Arbitrators, and the Hong Kong Institute of Directors, and an Honorary Fellow of Certified Public Accountants (CPA) Australia, the Hong Kong Institute of Facility Management and the University of Hong Kong School of Professional and Continuing Education.

Key Personnel of the Investment Manager, Harmony Capital
Mr. Suresh Withana is the Co-Founder and Managing Partner of Harmony Capital Investors Limited. Prior to founding Harmony Capital Investors Limited ("HCIL"), 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, an affiliate of HCIL, 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 a Vice President in the Investment Banking Group at Merrill Lynch International (London). In total, he has accumulated 24 years of experience, including over 17 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 2019.

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 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 2019 after taxation was a loss of US$2.8 million (2018: loss US$3.5 million).

The loss reflects fair value increase on assets in the portfolio of US$1.1 million (2018: charge of US$0.9 million), net finance income of US$1.2 million (2018: US$0.1 million) and total operating expenses of US$5.1 million (2018: US$3.9 million). The fair value increase included in the period includes income from investments of US$0.9 million and a fair value adjustment upon valuation of portfolio assets at the period end of US$0.2 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 2019 stood at US$100.9 million (2018: US$93.0 million) equivalent to US$0.99 per share (2018: US$1.13), excluding the effect of treasury shares held by the Group.

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

EVENTS AFTER THE REPORTING PERIOD

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

DIRECTORS AND DIRECTORS' INTERESTS

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

Mr. John Croft
Hugh Viscount Trenchard
Mr. Wong Yiu Kit, Ernest (resigned June 2019)
Dr. Lee George Lam
Mr. Stuart Crocker (appointed June 2019)

The Director retiring by rotation is 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 17 to the Financial Statements, there were no other significant contracts, other than Executive Directors' contracts of service, in which any Director had a material interest. The Directors who held office as at 31 December 2019 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			
	2019		2018	
	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			
	2019		2018	
	Direct	**Indirect**	Direct	Indirect
Mr. John Croft	**800,000**	–	800,000	–
Hugh Viscount Trenchard	**400,000**	–	400,000	–
Dr. Lee George Lam	**400,000**	–	400,000	–
Mr. Wong Yiu Kit, Ernest	–	–	400,000	–
Mr. Stuart Crocker	–	–	–	–

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	55.11%
Infinity Capital Group	16,179,310	15.42%
Barry Lau	4,561,400	4.35%

The percentage of shares not in public hands (as defined in the AIM Rules for Companies) is 74.88%.

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

FINANCIAL INSTRUMENTS

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

FINANCIAL RISK MANAGEMENT OBJECTIVES

Management has adopted certain policies on financial risk management with the objective of ensuring that appropriate funding strategies are adopted to meet the Group's short-term and long-term funding requirements, taking into consideration the cost of funding, gearing levels and cash flow projections. The policies are also set to ensure that appropriate strategies are adopted to manage related interest and currency risk funding; and to ensure that credit risks on receivables are properly managed. In addition, Note 15 to the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk, interest rate risk, liquidity risk, price risk and currency risk.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

SHARE CAPITAL

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

At 31 December 2019, the number of ordinary shares in issue was 104,912,379, of which 3,316,804 were held in treasury by the group. Details of movements in the issued share capital during the year are set out in Note 14 to the financial statements.

During the year the Company commenced a share buyback programme, the details of which are set out in Note 19 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 2019, the Group had Nil (2018: Nil) employees excluding Directors.

CHARITABLE DONATIONS

The Group has not made any charitable donation during the year (2018: Nil).

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$4.1 million at 31 December 2019 and had debt of US$1.9 million.

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

15th of May, 2020

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 Board of Directors and have primary responsibility for ensuring that the Company meets the standards of corporate governance expected of an AIM investment 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 investment 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 non-executive as at the year end. 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 investment company on AIM."

The Board, the Investment Manager and Board Committees

The Board is responsible for reviewing and approving the Company's Investing Policy and for monitoring the performance of Harmony Capital Investors Limited in the performance of its obligations under the Services Agreement. The Company holds board meetings as required and not less than four times annually. The Directors will absent themselves, at the appropriate time, from discussions on matters directly affecting their remuneration. Commencing in 2020, the Board intends to constitute committees which will be assigned specific responsibilities covering audit, remuneration, valuation and investment responsibilities.

Post Balance Date, the Board comprises the following Committees:

The Remuneration Committee constituted by Hugh Viscount Trenchard and Dr Lee George Lam.

The Remuneration Committee reviews the scale and structure of the Directors' remuneration and the terms of their service or employment contracts, including warrant schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive Directors are set by the entire Board.

The Investment Committee constituted by John Croft, Hugh Viscount Trenchard, Dr Lee George Lam and Stuart Crocker.

The Investment Committee has the primary authority to develop the Company's investment objectives and corporate policies on investing. It reviews and approves investment opportunities presented by the Company's Investment Manager. The Committee will at all times be constituted by independent directors.

The Audit Committee constituted by John Croft and Stuart Crocker.

The Audit Committee determines the terms of engagement of the Group's auditors and will determine, in consultation with the auditors, the scope of the audit. The Audit Committee monitors the independence of the Group's auditor, and the appropriateness of any non-audit services. The Audit Committee receives and reviews reports from management and the Group's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee has unrestricted access to the Group's auditors.

The Valuation Committee constituted by Hugh Viscount Trenchard and Dr. Lee George Lam

The Valuation Committee is responsible for reviewing the valuation process for all investments, including the application of appropriate valuation standards, based on the input of the Company's Investment Manager and on the Company's Valuation Policy which was formally adopted in 2020. Its members are sourced from independent directors of the Board. It retains the authority to engage with independent 3rd parties at any time with respect to valuation matters. The Committee comprises a minimum of two members and reports directly to the Board.

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 two new investments in 2019 and intends in the short to medium term to continue to transition its portfolio of investments to one that consists predominantly 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 and 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 the balancing of 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 for 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 ongoing 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. In particular it seeks advice in relation to compliance with the AIM Rules and their impact on its investments from the nominated adviser and solicitors and from the auditors in relation to accounting matters including net asset value and the annual audit.

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. At the same time the Board assesses the risk of maintaining those positions with the potential for further value to be eroded at the same time as it requires additional time to be spent by the Board and by the 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 and resigned in 2019. Viscount Trenchard, Dr. Lee George Lam and Mr. Stuart Crocker have been appointed to the Board relatively recently. All four Non-Executive Directors are considered to be independent.

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

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 pursuit 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 predominantly of Non-Executive Directors, the Company having no employees. In this regard Board performance and oversight lies predominantly with the Chairman and other stakeholders, particularly shareholders. In early 2020, it was determined by the Remuneration Committee that John Croft be designated as Executive Chairman to align with his time commitment and contribution to the Company affairs.

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 investment 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. 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.

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 2019, which comprise:

- the Consolidated Statement of Comprehensive Income for the year ended 31 December 2019;
- the Consolidated Statements of Changes in Equity for the year then ended;
- the Consolidated Statement of Financial Position as at 31 December 2019;
- the Consolidated Cash Flow Statement 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 2019 and of the Group's loss for the period then ended; and
- the Group financial statements have been properly prepared in accordance with IFRSs issued by the IASB.

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 (2018: US$1.5 million), based on approximately 1.5% of estimated total assets at the planning stage, which we did not consider appropriate to amend subsequently. We consider an asset based measure to be appropriate 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 (2018: 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$67.2 million. Substantially all off those investments are measured at fair value based on Level 3 (unobservable) inputs. The financial statements include investments in loans and other receivables of US$33.7 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. 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.	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. 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.

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 pages 26-33 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

15th of May, 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Income from unquoted financial assets		902	216
Finance income from loans		1,341	148
Realised loss on disposal of investments		–	(4)
Gross portfolio income	*4*	**2,243**	360
Fair value changes on financial assets at fair value through profit or loss		**201**	(1,085)
Expected credit loss provision		**(237)**	–
Net portfolio income	*4*	**2,207**	(725)
Management fees		**(1,679)**	(1,650)
Incentive fees	*17*	**(1,907)**	–
Administrative expenses		**(1,296)**	(1,126)
Operating loss	*5*	**(2,675)**	(3,501)
Finance expense	*6*	**(98)**	–
Loss before taxation		**(2,773)**	(3,501)
Taxation	*8*	–	–
Other comprehensive expense			
Foreign currency translation differences		**(81)**	–
Loss and total comprehensive expense for the year		**(2,854)**	(3,501)
Loss per share			
Basic	*18*	**(3.11) cents**	(4.36) cents
Diluted	*18*	**(3.11) cents**	(4.36) cents

The results reflected above relate to continuing operations.

The accompanying notes on pages 27 to 52 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital US$'000	Treasury share reserve US$'000	Share based payment reserve US$'000	Accumulated losses US$'000	Total US$'000
Group balance at 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 and 1 January 2019	134,054	–	2,555	(43,561)	93,048
Loss for the year	–	–	–	(2,773)	(2,773)
Other comprehensive income	–	–	–	(81)	(81)
Total comprehensive income for the year	–	–	–	(2,854)	(2,854)
Issue of shares	10,973	–	–	–	10,973
Treasury shares acquired	–	(671)	–	–	(671)
Share-based payments	–	–	381	–	381
Group balance at 31 December 2019	145,027	(671)	2,936	(46,415)	100,877

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

Share capital	Amount subscribed for share capital at no par value
Treasury share reserve	Cost of the Company's shares re-purchased and held by the Group
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 27 to 52 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Assets			
Unquoted financial assets at fair value through profit or loss	*9*	**67,172**	55,519
Loans and other receivables at fair value through profit or loss	*10*	**33,720**	28,902
Cash and cash equivalents		**4,071**	8,828
Right of use asset	*11*	**34**	–
Total assets		**104,997**	93,249
Liabilities			
Other payables and accruals	*12*	**2,211**	201
Current liabilities		**2,211**	201
Loans & borrowings	*13*	**1,909**	–
Total liabilities		**4,120**	201
Net assets		**100,877**	93,048
Equity and reserves			
Share capital	*14*	**145,027**	134,054
Treasury share reserve	*14*	**(671)**	–
Share based payment reserve		**2,936**	2,555
Accumulated losses		**(46,415)**	(43,561)
Total equity and reserves attributable to owners of the parent		**100,877**	93,048

The financial statements were approved by the Board of Directors and authorised for issue on 15th of May, 2020 and signed on its behalf by:

John Croft
Director

The accompanying notes on pages 27 to 52 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	2019 US$'000	2018 US$'000
Cash flows from operating activities		
Loss before taxation	**(2,773)**	(3,501)
Adjustments for:		
Finance income	**(1,341)**	(148)
Finance expense	**98**	–
Foreign exchange	**(57)**	–
Depreciation of right of use assets	**4**	–
Fair value changes on unquoted financial assets at fair value through profit or loss	**(1,103)**	(216)
Realised loss on disposal of investments	**–**	4
Share-based expenses	**381**	236
Decrease in other receivables	**603**	2,981
Increase/(decrease) in other payables and accruals	**1,925**	(1,680)
Net cash used in operating activities	**(2,263)**	(2,324)
Cash flows from investing activities (Note 1)		
Purchase of unquoted financial assets at fair value through profit or loss	**(3,723)**	(2,065)
Net cash generated in investing activities	**(3,723)**	(2,065)
Cash flows from funding activities		
Proceeds from loans and borrowings	**1,900**	–
Purchase of treasury shares	**(671)**	–
Net cash generated in funding activities	**1,229**	–
Net (decrease)/increase in cash and cash equivalents	**(4,757)**	(4,389)
Cash and cash equivalents and net debt at the beginning of the year	**8,828**	13,217
Cash and cash equivalents and net debt at the end of the year	**4,071**	8,828

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:

	2019 US$'000	2018 US$'000
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 – increased investment in HKMH	**–**	2,760
Purchase of unquoted financial assets – share interest in Infinity TNP	**7,200**	–
Purchase of unquoted financial assets – share interest in FMHL	**73**	–
Purchase of loans and receivables – loan to FMHL/HKML	**3,700**	–

The accompanying notes on pages 27 to 52 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2019

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, 10/F, CMA Building, 64 Connaught Road Central, Central, Hong Kong.

The Company is the holding company of a group of companies comprising a subsidiary, Adamas Finance Asia (HK) Limited and a number of wholly owned special purpose vehicles ("SPV") 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.

The presentation of income and expense categories in the Consolidated Statement of Comprehensive Income has been revised in 2019 to assist the understanding of the user of the financial statements. As a consequence of the change in presentation, amounts of US$1,085,000 previously reported in Administrative expenses in the comparative figures for 2018 have been included in Fair value changes on investments at fair value through profit or loss in the comparative figures. There is no impact on the previously reported net loss for 2018.

Fair Value Measurements:

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 under current market conditions.

The Fair Value of investments is first based on quoted prices, where available. Where quoted prices are not available, the Fair Value is estimated using consistent valuation techniques across periods of measurement.

The Group's private credit and equity investments are recorded at Fair Value or at amounts whose carrying values approximate Fair Value. Net gains and losses, including any interest or dividend income, are recognised in its profit or loss statement.

In accordance with IFRS 13, Fair Value measurements are categorised into Level I, II or III 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. These are described as follows:

Level I — Fair Value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level II — Fair Value measurements are those derived from inputs other than quoted prices included within Level I that are observable for the assets or liability, either directly or indirectly.

Level III — Fair Value measurements are those derived from inputs that are not based on observable market data.

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. Please see Note 4(o) Critical accounting estimates and judgements for description of fair value methodology.

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) Going Concern

The Company's primary source of income comprises finance charges under debt instruments and, from time to time, realisations from investment exits. The Company's expenses primarily consist of advisory and incentive fees paid to the Investment Manager, part of which are paid in shares, Directors' and professional fees. The level of day to day overheads payable in cash is relatively low. In addition, the Company makes investments by the issue of shares and also by the application of cash reserves. Cash reserves are enhanced from time to time by the issue of equity and the realisation of portfolio investments. Investment decisions are made based on detailed appraisals of the investment opportunity and also on the Directors' assessment of the availability of any funding requirement.

In considering the appropriateness of the going concern 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 these financial statements. 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. Whilst the COVID-19 pandemic may have an impact on the Company's ability to exit from some of its investments, in the short to medium term, the Directors assessment of going concern is not predicated on the availability of cash proceeds from investment exits in the period.

d) 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 entities which operate in two geographical locations, i.e. BVI and Hong Kong.

e) 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.

f) Impairment of Non-Financial Assets

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

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

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

g) Financial Instruments

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

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:

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 the Group's valuation policy, 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. For more information on valuation principles applied, please see section 4(o) Critical Accounting Estimates.

Quoted Financial Assets:

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.

Allowance for Expected Credit Losses:

An allowance for ECLs may be established for amounts due from credit contracts within Loans and Receivables where evidence of credit deterioration is observed. In order to assess credit deterioration, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on its historical experience and informed credit assessment, that includes forward-looking information. The main factors considered include material financial deterioration of the borrower, breach of contract such as default or delinquency in interest or principal repayments, probability that a borrower will enter bankruptcy or financial re-organisation and material decline in the value of the underlying applicable security. ECL allowances are distinguished from Likely Credit Loss ("LCL") allowances based on the expectation of a loss. An LCL reserve is established when a loss is both probable and the amount is known.

ECLs are a probability-weighted estimate of lifetime credit losses. Under the ECL model, the Group calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Group expects to receive) with a discount factor applied so such overdue amounts. The discount matrix ("ECL Matrix") below is applied to derive an ECL for overdue amounts under credit contracts:

Past due (days)	31-60	61-90	91-120	121-180	181-365	More than 365 days
Discount applied to amounts overdue	10%	20%	30%	50%	75%	100%

The Group reserves the right to exercise its discretion in the application of discounts outside of the ECL Matrix based on extenuating circumstances that may apply from time to time to the Company's Portfolio or specific credit investments. An example of such an extenuating circumstance may occur when an overdue amount has been collected post a reporting or measurement date.

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.

Financial Liabilities

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

Equity Instruments

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

h) **Investment in Subsidiaries**

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

i) **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 recognised.

j) **Leasing**

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets, which are expensed to the profit & loss over the expense term.

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, plus any initial direct costs incurred, plus any costs associated with restoring the asset to its original condition, less any lease incentive received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise such an option to extend and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. The liability recognised at inception of the lease comprises the present value of future payments payable under the lease contract, discounted at the rate implicit in the lease. If there is no discount rate implicit in the lease, then the incremental rate of borrowing is used. The liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if carrying amount has been reduced to zero. The Group presents lease liabilities within loans and borrowings within the statement of financial position

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 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 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. Potential ordinary shares are only treated as dilutive if their conversion to shares would decrease earnings per share or increase loss per share from continuing operations.

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, also referred to as 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 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.

The Group has adopted a valuation policy with respect to its portfolio of investments, based on the International Private Equity and Venture Capital Valuation Guidelines ("IPEV Guidelines") valuation practices to derive Fair Value (please see Note 2(a) Basis of preparation for definition of Fair Value). The IPEV Guidelines set out recommendations intended to represent current best practices on the valuation of private capital (unlisted) investments, as well as compliance with IFRS.

The majority of the Group's current and expected investments are credit instruments and as such are likely to be valued based on Level III principles (please see Note 2(a) Basis of preparation for definition of Fair Value measurement categories). The inputs into the determination of Fair Value require significant management judgment or estimation and are subjective in nature. The types of financial instruments generally included in this category are private portfolio companies, real assets investments and credit investments. Details of the Group's Level III valuation methodologies per investment type are as follows:

Private Credit Investments

For credit-focused investments that are not publicly traded or whose market prices are not readily available, the Group may utilise the Discounted Cash Flow ("DCF") method or a Market Approach. In valuing credit-focused investments, the Group exercises prudent judgement. In addition the Group exercises judgment in selecting the appropriate valuation technique(s) most appropriate for a credit-focused investment:

- The DCF method projects the expected cash flows of the credit instrument based on contractual terms and discounts such cash flows back to the valuation date using a market-based yield. The market-based yield is estimated using yields of publicly traded credit instruments issued by companies operating in similar industries as the subject investment, with similar leverage statistics and time to maturity.

- The Market Approach is generally used to determine the enterprise value of the issuer of a credit investment and considers valuation multiples of comparable companies or transactions. The resulting enterprise value will dictate whether or not such credit investment has adequate enterprise value coverage. In cases of distressed credit instruments, the market approach may be used to estimate a recovery value in the event of a restructuring.

Private Equity Investments

The Fair Value of equity investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortisation ("EBITDA"), the DCF method, public market or private transactions, valuations for comparable companies and other measures which, in many cases, are based on unaudited information at the time received.

Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (for example, multiplying a key performance metric of the investee company such as EBITDA by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar methods. Where a DCF method is used, a terminal value is derived by reference to EBITDA or price/earnings exit multiples. The Group will exercise prudent judgment in valuing equity investments and in selecting the appropriate Valuation Technique(s) most appropriate for an equity investment.

Private Convertible & Quasi-Credit Instruments

Private convertible and quasi-credit instruments are hybrids of credit and equity financing. The Fair Value of convertible credit instruments, such as a Convertible Bond, may be determined as a normal private credit instrument (taking into account features such as mandatory/non-mandatory conversion features) or by (i) adding the independent value of the straight credit instrument and (ii) the independent value of the conversion option.

The independent value of the straight credit instrument may be assessed using the DCF method or Market Approach described in Private Credit Investments. The independent value of the conversion option can be determined by first deriving the terminal value of using the DCF method or the comparables method described Private Equity Investments, then adjusting for any conversion premium or discount, the conversion ratio and other conversion mechanisms.

Similarly, the Fair Value for quasi-credit instruments, such as mezzanine financing, can be determined by adding the independent value of the straight credit and the independent value of the conversion option and/or embedded equity instrument features, such as warrants. In valuing both private convertible and quasi-credit instruments the Group exercises its prudent judgment.

Non-USD Investments

The Group reports its performance in USD. Where this is different from the currency in which the investment is denominated, translation into USD for reporting purposes is done using the exchange rate prevailing at the Measurement Date.

p) **Foreign currency translation**

– ***Functional and Presentation Currency***

Both the function and presentation currency of the Group's entities are the United States Dollar. During the year there has been a change of functional currency from Hong Kong Dollar to United States Dollar in order to simplify reporting. 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.

New Standards, Amendments to Standards or Interpretations

The Group adopted IFRS 16 during the year ended 31 December 2019. As a consequence of adopting this standard, a right of use asset and lease liability has been recognised, and expense consists of depreciation and unwind of lease liability discount rather than rental costs. The standard has not 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. 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 structured equity and 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 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.

The segment information provided to the Board for the reportable operating segment is as follows:

	Note	**2019** **US$'000**	2018 US$'000
Income on unquoted financial assets	4	**902**	216
Financial income on loans & receivables	6	**1,341**	148
Realised gain/(loss) on disposal		**–**	(4)
Gross portfolio income		**2,243**	360
Expected credit loss provision	5	**(237)**	–
Foreign exchange	4	67	(1,085)
Equity fair value adjustments	4	**134**	–
Portfolio income through profit or loss		**2,207**	(725)

Gross portfolio income generated from the Company's investments is derived from a combination of income from investments held through wholly owned special purpose vehicles (Unquoted Financial Assets) and direct investments (Loans & Receivables).

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

	2019 US$'000	2018 US$'000
Income on unquoted financial assets through profit or loss	902	216
Equity fair value adjustments:		
– FMHL	14	–
– ICG	120	–
	134	–
Foreign exchange	67	(1,085)
Total fair value changes on financial assets at fair value through profit or loss	1,103	(869)

The impact of foreign exchange on the investments in the portfolio is as follows:

	2019 US$'000	2018 US$'000
FMHL	56	(1,043)
Meize	7	19
GCCF	2	3
DocDoc	2	(4)
CPE Portfolio	–	52
CJRE	(20)	(83)
FLMH	24	(32)
Other receivables	(4)	3
Foreign exchange	67	(1,085)

5. OPERATING LOSS

Operating loss is stated after charging expenses:

	2019 US$'000	2018 US$'000
Investment Manager fee	**1,679**	1,650
Investment Manager incentive fee	**1,907**	–
Expected credit loss provision	**237**	–
Fees to the Group's auditor for audit of the Company and its subsidiaries	**46**	46
Directors' remuneration	**185**	180
Professional fees	**516**	509
Promotion and marketing	**51**	25
Business travel expenses	**47**	61
Share based payment expense (Note 16)	**381**	236
Depreciation of right of use assets	**4**	–
Operating lease rentals – land and buildings	**26**	36
Bank charges	**11**	13
Foreign exchange	**(1)**	(11)
Other expenses	**32**	31
Total expenses	**5,121**	2,776

Operating lease rentals in the year are due to a lease that terminated in August 2019. The Investment Manager's incentive fee is only payable in any given year depending on the performance of the Company's net asset value (see Note 17). The share-based payment expense in 2019 was related to the grant of the final tranche of warrants to the Investment Manager which were agreed at the time of their appointment (see Note 16).

6. NET FINANCE INCOME

	2019 US$'000	2018 US$'000
Interest from financial assets measured at fair value through profit and loss	**1,341**	148
Finance income	**1,341**	148
Interest payable on debt	**(97)**	–
Interest expense on lease liabilities	**(1)**	–
Finance cost	**(98)**	–
Net finance income	**1,243**	148

Finance income in the year is from the Convertible Bond issued by Fook Lam Moon Holdings.

7. DIRECTORS' REMUNERATION

Short term employment benefits

	2019 US$	2018 US$
John Croft	76,414	79,841
Hugh Trenchard	38,207	38,546
Ernest Wong Yiu Kit	12,438	22,964
Lee George Lam	38,297	38,274
Stuart Crocker	19,928	–
	185,284	179,625

Directors' remuneration includes all applicable social security payments. There was no pension cost incurred during 2019 (2018: 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

	2019 Unquoted financial assets US$'000	2019 Loans and receivables US$'000	2018 Unquoted financial assets US$'000	2018 Loans and receivables US$'000
Balance as at 1 January	55,519	28,902	75,639	6,579
Additions	10,550	3,715	4,825	–
Asset disposal/swap	–	–	(25,161)	25,161
Fair value changes through profit or loss	1,103	(1)	216	–
Finance income on loans	–	1,341	–	–
ECL provision	–	(237)	–	–
Disposals	–	–	–	(2,838)
Balance as at 31 December	67,172	33,720	55,519	28,902

The Group values its investments at fair value through profit or loss, as prescribed by the investment methodology adopted by the Board which is summarised in Note 2(o) *Critical accounting estimates and judgements.*

Future Metal Holdings Limited

The Company holds an 84.8% interest in Linfen Zhuangpeng Magnesium Co. Ltd, which owns a dolomite magnesium limestone quarry operation in the province of Shanxi, China.

In August 2019 the Company's debt and equity interests in the quarry operation, which were formerly held through Hong Kong Mining Holdings Limited, were restructured in line with the Company's plan to reposition and to eventually monetise the investment. The investment stake in the quarry remains unchanged at 84.8%, but it is now held through two special purpose vehicles, Future Metal Holdings Limited and Dynamite Win Limited.

During the year the local management team, which was appointed by the Company, engaged contractors to assist with the renovation, repair and installation of buildings and equipment. The design of the new operations was approved by the local Ministry of Emergency Management, in May 2019. Production at the quarry commenced in December 2019, and, as a result, it generated some initial revenue from the sale of product. The current Mining License of the business was to be renewed in the 1st quarter of 2020. However, due to the COVID-19 pandemic the local Ministry of Natural Resources granted a 3-month extension for the renewal of the license, which is now expected in the 2nd quarter of 2020.

An independent CPR was commissioned to evaluate the quarry project and to perform an economic analysis in order to estimate the net present value of the business in early 2018. Following this assessment, at 31 December 2018 the Company's investment was valued at US$42.5 million.

In June 2019, an independent market research firm and a leading research agency in China, China Market Research Centre ("CMRC"), was engaged by the Company to conduct a detailed study on the dolomite and wall rock markets in China. The study concluded that the products have a readily accessible market for a number of reasons including a shortage of supply, the quarry's proximity to smelters and an early mover advantage in terms of compliance with strict environmental regulations. The market prices estimated in the CMRC study indicated that sales prices for qualified dolomite, unqualified dolomite and wall rock were RMB50-65 (US$7.0-9.1), RMB30-40 (US$4.2-5.6) and RMB55-60 (US$7.7-8.4) per ton respectively. Compared to the assumptions of sales prices used in the 2018 CPR, the study indicated higher prices for unqualified dolomite and wall rock.

Including loan disbursements provided by the Company to Future Metal Holdings and its subsidiaries and accrued PIK interest, the estimated fair value of the Company's investment is US$44.7 million as of 31 December 2019.

As a result of the restrictions imposed by the local Government in order to contain COVID-19, in February and early March 2020, the operations of the quarry were temporarily halted. While this was a legal requirement, local management had originally planned for limited production in this period due to traditionally adverse winter weather conditions at the beginning of the year. In line with wide-ranging industrial activity in China, the quarry resumed operations in mid-March 2020. The local management team is actively pursuing sales orders from domestic construction companies who have all commenced operations.

Fook Lam Moon Holdings Limited

The Company holds a Convertible Bond of US$26.5 million in FLMH. The Convertible Bond has a maturity of 5 years and pays a coupon of 5.0% per annum (3.0% paid in cash payable quarterly with the remainder rolled up with the principal amount outstanding).

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.

As of 31 December 2019, the carrying value of the Convertible Bond was US$27.5 million taking into account PIK interest accrued and cash interest receivable, less an ECL provision against aged cash interest receivables (see Note 10 for details).

The 6 month-long protests which took place city-wide in Hong Kong during the second half of 2019 were a major factor which caused many restaurants in Hong Kong, including Fook Lam Moon, to experience a reduction in patronage and as a result, lower operating revenues. Additionally, in the beginning of 2020, the outbreak of COVID-19 has caused a further reduction in patronage across the dining sector in the city. Management of Fook Lam Moon have closely monitored the situation in Hong Kong and have taken active measures to minimise the impact of these unforeseen events. These measures included immediate cost reduction initiatives and engaging online food distribution channels. The main restaurant business of the Fook Lam Moon group is housed in a building which it owns, further providing it with flexibility in managing its fixed overheads. The local management team remains confident that the business is resilient given its 70-year history, having withstood numerous external shocks, including another serious epidemic, SARS, which severely affected Hong Kong in 2003. The Fook Lam Moon group was able to control the short-term impact of SARS on its operations and recovered quickly once the public health crisis was over.

Meize Energy Industries Holdings Limited

Swift Wealth Investments Limited, a 100% (2018: 100%) owned subsidiary of the Company incorporated in the British Virgin Islands, holds a 7.2% stake in Meize through a redeemable preference share structure.

Meize is a privately-owned company that designs and manufactures blades for wind turbines. In 2019, the company experienced an issue with its sole client, a Chinese State-Owned Enterprise ("SOE") which effectively underwent a restructuring and repudiated a number of its commercial contracts. In response, Meize, continued to pursue outstanding amounts owing from its contracts abut also completed its own internal restructuring, which lead to a recommencement of operations in late 2019.

As of 31 December 2019, the Company's interest in Meize had a fair value of US$8.2 million which was derived from a Discounted Cash Flow analysis originally conducted by an external valuer in 2018 (2018: US$8.2 million), but which also represents a discount of over 50% to the full redemption value of the Company's investment.

In early 2020, the operations of Meize were halted as a result of the restrictions imposed by the local government authorities in order to contain the COVID-19 pandemic. In the early days of the pandemic, Meize experienced a shortage of labour due to the travel restrictions imposed across the country. From March 2020 onwards, conditions have been improving in China and the company has recommenced operations experiencing gradual increases in levels of production. The local management team has also re-engaged with its target market as it continues to increase its order book given the renewed focus on clean energy initiatives by the Chinese Government.

DocDoc Pte Ltd

Eastern Champion Limited, a 100% (2018: 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 and it is headquartered in Singapore. It 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 to provide access to qualified professionals who initially assess the patients' needs.

In June 2019, the business had closed its Pre-Series B Convertible Bond round at US$13 million. The round was led by the Company and included co-investors such as Hong Kong's Cyberport Marco Fund, family offices and a fund managed by a global investment firm specialising in financial services. During the COVID-19 pandemic, DocDoc has experienced an increased amount of inquiries from a range of global insurance companies and multi-national corporates seeking to understand how its platform can assist in the reduction of costs and enhance their core offerings to policyholders and employees.

As of 31 December 2019, the carrying value of the Convertible Bond was US$2.2 million taking into PIK interest accrued and cash interest receivable (2018: US$2.1 million)

Infinity Capital Group ("ICG")

Ultimate Prosperity Limited, a 100% owned subsidiary of the Company incorporated in the British Virgin Islands, holds a Secured Loan to ICG.

ICG develops premium residential projects in Hirafu Village, a world-class ski village in Niseko, Japan – one of the most popular winter travel destinations in the world. The Company agreed to provide a US$4 million Secured Loan note facility to ICG, in December 2018. The facility included two equal tranche drawdowns, carrying a coupon of 17.5% per annual in cash. The first tranche was drawn on the 31 January 2019 upon the completion of all Conditions Precedent. The land of one of ICG's project was pledged to the Company as security for the first tranche. The second tranche was drawn on the 30th of August 2019. ICG pledged two apartments of a local property to the Company as security of the second tranche. The Company was also issued with detachable warrants, which gave it the right to purchase shares in ICG or its parent company should either undertake a liquidity event, such as an Initial Public Offering.

In July 2019, a Hong Kong based family office agreed to participate alongside the Company to fund 50% of the facility and to correspondingly share the economic benefits and obligations.

As at 31 December 2019 the carrying value of the Secured Loan was US$2.1 million taking into account cash interest receivable.

The Government of Hokkaido, the province in which ICG's residential projects are located, declared a state of emergency in late February 2020 due to the outbreak of COVID-19. Winter tourism was severely affected as a result. While the restrictions have caused ICG to re-assess its construction plans for residential projects in 2020, it did not impact the security package pledged to the Company for the Secured Loan which consisted of land and already completed apartments.

Infinity TNP

In November 2019, the Company acquired 40% of ICG's wholly owned subsidiary Infinity TNP, which holds units in a luxury hotel condominium called Tellus Niseko, in exchange for US$7.2m in shares in the Company.

Tellus Niseko is a unique development in Hirafu Village, with its high-end concierge service, a Michelin star chef-managed restaurant, in-room onsen (hot spring) baths and prime location just minutes away from the Grand Hirafu ski lifts. As at 31 December 2019, the residential area of Tellus Niseko was fully completed the apartments were leased to guests for the 2019/20 winter season.

An independent 3rd party's valuation of Infinity TNP's assets was utilised to derive the value of the Company's stake. As of 31 December 2019, the carrying value of its investment was US$7.3 million.

The occupancy at Tellus Niseko in 2020 has been negatively impacted by the spread of COVID-19 in Japan, as tourism from Greater China was sharply reduced. Local management has monitored the COVID-19 situation in Japan closely and implemented a series of measures at the property to ensure guests' safety and hygiene. It is their expectation that the recovery in tourism will be felt in the summer period as Japan likely re-opens its borders.

Legacy Portfolio Investments:

Greater China Credit Fund LP (the "GCCF")

The Company invested in GCCF in 2013, a private equity investment fund launched by Adamas Asset Management (HK) Limited ("Adamas"), a 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 2019, the Company's interest in GCCF has an allocated fair value of US$2.8 million (2018: US$2.8 million) within the legacy portfolio.

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

Lead Winner Limited ("LWL") is a 100% (2018: 100%) owned subsidiary of the Company incorporated in the British Virgin Islands.

LWL held a 15% stake in CJRE, the owner of a luxury resort and residential development project in Fujian Province, Eastern China. The Company divested its entire investment in 2017, however, the transaction was structured such that an outstanding amount of RMB12.0 million (approximately US$1.8 million), remained receivable on or before 21 December 2018. This 'tail' payment from the original divestment was characterised as a loan and was dependent on CJRE itself receiving funds from the underlying project which was being developed.

The outstanding balance of proceeds from CJRE is approximately US$1.7 million, which is US$0.1 million less than the value recorded in 2018 due to the depreciation of the RMB against the USD in 2019. CJRE is in turn awaiting a payment from another counterparty in relation to the project. Once this payment is received by CJRE, it is the Company's expectation that the outstanding loan will be repaid in full. The Company is working closely with CJRE to recover the amount owed and it has received confirmation of the outstanding amount with a good faith undertaking to ensure it is settled as soon as funds are received from the underlying project.

As at 31 December 2019, the fair value of the loan was US$1.7 million (2018: US$1.8 million).

SPV's

The unlisted open-ended investments below are defined as SPVs and are reported at the fair value of their underlying investments described above at 31 December 2019.

Name of SPVs	**Country of Incorporation**	**Percentage owned**		**Principal activities**
		2019	2018	
Lead Winner Limited	**BVI**	**100%**	**100%**	Investment Holdings
Dynamite Win Limited	**BVI**	**100%**	**100%**	Investment Holdings
Future Metal Holdings Limited	**BVI**	**100%**	–	Investment Holdings
Swift Wealth Investments Limited	**BVI**	**100%**	**100%**	Investment Holdings
Ultimate Prosperity Limited	**BVI**	**100%**	–	Investment Holdings
TNP Asia Limited	**BVI**	**100%**	–	Investment Holdings

Further details of financial assets are set out in Note 15, and investment valuation methodologies are set out in Note 2(o) Critical accounting estimates and judgements.

10. LOANS AND OTHER RECEIVABLES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 US$'000	2018 US$'000
Loans	**27,474**	26,559
Other receivables	**5,820**	1,919
Amounts receivable from related parties	**426**	424
	33,720	28,902

As at 31 December 2019, Loans represent the Convertible Bond issued by Fook Lam Moon Holdings plus accrued interest. The Group has assessed the recoverability of Loans in accordance with its policy, and determined that an ECL allowance is required in respect of accrued cash interest relating to its fixed interest credit investment. The allowance is recognised due to increased credit risk observed at the period end. The breakdown of Loans is as follows:

	2019 US$'000	2018 US$'000
Loan principal	**26,500**	26,500
Accrued PIK interest	**591**	59
Accrued interest payable in cash	**620**	–
Gross loans receivable	**27,711**	26,559
Less lifetime ECL allowance recognised	**(237)**	–
Net loans receivable	**27,474**	26,559

Reconciliation of ECL allowance balance:

	2019 US$'000
Balance as at 1 January	**–**
ECL allowance charged to profit or loss	**237**
Balance as at 31 December	**237**

The ECL allowance is calculated using a weighted probability of recovery, based on age of the receivable:

	Amount US$'000	%	ECL US$'000
Not past due	66	0%	–
31-60 days	199	10%	20
61-90 days	–	20%	–
91-120 days	–	30%	–
121-180 days	199	50%	100
181-365 days	156	75%	117
More than 365 days past due	–	100%	–
	620		237

Other receivables include a US$3.7 million loan provided by the Company but that was disbursed by the issuance of Company shares to CASIL, a former minority shareholder, in return for the cancellation of a put option which CASIL had been granted in the past against FMHL/HKMHL

11. RIGHT OF USE ASSETS

	2019 US$'000
Opening cost of right of use assets	–
Additions	38
Closing cost of right of use assets	38
Opening accumulated depreciation	–
Depreciation	4
Closing accumulated depreciation	4
Opening net book value at 1 January 2019	–
Closing net book value at 31 December 2019	34

The right of use asset represents the present value of future payments under a 3-year operating lease of office premises in Hong Kong, discounted at an external rate of debt payable over a similar term. During the year there were no cash outflows for payments due on the lease; these were recorded as an increase in other payables instead.

12. OTHER PAYABLES AND ACCRUALS

	2019 US$'000	2018 US$'000
Other payables	182	150
Accounts payable	75	–
Amount due to directors	–	–
Accruals	1,954	51
Other payables and accruals	2,211	201

As at 31 December 2019, other payables predominantly represent rent expenses for the Company's use of office premises in Hong Kong.

13. LOANS AND BORROWINGS

	2019 US$'000	2018 US$'000
Corporate debt	**1,875**	–
Lease liability	**34**	–
Loans and borrowings	**1,909**	28,902

During the year there has been lease liability interest of US$1,000 recorded in finance expense in the income statement.

i. Terms and conditions of the outstanding debt is as follows:

	Currency	Interest rate	Year of maturity
Secured loan notes	USD	12.5%	2022

The corporate debt US$1.9 million are proceeds from loan notes issued to a family office investor, with a related debenture which constitutes a fixed and floating charge over the assets and undertakings of the Company.

ii. Reconciliation of movements of liabilities & equity to cashflows arising from financing activities

2019	Loans & borrowings US$'000	Share capital/ premium US$'000	Treasury reserve US$'000
Opening balance at 1 January 2019 and 1 January 2018	–	134,054	–
Changes from cashflows			
Purchase of treasury shares	–	–	(671)
Proceeds from issue of loan notes	1,900	–	–
Total changes from financing cashflows	1,900	–	(671)
Other changes:			
Issue of shares to ICG for equity investment in TNP Infinity	–	7,200	–
Issue of shares to HKMH/FMHL minority shareholders	–	3,773	–
New leases	34	–	–
Capitalised borrowing costs	(122)	–	–
Interest expense	97	–	–
Total other changes to liabilities	9	10,973	–
Closing balance at 31 December 2019	1,909	10,973	(671)

14. SHARE CAPITAL AND TREASURY SHARE RESERVE

	Number of shares	Share capital amount US$'000
Authorised, called-up and fully paid ordinary shares of no par value each at 1 January 2018	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
Share issuance minor shareholder of HKMH February & March 2019	6,267,864	3,773
Share issuance – ICG for equity investment in Infinity TNP	16,179,310	7,200
Purchase of treasury shares	(3,316,804)	(671)
Issued share capital excluding treasury shares at 31 December 2019	101,595,575	144,356
Consisting of:		
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2019	104,912,379	145,027
Authorised, called-up and fully paid ordinary shares of no par value held as treasury shares by the Company at 31 December 2019	(3,316,804)	(671)

15. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

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

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

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

(iii) credit risks on receivables are properly managed.

Financial instruments by category

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

Financial assets

	2019 US$'000	2018 US$'000
Unquoted financial assets at fair value	**67,172**	55,519
Loans at fair value	**27,474**	26,559
Other receivables at fair value	**6,246**	2,343
Cash and cash equivalents	**4,071**	8,828
Financial assets	**104,963**	93,249

Financial liabilities

	2019 US$'000	2018 US$'000
Other payables and accruals at amortised cost	**2,211**	201
Corporate debt at amortised cost	**1,875**	–
Financial liabilities	**4,086**	201

The Corporate Bond has a term of 3 years, due for repayment in October 2022. All other 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 as described in Note 2(a) *Basis of preparation:*

	2019 US$'000	2018 US$'000
Level 3		
Unquoted financial assets at fair value through profit or loss (Note 9)	**67,172**	55,519
Loans and other receivables at fair value through the profit or loss (Note 10)	**33,702**	28,902
	100,874	84,421

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 2019 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 Future Metal Holdings Limited engaged in mining project – US$44.7m; (2018: US$42.5m) 7.2% preferred equity investment in Meize Energy Industries Holdings Limited engaged in designing and manufacturing blades for wind turbines – US$8.2m; (2018: US$8.2m) 40% equity investment (with guaranteed income yield) in Infinity TNP, holding units in luxury hotel condominium Tellus Niseko – US$7.3m	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 (2018: 15 to 25 per cent).	The higher the discount rate applied, the lower the fair value
	Private credit fund - Greater China Credit Fund LP – US$2.8m; (2018: US$2.8m)	Level 3	Unadjusted NAV	Not applicable	Not applicable
Credit investments	Convertible Bond – Fook Lam Moon US$27.5m (2018: US$26.5m) Secured Loan Notes – Ultimate Prosperity Limited US$2.1m	Level 3	Income Approach – see above	Revenue and expense growth rate 5% - 10%, discount rate 6%	Not applicable

The above table sets out information about significant unobservable inputs used at 31 December 2019 in measuring material financial instruments categorised as Level 3 in the fair value hierarchy.

The discount of 17% (2018: 20%) is applied to the externally derived Project Value in estimating fair value of the investment in FMHL is a key unobservable input into the valuation model. In the event that other possible discounts had been applied the impact on carrying value of the investment would be as follows:

Discount rate applied	Impact on carrying value (US$ million)
10%	3.9
25%	(4.4)
30%	(7.2)
35%	(10.0)

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. During the year an ECL provision was recognised in respect of aged interest on the Convertible Bond issued to Fook Lam Moon, see Note 10 for details.

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 and corporate debt in anticipation of future funding requirements.

Other receivables bear interest at a fixed annual rate, therefore there is no exposure to market interest rate risk on these financial assets. 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 (2018: US$1,000).

The Group has a US$10 million debt facility with a private family office investor, under which the Company has issued US$1.9 million loan notes in the year, with an associated fixed interest rate of 12.5% for a term of 3 years. As the interest rate has been fixed for the term of the facility, there is no interest rate risk associated with the instruments.

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 and/or loan notes in accordance with long-term cash flow forecasts.

The Group's financial liabilities are primarily operational costs and debt instruments. All operational costs are due for payment in accordance with agreed settlement terms with professional firms, and all are due within one year. Debt principal and related interest are due for settlement in October 2022.

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$9,952,460 (2018: US$9,304,954) 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
As the majority of the Company and Group's investments are in US Dollars, the decision has been made during the year to change the functional currency of the Company and Group from HK Dollar to US Dollar. Management considers that foreign currency exposure is not significant to the Group and as such, there is no hedging of foreign currencies.

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.

16. SHARE BASED PAYMENTS

16.1 Ownership-Based Compensation Scheme for Senior Management

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

At 31 December 2019 there were 1,200,000 warrants outstanding, issued to the Company's Directors in previous periods in respect of services provided to the Group with at an exercise price of US$1.21 per share, equivalent to GBP0.91 at 31 December 2019. 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. During the year 400,000 warrants issued to Ernest Wong lapsed due to his resignation.

16.2 Equity Compensation Scheme for Harmony Capital Investors Limited (the "Investment Manager")

The Group has an equity compensation scheme for Investment Manager of the Group. In accordance with the provision of the scheme, the 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. 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, the 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 2019, 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, equivalent to GBP0.91 at 31 December 2019. The warrants will expire 10 years after the date of grant. In total the Investment Manager owns 8,000,000 warrants as at 31 December 2019 (2018: 6,400,000).

	2019			2018		
	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	–	8,400,000	1.21	–	5,200,000	1.21
Issuance during the financial year						
– Investment manager	–	1,600,000	1.21	–	3,200,000	1.21
– Directors	–	–	–	–	–	–
Expired during the financial year	–	(400,000)	1.21	–	–	–
Balance at end of financial year	–	9,600,000	1.21	–	8,400,000	1.21
Exercisable at end of financial year	–	9,600,000	1.21	–	8,400,000	1.21

The weighted-average remaining contractual life of outstanding warrants at 31 December 2019 was 8 years and 3 months (2018: 9 years and 0 months).

16.3 Equity-Settled Share-Based Payment for Investment Manager as Incentive Fee

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

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

An incentive fee of US$1.9 million has been accrued in 2019, which includes both the cash and Equity Compensation Amount components.

16.4 Fair Value of Warrants Issued in the Period

The fair value of the 1,600,000 warrants awarded under the equity compensation scheme for Harmony Capital was US$381,373. The fair value was calculated at date of grant using a Black Scholes valuation model and utilising Bloomberg's option pricing model. The principal inputs into the model were as follows:

Date of issue	**1 May 2019**
Warrants issued	1,600,000
Warrant period	10 years
Share price	$0.24
Strike price	$1.21
Volatility	31.55%

17. RELATED PARTY TRANSACTIONS

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

	Notes	**2019 US$'000**	2018 US$'000
Remuneration payable to Directors (see Note 7)	(i)	**185**	180
Harmony Capital Investors Limited	(ii)		
– Management fee		**1,679**	1,650
– Incentive fee		**1,907**	–
Amount due to Harmony Capital Investors Limited at 31 December		**1,907**	–

(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 as 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.

18. LOSS PER SHARE

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

		2019 US$'000	2018 US$'000
Numerator			
Basic/Diluted:	Net loss	**(2,773)**	(3,501)
		No. of shares '000	No. of shares '000
Denominator			
Basic:	Weighted average shares	**89,219**	80,228
	Dilutive effect of warrants	**–**	–
Diluted:	Adjusted weighted average shares	**89,219**	80,228
Loss per share:			
Basic		**(3.11) cents**	(4.36) cents
Diluted		**(3.11) cents**	(4.36) cents

During the year the Company commenced a share buyback programme which resulted in the purchase of 3,316,804 treasury shares. These shares have been excluded from the weighted average shares calculation.

19. EVENTS AFTER THE REPORTING PERIOD

The Group is closely monitoring the impact of the COVID-19 virus on the valuation of the Company's investments portfolio, but to date there has not been any material adverse effect.

On 11 May 2020, the Group announced it has successfully raised US$1.72 million through a new subscription to the Company's Corporate Bond. The proceeds raised will be reinvested in the Company's growing pipeline of income-producing investment opportunities across Asia.

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