



**ADAMAS**  
**FINANCE ASIA**

**ADAMAS FINANCE ASIA LIMITED**



Interim Report  
**2018**



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# Highlights

13 September 2018

## ADAMAS FINANCE ASIA LIMITED

("Adamas Finance Asia", "ADAM", the "Company" or the "Group")

### INTERIM CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Adamas Finance Asia Limited (AIM: ADAM), a London quoted pan-Asian diversified investment vehicle, is pleased to announce its interim results for the six months ended 30 June 2018.

#### Key Points:

- Transition of ADAM, by disposing of non-core legacy assets and reinvesting in new income generating assets, now well underway
- Net loss of US\$1.44 million (H1 2017: US\$1.03 million)
- Consolidated loss per share (basic) of US\$1.77 cents (H1 2017: US\$1.34 cents)
- Consolidated NAV at 30 June 2018 increased 1.5% to US\$95.0 million (31 December 2017: US\$93.6 million)
- New investment in DocDoc Pte. Ltd. for a US\$2.0 million convertible bond
- Appointment of Shard Capital Partners LLP as Broker in June 2018

#### Chairman of Adamas Finance Asia, John Croft, commented:

"The transition of ADAM is now well underway and we have made good progress during the period under review. ADAM's Investment Manager, Harmony Capital Investors Limited ("Harmony Capital"), which was appointed in May 2017 has continued with the programme of disposing of the legacy portfolio whilst seeking and securing new investment opportunities.

"We still have much to achieve but since the start of the period the ADAM portfolio has been evolving towards our goal of a diversified pipeline of investments in pan-Asian SMEs with the potential to deliver compelling income and growth opportunities for our shareholders. We continue to view the investment climate as attractive with the diversification inherent in our individual investment mandate. There is an increasing number of future investment opportunities open to ADAM and I look forward to updating shareholders further as we seek to acquire the best of these."

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## About Adamas Finance Asia

ADAM is a London quoted investment company focusing on delivering long-term income and capital growth to shareholders through a diverse portfolio of pan-Asian investments. It aims to provide uncorrelated returns through a combination of capital growth and dividend income from a broad spectrum of national geographies and asset classes.

The Company's Investment Manager, Harmony Capital, which has a dedicated team with real Asian expertise, is focused on the strategy of creating income and capital growth. Harmony Capital is sourcing predominantly private opportunities and has created a strong pipeline of income generating assets which include potential investments in fintech, healthcare, property, mining, pharmaceuticals and telecoms across Asia.

# Chairman's Statement

I am pleased to report on the Company's interim results for the period ended 30 June 2018, which showed continued progress in reshaping the portfolio into one comprising predominantly of income generating and capital growth assets. Although this transformation has been initiated, there is still more to do.

Our Investment Manager, Harmony Capital has been working very hard to dispose of, or restructure a number of our legacy assets which were acquired both prior to and through the Reverse Takeover (RTO) in 2014. Since Harmony Capital's appointment in May 2017, much progress has been made on which I reported in my annual statement for 2017 and this positive momentum continued into the last six months under review.

Achievements during the interim period include agreeing the revised terms for the disposal of the interest in Global Pharm Holdings Group Inc.; restructuring our holdings in a large part of our original portfolio into an income generating Convertible Bond in a well-known restaurant group in Hong Kong; and further increasing our holding in Hong Kong Mining Holdings Limited, where a new general manager has been appointed to bring the mine back into production.

We are now able to turn our focus increasingly to the new and exciting investment opportunities on which our Investment Manager is working. Early in the period we announced our first new investment since Harmony Capital was appointed, in DocDoc, which we believe to be Asia's leading patient empowerment company.

DocDoc leverages proprietary data and clinical informatics across a network of physicians and hospitals to support patients to find high quality medical care across Asia. Headquartered in Singapore, DocDoc connects and represents an extensive healthcare network with over 23,000 physicians, 700 clinics and 100 hospitals. DocDoc addresses a significant unmet need in the marketplace for patient empowerment, resulting in efficiently priced treatments, better outcomes and improved experiences for patients across Asia.

The benefits of DocDoc's proprietary database, algorithms and data models, combined with its business and customer service processes, are beneficially impacting an underserved need in the health insurance sector as evidenced by the execution of agreements with several of the leading insurers in the region.

Additionally, the Investment Manager is working on a strong pipeline of new investment opportunities, and I am hopeful that we will be able to announce further new investments in the coming months.

In June we also announced the appointment of Shard Capital as the Company's new Broker. We are working closely with Shard Capital to increase awareness of the Company amongst the investment community. We are planning for this to help to improve liquidity in the Company's shares as we seek to raise our profile.

# Chairman's Statement

The principal assets as at 30 June 2018 are detailed below:

| Principal Assets   | Effective Interest |                  | Instrument type                             | Valuation                    |                                  |
|--|--------------------|------------------|---|------------------------------|----------------------------------|
|  | 30 June 2018       | 31 December 2017 |   | 30 June 2018<br>US\$ million | 31 December 2017<br>US\$ million |
| CPE Legacy Portfolio<br>(Fortel Loan/China<br>iEducation etc.) | –                  | –                | Interest bearing<br>loan/Equity             | 26.5                         | 26.5                             |
| Hong Kong Mining<br>Holdings Limited                           | 84.81%             | 79.26%           | Structured equity                           | 42.3                         | 39.4                             |
| Meize Energy Industrial<br>Holdings Ltd                        | 7.9%               | 7.9%             | Redeemable convertible<br>preference shares | 8.2                          | 8.2                              |
| DocDoc Pte. Ltd.   | –                  | –                | Convertible bond                            | 2.0                          | –                                |
| Global Pharm Holdings<br>Group Inc.                            | –                  | –                | Receivable                                  | 3.0                          | 3.0                              |
| GCCF/Others  |                    |                  |   | 3.2                          | 3.3                              |
| Cash   |                    |                  |   | 9.8                          | 13.2                             |
| Total net asset value  |                    |                  |   | 95.0                         | 93.6                             |

# Chairman's Statement

## CPE Legacy Portfolio

In April 2018 the Company announced the terms of a conditional agreement to dispose of its combined interest in a substantial portion of its legacy asset portfolio in exchange for a Convertible Bond ("CB"), issued by a well-known Hong Kong based food and beverage business primarily operating high-end Chinese restaurants. Shareholder approval to proceed with the transaction was obtained via a General Meeting of the Company on 26 April 2018.

Completion of the transaction is pending the restructuring of the CB's issuer, which will make it the controlling shareholder of the restaurant group.

The consideration for the disposal is US\$26.5 million in aggregate, equivalent to (i) the carrying value of the Company's interest in the Sale Portfolio as reported in its unaudited half yearly accounts for the six months ended 30 June 2017; (ii) increases in the carrying value of certain positions up to and including 31 December 2017 (unaudited); and (iii) accrued interest up to and including 31 December 2017.

## Hong Kong Mining Holdings Limited ("HKMH")

HKMH is a natural resources company whose primary asset is a large dolomite magnesium limestone mine in the province of Shanxi, China. In March 2018 the Company announced it undertook a share swap and allotment with certain third-party minority shareholders of HKMH by issuing 4,277,568 new ordinary shares in exchange for 5.5% shares in HKMH and waived the repayment of certain loans.

After the transaction, the Company's indirect ownership in HKMH increased from 79.26% to 84.81%. The Company will provide additional priority interest bearing loans up to US\$2.0 million to facilitate the resumption of mine operations.

The onshore operating company successfully renewed the Mining Licence in August 2018, which is valid for two years. It is the first company to complete the mining licence renewal process in Linfen City, Shanxi following the change in mining policy in China. The new policy now requires mining companies to obtain approvals from each of six government departments before they are approved for a Mining Licence. We expect several mines within the local region may either lose their licences or be forced to reduce the size of their mining areas. Currently the onshore operating company is in the process of renewing its Work Safety Licence which is a prerequisite for restarting mining operations.

A new general manager has been appointed tasked with the day-to-day running of operations at the mine site. The Company is also investing sums in equipment and infrastructure at the mining site in order to restart operations. Harmony Capital has actively implemented a range of initiatives which we anticipate will lead to bringing the mine back into production in the first half of 2019.

# Chairman's Statement

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

Global Pharm is a pharmaceutical company involved in pharmaceuticals, the cultivation of herbs for Traditional Chinese Medicine ("TCM") and TCM processing and distribution. The previous announced disposal of the Company's interest in Global Pharm to Fortune Insight Limited ("Fortune") for a cash consideration of US\$15.6 million did not complete as originally planned. Under new terms which were announced in June 2018, the Company is entitled to received US\$3.0 million in cash and in addition, Fortune will subscribe for shares in the Company at an aggregate amount of US\$12.6 million. In July 2018, the Company received US\$3.0 million from Fortune. A further announcement will be made on the subscription in due course.

## **Summary and Outlook**

The transition of ADAM is now well underway and we made good progress during the period under review. ADAM's Investment Manager, Harmony Capital, which was appointed in May 2017 has continued with the programme of disposing of the legacy portfolio whilst seeking and securing new investment opportunities with ADAM returning to making acquisitions.

We still have much to achieve but since the start of the period the ADAM portfolio has been evolving towards our goal of a diversified pipeline of investments in pan-Asian SMEs with the potential to deliver compelling income and growth opportunities for our shareholders. We continue to view the investment climate as attractive with the diversification inherent in our unique investment mandate. There is an increasing number of future investment opportunities open to ADAM and I look forward to updating shareholders further as we seek to acquire the best of these opportunities.

**John Croft**

*Chairman*



# Condensed Consolidated Statement of Comprehensive Income

|   | Note | Six months ended                         |  | Year ended                                 |
|---|------|--|--|--|
|   |      | 30 June<br>2018<br>Unaudited<br>US\$'000 | 30 June<br>2017<br>Unaudited<br>US\$'000 | 31 December<br>2017<br>Audited<br>US\$'000 |
| Realised gain/(loss) on disposal of investments                             |      | –  | –  | (14,329)                                   |
| Fair value changes on financial assets at fair value through profit or loss |      | 51                                       | 337                                      | 33,885                                     |
| Administrative expenses   |      | (1,489)                                  | (1,435)                                  | (7,958)                                    |
| <b>Operating (loss)/gain</b>  |      | <b>(1,438)</b>                           | <b>(1,098)</b>                           | <b>11,598</b>                              |
| Net finance income/(expense)  |      | 1  | 40                                       | 82   |
| Other income  |      | –  | 28                                       | 14   |
| <b>(Loss)/Profit before taxation</b>  |      | <b>(1,437)</b>                           | <b>(1,030)</b>                           | <b>11,694</b>                              |
| Taxation  | 5    | –  | –  | –  |
| <b>(Loss)/Profit for the period</b>   |      | <b>(1,437)</b>                           | <b>(1,030)</b>                           | <b>11,694</b>                              |
| Total comprehensive (expense)/income for the period                         |      | (1,437)                                  | (1,030)                                  | 11,694                                     |
| <b>Profit/(Loss) per share</b>  | 7    |  |  |  |
| Basic   |      | <u>(1.77) cents</u>                      | <u>(1.34) cents</u>                      | <u>15.23 cents</u>                         |
| Diluted   |      | <u>(1.74) cents</u>                      | <u>(1.34) cents</u>                      | <u>14.96 cents</u>                         |

The results above relate to continuing operations.

# Condensed Consolidated Statement of Financial Position

|   | Note | 30 June<br>2018<br>Unaudited<br>US\$'000 | 30 June<br>2017<br>Unaudited<br>US\$'000 | 31 December<br>2017<br>Audited<br>US\$'000 |
|---|------|--|--|--|
| <b>Assets</b>   |      |  |  |  |
| Unquoted financial assets at fair value through profit or loss        | 8    | 80,560                                   | 60,344                                   | 75,639                                     |
| Loans and other receivables   |      | 6,556                                    | 1,455                                    | 6,579                                      |
| Cash and cash equivalents   |      | 9,786                                    | 15,025                                   | 13,217                                     |
| <b>Total assets</b>   |      | <u>96,902</u>                            | <u>76,824</u>                            | <u>95,435</u>                              |
| <b>Liabilities</b>  |      |  |  |  |
| Other payables and accruals   |      | 1,896                                    | 65                                       | 1,882                                      |
| <b>Total liabilities</b>  |      | <u>1,896</u>                             | <u>65</u>                                | <u>1,882</u>                               |
| <b>Net assets</b>   |      | <u>95,006</u>                            | <u>76,759</u>                            | <u>93,553</u>                              |
| <b>Equity and reserves</b>  |      |  |  |  |
| Share capital   | 9    | 132,302                                  | 129,543                                  | 129,543                                    |
| Share based payment reserve   |      | 4,201                                    | –  | 4,070                                      |
| Accumulated losses  |      | (41,497)                                 | (52,784)                                 | (40,060)                                   |
| <b>Total equity and reserves attributable to owners of the parent</b> |      | <u>95,006</u>                            | <u>76,759</u>                            | <u>93,553</u>                              |

# Condensed Consolidated Statement of Changes in Equity

|  | Share capital<br>US\$'000 | Share based payment reserve<br>US\$'000 | Foreign translation reserve<br>US\$'000 | Accumulated losses<br>US\$'000 | Total<br>US\$'000 |
|--|---------------------------|---|---|--------------------------------|-------------------|
| Group balance at 1 January 2017            | 129,543                   | -                                       | -                                       | (51,754)                       | 77,789            |
| Loss for the period                        | -                         | -                                       | -                                       | (1,030)                        | (1,030)           |
| <b>Other comprehensive income</b>          |                           |   |   |                                |                   |
| Total comprehensive expense for the period | -                         | -                                       | -                                       | (1,030)                        | (1,030)           |
| Group balance at 30 June 2017              | 129,543                   | -                                       | -                                       | (52,784)                       | 76,759            |
| Profit for the period                      | -                         | -                                       | -                                       | 12,724                         | 12,724            |
| <b>Other comprehensive income</b>          |                           |   |   |                                |                   |
| Total comprehensive income for the period  | -                         | -                                       | -                                       | 12,724                         | 12,724            |
| Share-based payments                       | -                         | 4,070                                   | -                                       | -                              | 4,070             |
| Group balance at 31 December 2017          | 129,543                   | 4,070                                   | -                                       | (40,060)                       | 93,553            |
| Loss for the period                        | -                         | -                                       | -                                       | (1,437)                        | (1,437)           |
| <b>Other comprehensive income</b>          |                           |   |   |                                |                   |
| Total comprehensive expense for the period | -                         | -                                       | -                                       | (1,437)                        | (1,437)           |
| Issue of shares                            | 2,759                     | -                                       | -                                       | -                              | 2,759             |
| Share-based payments                       | -                         | 131                                     | -                                       | -                              | 131               |
| Group balance at 30 June 2018              | 132,302                   | 4,201                                   | -                                       | (41,497)                       | 95,006            |

# Condensed Consolidated Statement of Cash Flows

|  | Six months ended<br>30 June<br>2018<br>Unaudited<br>US\$'000 | 30 June<br>2017<br>Unaudited<br>US\$'000 | Year ended<br>31 December<br>2017<br>Audited<br>US\$'000 |
|--|--|--|--|
| <b><i>Cash flow from operating activities</i></b>                                    |  |  |  |
| (Loss)/Profit before taxation  | (1,437)  | (1,030)                                  | 11,694   |
| Adjustments for:   |  |  |  |
| Dividend income  | –  | –  | –  |
| Finance income   | (1)  | (40)                                     | (82)   |
| Exchange (gain)/loss   | 96   | –  | (453)  |
| Fair value changes on unquoted financial assets at fair value through profit or loss | (51)   | (337)                                    | (33,885)   |
| Realised (loss)/gain on disposal of investment                                       | –  | –  | 14,329   |
| Share-based expenses   | 131  | –  | 4,070  |
| Decrease/(Increase) in other receivables   | 23   | (12)                                     | (139)  |
| Increase/(Decrease) in other payables and accruals                                   | 14   | 99                                       | 1,805  |
| <b>Net cash used in operating activities</b>   | <b>(1,225)</b>   | <b>(1,320)</b>                           | <b>(2,661)</b>   |
| <b><i>Cash flow from investing activities</i></b>                                    |  |  |  |
| Finance income received  | 1  | –  | –  |
| Sale proceeds of unquoted financial assets at fair value through profit or loss      | –  | 15,001                                   | 15,100   |
| Purchase of unquoted financial assets at fair value through profit and loss          | (2,000)  | –  | –  |
| Loans granted  | (207)  | 36                                       | (530)  |
| Proceeds from repayment of loan granted  | –  | –  | –  |
| <b>Net cash (used in)/generated from investing activities</b>                        | <b>(2,206)</b>   | <b>15,037</b>                            | <b>14,570</b>  |
| <b>Net cash used in/generated from financing activities</b>                          | <b>–</b>   | <b>–</b>                                 | <b>–</b>   |
| <b>Net (decrease)/increase in cash and cash equivalents during the period</b>        | <b>(3,431)</b>   | <b>13,717</b>                            | <b>11,909</b>  |
| <b>Cash and cash equivalents and net debt at the beginning of the period</b>         | <b>13,217</b>  | <b>1,308</b>                             | <b>1,308</b>   |
| <b>Cash and cash equivalents and net debt at the end of the period</b>               | <b>9,786</b>   | <b>15,025</b>                            | <b>13,217</b>  |

# Notes to the Financial Information

## 1. CORPORATE 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, P.O. Box 3140, Road Town, Tortola, British Virgin Islands VG 1110 and its principal place of business is 811-817, 8/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

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

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

The condensed consolidated interim financial information was approved for issue on 13 September 2018.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost convention, as modified by revaluation of certain financial assets and financial liabilities at fair value through the income statement.

The accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017 and are those the Group expects to apply into financial statements for the year ending 31 December 2018.

The seasonality or cyclicity of operations does not impact on the interim financial information.

# Notes to the Financial Information

## 4. SEGMENT INFORMATION

The operating segment has been determined and reviewed by the Board to be used to make strategic decisions. The Board considers there to be a single business segment, being that of investing activity, which is reportable in two cash generating units.

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

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

The segment information provided to the Board for the reportable segments for the periods are as follows:

|  | BVI   |                             |   |
|--|---|-----------------------------|---|
|  | Six months ended<br>30 June<br>2018<br>US\$'000 | 30 June<br>2017<br>US\$'000 | Year ended<br>31 December<br>2017<br>US\$'000 |
| Realised gain/(loss) on disposal<br>of investments                             | –   | –                           | (14,329)                                      |
| Fair value changes on financial assets<br>at fair value through profit or loss | 51  | 337                         | 33,885  |
| Financial income   | 1   | 40                          | 82  |
| Other income   | –   | 28                          | 14  |

Note: There is no activity for the business segment in HK.

## 5. TAXATION

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

# Notes to the Financial Information

## 6. DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2018 (30 June 2017: Nil).

## 7. PROFIT/(LOSS) PER SHARE

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

|                                  | Six months ended                                     |   | Year ended                      |
|----------------------------------|--|---|---------------------------------|
|                                  | 30 June<br>2018<br>US\$'000                          | 30 June<br>2017<br>US\$'000<br>(Restated) | 31 December<br>2017<br>US\$'000 |
| <b>Numerator</b>                 |  |   |                                 |
| Basic/Diluted: Net profit/(loss) | (1,437)  | (1,030)                                   | 11,694                          |
|                                  | '000   | '000                                      | '000                            |
| <b>Denominator</b>               |  |   |                                 |
| Basic:                           | Weighted average shares                              | 81,064                                    | 76,787                          |
|                                  | Effect of diluted securities:                        |   |                                 |
|                                  | Incentive fee-50% in ordinary shares (Note 11 (iii)) | 1,401                                     | 1,367                           |
| Diluted:                         | Adjusted weighted average shares                     | 82,465                                    | 78,154                          |
| Profit/(Loss) per share          |  |   |                                 |
| Basic                            | (1.77) cents   | (1.34) cents                              | 15.23 cents                     |
| Diluted                          | (1.74) cents   | (1.34) cents                              | 14.96 cents                     |

The weighted average number of shares as at 30 June 2017 has been restated to incorporate the impact of the share consolidation in September 2017.

For the six months ended 30 June 2018 and 2017, the warrants issued to the Investment Manager are anti-dilutive and therefore there is no impact on the weighted average shares in issue.

# Notes to the Financial Information

## 8. UNQUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | 30 June<br>2018<br>US\$'000 | 30 June<br>2017<br>US\$'000 | 31 December<br>2017<br>US\$'000 |
|---|-----------------------------|-----------------------------|---------------------------------|
| At the beginning of the period                | 75,639                      | 75,044                      | 75,044                          |
| Fair value changes through<br>profit and loss | 51                          | 337                         | 33,885                          |
| Additions                                     | 4,870                       | –                           | –                               |
| Disposals                                     | –                           | (15,037)                    | (33,290)                        |
| At the end of the period                      | <u>80,560</u>               | <u>60,344</u>               | <u>75,639</u>                   |

## 9. SHARE CAPITAL

|  | Number<br>of Shares | Amount<br>US\$'000 |
|--|---------------------|--------------------|
| Authorised, called-up and fully paid ordinary shares<br>of no par value each at 30 June 2017         | 191,967,084         | 129,543            |
| Share consolidation – two new ordinary shares of<br>no par value for every five existing Shares (ii) | (115,180,279)       | –                  |
| Share issued for acquisition of additional shares in<br>HKMH in March 2018 (iii)                     | <u>4,277,568</u>    | <u>2,759</u>       |
| Authorised, called-up and fully paid ordinary shares<br>of no par value each at 30 June 2018         | <u>81,064,373</u>   | <u>132,302</u>     |

- (i) Under the BVI corporate laws and regulations, there is no concept of “share premium”, and all proceeds from the sale of no par value equity shares is deemed to be share capital of the Company.
- (ii) On 18 July 2017, a reorganization of the existing ordinary shares was proposed whereby every five existing ordinary shares were consolidated into two new ordinary shares (“Share Consolidation”). The record date for Share Consolidation was 20 September 2017.
- (iii) On 28 March 2018, the Company issued 4,277,568 new ordinary shares of no par value each at US\$1.20 per share in consideration for the acquisition of shares in HKMH held by certain minority shareholders. After the acquisition, the Company's indirect shareholding in HKMH increased from 79.26% as at 31 December 2017 to 84.81% as at 30 June 2018.



# Notes to the Financial Information

## 10. 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 Level 1, 2 or 3 based on the degree to which the fair value is observable:

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

|   | As at<br>30 June<br>2018<br>US\$'000 | As at<br>30 June<br>2017<br>US\$'000 | As at<br>31 December<br>2017<br>US\$'000 |
|---|--------------------------------------|--------------------------------------|--|
| <b>Level 3</b>  |                                      |                                      |  |
| Unquoted financial assets at fair value through profit or loss (Note 8) | 80,560                               | 60,344                               | 75,639                                   |
|   | <u>80,560</u>                        | <u>60,344</u>                        | <u>75,639</u>                            |

There is no transfer between levels in the current period. Carrying values of all financial assets and liabilities are approximate to fair values. The value of level 3 investments has been determined using the yield capitalisation (discounted cash flow) method.

# Notes to the Financial Information

## 11. RELATED PARTY TRANSACTIONS

During the period under review, the Group entered into the following transactions with related parties and connected parties:

|  | Notes | 30 June<br>2018<br>US\$'000 | 30 June<br>2017<br>US\$'000 | 31 December<br>2017<br>US\$'000 |
|--|-------|-----------------------------|-----------------------------|---------------------------------|
| Remuneration payable to Directors  |       | 91                          | 69                          | 160                             |
| Amounts due to Directors   | (i)   |                             |                             |                                 |
| – John Croft   |       | –                           | 12                          | –                               |
| – Wong Yiu Kit, Ernest   |       | –                           | 3                           | 2                               |
| – Conor MacNamara  |       | –                           | 6                           | –                               |
| – Hugh Viscount Trenchard  |       | 2                           | –                           | 2                               |
| Adamas Global Alternative Investment Management Inc. Management fee                    | (ii)  | –                           | 500                         | 385                             |
| Amount due from Adamas Global Alternative Investment Management Inc.                   |       | 423                         | 309                         | 428                             |
| Harmony Capital Management fee   | (iii) | 834                         | 235                         | 901                             |
| Incentive fee  | (iii) | –                           | –                           | 3,503                           |
| Fair value of warrants issued under the equity compensation scheme for Harmony Capital | (iv)  | 131                         | –                           | 1,707                           |
| Amount due to Harmony Capital  |       | 1,734                       | –                           | 1,734                           |
| Fortune Disposal of interest in Global Pharm   | (v)   | –                           | –                           | 3,000                           |
| Amount due from Fortune  |       | 3,000                       | –                           | 3,000                           |

- (i) The amounts due thereto are unsecured, interest free and have no fixed term of repayment. There are no other contracts of significance in which any director has or had a material interest during the current period.
- (ii) Adamas Global Alternative Investment Management Inc. was the Investment Manager of the Group until 30 April 2017. The management fee which was calculated and paid bi-annually in advance calculated at an annual rate of 1% of the higher of the net asset value of the Company's portfolio of assets or market capitalisation.
- (iii) Harmony Capital has been appointed as the Investment Manager of the Group starting from 1 May 2017. The management fee, which was calculated and paid bi-annually in advance calculated at a rate of 0.875% of the net asset value of the Company's portfolio of assets at 30 June and 31 December in each calendar year.

# Notes to the Financial Information

## 11. RELATED PARTY TRANSACTIONS (Continued)

(iii) (Continued)

Harmony Capital 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 exceeded in respect of any calendar year, the incentive fee will be equal to 20% of the difference between the current year end NAV and the previous year end NAV. 50% of incentive fee shall be paid in cash and the remaining 50% of incentive fee shall be paid by ordinary shares.

(iv) The Group has an equity compensation scheme for the 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 with an exercise price. No amounts are paid or payable by the recipient of the warrants. The warrants carry neither rights to dividends nor voting rights. Warrants may be exercised at any time from the date of vesting to the date of their expiry. Any equity compensation shares issued to or acquired by the 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 2018, the Company issued 1,600,000 warrants (noting that the number of warrants have been recalculated pursuant to paragraph 2 of Section 2 of the warrant instruction to reflect the share consolidation undertaken by the Company on 20 September 2017) to the Investment Manager to subscribe for ordinary shares in respect of services provided to the Group at an exercise price of US\$1.21 per share. The warrants will expire 10 years after the date of grant.

There was a total of 4,800,000 warrants granted to the Investment Manager up to 30 June 2018.

(v) On 15 September 2017, the Company entered into a sale and purchase agreement with Fortune for the sale of its 75% interest in Blazer Delight Limited, through which the Company holds its interest in Global Pharm for US\$3 million in cash.

## 12. EVENTS AFTER THE REPORTING PERIOD

On 23 July 2018, the Company announced that it has received US\$3 million from Fortune, being the cash component of the consideration payable by Fortune in respect of its acquisition of the Company's interest in Global Pharm.

## 13. COPIES OF THE INTERIM REPORT

The interim report is available for download from [www.adamasfinance.com](http://www.adamasfinance.com).



**ADAMAS FINANCE ASIA LIMITED**