



2015

INTERIM REPORT



ADAMAS FINANCE ASIA LIMITED

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Highlights

- Consolidated NAV at 30 June 2015 of US\$117.5 million (31 December 2014: US\$118.9 million)
- Consolidated loss per share of US¢0.70 (H1 2014: US¢0.50)
- Amendment to Investing Policy to allow investment into funds
- Progress on disposal of assets to raise cash for re-investment in income generating assets
- Appointment of Edmond de Rothschild as Broker

Adamas Finance Asia Chairman, John Croft, commented: "The six month period to June 2015 was one of steady progress for the Company. Whilst no new investments were made during the period, steps have been taken where feasible to assist portfolio companies with the objective of exiting our current holdings.

"The amendment to the Investing Policy approved by shareholders in April enables the Company to invest in funds as well as individual assets, facilitating access to investment opportunities in funds with successful track records of income generation. We anticipate announcing investments in line with this policy in the second half of the year."

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Chairman's Statement

On behalf of the Directors, I am pleased to present the unaudited interim consolidated results of the Company for the six month period ended 30 June 2015.

The consolidated loss for the period of US\$1.34 million resulted from administrative expenses of US\$1.17 million (H1 2014 US\$1.98 million), a net write down of the portfolio of US\$0.45 million, reflecting some minor changes in the independent valuation of a number of portfolio assets, details of which are provided later in this report, offset by income generated from the portfolio of US\$0.28 million.

At the AGM in April shareholders approved an amendment to the Company's Investing Policy, allowing investment to be made into funds such as the Greater China Credit Fund (GCCF) and the BRJ China Credit Fund, both of which have a track record of regular cash distributions. As exits are achieved from the existing portfolio, the Board anticipates that resulting cash generated will be deployed into these funds and other direct lending opportunities, thereby increasing the proportion of the portfolio that is income generating. The clear objective of this strategy is to reposition the Company so that it can begin to pay dividends to its shareholders in due course.

In April the Company appointed Edmond de Rothschild Securities (UK) Limited ("EdR") as its sole Broker. EdR is a prestigious London adviser which specialises in working with emerging market funds. It is anticipated that by working with EdR, we will be able to increase the profile of the Company with the international investment community.

No new investments were made during the period under review, predominantly as a result of the delayed receipt of payments from Global Pharm Holdings Group Inc., as reported in the 2014 Annual Report. However, I am pleased to report that regular payments in settlement of the agreed redemption are being received and the Board anticipates making announcements regarding new investments in due course.

Details regarding the status of each of the principal portfolio assets are provided below.

Chairman's Statement

Current portfolio

The principal assets held by the Company are:

Principal Assets	Effective equity interest	Instrument type	Valuation as at 30 June 2015 US\$ million
Changtai Jinhongbang Real Estate Development Co. Ltd	15.00%	Structured equity	51.44
Global Pharm Holdings Group Inc*	–	Redeemable convertible bond	21.11
Fortel Technology Holdings Limited	33.60%	Structured equity	11.31
Hong Kong Mining Holdings Limited	10.95%	Structured equity	10.26
Meize Energy Industrial Holdings Ltd	7.9%	Redeemable convertible preference shares	6.95
			<u>101.07</u>

* As announced on 18 December 2014, the Company agreed the redemption of the redeemable convertible bond in Global Pharm. Further detail are set out below and in note 13.

- Changtai Jinhongbang Real Estate Development Co. Ltd (“CJRE”) is the owner of a luxury resort and residential development project in Xiamen, Eastern China. CJRE expects to hold a grand opening of a new release of villas and apartments, which will be ready for sale in the second half of the year.
- Global Pharm Holdings Group Inc. (“Global Pharm”) is a pharmaceutical company involved in pharmaceuticals, the cultivation of herbs for Traditional Chinese Medicine (“TCM”) and TCM processing and distribution. As announced previously, Global Pharm did not meet the original redemption payment plan. However, the company has been making regular monthly payments to offset the amounts owing. To date a total of US\$5.4 million has been received, leaving an outstanding balance of US\$19.6 million, plus interest.
- Fortel Technology Holdings Limited (“Fortel”) provides IT services and solutions to Chinese state-owned enterprises (“SOE”) and small and medium enterprises primarily in the area of smart card systems and Radio Frequency Identification (RFID) tracking system implementation. The company has also developed an online retail platform distributing branded consumer products for young Chinese females between the ages of 18 and 35. Following delays to a long-planned IPO of Fortel, the management team has been focused on the continuing development of its IT solutions business and e-commerce services. The team continues to prepare for an eventual listing.

Chairman's Statement

- Hong Kong Mining Holdings Limited ("HKMH") is a resources company whose primary asset is a large dolomite magnesium limestone mine in the province of Shanxi, China. HKMH submitted its A1 filing to the Hong Kong Stock Exchange in July 2015 and hopes to achieve an IPO in the fourth quarter of 2015. The Company's interest in HKMH increased from 5.26% to 10.95% as a result of an agreement to extend its put option from December 2014 to December 2015.
- Meize Energy Industrial Holdings Ltd ("Meize") is a privately-owned company that designs and manufactures blades for wind turbines. It has a strong order book and design contracts for 2015. The financial position is improving and Meize is currently considering a proposal for listing on the National Equities Exchange and Quotations in China sponsored by China International Capital Corporation in 2016.

China Market View

Recent events in China have been unsettling for many in the investment community, but below the surface it is clear that there are many positive opportunities for the Company in this environment.

One consequence of the stock market turmoil is that the Beijing Government is stepping in to limit the number of onshore IPOs to prevent further falls in the stock market. This has the effect of driving companies to the private lending market to fund expansion plans.

With non-performing loans likely to rise, state-owned banks in China are expected to become even more cautious about lending to privately owned small to medium sized enterprises (SMEs). Currently, more than 90% of SMEs cannot access mainstream bank financing, leading to significant growth in the shadow banking market. Much of the growth in credit since the global financial crisis has been derived from non-mainstream bank financing.

Private debt providers, such as ADAM, are typically more nimble and creative in delivering customised financing solutions to corporates.

A balanced investment portfolio should include China, the second largest economy in the world. The performance of China's economy is felt not just locally, but globally. In August, the US and Europe suffered extreme market volatility, as well as the rest of Asia. We expect China's economy to continue to expand and the private lending market is a way to avoid volatility. The key is selecting quality investments in specific industries and companies, as well as optimising the structure of transactions. Having an experienced team on the ground with a focus on the right sectors is critical in delivering stable and attractive returns.

Chairman's Statement

With the experience and local presence of our investment manager, Adamas Global Alternative Investment Management Inc., we expect to be able to continue to identify good quality SME lending opportunities and view the macro environment as being positive for the growth of the Company.

Conclusion

In summary, we have made steady progress with our plan to transform the Company from a private equity investor to one that focuses on income generating assets. I hope to be able to report further progress on this in the second half of the year.

John Croft

Chairman

Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended		Year ended
		30 June 2015 Unaudited US\$'000	30 June 2014 Unaudited US\$'000	31 December 2014 Audited US\$'000
Realised gain on disposal of investments		–	238	238
Fair value changes on financial assets at fair value through profit or loss		(450)	821	1,889
Administrative expenses		(1,171)	(1,978)	(3,330)
Operating loss		(1,621)	(919)	(1,203)
Net finance income		126	181	305
Other income		154	106	353
Loss before taxation		(1,341)	(632)	(545)
Taxation	5	–	–	–
Loss for the period		(1,341)	(632)	(545)
Other comprehensive expense				
Currency translation differences		–	(44)	(44)
Total comprehensive loss for the period		<u>(1,341)</u>	<u>(676)</u>	<u>(589)</u>
Loss per share	7			
Basic		<u>0.70 cents</u>	<u>0.50 cents</u>	<u>0.34 cents</u>
Diluted		<u>0.70 cents</u>	<u>0.45 cents</u>	<u>0.34 cents</u>

The results above relate to continuing operations.

Condensed Consolidated Statement of Financial Position

	Note	30 June 2015 Unaudited US\$'000	30 June 2014 Unaudited US\$'000	31 December 2014 Audited US\$'000
Assets				
Unquoted financial assets at fair value through profit or loss	8	113,839	116,217	117,576
Quoted financial assets at fair value through profit or loss	9	–	–	–
Loans and other receivables		3,587	3,074	3,380
Cash and cash equivalents		2,740	1,095	492
Total assets		<u>120,166</u>	<u>120,386</u>	<u>121,448</u>
Liabilities				
Loan payables and interest payables		2,411	2,408	2,411
Other payables and accruals		228	1,381	184
Total liabilities		<u>2,639</u>	<u>3,789</u>	<u>2,595</u>
Net assets		<u>117,527</u>	<u>116,597</u>	<u>118,853</u>
Equity and reserves				
Share capital	10	129,543	127,313	129,528
Share based payment reserve		42	88	42
Accumulated losses		(12,058)	(10,804)	(10,717)
Total equity and reserves attributable to owners of the parent		<u>117,527</u>	<u>116,597</u>	<u>118,853</u>

Condensed Consolidated Statement of Changes in Equity

	Share capital US\$'000	Share based payment reserve US\$'000	Foreign translation reserve US\$'000	(Accumulated losses)/ Retained earnings US\$'000	Total US\$'000
Group balance at 1 January 2014	35,572	31	44	(10,172)	25,475
Loss for the period	—	—	—	(632)	(632)
Other comprehensive expense					
Exchange differences arising on translation of foreign operations	—	—	(44)	—	(44)
Total comprehensive expense for the period	—	—	(44)	(632)	(676)
Issue of shares	91,741	—	—	—	91,741
Share-based payments	—	57	—	—	57
Group balance at 30 June 2014	<u>127,313</u>	<u>88</u>	<u>—</u>	<u>(10,804)</u>	<u>116,597</u>
Profit for the period	—	—	—	87	87
Other comprehensive income					
Total comprehensive income for the period	—	—	—	87	87
Issue of shares	2,215	—	—	—	2,215
Share-based payments	—	(46)	—	—	(46)
Group balance at 31 December 2014	<u>129,528</u>	<u>42</u>	<u>—</u>	<u>(10,717)</u>	<u>118,853</u>
Loss for the period	—	—	—	(1,341)	(1,341)
Other comprehensive expense					
Total comprehensive expense for the period	—	—	—	(1,341)	(1,341)
Issue of shares	15	—	—	—	15
Group balance at 30 June 2015	<u><u>129,543</u></u>	<u><u>42</u></u>	<u><u>—</u></u>	<u><u>(12,058)</u></u>	<u><u>117,527</u></u>

Condensed Consolidated Statement of Cash Flows

	Six months ended		Year ended
	30 June 2015 Unaudited US\$'000	30 June 2014 Unaudited US\$'000	31 December 2014 Audited US\$'000
<i>Cash flow from operating activities</i>			
Loss before taxation	(1,341)	(632)	(545)
Adjustments for:			
Depreciation	–	19	19
Dividend Income	(154)	(80)	(324)
Net finance income	(126)	(181)	(305)
Loss on fixed asset disposal	–	56	56
Fair value changes on unquoted financial assets at fair value through profit or loss	450	(858)	(1,965)
Fair value changes on quoted financial assets at fair value through profit or loss	–	37	76
Realised gain on disposal of investment	–	(238)	(238)
Share-based expenses	–	57	11
Decrease in other receivables	61	169	38
Increase/(decrease) in other payables and accruals	44	572	(625)
Net cash used in operating activities	(1,066)	(1,079)	(3,802)

Condensed Consolidated Statement of Cash Flows

	Six months ended		Year ended
	30 June 2015 Unaudited US\$'000	30 June 2014 Unaudited US\$'000	31 December 2014 Audited US\$'000
<i>Cash flow from investing activities</i>			
Dividend received	120	75	275
Net finance income received	(108)	–	(108)
Share proceeds of quoted financial assets at fair value through profit or loss	–	885	846
Purchase of unquoted financial assets at fair value through profit and loss	–	(4,287)	(4,436)
Loans granted	(653)	(2,939)	(2,938)
Disposal of investment in Global Pharm	3,940	–	–
	<hr/>	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	3,299	(6,266)	(6,361)
	<hr/>	<hr/>	<hr/>
<i>Cash flows from financing activities</i>			
Loans borrowed	–	2,400	2,400
Net proceeds from issue of shares	15	5,016	7,231
	<hr/>	<hr/>	<hr/>
Net cash generated from financing activity	15	7,416	9,631
	<hr/>	<hr/>	<hr/>
Net increase/(decrease) in cash & cash equivalents during the period	2,248	71	(532)
Cash & cash equivalents at the beginning of the period	492	1,024	1,024
	<hr/>	<hr/>	<hr/>
Cash & cash equivalents at the end of the period	2,740	1,095	492
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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 1810, 18/F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong.

The Company is quoted on the AIM Market of the London Stock Exchange (code: ADAM); and with effect from 6 December 2012, the Company’s ordinary shares have been included on the Quotation Board of the Open Market of the Frankfurt Stock Exchange (code: 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 luxury resorts real estate, pharmaceutical, mining, power generation, telecommunications, media and technology (“TMT”) as well as financial services or listed assets driven by corporate events such as mergers and acquisitions, pre-IPO, or re-structuring of state-owned assets.

The condensed consolidated interim financial information was approved for issue on 17 September 2015.

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 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014 and are those the Group expects to apply into financial statements for the year ending 31 December 2015.

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:

Revenue attributed by reference to each company’s country of domicile:

	BVI			Hong Kong		
	Six months ended		Year ended	Six months ended		Year ended
	30 June 2015 US\$000	30 June 2014 US\$000	31 December 2014 US\$000	30 June 2015 US\$000	30 June 2014 US\$000	31 December 2014 US\$000
Realised gain on disposal of investments	-	-	-	-	238	238
Fair value changes on financial assets at fair value through profit or loss	(450)	858	1,925	-	(37)	(36)
Net financial income	126	189	424	-	-	-
Dividend income	154	80	324	-	-	-
Other income	-	3	3	-	23	26

Notes to the Financial Information

5. TAXATION

No charge to taxation arises for the six months ended 30 June 2015 and 2014 as there were no taxable profits in either period.

Tax reconciliation:

	Six months ended		Year ended
	30 June 2015 US\$'000	30 June 2014 US\$'000	31 December 2014 US\$'000
Loss before taxation	(1,341)	(632)	(545)
Effective tax charge at 16.5% (2014:16.5%)	(221)	(104)	(90)
Effect of: Differences in overseas taxation rates	221	104	90
Effective tax rate	—	—	—

As at 30 June 2015, the Group has no unused tax losses (30 June 2014: Nil) available for offset against future profits.

6. DIVIDEND

The Board of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2015 (30 June 2014: Nil).

Notes to the Financial Information

7. LOSS PER SHARE

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

	Six months ended		Year ended
	30 June 2015 US\$'000	30 June 2014 US\$'000	31 December 2014 US\$'000
Numerator			
Basic/Diluted: Net loss	(1,341)	(632)	(545)
	Number of shares		
	'000	'000	'000
Denominator			
Basic: Weighted average shares	191,959	127,207	159,663
Effect of diluted securities:			
Share options	225	225	225
Warrant	–	13,621	465
Diluted: Adjusted weighted average shares	192,184	141,053	160,353

For the six months ended 30 June 2015 and 2014, the share options are anti-dilutive and therefore the weighted average shares in issue are 191,959,181 and 140,827,552 respectively.

The earnings per share calculation for the period to 30 June 2014 is restated from a loss of US¢0.05 for basic loss per share and US¢0.04 for diluted loss per share to US¢0.50 and US¢0.45 respectively to reflect the share consolidation on 11 July 2014. In which a reorganisation of the existing ordinary shares was proposed whereby every 10 existing ordinary shares, whether issued or unissued, was consolidated into one new ordinary share.

Notes to the Financial Information

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

	30 June 2015 US\$'000	30 June 2014 US\$'000	31 December 2014 US\$'000
At the beginning of the period	117,576	22,637	22,637
Fair value changes through profit and loss	(450)	858	1,965
Addition	653	92,722	92,974
Disposals	(3,940)	–	–
At the end of the period	<u>113,839</u>	<u>116,217</u>	<u>117,576</u>

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

	30 June 2015 US\$'000	30 June 2014 US\$'000	31 December 2014 US\$'000
Market value at the beginning of the period	–	684	684
Profit on disposal during the period	–	–	238
Amounts realised during the period	–	(647)	(846)
Decrease in fair value recognised in profit or loss	–	(37)	(76)
Balance at the end of the period	<u>–</u>	<u>–</u>	<u>–</u>

As at 30 June 2015, the Group has no quoted financial assets at fair value through profit or loss (30 June 2014: Nil) were pledged under a securities margin account.

Notes to the Financial Information

10. SHARE CAPITAL

	Number of Shares	Amount US\$'000
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2014	191,942,420	129,528
Ordinary shares issued for cash on 18 February 2015	<u>24,664</u>	<u>15</u>
Authorised, called-up and fully paid ordinary shares of no par value each at 30 June 2015	<u><u>191,967,084</u></u>	<u><u>129,543</u></u>

On 18 February 2015, the Directors issued and allotted 24,664 new ordinary shares of no par value each for consideration of US\$14,798 in respect of exercise notices of warrant received at a price of US\$0.60 each.

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.

Notes to the Financial Information

11. 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 30 June 2015 US\$'000	As at 30 June 2014 US\$'000	As at 31 December 2014 US\$'000
Level 3			
Unquoted financial assets at fair value through profit or loss (note 8)	113,839	116,217	117,576
	<u>113,839</u>	<u>116,217</u>	<u>117,576</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

12. RELATED PARTY TRANSACTIONS

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

	Note	30 June 2015 US\$'000	30 June 2014 US\$'000	31 December 2014 US\$'000
Amount due to Directors	(i)			
– Conor MacNamara		4	25	4
– Ernest Wong Yiu Kit		2	13	4
– John Croft		9	51	8
Amount due from Adamas Global Alternative Investment Management Inc.		4	–	16
Period-end balance arising from sales/purchases of services Management fee to Investment Manager	(ii)	787	427	1,106
Loan from related party	(iii)			
As 1 January		2,411	–	–
Loans borrowed		–	2,400	2,400
Interest charged		108	8	119
Interest paid		(108)	–	(108)
As end of period		2,411	2,408	2,411

- (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. is the Investment Manager of the Group. The management fee which is 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) As at 30 June 2015, loan payables and interest payables predominantly represent principal loan amount and interest due to Elypsis Solution Limited ("Elypsis"). The amount due to Elypsis is interest bearing at 9% per annum.

Notes to the Financial Information

13. EVENTS AFTER THE REPORTING PERIOD

Disposal of interest in Global Pharm

Under the redemption agreement announced on 18 December 2014, the Company was due to receive an initial payment of US\$2.4 million on 31 December 2014, a further US\$9 million on 31 March 2015 and a final payment of US\$13.6 million on 30 April 2015, an aggregate of US\$25 million. The initial payment was received, but the second and third payments were not made in accordance with the agreement. The Company has now received four payments of US\$0.75 million which have been offset against the US\$9 million which was due on 31 March 2015. Overdue amounts from the two payments due on 31 March 2015 and 30 April 2015 are subject to penalty interest of 26% per annum, compounded on a daily basis. The Company's Investment Manager, Adamas Global Alternative Investment Management Inc., remains in discussions with Global Pharm to resolve the matter and agree a revised redemption schedule.

14. COPIES OF THE INTERIM REPORT

The interim report is available for download from www.adamasfinance.com.



ADAMAS FINANCE ASIA LIMITED