



Interim Report  
**2016**

  
**ADAMAS**  
**FINANCE ASIA**

**ADAMAS FINANCE ASIA LIMITED**



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# Highlights

- 20% increase in dividend and loan income to US\$336,000 (H1 2015: US\$280,000)
- Unrealised fair value gain on asset portfolio of US\$280,000 (H1 2015: unrealised loss US\$450,000)
- Narrowed loss of US\$454,000 (H1 2015: US\$1.34 million)
- Cash receipt of US\$755,000 as part payment from divested asset interest
- Consolidated loss per share of US\$0.24 (H1 2015: US\$0.70)
- Consolidated NAV at 30 June 2016 of US\$114.5 million (31 December 2015: US\$117.5 million)

Adamas Finance Asia Chairman, John Croft commented: "Overall, while ADAM has been held back by delays in the disposal of its legacy asset portfolio, the Company continued through the first half to receive good returns from the small amounts of capital it has been able to invest in income generating assets to date. Furthermore, I am hopeful that during the second half of 2016 the Company will be in a position to announce further progress on the reshaping of its asset portfolio, which in turn will enable it to move forward more positively with its investing policy. It gives grounds for confidence in the strong potential of the Company's long-term investment strategy, underpinned by the expertise of its advisory team in Hong Kong."

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# Chairman's Statement

Following the steady progress made by ADAM towards achieving its long-term strategic objectives during the course of 2015, I am pleased to report once more that the Company continued moving in the same positive direction over the first six months of the current year. Losses narrowed sharply and cash realisations provided further evidence of the potential for strong and sustainable returns from income-generating investments as the Company's legacy asset portfolio is divested.

Income from existing investments rose during the half year, thanks to increases in both loan interest and dividends, which totalled US\$336,000. In addition, there was an unrealised fair value gain of US\$280,000 on the asset portfolio, which under investment accounting rules is reflected in the Company's income statement. This resulted in narrowed losses of US\$454,000 (H1 2015: US\$1.34 million).

ADAM first announced two years ago that it intended to shift its investment strategy by disposing of a legacy portfolio injected during the reverse takeover in February 2014, so that it could use the funds realised to invest in income-generating financing opportunities. The objective is to generate cash that will eventually yield regular dividends for shareholders. Accordingly, shareholders initially approved an amendment to the Company's Investing Policy in April 2015, allowing investment to be made into funds such as the Greater China Credit Fund LP ("GCCF") and the BRJ China Credit Fund ("BRJ"). Both of these funds have a track record of regular cash distributions, and both are overseen by the Company's investment adviser in Hong Kong, Adamas Asset Management (HK) Limited ("Adamas"). Adamas manages the funds to provide loan and structured-finance capital to high-growth Chinese SMEs, and has an enviable track record of achieving average internal rates of return of well above 20% thanks to its stringent approach to due diligence, legal safeguards, hands-on involvement, and an insistence on robust and realisable collateral. ADAM has previously invested in both funds, but because it is still working to realise the asset disposals that will allow it to substantially implement its revised Investing Policy, the returns to date have been relatively modest. A small but important development was announced shortly after the end of the half year, namely consent was gained from shareholders for an extension to the policy amendment at the Company's Annual General Meeting in July.

# Chairman's Statement

I acknowledged in my report for the financial year 2015, published in June, that while investing in China is not easy, the track record of the Adamas team in Hong Kong should not be overlooked. A further example of this followed less than a week later, on 28 June, when the Company reported it had received full repayment, plus interest of 10% per annum, at the end of a two-year term on a loan of US\$2.4 million to Changtai Jinhongbang Real Estate Development Co., Ltd, a company in which ADAM holds an indirect 15% interest. Funds enabling ADAM to make the loan had been provided by Elypsis Solutions Limited, the Company's major shareholder, by means of a loan with a coupon of 9% per annum, payable six monthly. That was also repaid by the Company during the half.

That positive development was followed a week later by the further news that the GCCF, an investment vehicle established by Adamas into which ADAM has now invested US\$4.0 million, had achieved a successful exit from Project Media, with a gross internal rate of return of 22.2%. Project Media was a bridging-finance investment project. ADAM initially invested US\$1 million in GCCF in August 2013, and followed that with a US\$800,000 in BRJ the following year. The two funds produced cash returns equating to a 9% annual yield in 2015 and have a track record of regular cash distributions.

During the first half, ADAM also received a cash payment of US\$755,000 following the sale of a key investment vehicle out of BRJ and into GCCF, with a further US\$84,000 expected to complete the settlement during the fourth quarter. This supplemented the Company's December 2015 year-end cash balance of US\$3.6 million, enabling it to invest a further US\$3 million into GCCF during March.

The strong returns from both of these fund investments provide clear evidence of the potential for further growth once the Company's legacy asset portfolio can be crystallised into funding for similar cash-generating investments in the future. Unfortunately, the first half opened for ADAM with a disappointing setback to its disposal plans, on the news that one of its holdings, Hong Kong Mining Holdings Ltd ("HKMH"), the owner of a large dolomite magnesium limestone mine in Shanxi Province, China, would not be proceeding with a planned IPO on the Hong Kong Stock Exchange. I provide more detail on HKMH below, along with the Company's other legacy assets, but advised by the Adamas team in Hong Kong the Board continues to explore options for an alternative exit from HKMH.

Negotiations continued throughout the first half for an agreement on a revised schedule for payments from Global Pharm Holdings Group Inc. ("Global Pharm"), another holding in the Company's legacy asset portfolio. The Company announced in December 2014 the redemption of a convertible bond for an agreed payment of US\$25 million. So far, only US\$5.9 million has been received, leaving an outstanding balance of US\$19.1 million, plus interest.

# Chairman's Statement

ADAM announced in April that while a resumption of the outstanding redemption payments would depend on Global Pharm's working capital requirements, Adamas in Hong Kong – which holds a seat on the Global Pharm Board – has remained in close discussions about a revised schedule.

It is worth noting on this point that the Adamas team has developed an impressive record of managing difficult situations in the Chinese investment market. As I have reported before, the Adamas team has to date provided finance to 69 SMEs within China, with 64 successful exits, while it has needed to resolve only five delays in repayments of principal or interest. The delays incurred on payments from Global Pharm to the Company are subject to agreed penalties, in addition to outstanding interest, accrued on a daily basis.

HKMH and Global Pharm are only two of the legacy assets for which the Board is pursuing divestment plans. The current principal assets are detailed below:

## Current portfolio

The principal assets held by the Company are:

Principal Assets	Effective Interest	Instrument type	Valuation as at 30 June 2016 US\$ million
Changtai Jinhongbang Real Estate Development Co. Ltd	15.00%	Structured equity	48.4
Global Pharm Holdings Group Inc	–	Redeemable convertible bond	19.1
Fortel Technology Holdings Limited	33.60%	Structured equity	11.3
Hong Kong Mining Holdings Limited	10.95%	Structured equity	8.8
Meize Energy Industrial Holdings Ltd	7.9%	Redeemable convertible preference shares	8.3
			<u>95.9</u>

# Chairman's Statement

**Changtai Jinhongbang Real Estate Development Co. Ltd ("CJRE")** is the owner of a luxury resort and residential development project in Xiamen, Eastern China. Sales of villas and serviced apartments have continued, albeit at a slow pace, and the company booked non-operating income of RMB8.8 million (approx. US\$1.32 million) in the first half of 2016 which was rental paid by China United Travel for the lease of the hotel premises in sector A-01. As a result, cash on hand rose to RMB9.5 million (approx. US\$1.42 million) in June 2016 from RMB0.9 million (approx. US\$135,000) in December 2015. As mentioned above, CJRE repaid in full a loan of US\$2.4 million and accrued interest to ADAM in June 2016. The investment team continues to seek buyers for the Company's stake in the project.

**Global Pharm Holdings Group Inc. ("Global Pharm")** is a pharmaceutical company involved in 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 agreed in December 2014. Global Pharm has been investing in the planned launch of an online Ginseng Exchange in Jilin Province. This resulted in its cash flow being adversely impacted as it invested in building a stockpile of ginseng in readiness for the launch of the exchange. The launch was held back by the delayed receipt of the necessary operating licence from the Jilin Municipal Financial Services Office. This has now been issued, and Adamas is in negotiations with Global Pharm to agree a revised repayment schedule. I anticipate the Company will be in a position to announce further details in the near future.

**Fortel Technology Holdings Limited ("Fortel")** has developed an integrated distribution platform for both content providers and consumers to sell and purchase premium digital content. As mentioned in the 2015 Annual Report Fortel is planning an IPO for its Chinese subsidiary on the NEEQ exchange in Beijing. Fortel's application has been accepted by the exchange subject to certain conditions. In order to facilitate the listing process ADAM is currently restructuring its stake in Fortel from an equity holding to an interest bearing loan. I hope to be able to announce further details of this in the near future.

**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's application to list on the Hong Kong Exchange was rejected by the exchange as previously advised. ADAM's investment management team is seeking buyers for its stake.

**Meize Energy Industries Holdings Limited ("Meize")** is a privately-owned company that designs and manufactures blades for wind turbines. It has a strong order book and its financial performance has been in line with expectations. ADAM is in discussions with two new strategic investors from China's State Owned Enterprise sector. As part of those discussions Adamas is negotiating alternatives to enable ADAM to dispose of its stake either in whole or in part.

# Chairman's Statement

Overall, while ADAM has been held back by delays in the disposal of its legacy asset portfolio, the Company continued through the first half to receive good returns from the small amounts of capital it has been able to invest in income generating assets to date. Furthermore, I am hopeful that during the second half of 2016, the Company will be in a position to announce further progress on the reshaping of its asset portfolio, which in turn will enable it to move forward more positively with its investing policy. It gives grounds for confidence in the strong potential of the Company's long-term investment strategy, underpinned by the expertise of its advisory team in Hong Kong.

**John Croft**

*Chairman*



# Condensed Consolidated Statement of Comprehensive Income

		Six months ended		Year ended
		30 June	30 June	31 December
		2016	2015	2015
	Note	Unaudited	Unaudited	Audited
		US\$'000	US\$'000	US\$'000
Realised gain on disposal of investments		5	–	–
Fair value changes on financial assets at fair value through profit or loss		280	(450)	(2,265)
Administrative expenses		(1,075)	(1,171)	(2,306)
<b>Operating loss</b>		<b>(790)</b>	<b>(1,621)</b>	<b>(4,571)</b>
Net finance income		136	126	251
Dividend income		200	154	404
<b>Loss before taxation</b>		<b>(454)</b>	<b>(1,341)</b>	<b>(3,916)</b>
Taxation	5	–	–	–
<b>Loss for the period</b>		<b>(454)</b>	<b>(1,341)</b>	<b>(3,916)</b>
Total comprehensive loss for the period		(454)	(1,341)	(3,916)
<b>Loss per share</b>	7			
Basic		<u>0.24 cents</u>	<u>0.70 cents</u>	<u>2.02 cents</u>
Diluted		<u>0.24 cents</u>	<u>0.70 cents</u>	<u>2.02 cents</u>

The results above relate to continuing operations.

# Condensed Consolidated Statement of Financial Position

	Note	30 June 2016 Unaudited US\$'000	30 June 2015 Unaudited US\$'000	31 December 2015 Audited US\$'000
<b>Assets</b>				
Unquoted financial assets at fair value through profit or loss	8	110,091	113,839	110,593
Loans and other receivables		3,749	3,587	3,496
Cash and cash equivalents		869	2,740	3,644
<b>Total assets</b>		<u>114,709</u>	<u>120,166</u>	<u>117,733</u>
<b>Liabilities</b>				
Loan payables and interest payables		–	2,411	2,518
Other payables and accruals		211	228	263
<b>Total liabilities</b>		<u>211</u>	<u>2,639</u>	<u>2,781</u>
<b>Net assets</b>		<u>114,498</u>	<u>117,527</u>	<u>114,952</u>
<b>Equity and reserves</b>				
Share capital	9	129,543	129,543	129,543
Share based payment reserve		1	42	1
Accumulated losses		(15,046)	(12,058)	(14,592)
<b>Total equity and reserves attributable to owners of the parent</b>		<u>114,498</u>	<u>117,527</u>	<u>114,952</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 US\$'000	Total US\$'000
Group balance at 1 January 2015	129,528	42	–	(10,717)	118,853
Loss for the period	–	–	–	(1,341)	(1,341)
<b>Other comprehensive expense</b>					
Total comprehensive expense for the period	–	–	–	(1,341)	(1,341)
Issue of shares	15	–	–	–	15
Group balance at 30 June 2015	<u>129,543</u>	<u>42</u>	<u>–</u>	<u>(12,058)</u>	<u>117,527</u>
Loss for the period	–	–	–	(2,575)	(2,575)
<b>Other comprehensive expense</b>					
Total comprehensive expense for the period	–	–	–	(2,575)	(2,575)
Share-based payments	–	(41)	–	41	–
Group balance at 31 December 2015	<u>129,543</u>	<u>1</u>	<u>–</u>	<u>(14,592)</u>	<u>114,952</u>
Loss for the period	–	–	–	(454)	(454)
<b>Other comprehensive expense</b>					
Total comprehensive expense for the period	–	–	–	(454)	(454)
Group balance at 30 June 2016	<u>129,543</u>	<u>1</u>	<u>–</u>	<u>(15,046)</u>	<u>114,498</u>

# Condensed Consolidated Statement of Cash Flows

	Six months ended		Year ended
	30 June 2016 Unaudited US\$'000	30 June 2015 Unaudited US\$'000	31 December 2015 Audited US\$'000
<b><i>Cash flow from operating activities</i></b>			
Loss before taxation	(454)	(1,341)	(3,916)
Adjustments for:			
Dividend Income	(200)	(154)	(404)
Net finance income	(136)	(126)	(251)
Fair value changes on unquoted financial assets at fair value through profit or loss	(280)	450	2,265
Realised gain on disposal of investment	(5)	–	–
Decrease in other receivables	65	61	431
(Decrease)/increase in other payables and accruals	(52)	44	79
<b>Net cash used in operating activities</b>	<b>(1,062)</b>	<b>(1,066)</b>	<b>(1,796)</b>

# Condensed Consolidated Statement of Cash Flows

	Six months ended		Year ended
	30 June 2016 Unaudited US\$'000	30 June 2015 Unaudited US\$'000	31 December 2015 Audited US\$'000
<b><i>Cash flow from investing activities</i></b>			
Dividend income received	200	120	324
Proceed received from unquoted financial assets at fair value through profit or loss	2,508	–	–
Purchase of unquoted financial assets at fair value through profit and loss	(2,560)	–	(440)
Loans granted	–	(653)	(655)
Disposal of investment in BRJ Credit Fund	755	–	–
Proceeds from repayment of loan granted	–	3,940	5,813
<b>Net cash generated from investing activities</b>	<b>903</b>	<b>3,407</b>	<b>5,042</b>
<b><i>Cash flows from financing activities</i></b>			
Net finance income received	(216)	(108)	(109)
Loans repaid	(2,400)	–	–
Net proceeds from issue of shares	–	15	15
<b>Net cash used in financing activity</b>	<b>(2,616)</b>	<b>(93)</b>	<b>(94)</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents during the period</b>	<b>(2,775)</b>	<b>2,248</b>	<b>3,152</b>
<b>Cash &amp; cash equivalents at the beginning of the period</b>	<b>3,644</b>	<b>492</b>	<b>492</b>
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>869</b>	<b>2,740</b>	<b>3,644</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 luxury resorts real estate, pharmaceutical, mining, power generation, telecommunications, media and technology (“TMT”), and financial services or listed assets driven by corporate events such as mergers and acquisitions, pre-IPO, or re-structuring of state-owned assets.

The condensed consolidated interim financial information was approved for issue on 9 September 2016.

## 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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015 and are those the Group expects to apply into financial statements for the year ending 31 December 2016.

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			Hong Kong		
	Six months ended		Year ended	Six months ended		Year ended
	30 June	30 June	31 December	30 June	30 June	31 December
	2016	2015	2015	2016	2015	2015
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Realised gain on disposal of investments	5	-	-	-	-	-
Fair value changes on financial assets at fair value through profit or loss	280	(450)	(2,265)	-	-	-
Net financial income	136	126	467	-	-	-
Dividend income	200	154	404	-	-	-

# Notes to the Financial Information

## 5. TAXATION

No charge to taxation arises for the six months ended 30 June 2016 and 2015 as there were no taxable profits in either period.

Tax reconciliation:

	Six months ended		Year ended
	30 June 2016 US\$'000	30 June 2015 US\$'000	31 December 2015 US\$'000
Loss before taxation	(454)	(1,341)	(3,916)
Effective tax charge at 16.5% (2015:16.5%)	(75)	(221)	(646)
Effect of: Differences in overseas taxation rates	75	221	646
Effective tax rate	—	—	—

The effective tax charge is calculated based on the rate of corporate tax in Hong Kong. As at 30 June 2016, the Group has no unused tax losses (30 June 2015: Nil) available for offset against future profits.

## 6. DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 (30 June 2015: 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 2016 US\$'000	30 June 2015 US\$'000	31 December 2015 US\$'000
<b>Numerator</b>			
Basic/Diluted: Net loss	(454)	(1,341)	(3,916)
		<b>Number of shares</b>	
	'000	'000	'000
<b>Denominator</b>			
Basic: Weighted average shares	191,967	191,959	191,963
Effect of diluted securities: Share options	150	225	150
Diluted: Adjusted weighted average shares	192,117	192,184	192,113

For the six months ended 30 June 2016 and 2015, the share options are anti-dilutive and therefore the weighted average shares in issue are 191,967,084 and 191,959,181 respectively.

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

	30 June 2016 US\$'000	30 June 2015 US\$'000	31 December 2015 US\$'000
At the beginning of the period	110,593	117,576	117,576
Fair value changes through profit and loss	280	(450)	(2,265)
Addition	2,560	653	1,097
Disposals	(3,342)	(3,940)	(5,815)
At the end of the period	110,091	113,839	110,593

# Notes to the Financial Information

## 9. SHARE CAPITAL

	Number of Shares	Amount US\$'000
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2015 and 30 June 2016	191,967,084	129,543

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.

## 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 30 June 2016 US\$'000	As at 30 June 2015 US\$'000	As at 31 December 2015 US\$'000
<b>Level 3</b>			
Unquoted financial assets at fair value through profit or loss (note 8)	110,091	113,839	110,593
	110,091	113,839	110,593

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:

	Note	30 June 2016 US\$'000	30 June 2015 US\$'000	31 December 2015 US\$'000
Amount due to Directors	(i)			
– Conor MacNamara		3	4	4
– Ernest Wong Yiu Kit		2	2	2
– John Croft		7	9	7
Amount due from Adamas Global Alternative Investment Management Inc.		49	4	27
Period-end balance arising from sales/purchases of services				
Management fee to Investment Manager	(ii)	609	787	1,449

(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.

## 12. COPIES OF THE INTERIM REPORT

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



**ADAMAS FINANCE ASIA LIMITED**

