



ADAMAS FINANCE ASIA LIMITED



Interim Report
2020

Highlights

21 August 2020

ADAMAS FINANCE ASIA LIMITED

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

INTERIM CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Adamas Finance Asia Limited (AIM: ADAM), the London quoted pan-Asian diversified investment vehicle focused on providing shareholders with attractive uncorrelated, risk adjusted long-term returns, is pleased to announce its interim results for the six months ended 30 June 2020.

Financial Highlights:

- Total income decreased to US\$1.19 million from interest payments and fair value adjustments (H1 2019: US\$1.25 million).
- Net loss of US\$0.70 million (H1 2019: US\$0.16 million). The core drivers of the net loss are a US\$322K Expected Credit Loss ("ECL") provision established in relation to the FLM Holdings investment and a US\$179K finance expense, related to the interest payable on the Company's corporate bond.
- Consolidated loss per share (basic) of US\$0.69 cents (H1 2019: US\$0.18 cents).
- Consolidated NAV at 30 June 2020 decreased 0.69% to US\$100.2 million/GBP81.1 million (31 December 2019: US\$100.9 million/GBP75.7 million). The decrease in NAV stems from a decrease in cash.
- NAV per share at 30 June 2020 decreased to US\$0.95 (GBP0.75) (30 June 2019 US\$1.08/GBP0.84).
- Period end cash position of US\$3.0 million (30 June 2019: US\$5.4 million).

Investment and Operational Highlights:

- Future Metal Holdings Limited (“Future Metal”)
 - o A variety of key on-site infrastructure projects were completed in Q2 2020. This includes land hardening and the installation of a fully enclosed steel structure.
 - o Quarry operations resumed in mid-March 2020 after a temporary pause due to the pandemic. Production resumed in June 2020, which is expected to continue for the remainder of this year and beyond.
 - o The business applied for a new mining licence. Post the reporting period, on 6 August 2020, the licence was issued by the local Ministry of Natural Resources. The licence is valid for three years and permits a maximum annual dolomite production capacity of 300,000 tonnes.
 - o The local management team is now focused on generating sales for the quarry’s product to domestic construction companies as the local economy gradually recovers from the effects of recent events.
 - o The first financial guidance for the quarry for the 2020 year is likely to be provided in September as recently announced.
- DocDoc Pte Ltd (“DocDoc”)
 - o In June 2020, DocDoc entered a revenue-sharing partnership with Kaitaming Technology, a leading insurance agent platform, to expand its reach into China.
- Meize Energy Industries Holdings Limited (“Meize”)
 - o The Ningxia wind turbine manufacturing plant has been operating at full capacity since April 2020.
 - o The Inner Mongolia wind turbine manufacturing plant has been operating at full capacity since May 2020.
 - o During the period, Meize began building a third plant in Jiangsu province, enabling it to diversify its operations from supplying onshore wind turbine blades into supplying blades for offshore wind turbines.

Highlights

- Infinity TNP
 - In January 2020, Infinity TNP's asset, Tellus Niseko, achieved an average occupancy of between 80% to 90%, well within management's expectations. However, as a result of COVID-19, tourism dropped sharply due to international travel bans. In turn, management implemented a series of cost-saving measures as well as safety and hygiene controls at the property. Post the reporting period, Tellus Niseko is planning to reopen for bookings for the upcoming Winter season from September.
- Fundraising
 - The Company successfully raised gross proceeds of US\$1.7 million through a new subscription to its corporate bond from High Net Worth Individuals and Family Offices in the Middle East. To date, total subscriptions to the corporate bond are c.US\$3.6 million.
 - Post the reporting period, ADAM launched an Open Offer and placing to raise GBP3.13million (US\$3.8 million) through the issue of new ordinary shares with the net proceeds used to enhance further its balance sheet and to enable it to pursue a wide range of investment prospects across a number of sectors which are currently under review. The Company has received binding commitments in relation to the placing for the full value of the offer. The result of the Open Offer is expected to be announced by the Company on or around 24 August 2020.
- Other post-reporting date activities
 - ADAM has registered with the Dubai International Financial Centre, enabling the Company to undertake increased promotional activities within the United Arab Emirates.
 - On 18 August 2020, ADAM announced its intention to utilise its Share Buyback Programme, originally announced in February 2019, to enter the market when opportunities arise to purchase shares at attractive levels.
 - On 5 August 2020, the shareholders of the Company approved the change of its name to Jade Road Investments Limited. The Company is currently ensuring that the necessary approvals are received from regulatory bodies and will announce when the name change becomes effective.

Chairman of Adamas Finance Asia, John Croft, commented:

“The Company’s portfolio has remained resilient in the face of the headwinds created by COVID-19, with the underlying valuations being mostly unaffected. The Company is confident in the current valuations moving forward mainly because ADAM’s investments are consistently structured with downside protection, as well as their diversified nature, and their location in a region which has learned well from previous outbreaks and is now reopening and recovering.

Nevertheless, as with most businesses globally, many of the companies that represent our investment portfolio have in some way been affected in the first half of 2020 by COVID-19 either by lower than expected income or delays resulting from lockdown situations in different countries. Our companies have reacted to protect their businesses by lowering costs and taking measures to diversify revenue sources where possible. Notwithstanding these initiatives, we have observed that the overall impact of the pandemic in Asia applied across almost all countries and all sectors. Our current expectation is that as the effects of the pandemic recede across the region towards the end of 2020 and into 2021, the underlying investments in our portfolio will in turn experience improved operating conditions.

The Company’s fundraising capabilities were demonstrated during the period with ADAM successfully raising a further US\$1.7 million through ADAM’s corporate bond. The Company also undertook, post the reporting period, its first equity raise by way of Open Offer and Placing to raise GBP3.13 million (US\$3.8 million) through the issue of new ordinary shares. The Company has received binding commitments to the placing for the full value of the offer.

The Company’s investment manager, Harmony Capital Investors Limited, is continuing to see an increasing number of attractive investment opportunities providing similar yields to previous investments the Company has made. The Company believes that COVID-19 further exacerbates the inability for high growth SMEs to access capital, ultimately reinforcing the Company’s ability to invest in strong, well-managed but capital-starved companies.

The Board remains cautious during the COVID-19 pandemic, but it is confident in the outlook for the Company and of delivering value for its shareholders in the longer term.

For further information on ADAM, please visit the Company’s website at <http://adamasfinance.com> and follow the Company on Twitter (@AdamasFinance).

Highlights

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About Adamas Finance Asia

Adamas Finance Asia Limited is quoted on the AIM Market of the London Stock Exchange and is committed to providing shareholders with attractive uncorrelated, risk adjusted long-term returns from a combination of realising sustainable capital growth and delivering dividend income.

The Company is focused on providing growth capital and financing to emerging and established Small and Medium Enterprises (SME) sector throughout Asia, well diversified by national geographies, instruments and asset classes. This vital segment of the economy is underserved by the traditional banking industry for regulatory and structural reasons.

The Company's investment manager, Harmony Capital, seeks to capitalise on its team's established investment expertise and broad networks across Asia. Through rigorous diligence and disciplined risk management, Harmony Capital is dedicated to delivering attractive income and capital growth for shareholders with significant downside protection through selectively investing in assets and proactively managing them.

Harmony Capital is predominately sourcing private opportunities and continues to create a strong pipeline of attractive income generating assets from potential investments in growth sectors across Asia, including healthcare, fintech, hospitality, IT and property.

Chairman's Statement

As with most businesses globally, the first half of 2020 has been dominated by COVID-19 and its effect on businesses and peoples' lives. Many of the companies that represent our investment portfolio have in some way been affected either by lower than expected income, or delays resulting from lockdown situations in different countries.

However our view is that the long term values of the underlying businesses and the carrying value of our investments remain largely unaffected either due to how an investment may have been structured, specifically with downside protection in mind, or because a business can mitigate against short term adverse market conditions.

We continue to monitor each of our portfolio companies closely, which reflects our hands on approach to investment management, and will take appropriate steps to protect our position when and where appropriate.

FLM Holdings, the high end restaurant business in Hong Kong, has suffered from reduced income caused by last year's protests and now the imposed lockdowns, which have affected all hospitality businesses in the region to varying degrees. FLM has faced some periods of complete closure, and others of restricted operations. Currently restaurants in Hong Kong may only open until 6 p.m., meaning no dinner trade, and when open, only groups of 2 diners may sit together. This has clearly affected cash flows and the business's ability to service its debts to the extent that some interest payments are now well overdue.

We are working closely with the business owners to provide additional security coverage for our exposure. In the meantime, we remain confident that this very well-known 70 year old family run business, which has faced many past crises like SARS and Bird Flu, will emerge from the current crisis in good shape, but in the meantime, in line with our policy on taking provisions on overdue payments, we have made a provision of US\$322K against our half year income.

Future Metal Holdings Limited, our dolomite quarry in northern China, had some delays in production caused by the total lockdown in China in the early months of 2020, but has now resumed operations. Progress has been made in the interim on improving the infrastructure at the site, and recently the Chinese authorities granted a three year renewal to the mining license.

Our projects in Niseko, Japan, have also experienced lower than normal revenues owing to regional and global travel restrictions but we are confident that the underlying value of our investments remain unaffected as we anticipate Niseko will remain a popular destination for upmarket travel once tourism levels return to normal.

Chairman's Statement

A fuller description of progress at our principal portfolio companies is provided later in this statement.

We have taken a very cautious approach to new investments during the first half of the year, because of the prevailing uncertainty, however we are seeing a high number of very high quality investment opportunities, as a lot of great businesses in the SME space with exciting growth prospects continue to be starved of capital from traditional sources like the banking sector, which leaves us well placed to negotiate very attractive terms for new investments to the benefit of our shareholders.

Underpinning this cautious approach, has seen us focusing on improving the Company's cash position to take advantage of some of the best investment opportunities presented to us. During the period, we raised a further US\$1.7 million via our corporate bond offering. After the reporting period, in July we announced that we had launched a fully underwritten Open Offer and Placement to raise approximately GBP3.13 million (US\$3.8 million), which represents the Company's first ever equity raise since its re-admission to AIM in early 2014. The Company has received binding commitments to the placing for the full value of the offer, with the results expected to be announced by the Company on 24 August 2020.

Our focus for the remainder of 2020 will be on closely monitoring progress at our portfolio companies, which we expect to start to benefit from the gradual reduction of the effects of COVID-19. The economies in Asia generally and China in particular have begun to move back towards normality and we hope that this will provide a basis for a return to economic growth in the region in 2021.

The Board remains cautious during the COVID-19 pandemic, but it is confident in the outlook for the Company and of delivering value for its shareholders in the longer term.

Chairman's Statement

The principal assets as at 30 June 2020 are detailed below:

Principal assets	Effective interest%	Instrument type	Valuation at	Credit income	Credit investment	Cash receipts	Equity investment/	Fair value adjustment	Provision	Valuation at
			31 December				other			30 June
			2019				movement			2020
			US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
FLM Holdings	-	Convertible Bond	27.5	0.6	-	-	-	-	(0.3)	27.8
Future Metal Holdings Limited	84.8	Structured Equity	44.7	0.3	0.2	-	0.1	-	-	45.3
Meize Energy Industrial Holdings Ltd	7.9	Redeemable convertible preference shares	8.2	-	-	-	-	-	-	8.2
DocDoc Pte Ltd	-	Convertible Bond	2.2	0.1	-	-	-	-	-	2.3
Infinity Capital Group	-	Secured Loan Notes	2.1	0.2	-	(0.1)	-	-	-	2.2
Infinity TNP	40	Equity	7.3	-	-	-	-	-	-	7.3
GCCF & Other investments	-		8.9	-	-	-	(0.1)	-	-	8.8
Corporate debt	-		(1.9)	-	-	(1.7)	0.1	-	-	(3.5)
Other liabilities	-		(2.2)	-	-	-	1.0	-	-	(1.2)
Cash			4.1	-	(0.2)	1.8	(2.7)	-	-	3.0
Total Net Asset Value			100.9	1.2	-	-	(1.6)	-	(0.3)	100.2

Chairman's Statement

Future Metal Holdings Limited ("FMH")

FMH recommenced production at the end of December 2019. In early 2020, quarry operations paused temporarily due to the COVID-19 pandemic. During Q1 2020, the Quarry commenced the construction of a steel structure to enclose its stockpile site as well as the process of land hardening to comply with the local environmental requirements. Both the land hardening and the enclosed structure construction were completed around the end of Q2 2020.

Due to the two construction projects, production had been suspended between April and May 2020. The Quarry resumed production on 10 June 2020.

The existing Mining Licence was originally scheduled to be renewed during Q1 2020. However, due to COVID-19, the Linfen City Ministry of Natural Resources granted a 3-month extension. The renewed Mining Licence was subsequently issued on the 6 August 2020.

The local management team also initiated an application for the Work Safety Permit from the Ministry of Emergency Management. After an initial on-site assessment by a group of emergency management experts on 27 April 2020 and the subsequent implementation of the feedback by the local management team, the application for the Work Safety Permit was submitted to the Linfen City Ministry of Emergency Management in May 2020. The application process has been completed and the permit is expected to be issued in Q3 2020.

As of 30 June 2020, including loan disbursements provided by the Company to FMH and its subsidiaries as well as accrued PIK interest, the estimated fair value of its investment is US\$45.3 million.

FLM Holdings ("FLM")

After receiving its One Michelin Star in late 2019, Fook Lam Moon was subsequently named in the Top 10 Chinese Restaurants of the World in a dining guide published by author and wine critic, Ch'ng Poh Tiong, in late March 2020.

Although Fook Lam Moon and its branch restaurants have been affected by the COVID-19 pandemic and the resulting social distancing measures in most public places across Hong Kong, management has taken active steps to safeguard the health of guests and staff, including regular disinfection of all dining rooms and dining utensils as well as the installation of additional private dining areas for guests' usage. The restaurants have also since engaged online food distribution channels in an effort to increase guests' accessibility to its food and beverage offerings.

Chairman's Statement

Meize Energy Industries Holdings Limited ("Meize")

Meize is a privately-owned company that designs and manufactures blades for wind turbines. Meize has two production plants in China, located in Inner Mongolia and Ningxia Province respectively. As affected by the outbreak of the COVID-19 pandemic in Mainland China, the Inner Mongolia plant operated at a low capacity in February 2020 and raised to full capacity in May and June 2020. The Ningxia plant resumed operations at the end of February 2020 and has continued to operate at full capacity since April 2020. Meize is also building a third plant in Jiangsu Province. The construction of the necessary infrastructure and power for the new plant is on schedule and it is expected to start production in August 2020.

Infinity TNP

The residential section of Tellus Niseko begun welcoming guests in January 2020. During January, average occupancy at the property was between 80% and 90%, which was in line with management's expectations. However, occupancy levels at Tellus Niseko after January 2020 were negatively impacted by the spread of COVID-19 in Japan and as tourism from Greater China and other parts of the world dropped sharply due to international travel bans.

The local management team at Tellus Niseko has been monitoring the situation in Japan closely and has implemented a series of cost-saving measures as well as safety and hygiene controls at the property. A gradual reopening of Japan's borders for international travel is currently being prepared, focussed towards countries where the COVID-19 has been contained or which have important ties to Japan. In line with this, the management expects the revival of local tourism once travellers are able to return to the region. The local team has already been planning marketing campaigns in preparation for the 2020/2021 winter season.

Infinity Capital Group Limited ("ICG")

As the COVID-19 pandemic continues to impact Japan and the Hokkaido region, ICG is working closely with the local management to monitor the domestic property market and the local market's response to the pandemic, including construction project planning as well as potential movements in property prices. Management has also put in place a series of inspection and monitoring measures similar to most other hotel properties in the region due to the impact of the global pandemic.

Chairman's Statement

DocDoc Pte Ltd. ("DocDoc")

DocDoc is a Singapore-headquartered online network of over 23,000 doctors, 600 clinics and 100 hospitals serving a wide array of specialties. It uses artificial intelligence, cutting-edge clinical informatics and proprietary data to connect patients to doctors which fit their needs at an affordable price. In June 2020, DocDoc announced a partnership with Kaitaiming Technology ("KTM"), an insurance agent platform, to expand its reach into China. The partnership is the gateway into the lucrative Chinese market for DocDoc where, through the KTM platform, it will offer its doctor discovery services to the policyholders of China's leading insurance companies.

As of 30 June 2020, the carrying value of the Convertible Bond was US\$2.3 million. An annual coupon of 8% (4.0% cash and 4% Payment-in-Kind) was converted to (8% Payment-in-Kind) as part of negotiation with new investors who entered the business.

John Croft

Chairman

Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June 2020 Unaudited US\$'000	30 June 2019 Unaudited US\$'000	Year ended 31 December 2019 Audited US\$'000
	Note			
Income from unquoted financial assets		525	571	902
Finance income from loans		668	677	1,341
Realised loss on disposal of investments		—	—	—
Gross portfolio income		1,193	1,248	2,243
Fair value changes on financial assets at fair value through profit or loss		(14)	(166)	201
Expected credit loss provision		(322)	—	(237)
Net portfolio income		857	1,082	2,207
Management fees		(900)	(925)	(1,679)
Incentive fees		(40)	—	(1,907)
Administrative expenses		(436)	(314)	(1,296)
Operating loss		(519)	(157)	(2,675)
Finance expense		(179)	—	(98)
Loss before taxation		(698)	(157)	(2,773)
Taxation	5	—	—	—
Other comprehensive expense				
Foreign currency translation differences		—	—	(81)
Loss and total comprehensive expense for the year		(698)	(157)	(2,854)
Loss per share	7			
Basic		(0.69) cents	(0.18) cents	(3.11) cents
Diluted		(0.69) cents	(0.18) cents	(3.11) cents

The results above relate to continuing operations.

Condensed Consolidated Statement of Financial Position

	Note	30 June 2020 Unaudited US\$'000	30 June 2019 Unaudited US\$'000	31 December 2019 Audited US\$'000
Assets				
Unquoted financial assets at fair value through profit or loss	8	68,054	58,119	67,172
Loans and other receivables	8	33,885	33,258	33,720
Cash and cash equivalents		2,996	5,375	4,071
Right of use asset		–	–	34
Total assets		104,935	96,752	104,997
Liabilities				
Other payables and accruals		1,227	231	2,211
Current liabilities		1,227	231	2,211
Loans & borrowings		3,472	–	1,909
Total liabilities		4,699	231	4,120
Net assets		100,236	96,521	100,877
Equity and reserves				
Share capital	10	145,084	137,684	145,027
Treasury share reserve		(671)	–	(671)
Share based payment reserve		2,937	2,555	2,936
Accumulated losses		(47,113)	(43,718)	(46,415)
Total equity and reserves attributable to owners of the parent		100,236	96,521	100,877

Condensed Consolidated Statement of Changes in Equity

	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 2019	134,054	–	2,555	(43,561)	93,048
Loss for the period	–	–	–	(157)	(157)
Other comprehensive income					
Total comprehensive expense for the period	–	–	–	(157)	(157)
Issue of shares	3,759	–	–	–	3,759
Share buy backs	(129)	–	–	–	(129)
Group balance at 30 June 2019	137,684	–	2,555	(43,718)	96,521
Loss for the period	–	–	–	(2,616)	(2,616)
Other comprehensive income	–	–	–	(81)	(81)
Total comprehensive income for the period	–	–	–	(2,854)	(2,854)
Issue of shares	7,343	–	–	–	7,343
Treasury shares acquired	–	(671)	–	–	(671)
Share-based payments	–	–	381	–	381
Group balance at 31 December 2019 and 1 January 2020	145,027	(671)	2,936	(46,415)	100,877
Loss for the period	–	–	–	(698)	(698)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the period	–	–	–	(698)	(698)
Issue of shares	57	–	–	–	57
Share buy backs	–	–	–	–	–
Group balance at 30 June 2020	145,084	(671)	2,936	(47,113)	100,236

Condensed Consolidated Statement of Cash Flows

	Six months ended 30-Jun 2020 Unaudited US\$'000	30-Jun 2019 Unaudited US\$'000	Year ended 31 December 2019 Audited US\$'000
<i>Cash flow from operating activities</i>			
Loss before taxation	(698)	(157)	(2,773)
Adjustments for:			
Finance income	(668)	(677)	(1,341)
Finance expense	179	–	98
Exchange (gain)/loss	19	–	(57)
Depreciation of right of use assets	–	–	4
Fair value changes on unquoted financial assets at fair value through profit or loss	(511)	(571)	(1,103)
Share-based expenses	–	–	381
Decrease/(Increase) in other receivables	408	(3,259)	603
(Decrease)/Increase in other payables and accruals	(1,072)	34	1,925
Net cash used in operating activities	(2,343)	(4,630)	(2,263)
<i>Cash flow from investing activities</i>			
Purchase of unquoted financial assets at fair value through profit and loss	(207)	(2,453)	(1,723)
Loans granted	–	–	(2,000)
Net cash (used in)/generated from investing activities	(207)	(2,453)	(3,723)
<i>Financing activities</i>			
Issue of Shares	–	3,759	–
Share buy backs	–	129	–
Purchase of treasury shares	–	–	(671)
Proceeds from loans and borrowings	1,720	–	1,900
Payment of interest on loans and borrowings	(245)	–	–
Net cash (used in)/generated from financing activities	1,475	3,630	1,229
Net (decrease)/increase in cash & cash equivalents during the period	(1,075)	(3,453)	(4,757)
Cash and cash equivalents and net debt at the beginning of the period	4,071	8,828	8,828
Cash & cash equivalents and net debt at the end of the period	2,996	5,375	4,071

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 19/F., CMA Building, 64 Connaught Road Central, 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 Company 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 21 August 2020.

Notes to the Financial Information

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 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019 and are those the Group expects to apply into financial statements for the year ending 31 December 2020.

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.

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 segment for the periods are as follows:

	Six months ended		Year ended
	30 June	30 June	31 December
	2020	2019	2019
	US\$'000	US\$'000	US\$'000
Income on unquoted financial assets	525	571	902
Financial income on loans & receivables	668	677	1,341
Realised gain/(loss) on disposal	—	—	—
Gross portfolio income	1,192	1,248	2,243
Expected credit loss provision	(322)	—	(237)
Foreign exchange	(14)	(166)	67
Equity fair value adjustments	—	—	134
Portfolio income through profit or loss	857	1,082	2,207

Notes to the Financial Information

4. SEGMENT INFORMATION (Continued)

The impact of fair value changes on the investments in the portfolio are as follows:

	Six months ended 30 June 2020 US\$'000	30 June 2019 US\$'000	Year ended 31 December 2019 US\$'000
Income on unquoted financial assets through profit or loss	525	571	902
Equity fair value adjustments:			
– FMHL	–	–	14
– ICG	–	–	120
	–	–	134
Foreign exchange	(14)	(166)	67
Total fair value changes on financial assets at fair value through profit or loss	511	405	1,103

Notes to the Financial Information

5. TAXATION

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

6. DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (30 June 2019: 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	30 June	31 December
		2020	2019	2019
		US\$'000	US\$'000	US\$'000
Numerator				
Basic/Diluted: Net profit/(loss)		(698)	(157)	(2,773)
			Number of shares	
		'000	'000	'000
Denominator				
Basic:	Weighted average shares	101,618	86,581	89,219
	Effect of diluted securities:			
	Incentive fee-50% in ordinary shares (Note 12 (i))	—	—	—
Diluted:	Adjusted weighted average shares	101,618	86,581	89,219
Profit/(Loss) per share				
Basic		(0.69) cents	(0.18) cents	(3.11) cents
Diluted		(0.69) cents	(0.18) cents	(3.11) cents

For the six months ended 30 June 2020 and 2019, 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 2020 US\$'000	30 June 2019 US\$'000	31 December 2019 US\$'000
At the beginning of the period	67,172	55,519	55,519
Fair value changes through profit and loss	544	571	1,103
Additions	182	2,453	10,550
Reclassification	156	–	–
Asset disposal/swap	–	(424)	–
At the end of the period	<u>68,054</u>	<u>58,119</u>	<u>67,172</u>

LOANS AND OTHER RECEIVABLES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 US\$'000	30 June 2019 US\$'000	31 December 2019 US\$'000
At the beginning of the period	33,720	28,902	28,902
Additions	354	3,932	4,818
Reclassification	(156)	–	–
Fair value changes through profit and loss	(33)	–	–
Disposals	–	–	–
Asset disposal/swap	–	424	–
At the end of the period	<u>33,885</u>	<u>33,258</u>	<u>33,720</u>

Notes to the Financial Information

9. LOANS AND BORROWINGS

	30 June 2020 US\$'000	30 June 2019 US\$'000	31 December 2019 US\$'000
Corporate debt	3,472	–	1,875
Lease liability	–	–	34
Total loans and borrowings	<u>3,472</u>	<u>–</u>	<u>1,909</u>

The movement in loans and borrowings is as follows:

	30 June 2020 US\$'000	30 June 2019 US\$'000	31 December 2019 US\$'000
Opening balance	1,909	–	–
Proceeds from issue of loan notes	1,720	–	1,900
New lease	–	–	34
Termination of lease	(34)	–	–
Capitalised borrowing costs	(57)	–	(122)
Interest expense accrued	179	–	97
Payment of interest liability	(245)	–	–
Closing balance	<u>3,472</u>	<u>–</u>	<u>1,909</u>

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 30 June 2019	88,733,069	137,684
Share issuance – ICG for equity investment in TNP Infinity	16,179,310	7,200
Purchase of treasury shares	(3,316,804)	(671)
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2019	<u>101,595,575</u>	<u>144,356</u>
Share issuance – to a minority shareholder of Future Metal Holdings Limited	159,847	57
Authorised, called-up and fully paid ordinary shares of no par value each at 30 June 2020	<u>101,755,422</u>	<u>144,413</u>
Consisting of:		
Authorised, called-up and fully paid ordinary shares of no par value each at 30 June 2020	105,072,226	145,084
Authorised, called-up and fully paid ordinary shares of no par value held as treasury shares by the Company at 30 June 2020	<u>(3,316,804)</u>	<u>(671)</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.		

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 2020 US\$'000	As at 30 June 2019 US\$'000	As at 31 December 2019 US\$'000
Level 3			
Unquoted financial assets at fair value (Note 8)	68,054	58,119	67,172
Loans at fair value (Note 8)	27,820	27,059	27,474
Other receivables at fair value (Note 8)	6,065	6,199	6,246
Cash and cash equivalents	2,996	5,375	4,071
	<u>104,935</u>	<u>96,752</u>	<u>104,963</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 2020 US\$'000	30 June 2019 US\$'000	31 December 2019 US\$'000
Remuneration payable to Directors		122	74	185
Harmony Capital Management fee	(i)	900	907	1,679
Incentive fee		40	–	1,907
Amount due to Harmony Capital at period end		974	–	1,907

- (i) Harmony Capital has been appointed as 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 Company's portfolio of assets at 30 June and 31 December in each calendar year.

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.

Notes to the Financial Information

13. 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 17 July 2020, the Company announced it is proposing to undertake an open offer and placing to raise GBP3.13 million (US\$3.8 million) through the issue of new ordinary shares. The Company has received binding commitments to the placing for the full value of the offer.

14. COPIES OF THE INTERIM REPORT

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



ADAMAS FINANCE ASIA LIMITED