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Wednesday 14 August, 2013

### Origo Partners PLC Strategic review and Interim Management Statement

RNS Number : 5902L  
Origo Partners PLC  
14 August 2013

14 August 2013

Origo Partners PLC

Strategic review and

Interim Management Statement for the three months from

April 1, 2013 to June 30, 2013

This Interim Management Statement by Origo Partners Plc ("Origo" or "the Company") and its subsidiaries ("the Group") relates to the three month period from April 1, 2013 to June 30, 2013 ("the Period").

#### Highlights from the Period:

- Completion of strategic review and update to strategy
- Unaudited net asset value of US\$157.4 million compared to US\$160.8 million for the period ending March 31, 2013
- Unaudited net asset value per share of US\$0.45 at the end of the Period compared to US\$0.46 per share for the period ending March 31, 2013

- Total investments of US\$3.1 million
- Net cash position of US\$8.9 million

Chris Rynning, Origo's CEO, said:

"We believe that the revised strategy announced today will enable Origo to maximise value for shareholders whilst positioning the Company to weather this period of uncertainty. Whilst the current market is challenging, particularly for exits, we remain confident in the quality of our investments and the medium term potential of our portfolio."

"Whilst the steps announced today are difficult and will impact a number of colleagues, we believe they are in the best interest of shareholders. On behalf of the Board I would like to thank all of Origo's employees for their hard work and endeavors."

## 1. Strategic Update

In light of the continuing weakening of growth in Mongolia and China as well as the Company's financial position, the Board has completed a comprehensive review of the Origo's strategy and operations ("the Review").

The Review has concluded that the underlying performance of the portfolio is generally satisfactory and valuation of the Company's assets is sound. However, in order to maximise value to shareholders a number of decisions have been reached to adjust the Company's strategy given the impact of continued volatility in our core markets.

Origo management will take the following measures:

- a. Significantly reduce operating costs, including through: a reduction of property costs; an approximately fifty percent cut in staff headcount; and a general decrease in travel and operating expenses;
- b. Commit to making no new investments until further notice. The Company will concentrate on managing positions in existing portfolio companies and will consider follow on financings only where these will protect or enhance value;
- c. Focus on creating realizations at the right time and right value for shareholders; and
- d. Postpone activities in Myanmar and Mongolia at this time.

These strategic initiatives and cost cutting efforts will be continuously evaluated and be reported on by the Company.

In line with the objectives of today's announcement, the Remuneration Committee commissioned an independent third-party study to benchmark the compensation of Origo's executive directors and senior professionals. The study found the compensation of Origo's executives and staff ranks in the lowest quartile of a broad peer-group of investment vehicles of similar size. This reflects the 73 per cent decline in Directors' remuneration since 2008 and the fact that there has been no increase in the cash element of the executive directors' remuneration from 2007 to 2012. Nevertheless, the Remuneration Committee will continue to keep all elements of the Company's policies under review to ensure they are commensurate with the Group's financial and operating performance.

## **2. Resources and Commitments**

At June 30, 2013, Origo had cash and cash equivalents of US\$14.7 million. Payables to debtors and other liabilities equaled US\$5.8 million (excluding USR fair value movements and provisions for performance incentives) leaving the Group with a net cash position of US\$8.9 million.

The Group also has interests totaling US\$9.5 million in listed investments and funds it manages which invest in quoted investments. Additionally, Origo holds a US\$15million partnership interest in China Cleantech Partners, which remains uncommitted.

## **3. Unaudited Net Asset Value**

No revaluation of the portfolio took place during the Period as per Origo's policy to reassess the value of the Company's assets on a bi-annual basis. However, adjusting to reflect the purchase and sale of investments, currency movements and market values in respect of quoted investments, the Company estimates unaudited net asset value at the end of the Period was US\$157.4 million (US\$0.45 per share). The equivalent NAV per share translated into British Sterling at the prevailing exchange rate at the end of the Period was 29.6 pence which is slightly lower than NAV per share for the period ending March 31, 2013. The decrease in NAV was due primarily to the movement of fair market value of quoted investments (US\$1.0 million), currency movement (US\$ -0.5 million) and ongoing operating expenses (US\$2.1 million).

## **4. Portfolio Composition**

In line with the Group's strategy, investments are made predominately in privately held companies across various sectors of China's economy, and in companies and assets with exposure to the Chinese market, with the objective of providing shareholders with above market returns, primarily through capital appreciation. Currently, the Group focuses on the following sectors: metals & mining, agriculture and cleantech.

As at June 30, 2013, the portfolio was carried at the aggregate value (excluding revaluations of unquoted portfolios) of US\$206.9 million compared to US\$203.5 million for the period ending March 31, 2013. The top ten investments represented 91 per cent of the fair value of the portfolio, with the top five investments accounting for 69 per cent.

Table 1: Top 10 Investments (US\$ million)

Company	Sector	Instrument	Ownership <sup>†</sup>	Cost	Fair value*	% of NAV
Gobi Coal & Energy Ltd	Metals & Mining	Common Stock	14.0%	15.0	53.1	33.7%
China Rice Ltd	Agriculture	Preferred Stock & Loan	32.1%	28.0	33.9	21.5%
Celadon Mining Ltd	Metals & Mining	Common Stock	9.7%	13.1	23.4	14.8%
Unipower Battery Ltd	Clean tech	Preferred Stock & Loan	16.5%	13.3	18.0	11.4%
China Cleantech Partners	Clean tech	Limited Partnership Interests**	50.1%	15.0	15.0	9.5%
Niutech Energy Ltd	Clean tech	Preferred Stock	21.1%	6.4	12.3	7.8%
IRCA Holdings Ltd.	Metals & Mining	Common Stock & Loan	49.1%	26.2	10.7	6.8%
Moly World Ltd	Metals & Mining	Common Stock	20.0%	10.0	10.0	6.3%
Kincora Copper Ltd	Metals & Mining	Common Stock & Loan	32.6%	9.3	6.0	3.8%
R.M.Williams Agricultural Holdings Pty Ltd	Agriculture	Common Stock & Loan	24.0%	25.0	5.9	3.7%

\* Legal & beneficial interests, excluding impact of outstanding options/warrants and any outstanding convertible instruments

\*\* A private equity fund focusing on China's cleantech sectors, jointly formed and co-managed by the Group and Ecofin Limited

Reflecting the Group's strategy of investing in privately held companies, 96 per cent of the portfolio (in terms of fair value) at the end of the Period was invested in unquoted portfolio companies.

The Company's direct holdings in listed companies comprised stakes in HaloSource Inc. (LSE: HAL), Kincora Copper Limited (TSXV: KCC).

The Group also has indirect interests in other quoted investments through its investments in two funds managed by the Group - the China Commodities Absolute Return Ltd ("CCF") and the Mongolia Stock Exchange ("MSE") Liquidity Fund.

The weighted average holding period for the portfolio was 2.99 years, with 56 per cent of the Portfolio having been held for less than 3 years; 44 per cent having been held for 3 years or longer.

In terms of sectors, the composition of the portfolio at the end of Period comprised:

Metals & Mining (51 per cent)

Agriculture (20 per cent)

Cleantech (25 per cent)

Consumer, Technology and Media (4 per cent).

## 5. Investments and Divestments

The Group invested a total of US\$3.1 million to existing investee companies during the period.

ENDS

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