Origo Partners PLC - OPP Portfolio Update
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Origo Partners plc
("Origo" or the "Company")

Portfolio Update

Origo is a closed-end investment company which holds a portfolio of investments in unquoted, and illiquid, publicly traded companies based or principally active in China and Mongolia. Origo is seeking, through an orderly realisation programme, to divest its entire portfolio by November 2018. The Company provides the following update in relation to its portfolio.

Highlights

- Publicly quoted positions account for 14 per cent of the portfolio by fair value as at 30 June 2016 (31 December 2015: 3 per cent) following the successful listings of two portfolio companies in China;
- 68 per cent of the portfolio by fair value as at 30 June 2016 is now either listed or subject to indicative, non-binding, terms of mergers or disposal; and
- Settlement of costly and restrictive legal dispute completed in Q3 2016.

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Macro-economic developments

The positive market trends seen in the first half of 2016, as identified in the Company's Interim Results for the six months ended 30 June 2016, have persisted during the course of the third quarter. The recovery in commodity prices has continued and appears sustainable for the remainder of 2016 and into 2017. Coking coal, in particular, has rebounded strongly, rising by more than 210 per cent since May. Gains posted by other commodities, to which the Company is exposed, such as thermal coal, copper, and molybdenum and tungsten, have been more modest but are nonetheless material. While of less direct impact to the Company, the stabilization of oil prices at around the US$40 to US$50 per barrel range is helpful to the electric vehicle ("EV") and alternative fuel sector.

In May 2016 the Government of Mongolia approved the next stage in the development of Rio Tinto's Oyu Tolgoi copper and gold mine in Mongolia - unlocking an additional US$5.3 billion of much needed investment in the country. There have been a number of attempts by the Government of Mongolia to change the terms of the 2010 Investment Agreement which, among other policies, has reduced foreign investment appetite. In June 2016 Mongolia's elections returned the Mongolian People's Party to power after winning an 85 per cent majority in parliament. The campaign focused on renewing economic growth and attracting foreign investment. The government has since announced a US$5 billion economic stabilization plan largely linked to the Oyu Tolgoi underground construction project. It is possible that Kincora Copper Limited's ("Kincora") extensive landholdings (which are along strike from Oyu Tolgoi) could be a beneficiary of regional infrastructure development which includes the planned commissioning of a Taven Tolgoi based independent power producer, a possible smelter and other local infrastructure facilities.

Turning to the Chinese based companies in our portfolio, the Chinese government's support for the alternative energy and environmental protection sector remains strong and consistent. The impact of positive policy momentum during the course of the second half of 2016 to date has been particularly strong in the EV sector and in the related supply chain, as a new subsidy scheme, widely considered favorable for battery producers, was announced in early fall. Recycling, solid waste management, and water sectors too continue to be sectors favored by China's policy makers and, consequently, by capital markets.

The backdrop for agricultural products remains more muted, where over-production, price reforms and volatility are becoming the defining hallmarks of 2016. Government announcements of further regulatory reform for the sector have introduced further policy risk, which has had a clear and negative impact on investment activity in the sector - with resultant effects on the Company's ongoing efforts to complete disposal of assets in this sector.

Generally, rapidly growing debt levels across the Chinese economy remains a concern. Liquidity conditions in China impact, directly or indirectly, all of our Chinese investments as well as the demands for our resource assets outside of China.

Settlement of previous dispute

At a corporate level, the resolution of the protracted dispute over the Company's convertible zero dividend preference shares (now renamed 'redeemable preference shares'), has improved the Company's ability to effectively advance its investing policy. Prior to this settlement, while the Company was facing winding-up proceedings, the provisions of Section 167 of the Isle of Man Companies Act 1931 meant that any disposition of property of the Company after the commencement of the winding up by the Isle of Man Court would be void unless the Isle of Man Court ordered otherwise.

Consequently, for as long as the as long as the Isle of Man winding-up proceedings were ongoing, disposals of assets by the Company without Court approval were rendered void and would therefore have been likely to have been subject to challenge. The resulting uncertainty had the effect of complicating discussions with relevant counterparties and more generally instilled doubts about future ownership and the alignment of interest between the Company and related stakeholders.

The restructuring proposals approved by shareholders on 26 September 2016 brought to an end a significant period of uncertainty and expense for the Company and its shareholders and has enabled the board to seek to return Origo to a more stable footing.

Realisation Update

Notwithstanding these challenges, the Company has worked alongside Origo Advisors Limited ("OAL"), the Company's investment consultant, and the management teams of the relevant Origo investee companies, to achieve a number of important milestones in progressing the Company's investing policy:

- May 2016 listing of Jinan Heng Yu Environmental Protection Technology Co., Ltd. ("Heng Yu"), the operating company of Niutech Energy Ltd ("Niutech") on China's "New Third Board" (30 June 2016 carrying value: US$11.5 million). The shares of all current shareholders are subject to lock-up restrictions until the end of November 2016. Further, Heng Yu is yet to proceed with an offering of shares to institutional investors, which would initiate the trading in Heng Yu's listed stock. As such, Origo do not expect to realise part or all of its investment in Heng Yu in the short term. However, by providing access to a domestic Chinese investor base, Origo expects that the New Third Board listing will serve as a critical milestone in facilitating the realisation of this investment over the course of the Company's investing policy period.
- May 2016 listing of Beijing Rising Information Technology Ltd, also on China's New Third Board (30 June 2016 carrying value: US$1 million).
- Entry into a non-binding letter of intent in June 2016 with a group of well-capitalized Chinese state-owned enterprises in respect of a strategic partnership and a contemplated future merger with the operating subsidiary of China Rice Ltd ("China Rice"), which is expected to facilitate the disposal of Origo's interest in the business during the course of the investing policy (30 June 2016 carrying value: US$31.0 million). While no immediate deal is expected, due to ongoing government reform of the sector, we continue to believe that the formation of this new venture is likely to proceed and offer Origo an opportunity to realise its investment in the business within the time-frame of the Company's investing policy.
- Progression of the previously announced intended sale of Celadon Mining Ltd's ("Celadon") main asset, ChangTan West, with the net proceeds of any such sale to be distributed to Celadon shareholders (30 June 2016 carrying value: US$24.6 million). In May 2016, we were informed that the proposed buyer's coal-to-gas conversion project was included in China's Thirteenth Five Year Plan; final approvals from relevant central authorities for that project are pending. Once the project receives these approvals we expect negotiations in respect of the Chang Tan West deposit to continue.
- The receipt of C$0.5 million from Kincora and the conversion of the remaining balance of Origo's Kincora convertible notes (C$2 million) into quoted Kincora common shares on terms expected to be value accretive for Origo shareholders.
- Entering into a binding agreement to dispose all of Origo's interest held in Shanghai Evtech New Energy Technology Ltd and its related entities for a minimum of US$0.32 million and a maximum of US$0.88 million at applicable exchange rates (30 June 2016 carrying value: US$0.45 million).

- Commencement of the disposals of a number of smaller positions, including Aquila Resources Inc and Shanta Gold Ltd, (aggregate 30 June 2016 carrying value: US$0.45 million).

As a result of the above, publicly quoted positions now represent 14 per cent in terms of the 30 June 2016 fair value of the portfolio as compared to 3 per cent as at 31 December 2015. A total of 68 per cent of the portfolio (in terms of fair value as of 30 June 2016) is now either listed or subject to indicative terms of merger or disposals.

Portfolio operational update

In addition, OAL continues to engage with our portfolio companies on a wide range of operational, business and strategic matters which are expected to materially improve the prospects of these businesses over the next 12 months and to facilitate an exit for Origo in due course:

- Introduced and negotiated two new key contracts with two state-owned bus manufacturers for Unipower Battery Ltd ("Unipower") on significantly better payment terms than the industry norm. Having completed an extensive product validation and diligence process, both parties entered into framework-agreements (to be confirmed by monthly sales orders) for the purchase of up to 130 million Ah per annum of batteries which has drastically boosted Unipower's sales levels and improved the liquidity of the business. Unipower is now one of few licensed, private suppliers with a certified and proven product portfolio. To date, some 1,000 buses and 2,500 other vehicles equipped with Unipower's batteries are running on China's roads.
- Managed Unipower's relationships with potential investors, strategic partners and banks; improved the collection of receivables from customers and payment terms to suppliers.
- Identified, introduced and assisted Niutech in approaching a potential new customer with plans to build two major tyre recycling facilities across China. This opportunity alone has the potential to dramatically increase Niutech's sales over the next couple of years. In total, Niutech has contracted and indicative orders of 280,000 MT of capacity to be fulfilled over the next few years, which should be compared to maximum sales of 60,000 MT of equipment in any financial year since Origo's initial investment.
- Initiated and oversaw a number of corporate events at Kincora, including the expansion of its portfolio of licenses and the successful financing of Kincora via the completed merger with High Power Ventures Inc. Following the transaction, Kincora has a 100 per cent interest in a portfolio covering over 1,500km^2 and the majority of the prospective exploration licenses that dominate a key geological trend between and along strike from the Oyu Tolgoi and Tsagaan Suvarga copper mines. Kincora will also benefit from an enhanced management team. On 17 November 2016 Kincora announced an updated exploration strategy and confirmed the presence of a copper-gold porphyry mineralization within a large scale Devonian "Oyu Tolgoi style" complex in its licence area which would be its priority drilling target.
- Devised a strategy, and negotiated support from the majority shareholder of Moly World Ltd ("MolyWorld"), in respect of a number of items, including short-term financing strategy for MolyWorld, application to convert the existing exploration license to a mining license, a new management structure, and a plan for liquidity for MolyWorld and its shareholders. Moly World, through its subsidiary, owns an exploration license, covering 2,360 hectares in the Mandal area of Mongolia (the "Mandal Project") which holds a JORC resource of 203Mt in situ material at 0.126 per cent Molybdenum and 0.026 per cent Tungsten. A successful conversion of the exploration to a mining license during course of next year will be a necessary condition to achieve the desired liquidity in the targeted time frame.

Overall, against the backdrop of a slightly improved macro-economic outlook and on the basis of the progress achieved during the course of the year to date, the Company remains cautiously optimistic about the prospects of materially progressing the investing policy in the year ahead. However, none of the above opportunities are expected to result in substantial liquidity for the Company in the short term. Furthermore, significant market, pricing and execution risks remain, and the time-frame for completing the realisation program, as defined in the investing policy, is limited.

Special note concerning the Market Abuse Regulation

Certain of the information contained in this announcement is deemed to constitute inside information for the purposes of article 7 of Regulation 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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