

31 August 2017

The Companies Office
ASX Limited
Level 6
Exchange Centre
20 Bridge St
SYDNEY NSW 2000

RESULTS FOR YEAR ENDED 30 JUNE 2017

Ellerston Asian Investments Limited (**ASX: EAI**) hereby lodges:

1. Appendix 4E Statement for the year ended 30 June 2017; and
2. Annual Report and Financial Statements for the year ended 30 June 2017, incorporating the Chairman's Letter, Portfolio Manager's Report and Corporate Governance Statement.

For any further enquiries please contact Link Market Services on 1300 551 627 or Ellerston Capital Limited Investor Relations on 02 9021 7797.

Yours sincerely



Ian Kelly
Company Secretary

Details of the reporting period.

Current Period: 1 July 2016 to 30 June 2017
 Previous Corresponding Period: 25 June 2015 (incorporation date) to 30 June 2016

Results for announcement to the market

| | Current period AUD (\$) | Previous corresponding period AUD (\$) |
|--|----------------------------|---|
| Revenue from ordinary activities | 16,270,072 | (2,847,535) |
| Profit/(loss) after tax from ordinary activities | 9,094,644 | (3,292,696) |
| Net profit/(loss) after tax for the period attributable to ordinary shareholders | 9,094,644 | (3,292,696) |

Over the 12 months to June 30 2017, the portfolio returned net 13.10% (before all taxes) compared to the Benchmark MSCI Asia Ex Japan Index (AUD) which returned 20.50% for the corresponding period.

Dividend Information

The Directors have not declared any dividends for the financial year ended June 30, 2017 due to the lack of available franking credits. As the company matures, the Board aims to deliver a regular stream of fully franked dividends. To facilitate this the Board has endorsed the creation of a dividend profit reserve.

Details of dividend reinvestment plan (DRP)

On 30 August 2017 the directors resolved to transfer approximately \$2.2m to the newly created dividend profit reserve which equates to 2 cents per share.

Net tangible assets (NTA) per ordinary share

| | Current period AUD (\$) | Previous corresponding period AUD (\$) |
|----------------------------|------------------------------------|---|
| NTA before all taxes | 1.0540 | 0.9320 |
| NTA after realised tax (i) | 1.0540 | 0.9320 |
| NTA after tax | 1.0397 | 0.9522 |

- (i) Net Tangible Assets after realised tax includes tax paid and a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax line

Commentary on Results

For the year ended 30 June 2017, the Company recorded a pre-tax profit of \$13,118,456 and a net profit after income tax expense of \$9,094,644. The NTA before all taxes of the Company at the end of the period was 1.0540 and the NTA after tax was 1.0397.

For the period to 30 June 2017, the Company returned 13.10% before all taxes and 9.18% after tax, while the return of its benchmark MSCI AC Asia Ex-Japan Index (AUD) was 20.50%.

The Company will continue to pursue its objective of generating superior returns for shareholders over time, with a focus on risk management and capital preservation. Please refer to the Investment Managers' Report on the Company's annual financial report for more detailed commentary.

Information in this report is based on the 2017 annual financial report which has been audited by Ernst & Young. A copy of the 2017 annual financial report, including commentary related to the results of the Company, is attached for further detailed information and disclosures.



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Ian Kelly
Company Secretary

31 August 2017



ELLERSTON ASIAN
INVESTMENTS LIMITED

ASX: EAI

ABN 82 606 683 729

Financial Report

For the year ended 30 June 2017

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1.

Chairman's Letter

1. Chairman's Letter

For the year ended 30 June 2017

Dear Shareholders,

I am pleased to provide you with the second Annual Report for Ellerston Asian Investments Limited (EAI). EAI was launched in the context that Asia represents the best long term growth opportunity globally. We have structured the EAI portfolio to provide investors with access to this growth.

On average, the earnings of the Portfolio's securities are growing at 19% for 2017 with an average PE of 19x. This means the price to earnings growth ratio (PEG ratio), namely the price we are paying for growth, is approximately 1x. By way of contrast, the Australian market is trading at a PEG ratio of almost 3.8x (4% EPS growth and 15x PE). Thus, an investment in EAI provides access to growth at roughly quarter of the price that investors pay for growth domestically.

Asian economies continue to grow at a much faster pace than developed markets. The regions two largest economies, China and India, are growing at 6.5% and 7%, respectively. This macro tailwind provides a favourable backdrop in which to identify high growth companies. In addition, sectors such as Technology and Consumer, continue to benefit from secular growth dynamics which we expect to continue in the medium term.

We continue to believe that large cap stocks offer the best risk reward profile in Asia. Small cap stocks have higher liquidity risk and higher governance risk and the MSCI Asia ex Japan Small Cap Index has underperformed the broader index on a 1 Year, 3 Year and 5 Year basis. We are positioned at the very high end of the market cap spectrum. The average market cap of our portfolio is over \$90 billion and the average of our Top 10 holdings is over \$130 billion.

Our country positioning has been relatively consistent since inception with an overweight in India and underweights in Korea and Taiwan. While historically the portfolio was concentrated in three main sectors, Consumer, Technology and Financials, the portfolio is currently more diversified with positions in all sectors except Health Care.

Performance

For the year ended 30 June 2017, EAI's NTA increased by 13.1% pre tax in AUD terms, as compared to the return of its benchmark Morgan Stanley Capital International (MSCI) All Country Asia Ex-Japan Index (AUD), which delivered a return of 20.5% for the same period. Please refer to investment managers report for more information.

Since listing we have maintained a deliberate and measured approach with regards to the construction of the portfolio. Given the strict growth criteria for our fund,

1. Chairman's Letter

For the year ended 30 June 2017

we do not have the option of rotating into defensive, high dividend yield stocks when the market is risk-off. As such, we manage this dynamic predominantly via cash levels which have ranged between 5% and 30% throughout the year. As of 30 June 2017, cash was approximately 14%.

Financial Results & Dividends

For the period to 30 June 2017, the Company recorded a pre-tax profit of \$13,118,456 and a net profit after income tax expense of \$9,094,644.

The Directors have not declared any dividends for the financial year ended June 30, 2017 due to the lack of available franking credits. As the company matures, the Board aims to deliver a regular stream of fully franked dividends. To facilitate this the Board has endorsed the creation of a dividend profit reserve. The creation of the reserve enables any or part of current year or prior period profits not distributed as dividends to be set aside for payment of future franked dividends, rather than those profits remaining within retained earnings.

On 30 August 2017 the directors resolved to transfer approximately \$2.2m to the newly created dividend profit reserve, which equates to 2 cents per share.

Capital Structure

On the 13 September 2016 the Company launched an on-market share buy-back of up to 10%. As at 30 June 2017, the Company has bought 8,399,262 shares, representing approximately 7% of its shares.

On 9 September 2016 the Company was trading at a discount of approximately 19% to the NTA. By 30 December 2016 the discount had reduced to 9%, and on 30 June 2017 it was 11%.

The share buy-back has been accretive to the NTA and the Board considers it a prudent capital management strategy.

The current share buy-back expires in September 2017 and the Board intends to commence a new buy-back programme immediately after expiry.

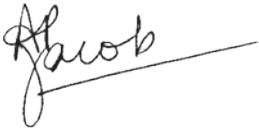
Under the initial public offering, loyalty options were issued to applicants on the basis of one loyalty option for every two shares issued under the General and Broker Firm Offer; and two loyalty options for every three shares issued under the Priority Offer for those investors who had a shareholding in Ellerston Global Investments (EGI).

The loyalty options issued under the initial public offering vested on 28 February 2016 and have an expiry date of February 2019.

Annual General Meeting

My fellow Directors and I look forward to meeting those of you who can attend the Annual General Meeting on 19th October 2017. The Notice of Annual General Meeting will be despatched to shareholders in the coming weeks.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Ashok Jacob', with a long horizontal line extending to the right.

Ashok Jacob

Chairman

30 August 2017



2.

Directors' Report

2. Directors' Report

For the year ended 30 June 2017

The directors of Ellerston Asian Investments Limited (the "Company") present their report together with the financial statements of the Company for the year ended 30 June 2017.

Directors

The following persons were directors of the Company during the year and up to the date of this report:

| NAME | DIRECTORSHIP | APPOINTED |
|------------------|---------------------------------------|------------------|
| Ashok Jacob | Non-Independent Chairman | 27 July 2015 |
| Sam Brougham | Independent Non-Executive Director | 23 July 2015 |
| Paul Dortkamp | Independent Non-Executive Director | 25 June 2015 |
| Stuart Roberston | Independent Non-Executive Director | 25 June 2015 |

Company Secretary

The following person was Company Secretary during the year and up to the date of this report:

| NAME | APPOINTED |
|-------------|------------------|
| Ian Kelly | 25 June 2015 |

Principal activities

The principal activity of the Company is to invest into a concentrated portfolio of between 20 to 50 Asian securities.

2. Directors' Report

For the year ended 30 June 2017

Review and results of operations

For the year ending 30 June 2017, the Company returned 13.1% (June 2016: -4.01%) on a pre-tax basis and 9.18% (June 2016: -2.80%) on a post-tax basis, while the return of its benchmark MSCI AC Asia Ex-Japan Index (AUD) was 20.5% (June 2016: -1.67%).

As at 30 June 2017 the Company had approximately 39.5% equity exposure to China/Hong Kong, 15.4% to India, 12.4% to South Korea, 10.1% to ASEAN and 8.7% to Taiwan.


As at 30 June 2017 the Company's Net Tangible Assets had increased to \$1.0540 per share before all taxes (compared to 30 June 2016 of \$0.9320 per share before all taxes) and to \$1.0397 per share post all taxes (compared to 30 June 2016 of \$0.9522 per share post all taxes).

For the year ended 30 June 2017, the Company recorded a pre-tax profit of \$13,118,456 (compared to 30 June 2016 of \$4,671,490 pre-tax loss) and a net profit after income tax expense of \$9,094,644 (compared to 30 June 2016 of \$3,292,696 net loss after income tax expense).

The operating results of the Company for the years ended 30 June 2017 and 30 June 2016 are:

| | Year ended 30 June 2017 | Period from 25 June 2015 to 30 June 2016 |
|-------------------------------------|------------------------------------|---|
| | \$ | \$ |
| Net profit/(loss) before income tax | 13,118,456 | (4,671,490) |
| Net profit/(loss) after income tax | 9,094,644 | (3,292,696) |

| | As at 30 June 2017 | 30 June 2016 |
|--|-------------------------------|---------------------|
| | \$ | \$ |
| Net tangible assets per share (NTA) - before tax | 1.0540 | 0.9320 |
| Net tangible assets per share (NTA) - after realised tax (i) | 1.0540 | 0.9320 |
| Net tangible assets per share (NTA) - after tax | 1.0397 | 0.9522 |



The Net Tangible Assets as at 30 June 2017 is based on fully paid ordinary shares of 111,600,739 (2016: 120,000,001).

(i) Net Tangible Assets after realised tax includes tax paid and a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax line.

On 13 September 2016, the Company announced an on-market share buy-back of up to 10% of its issued ordinary shares. As at 30 June 2017, the Company has bought back 8,399,262 shares in total, approximately 7% of its issued ordinary shares. Please refer to Note 15 Issued Capital for further details.

Strategy and future outlook

The Company is predominantly invested in equities, with a focus upon the equities of Asian domiciled companies. The Company will continue to pursue its objective of generating superior returns for shareholders over time, with a focus on risk management and capital preservation.

Please refer to the Investment Manager's report on page 20 for a more detailed market outlook.

Dividends

The Company has not declared any dividends for the year ended 30 June 2017.

The Board aims to deliver a regular stream of fully franked dividends as the Company matures. To facilitate this the Board has endorsed the creation of a dividend profit reserve.

The creation of the reserve enables any or part of current year or prior period profits not distributed as dividends to be set aside for payment of future dividends, rather than those profits remaining within retained earnings. On 30 August 2017 the directors resolved to transfer approximately \$2.2m to the newly created dividend profit reserve which equates to 2 cents per share.

Significant changes in the state of affairs

In the opinion of the directors, other than what is noted in the 'Review and results of operations,' there were no other significant changes in the state of affairs of the Company that occurred during the year ended 30 June 2017.

2. Directors' Report

For the year ended 30 June 2017

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- (i) the operations of the Company in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Company in future financial years.

Likely developments and expected results of operations

The Company provides quarterly updates and monthly NTA announcements, which can be found in the announcements section of the ASX website and in the Ellerston Asian Investments Limited section of the Ellerston Capital website, <https://ellerstoncapital.com/listed-investment-companies/ellerston-asian-investments>.

As markets continue to be subject to fluctuations, it is neither possible to accurately forecast the investment returns of the Company nor to provide a detailed outlook on the Company's future operations.

Rounding of amounts to the nearest dollar

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Information on Directors


Ashok Jacob

Ashok has been a Director of the Company since 27 July 2015.

Ashok has over 33 years investment experience and has served as a Director and as Chief Investment Officer of the Manager since inception.

As Chairman and Chief Investment Officer, he has overall responsibility for, and plays a key role in the Company's investment decisions. He is supported by a team of investment professionals, each of whom have significant skill and experience in different geographies, sectors and industries.

Ashok has held prominent positions including Chief Executive Officer of the Consolidated Press Holdings Group and Managing Director of Thorney Holdings,



the investment arm for the Pratt Group. Ashok is an experienced board member and current appointments include: MRF Ltd and Thorney Opportunities Ltd and Chairman of Ellerston Asian Investments Limited. Previous directorships include Crown Ltd, Publishing and Broadcasting Ltd, Challenger Financial Group Ltd, Fleetwood Holdings Ltd, Ecorp Ltd, CPH Investment Group Ltd, Folkestone Ltd and Snack Foods Ltd. Ashok was also the Chairman of Hoyts Cinemas from 1999 until 2004.

Ashok holds an MBA from the Wharton School of the University of Pennsylvania (1984).

Sam Brougham

Sam Brougham has served as a Director of the Company since 23 July 2015.

Sam has over 32 years investment experience and is currently a Director of Ceres Capital, a private Melbourne-based investment firm he founded in 1999. Ceres Capital specialises in global equity investing.

In addition, Sam is involved in US real estate and other US and various Australian private equity investments.

Prior to Ceres Capital, Sam worked at Structured Asset Management, a successful hedge fund he co-founded in 1993 focusing predominantly on global equity markets.

From 1985 to 1993, Sam worked at JB Were and was a partner from 1988.

Sam spent his early career working for Price Waterhouse and received his economics degree from Adelaide University in South Australia.

Paul Dortkamp

Paul has been a Director of the Company since 25 June 2015.

Paul currently serves as the principal of Rivergum Investors, a consulting firm specialising in investment process and compliance.

Paul has a wide range of Board experience with extensive experience across the main asset classes. He is an external member of compliance committees for a wide range of registered schemes and responsible entities, having served on over 20 committees.

Prior to Rivergum Investors, Paul was Head of Asset Allocation and a Director of First State Fund Managers Limited (now Colonial First State Investments). He was Director of Trading & Funding at Security Pacific Gold from 1989 to 1990. Paul spent his early career working in the Securities Markets Department of the Reserve Bank of Australia.

2. Directors' Report

For the year ended 30 June 2017

Stuart Robertson

Stuart has served as a Director of the Company since 25 June 2015.

Stuart is currently engaged as a consultant by the Manager, responsible for deal origination, structuring and execution primarily in the unlisted market. He has extensive experience working with both listed and unlisted vehicles.

Stuart has broad experience in investment banking, funds management and alternative investments and has held senior roles at BT Funds Management and Zurich Australia.

Stuart is a qualified CA, a Fellow of FINSIA and graduate of the AICD. In addition he holds an MBA from the MGSM.

Directors' Meetings

The number of Board meetings, including meetings of the Board Committee, held during the year ended 30 June 2017 and the number of meetings attended by each Director is set out below:

| NAME | BOARD MEETINGS HELD WHILE A DIRECTOR | | AUDIT AND RISK COMMITTEE MEETINGS HELD WHILE A DIRECTOR | |
|------------------|--------------------------------------|----------|---|----------|
| | ATTENDED | ATTENDED | ATTENDED | ATTENDED |
| Ashok Jacob | 4 | 4 | 2 | – |
| Sam Brougham | 4 | 4 | 2 | 2 |
| Paul Dortkamp | 4 | 4 | 2 | 2 |
| Stuart Robertson | 4 | 4 | 2 | 2 |

Directors' Interest

Directors' relevant interests in shares and options, as notified by the Directors to the Australian Securities Exchange in accordance with the *Corporations Act 2001*, at the date of the report are set out below:

| NAME | NUMBER OF ORDINARY SHARES | NUMBER OF LOYALTY OPTIONS |
|------------------|--|--|
| Ashok Jacob | 1,160,000 | 666,666 |
| Sam Brougham | 500,000 | 333,333 |
| Paul Dortkamp | 50,000 | 25,000 |
| Stuart Robertson | 75,000 | 50,000 |

Remuneration Report (Audited)

This remuneration report outlines the remuneration arrangements of the Company for the year ended 30 June 2017. It details the remuneration arrangements for key management personnel (KMP) who are defined as those persons and corporate entities having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly.

The table below lists the terms of KMPs of the Company, including the Directors and the Manager, during the year ended 30 June 2017. The remuneration report has been prepared and audited in accordance with section 300A of the *Corporations Act 2001*.

| NAME | POSITION | TERM AS KMP |
|---------------------------|---------------------------------------|------------------------------|
| Ashok Jacob | Non-Independent Executive Chairman | 27 July 2015– present |
| Sam Brougham | Independent Non-Executive Director | 23 July 2015– present |
| Paul Dortkamp | Independent Non-Executive Director | 25 June 2015– present |
| Stuart Robertson | Independent Non-Executive Director | 25 June 2015– present |
| Ellerston Capital Limited | Manager | 15 September 2015–present |

2. Directors' Report

For the year ended 30 June 2017

Remuneration of Directors and Chairman

The Independent Non-Executive Directors are remunerated by the Company. It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Independent Non-Executive Directors. The remuneration of the Independent Non-Executive Directors is not linked to the performance or earnings of the Company.

Directors' fees

The Independent Non-Executive Directors' base remuneration is reviewed periodically. Base fees paid to each Director have remained unchanged from the time of their appointment. The amount of base remuneration is not dependent on the satisfaction of a performance condition, or on the performance of the Company, the Company's share price, or dividends paid by the Company.

The Directors have agreed that Ashok Jacob (Chairman) will not receive any fees whilst Sam Brougham, Paul Dortkamp and Stuart Robertson will each receive \$27,500 per annum (inclusive of superannuation) in fees, for acting as a Director of the Company. Ashok Jacob is a director and, through interposed entities, a shareholder of the Manager. As a director and indirect shareholder of the Manager, he will benefit from entry by the Manager into a Management Agreement with the Company and by the payment of fees under the Management Agreement.

Retirement benefits

The Company does not provide retirement benefits (other than superannuation) to the Independent Non-Executive Directors.

Other benefits (including termination) and incentives

The Company does not provide other benefits and incentives to the Independent Non-Executive Directors.

Remuneration of Ellerston Capital Limited

The Company has exclusively appointed Ellerston Capital Limited as the Manager to invest and manage all of the assets of the Company (including any controlled entity of the Company) for an initial term, which commenced on 15 September 2015, of 10 years pursuant to a successful application of waiver of ASX Listing Rule 15.16. After the end of the 'Term' (being the initial 10 years term or any renewed term), the Management Agreement will continue until terminated in accordance with the Management Agreement.

For the year ended 30 June 2017, the Manager was remunerated by the Company in accordance with the Management Agreement, and the Manager was entitled to:

- (i) a management fee of 0.75% per annum (plus GST) of the pre tax net asset value of the investment portfolio, calculated and accrued monthly and paid monthly in arrears; and
- (ii) a performance fee equal to 15% (plus GST) of the amount by which the investment portfolio's pre-tax return exceeds the return of the MSCI AC Asia Ex Japan Index, calculated and accrued monthly and paid annually in arrears.

There was no performance fee payable in respect of the year ended 30 June 2017.

Details of Remuneration

The Independent Non-Executive Directors were remunerated by the Company with a base fee only. The Non-Independent Executive Chairman received no remuneration by the Company. The total amount paid or payable to the Directors by the Company for the year ended 30 June 2017 and the period up to 30 June 2016 is detailed below:

| | BASE FEE (INCLUSIVE OF SUPERANNUATION AND GST) 30 June 2017 \$ | BASE FEE (INCLUSIVE OF SUPERANNUATION AND GST) 30 June 2016 \$ |
|---|---|---|
| Independent Non-Executive Directors | | |
| Sam Brougham | 30,250 | 28,349 |
| Paul Dortkamp | 30,250 | 30,663 |
| Stuart Robertson | 30,250 | 30,663 |
| Total KMP remunerated by the Company | 90,750 | 89,675 |
| Executive Director | | |
| Ashok Jacob | Nil | Nil |

The total amount paid or payable by the Company to the KMP (Independent Non-Executive Directors, Executive Director and the Manager) for the year ended 30 June 2017 was \$90,750.

2. Directors' Report

For the year ended 30 June 2017

Service Agreements

Remuneration and other terms of employment for the Independent Non-Executive Directors are formalised in service agreements with the Company.

Sam Brougham Independent Non-Executive Director

- commenced on 23 July 2015
- No term of agreement has been set unless the Director is not re-elected by the shareholders of the Company
- Base salary, inclusive of superannuation, is \$27,500.

Stuart Robertson Independent Non-Executive Director and member of the Audit and Risk Committee

- Commenced on 25 June 2015
- No term of agreement has been set unless the Director is not re-elected by the shareholders of the Company
- Base salary, inclusive of superannuation, is \$27,500.

Paul Dortkamp Independent Non-Executive Director and member of the Audit and Risk Committee

- Commenced on 25 June 2015
- No term of agreement has been set unless the Director is not re-elected by the shareholders of the Company
- Base salary, inclusive of superannuation, is \$27,500.

Options and Shareholdings

| | BALANCE AS AT 30 JUNE 2016 | ADDITIONS/ (DISPOSALS) | EXERCISED OPTIONS | BALANCE AS AT 30 JUNE 2017 |
|-------------------------|----------------------------------|---------------------------|----------------------|----------------------------------|
| Directors | | | | |
| Ashok Jacob | | | | |
| • Ordinary shares | 1,160,000 | — | — | 1,160,000 |
| • Loyalty options | 666,666 | — | — | 666,666 |
| Sam Brougham | | | | |
| • Ordinary shares | 500,000 | — | — | 500,000 |
| • Loyalty options | 333,333 | — | — | 333,333 |
| Paul Dortkamp | | | | |
| • Ordinary shares | 50,000 | — | — | 50,000 |
| • Loyalty options | 25,000 | — | — | 25,000 |
| Stuart Robertson | | | | |
| • Ordinary shares | 75,000 | — | — | 75,000 |
| • Loyalty options | 50,000 | — | — | 50,000 |

2. Directors' Report

For the year ended 30 June 2017

| | BALANCE AT INCEPTION | ADDITIONS/ (DISPOSALS) | EXERCISED OPTIONS | BALANCE AS AT 30 JUNE 2016 |
|-------------------------|-------------------------|---------------------------|----------------------|----------------------------------|
| Directors | | | | |
| Ashok Jacob | | | | |
| • Ordinary shares | 1,000,000 | 160,000 | — | 1,160,000 |
| • Loyalty options | 666,666 | — | — | 666,666 |
| Sam Brougham | | | | |
| • Ordinary shares | 500,000 | — | — | 500,000 |
| • Loyalty options | 333,333 | — | — | 333,333 |
| Paul Dortkamp | | | | |
| • Ordinary shares | 50,000 | — | — | 50,000 |
| • Loyalty options | 25,000 | — | — | 25,000 |
| Stuart Robertson | | | | |
| • Ordinary shares | 75,000 | — | — | 75,000 |
| • Loyalty options | 50,000 | — | — | 50,000 |

End of audited remuneration report.

Indemnification and Insurance of Directors and Officers

The Directors and Officers of the Company are insured to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors and Officers of the Company, other than conduct involving a willful breach of duty in relation to the Company.

During the year ended 30 June 2017, the Manager on behalf of the Company paid insurance premiums to insure the Directors and Officers of the Company. The terms of the contract prohibit the disclosure of the premiums paid.

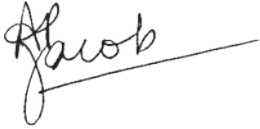
Proceedings on Behalf of the Company

There are no proceedings that the directors have brought, or intervened in, on behalf of the Company.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 29.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Ashok Jacob', with a long horizontal line extending to the right.

Ashok Jacob

Chairman

30 August 2017



3.

Investment Managers' Report

3. Investment Managers' Report

For the year ended 30 June 2017

ELLERSTON ASIAN INVESTMENTS (EAI) – Investment Managers Report

Ellerston Asian Investments (EAI) was launched on the belief that Asia represents the best long term structural growth story in the world. The macro economic outlook for the region is very strong. Average GDP growth in the region is above 4% (almost double the growth in Australia) and major economies like China, India and Indonesia are growing at 6-7% per year.

EAI is focused on providing investors access to this growth and we have constructed a high growth, high quality, large cap portfolio of Asian stocks. On average, the earnings of the stocks in the portfolio are growing at 20% with an average PE of 19x. This means the PEG ratio, namely the price we are paying for growth, is approximately 1x. The portfolio is undeniably large cap with an average market cap of approximately \$90b. The market cap of the top 10 positions is over \$130b.

Performance

The NTA before tax increased by 13.1% in the last fiscal year rising from \$0.9320 at 30 June 2016 to \$1.0540 at 30 June 2017. The majority of this increase was generated between February and May, when Asian markets were strong and the AUD was depreciating.

Despite strong absolute performance, EAI underperformed the benchmark during 2017. There were two events during the year that hurt relative performance: demonetization in India in November 2016 and the sharp rally and sector rotation in the Hong Kong/China market in January and February of 2017.

During the surprise demonetization in November 2017 India's benchmark SENSEX Index fell 9% from the day prior to demonetization to its low on November 21. Over this same time frame our benchmark, the MSCI Asia ex Japan Index (AUD), was flat. At the time demonetization was announced, India was our biggest overweight at approximately 23% of the portfolio, so this overweight hurt relative performance.

January and February were also difficult months. Index performance in January 2017 was the best start to a year since 2012. This was surprising given the level of uncertainty the region faced with respect President Trump's inaugural trade and foreign policies and the risk of seasonal capital outflows from China. We were very high cash during this time frame, as high as 30% at the maximum, and therefore underperformed on a relative basis when the market rallied. By mid-February we had adjusted the portfolio to be more diversified across sectors and had reduced cash. Since then, the portfolio has performed roughly in line with the benchmark.

3. Investment Managers' Report

For the year ended 30 June 2017

The Top 5 Contributors to the portfolio this fiscal year were Samsung, Tencent, Ping An, TSMC and Maruti Suzuki. We still hold all these stocks in the portfolio and they have continued to perform well thus far in FY18. We are pleased that the top contributors include companies from four different countries (Korea, China, Taiwan and India) and three different sectors (Technology, Financials and Consumer). These outcomes show that while we adhere to a very specific, methodical process, this process yields stock picks that provide both country and sector diversification.

In terms of detractors, Sun Pharma, New Oriental Education, LG H&H, Shriram City Union and Bharat Financial Inclusion were the largest detractors in absolute terms. Part of our risk management process is adhering to strict stop losses. We no longer hold any of these stocks.

Portfolio Snapshot as at 30 June 2017

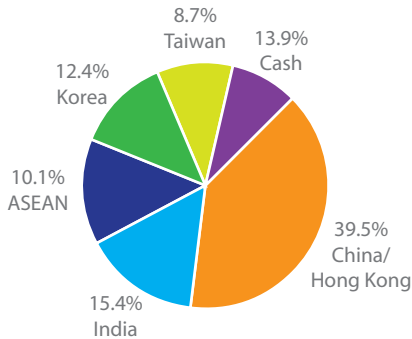
The country positioning in EAI has been quite consistent since the inception of the fund. India has been our largest overweight since inception, with the exception of during the few months following demonetization. At the end of June, approximately 15% of the portfolio was in India versus a 10% benchmark weight.

Taiwan and Korea remain perennial underweights given they are low growth economies. The KOSPI rallied to all-time highs during FY17, yet we remain cautious on Korea given ongoing geopolitical tensions and the lack of growth among non-technology companies. Hong Kong/China is the largest market weight at 45% (neutral weight versus the benchmark) and we remain underweight ASEAN as a region.

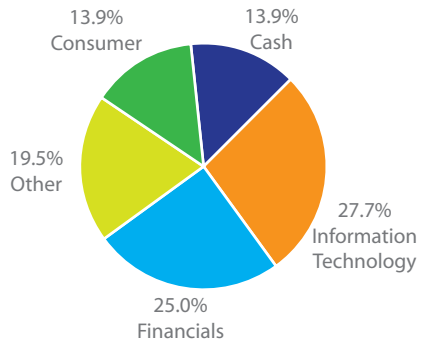
In terms of sector allocations, financials, consumer and technology remain our three core sectors accounting for over 65% of the portfolio. The table below outlines EAI's top 10 positions and geographic exposures as of 30 June 2017:

| Top 10 Holdings | % | Country | Sector |
|------------------------------------|----------|----------------|---------------|
| SAMSUNG ELECTRONICS CO LTD | 5.5 | Korea | Technology |
| TENCENT HOLDINGS LTD | 4.9 | China | Technology |
| TSMC | 4.4 | Taiwan | Technology |
| ALIBABA GROUP HOLDING LTD | 4 | China | Technology |
| DBS GROUP HOLDINGS LTD | 3.6 | Singapore | Financials |
| LARSEN AND TOUBRO LTD | 3 | India | Industrials |
| CHINA PETROLEUM AND CHEMICAL | 2.9 | China | Energy |
| INDUSIND BANK LTD | 2.8 | India | Financials |
| BAIDU INC | 2.8 | China | Technology |
| CHINA COMMUNICATIONS CONSTRUCTIONS | 2.7 | China | Industrials |

Geographic Exposure



Sector Allocation



3. Investment Managers' Report

For the year ended 30 June 2017

Update on Core Thematics

Recall that EAI has identified four key thematics that we believe will play out in Asia over the medium term. These include: the rise of the Asian consumer, disruptive technology, structural reform in India and capital market liberalization in China. An update on each of these thematics is provided below.

The Rise of the Asian Consumer

The concept of the “Asian Consumer” has captured the attention of many investors, including us. However, we take a more nuanced view of consumption in Asia than many other investors. Detailed analysis of demographics, household income, urbanization, gender purchasing power and channel shift, shows that there are at least 10 different consumer sub-groups within the Asian region: young, old, high income, low income, male, female, urban, rural, online and offline.

The consumer stocks we have invested in reflect our deep dive into each cohort. For example, we own Prada, which is listed in Hong Kong (1913 HK), as a play on high income, urban, female consumers in Asia. On the other hand, we own stocks like Eicher Motors (EIM IN), which targets aspirational Indian male consumers with its Royal Enfield motorbikes.

We also believe that taking a broad view on consumption, namely one that includes consumer-centric technology companies, retail financial services and health care, is critical to understanding and benefiting from the rise of the Asian consumer.

As such, we have invested in a number of technology stocks, Tencent, Naver and Alibaba to name a few, which are plays on consumption by young, urban, online consumers. Conversely, we owned hospital stocks like Bumrungrad Hospital in Thailand and continue to own AIA Insurance in Hong Kong which provide access to the aging, offline consumers.

Disruptive Technologies

Asia is a great place to invest in technology. Many investors are surprised to discover that Asia is the most tech heavy index in the world. Technology stocks make up approximately 26% of the MSCI Asia ex Japan Index versus only 20% of the MSCI US Index, 14% of MSCI World and less than 1% of MSCI Australia. Technology shares comprise five of the Top 10 weights in MSCI Asia versus zero in the ASX 200.

Asia is leapfrogging old technologies and adopting new ones at a rapid pace. At EAI, we focus on disruptive technologies and divide the opportunities into five main



categories: mobile internet, robotics, Artificial Intelligence (AI), Virtual Reality (VR) and Fintech.

In mobile internet, we like stocks like Tencent, Samsung and Alibaba. With respect to robotics and AI we like Baidu, the Google of China, and have also invested in Midea, a Chinese company on the forefront of automated manufacturing in China. For virtual reality, we like stocks like Goertek, an A-share listed company that makes the VR headsets for Oculus. Fintech is an area where there are many opportunities in terms of payments (Alibaba's Alipay and Tencent's Tenpay are examples) and via the online delivery of financial services by cutting edge companies like Ping An.

Structural Reform in India

India has been the largest and most consistent country overweight in EAI since inception and we remain excited about the outlook in the medium term. There are four main reasons we continue to like India:

- (1) High growth: India is the best structural growth story in the world. GDP growth is expected to reach over 7% this year, making India the fastest growing economy in Asia and one of the only major economies in the world where growth is both high and accelerating. By way of comparison, GDP growth in the US and Europe is getting better but is still at only low single digits. Growth in Australia is both low and stagnant and growth in China is high but decelerating.
- (2) Excellent demographics: India accounts for 18% of the world's population and will overtake China as the most populous country in the world by 2030. While many other Asian countries struggle with the impacts of aging populations (Japan, China, Korea, Taiwan), India's population is very young with more than 50% of Indians below the age of 25 and 65% below the age of 35. This demographic profile is creating significant opportunities in sectors like financials and consumer.
- (3) Cyclical recovery: Lower interest rates are beginning to drive a cyclical recovery in India. The Reserve Bank of India (RBI) has cut interest rates by over 2% in the last 5 years. This, combined with pre-election budgets and fiscal spend on infrastructure, is driving a cyclical recovery on top of the already high level of structural growth.
- (4) Political will: Prime Minister Modi has a mandate and the political will to continue to transform India. We are impressed with the magnitude of the reforms Modi has implemented in his first term. Given his party's landslide victory in the recent Uttar Pradesh state elections, we are confident that he will be re-elected for a second term in 2019.

3. Investment Managers' Report

For the year ended 30 June 2017

Our India holdings are concentrated in three main sectors, financial, consumer and infrastructure. Financials is our favourite sector in India because financial products are massively underpenetrated across the board. For example, household debt as a percentage of disposable income in India is approximately 9% versus ~36% in China and over 200% in Australia. Similarly, credit cards, insurance and wealth management are all in nascent stages of roll out in India. Increased penetration of basic financial products will continue to drive growth for Indian banks and non-banks.

Consumer is also a top sector, primarily due to the sheer size and growth trajectory of the Indian consumer market. By 2025 it is estimated that India will be the third largest consumer market in the world after China and the US. Consumer spending in India is expected to grow at ~12% per year, which is double the global rate of ~5%. Given this tailwind, we expect Indian consumer companies to continue to post strong results.

We also like the infrastructure sector. The Modi government plans to spend \$1 trillion on infrastructure between 2013 and the end of 2017 and more than 1000 projects are currently in the pipeline. The value of infrastructure projects currently in the pipeline is about 10 times larger than India's annual infrastructure budget, so there is a very high level of demand visibility for infrastructure companies. Infrastructure is a prime focus of the government going into the 2019 election and therefore we think it is the right time to be invested in this sector.

Capital Market Liberalization in China

Of the four core thematics, capital market liberalization in China is the one where the most concrete steps have been achieved in the last fiscal year. The main announcement in this regard is that MSCI will add over 200 China A share listed stocks to its benchmark emerging markets index on a gradual basis beginning in May 2018. We have been investing in A shares since inception and are pleased by this announcement as it will draw incremental foreign fund flows into the stocks we already own. Moutai and Midea remain our top A share investments.

The Stock Connect programs which enable mainland investors to access Hong Kong listed stocks and international investors to access shares in Shanghai and Shenzhen also continue to foster liberalization of Chinese capital markets. The Connect flows continue to be a major driver of the Hong Kong market. We have invested in Hong Kong Exchange as this company acts as the gateway for these cross border flows. We continue to see this thematic playing out over time.

Update on Political Risk in Asia

This year has been a volatile time for politics in Asia. Recall that during his campaign, President Trump told supporters he would label China a currency manipulator on “day one” of his presidency and slap tariffs of up to 40% on Chinese imports. Of course, neither of these have come to pass and Trump and Xi seemed to have established a workable relationship largely based on the shared goal of containing the risks in North Korea.

This brings up the second area of ongoing political risk in Asia, the escalation of tensions between the US and North Korea. Our base case is that the recent bout of escalation will not result in an imminent attack. An attack instigated by the US would likely be preceded by the evacuation of American civilians from Seoul and Guam and stock piling of resources at US bases in Guam and Okinawa, neither of which has happened. We believe that Kim Jong-Un is a skilled negotiator and will continue to use nuclear capabilities as a bargaining chip. Ultimately though, he wants to ensure the continuation of the Kim dynasty in North Korea and therefore will not actually initiate an attack on the US. Thus, the main risk in North Korea situation is that there is a mistake or miscalculation, either by Trump or Kim. We have taken profits in Samsung, the biggest stock in Korea, and continue to be underweight the market as a whole.

In China, the 19th Party Congress is slated to take place in October/November 2017. This meeting carries more uncertainty than previous meetings as five of the seven members of the Standing Committee of the Politburo are retiring due to age limits. President Xi and Prime Minister Keqiang are the only two members not retiring. We have done a lot of analysis of this situation and our base case is that President Xi is successful in stacking the committee with members from his own faction, thereby cementing his control over the political apparatus in China.

We are also watching the composition of the Standing Committee for clues as to Xi’s successor. Following the reshuffle, Xi may use his increased power to focus on structural reforms in the Chinese economy. While these reforms are necessary and will be positive in the long term, they could dampen the growth outlook in the near term.

Elsewhere in Asia, we have a positive outlook on the political climate, particularly in India. Prime Minister Modi has made a lot of difficult reforms in the last year, most notably demonetization in November 2016 and the implementation of the GST starting in July 2017. We think that the GST will be the last of the difficult structural reforms Modi will tackle in his first term, and policies from now until the 2019 election will be focused on voter-friendly economic policies.

3. Investment Managers' Report

For the year ended 30 June 2017

Benchmark Changes and Our Concentrated Portfolio

EAI is a concentrated portfolio. At the time of listing in 2015, there were approximately 600 stocks in our benchmark and our stock holding range was 20-40 stocks. Since then the Index has expanded to 638 stocks and in June 2017 MSCI announced that starting in May 2018, 222 new Chinese A share listed stocks will be added to the Index. Given the increase in the number of stocks in our benchmark, the Board recently passed a resolution to increase the maximum stocks allowed in the portfolio from 40 to 50. At 30 June we had still only had 40 stocks in the portfolio. The increase is primarily give us flexibility as the index numbers grow.

Risk Management & Currency

We constantly review and re-evaluate every stock position in the portfolio. We have investing rules, including stop losses, to limit downside risk and are also very focused on avoiding downside earnings risk in the portfolio. In addition to limiting downside risk, we are disciplined in realizing profits on the upside. In terms of currency, the stock portfolio is hedged to the benchmark for all currencies with a greater than 10% weight in the Index.

The Year Ahead

We are positive on the outlook for Asian equity markets in the coming year. The macroeconomic outlook in Asia remains very strong and valuations are attractive. We are comfortable with the stocks specific stories in our portfolio. We look forward to an exciting year ahead and continued engagement with EAI investors.

Sincerely,



Mary Manning



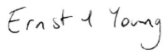
4.

Auditor's Independence Declaration

Auditor's Independence Declaration to the Directors of Ellerston Asian Investments Limited

As lead auditor for the audit of Ellerston Asian Investments Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Ernst & Young



Rohit Khanna
Partner
30 August 2017



5.

Corporate Governance Statement

5. Corporate Governance Statement

For the year ended 30 June 2017

Ellerston Asian Investments Limited (“the Company”) is a listed investment company whose shares are traded on the Australian Securities Exchange (“ASX”). The Company has appointed Ellerston Capital Limited as its Investment Manager (“the Manager”).

The Company’s Directors and the Manager recognise the importance of good corporate governance. The Company’s corporate governance framework, policies and practices are designed to ensure the effective management and operation of the Company. All of the Company’s corporate governance policies and procedures are subject to regular review.


A summary of the Company’s corporate governance policies is set out below with reference to the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (“ASX Recommendations”). The Company has adopted the ASX Recommendations to the extent it has considered them to be relevant. Where the Company’s corporate governance practices do not align with the ASX Recommendations, this corporate governance statement will disclose the basis for this departure.

Principle 1: Lay solid foundations for management and oversight

The responsibilities of the Board are set down in the Company’s Board Charter. A copy of the Company’s Board Charter is available at:

<https://ellerstoncapital.com/listed-investment-companies/ellerston-asian-investments/>

The role of the Board is to act in the best interests of the Company. The Board is responsible for the Company’s overall direction, management and corporate governance.



The Company has no full time employees and has appointed Ellerston Asian Investments (EAI) as its manager. Investment, operational and company secretarial services are provided by the Manager pursuant to the terms of the Management Agreement. Under the Management Agreement, the Manager has discretion to make investments in accordance with the investment strategy subject to the following restrictions that require the written approval of the Board:

- Entering into or causing to be entered into a derivatives contract unless there are sufficient assets available to support the underlying liability;
- Delegation of any of the Manager's discretionary management powers except to a related body corporate of the Manager;
- Charging or encumbering any asset in the investment portfolio in any way (other than arises by lien in the ordinary course of business or statutory charge);
- Engaging in securities lending; and
- Borrowing any money or incur any liability by way of financial accommodation.

The Board has full discretion to approve or deny any proposal from the Manager.

ASX Recommendations 1.1, 1.2 and 1.3 are not relevant given the Manager's appointment by the Company.

Principle 2: Structure the Board to add value

The skills, experience and expertise of the Board and term of office of each Director who is in office as at the date of the Annual Report are included in the Directors' Report. Details of each Directors background, date of appointment and attendance at Board meetings are set out in the Directors' Report.

The Company's constitution provides that there must be a minimum of three and a maximum of seven Directors.

The Board has three Independent Directors and one Non-Independent Director. Sam Brougham, Paul Dortkamp and Stuart Robertson are considered to be independent as they have no direct involvement in the management of the investment portfolio and are free of any business or other relationship which could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of their judgment. The Chairman, Ashok Jacob, is not independent. The Board has departed from ASX Recommendation 2.2 on the basis of the breadth and depth of the Chairman's investment experience and the value that experience brings to shareholders.

5. Corporate Governance Statement

For the year ended 30 June 2017

The Board has adopted a Nomination and Remuneration Committee Charter. The Charter is available at:

<https://ellerstoncapital.com/listed-investment-companies/ellerston-asian-investments/>

The Nomination and Remuneration Committee Policy has been adopted by the Board. The Policy establishes a Committee to advise and support the Board with respect to its remuneration and nomination obligations. The Nomination and Remuneration Committee met on 20 June 2017.

The Nomination and Remuneration Committee will assess:

- the role and composition of the Board, its processes and Board committees;
- the performance of the Board, the Chairman, the Executive and Non-Executive Directors;
- whether there is sufficient succession planning in place and any further considerations required by the Board; and
- the Board's performance against its corporate governance processes.

The Board has resolved that any committee it establishes will be entitled to obtain independent professional or other advice at the cost of the Company.

Board skills matrix

The table sets out the key skills and experience of the Directors and the extent to which they are represented on the Board and its committee. Each Director has the following skills:

- understanding shareholder value
- sufficient time to undertake the role appropriately
- honesty and integrity

Board Skills:

| BOARD SKILLS AND EXPERIENCE | BOARD | AUDIT AND RISK COMMITTEE |
|------------------------------------|--------------|---------------------------------|
| Total Directors | 4 Directors | 3 Directors |
| Executive leadership | 4 Directors | 3 Directors |
| Governance | 4 Directors | 3 Directors |
| Strategy | 4 Directors | 3 Directors |
| Risk | 4 Directors | 3 Directors |
| Financial acumen | 4 Directors | 3 Directors |
| Remuneration/Human Resources | 4 Directors | 3 Directors |
| Public policy/Regulation | 4 Directors | 3 Directors |

New Director induction

New Directors will be expected to understand the Company's business and its policies and procedures. Directors are expected to maintain the skills and knowledge required to discharge their obligations. New Directors will be inducted on a case by case basis taking into account their individual background and expertise.

5. Corporate Governance Statement

For the year ended 30 June 2017

Principle 3: Promote ethical and responsible decision making

Code of Conduct for Directors

The Company has a Code of Conduct for Directors (the “Code”). The Code can be found at:

<https://ellerstoncapital.com/listed-investment-companies/ellerston-asian-investments/>

The Code’s purpose is to:

- articulate the high standards of honesty, integrity, ethical and law abiding behavior expected of directors;
- encourage the observance of those standards to protect and promote the interests of shareholders and other stakeholders (including employees, customers, suppliers and creditors);
- guide directors as to the practices thought necessary to maintain confidence in the Company’s integrity; and
- set out the responsibility and accountability of directors to report and investigate any reported violations of this code or unethical or unlawful behavior.

Securities Trading Policy

The Company has a Securities Trading Policy that sets out the circumstances in which the Company’s Directors and key management personnel of the Company and their associates may trade in the Company’s securities.

The Policy imposes restrictions and notification requirements surrounding trading of Company Securities such as blackout periods, trading windows and the need to obtain pre-trade approval. A copy of the Company’s Securities Trading Policy has been lodged with the Australian Securities Exchange (ASX) and is available on the Company’s website.

Diversity

The Company has not established a Diversity Policy or set measurable objectives for gender diversity as per ASX Recommendations 3.2 and 3.3. Given that all services are provided by the Manager, the Board considers that adopting a diversity policy is not warranted, but will review these recommendations on an ongoing basis.



Principle 4: Safeguard integrity in financial reporting

The Company has established an Audit and Risk Committee comprised of the following:

- Paul Dortkamp
- Stuart Robertson
- Sam Brougham

Details of each committee member's background and attendance at Audit and Risk Committee meetings are set out in the Directors' Report.

The Chairman of the Committee is an Independent Non-Executive Director and is not the Chairman of the Board. The committee consists of three Independent Non-Executive Directors and two representatives from the Manager attending by invitation subject to exclusion by the Committee where a conflict of interest exists.

Objectives and responsibilities of the Committee

The objective of the Committee is to assist the Board to discharge its responsibilities in relation to:

- Effective management of financial and operational risks
- Compliance with applicable laws and regulations
- Accurate management and financial reporting
- Maintenance of an effective and efficient audit
- High standards of business ethics and corporate governance.

5. Corporate Governance Statement

For the year ended 30 June 2017

These objectives are set out in the Committee's Charter, which is available on the Company's website:

The Committee will endeavor to:

- Maintain and improve the quality, credibility and objectivity of the financial accountability process;
- Promote a culture of compliance within the Company;
- Ensure effective communication between the Board, the Manager and other service providers and agents;
- Ensure effective audit functions and communications between the Board and the Company's auditor;
- Ensure that compliance strategies are effective;
- Ensure that Directors are provided with financial and non-financial information that is of high quality and relevant to the judgments to be made by them.

The Committee will meet regularly throughout the year with the Chairman providing regular reporting to the Board.

Independent external audit

The Company's independent external auditor is Ernst & Young. The Committee is responsible for recommending to the Board the appointment and removal of the external auditor. The independence and effectiveness of the external auditor is reviewed regularly. The Committee is also responsible for ensuring that the external audit engagement partners are rotated in accordance with the relevant statutory requirements and otherwise after a maximum of five years' service.

The external auditors attend the committees' meetings when the Company's half year and full year Financial Statements are being considered. The external auditors also attend other meetings where relevant items are on the Committee's agenda.

The Company's external auditors attend the Company's Annual General Meeting and are available to answer questions from shareholders in relation to the conduct of the audit, the Audit Report, the accounting policies adopted by the Company in preparing Financial Statements and the independence of the auditors.



CEO Declaration

The CEO of the Manager for the Company will make certifications to the Board for each half year to the effect that:

- the financial records of the Company for the financial year have been properly maintained;
- the Company's Financial Statements and notes applicable thereto give a true and fair view of its financial position and performance and comply with the requirements of the Accounting Standards, Corporations Act and Corporations Regulations;
- the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and control which, in all material aspects, implements the policies adopted by the Board; and
- the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 5: Make timely and balanced disclosure

The Company has adopted a Continuous Disclosure Policy that is designed to ensure that the Company:

- Complies with its continuous disclosure obligations under the *Corporations Act 2001* and the ASX Listing Rules;
- Provide shareholders and the market with timely, direct and equal access to information issued by it;
- Identifies information that is not generally available and which may have a material effect on the price or value of the Company's securities and is appropriately considered by the Directors for disclosure to the market.

The Continuous Disclosure Policy is available from the Company's website and sets out procedures as to the release of announcements to the market. Following the release of any announcement to the ASX, all announcements will be made available on the Company's website.

5. Corporate Governance Statement

For the year ended 30 June 2017

Principle 6: Respect the rights of Shareholders

Shareholders in the Company are entitled to vote on significant matters impacting the business.

The Company has adopted a Shareholders Communication Policy and is committed to regularly communicating with its shareholders in a timely, accessible and clear manner with respect to both the procedural and major issues affecting Company. The Company seeks to recognise numerous modes of communication including electronic communication. All shareholders are invited to attend the Company's Annual General Meeting, either in person or by representative. The Board encourages all shareholders to attend and participate in the Company annual meeting of shareholders. Shareholders have an opportunity to submit questions to the Board and to the Company's auditors. The external auditor is required to attend the Annual General Meeting and be available to answer questions.


Principle 7: Recognise and manage risk

The Board, through the Audit and Risk Committee, is responsible for ensuring: the oversight and management of material business risks to the Company; the review of reports provided by the Manager and other services providers and agents appointed by the Company;

- that effective systems are in place to identify, assess, monitor and manage the risks of the Company and to identify material changes to the Company's risk profile; and
- the monitoring of compliance with laws and regulations applicable to the Company.

Risks assessed include:

- implementing strategies (strategic risk);
- outsourced services and operations or external events (operational and investment risk);
- legal and regulatory compliance (legal risk);
- changes in community expectation of corporate behaviour (reputation risk);
- being unable to fund operations or convert assets into cash (liquidity risk); and
- contingency plans in the event of incapacity of the Executive Director/Portfolio Manager (personnel risk).



The Company has implemented risk management and compliance frameworks. These frameworks ensure that:

- an effective control environment is maintained;
- accountability and delegations of authority are clearly identified;
- risk profiles are in place and regularly reviewed and updated;
- timely and accurate reporting is provided to the Board and its respective Committees; and
- compliance with the law, contractual obligations and internal policies (including the Corporate Code of Conduct) is communicated and demonstrated.

Assurance

In respect of the year ended 30 June 2017 the Chairman for the Company has made the following certifications to the Board:

- (i) the Company's Financial Statements and notes applicable thereto represent a true and fair view of its financial position and performance and comply with the requirements of the Accounting Standards, Corporations Act and Corporations Regulations; and
- (ii) the risk management and internal compliance and control systems are sound, appropriate, operating efficiently and effectively managing the Company's material business risks.

Principle 8: Encourage enhanced performance

Although the Company has a Board, it has no remunerated employees. The Manager performs the key management roles of the Company. The Board will ensure that it performs the functions recommended in the ASX Corporate Governance Principles (to the extent that these functions are relevant to the Company's business) through the remuneration committee. As the Company has no remunerated employees, the Company will monitor performance pursuant to the Management Agreement and will address performance annually and as required. A review was conducted in 2017. The Company will provide disclosure of its Directors' remuneration in its Annual Report. The aggregate Directors' remuneration is capped at \$500,000 per annum in accordance with the Company's Constitution.



6.

Statement of Comprehensive Income

6. Statement of Comprehensive Income

For the year ended 30 June 2017

| | | Year ended 30 June 2017 \$ | Period from 25 June 2015 to 30 June 2016 \$ |
|---|----|-------------------------------------|---|
| Investment income | | | |
| Interest income | | 387,011 | 615,525 |
| Dividend income | | 1,803,353 | 673,576 |
| Net foreign exchange (losses)/gains | | (127,190) | 270,656 |
| Change in fair value of financial instruments held at fair value through profit or loss | 8 | 14,206,898 | (4,407,292) |
| Total investment income/(loss) | | 16,270,072 | (2,847,535) |
| Expenses | | | |
| Directors fees | 20 | 90,750 | 89,675 |
| Management and performance fees | 18 | 996,294 | 765,587 |
| Custody and administration fees | | 86,612 | 72,177 |
| Audit and tax fees | 19 | 55,700 | 52,093 |
| Legal and professional fees | | – | 749 |
| Registry fees | | 51,250 | 42,708 |
| Transaction costs | | 1,476,193 | 626,583 |
| Withholding taxes | | 239,166 | 78,429 |
| ASX fees | | 99,000 | 82,500 |
| Other expenses | | 56,651 | 13,454 |
| Total operating expenses | | 3,151,616 | 1,823,955 |
| Net profit/(loss) before income tax | | 13,118,456 | (4,671,490) |
| Income tax (expense)/benefit | 14 | (4,023,812) | 1,378,794 |
| Net profit/(loss) after income tax | | 9,094,644 | (3,292,696) |
| Other comprehensive income/(loss) | | – | – |
| Total comprehensive income/(loss) | | 9,094,644 | (3,292,696) |

6. Statement of Comprehensive Income

For the year ended 30 June 2017

| | | Year ended 30 June 2017 \$ | Period from 25 June 2015 to 30 June 2016 \$ |
|--|-------|-------------------------------------|---|
| | Notes | | |
| Basic earnings/(losses) per share (cents per share) | 16 | 7.77 | (2.74) |
| Diluted earnings/(losses) per share (cents per share) | 16 | 7.77 | (2.74) |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.



7.

Statement of Financial Position

7. Statement of Financial Position

As at 30 June 2017

| | Notes | As at | |
|---|-------|-----------------------|-----------------------|
| | | 30 June 2017 \$ | 30 June 2016 \$ |
| Current assets | | | |
| Cash and cash equivalents | 12 | 8,832,184 | 25,918,282 |
| Receivables | | 423,889 | 276,160 |
| Due from brokers | | 10,927,915 | 22,296,152 |
| Financial assets held at fair value through profit or loss | 9 | 97,798,896 | 64,399,212 |
| Total current assets | | 117,982,884 | 112,889,806 |
| Non-current assets | | | |
| Deferred tax asset | 14 | – | 2,424,088 |
| Total non-current assets | | – | 2,424,088 |
| Total assets | | 117,982,884 | 115,313,893 |
| Current liabilities | | | |
| Payables | | 149,088 | 132,108 |
| Management and performance fees payable | 18 | 80,782 | 78,927 |
| Financial liabilities held at fair value through profit or loss | 10 | 123,046 | 834,571 |
| Total current liabilities | | 352,916 | 1,045,606 |
| Non-current liabilities | | | |
| Deferred tax liability | 14 | 1,599,725 | – |
| Total non-current liabilities | | 1,599,725 | – |
| Total liabilities | | 1,952,641 | 1,045,606 |
| Net assets | | 116,030,243 | 114,268,287 |
| Equity | | | |
| Issued capital | 15 | 110,228,295 | 117,560,983 |
| Retained earnings/(losses) | | 5,801,948 | (3,292,696) |
| Total equity | | 116,030,243 | 114,268,287 |



8.

Statement of Changes in Equity

8. Statement of Changes in Equity

For the year ended 30 June 2017

| | Notes | Issued capital \$ | Retained earnings/ (losses) \$ | Dividend profit reserve \$ | Total \$ |
|--|-------|-------------------------|---|-------------------------------------|-------------|
| Balance as at 1 July 2016 | | 117,560,983 | (3,292,696) | – | 114,268,287 |
| Total comprehensive income for the year | | – | 9,094,644 | – | 9,094,644 |
| Share buyback – 27 September to 30 June 2017 | | (7,332,688) | – | – | (7,332,688) |
| Balance as at 30 June 2017 | 15 | 110,228,295 | 5,801,948 | – | 116,030,243 |
| Balance as at 25 June 2015 (date of incorporation) | | – | – | – | – |
| Total comprehensive loss for the period | | – | (3,292,696) | – | (3,292,696) |
| Shares issued under the Prospectus dated 21 August 2015 | | 120,000,001 | – | – | 120,000,001 |
| Capital raising costs | | (3,484,311) | – | – | (3,484,311) |
| Capital raising costs – tax effect | | 1,045,293 | – | – | 1,045,293 |
| Balance as at 30 June 2016 | 15 | 117,560,983 | (3,292,696) | – | 114,268,287 |

The above statement of changes in equity should be read in conjunction with the accompanying notes.



9.

Statement of Cash Flows

9. Statement of Cash Flows

For the year ended 30 June 2017

| | Notes | Year ended 30 June 2017 \$ | Period from 25 June 2015 to 30 June 2016 \$ |
|---|-------|-------------------------------------|---|
| Cash flows from operating activities | | | |
| Purchase of financial instruments held at fair value through profit or loss | | (223,258,747) | (157,190,086) |
| Proceeds from sale of financial instruments held at fair value through profit or loss | | 199,749,089 | 89,491,078 |
| Amounts transferred to brokers as collateral | | 14,848,703 | (22,296,152) |
| Dividend income | | 1,402,287 | 364,919 |
| Interest received | | 388,001 | 613,305 |
| Other income received | | 13,181 | 1,157 |
| Management and performance fees paid | | (994,439) | (686,660) |
| Custody and administration fees paid | | (103,640) | (64,891) |
| Payment of other expenses | | (1,795,536) | (827,809) |
| Net cash outflow from operating activities | 13 | (9,751,101) | (90,595,139) |
| Cash flows from financing activities | | | |
| Issue of shares | | – | 120,000,001 |
| Shares bought back | | (7,332,688) | – |
| Capital raising costs | | – | (3,484,311) |
| Net cash (outflow)/inflow from financing activities | | (7,332,688) | 116,515,690 |
| Net (decrease)/increase in cash and cash equivalents | | (17,083,789) | 25,920,551 |
| Cash and cash equivalents at the beginning of the year/period | | 25,918,282 | – |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | | (2,309) | (2,269) |
| Cash and cash equivalents at the end of the year/period | 12 | 8,832,184 | 25,918,282 |

The above statement of cash flows should be read in conjunction with the accompanying notes.



10.

Notes to the Financial Statements

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10. Notes to the Financial Statements

For the year ended 30 June 2017

1 General information

This financial report is for Ellerston Asian Investments Limited (the “Company”) for the year ended 30 June 2017.

The Company was incorporated and registered on 25 June 2015 and commenced trading on the Australian Stock Exchange (“ASX”) on 15 September 2015.

The Company is a for-profit entity limited by shares, incorporated and domiciled in Australia. Its shares (ASX code: EAI) and options (ASX code: EAIO) are publicly traded on the ASX.

The financial report was authorised for issue by the directors on 30 August 2017. The directors have the power to amend and reissue the financial report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the first full period presented, unless otherwise stated in the following text.

(a) Basis of preparation

This report is a general purpose financial report prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and other mandatory professional reporting requirements. The financial report has been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. All amounts are presented in Australian dollars, unless otherwise noted.

Compliance with International Financial Reporting Standards

The financial report complies with the Australian Accounting Standards and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

The Company's investments are categorised as at fair value through profit or loss. They comprise:

- Financial instruments held for trading
These include derivative financial instruments such as forward currency contracts and equity derivative. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Company do not meet the hedge accounting criteria as defined by AASB 139 *Financial Instruments: Recognition and Measurement*. Consequently hedge accounting is not applied by the Company.
- Financial instruments designated at fair value through profit or loss upon initial recognition
Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. These include investments in exchange traded equity instruments that are not held for trading purposes and which may be sold.

(ii) Recognition/derecognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

2 Summary of significant accounting policies (continued)

(b) **Financial instruments (continued)**

(iii) *Measurement*

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of financial position initially at fair value. All transaction costs for such instruments are recognised directly in the Statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of comprehensive income in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets and liabilities held by the Company is the last traded price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Further details on how the fair values of financial instruments are determined are disclosed in note 7.

2 Summary of significant accounting policies (continued)

(b) **Financial instruments (continued)**

(iv) *Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are classified as liabilities in the Statement of financial position.

(d) **Due from/to brokers**

Due from/to brokers comprise cash held as collateral for open derivative positions, and amounts receivable and payable for securities transactions that have not yet settled at year end.

(e) **Investment income**

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Interest income is recognised in the Statement of comprehensive income on an accrual basis.

Other income is brought to account on an accruals basis.

(f) **Expenses**

Company expenses are recognised in the Statement of comprehensive income on an accrual basis.

2 Summary of significant accounting policies (continued)

(g) **Income tax**

Under current legislation, the Company is subject to income tax at 30% on taxable income.

The Company may incur withholding tax imposed by certain countries on investment income. Such income will be recorded net of withholding tax in the statement of comprehensive income. Income tax expense comprises current and deferred tax.

Income tax expense is recognised in the net profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income. Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax liability is recognised when there is a taxable temporary difference between the tax base of an asset or liability and its corresponding carrying amount in the Statement of financial position. This arises when the carrying amount of an asset exceeds its tax base.

10. Notes to the Financial Statements

For the year ended 30 June 2017

2 Summary of significant accounting policies (continued)

(g) Income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(h) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The Australian dollar is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

2 Summary of significant accounting policies (continued)

(i) **Goods and services tax (GST)**

The Company is registered for GST. The issue or redemption of shares in the Company and, where applicable, the receipt of any distributions will not be subject to GST. The Company may be required to pay GST on management and other fees, charges, costs and expenses incurred by the Company. However, the Company may be entitled to input tax credits and reduced input tax credits in respect of the GST incurred.

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of financial position are shown inclusive of GST.

(j) **Earnings per share**

Basic and diluted earnings per share are calculated by dividing profit attributable to members of the Company by the weighted average number of ordinary shares outstanding during the year.

(k) **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) **Share options**

Share options are measured at the fair value of the options at the date of issue within equity.

(m) **Receivables**

Receivables are recognised when a right to receive a payment is established. Uncollectable debts are written off.

10. Notes to the Financial Statements

For the year ended 30 June 2017

2 Summary of significant accounting policies (continued)

- (n) **Payables**
Payables and trade creditors are recognised when the Company becomes liable.
- (o) **Dividends**
Dividends are recognised as a liability in the year which they are declared.
- (p) **Segment reporting**
Operating segments are reported in a manner consistent with the Company's internal reporting provided to the director's.
- (q) **Rounding of amounts**
The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.
- (r) **Critical accounting estimates and judgements**
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates.

2 Summary of significant accounting policies (continued)

(s) **New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Company. The directors' assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations is set out below:

(i) ***AASB 9 Financial Instruments (and applicable amendments), (effective from 1 January 2018)***

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

The directors do not expect this to have a significant impact on the recognition and measurement of the Company's financial instruments as those carried at fair value through profit or loss are expected to continue to be measured at fair value through profit or loss.

The derecognition rules have not been changed from the previous requirements, and the Company does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Company's investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Company.

The Company has not yet decided when to adopt AASB 9.

(ii) ***AASB 15 Revenue from Contracts with Customers, (effective from 1 January 2018)***

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

2 Summary of significant accounting policies (continued)

(s) **New accounting standards and interpretations (continued)**

(ii) *AASB 15 Revenue from Contracts with Customers, (effective from 1 January 2018) (continued)*

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Company's main sources of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(t) **Comparative disclosures**

Where appropriate, comparative disclosures have been reclassified/amended to be consistent with the current year's presentation.

3 Dividends

The Directors have not declared any dividends for the financial year ended June 30, 2017 due to the lack of available franking credits. As the company matures, the board aims to deliver a regular stream of fully franked dividends.

Dividend profit reserve

To the extent that any current year profits or prior period accumulated profits are not distributed as dividends, the Company may set aside some or all of the undistributed profits to a separate dividend profit reserve, to facilitate the payment of future dividends, rather than maintaining these profits within retained earnings.

3 Dividends (continued)

Dividend Reinvestment Plan

The Company has established a Dividend Reinvestment Plan (DRP) under which eligible shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of ordinary shares rather than by being paid in cash.

4 Segment information

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

The Company operates in one business segment being equity investment, and in one geographic segment, Australia, however the Company has foreign exposures as it invests in companies which operate internationally.

5 Capital and financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Company's overall risk management programme focuses on ensuring compliance with the Company's investment strategy and seeks to maximise the returns derived for the level of risk to which the Company is exposed. The Company may use derivative financial instruments to alter certain risk exposures.

Financial risk management is carried out by the Manager under a Management Agreement approved by the Board of Directors.

The Company uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

10. Notes to the Financial Statements

For the year ended 30 June 2017

5 Capital and financial risk management (continued)

(a) **Market risk**

(i) *Price risk*

The Company is exposed to price risk on equity securities listed or quoted on recognised securities exchanges and equity linked derivatives. Price risk arises from investments held by the Company for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

The Company manages the price risk through ensuring that all investment activities are undertaken in accordance with the Company's investment strategy.

The table at note 5(b) summarises the sensitivity of the Company's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Company invests move by +/- 10%.

(ii) *Foreign exchange risk*

The Company invests internationally and holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuates due to changes in exchange rates.

The Company's policy is to limit its currency exposure on both monetary and non-monetary financial instruments to the Investment guidelines as established in its Prospectus. Forward currency contracts have been primarily used to hedge against foreign currency risks on its non-Australian dollar denominated investments. For accounting purposes, the Company does not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classified as at fair value through profit or loss.

The table below summarises the fair value of the Company's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

5 Capital and financial risk management (continued)

(a) **Market risk (continued)**

(ii) *Foreign exchange risk (continued)*

| | HKD | TWD | KRW | INR | All other foreign currencies | Total |
|---|------------------|------------------|------------------|----------|------------------------------------|------------------|
| 30 June 2017 | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ |
| Monetary and Non-Monetary Assets and Liabilities | | | | | | |
| Monetary Assets and Liabilities | | | | | | |
| Cash and cash equivalents | - | - | 5,106 | - | 1 | 5,107 |
| Cash at Broker – Margin Accounts | 4,061 | - | - | - | - | 4,061 |
| Receivables | 224,413 | 174,099 | - | - | - | 398,512 |
| Due from brokers – receivable for securities sold | 1,162,551 | 1,157,972 | 1,150,272 | - | - | 3,470,795 |
| Payables | - | - | - | - | 3,894 | 3,894 |
| Total Monetary Assets and Liabilities | 1,391,025 | 1,332,071 | 1,155,378 | - | 3,895 | 3,882,369 |

10. Notes to the Financial Statements

For the year ended 30 June 2017

5 Capital and financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

| | HKD | TWD | KRW | INR | All other foreign currencies | Total |
|--|-------------------|-------------------|-------------------|-------------------|------------------------------------|--------------------|
| 30 June 2017 | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ |
| Non-Monetary Assets and Liabilities | | | | | | |
| Financial assets held at fair value through profit or loss | 33,561,715 | 10,235,263 | 14,629,274 | 18,066,299 | 19,952,238 | 96,444,789 |
| Financial liabilities held at fair value through profit or loss | - | (39,664) | (66,727) | - | - | (106,391) |
| Total Non- Monetary Assets and Liabilities | 33,561,715 | 10,195,599 | 14,562,547 | 18,066,299 | 19,952,238 | 96,338,398 |
| Gross value of foreign exchange forward contracts | - | 6,590,637 | 5,566,775 | - | - | 12,157,412 |
| Net Exposure to Foreign Currency on Monetary and Non- Monetary Assets and Liabilities | 34,952,740 | 18,118,307 | 21,284,700 | 18,066,299 | 19,956,133 | 112,378,179 |

5 Capital and financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

| | HKD | TWD | KRW | IDR | All other foreign currencies | Total |
|---|-------------------|-------------------|-------------------|------------------|------------------------------------|-------------------|
| 30 June 2016 | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ |
| Monetary and Non-Monetary Assets and Liabilities | | | | | | |
| Monetary Assets | | | | | | |
| Cash and cash equivalents | 183,714 | - | - | 30,097 | 147,078 | 360,889 |
| Receivables | 108,330 | 121,898 | - | - | - | 230,228 |
| Total monetary assets | 292,044 | 121,898 | - | 30,097 | 147,078 | 591,117 |
| Non-Monetary Assets and Liabilities | | | | | | |
| Financial assets held at fair value through profit or loss | 28,814,331 | 11,157,325 | 12,078,275 | 7,157,350 | 5,191,931 | 64,399,212 |
| Financial liabilities held at fair value through profit or loss | (20,170) | (8,554) | (6,745) | - | (799,104) | (834,573) |
| Total Non-Monetary Assets and Liabilities | 28,794,161 | 11,148,771 | 12,071,530 | 7,157,350 | 4,392,827 | 63,564,639 |
| Net increase/ (decrease) in exposure from foreign currency contracts | 7,318,333 | 2,709,391 | 3,237,014 | - | 1,869,761 | 15,134,499 |
| Net Exposure to Foreign Currency on Monetary and Non-Monetary Assets and Liabilities | 36,404,538 | 13,980,060 | 15,308,544 | 7,187,447 | 6,409,666 | 79,290,255 |

10. Notes to the Financial Statements

For the year ended 30 June 2017

5 Capital and financial risk management (continued)

(a) **Market risk (continued)**

(ii) *Foreign exchange risk (continued)*

Monetary assets as at 30 June 2017 were comprised only of cash and cash equivalents and receivables. There were no monetary liabilities as at 30 June 2017.

The table at note 5(b) summarises the sensitivity of the Company's monetary and non-monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened/strengthened by 10% against the foreign currencies to which the Company is exposed.

(iii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Company's financial assets and liabilities are non-interest bearing except for cash and cash equivalents and due from brokers. Hence the impact of interest rate risk on profit is not considered to be material to the Company.

5 Capital and financial risk management (continued)

(a) **Market risk (continued)**

(iii) *Interest rate risk (continued)*

| | Floating Interest rate | Fixed interest rate | Non-interest bearing | Total |
|--|---------------------------|------------------------|-------------------------|--------------------|
| 30 June 2017 | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Cash and cash equivalents | 8,832,184 | – | – | 8,832,184 |
| Receivables | – | – | 423,889 | 423,889 |
| Due from brokers | 7,447,449 | – | 3,480,466 | 10,927,915 |
| Financial assets held at fair value through profit and loss | – | – | 97,798,896 | 97,798,896 |
| Liabilities | | | | |
| Payables | – | – | (149,088) | (149,088) |
| Management and performance fee payable | – | – | (80,782) | (80,782) |
| Financial liabilities held at fair value through profit and loss | – | – | (123,046) | (123,046) |
| Deferred tax liability | – | – | (1,599,725) | (1,599,725) |
| Net exposure | 16,279,633 | – | 99,750,610 | 116,030,243 |

10. Notes to the Financial Statements

For the year ended 30 June 2017

5 Capital and financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

| | Floating Interest rate | Fixed interest rate | Non-interest bearing | Total |
|--|---------------------------|------------------------|-------------------------|-------------|
| 30 June 2016 | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Cash and cash equivalents | 25,918,282 | – | – | 25,918,282 |
| Receivables | – | – | 276,160 | 276,160 |
| Due from brokers | 22,296,152 | – | – | 22,296,152 |
| Financial assets held at fair value through profit and loss | – | – | 64,399,212 | 64,399,212 |
| Deferred tax asset | – | – | 2,424,087 | 2,424,087 |
| Liabilities | | | | |
| Payables | – | – | (132,108) | (132,108) |
| Management and performance fee payable | – | – | (78,927) | (78,927) |
| Financial liabilities held at fair value through profit and loss | – | – | (834,571) | (834,571) |
| Net exposure | 48,214,434 | – | 66,053,853 | 114,268,287 |

5 Capital and financial risk management (continued)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Company's operating profit and net assets attributable to shareholders subjected to price risk, interest rate risk and foreign exchange risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates and the historical correlation of the Company's investments with relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Company invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

| | Price risk | | Interest rate risk | |
|--------------|---|------------|--------------------|---------|
| | Impact on operating profit/ Net assets attributable to unitholders | | | |
| | -10% | +10% | -1% | +1% |
| | \$ | \$ | \$ | \$ |
| 30 June 2017 | (11,349,864) | 11,349,864 | (162,796) | 162,796 |
| 30 June 2016 | (6,349,161) | 6,349,161 | (482,144) | 482,144 |

| | Foreign exchange risk | | | | | |
|--------------|---|-----------|-------------|-----------|-------------|-----------|
| | Impact on operating profit/Net assets attributable to unitholders | | | | | |
| | -10% | +10% | -10% | +10% | -10% | +10% |
| | HKD | HKD | TWD | TWD | KRW | KRW |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 30 June 2017 | (3,495,274) | 3,495,274 | (1,811,831) | 1,811,831 | (2,128,470) | 2,128,470 |
| 30 June 2016 | (3,640,453) | 3,640,453 | (1,398,006) | 1,398,006 | (1,530,854) | 1,530,854 |

5 Capital and financial risk management (continued)

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay its contractual obligations in full when they fall due, causing a financial loss to the Company.

The Company does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Company is exposed, arises from cash and cash equivalents and amounts due from brokers. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount disclosed in the Statement of financial position.

Trading with recognised and creditworthy third parties only is a way that the Company manages credit risk. The Company does not consider counterparty risk to be significant, as the Company only trades with recognised and creditworthy third parties. The Standard and Poor's long term foreign issuer credit rating of the Company's counterparties as at 30 June 2017 and 30 June 2016 are:

- A for State Street Corporation (2016: A);
- AA- for Australia and New Zealand Banking Group Ltd (2016: AA-); and
- A+ for Morgan Stanley & Co International PLC (2016: A).

(d) Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Investment Manager monitors the Company's cash-flow requirements daily taking into account upcoming income, expenses and investment activities. The assets of the Company are largely in the form of listed securities which are considered readily convertible to cash.

5 Capital and financial risk management (continued)

(d) Liquidity risk (continued)

(i) *Maturities of non-derivative financial liabilities*

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date.

| | Less than 1 month | 1-6 months | 6-12 months | Over 12 months | Non- stated maturity | Total |
|---|----------------------|---------------|----------------|----------------------|----------------------------|----------------|
| At 30 June 2017 | \$ | \$ | \$ | \$ | \$ | \$ |
| Payables | 114,408 | 34,680 | – | – | – | 149,088 |
| Management and performance fees payable | 80,782 | – | – | – | – | 80,782 |
| Contractual cash flows (excluding derivatives) | 195,190 | 34,680 | – | – | – | 229,870 |
| | Less than 1 month | 1-6 months | 6-12 months | Over 12 months | Non- stated maturity | Total |
| At 30 June 2016 | \$ | \$ | \$ | \$ | \$ | \$ |
| Payables | 95,176 | 36,932 | – | – | – | 132,108 |
| Management and performance fees payable | 78,927 | – | – | – | – | 78,927 |
| Contractual cash flows (excluding derivatives) | 174,103 | 36,932 | – | – | – | 211,035 |

10. Notes to the Financial Statements

For the year ended 30 June 2017

5 Capital and financial risk management (continued)

(d) Liquidity risk (continued)

(ii) *Maturities of net settled derivative financial instruments*

The table below analyses the Company's net settled derivative financial instruments based on their contractual maturity. The Company may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

| | Less than 1 month | 1-6 months | 6-12 months | Over 12 months | Non- stated maturity | Total |
|--------------------------------------|-------------------------|----------------|----------------|----------------------|----------------------------|------------------|
| 30 June 2017 | \$ | \$ | \$ | \$ | \$ | \$ |
| Forwards | - | (91,238) | - | - | - | (91,238) |
| Contracts for differences | - | 528,397 | 809,056 | - | - | 1,337,453 |
| Total net settled derivatives | - | 437,159 | 809,056 | - | - | 1,246,215 |
| | Less than 1 month | 1-6 months | 6-12 months | Over 12 months | Non- stated maturity | Total |
| 30 June 2016 | \$ | \$ | \$ | \$ | \$ | \$ |
| Forwards | - | 3,194 | - | - | - | 3,194 |
| Contracts for differences | - | - | - | - | 69,836 | 69,836 |
| Total net settled derivatives | - | 3,194 | - | - | 69,836 | 73,030 |

5 Capital and financial risk management (continued)

(e) Capital management

The Company's objective in managing capital and investment is to maximise compound after-tax returns for shareholders over time by investing in an investment portfolio of global equity securities using the Managers distinctively contrarian high conviction, benchmark independent investment approach. The strategy is to acquire a portfolio of stocks which the Manager believes are in a period of price discovery and offer an attractive risk/reward profile.

The Company recognises that its capital position and market price will fluctuate in accordance with market conditions and, in order to adjust the capital structure, it may vary the amount of dividends paid, issue new shares or options from time to time, or buy back its own shares.

A breakdown of the Company's equity and changes in equity during the current year is provided in note 15.

10. Notes to the Financial Statements

For the year ended 30 June 2017

6 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the Statement of financial position are disclosed in the first three columns of the tables below.

Financial assets

| | Effects of offsetting on the Statement of financial position | | | Related amounts not offset | | |
|--------------------------------------|--|--|---|--|------------------------------|------------------|
| | Gross amount of financial assets | Gross amounts set off in the Statement of financial position | Net amount of financial assets presented in the Statement of financial position | Amounts subject to master netting arrangements | Collateral pledged/ received | Net Amount |
| 30 June 2017 | \$ | \$ | \$ | \$ | \$ | \$ |
| Derivative financial instruments (i) | 1,369,261 | - | 1,369,261 | (31,809) | - | 1,337,452 |
| Total | 1,369,261 | - | 1,369,261 | (31,809) | - | 1,337,452 |

Financial assets

| | Effects of offsetting on the Statement of financial position | | | Related amounts not offset | | |
|--------------------------------------|--|--|---|--|------------------------------|---------------|
| | Gross amount of financial assets | Gross amounts set off in the Statement of financial position | Net amount of financial assets presented in the Statement of financial position | Amounts subject to master netting arrangements | Collateral pledged/ received | Net Amount |
| 30 June 2016 | \$ | \$ | \$ | \$ | \$ | \$ |
| Derivative financial instruments (i) | 907,601 | - | 907,601 | (834,571) | - | 73,030 |
| Total | 907,601 | - | 907,601 | (834,571) | - | 73,030 |

6 Offsetting financial assets and financial liabilities (continued)

Financial liabilities

| | Effects of offsetting on the Statement of financial position | | | Related amounts not offset | | |
|--------------------------------------|--|--|--|--|-----------------------------|------------|
| | Gross amount of financial liabilities | Gross amounts set off in the Statement of financial position | Net amount of financial liabilities presented in the Statement of financial position | Amounts subject to master netting arrangements | Collateral pledged/received | Net Amount |
| 30 June 2017 | \$ | \$ | \$ | \$ | \$ | \$ |
| Derivative financial instruments (i) | 123,046 | - | 123,046 | (31,809) | (91,238) | - |
| Total | 123,046 | - | 123,046 | (31,809) | (91,238) | - |
| 30 June 2016 | | | | | | |
| Derivative financial instruments (i) | 834,571 | - | 834,571 | (834,571) | - | - |
| Total | 834,571 | - | 834,571 | (834,571) | - | - |

(i) Master netting arrangement

Agreements with derivative counterparties are based on the ISDA Master Agreement. Under the terms of these arrangements, the net position owing/receivable to a single counterparty in the same currency will be taken as owing/receivable and all the relevant arrangements terminated. These amounts have not been offset in the Statement of financial position, but have been presented separately in the above table.

7 Fair value measurement

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets/liabilities designated at fair value through profit or loss (see note 9 and 10)
- Financial assets/liabilities held for trading (see note 9 and 10)
- Derivative financial instruments (see note 11)

10. Notes to the Financial Statements

For the year ended 30 June 2017

7 Fair value measurement (continued)

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy;

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
 - (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
 - (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).
- (i) ***Fair value in an active market (level 1)***

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last traded prices.

The Company values its investments in accordance with the accounting policies set out in note 2 to the financial statements. For the majority of its investments, the Company relies on information provided by independent pricing services for the valuation of its investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

7 Fair value measurement (continued)

(ii) *Fair value in an inactive or unquoted market (level 2 and level 3)*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Company would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

10. Notes to the Financial Statements

For the year ended 30 June 2017

7 Fair value measurement (continued)

(ii) *Fair value in an inactive or unquoted market (level 2 and level 3) (continued)*

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

Recognised fair value measurement

The table below sets out the Company's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy as at 30 June 2017 and 30 June 2016.

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|------------------|----------|-------------------|
| As at 30 June 2017 | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Financial assets designated at fair value: | | | | |
| Equity securities | 96,429,635 | - | - | 96,429,635 |
| Financial assets held for trading: | | | | |
| Derivatives | - | 1,369,261 | - | 1,369,261 |
| Total financial assets | 96,429,635 | 1,369,261 | - | 97,798,896 |
| Financial liabilities | | | | |
| Financial liabilities held for trading: | | | | |
| Derivatives | - | 123,046 | - | 123,046 |
| Total financial liabilities | - | 123,046 | - | 123,046 |

7 Fair value measurement (continued)

Recognised fair value measurement (continued)

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|----------------|----------|-------------------|
| As at 30 June 2016 | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Financial assets designated at fair value: | | | | |
| Equity securities | 63,491,611 | - | - | 63,491,611 |
| Financial assets held for trading: | | | | |
| Derivatives | - | 907,601 | - | 907,601 |
| Total financial assets | 63,491,611 | 907,601 | - | 64,399,212 |
| Financial liabilities | | | | |
| Financial liabilities held for trading: | | | | |
| Derivatives | - | 834,571 | - | 834,571 |
| Total financial liabilities | - | 834,571 | - | 834,571 |

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(i) Transfers between levels

There were no transfers between levels in the fair value hierarchy for the year ended 30 June 2017 and the period ended 30 June 2016.

(ii) Fair value measurements using significant unobservable inputs (level 3)

There were no investments classified as level 3 within the Company as at 30 June 2017 and 30 June 2016.

(iii) Fair values of other financial instruments

Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

10. Notes to the Financial Statements

For the year ended 30 June 2017

8 Net gains/(losses) on financial instruments held at fair value through profit or loss

| | Year ended 30 June 2017 \$ | Period from 25 June 2015 to 30 June 2016 \$ |
|--|----------------------------------|--|
| Financial assets | | |
| Net gain on financial assets held for trading | 4,877,216 | 7,136,774 |
| Net gain/(loss) on financial assets designated at fair value through profit or loss | 14,884,040 | (2,786,324) |
| Financial liabilities | | |
| Net loss on financial liabilities held for trading | (5,554,358) | (8,757,742) |
| Total net gains/(losses) from financial instruments held at fair value through profit or loss | 14,206,898 | (4,407,292) |

9 Financial assets held at fair value through profit or loss

| | As at | |
|---|--------------------|--------------------|
| | 30 June 2017 \$ | 30 June 2016 \$ |
| Designated at fair value through profit or loss | | |
| Equity securities | 96,429,635 | 63,491,611 |
| Total designated at fair value through profit or loss | 96,429,635 | 63,491,611 |
| Held for trading | | |
| Derivatives (note 11) | 1,369,261 | 907,601 |
| Total held for trading | 1,369,261 | 907,601 |
| Total financial assets held at fair value through profit or loss | 97,798,896 | 64,399,212 |

9 Financial assets held at fair value through profit or loss (continued)

Details of the Company's top 10 investments as at 30 June 2017 and 30 June 2016 are set out on the following table:

| Name of investments | As at 30 June 2017 | |
|---|-----------------------|-------------------|
| | Market exposure \$ | Fair value \$ |
| Samsung Electronics Co. Ltd | 6,500,306 | 6,500,306 |
| Tencent Holdings Ltd | 5,735,130 | 5,735,130 |
| TSMC | 5,213,916 | 5,213,916 |
| Alibaba Group Holding | 4,647,376 | 4,647,376 |
| DBS Group Holdings Limited | 4,261,458 | 4,261,458 |
| Larsen & Toubro Limited | 3,522,911 | 3,522,911 |
| China Petroleum & Chemicals | 3,457,952 | 3,457,952 |
| Indusind Bank Ltd | 3,340,899 | 3,340,899 |
| Baidu Inc | 3,238,624 | 3,238,624 |
| China Communications | 3,161,843 | 3,161,843 |
| Total - top 10 investments | 43,080,415 | 43,080,415 |
| Other investments excluding foreign currency contracts | 58,195,695 | 54,686,673 |
| Total investments excluding foreign currency contracts | 101,276,110 | 97,767,088 |
| Foreign currency contracts | | (91,238) |
| Total fair value of investments (Note 9 and Note 10)* | | 97,675,850 |
| *Note 9 - Total financial assets held at fair value through profit or loss | | 97,798,896 |
| Note 10 - Total financial liabilities held at fair value through profit or loss | | (123,046) |
| Total fair value of investments (Note 9 and Note 10) | | 97,675,850 |

10. Notes to the Financial Statements

For the year ended 30 June 2017

9 Financial assets held at fair value through profit or loss (continued)

| Name of investments | As at 30 June 2016 | |
|---|-----------------------|-------------------|
| | Market exposure \$ | Fair value \$ |
| Ping An Insurance Group | 5,131,454 | 5,131,454 |
| Tencent Holdings Ltd | 5,030,062 | 5,030,062 |
| China Petroleum & Chemicals | 4,944,111 | 4,944,111 |
| Samsung Electronics Co. Ltd | 4,486,004 | 4,486,004 |
| AIA Group Ltd | 4,332,848 | 4,332,848 |
| Hong Kong Exchanges + Clear | 4,306,321 | 4,306,321 |
| Largan | 4,291,207 | 4,291,207 |
| TSMC | 4,126,761 | 4,126,761 |
| Housing Development Finance Co | 4,126,598 | (205,493) |
| Ultratech Cement Ltd | 3,932,799 | 1,759 |
| Total - top 10 investments | 44,708,165 | 36,445,034 |
| Other investments excluding foreign currency contracts | 51,258,974 | 27,116,413 |
| Total investments excluding foreign currency contracts | 95,967,139 | 63,561,447 |
| Foreign currency Contracts | | 3,194 |
| Total fair value of investments (Note 9 and Note 10)* | | 63,564,641 |
| *Note 9 – Total financial assets held at fair value through profit or loss | | 64,399,212 |
| Note 10 – Total financial liabilities held at fair value through profit or loss | | (834,571) |
| Total fair value of investments (Note 9 and Note 10) | | 63,564,641 |

An overview of the risk exposures related to the financial assets held at fair value through profit or loss is included in note 5.

10 Financial liabilities held at fair value through profit or loss

| | As at | |
|--|----------------|----------------|
| | 30 June 2017 | 30 June 2016 |
| | \$ | \$ |
| Held for trading | | |
| Derivatives (note 11) | 123,046 | 834,571 |
| Total held for trading | 123,046 | 834,571 |
| Total financial liabilities held at fair value through profit or loss | 123,046 | 834,571 |

An overview of the risk exposures related to the financial liabilities held at fair value through profit or loss is included in note 5.

11 Derivative financial instruments

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and equity derivatives. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Company's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging (portfolio and/or individual security risk);
- to increase/decrease overall portfolio and country exposures;
- investing indirectly where the Manager determines that investing indirectly would, for example, be commercially advantageous, tax efficient or provide a more practicable means of access to the relevant investment; and
- short term portfolio management purposes, for example obtaining economic exposure to the market whilst physical exposures are being bought.

10. Notes to the Financial Statements

For the year ended 30 June 2017

11 Derivative financial instruments (continued)

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Company.

The Company holds the following derivatives:

(a) Forward currency contracts

Forward currency contracts are primarily used by the Company to economically hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Company agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Company recognises a gain or loss equal to the change in fair value at the end of each reporting period.

(b) Equity derivatives

An equity derivative or contract for difference is an agreement to exchange the difference in value of a particular share between the time at which a contract is opened and the time at which it is closed.

The value of equity derivatives is based on the price of a stock index or common stock.

11 Derivative financial instruments (continued)

(b) Equity derivatives (continued)

The Company's derivative financial instruments at year end are detailed below:

| | Contract/ Notional | Fair Values | |
|----------------------------|-----------------------|------------------|----------------|
| | | Assets | Liabilities |
| 30 June 2017 | \$ | \$ | \$ |
| Foreign currency contracts | 12,157,412 | 15,154 | 106,392 |
| Equity derivatives | 3,509,023 | 1,354,107 | 16,654 |
| Total Derivatives | 15,666,435 | 1,369,261 | 123,046 |

| | Contract/ Notional | Fair Values | |
|----------------------------|-----------------------|----------------|----------------|
| | | Assets | Liabilities |
| 30 June 2016 | \$ | \$ | \$ |
| Foreign currency contracts | 21,766,499 | 43,643 | 40,449 |
| Equity derivatives | 32,405,693 | 863,958 | 794,122 |
| Total Derivatives | 54,172,192 | 907,601 | 834,571 |

Risk exposures and fair value measurements

Information about the Company's exposure to price risk, credit risk, foreign exchange risk, interest rate risk, liquidity risk and about the methods and assumptions used in determining fair values is provided in note 7 to the financial statements. The maximum exposure to credit risk at the end of the year is the carrying amount of each class of derivative financial instruments disclosed above.

10. Notes to the Financial Statements

For the year ended 30 June 2017

12 Cash and cash equivalents

| | As at | |
|--|------------------|-------------------|
| | 30 June 2017 | 30 June 2016 |
| | \$ | \$ |
| Cash at bank | 8,832,184 | 25,918,282 |
| Total cash and cash equivalents | 8,832,184 | 25,918,282 |

These accounts are earning a floating interest rate of between 0.01% pa (June 2016: 0.01% pa) and 1.95% pa (June 2016: 2.20% pa) during the reporting period.

13 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

| | Year ended | Period from |
|---|--------------------|---------------------------------|
| | 30 June 2017 | 25 June 2015 to 30 June 2016 |
| | \$ | \$ |
| (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities | | |
| Profit/(loss) for the year/period after tax | 9,094,644 | (3,292,696) |
| Purchase of financial instruments held at fair value through profit or loss | (223,258,747) | (157,190,086) |
| Proceeds from sale of financial instruments held at fair value through profit or loss | 199,749,089 | 89,491,078 |
| Net (gains)/losses on financial instruments held at fair value through profit or loss | (14,206,898) | 4,407,292 |
| Amount received from/(paid to) brokers for margin accounts | 14,848,703 | (22,296,152) |
| Decrease/(Increase) in foreign exchange gains/(losses) | 127,190 | (270,656) |
| Net change in receivables | (147,729) | (276,160) |
| Increase/(decrease) in income tax assets and liabilities | 4,023,812 | (1,378,794) |
| Net change in payables | 18,835 | 211,035 |
| Net cash outflow from operating activities | (9,751,101) | (90,595,139) |
| (b) Non-cash financing activities | – | – |

14 Income tax

| | As at | |
|---|--------------------|------------------|
| | 30 June 2017 | 30 June 2016 |
| | \$ | \$ |
| (a) Reconciliation of income tax expense to prima facie tax payable: | | |
| Profit before income tax | 13,118,458 | (4,671,490) |
| Prima facie income tax (expense)/benefit calculated at 30% | (3,935,537) | 1,401,447 |
| Tax effect of foreign dividends received | (88,275) | (22,653) |
| | (4,023,812) | 1,378,794 |
| (b) Income tax composition: | | |
| Deferred income tax (expense)/benefit | (4,023,812) | 1,378,794 |
| | (4,023,812) | 1,378,794 |
| (c) Income tax expense recognised directly to equity: | | |
| Costs associated with the issue of shares | - | 1,045,293 |
| | - | - |
| (d) Deferred tax (liabilities)/assets comprise of temporary differences attributed to: | | |
| Costs associated with the issue of shares | 627,176 | 836,235 |
| Realised loss on investments held on revenue account | 575,393 | 2,185,067 |
| Unrealised gain on investments held on revenue account | (2,802,294) | (597,214) |
| Total net deferred tax (liability)/asset | (1,599,725) | 2,424,088 |
| (e) Imputation credits: | | |
| Total imputation credits available in subsequent financial years based on a tax rate of 30% | - | - |

The above amount represents the balance of imputation credits at 30 June 2017 and 30 June 2016 adjusted for income tax paid/payable and franked dividends receivable. The Company's ability to pay franked dividends is dependant upon receipt of franked dividends and the Company paying tax.

10. Notes to the Financial Statements

For the year ended 30 June 2017

15 Issued capital

| | As at 30 June 2017 | |
|--|--------------------|--------------------|
| | No. of Securities | \$ |
| Ordinary shares | | |
| Opening balance - 1 July 2016 | 120,000,001 | 117,560,983 |
| Share buyback - 27 September to 30 June 2017 | (8,399,262) | (7,332,688) |
| Total issued capital - fully paid ordinary shares | 111,600,739 | 110,228,295 |
| Options | | |
| Loyalty options | | |
| Opening balance - 1 July 2016 | 65,167,917 | - |
| Total options | 65,167,917 | - |
| Total issued capital | | 110,228,295 |

15 Issued capital (continued)

| | As at 30 June 2016 | |
|---|--------------------|--------------------|
| | No. of Securities | \$ |
| Ordinary shares | | |
| Opening balance - 25 June 2015 (date of incorporation) | - | - |
| Share issued - 25 June 2015 | 1 | 1 |
| Share issued - 4 September 2015 | 120,000,000 | 120,000,000 |
| Capital raising costs | - | (3,484,311) |
| Capital raising costs — tax effect | - | 1,045,293 |
| Total issued capital - fully paid ordinary shares | 120,000,001 | 117,560,983 |
| Options | | |
| Loyalty options | | |
| Opening balance - 25 June 2015 (date of incorporation) | - | - |
| — issued on 4 September 2015 | 68,979,453 | - |
| — transferred out to be vested on 28 February 2016 | (68,979,453) | - |
| — vested on 28 February 2016 | 65,167,917 | - |
| Total options | 65,167,917 | - |
| Total issued capital | | 117,560,983 |

(a) Terms and conditions

(i) Ordinary shares

Fully paid ordinary shares entitle the holder to receive dividends as declared and the proceeds on winding up the Company in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

10. Notes to the Financial Statements

For the year ended 30 June 2017

15 Issued capital (continued)

(a) **Terms and conditions (continued)**

(i) *Ordinary shares (continued)*

On 13 September 2016, the Company announced an on-market share buy-back of up to 10% of its issued ordinary shares (being 12,000,000 shares), commencing 27 September 2016 until an earlier of 26 September 2017 or when 10% of ordinary shares are bought back. The Company reserves the right to suspend or terminate the on-market share buy-back at any time. As at 30 June 2017 the Company has bought back 8,399,262 (2016: Nil) shares in total, approximately 7.00% (2016: Nil) of its issued ordinary shares.

(ii) *Options*

Under the Prospectus dated 21 August 2015, the Company offered shares together with:

- (a) one loyalty Option for every two shares issued under the broker firm offer or the general offer; and
- (b) two loyalty options for every three shares issued under the priority offer to eligible existing shareholders of Ellerston Global Investments Limited (ASX: EGI).
- (c) all loyalty options were issued at no cost and are not entitled to dividends.

On 28 February 2016 the vesting date of the Options, the Company issued 65,167,917 vested loyalty options to option holders who held at least the same amount of shares issued under the Initial Public Offer. The loyalty options lapsed on the same date for option holders who held less amount of shares than what they were allotted in the initial Public Offer.

15 Issued capital (continued)

(a) **Terms and conditions (continued)**

(ii) *Options (continued)*

The vested loyalty options were first quoted on the ASX on 2 March 2016. Holders of the vested loyalty option have the right to acquire one ordinary share in the Company at a price of \$1.00 and can exercise the right at any time in the period commencing on the day after the vesting date of 28 February 2016 and ending on the third anniversary of the vesting date being 28 February 2019. The loyalty options are not entitled to dividends.

Ordinary shares issued on exercise of the options rank equally with all other ordinary shares from the date of exercise and entitle the holder to receive dividends on or prior to the applicable record date.

16 Earnings per share

| | Year ended 30 June 2017 | Period from 25 June 2015 to 30 June 2016 |
|---|----------------------------|--|
| Basic earnings/(losses) per share (cents) | 7.77 | (2.74) |
| Diluted earnings/(losses) per share (cents) | 7.77 | (2.74) |
| Weighted average number of ordinary shares | | |
| Weighted average number of ordinary shares on issue used in calculating basic earnings/(losses) per share | 117,104,498 | 120,000,001 |
| Add: Options for the purpose of calculating diluted earnings/(losses) per share* | - | - |
| Weighted average number of ordinary shares on issue used in calculating diluted earnings/(losses) per share | 117,104,498 | 120,000,001 |
| Earnings reconciliation | | |
| Net profit after income tax used in the calculation of basic and diluted earnings/(losses) per share (\$) | 9,094,644 | (3,292,696) |

* Calculated in accordance with AASB 133

10. Notes to the Financial Statements

For the year ended 30 June 2017

17 Net tangible assets per share

| | As at | |
|--|--------------|--------------|
| | 30 June 2017 | 30 June 2016 |
| | \$ | \$ |
| Net tangible assets per share | | |
| Net Tangible Assets before all taxes | 1.0540 | 0.9320 |
| Net Tangible Assets after realised tax (i) | 1.0540 | 0.9320 |
| Net Tangible Assets after tax | 1.0397 | 0.9522 |

The Net Tangible Assets as at 30 June 2017 is based on fully paid ordinary shares of 111,600,739 (June 2016: 120,000,001).

- (i) Net Tangible Assets after realised tax includes tax paid and a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax line.

18 Management and performance fees

Under the Management Agreement, dated 27 July 2015, the Company must pay the Investment Manager a management fee as determined with respect to the scale set out below based on the pre tax net asset value of the investment portfolio.

For the first AUD\$50 million of net asset value the Investment Manager is entitled to 0.95% management fees per annum.

Any amount by which the net asset value exceeds AUD\$50 million the Investment Manager is entitled to 0.75% management fees per annum.

The management fee is calculated exclusive of GST and accrued each month and paid monthly in arrears.

In addition, the Investment Manager will be entitled to receive a performance fee from the Company equal to 15% (plus GST) of the amount by which the investment portfolio's pre tax return exceeds the return of the MSCI AC Asia Ex Japan Index (\$AUD), calculated and accrued monthly from the commencement date (1 November 2015) and paid annually in arrears.

18 Management and performance fees (continued)

The accrued performance fee for each month will be aggregated and paid annually in arrears. A performance fee will be payable only if the investment portfolio's pre tax return exceeds the return of the MSCI AC Asian Ex Japan Index (\$AUD) for the financial year, no performance fee will be payable in respect of that financial year and the negative performance fee amount will be carried forward to the following financial year or financial years until it has been recouped.

| | 30 June 2017 | 30 June 2016 |
|--------------------------|--------------|--------------|
| | \$ | \$ |
| Management fees expense | 996,294 | 765,587 |
| Management fees payable | 80,782 | 78,927 |
| Performance fees expense | - | - |
| Performance fees payable | - | - |

19 Auditor's remuneration

| | Year ended 30 June 2017 | Period from 25 June 2015 to 30 June 2016 |
|---|----------------------------|--|
| | \$ | \$ |
| Audit and assurance services | | |
| Statutory audit and review of the financial reports | 52,042 | 48,435 |
| Non-audit services | | |
| Taxation services | 3,658 | 3,658 |
| Total remuneration for assurance services | 55,700 | 52,093 |

Amounts received or due and receivable by the auditor of the Company, Ernst & Young.

20 Related parties

The Company has appointed Ellerston Capital Limited, to act as the manager of the Company's investment portfolio. The contract is on normal commercial terms and conditions.

(a) Key management personnel

The Key Management Personnel (KMP) of the Company comprise the Independent Non-Executive Directors, the Executive Director and the Manager.

Ellerston Capital Limited

A Management Agreement between the Company and the Manager commenced on 27 July 2015. For the year ended 30 June 2017 and period ended 30 June 2016, the Manager was remunerated by the Company in accordance with the Management Agreement, and the Manager is entitled to:

- (i) a management fee of 0.95% (plus GST) per annum for the first AUD\$50 million of net asset value, 0.75% (plus GST) per annum on any amount by which the net asset value exceeds AUD\$50 million, calculated and accrued monthly and paid monthly in arrears; and
- (ii) a performance fee equal to 15% (plus GST) of the amount by which the investment portfolio's pre-tax return exceeds the return of the MSCI World Index (local), calculated and accrued monthly and paid annually in arrears.

Details of management and performance fees are provided on note 18 on page 95.

20 Related parties (continued)

(a) **Key management personnel (continued)**

Ellerston Capital Limited (continued)

The following remuneration was paid or payable by the Company to the Independent Non-Executive Directors and Executive Director, and the Manager for the year:

| | 30 June 2017 | 30 June 2016 |
|---|---------------|---------------|
| | \$ | \$ |
| Sam Brougham | 30,250 | 28,349 |
| Paul Dortkamp | 30,250 | 30,663 |
| Stuart Robertson | 30,250 | 30,663 |
| Total Non-Executive Directors' fees paid by the Company | 90,750 | 89,675 |
| Total Executive Director's fee paid by the Company to Ashok Jacob | Nil | Nil |

Further details of remuneration paid to the Directors is disclosed in the Remuneration Report in the Directors' Report.

10. Notes to the Financial Statements

For the year ended 30 June 2017

20 Related parties (continued)

(b) Transactions with related parties

The Company from time to time enters into transactions with parties related to the Manager. All related party transactions are made at arm's length on normal business terms and conditions. During the reporting periods 30 June 2017 and 30 June 2016 the Company had the following related party transactions:

30 June 2017

| Unitholder | Number of shares held opening | Number of share held closing | Fair value of investment | Interest held | Shares acquired during the year | Shares disposed during the year | Dividends paid/payable by the Fund |
|--|-------------------------------|------------------------------|--------------------------|---------------|---------------------------------|---------------------------------|------------------------------------|
| | (No.) | (No.) | (\$) | (%) | (No.) | (No.) | (\$) |
| Ellerston Global Equity | | | | | | | |
| Managers Fund | | | | | | | |
| Ordinary Shares | 3,200,000 | 3,200,000 | 3,327,010 | 2.87 | - | - | - |
| Loyalty Options | 2,133,333 | 2,133,333 | 64,000 | 3.27 | - | - | - |
| Directors of Ellerston Capital Limited | | | | | | | |
| Ordinary Shares | 50,000 | 50,000 | 51,985 | 0.04 | - | - | - |
| Loyalty Options | 33,332 | 33,332 | 1,000 | 0.05 | - | - | - |
| Ellerston Capital Limited | | | | | | | |
| Ordinary Shares | 112,501 | 112,501 | 116,966 | 0.10 | - | - | - |
| Loyalty Options | 56,250 | 56,250 | 1,688 | 0.09 | - | - | - |

20 Related parties (continued)

(b) Transactions with related parties (continued)

30 June 2016

| Shareholder | Number of shares held opening | Number of shares held closing | Fair value of investment | Interest held | Shares acquired during the year | Shares disposed during the year | Dividends paid/payable by the Fund |
|--|-------------------------------|-------------------------------|--------------------------|---------------|---------------------------------|---------------------------------|------------------------------------|
| | (No.) | (No.) | (\$) | (%) | (No.) | (No.) | (\$) |
| Ellerston Global Equity | | | | | | | |
| Managers Fund | | | | | | | |
| Ordinary Shares | 3,200,000 | 3,200,000 | 3,047,155 | 2.67 | - | - | - |
| Loyalty Options | 2,133,333 | 2,133,333 | 36,267 | 3.27 | - | - | - |
| Directors of Ellerston Capital Limited | | | | | | | |
| Ordinary Shares | 50,000 | 50,000 | 47,612 | 0.04 | - | - | - |
| Loyalty Options | 33,332 | 33,332 | 567 | 0.05 | - | - | - |
| Ellerston Capital Limited | | | | | | | |
| Ordinary Shares | 112,501 | 112,501 | 107,128 | 0.09 | - | - | - |
| Loyalty Options | 56,250 | 56,250 | 956 | 0.09 | - | - | - |

The Manager of the Company is the Trustee and the Investment Manager of Ellerston Global Equity Managers Fund.

Note: Where directors hold directorships of the Company and Investment Manager, those holdings have been included in the Directors' Report and are not included in the table above under "Directors of Ellerston Capital Limited".

10. Notes to the Financial Statements

For the year ended 30 June 2017

21 Contingent assets, liabilities and commitments

The Company has no material commitments, contingent assets or liabilities as at 30 June 2017 and 30 June 2016.

22 Events occurring after the reporting period

On 30 August 2017 the directors resolved to transfer approximately \$2.2m to the newly created dividend profit reserve to set aside funds for payment of future franked dividends.

No other significant events have occurred since the end of the reporting period and up to the date of this report which would impact on the financial position of the Company disclosed in the Statement of financial position as at 30 June 2017 or on the results and cash flows of the Company for the year ended on that date.



11.

Directors' Declaration

11. Directors' Declaration

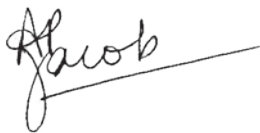
30 June 2017

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 42 to 100 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the financial year; and
- (b) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the directors.



Ashok Jacob

Chairman

30 August 2017



12.

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Members of Ellerston Asian Investments Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ellerston Asian Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Company.

In our opinion:

the accompanying financial report of Ellerston Asian Investments Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the

procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Investment Existence and Valuation

Why significant

As a listed investment company, the Company has a significant investment portfolio consisting primarily of listed securities. As at 30 June 2017, the values of these financial assets and financial liabilities, per Note 9 and Note 10 to the financial report were \$97,798,896 and \$123,046, which equates to 83% and 35% of the total assets and total liabilities respectively held by the Company.

As detailed in the Company's accounting policy, as described in Note 2(b) to the financial report, these financial assets and financial liabilities are recognised at fair value through profit or loss in accordance with Australian Accounting Standard - *AASB 139: Financial Instruments: Recognition and Measurement* (AASB 139).

Disclosures regarding the Company's financial assets and financial liabilities held at fair value through profit or loss are included in Note 7, Note 8, Note 9, Note 10 and Note 11 to the financial report.

Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report, therefore valuation of the investment portfolio is considered a key area of focus.

2. Management and Performance Fees

Why significant

Management and performance fees paid to the Manager, Ellerston Capital Limited, are the most significant expense for the Company.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of relevant controls in place around the recognition and valuation of investments, through review of the audited internal controls report prepared under *ISAE 3402 Assurance Reports on Controls at a Service Organisation*, of the Company's administrator.

We agreed all investment holdings to third party confirmations at 30 June 2017.

To validate the fair value of investment holdings were in accordance with *AASB 139*, we agreed the quoted market prices of listed securities and observable market inputs of derivatives such as foreign currency forward contracts and equity derivatives to independent pricing sources.

We assessed the adequacy of the disclosures in Note 7, Note 8, Note 9, Note 10 and Note 11 to the financial report in line with *AASB 139*, *AASB 7: Financial Instruments Disclosures* and *AASB 13: Fair Value Measurement*.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of relevant controls in place in relation to the calculation of management and performance fees, through review of the audited internal controls report of the administrator.

2. Management and Performance Fees (continued)

Why significant

The Company's accounting policy for management and performance fees is described in Note 19 to the financial report. All expenses are recognised on an accruals basis, with performance fees recognised in the financial report if the performance hurdles for the Company have been met at the end of the relevant measurement period, which is the date where certainty exists that the criteria have been met and the liability has been crystallised.

As at 30 June 2017, management fees totalled \$996,294 which equates to 32% of total expenses.

As at 30 June 2017, the Company had nil performance fees.

The assessment of performance fee arrangements can be complex and judgmental due to uncertainty around future performance.

The quantum of these expenses and the impact that variability of the market can have on the recognition and payment of performance fees results in this being a key area of audit focus.

The disclosure of these amounts is included in Note 19 to the financial report.

How our audit addressed the key audit matter

We performed a recalculation of management and performance fees, in accordance with contractual arrangements including agreeing the contract rate to the calculation.

We assessed the adequacy of the disclosures in Note 19 to the financial report.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the

financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

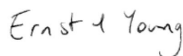
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the Directors' Report for the year ended 30 June 2017.


In our opinion, the Remuneration Report of Ellerston Asian Investments Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Rohit Khanna
Partner
Sydney
30 August 2017



13.

Shareholder Information

13. Shareholder Information

For the year ended 30 June 2017

Additional information required by the Australian Stock Exchange Ltd (ASX) and not shown elsewhere in this report is as follows. The information is current as at 29 August 2017.

(a) Distribution of Shareholders of the Company as at 29 August 2017:

| ORDINARY SHAREHOLDING RANGE | NUMBER OF HOLDERS | NUMBER OF ORDINARY SHARES | % OF ISSUED CAPITAL |
|---|--------------------------|----------------------------------|----------------------------|
| 1 to 1,000 | 18 | 9,398 | 0.01 |
| 1,001 to 5,000 | 153 | 592,649 | 0.54 |
| 5,001 to 10,000 | 271 | 2,450,416 | 2.23 |
| 10,001 to 100,000 | 1,444 | 51,909,288 | 47.25 |
| 100,001 and Over | 144 | 54,895,958 | 49.97 |
| Total | 2,030 | 109,857,709 | 100.00 |
| Shareholders with less than a marketable parcel | 7 | 38 | 0.00 |

| OPTIONHOLDING RANGE | NUMBER OF HOLDERS | NUMBER OF OPTIONS | % OF OPTIONS IN ISSUE |
|--|--------------------------|--------------------------|------------------------------|
| 1 to 1,000 | 8 | 8,000 | 0.01 |
| 1,001 to 5,000 | 374 | 1,408,817 | 2.16 |
| 5,001 to 10,000 | 473 | 4,088,348 | 6.27 |
| 10,001 to 100,000 | 981 | 27,146,168 | 41.66 |
| 100,001 and Over | 72 | 32,516,584 | 49.90 |
| Total | 1,908 | 65,167,917 | 100.00 |
| Optionholders with less than a marketable parcel | 1,355 | 13,175,400 | 20.22 |

| RANK | HOLDER NAME | NUMBER OF ORDINARY SHARES | % OF ISSUED CAPITAL |
|------|---|---------------------------------|---------------------------|
| 1 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 5,111,002 | 4.65% |
| 2 | HIMSTEDT & CO PTY LTD <The Himstedt Family A/C> | 3,721,986 | 3.39% |
| 3 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 3,200,000 | 2.91% |
| 4 | RAC & JD BRICE SUPERANNUATION PTY LTD <Brice Super Fund A/C> | 3,000,000 | 2.73% |
| 5 | E D DUNN PTY LTD <Eleanor Dunn A/C> | 2,750,000 | 2.50% |
| 6 | RUBI HOLDINGS PTY LTD <John Rubino S/F A/C> | 2,000,000 | 1.82% |
| 7 | WANGANUI PTY LTD <Peck von Hartel S/F A/C> | 2,000,000 | 1.82% |
| 8 | HALCYCON PTY LTD | 1,899,990 | 1.73% |
| 9 | KBT SMSF PTY LTD <Tierney Super Fund A/C> | 1,250,000 | 1.14% |
| 10 | GIOVANNI NOMINEES PTY LTD <Giovanni Family Fund A/C> | 1,000,000 | 0.91% |
| 11 | LABELMAKERS GROUP PTY LTD | 1,000,000 | 0.91% |
| 12 | SPAR NOMINEES PTY LTD | 882,880 | 0.80% |
| 13 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 735,069 | 0.67% |
| 14 | LIC INVESTMENTS PTY LTD <LIC Investments Unit A/C> | 710,000 | 0.65% |
| 15 | ZONDA CAPITAL PTY LTD <Flinders Family A/C> | 680,000 | 0.62% |
| 16 | CHARANDA NOMINEE COMPANY PTY LTD <The Amanchar A/C> | 510,000 | 0.46% |
| 17 | CROFTON PARK DEVELOPMENTS PTY LTD <Sam Brougham Family A/C> | 500,000 | 0.46% |
| 18 | WISE PLAN PTY LTD <Burke Super Fund No2 A/C> | 500,000 | 0.46% |
| 19 | GEMLINE PTY LTD <S & A Simson Super Fund A/C> | 475,000 | 0.43% |
| 20 | D & R CHAPLIN PTY LTD <D & R Chaplin Family A/C> | 466,040 | 0.42% |

INVESTORS

| | | | |
|-------------------|------------|----|--------|
| TOTAL FOR TOP 20: | 32,391,967 | 20 | 29.49% |
|-------------------|------------|----|--------|

INVESTORS

| | | | |
|------------------------|--------------------|--------------|----------------|
| TOTAL IN THIS REPORT: | 32,391,967 | 20 | 29.49% |
| TOTAL OTHER INVESTORS: | 77,465,742 | 2,010 | 70.51% |
| GRAND TOTAL: | 109,857,709 | 2,030 | 100.00% |

14. Corporate Directory

For the year ended 30 June 2017

Directors

Ashok Jacob
Sam Brougham
Paul Dortkamp
Stuart Robertson

Company Secretary

Ian Kelly

Registered Office

c/- Ellerston Capital Limited
Level 11, 179 Elizabeth Street
SYDNEY NSW 2000

Auditor

Ernst and Young
Ernst and Young Centre
200 George Street
SYDNEY NSW 2000

Manager

Ellerston Capital Limited
ACN 110 397 674
Level 11, 179 Elizabeth Street
SYDNEY NSW 2000

Share Registry

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000

Securities Exchange Listing

ASX code (ordinary shares): EAI
ASX code (loyalty options): EAIO

