

Ellerston Asian Investments Limited

ACN 606 683 729

Level 11, 179 Elizabeth Street

SYDNEY NSW 2000

21 February 2018

Company Announcements Office
ASX Limited
Level 4, Exchange Centre
20 Bridge St
SYDNEY NSW 2000

HALF-YEAR RESULTS

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

1. Appendix 4D Statement for the half year ended 31 December 2017; and
2. Interim Financial Report for the half year ended 31 December 2017.

Yours sincerely



Ian Kelly
Company Secretary
Phone: 02 9021 7731

1. Details of the reporting period.

Current Period: 1 July 2017 to 31 December 2017
 Previous Corresponding Period: 1 July 2016 to 31 December 2016

2. Results for announcement to the market

| | | Current period AUD (\$) | % Change from the corresponding period |
|-----|--|----------------------------|---|
| 2.1 | Revenue from ordinary activities | 14,235,697 | 232.30% |
| 2.2 | Profit/(loss) after tax from ordinary activities | 9,726,456 | 404.92% |
| 2.3 | Net profit/(loss) after tax for the period attributable to ordinary shareholders | 9,726,456 | 404.92% |

| Period | EAI NTA Return pre-tax* | MSCI AC Asia Ex-Japan Index (AUD) Return |
|--|----------------------------|---|
| 6 Months | 12.10% | 11.90% |
| 1 year | 23.43% | 28.42% |
| Since Inception (Sept 2015) | 21.70% | 32.61% |

* Calculated based on compounded growth in monthly NTA, net of expenses, before tax and inclusive of the effects of the share buy-back.

3. Dividend Information

The Board aims to deliver a regular stream of fully franked dividends as the company matures.

The Company has not declared any dividends to date due to the lack of available franking credits.

Given the strong surge in profits during the period and current tax liabilities, the Company is currently on track to deliver its first franked dividend for the year ended 30 June 2018.

4. Net tangible assets (NTA) per ordinary share

| | Current period AUD (\$) | Previous corresponding period AUD (\$) |
|----------------------------|----------------------------|--|
| NTA before all taxes | 1.1809 | 0.9573 |
| NTA after realised tax (i) | 1.1653 | 0.9573 |
| NTA after tax | 1.1363 | 0.9705 |

(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.*

5. Control gained or lost over entities during the period

N/A

6. Details of associates and joint venture entities

The Company did not have any interest in any associates or joint venture entities during both the current period and the previous corresponding period.

7. Accounting standards used by foreign entities

N/A – The Company is an Australian Entity.

8. Qualification of audit / review

The interim report for the period ended 31 December 2017 is not subject to audit dispute or qualification.

Capital Management

On 13 September 2017, the Board resolved to implement an additional 10% on market buy-back over 12 months ending 26 September 2018. The share buy-back has been accretive to the NTA and there is remaining capacity of 8.1 million shares. The Board considers it a prudent capital management strategy.

Market Update

As noted in our January 2018 Investment Update, released to the ASX on 14th February 2018, EAI had a great start to the year with the fund up 5.1% in January, outperforming the index by 1.2% (gross). The pre-tax NTA rose from \$1.1809 at the end of December 2017 to \$1.2394 at the end of January 2018.

While these strong market movements were welcomed, by mid-January many Asian markets and many of our individual stocks looked significantly overbought technically. Therefore, we took profits and raised cash from 5.1% at the end of December to approximately 9.4% at the end of January. The first two weeks of February did witness a pull-back and increased volatility in global markets, so this increase in cash was well timed.

We will continue to provide our weekly NTA announcements and detailed monthly investment updates.



.....
Ian Kelly
Company Secretary

21 February 2018



ELLERSTON ASIAN
INVESTMENTS LIMITED

ASX: EAI

ABN 82 606 683 729

Interim Report

For the half-year ended

31 December 2017


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The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the period ended 30 June 2017 and any public announcements made by Ellerston Asian Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.



1. Directors' Report



The directors of Ellerston Asian Investments Limited (the “Company”) present their report together with the financial statements of the Company for the half-year ended 31 December 2017.

Directors

The following persons were directors of the Company during the period 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 period 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.

Review and results of operations

The operating results of the Company for the half-year ended on 31 December 2017 and 31 December 2016 are:

| | Half-year ended | |
|------------------------------|---------------------------|---------------------------|
| | 31 December 2017 \$ | 31 December 2016 \$ |
| Net profit before income tax | 12,827,490 | 2,797,983 |
| Net profit after income tax | 9,726,456 | 1,926,333 |

| | As of | |
|---|---------------------------|---------------------------|
| | 31 December 2017 \$ | 31 December 2016 \$ |
| Net tangible assets per share (NTA) – before tax | 1.1809 | 0.9573 |
| Net tangible assets per share (NTA) – after realised tax (i) | 1.1653 | 0.9573 |
| Net tangible assets per share (NTA) – after tax | 1.1363 | 0.9705 |

The Net Tangible Assets as at 31 December 2017 is based on fully paid ordinary shares of 105,596,405 (June 2017: 111,600,739).

- (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.

For the 12 month period to 31 December 2017, the Company returned 23.43% on a pre-tax basis and 17.16% on a post-tax basis, while the return of its benchmark MSCI AC Ex-Japan Index (AUD) was 28.42%.

For the half-year to 31 December 2017, the Company returned 12.10% (December 2016: 2.71%) on a pre-tax basis and 9.37% (December 2016: 1.92%) on a post-tax basis, while the return of its benchmark MSCI AC Asia Ex-Japan (AUD) was 11.89% (December 2016: 5.01%).



Review and results of operations (continued)

On 18 September 2017, the Company announced a new on-market buy-back of up to 10% of its shares, commencing 27 September 2017 and continuing for twelve months. Since 27 September 2016 a total of 14,814,262 shares had been bought back. Please refer to Note 10 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.

Dividends

The Company has not declared any dividends for the half-year ended 31 December 2017.

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 half-year ended 31 December 2017.

Matters subsequent to the end of the interim period

No matter or circumstance has arisen since 31 December 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.

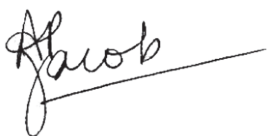
Rounding of amounts to the nearest dollar

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.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 7.

Signed in accordance with a resolution of the directors.



Ashok Jacob

Chairman

19 February 2018

Auditor's Independence Declaration



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the review of Ellerston Asian Investments Limited for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Ernst & Young

Rohit Khanna

Rohit Khanna
Partner
19 February 2018



2.

Financial Statements

Statement of comprehensive income

For the half-year ended 31 December 2017

| | Notes | Half-year ended | |
|---|-------|---------------------------|---------------------------|
| | | 31 December 2017 \$ | 31 December 2016 \$ |
| Investment income | | | |
| Interest income | | 51,471 | 287,603 |
| Dividend income | | 2,054,338 | 665,458 |
| Net foreign exchange gains | | 163,620 | 50,778 |
| Change in fair value of financial instruments held at fair value through profit or loss | | 11,966,268 | 3,280,154 |
| Total investment income | | 14,235,697 | 4,283,993 |
| Expenses | | | |
| Directors fees | | 45,375 | 45,375 |
| Management and performance fees | 13 | 521,765 | 504,113 |
| Custody and administration fees | | 43,306 | 43,306 |
| Audit and tax fees | | 27,417 | 27,418 |
| Registry fees | | 25,625 | 25,625 |
| Transaction costs | | 523,259 | 693,995 |
| Withholding taxes | | 146,864 | 87,590 |
| ASX fees | | 49,500 | 49,500 |
| Other expenses | | 25,096 | 9,088 |
| Total operating expenses | | 1,408,207 | 1,486,010 |
| Net profit before income tax | | 12,827,490 | 2,797,983 |
| Income tax expense | | (3,101,034) | (871,650) |
| Net profit after income tax | | 9,726,456 | 1,926,333 |
| Other comprehensive income/(loss) | | – | – |
| Total comprehensive income | | 9,726,456 | 1,926,333 |
| Basic earnings per share (cents per share) | 11 | 9.01 | 1.61 |
| Diluted earnings per share (cents per share) | 11 | 9.01 | 1.61 |

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

Statement of financial position

As at 31 December 2017

| | | As at | |
|---|-------|--------------------|--------------------|
| | | 31 December | 30 June |
| | Notes | 2017 | 2017 |
| | | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | 9 | 6,643,032 | 8,832,184 |
| Receivables | | 75,333 | 423,889 |
| Due from brokers | | 33,640 | 10,927,915 |
| Financial assets held at fair value through profit or loss | 6 | 118,226,705 | 97,798,896 |
| Total current assets | | 124,978,710 | 117,982,884 |
| Total assets | | 124,978,710 | 117,982,884 |
| Current liabilities | | | |
| Payables | | 138,926 | 149,088 |
| Management and performance fees payable | 13 | 106,531 | 80,782 |
| Current tax liability | | 1,639,219 | – |
| Financial liabilities held at fair value through profit or loss | 7 | 39,197 | 123,046 |
| Total current liabilities | | 1,923,873 | 352,916 |
| Non-current liabilities | | | |
| Deferred tax liability | | 3,061,539 | 1,599,725 |
| Total non-current liabilities | | 3,061,539 | 1,599,725 |
| Total liabilities | | 4,985,412 | 1,952,641 |
| Net assets | | 119,993,298 | 116,030,243 |
| Equity | | | |
| Issued capital | 10 | 104,464,894 | 110,228,295 |
| Retained earnings | | 13,328,404 | 5,801,948 |
| Dividend profit reserve | 8 | 2,200,000 | – |
| Total equity | | 119,993,298 | 116,030,243 |

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the half-year ended 31 December 2017

| | Notes | Issued capital \$ | Retained earnings/ (losses) \$ | Dividend profit reserve \$ | Total \$ |
|--|-----------|-------------------------|---|----------------------------------|--------------------|
| Balance as at 1 July 2017 | | 110,228,295 | 5,801,948 | – | 116,030,243 |
| Total comprehensive income for the period | | – | 9,726,456 | – | 9,726,456 |
| Shares bought back | | (6,174,067) | – | – | (6,174,067) |
| Transfer to dividend profit reserve account | | – | (2,200,000) | 2,200,000 | – |
| Shares issued from exercise of options | | 410,666 | – | – | 410,666 |
| Balance as at 31 December 2017 | 10 | 104,464,894 | 13,328,404 | 2,200,000 | 119,993,298 |
| Balance as at 1 July 2016 | | 117,560,983 | (3,292,696) | – | 114,268,287 |
| Total comprehensive income for the period | | – | 1,926,333 | – | 1,926,333 |
| Shares bought back | | (1,971,153) | – | – | (1,971,153) |
| Balance as at 31 December 2016 | 10 | 115,589,830 | (1,366,363) | – | 114,223,467 |

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

Statement of cash flows

For the half-year ended 31 December 2017

| | Notes | Half-year ended | |
|---|-------|---------------------------|---------------------------|
| | | 31 December 2017 \$ | 31 December 2016 \$ |
| Cash flows from operating activities | | | |
| Purchase of financial instruments held at fair value through profit or loss | | (79,469,112) | (102,368,324) |
| Proceeds from sale of financial instruments held at fair value through profit or loss | | 75,779,286 | 99,049,386 |
| Amounts transferred from brokers as collateral | | 7,413,809 | 6,309,630 |
| Dividend income | | 1,080,554 | 805,135 |
| Interest received | | 52,702 | 289,664 |
| Other income received | | 6,631 | – |
| Management and performance fees paid | | (496,016) | (500,717) |
| Custody and administration fees paid | | (35,306) | (53,932) |
| Payment of other expenses | | (758,314) | (855,885) |
| Net cash inflow from operating activities | | 3,574,234 | 2,674,957 |
| Cash flows from financing activities | | | |
| Shares bought back | | (5,763,401) | (1,971,153) |
| Net cash outflow from financing activities | | (5,763,401) | (1,971,153) |
| Net (decrease)/increase in cash and cash equivalents | | (2,189,167) | 703,804 |
| Cash and cash equivalents at the beginning of the period | | 8,832,184 | 25,918,282 |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | | 15 | 3,674 |
| Cash and cash equivalents at the end of the period | 9 | 6,643,032 | 26,625,760 |
| Non-cash financing activities | | | |
| Reinvestment of shareholder dividends | | – | – |

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

Contents of the notes to the financial statements

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Notes to the financial statements

For the half-year ended 31 December 2017

1 General information

This interim report is for Ellerston Asian Investments Limited (the “Company”) for the half-year ended 31 December 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: EAI0) are publicly traded on the ASX.

The interim report was authorised for issue by the directors on 19 February 2018. The directors have the power to amend and reissue the interim 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 half-yearly interim report as at 31 December 2017 is a general purpose financial report and has been prepared in accordance with the *Corporations Act 2001*, AASB 134: Interim Financial Reporting and other applicable disclosure requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

The interim financial report has also 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. This interim report is presented in Australian dollars, unless otherwise noted.

2 Summary of significant accounting policies (continued)

(a) **Basis of preparation (continued)**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the Company's annual report for the period ended 30 June 2017 and public announcements made in respect of the Company during the half-year ended 31 December 2017 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Company is a for-profit entity for the purpose of preparing interim financial statements.

(b) **Changes in accounting standards**

The significant accounting policies adopted in the preparation of these interim financial statements are consistent with those applied in the preparation of the Company's financial statements for the year ended 30 June 2017.

(c) **Critical accounting estimates and judgements**

Estimates and judgments 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.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2017 reporting period and have not been early adopted by the Company. The directors' assessment of the impact of these

2 Summary of significant accounting policies (continued)

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

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 they are carried 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.

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.

2 Summary of significant accounting policies (continued)

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

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

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 interim 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.

3 Dividends

No dividends were declared, paid or payable for the half-year ended 31 December 2017 and half-year ended 31 December 2016.

Dividend profit reserve

To the extent that any current period 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. 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. For further information refer to note 8.

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.

Notes to the financial statements

For the half-year ended 31 December 2017

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 Fair value measurement

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

- Financial assets designated at fair value through profit or loss (see note 6)
- Financial liabilities held for trading (see note 7)
- Derivative financial instruments

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).

5 Fair value measurement (continued)

(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.

(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.

5 Fair value measurement (continued)

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

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.

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.

5 Fair value measurement (continued)

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

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 31 December 2017 and 30 June 2017.

| As at 31 December 2017 | Level 1 | Level 2 | Level 3 | Total |
|--|--------------------|---------------|----------|--------------------|
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Financial assets designated at fair value: | | | | |
| Equity securities | 118,226,705 | – | – | 118,226,705 |
| Financial assets held for trading: | | | | |
| Derivatives | – | – | – | – |
| Total financial assets | 118,226,705 | – | – | 118,226,705 |
| Financial liabilities | | | | |
| Financial liabilities held for trading: | | | | |
| Derivatives | – | 39,197 | – | 39,197 |
| Total financial liabilities | – | 39,197 | – | 39,197 |

Notes to the financial statements

For the half-year ended 31 December 2017

5 Fair value measurement (continued)

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

Recognised fair value measurement (continued)

| | 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 |

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 half-year ended 31 December 2017 and year ended 30 June 2017.

5 Fair value measurement (continued)

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

There were no investments classified as level 3 within the Company as at 31 December 2017 and 30 June 2017.

(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.

6 Financial assets held at fair value through profit or loss

| | As at | |
|---|--------------------|-------------------|
| | 31 December 2017 | 30 June 2017 |
| | \$ | \$ |
| Designated at fair value through profit or loss | | |
| Equity securities | 118,226,705 | 96,429,635 |
| Total designated at fair value through profit or loss | 118,226,705 | 96,429,635 |
| Held for trading | | |
| Derivatives | – | 1,369,261 |
| Total held for trading | – | 1,369,261 |
| Total financial assets held at fair value through profit or loss | 118,226,705 | 97,798,896 |

Notes to the financial statements

For the half-year ended 31 December 2017

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

Details of the Company's top 10 investments as at 31 December 2017 and 30 June 2017 are set out on the following table:

| Company Name | As at 31 December 2017 | |
|---|------------------------|--------------------|
| | Market exposure \$ | Fair value \$ |
| Tencent Holdings Ltd | 8,874,586 | 8,874,586 |
| Taiwan Semiconductor Manufacturing | 7,202,807 | 7,202,807 |
| Samsung Electronics Co Ltd | 5,903,426 | 5,903,426 |
| Alibaba Group Holding | 5,379,136 | 5,379,136 |
| DBS Group Holdings Limited | 5,230,251 | 5,230,251 |
| Ping An Insurance Group Co | 5,162,290 | 5,162,290 |
| Industrial and Commercial Bank of China | 4,137,575 | 4,137,575 |
| China Construction Bank Corp | 3,980,176 | 3,980,176 |
| Larsen & Toubro Ltd | 3,912,917 | 3,912,917 |
| POSCO | 3,732,695 | 3,732,695 |
| Total – top 10 investments | 53,515,859 | 53,515,859 |
| Other investments excluding foreign currency contracts | 64,710,846 | 64,710,846 |
| Total investments excluding foreign currency contracts | 118,226,705 | 118,226,705 |
| Foreign currency contracts | | (39,197) |
| Total fair value of investments (Note 6 and Note 7)* | | 118,187,508 |
| *Note 6 – Total financial assets held at fair value through profit or loss | | 118,226,705 |
| *Note 7 – Total financial liabilities held at fair value through profit or loss | | 39,197 |
| Total fair value of investments (Note 6 and Note 7) | | 118,187,508 |

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

| Company Name | 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 |
| Taiwan Semiconductor Manufacturing | 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 6 and Note 7)* | | 97,675,850 |
| *Note 6 – Total financial assets held at fair value through profit or loss | | 97,798,896 |
| *Note 7 – Total financial liabilities held at fair value through profit or loss | | (123,046) |
| Total fair value of investments (Note 6 and Note 7) | | 97,675,850 |

Notes to the financial statements

For the half-year ended 31 December 2017

7 Financial liabilities held at fair value through profit or loss

| | As at | |
|---|---------------------|-----------------|
| | 31 December 2017 | 30 June 2017 |
| | \$ | \$ |
| Held for trading | | |
| Derivatives | 39,197 | 123,046 |
| Total held for trading | 39,197 | 123,046 |
| Total financial liabilities held at fair value through profit or loss | 39,197 | 123,046 |

8 Dividend profit reserve

| | As at | |
|--|---------------------|-----------------|
| | 31 December 2017 | 30 June 2017 |
| Movements in Dividend Profit Reserve | \$ | \$ |
| Balance at the beginning of the period | – | – |
| Transferred from retained earnings | 2,200,000 | – |
| Payment of dividend | – | – |
| Closing balance at the end of the period | 2,200,000 | – |

On 30 August 2017, the Directors decided to transfer approximately \$2.2m (2016:nil) to the dividend profit reserve, to set aside funds for payment of future franked dividends.

9 Cash and cash equivalents

| | As at | |
|--|---------------------|------------------|
| | 31 December 2017 | 30 June 2017 |
| | \$ | \$ |
| Cash at bank | 6,643,032 | 8,832,184 |
| Total cash and cash equivalents | 6,643,032 | 8,832,184 |

These accounts are earning a floating interest rate of between 0.01% pa (June 2017: 0.01% pa) and 1.50% pa (June 2017: 1.95% pa) during the reporting period.

10 Issued capital

| | As at 31 December 2017 | |
|--|------------------------|--------------------|
| | No. of Securities | \$ |
| Ordinary shares | | |
| Opening balance – 1 July 2017 | 111,600,739 | 110,228,295 |
| Shares bought back – 3 July 2017 to 22 December 2017 | (6,415,000) | (6,174,067) |
| Shares issued from exercise of options | 410,666 | 410,666 |
| Total issued capital - fully paid ordinary shares | 105,596,405 | 104,464,894 |
| Options | | |
| Loyalty options | | |
| Opening balance – 1 July 2017 | 65,167,917 | – |
| Option exercised – 28 November 2017 to 22 December 2017 | (410,666) | – |
| Total options | 64,757,251 | – |
| Total issued capital | | 104,464,894 |

Notes to the financial statements

For the half-year ended 31 December 2017

10 Issued capital (continued)

| | As at 31 December 2016 | |
|--|------------------------|--------------------|
| | No. of Securities | \$ |
| Ordinary shares | | |
| Opening balance – 1 July 2016 | 120,000,001 | 117,560,983 |
| Shares bought back | (2,302,671) | (1,971,153) |
| Total issued capital - fully paid ordinary shares | 117,697,330 | 115,589,830 |
| Options | | |
| Loyalty options | | |
| Opening balance – 1 July 2016 – vested | 65,167,917 | – |
| Total options | 65,167,917 | – |
| Total issued capital | | 115,589,830 |

(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.

The initial share buy back announced by the Company on 13 September 2016 terminated on 26 September 2017. In total, the Company had bought back 11,824,262 shares at that date which is approximately 10.93% of its issued ordinary shares.

On 13 September 2017, the Company announced an on-market share buy-back of up to 10% of its issued ordinary shares, commencing 27 September 2017 until an earlier of 26 September 2018 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. During this period, the Company has bought back 2,990,000 shares in total, approximately 2.83% of its issued ordinary shares.

10 Issued capital (continued)

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

(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.

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.

Notes to the financial statements

For the half-year ended 31 December 2017

11 Earnings per share

| | Half-year ended 31 December 2017 | 31 December 2016 |
|---|--|---------------------|
| Basic earnings per share (cents) | 9.01 | 1.61 |
| Diluted earnings per share (cents) | 9.01 | 1.61 |
| Weighted average number of ordinary shares | | |
| Weighted average number of ordinary shares on issue used in calculating basic earnings/(losses) per share | 107,972,996 | 119,426,917 |
| 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 | 107,972,996 | 119,426,917 |
| Earnings reconciliation | | |
| Net profit after income tax used in the calculation of basic and diluted earnings per share (\$) | 9,726,456 | 1,926,333 |

* Calculated in accordance with AASB 133: Earnings per share

12 Net tangible assets per share

| | As at | |
|--|---------------------|-----------------|
| | 31 December 2017 | 30 June 2017 |
| | \$ | \$ |
| <hr/> | | |
| Net tangible assets per share | | |
| Net Tangible Assets before all taxes | 1.1809 | 1.0540 |
| Net Tangible Assets after realised tax (i) | 1.1653 | 1.0540 |
| Net Tangible Assets after tax | 1.1363 | 1.0397 |

The Net Tangible Assets as at 31 December 2017 is based on fully paid ordinary shares of 105,596,405 (June 2017: 111,600,739).

- (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.

13 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% of Management Fees per annum.

Any amount by which the net asset value exceeds AUD\$50 million the Investment Manager is entitled to 0.75% of 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 and paid annually in arrears.

Notes to the financial statements

For the half-year ended 31 December 2017

13 Management and performance fees (continued)

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 has been recouped.

| | 31 December 2017 | 31 December 2016 |
|-------------------------|-----------------------------|---------------------|
| | \$ | \$ |
| Management fees expense | 521,765 | 504,113 |
| Management fees payable | 106,531 | 82,323 |

14 Contingent assets, liabilities and commitments

The Company has no material commitments, contingent assets or liabilities as at 31 December 2017 and 30 June 2017.

15 Events occurring after the reporting period

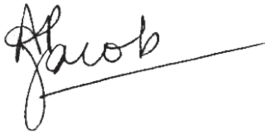
No significant events have occurred since the end of the reporting period and up to the date of this report which would impact on the financial position of the Company disclosed in the Statement of financial position as at 31 December 2017 or on the results and cash flows of the Company for the year ended on that date.

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 32 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 interim Financial Reporting and, the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Ashok Jacob

Chairman

19 February 2018

Independent Auditors' Review Report



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Review Report to the Members of Ellerston Asian Investments Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Ellerston Asian Investments Limited (the Company), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies, and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditors' Review Report



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Rohit Khanna

Rohit Khanna
Partner
Sydney
19 February 2018

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