# ELLERSTON ASIAN INVESTMENTS LIMITED ACN 606 683 729

8 February 2019

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 2018; and
- 2. Interim Financial Report for the half year ended 31 December 2018.

Yours sincerely

Ian Kelly

Company Secretary

Half Year Report

Ellerston Asian Investments Limited

ACN 606 683 729

#### 1. Details of the reporting period.

Current Period: 1 July 2018 to 31 December 2018 Previous Corresponding Period: 1 July 2017 to 31 December 2017

#### 2. Results for announcement to the market

		Current period AUD (\$)	% Change from the corresponding period
2.1	Revenue from ordinary activities	(9,212,210)	(164.71%)
2.2	Profit/(loss) after tax from ordinary activities	(7,689,588)	(179.06%)
2.3	Net profit/(loss) after tax for the period attributable to ordinary shareholders	(7,689,588)	(179.06%)

Period	EAI Portfolio Return*	MSCI Asia Ex Japan (AUD) Index
6 Months	(8.27%)	(6.86%)
1 year	(8.39%)	(7.09%)
Since 01/11/2014 p.a.	3.31%	6.46%

<sup>\*</sup> Calculated after fees, including dividends paid and re invested, excluding tax and the effect of option dilution over the period.

#### 3. Dividend Information

#### Interim dividend declared

1 cent per fully paid ordinary share

Fully franked at the tax rate of 27.5% From the Dividend Profit Reserve account

Interim and special dividend dates:

Ex-dividend date
Record date
DRP election due date
Payment date
DRP discount

ACN 606 683 729

The Board of the Company has determined that in relation to the 31 December 2018 interim dividend the DRP will operate as follows:

- A 2.5% discount will apply to the allocation price of the DRP;
- The allocation price of DRP is calculated based on the daily volume weighted average sale price (calculated to the nearest cent) of Shares traded on the Exchange over the 5 trading days commencing on 11 March 2019 and ending on 15 March 2019;
- Last DRP election date is 8 March 2019; and
- Share allocated under the DRP will be ranked equally with the existing ordinary shares.

#### 4. Net tangible assets (NTA) per ordinary share

	Current period AUD (\$)	Previous corresponding period AUD (\$)
NTA before all taxes (i)**	1.0605	1.1809
NTA after realised tax (ii)	1.0188	1.1653
NTA after tax	1.0475	1.1363

- All figures are after the payment of dividends and taxes.
- (i) (ii) 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
- The 1 year before tax NTA return was (10.19%), the EAI 1 year portfolio return was (8.39%). NTA return (10.19%) + Dividends Paid and reinvested 0.76% + Tax Paid 0.43% + effect of Option dilution 0.62% = EAI Portfolio return (8.39%)

#### 5. Control gained or lost over entities during the period

N/A

#### 6. Details of associates and joint venture entities

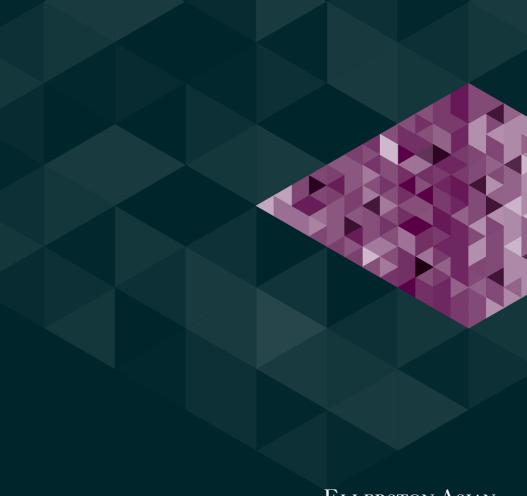
The Company did not have any interest in any associates or joint venture entities during both the current period and the previous corresponding period.

#### 7. Accounting standards used by foreign entities

N/A – The Company is an Australian Entity.

#### **Qualification of review** 8.

The interim report for the period ended 31 December 2018 is not subject to review dispute or qualification.



### Ellerston Asian Investments Limited

ASX: EAI ABN 82 606 683 729

## Interim Report

For the half-year ended 31 December 2018

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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 2018 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.



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 2018.

#### **Directors**

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

NAME	DIRECTORSHIP	APPOINTED	RESIGNED
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	14 December 2018
Bill Best	Independent Non-Executive Director	14 December 2018	

#### **Company Secretary**

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

NAME	APPOINTED
lan 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 2018 and 31 December 2017 are:

	Half-year	ended
	31 December 2018 \$	31 December 2017 \$
Net (loss)/profit before income tax	(10,472,841)	12,827,490
Net (loss)/profit after income tax	(7,689,588)	9,726,456
	As o	f
	31 December 2018	31 December 2017
	<b>\$</b>	<u> </u>
Net tangible assets per share (NTA)  – before tax	1.0605	1.1809
Net tangible assets per share (NTA)  – after realised tax (i)	1.0188	1.1653
Net tangible assets per share (NTA)  – after tax	1.0475	1.1363

The Net Tangible Assets as at 31 December 2018 is based on fully paid ordinary shares of 109,691,039 (June 2018: 108,463,973).

(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 2018, the Company returned -8.39% on a before-tax basis and -6.35% on an after-tax basis, while the return of its benchmark MSCI AC Ex-Japan Index (AUD) was -7.09%.

For the half-year to 31 December 2018, the Company returned -8.27% (December 2017: 12.10%) on a before-tax basis and -6.23% (December 2017: 9.37%) on an after-tax basis, while the return of its benchmark MSCI AC Asia Ex-Japan (AUD) was -6.86% (December 2017: 11.89%).

#### Review and results of operations (continued)

On 12 September 2018, the Company announced a renewal of its on-market buy-back as part of its ongoing capital management program of up to 10% of its shares, commencing 27 September 2018 and continuing for twelve months. Since 27 September 2016 a total of 14,844,262 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**

On 8 February 2019, the directors declared an interim dividend of 1 cent per fully paid ordinary share, fully franked at the 27.5% corporate tax rate. This dividend will have a record date of 7 March 2019 and will be paid to shareholders on 5 April 2019. The Dividend Reinvestment Plan (DRP) will operate in conjunction with this dividend and a discount of 2.50% will be applied to the DRP.

On 24 August 2018, the directors declared a fully franked dividend of 1 cent per fully paid ordinary share, which was paid to the shareholders on 5 October 2018.

More details of dividend payments are provided under Note 3 on pages 19 to 20 of the report.

#### **Dividend Profit Reserve**

The Company may transfer any current year or prior period accumulated profits not distributed as dividends to a Dividend Profit Reserve. Doing so facilitates the payment of future dividends, rather than maintaining these profits within retained earnings.

On 23 August 2018, the Directors decided to transfer approximately \$11.5m (2017: \$2.2m) to the dividend profit reserve, with the intention to pay at least 2 cents per annum dividend going forward.

As at 31 December 2018, the balance of the dividend profit reserve is approximately \$12.65m.

#### 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 2018.

#### Matters subsequent to the end of the interim period

No matter or circumstance has arisen since 31 December 2018 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 monthly updates and weekly NTA estimate 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

8 February 2019

### Auditor's Independence Declaration



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#### 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 2018, 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 Partner

8 February 2019



## Statement of comprehensive income

		Half-year	ended
		31 December	31 December
	Notes	2018 \$	2017 \$
Investment income	110103	Ψ	Ψ
Interest income		52,112	51 <i>1</i> 71
Dividend income		,	51,471
		1,091,531	2,054,338
Net foreign exchange (losses)/gains		(34,969)	163,620
Net changes in fair value of financial assets and liabilities at fair value through profit or loss		(10,341,245)	11,966,268
Other income		20,361	_
Total investment (loss)/income		(9,212,210)	14,235,697
Expenses			
Directors fees		45,375	45,375
Management and performance fees	13	523,549	521,765
Custody and administration fees		43,306	43,306
Audit and tax fees		27,418	27,417
Registry fees		25,625	25,625
Transaction costs		344,667	523,259
Withholding taxes		140,804	146,864
ASX fees		49,500	49,500
Other expenses		60,387	25,096
Total operating expenses		1,260,631	1,408,207
Net (loss)/profit before income tax		(10,472,841)	12,827,490
Income tax benefit/(expense)		2,783,253	(3,101,034)
Net (loss)/profit after income tax		(7,689,588)	9,726,456
Other comprehensive income/(loss)		_	_
Total comprehensive (loss)/income		(7,689,588)	9,726,456
Basic (losses)/earnings per share (cents per share)	11	(7.03)	9.01
Diluted (losses)/earnings per share (cents per share)	11	(7.03)	9.01

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Statement of financial position As at 31 December 2018

		As a	t
		31 December	30 June
	Notes	2018	2018
	Notes	\$	\$
Current assets			
Cash and cash equivalents	9	7,994,147	16,102,615
Receivables		103,185	431,405
Due from brokers		3,152,754	7,438,328
Financial assets at fair value through profit or loss	6	105,341,981	110,126,603
Total current assets		116,592,067	134,098,951
Non-current assets			
Deferred tax asset		3,152,228	364,198
Total non-current assets		3,152,228	364,198
Total assets		119,744,295	134,463,149
Current liabilities			
Payables		174,216	205,638
Management and performance fees payable	13	90,358	92,256
Due to brokers		_	6,283,451
Current tax liability		4,578,952	5,209,136
Financial liabilities at fair value through profit or loss	7		214,479
Total current liabilities	-	4 942 F26	,
Total liabilities		4,843,526	12,004,960
		4,843,526	12,004,960
Net assets		114,900,769	122,458,189
Equity	40	100 550 000	107.000.100
Issued capital	10	108,559,636	107,332,460
Retained (losses)/earnings		(6,309,629)	12,893,714
Dividend profit reserve	8	12,650,762	2,232,015
Total equity		114,900,769	122,458,189

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 2018

		Issued	Retained earnings/	Dividend	
	Notes	capital \$	(losses) \$	profit reserve \$	Total \$
Balance as at 1 July 2018		107,332,460	12,893,714	2,232,015	122,458,189
Total comprehensive loss for the period		_	(7,689,588)	_	(7,689,588)
Share buyback		(29,900)	_	_	(29,900)
Shares issued under dividend reinvestment plan		46,213	_	_	46,213
Transfer to dividend profit reserve account		_	(11,513,755)	11,513,755	_
Shares issued from exercise of options		1,210,863	-	_	1,210,863
Total dividends paid		_	_	(1,095,008)	(1,095,008)
Balance as at 31 December 2018	10	108,559,636	(6,309,629)	12,650,762	114,900,769
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	_
Share 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

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 2018

		Half-year	ended
		31 December 2018	31 December 2017
	Notes	\$	\$
Cash flows from operating activities			
Purchase of financial instruments at fair value through profit or loss		(68,266,691)	(79,469,112)
Proceeds from sale of financial instruments at fair value through profit or loss		56,175,984	75,779,286
Amounts transferred from brokers as collateral		4,285,574	7,413,809
Dividend received		1,303,993	1,080,554
Interest received		53,927	52,702
Other income received		31,732	6,631
Income tax paid		(634,961)	_
Management and performance fees paid		(525,447)	(496,016)
Custody and administration fees paid		(43,059)	(35,306)
Other expenses paid		(622,873)	(758,314)
Net cash (outflow)/inflow from operating activities		(8,241,821)	3,574,234
Cash flows from financing activities			
Dividends paid		(1,048,795)	_
Shares bought back		(29,900)	(5,763,401)
Exercise of options		1,210,863	
Net cash inflow/(outflow) from financing activities		132,168	(5,763,401)
Net decrease in cash and cash equivalents		(8,109,653)	(2,189,167)
Cash and cash equivalents at the beginning of the period		16,102,615	8,832,184
Effect of foreign currency exchange rate changes on cash and cash equivalents		1,185	15
Cash and cash equivalents at the end of the period	9	7,994,147	6,643,032
Non-cash operating activities Reinvestment of investor dividends		46,213	

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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### Notes to the financial statements

For the half-year ended 31 December 2018

#### 1 General information

This interim report is for Ellerston Asian Investments Limited (the "Company") for the half-year ended 31 December 2018.

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 interim report was authorised for issue by the directors on 8 February 2019. 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 2018 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.

#### (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 2018 and public announcements made in respect of the Company during the half-year ended 31 December 2018 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 2018, except for the adoption of new standards and interpretations effective as at 1 July 2018 noted below:

## (i) AASB 9 Financial Instruments (and applicable amendments)

AASB 9 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 adoption of the amendment does not have a significant impact on the recognition, classification and measurement of the Company's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not 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

#### (b) Changes in accounting standards (continued)

### (i) AASB 9 Financial Instruments (and applicable amendments) (continued)

rules does not have a material impact on the Company. The Company's receivables and due from brokers continue to be classified and measured at amortised cost. The impact of expected credit losses on financial assets measured at amortised cost is immaterial.

#### Classification - Policy effective from 1 July 2018

In accordance with AASB 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

#### Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

#### (b) Changes in accounting standards (continued)

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category short-term non-financing receivables.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding;
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

#### Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category short-term payables.

#### (b) Changes in accounting standards (continued)

Financial liabilities measured at FVPL

A financial liability is measured at FVPL if it meets the definition of held for trading. The Company includes in this category derivative contracts in a liability position.

### Impairment of Financial assets - Policy effective from 1 July 2018

The Company holds only receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under AASB 9 to all its receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

#### (ii) AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 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 adoption of AASB 15 does not have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim financial statements of the Company.

#### (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) Comparative disclosures

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

Half ......

#### 3 Dividends

Dividends are recognised during the period when declared.

	Hait-year ended			
	31 December 2018		31 December 2017	
	CPS	\$	CPS	\$
Paid - 5 October 2018 (2017: Nil)				
Fully franked at 27.5% tax rate (2017: 27.5%)	1.00	1,095,008	_	_
Amount of dividends reinvested		46,213		_
Amount of cash dividends paid		1,048,795		_

#### 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. For further information refer to note 8.

#### 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 Fair value measurement

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

- Equity securities
- Listed unit trust
- Derivatives

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.

### (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.

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

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.

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 31 December 2018 and 30 June 2018.

As at	Level 1	Level 2	Level 3	Total
31 December 2018	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Equity securities	104,730,331	_	_	104,730,331
Derivatives	_	611,650	_	611,650
Total financial assets at fair value through profit or loss	104,730,331	611,650	_	105,341,981

Recognised fair value measurement (continued)

As at	Level 1	Level 2	Level 3	Total
30 June 2018	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Equity securities	110,022,042	-	-	110,022,042
Derivatives	102,129	2,432	-	104,561
Total financial assets at fair value through profit or loss	110,124,171	2,432	_	110,126,603
Financial liabilities at fair value through profit or loss				
Derivatives	_	214,479	_	214,479
Total financial liabilities at fair value through profit or loss	_	214,479	_	214,479
01 1033		214,473		214,473

In the comparative period, the Company classified its equity securities as financial assets designated at fair value and its derivatives were classified as held for trading.

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 2018 and year ended and 30 June 2018.

(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 2018 and 30 June 2018.

(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 at fair value through profit or loss

	As at	
	31 December 2018	30 June 2018
	\$	\$
Financial assets at fair value through profit or loss		
Equity securities	104,730,331	110,022,042
Derivatives	611,650	104,561
Total financial assets at fair value through profit or loss	105,341,981	110,126,603

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

Details of the Company's top 10 investments as at 31 December 2018 and 30 June 2018 are set out on the following tables:

	As at 31 Dece	mber 2018
	Market	Fair
Name of investments	exposure \$	value \$
Tencent Holdings Ltd	11,442,034	11,442,034
Ping An Insurance Group Co of China Ltd	7,460,021	7,460,021
Hong Kong Exchanges and Clearing Ltd	6,002,256	6,002,256
Alibaba Group Holdings	5,946,192	5,946,192
China Construction Bank Corp	4,909,583	4,909,583
ICICI Bank Ltd	4,887,514	4,887,514
DBS Group Holdings Limited	4,880,939	4,880,939
Taiwan Semiconductor Manufacturing Co Ltd	4,842,674	4,842,674
Oversea Chinese Banking Corp	4,670,389	4,670,389
Samsung Electronics Co.Ltd	4,409,356	4,409,356
Total – top 10 investments	59,450,958	59,450,958
Other investments excluding foreign currency contracts	47,615,944	45,300,659
Total investments excluding foreign currency contracts	107,066,902	104,751,617
Foreign currency contracts		590,364
Total fair value of investments (Note 6)*		105,341,981
*Note 6 – Total financial assets at fair value through profit or loss		105,341,981
Total fair value of investments (Note 6)		105,341,981

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

	As at 30 Ju	ne 2018
	Market	Fair
Name of investments	exposure \$	value \$
	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·
Tencent Holdings Ltd	9,670,727	9,670,728
Samsung Electronics Co.Ltd	7,959,609	7,959,609
Ping An Insurance Group Co of China Ltd	6,559,458	6,559,458
Alibaba Group Holdings	5,976,335	5,976,335
Hong Kong Exchanges and Clearing Ltd	5,089,182	5,089,182
Taiwan Semiconductor Manufacturing Co Ltd	4,749,724	4,749,724
DBS Group Holdings Limited	4,495,656	4,495,656
Housing Development Finance Corporation Ltd	4,104,754	4,104,754
Maruti Suzuki India Ltd	4,069,146	4,069,146
Reliance Industries Ltd	3,822,773	3,822,773
Total – top 10 investments	56,497,364	56,497,365
Other investments excluding foreign currency contracts	57,599,674	53,546,147
Total investments excluding foreign currency contracts	114,097,038	110,043,512
Foreign currency contracts		(131,388)
Total fair value of investments (Note 6 and Note 7)*		109,912,124
*Note 6 – Total financial assets at fair value through profit or loss		110,126,603
*Note 7 – Total financial liabilities at fair value through profit or loss		214,479
Total fair value of investments (Note 6 and Note 7)		109,912,124

## Notes to the financial statements For the half-year ended 31 December 2018

#### 7 Financial liabilities at fair value through profit or loss

	As at	
	31 December 2018 \$	30 June 2018 \$
Financial liabilities at fair value through profit or loss		
Derivatives	_	214,479
Total financial liabilities at fair value through profit or loss	-	214,479

#### **Dividend profit reserve** 8

	As at	
	31 December	30 June
	2018	2018
Movements in Dividend Profit Reserve	\$	\$
Balance at the beginning of the period	2,232,015	_
Transferred from retained earnings	11,513,755	2,232,015
Payment of dividend	(1,095,008)	
Closing balance at the end of the period	12,650,762	2,232,015

On 23 August 2018, the Directors decided to transfer approximately \$11.5m (2018: \$2.2m) to the dividend profit reserve, with the intention to pay at least 2 cents per annum dividend going forward.

#### 9 Cash and cash equivalents

	As at	
	<b>31 December</b> 30 J	
	2018	2018
	\$	\$
Cash at bank	672,381	15,287,068
Deposits at call	7,321,766	815,547
Total cash and cash equivalents	7,994,147	16,102,615

These accounts are earning a floating interest rate between 0.01% pa (June 2018: 0.01% pa) and 0.01% pa (June 2018: 0.01% pa) during the reporting period.

#### 10 Issued capital

	As at 31 December 2018	
	No. of Securities	\$
Ordinary shares		
Opening balance – 1 July 2018	108,463,973	107,332,460
Shares bought back – 2 July 2018 to 31 December 2018	(30,000)	(29,900)
Shares issued under dividend reinvestment plan	46,203	46,213
Shares issued from exercise of options	1,210,863	1,210,863
Total issued capital – fully paid ordinary shares	109,691,039	108,559,636
Options		
Loyalty options		
Opening balance – 1 July 2018	61,889,683	_
Options exercised – 2 July 2018 to 31 December 2018	(1,210,863)	_
Total options	60,678,820	_
Total issued capital		108,559,636

## Notes to the financial statements For the half-year ended 31 December 2018

#### **Issued capital (continued)** 10

	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	_
Options exercised – 28 November 2017 to 22 December 2017	(410,666)	
Total options	64,757,251	_
Total issued capital		104,464,894

#### Terms and conditions (a)

#### (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 13th September 2016 was 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.

#### 10 Issued capital (continued)

#### (a) Terms and conditions (continued)

#### (i) Ordinary shares (continued)

On 13 September 2017, the Company announced an onmarket share buy-back of up to 10% of its issued ordinary shares, commencing 27 September 2017 and was terminated on 26 September 2018. During this period, the Company had bought back 2,990,000 shares in total, approximately 2.76% of its issued ordinary shares.

On 12 September 2018, the company announced an onmarket share buy-back of up to 10% of its issued ordinary shares, commencing 27 September 2018 until an earlier of 26 September 2019 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 had bought back 30,000 shares in total, approximately 0.03% 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.

## Notes to the financial statements For the half-year ended 31 December 2018

#### 10 Issued capital (continued)

- Terms and conditions (continued) (a)
- (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.

#### 11 Earnings per share

	Half-year ended	
	31 December 2018	31 December 2017
Basic (losses)/earnings per share (cents)	(7.03)	9.01
Diluted (losses)/earnings per share (cents)	(7.03)	9.01
Weighted average number of ordinary shares		
Weighted average number of ordinary shares on issue used in calculating basic earnings/ (losses) per share	109,420,862	107,972,996
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	109,420,862	107,972,996
Earnings reconciliation		
Net profit after income tax used in the calculation of basic and diluted (losses)/ earnings per share (\$)	(7,689,588)	9,726,456

<sup>\*</sup> Calculated in accordance with AASB 133: Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on exercise of the options during the period.

#### 12 Net tangible assets per share

	As at	
	31 December 2018 \$	30 June 2018 \$
Net tangible assets per share		
Net Tangible Assets before all taxes	1.0605	1.1737
Net Tangible Assets after realised tax (i)	1.0188	1.1257
Net Tangible Assets after tax	1.0475	1.1290

The Net Tangible Assets as at 31 December 2018 is based on fully paid ordinary shares of 109,691,039 (June 2018: 108,463,973).

(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.

#### 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. For the half-year 31 December 2018, the Company has not accrued the performance fee (31 December 2017: nil).

	31 December	31 December
	2018	2017
	\$	\$
Management fees expense	523,549	521,765
Management fees payable	90,358	106,531

#### 14 Contingent assets, liabilities and commitments

The Company has no material commitments, contingent assets or liabilities as at 31 December 2018 and 30 June 2018.

#### 15 Events occurring after the reporting period

On 8 February 2019, the directors declared an interim dividend of 1 cent per fully paid ordinary share, fully franked at the 27.5% corporate tax rate. This dividend will have a record date of 7 March 2019 and will be paid to shareholders on 5 April 2019 from the Company's dividend profit reserve account. The Dividend Reinvestment Plan (DRP) will operate in conjunction with this dividend and a discount of 2.50% will be applied to the DRP.

It is the intention of the Company to continue to pay at least a 2 cents per annum (1 cent per half) dividend going forward.

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 31 December 2018 or on the results and cash flows of the Company for the period ended on that date.

## Directors' Declaration

#### **Directors' declaration**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 35 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001;
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2018 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

8 February 2019

### 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 2018, 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 2018 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 2018 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  $\it Corporations$   $\it Act 2001$ .

Ernst & Young
Ernst & Young

Rohit Khanna Partner Sydney

8 February 2019

### Corporate Directory

#### **Directors**

Ashok Jacob

Sam Brougham

Paul Dortkamp

Stuart Robertson

Bill Best

#### **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