

ELLERSTON ASIAN INVESTMENTS LIMITED

ACN 606 683 729

12 February 2020

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

HALF-YEAR RESULTS

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

1. Appendix 4D Statement for the half year ended 31 December 2019; and
2. Interim Financial Report for the half year ended 31 December 2019.



Ian Kelly
Company Secretary
9021 7797

Appendix 4D

Half Year Report for the period Ended 31 December Preliminary 2019

Details of the reporting period

Current Period: 1 July 2019 to 31 December 2019

Previous Corresponding Period: 1 July 2018 to 31 December 2018

Results for announcement to the market

	Current period AUD (\$)	% Change from the corresponding period
Revenue from ordinary activities	14,532,409	257.75%
Profit/(loss) after tax from ordinary activities	9,341,323	221.48%
Net profit/(loss) after tax for the period attributable to ordinary shareholders	9,341,323	221.48%

Period	EAI Portfolio Return Pre-tax*	MSCI Asia Ex Japan (AUD) Index
6 Months	8.99%	5.28%
1 Year	24.09%	15.54%
3 Years p.a.	11.95% (P.A)	11.29% (P.A)
Since inception p.a.	7.78% (P.A)	8.49% (P.A)

* calculated after fees, including dividends paid and reinvested, the effects of the share buyback. Excluding tax and the effects of option exercise dilution over the period.

Dividend Information

Interim dividend declared

1.5 cent per fully paid ordinary share

Fully franked at the tax rate of 27.5%

From the Dividend Profit Reserve account

Interim dividend dates:

Ex-dividend date

05 March 2020

Record date

06 March 2020

Payment date

27 March 2020

Details of dividend reinvestment plan (DRP)

The Board of the Company has determined that in relation to the 2019 interim dividend the DRP will not apply.

Net tangible assets (NTA) per ordinary share

	Current period AUD (\$)	Previous corresponding period AUD (\$)
NTA before all taxes (i)**	1.2064	1.0605
NTA after realised tax (ii)	1.2056	1.0188
NTA after tax	1.1710	1.0475

- (i) All figures are after the payment of dividends and taxes. The current period NTA is after dividends paid of 1.5 cents per share and after tax paid of 0.0 cents per share.
- (ii) Net Tangible Assets after realised tax includes 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 EAI return calculation for 1 Year to 31 December 2019 is as follows: Closing NTA before all taxes 1.2064 + tax paid 0.0481 + dividends (including return on investment) 0.0274 and the impact of option dilution 0.034 = 1.3159 less Opening NTA before all taxes 1.0605 = 24.09%

Control gained or lost over entities during the period

N/A

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.

Accounting standards used by foreign entities

N/A – The Company is an Australian Entity.

Qualification of review

The interim report for the period ended 31 December 2019 is not subject to review dispute or qualification.



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Ian Kelly
Company Secretary

12 February 2020

Ellerston Asian Investments Limited

ASX: EAI

ABN 82 606 683 729

Interim Report

For the half-year ended 31 December 2019

Ellerston Asian Investments Limited

ASX: EAI

ABN 82 606 683 729

Interim Report

For the half-year ended 31 December 2019

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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 2019 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*.

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 2019.

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
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
Ian Kelly	25 June 2015

Principal activities

The Company is a listed investment company (ASX: EAI) established to construct 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 2019 and 31 December 2018 are:

	Half-year ended	
	31 December 2019	31 December 2018
	\$	\$
Net profit/(loss) before income tax	12,742,598	(10,472,841)
Net profit/(loss) after income tax	9,341,323	(7,689,588)

	As of	
	31 December 2019	31 December 2018
	\$	\$
Net tangible assets per share (NTA)		
- before tax (i)	1.2064	1.0605
Net tangible assets per share (NTA)		
- after realised tax (ii)	1.2056	1.0188
Net tangible assets per share (NTA)		
- after tax	1.1710	1.0475

The Net Tangible Assets as at 31 December 2019 is based on fully paid ordinary shares of 137,681,445 (31 December 2018: 109,691,039).

- (i) During the period ended 31 December 2019 dividends of 1.50 cents per share (31 December 2018: 1 cent per share) and tax of 0.00 cents per share (31 December 2018: 0.80 cents per share) were paid.

Directors' Report (continued)

Review and results of operations (continued)

- (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.

For the 12 month period to 31 December 2019, the Company returned 24.09% (December 2018: -8.39%) on a before-tax basis and 17.33% (December 2018: -6.35%) on an after-tax basis, while the return of its benchmark MSCI AC Asia Ex-Japan Index (AUD) was 15.54% (December 2018: -7.09%).

For the half-year to 31 December 2019, the Company returned 8.99% (December 2018: -8.27%) on a before-tax basis and 6.78% (December 2018: -6.23%) on an after-tax basis, while the return of its benchmark MSCI AC Asia Ex-Japan (AUD) was 5.28% (December 2018: -6.86%).

On 9 September 2019, 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 on 27 September 2019 and continuing until 26 September 2020 unless the maximum number of shares are bought back prior to this date or EAI decides to cease the buy-back. Since 27 September 2019, a total of 3,653,784 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 11 February 2020, the directors declared an interim dividend of 1.5 cent per fully paid ordinary share, fully franked at the 27.5% corporate tax rate. This dividend will have a record date of 6 March 2020 and will be paid to shareholders on 27 March 2020. The Dividend Reinvestment Plan (DRP) will not operate in conjunction with these dividends.

On 23 August 2019, the directors declared a fully franked dividend of 1.5 cents per fully paid ordinary share of \$2,126,500, which was paid to the shareholders on 4 October 2019.

More details of dividend payments are provided under Note 3 on page 12 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 2019, the directors resolved to transfer nil (2018: \$11,513,755) to the dividend profit reserve, with the intention to pay at least 2 cents per annum dividend going forward.

The balance of the dividend profit reserve as of 31 December 2019 is \$9,051,402 (30 June 2019: \$11,177,902) which is 6.57 cents per share (30 June 2019: 7.75 cents per share).

Significant changes in the state of affairs

In the opinion of the directors, other than what is noted in the 'Review and results of operations' and 'Strategy and future outlook', there were no other significant changes in the state of affairs of the Company that occurred during the half-year ended 31 December 2019.

Matters subsequent to the end of the interim period

Other than the dividends declared as mentioned in the dividends section, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

- (i) the operations of the Company in future financial years, or

Directors' Report (continued)

Matters subsequent to the end of the interim period (continued)

- (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 5.

Signed in accordance with a resolution of the directors.



Ashok Jacob
Chairman

11 February 2020



**Building a better
working world**

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

As lead auditor for the review of the half-year financial report of Ellerston Asian Investments Limited for the half-year ended 31 December 2019, 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

Rita Da Silva
Partner
11 February 2020

Statement of Comprehensive Income

		Half-year ended	
		31 December 2019	31 December 2018
	Notes	\$	\$
Investment income			
Interest income from financial assets measured at amortised cost		27,664	52,112
Dividend income		1,423,494	1,091,531
Net foreign exchange gains/(losses)		317,703	(34,969)
Net changes in fair value of financial assets and liabilities at fair value through profit or loss		12,763,548	(10,341,245)
Other income		-	20,361
Total net investment income/(loss)		14,532,409	(9,212,210)
Expenses			
Directors fees		45,375	45,375
Management and performance fees	13	671,895	523,549
Custody and administration fees		63,690	43,306
Audit and tax fees		27,417	27,418
Registry fees		25,625	25,625
Transaction costs		769,603	344,667
Withholding taxes		141,986	140,804
ASX fees		33,530	49,500
Other expenses		10,690	60,387
Total operating expenses		1,789,811	1,260,631
Net profit/(loss) before income tax		12,742,598	(10,472,841)
Income tax (expense)/benefit		(3,401,275)	2,783,253
Net profit/(loss) after income tax		9,341,323	(7,689,588)
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss)		9,341,323	(7,689,588)
Basic and diluted earnings/(losses) per share (cents per share)	11	6.63	(7.03)

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

Statement of Financial Position

		As at	
		31 December 2019	30 June 2019
	Notes	\$	\$
Current assets			
Cash and cash equivalents	9	7,845,104	18,145,096
Receivables		766,145	685,308
Due from brokers		4,846,231	5,697,514
Financial assets at fair value through profit or loss	6	<u>153,165,628</u>	<u>137,840,807</u>
Total current assets		<u>166,623,108</u>	<u>162,368,725</u>
Total assets		<u>166,623,108</u>	<u>162,368,725</u>
Current liabilities			
Payables		97,125	175,244
Management and performance fees payable	13	233,163	116,269
Current tax liability		115,311	-
Financial liabilities at fair value through profit or loss	7	<u>193,793</u>	<u>305,361</u>
Total current liabilities		<u>639,392</u>	<u>596,874</u>
Non-current liabilities			
Deferred tax liability		<u>4,757,803</u>	<u>1,471,840</u>
Total non-current liabilities		<u>4,757,803</u>	<u>1,471,840</u>
Total liabilities		<u>5,397,195</u>	<u>2,068,714</u>
Net assets		<u>161,225,913</u>	<u>160,300,011</u>
Equity			
Issued capital	10	136,912,884	143,201,805
Retained earnings		15,261,627	5,920,304
Dividend profit reserve	8	<u>9,051,402</u>	<u>11,177,902</u>
Total equity		<u>161,225,913</u>	<u>160,300,011</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

Statement of Changes in Equity

	Notes	Issued capital \$	Retained earnings/ (losses) \$	Dividend profit reserve \$	Total \$
Balance as at 1 July 2019		143,201,805	5,920,304	11,177,902	160,300,011
Total comprehensive income for the period		-	9,341,323	-	9,341,323
Shares bought back	10	(6,288,921)	-	-	(6,288,921)
Total dividends paid	8	-	-	(2,126,500)	(2,126,500)
Balance as at 31 December 2019	10	<u>136,912,884</u>	<u>15,261,627</u>	<u>9,051,402</u>	<u>161,225,913</u>
 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)
Shares bought back	10	(29,900)	-	-	(29,900)
Shares issued under dividend reinvestment plan	10	46,213	-	-	46,213
Transfer to dividend profit reserve account	8	-	(11,513,755)	11,513,755	-
Share issued from exercise of options	10	1,210,863	-	-	1,210,863
Total dividends paid	8	-	-	(1,095,008)	(1,095,008)
Balance as at 31 December 2018	10	<u>108,559,636</u>	<u>(6,309,629)</u>	<u>12,650,762</u>	<u>114,900,769</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

Statement of Cash Flows

	Half-year ended	
	31 December 2019	31 December 2018
Notes	\$	\$
Cash flows from operating activities		
Purchase of financial instruments at fair value through profit or loss	(123,901,391)	(68,266,691)
Proceeds from sale of financial instruments at fair value through profit or loss	121,546,330	56,175,984
Amounts transferred from brokers as collateral	851,283	4,285,574
Dividend received	1,575,133	1,303,993
Interest received	29,519	53,927
Other income received	58,106	31,732
Income tax paid	(485,223)	(634,961)
Management and performance fees paid	(555,001)	(525,447)
Custody and administration fees paid	(77,159)	(43,059)
Transaction costs paid	(769,603)	(344,667)
Other expenses paid	(259,647)	(278,206)
Net cash outflow from operating activities	(1,987,653)	(8,241,821)
Cash flows from financing activities		
Dividends paid	(2,126,500)	(1,048,795)
Shares bought back	(6,185,763)	(29,900)
Exercise of options	-	1,210,863
Net cash (outflow)/inflow from financing activities	(8,312,263)	132,168
Net decrease in cash and cash equivalents	(10,299,916)	(8,109,653)
Cash and cash equivalents at the beginning of the period	18,145,096	16,102,615
Effect of foreign currency exchange rate changes on cash and cash equivalents	(76)	1,185
Cash and cash equivalents at the end of the period	7,845,104	7,994,147
9		
Non-cash operating activities		
Reinvestment of shareholder dividends	-	46,213

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

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1 General information

This interim report is for Ellerston Asian Investments Limited (the "Company") for the half-year ended 31 December 2019.

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) are publicly traded on the ASX.

The interim report was authorised for issue by the directors on 11 February 2020. 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 previous financial year, unless otherwise stated in the following text.

(a) Basis of preparation

This half-yearly interim report as at 31 December 2019 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.

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 2019 and public announcements made in respect of the Company during the half-year ended 31 December 2019 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 financial statements are consistent with those applied in the preparation of the Company's financial statements for the year ended 30 June 2019.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the half-year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(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. The Company's significant accounting estimates and judgements include fair value measurement of financial assets and financial liabilities that are not traded in an active market. Details on the determination of fair value are provided on note 5(ii).

(d) Comparative disclosures

The financial statements provide comparative information in respect of the previous period.

3 Dividends

Dividends are recognised during the period when declared.

	Half-year ended			
	31 December 2019		31 December 2018	
	CPS	\$	CPS	\$
Paid - 4 October 2019 (5 October 2018)				
Fully franked at 27.5% tax rate (2018: 27.5%)	1.50	2,126,500	1.00	1,095,008
Amount of dividends reinvested		-		46,213
Amount of cash dividends paid		2,126,500		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.

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
- 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).

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 Company's accounting policies. 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.

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.

The fair value of an equity derivative or contract for difference is determined as the difference between the price based on the quoted market prices of the underlying financial asset or financial liability between the time at which a contract is opened and the time at which it is closed.

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)

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 2019 and 30 June 2019.

As at 31 December 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity securities	151,783,964	-	-	151,783,964
Derivatives	-	1,381,664	-	1,381,664
Total financial assets at fair value through profit or loss	151,783,964	1,381,664	-	153,165,628
Financial liabilities at fair value through profit or loss				
Derivatives	-	193,793	-	193,793
Total financial liabilities at fair value through profit or loss	-	193,793	-	193,793
 As at 30 June 2019	 Level 1 \$	 Level 2 \$	 Level 3 \$	 Total \$
Financial assets at fair value through profit or loss				
Equity securities	136,554,603	-	-	136,554,603
Derivatives	-	1,286,204	-	1,286,204
Total financial assets at fair value through profit or loss	136,554,603	1,286,204	-	137,840,807
Financial liabilities at fair value through profit or loss				
Derivatives	-	305,361	-	305,361
Total financial liabilities at fair value through profit or loss	-	305,361	-	305,361

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 2019 and year ended 30 June 2019.

(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 2019 and 30 June 2019.

(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 2019	30 June 2019
	\$	\$
Financial assets at fair value through profit or loss		
Equity securities	151,783,964	136,554,603
Derivatives	<u>1,381,664</u>	<u>1,286,204</u>
Total financial assets at fair value through profit or loss	<u>153,165,628</u>	<u>137,840,807</u>

Details of the Company's top 10 investments as at 31 December 2019 and 30 June 2019 are set out in the following tables:

	As at 31 December 2019	
	Market exposure	Fair value
	\$	\$
Name of investments		
Alibaba Group Holding	14,317,011	14,317,011
Samsung Electronics Co Ltd	11,627,764	11,627,764
Taiwan Semiconductor Manufacturing Co Ltd	9,870,419	9,870,419
Ping An Insurance Group Co of China Ltd	9,792,158	9,792,158
Tencent Holdings Ltd	9,280,200	9,280,200
ICICI Bank Ltd	8,345,251	8,345,251
China Life Insurance Co Ltd	7,095,125	7,095,125
Hong Kong Exchanges and Clearing Ltd	6,602,092	6,602,092
DBS Group Holdings Limited	6,387,711	6,387,711
SK Hynix Inc	<u>5,463,617</u>	<u>5,463,617</u>
Total - top 10 investments	<u>88,781,348</u>	<u>88,781,348</u>
Other investments excluding foreign currency contracts	<u>68,544,979</u>	<u>64,098,915</u>
Total investments excluding foreign currency contracts	<u>157,326,327</u>	<u>152,880,263</u>
Foreign currency contracts		<u>91,572</u>
Total fair value of investments (Note 6 and Note 7)*		<u>152,971,835</u>
*Note 6 - Total financial assets at fair value through profit or loss		153,165,628
*Note 7 - Total financial liabilities at fair value through profit or loss		<u>(193,793)</u>
Total fair value of investments (Note 6 and Note 7)		<u>152,971,835</u>

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

Name of investments	As at 30 June 2019	
	Market exposure \$	Fair value \$
Tencent Holdings Ltd	11,919,433	11,919,433
Samsung Electronics Co Ltd	10,005,855	10,005,855
Hong Kong Exchanges and Clearing Ltd	9,310,678	9,310,678
Alibaba Group Holdings	8,782,183	8,782,183
Ping An Insurance Group Co of China Ltd	8,252,568	8,252,568
Taiwan Semiconductor Manufacturing Co Ltd	8,209,730	8,209,730
Oversea-Chinese Banking Corporation Ltd	7,946,346	7,946,346
DBS Group Holdings Limited	7,800,857	7,800,857
China Construction Bank	6,634,960	6,634,960
Bank Rakyat Indonesia	6,423,036	6,423,036
Total - top 10 investments	85,285,646	85,285,646
Other investments excluding foreign currency contracts	56,554,993	52,274,852
Total investments excluding foreign currency contracts	141,840,639	137,560,498
Foreign currency contracts		(25,052)
Total fair value of investments (Note 6 and Note 7)*		137,535,446
*Note 6 - Total financial assets at fair value through profit or loss		137,840,807
*Note 7 - Total financial liabilities at fair value through profit or loss		(305,361)
Total fair value of investments (Note 6 and Note 7)		137,535,446

7 Financial liabilities at fair value through profit or loss

	As at	
	31 December 2019 \$	30 June 2019 \$
Financial liabilities at fair value through profit or loss		
Derivatives	193,793	305,361
Total financial liabilities at fair value through profit or loss	193,793	305,361

8 Dividend profit reserve

	As at	
	31 December 2019	30 June 2019
	\$	\$
Movements in Dividend Profit Reserve		
Balance at the beginning of the period	11,177,902	2,232,015
Transferred from current period profits	-	11,513,755
Payment of dividend	<u>(2,126,500)</u>	<u>(2,567,868)</u>
Closing balance at the end of the period	<u>9,051,402</u>	<u>11,177,902</u>

On 23 August 2019, the directors resolved to transfer nil (2018: \$11,513,755) 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	
	31 December 2019	30 June 2019
	\$	\$
Cash at bank	7,013,121	17,316,859
Deposits at call	<u>831,983</u>	<u>828,237</u>
Total cash and cash equivalents	<u>7,845,104</u>	<u>18,145,096</u>

These accounts are earning a floating interest rate between 0.01% pa (June 2019: 0.01% pa) and 1.40% pa (June 2019: 1.40% pa) during the reporting period.

10 Issued capital

	As at 31 December 2019	
	No. of Securities	\$
Ordinary shares		
Opening balance - 1 July 2019	144,188,553	143,201,805
Shares bought back during the period	<u>(6,507,098)</u>	<u>(6,288,921)</u>
Total issued capital - fully paid ordinary shares	<u>137,681,455</u>	<u>136,912,884</u>
Options		
Loyalty options		
Opening balance - 1 July 2019	-	-
Total options	-	-

10 Issued capital (continued)

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

(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.

On 13 September 2017, the Company announced a renewal of the on-market 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, 2.76% of its issued ordinary shares.

On 12 September 2018, the Company announced an on-market 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. During this period, the Company had bought back 30,000 shares in total, 0.03% of its issued ordinary shares.

On 9 September 2019, 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, commenced 27 September 2019 and continuing until 26 September 2020 unless the maximum number of shares are bought back prior to this date or EAI decides to cease the buy-back. During this period, the Company had bought back 6,507,098 shares in total, 4.73% 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.

10 Issued capital (continued)

(a) Terms and conditions (continued)

(ii) Options (continued)

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 had the right to acquire one ordinary share in the Company at a price of \$1.00 and could 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 were not entitled to dividends.

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

The options ceased trading on 22 February 2019 and expired at the close of business on 28 February 2019.

11 Earnings per share

	Half-year ended	
	31 December 2019	31 December 2018
Basic earnings/(losses) per share (cents)	6.63	(7.03)
Diluted earnings/(losses) per share (cents)	6.63	(7.03)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares on issue used in calculating basic earnings/(losses) per share	<u>140,982,130</u>	<u>109,420,862</u>
Weighted average number of ordinary shares on issue used in calculating diluted earnings/(losses) per share	<u>140,982,130</u>	<u>109,420,862</u>
Earnings/(Losses) reconciliation		
Net profit/(loss) after income tax used in the calculation of basic and diluted earnings/(losses) per share (\$)	<u>9,341,323</u>	<u>(7,689,588)</u>

*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 any options during the period.

12 Net tangible assets per share

	As at 31 December 2019 \$	30 June 2019 \$
Net tangible assets per share		
Net Tangible Assets before all taxes (i)	1.2064	1.1219
Net Tangible Assets after realised tax (ii)	1.2056	1.1219
Net Tangible Assets after tax	1.1710	1.1117

The Net Tangible Assets as at 31 December 2019 is based on fully paid ordinary shares of 137,681,455 (June 2019: 144,188,553).

(i) All figures are after the payment of dividends and taxes. During the half year ended 31 December 2019 dividends of 1.50 cents per share (30 June 2019: 2 cents per share) and tax of 0.00 cents per share (30 June 2019: 4.90 cents per share) were paid.

(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.

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.

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 2019, the Company has not accrued the performance fee (31 December 2018: nil) as the criteria for recognising performance fee were not met.

	31 December 2019 \$	31 December 2018 \$
Management fees expense	671,895	523,549
Management fees payable	233,163	90,358

14 Contingent assets, liabilities and commitments

The Company has no material commitments, contingent assets or liabilities as at 31 December 2019 and 30 June 2019.

15 Events occurring after the reporting period

On 11 February 2020, the directors declared an interim dividend of 1.5 cent per fully paid ordinary share, fully franked at the 27.5% corporate tax rate. The dividend will have a record date of 6 March 2020 and will be paid to shareholders on 27 March 2020 from the Company's dividend profit reserve account. The Dividend Reinvestment Plan (DRP) will not operate in conjunction with this dividend.

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 2019 or on the results and cash flows of the Company for the period ended on that date.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 21 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 2019 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.

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

Ashok Jacob
Chairman
11 February 2020

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 2019, 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 2019 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 2019 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.



Independence

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

Ernst & Young
Ernst & Young

Rita Da Silva

Rita Da Silva
Partner
Sydney
11 February 2020

Corporate directory

Directors

Ashok Jacob
Sam Brougham
Paul Dortkamp
Bill Best

Company Secretary

Ian Kelly

Registered Office

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Auditor

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Ernst and Young Centre
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SYDNEY NSW 2000

Manager

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SYDNEY NSW 2000

Share Registry

Link Market Services Limited
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Securities Exchange Listing

ASX code (ordinary shares): EAI