

## Appendix 4E

### Preliminary final report

#### Listing Rule 4.3A

<b>Company</b>	<b>Platinum Asia Investments Limited</b>
ASX Code	PAI
Year ended	30 June 2018
Previous corresponding year ended	30 June 2017
ABN	13 606 647 358

#### Results for Announcement to the Market

	% Movement	\$A'000
Total investment income	30.9%	79,884
Profit from ordinary activities after tax attributable to members	31.5%	51,478
Net profit for the year attributable to members	31.5%	51,478

Under Australian Accounting Standards, realised profits and losses are added to or reduced by changes in the market value of the Company's total assets. This can lead to large variations in reported profits.

Despite the strong increase in both investment income and net profit, the Directors consider that the pre-tax Net Tangible Asset Backing per share (NTA), after fees and expenses combined with the flow of dividends, is a better measure of performance of the Company than reported profits. For the 12 months to 30 June 2018, the Company's pre-tax NTA after fees and expenses, combined with the flow of dividends and income taxes paid, increased to \$1.20 per share from \$1.09 per share. This represents an increase of 18.6%, compared to the Morgan Stanley All Country Asia ex Japan Net Index (MSCI) in A\$ terms which increased by 14.1%.

The compound annual appreciation of the Company's net assets to 30 June 2018 compared to the index over 12 months, 2 years and since inception (September 2015), based on the movement in net assets after fees, expenses and taking into account dividends and income taxes paid, is shown in the table below:

<b>Investment Performance</b>	<b>12 months</b>	<b>2 years</b>	<b>Since inception (compound per annum)</b>
PAI's performance	18.6%	19.4%	11.7%
MSCI Asia ex Japan in A\$ terms (index)	14.1%	18.5%	12.9%

The investment returns shown are historical. You should be aware that historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited (PAI returns) and FactSet (MSCI returns). All data where MSCI is referenced is the property of MSCI. No use or distribution of this data is permitted without the written consent of MSCI. This data is provided "as is" without any warranties by MSCI. MSCI assumes no liability for or in connection with this data.

## Dividends

A summary of the key features of the dividend declared by the Board are summarised in the table below.

Final dividend declared	6 cents per share fully-franked
Ex-date	24 August 2018
Record date	27 August 2018
The last date for receipt of election notices for the dividend reinvestment plan	28 August 2018
Payable date	17 September 2018

A 4 cents per share fully-franked interim dividend was paid on 19 March 2018. The total interim and final dividend for the year is 10 cents per share.

The Company's ability to pay franked dividends is dependent on the Company paying income tax.

### Dividend Reinvestment Plan

The Dividend Reinvestment Plan ('DRP') is in operation and the final dividend of 6 cents per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded down to the nearest whole number) which the cash dividend would purchase at the relevant issue price.

The relevant issue price for the 2018 final dividend will be at a 2.5% discount to the volume-weighted average share price of the Company's shares sold on the ASX over the five business days subsequent to the date on which the Company's shares cease to trade cum-dividend.

The terms and conditions of the DRP rules can be accessed at the Company's website at:

[www.platinum.com.au/Our-Products/All-Products/Platinum-Asia-Investments-Limited](http://www.platinum.com.au/Our-Products/All-Products/Platinum-Asia-Investments-Limited)

### Further information

- Refer to the attached audited financial statements for financial data on the Company.
- Refer to the attached Chairperson's Report.

Joanne Jefferies  
Company Secretary  
17 August 2018

## PLATINUM ASIA INVESTMENTS LIMITED

### Chairperson's Report 2018

#### Highlights

The 2018 financial year was characterised by strong absolute and relative performance for Platinum Asia Investments Limited ("PAI" or "the Company"). The highlights for the 2018 financial year can be summarised as follows:

- investment performance, as measured by the growth of the Company's pre-tax net tangible assets per share ("pre-tax NTA") in A\$ terms, delivered a return of 18.6% for the 12 months to 30 June 2018, outperforming the MSCI All Country Asia ex Japan Net Index ("Index") in A\$ by 4.5%;
- net profit after tax was \$51.5 million;
- the Company declared a fully-franked 2018 final dividend of 6 cents per share, bringing the total dividends declared for the 2018 financial year to 10 cents per share. This represents a dividend yield of 7.9% based on the 30 June 2018 closing share price; and
- the Company was not affected by the small company tax changes and will be able to distribute franking credits for the 2018 financial year at a tax rate of 30%.

#### Investment Performance<sup>1</sup>

For the 12 months to 30 June 2018, the Company's pre-tax NTA increased by 18.6% in A\$ terms, outperforming the MSCI All Country Asia ex Japan Net Index in A\$, which increased by 14.1% over the same period.

The investment manager has reported that the strongest performance came from those companies that are benefitting from the consumer trends of China's rising middle class, including, for example, healthcare and e-commerce stocks. The investment manager has re-positioned the portfolio more towards domestically-focused companies, cushioning the portfolio against the ongoing global trade tensions. The investment manager is of the view that the Chinese market remains cheap.

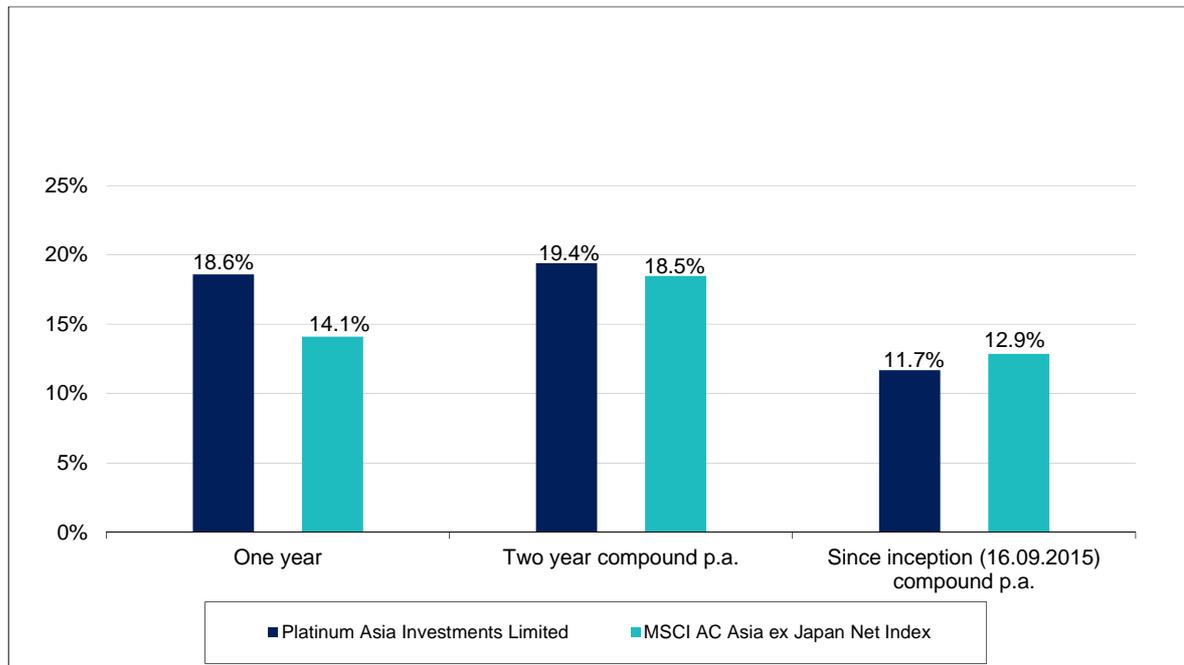
From inception (16 September 2015) to 30 June 2018, the Company's compound annualised return (measured by the Company's pre-tax NTA) was 11.7% per annum, slightly behind the compound annualised return of 12.9% for the MSCI All Country Asia ex Japan Net Index in A\$ over the same period.

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<sup>1</sup> Source: Platinum Investment Management Limited (PAI's returns) and FactSet (MSCI returns).

The investment returns are calculated using PAI's pre-tax net tangible asset backing per share for the specified period (as released to the ASX). Returns are calculated after the deduction of fees and expenses, take into account any capital flows and assume the reinvestment of dividends. Historical performance is not a reliable indicator of future performance.

**PAI's Pre-Tax Net Tangible Asset (NTA) Return (%) versus MSCI Index^ to 30 June 2018 (%)**



^ MSCI All Country Asia ex Japan Net Index in A\$

Source: Platinum Investment Management Limited (PAI's returns) and FactSet (MSCI returns). The investment returns are calculated using PAI's pre-tax net tangible asset backing per share for the specified period (as released to the ASX). Returns are calculated after the deduction of fees and expenses, take into account any capital flows and assume the reinvestment of dividends. Please note that the results are not calculated from PAI's share price. The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance. MSCI Inc. Disclaimer: Neither MSCI Inc nor any other party involved in or related to compiling, computing or creating the Index data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI Inc, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the Index data is permitted without express written consent of MSCI Inc.

For the year ended 30 June 2018, the Company made a statutory pre-tax operating profit of \$72.9 million and a post-tax operating profit of \$51.5 million.

Under Australian Accounting Standards, realised profits and losses are added to, or reduced by, unrealised changes in the market value of the Company's total assets. This can lead to large variations in recorded statutory profits or losses from any one year to the next.

The Board maintains that a more appropriate measure of the Company's results is the percentage change in its pre-tax NTA, assuming the reinvestment of dividends and taking into account any capital flows. On this measure, the Company achieved a return of 18.6% for the 12 months to 30 June 2018.

To keep shareholders fully informed, PAI releases weekly and monthly calculations of its NTA backing per share to the ASX. Platinum Investment Management Limited ("Platinum" or the "Investment Manager") publishes monthly investment performance updates and also sends out quarterly investment reports to all shareholders.

## **Dividends**

The Company generated sufficient gains in the current year and as a result the Board is pleased to declare a fully-franked 2018 final dividend of 6 cents per share, bringing the total dividends declared for the 2018 financial year to 10 cents per share. This represents a dividend yield of 7.9% based on the 30 June 2018 closing share price.

The Board aims to deliver a consistent stream of fully-franked dividends to shareholders over time, whilst maintaining its policy of dividend smoothing, subject to future earnings, cash flows, franking credits and accounting profits.

To the extent that any profits are not distributed as dividends, the Board may set aside some or all of the Company's undistributed profits to a separate dividend profit reserve, to facilitate the payment of future fully-franked dividends, subject to the balance of the franking account.

The Company's Dividend Reinvestment Plan ('DRP') provides shareholders with the option to receive some or all of their future dividends as ordinary shares in the Company instead of cash. The DRP will be operating at a 2.5% discount for the 2018 final dividend (i.e. the issue price for the new PAI shares allotted under the DRP will be at a 2.5% discount to the relevant market price, being the volume-weighted average price of the Company's shares traded on the ASX over the five business days subsequent to the date on which the Company's shares cease to trade cum-dividend).

I can confirm that for the year ended 30 June 2018, PAI was not affected by any changes in the small company tax rate and PAI will be able to distribute franking credits at a tax rate of 30%. This is due to the fact that PAI's turnover for the financial year exceeded the \$25 million threshold.

## **Proposal to remove the refund of tax paid on franking credits**

I note the announcement by the Federal Opposition (Australian Labor Party) to remove the cash refund of franking credits. The Board is of the view that this proposal, if implemented, will result in unfair retirement outcomes, particularly for those shareholders who are members of self-managed superannuation funds in retirement phase or self-funded retirees. Accordingly, the Board does not support this proposal.

Platinum, with the Board's support, wrote to the Leader of the Federal Opposition and the Shadow Treasurer on 9 July 2018, to express its concerns, and further requested that listed investment companies be exempt from the proposal.

## **Director renewal and change of Company Chairperson**

On 31 March 2018, Bruce Coleman resigned as a Director and the Chairman of the Company and I replaced Mr Coleman in these roles. Prior to his resignation, Mr Coleman had served as both a Director and the Chairman of PAI since the Company's incorporation in June 2015.

The Board would like to extend its thanks to Bruce for his invaluable contribution to the Company.

## **Capital Management**

The Company did not engage in any capital raising activities during the financial year. However, I take this opportunity to re-state the Board's capital management policy below:

The Board regularly and actively reviews the most efficient manner by which the Company manages its capital, in response to changing market conditions and risks, with the sole aim of enhancing shareholder value, through:

- the management of the level of dividends to shareholders;
- the issue of shares by methods such as rights offers, share purchase plans or placements; and/or
- the use of share buy-backs.

## **Corporate Governance**

PAI's assets are managed by Platinum Investment Management Limited through two key agreements previously approved by shareholders: the Investment Management Agreement and the Administration Agreement.

In the past year, the Board has continued to monitor the performance of the Investment Manager and its adherence to the agreements with the full and transparent co-operation of Platinum and its management team. Accordingly, I am confident in the integrity and reporting of the Company's financial results to shareholders.

## **Outlook for 2018-2019**

As highlighted recently by the investment manager, *"...we are encouraged by the number of attractive long-term opportunities that we are finding, and many of these businesses are not expected to be directly impacted by the trade friction. We will continue to invest in reasonably valued companies with strong growth prospects"*.

## **Finally**

The Company's strong performance over the last financial year continues to endorse the investment philosophy, process and expertise of Platinum.

On behalf of the Board, I wish to express our appreciation of the work done by Dr Joseph Lai and Platinum's investment team over the last year and I thank Andrew Clifford, Kerr Neilson and the broader team at Platinum.

Finally, on behalf of the Board, I thank shareholders for their support.

Margaret Towers  
Chairperson  
17 August 2018

# **Platinum Asia Investments Limited**

**ABN 13 606 647 358**

## **Financial Report - 30 June 2018**

**Platinum Asia Investments Limited**  
**Corporate directory**

Directors	Margaret Towers Ian Hunter Malcolm Halstead
Company secretary	Joanne Jefferies
Investment manager	Platinum Investment Management Limited (trading as Platinum Asset Management ©) Platinum Investment Management Limited neither guarantees the repayment of capital nor the investment performance of the Company.
Shareholder liaison	Liz Norman
Registered office	Level 8, 7 Macquarie Place Sydney NSW 2000 Phone 1300 726 700 (Australia only) Phone 0800 700 726 (New Zealand only) Phone +61 2 9255 7500 Fax +61 2 9254 5555
Share registrar	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Phone +61 1300 554 474 Fax +61 2 9287 0303
Auditor and taxation advisor	PricewaterhouseCoopers
Securities exchange listing	The securities of Platinum Asia Investments Limited are listed on the Australian Securities Exchange (ASX code: PAI).
Website	<a href="http://www.platinum.com.au/Our-Products/All-Products/Platinum-Asia-Investments-Limited">www.platinum.com.au/Our-Products/All-Products/Platinum-Asia-Investments-Limited</a>
Corporate Governance Statement	<a href="http://www.platinum.com.au/PlatinumSite/media/Find-a-form/pai_corp_gov.pdf">www.platinum.com.au/PlatinumSite/media/Find-a-form/pai_corp_gov.pdf</a>

**Platinum Asia Investments Limited**  
**Shareholder information**  
**30 June 2018**

The shareholder information set out below was applicable as at 14 August 2018.

**Distribution of ordinary shares**

Analysis of number of ordinary shareholders by size of holding:

	<b>Number of holders of ordinary shares</b>
1 to 1,000	204
1,001 to 5,000	1,304
5,001 to 10,000	1,583
10,001 to 100,000	5,344
100,001 and over	415
Total	<u>8,850</u>
Holding less than a marketable parcel (of \$500)	<u>75</u>

**Twenty largest shareholders**

The names of the twenty largest shareholders of the Company are listed below:

	<b>ORDINARY SHARES NUMBER HELD</b>	<b>% OF TOTAL SHARES ISSUED</b>
Platinum Investment Management Limited	30,000,000	8.33
Sysha Pty Limited	17,270,000	4.80
Netwealth Investments Limited	5,685,078	1.58
Moya Pty Limited	5,000,000	1.39
HSBC Custody Nominees (Australia) Limited	4,140,457	1.15
BNP Paribas Nominees Pty Limited	3,421,783	0.95
Lekk Pty Limited	2,200,000	0.61
Avanteos Investments Limited	1,640,888	0.46
Providore Holdings Pty Limited	1,500,000	0.42
Brazil Farming Pty Limited	1,500,000	0.42
Demeta Pty Limited	1,153,464	0.32
Jorlyn Pty Limited	1,000,000	0.28
Invia Custodian Pty Limited	972,296	0.27
Netwealth Investments Limited	935,643	0.26
Invia Custodian Pty Limited	838,909	0.23
Ilewise Pty Limited	800,000	0.22
James & Diana Ramsay Foundation Pty Limited	784,700	0.22
Spar Nominees Pty Limited	736,000	0.20
Fay Fuller Foundation Pty Limited	708,927	0.20
Raymond Ireson	702,772	0.19
Invia Custodian Pty Limited	669,023	0.18
	<u><b>81,659,940</b></u>	<u><b>22.68</b></u>

**Platinum Asia Investments Limited**  
**Shareholder information**  
**30 June 2018**

**Substantial shareholders**

The substantial shareholders in the Company's register of substantial shareholders at 14 August 2018 are listed below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
Platinum Investment Management Limited	30,000,000	8.35%^

^ As at the date of the last substantial shareholder notice lodged with the ASX on 14 December 2017.

**Voting Rights**

*Ordinary shares*

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

**Distribution of Annual Report to Shareholders**

The Law allows for an "opt in" regime through which shareholders will receive a printed "hard copy" version of the Annual Report only if they request one. The Directors have decided to only mail out an Annual Report to those shareholders who have "opted in".

**Financial Calendar**

24 August 2018 - Ordinary shares trade ex-dividend

27 August 2018 - Record (books close) date for dividend

17 September 2018 - Dividend paid

*These dates are indicative and may be changed.*

**Notice of Annual General Meeting (AGM)**

The details of the Annual General Meeting of Platinum Asia Investments Limited are:

10am Thursday, 1 November 2018  
 Museum of Sydney  
 Corner of Phillip and Bridge Streets  
 Sydney  
 NSW 2000

**Questions for the AGM**

If you would like to submit a question prior to the AGM to be addressed at the AGM you may e-mail your question to [invest@platinum.com.au](mailto:invest@platinum.com.au).

**Platinum Asia Investments Limited**  
**Investment Structure, Objectives and Methodology**  
**30 June 2018**

**Investment Structure**

Platinum Asia Investments Limited (the “Company”) is a listed investment company or “LIC”, quoted on the Australian Securities Exchange (“ASX”) and traded in the same way as other listed shares. Being a LIC, the Company:

- is closed-ended which means that the underlying portfolio can be managed without concern for the possibility of unplanned, fluctuating cashflows;
- is taxed at source and can therefore distribute any available profits to shareholders in the form of dividends, usually fully-franked; and
- has established a dividend profit reserve, which enables some smoothing of dividends, from year to year, at the discretion of the Board.

Shares in the Company can trade at a premium or discount to their Net Tangible Asset Backing per share (“NTA”), which is calculated and announced to the ASX weekly and monthly. Investors should take this into account when making decisions to purchase or sell shares in the Company.

The Company delegates its investment and administration functions to Platinum Investment Management Limited (trading as Platinum Asset Management) (the “Manager”), which employs a team of experienced investment professionals and administration personnel to perform those services. The Company and the Manager are separate legal entities.

**Investment Objectives**

The Company invests primarily in the securities of listed companies in the Asian Region ex Japan. Its key investment objective is to provide capital growth over the long-term through investing in listed securities of companies perceived to be undervalued by the Investment Manager.

While generating attractive returns is the Company’s primary objective, the Manager also believes it has a responsibility to mitigate the risk of capital losses and employs a variety of strategies to achieve this. As a result, the Company may not be 100% invested in equity markets.

At times these objectives will be in conflict as strategies to manage downside risk can have the accompanying effect of reducing potential upside. Also, protective strategies may be implemented in advance of a downturn and sometimes well in advance. Hence, by comparison with a fully-invested long-only approach, the Company is less likely to outperform the index during bull markets and more likely to outperform during bear markets.

Over the longer-term, in pursuing these objectives, the Manager aims to achieve net returns (i.e. after all fees and expenses) that are close to or exceed the Morgan Stanley All Country Asia ex Japan Net Index (MSCI) in A\$ terms, but with reduced impairment of capital following serious downturns.

**Investment Methodology**

The Manager’s index-agnostic investment approach has been well tested over many years through its management of the unlisted Platinum Trust Funds, which includes the Platinum Asia Fund. The principles on which its investment approach is based have not varied, although the process has evolved and been refined over time.

The Manager seeks a broad range of investments in the Asian Region ex Japan whose businesses and growth prospects are, in its view, being inappropriately valued by the market. Just as optimism and pessimism ebb and flow in stock markets, similar sentiments also affect individual companies. This means that transitory events often have a disproportionate effect on the share prices of companies, be they positive or negative, and there is thus a tendency for share prices to deviate significantly from their inherent trend line. The Manager’s investment methodology seeks to identify and take advantage of the opportunities created by the divergence between a company’s share price and its intrinsic value.

**Platinum Asia Investments Limited**  
**Investment Structure, Objectives and Methodology**  
**30 June 2018**

**Investment Methodology (continued)**

The Manager uses various methodologies to make sense of the universe of stocks around the Asian Region ex Japan, including using both quantitative and qualitative screening to short-list companies for in-depth study. After identifying key themes and preferred industries, with due consideration of the macro environment, the portfolio is then built up through a series of individual stock selections based on detailed fundamental research. Care is taken to understand and monitor the inter-relationship of stocks within the portfolio.

The Manager's investment team is based in Sydney, Australia. Having a single location facilitates the cross pollination of ideas and free flow of information between analysts with different geographic and industry responsibilities. It has the further benefit that distance acts as a filter, enabling a more objective assessment of "noisy" markets. The research process, however, is well supported by extensive visits to companies.

The wealth of research and detailed analysis that leads to the addition/retention/reduction of a stock in the portfolio takes form in a disciplined reporting process that is subject to the scrutiny of divergent thinking peers. This process serves to challenge and encourage analysts and to "test" investment theses, as well as add accountability to the process.

**Managing Currency Exposures**

Equity investments in the Asian Region ex Japan create an exposure to foreign currency fluctuations, which can change the value of the equity investments measured in the reporting currency of the Company's portfolio, which is the Australian dollar. It is part of the Company's investment strategy to assess the potential returns and risks created by currency exposures and to seek to position the portfolio with the aim of capturing those returns while minimising those risks. The aim is for the Company's portfolio to be exposed to the greatest extent possible to appreciating currencies and to minimise exposure to depreciating currencies. Accordingly, the level of the Company's hedging back into the Australian dollar will depend on the Manager's expectation of future movements in currency exchange rates. This is consistent with the Company's strategy of investing in securities of companies within the Asian Region ex Japan rather than a currency perspective.

The Manager may manage the currency exposures of the Company's portfolio using foreign currency forward contracts, currency swaps, non-deliverable forwards and currency options, as well as spot foreign exchange trades.

As part of its investment process, the Manager may also assess the indirect impact of currency on the companies that it intends to invest in (e.g. the impact of currency fluctuations on a manufacturing business with significant export sales) and the potential for exchange rate movements to amplify or diminish Australian dollar returns for a holding. The investment of cash holdings may also be undertaken with consideration of the potential impact of currency movements (as well as interest rate and credit risk considerations).

**Strategies Aimed at Mitigating Losses and Delivering Solid Absolute Returns**

Strategies aimed at mitigating capital losses include adjusting cash levels, deploying funds from overvalued to undervalued Asian markets, short selling (if appropriate) and various derivative strategies.

Timing the implementation of these strategies is always challenging and, though the rewards can be gratifying, patience is often required. The nature of markets means it can take some time for inappropriately valued regional markets, industry sectors or individual stocks to become more widely recognised and to revert to a level close to their inherent value.

**Platinum Asia Investments Limited**  
**Directors' Report**  
**30 June 2018**

In respect of the year ended 30 June 2018, the Directors of Platinum Asia Investments Limited ("PAI" or "the Company") submit the following report prepared in accordance with a resolution of the Directors.

**Directors**

The following persons were Directors of the Company during the financial year and up to the date of this report, unless otherwise stated:

Margaret Towers	Chairperson and Non-Independent Non-Executive Director (appointed on 31 March 2018)
Ian Hunter	Independent Non-Executive Director
Malcolm Halstead	Independent Non-Executive Director

Bruce Coleman was Chairperson and a Non-Independent Non-Executive Director until 31 March 2018.

**Principal Activities**

The Company is a listed investment company established to provide capital growth over the long-term through investing primarily in listed securities of companies in the Asian Region ex Japan that are perceived, by the Investment Manager, to be undervalued.

**Operating and Financial Review**

The operating profit of the Company for the year ended 30 June 2018 before providing for income tax was \$72,944,000 (2017: \$55,532,000). The income tax expense for the year was \$21,466,000 (2017: \$16,381,000).

For the year ended 30 June 2018, the operating profit for the Company after income tax expense was \$51,478,000 (2017: \$39,151,000).

The Directors consider that pre-tax Net Tangible Asset Backing per share (NTA), after fees and expenses, combined with the flow of dividends is a better measure of performance of the Company than the reported profits. This is because pre-tax NTA is the most accurate way to assess the performance of the Investment Manager. For the 12 months to 30 June 2018, the Company's pre-tax NTA increased to \$1.20 per share from \$1.09 per share. This is after the payment of 5 cents per share in dividends during the year.

For the 12 months ending 30 June 2018, the Company's net assets on a pre-tax basis, after fees, expenses and taking into account dividends and income taxes paid increased by 18.6%<sup>1</sup> compared to a gain of 14.1%<sup>1</sup> for the Morgan Stanley Capital International All Country Asia ex Japan Net Index (MSCI) in A\$ terms, concluding a 12 month period of very strong returns for the Company. The Investment Manager has reported that the strongest performance came from those companies that are benefitting from the consumer trends of China's rising middle class and this includes both healthcare and e-commerce stocks. The Investment Manager has re-positioned the portfolio towards domestically-focused companies, cushioning the portfolio against the ongoing global trade tensions.

In terms of outlook, the Investment Manager has stated that "we are encouraged by the number of attractive long-term opportunities that we are finding, and many of these businesses are not expected to be directly impacted by the trade friction. We will continue to invest in reasonably valued companies with strong growth prospects".

<sup>1</sup> The investment returns are calculated using the Company's pre-tax Net Tangible Asset Backing per share for the specified period. Returns are calculated after the deduction of fees and expenses, take into account dividends and income taxes paid. Please note that the results are not calculated from the Company's share price. The investment returns shown are historical and no warranty can be given for future performance. Historical performance is not a reliable indicator of future performance.

Source: Platinum Investment Management Limited (PAI returns) and FactSet (MSCI returns).

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**Platinum Asia Investments Limited**  
**Directors' Report**  
**30 June 2018**

**Dividends**

On 17 August 2018, the Directors declared a 2018 fully-franked final dividend of 6 cents per share (\$21,600,000), with a record date of 27 August 2018, payable to shareholders on 17 September 2018, out of the dividend profit reserve. After the declaration of the 2018 final dividend, the balance in the dividend profit reserve is \$51,070,000, which translates to 14.19 cents per share, based on the shares on issue at the date of this report.

The dividend reinvestment plan (DRP) is in operation and a discount of 2.5 per cent to the relevant share price applies to the dividend.

**Capital Management**

The Board regularly and actively reviews the most efficient manner by which the Company manages its capital, in response to changing market conditions and risks, with the sole aim of enhancing shareholder value, through:

- the management of the level of dividends to shareholders;
- the issue of shares by methods such as rights offers, share purchase plans or placements; or
- the use of share buy-backs.

**Matters Subsequent to the End of the Financial Year**

Apart from the dividend declared, no matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**Likely Developments and Expected Results of Operations**

The Company will continue to pursue its investment objective, which is to provide capital growth over the long-term through investing primarily in undervalued listed securities in companies in the Asian Region ex Japan. The methods of operating the Company are not expected to change in the foreseeable future.

**Environmental Regulation**

The Company is not adversely impacted by any particular or significant environmental regulation under Commonwealth, State or Territory law.

**Information on Directors**

**Margaret Towers CA, GAICD**

Chairperson and Non-Independent Non-Executive Director and member of the Audit, Risk and Compliance Committee since 31 March 2018.

Ms Towers has over 35 years of experience operating at board and senior management levels, within the wealth management and investment banking sectors of the Australian financial services industry. Ms Towers has also previously been a non-executive director of Platinum Asset Management Limited (ASX code: PTM), chair of PTM's Audit, Risk and Compliance Committee and a member of PTM's Nomination and Remuneration Committee. Ms Towers is a non-executive director of IMB Limited and is Chairperson of Platinum Capital Limited.

**Platinum Asia Investments Limited  
Directors' Report  
30 June 2018**

**Information on Directors (Continued)**

**Ian Hunter** BA, LLB, MBA

Independent Non-Executive Director since 24 June 2015 and Chair of the Audit, Risk and Compliance Committee since 23 July 2015.

Mr Hunter has been in the finance and investment industry since 1975. Mr Hunter worked at several banks, most recently as a director and executive Vice President of Bankers Trust Australia. Mr Hunter has held various directorships of listed companies, including Etrade Australia Limited and Rubik Financial Limited. Mr Hunter is a director of Ironbark Capital Limited.

**Malcolm Halstead** FCA

Independent Non-Executive Director since 24 June 2015 and member of the Audit, Risk and Compliance Committee since 23 July 2015.

Mr Halstead has worked in the finance and investment industry since 1982. Mr Halstead worked at Price Waterhouse and Bankers Trust Australia prior to joining Platinum as a founding member and director in 1994. Mr Halstead was the finance director and company secretary of Platinum Capital Limited from 1994 to 2011 and finance director and company secretary of Platinum Asset Management Limited (PTM) from 2007 to 2011.

**Information on Company Secretary**

**Joanne Jefferies** BCom, LLB

Company Secretary since 17 October 2016.

Ms Jefferies is an English law qualified solicitor with more than 21 years of legal experience in the asset management and securities services sectors, in England and across Asia Pacific.

Ms Jefferies joined Platinum in October 2016 as General Counsel and Group Company Secretary, having spent the previous six years at BNP Paribas Securities Services as Head of Legal Asia Pacific, Company Secretary for all Australian subsidiaries and a member of the Asia Pacific Executive Committee. Ms Jefferies has previously held senior legal positions with Russell Investments, Morley Funds Management (Aviva Investors) and Lord Abbett, and served as the General Counsel for the UK's funds management industry association, the Investment Association. Ms Jefferies is also Company Secretary of Platinum Capital Limited and Platinum Asset Management Limited.

**Meetings of Directors**

The number of meetings of the Company's Board of Directors (the "Board") held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

	Board		Audit, Risk and Compliance Committee	
	Attended	Held	Attended	Held
Margaret Towers (appointed 31 March 2018)	1	1	-	-
Bruce Coleman (until 31 March 2018)	3	3	3	3
Ian Hunter	4	4	3	3
Malcolm Halstead	4	4	3	3

**Indemnity and Insurance of Officers**

During the year, the Company incurred a premium in respect of a contract for indemnity insurance for the Directors and officers of the Company named in this report.

**Platinum Asia Investments Limited  
Directors' Report  
30 June 2018**

**Indemnity and Insurance of Auditor**

The Company has not, during or since the end of the year, indemnified or agreed to indemnify the auditor of the Company against a liability incurred by the auditor.

During the year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company.

**Non-Audit Services**

Details of the amounts paid or payable to the auditor for audit and other (non-audit) services provided during the year by the auditor are outlined in Note 20 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 20 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110: *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board.

**Rounding of Amounts**

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with this Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

**Auditor**

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

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Margaret Towers  
Chairperson

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Ian Hunter  
Director

17 August 2018  
Sydney

**Platinum Asia Investments Limited  
Remuneration Report (audited)  
30 June 2018**

**Executive Summary**

- At any time during the year, the Company had no more than three key management personnel (“KMP”).
- The annual remuneration paid by the Company to its Chairperson was \$65,700 (including superannuation).
- The remuneration paid by the Company to each of the other Non-Executive Directors was \$60,225 (including superannuation).
- The Company does not pay bonuses to any of its Directors.
- Mr Coleman did not receive any termination payments.

**Introduction**

The Directors of Platinum Asia Investments Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the year ended 30 June 2018.

The information provided in this Remuneration Report forms part of the Directors’ Report and has been audited by the Company’s auditor, PricewaterhouseCoopers, as required by section 308 of the *Corporations Act 2001*.

**Key Management Personnel ("KMP")**

For the purposes of this report, the KMP of the Company in office during the financial year were:

<b>Name</b>	<b>Position</b>
Margaret Towers	Chairperson and Non-Independent Non-Executive Director since 31 March 2018
Bruce Coleman	Chairperson and Non-Executive Director until 31 March 2018
Ian Hunter	Independent Non-Executive Director
Malcolm Halstead	Independent Non-Executive Director

**Shareholders' Approval of the 2017 Remuneration Report**

A 25% or higher "no" vote on the remuneration report at an AGM triggers a reporting obligation on a listed company to explain in its next annual report how concerns are being addressed.

At the last AGM, the Company’s Remuneration Report passed on a show of hands after proxies indicated a “for” vote of 94.76%. Despite this outcome, we have set out to fully explain the basis and structure of the remuneration paid to KMP.

**Principles, Policy and Components of Director's Remuneration**

Remuneration paid to the Directors is designed to ensure that the Company can attract and retain suitably qualified and experienced directors.

It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Directors.

Directors received a fixed fee and mandatory superannuation.

Directors do not receive performance-based or earnings-based remuneration and are not eligible to participate in any equity-based incentive plans.

The remuneration of the Directors is reviewed annually by the Board and is set at market rates commensurate with the responsibilities borne by the Directors. Independent professional advice may be sought. No other retirement benefits (other than mandatory superannuation) are provided to the Directors.

There are no termination payments payable on the cessation of office and any Director may retire or resign from the Board, or be removed by a resolution of shareholders.

Mr Coleman did not receive any termination payments.

**Platinum Asia Investments Limited  
Remuneration Report (audited)  
30 June 2018**

**Remuneration for Directors**

The table below presents amounts received by the Directors.

<b>Name</b>	<b>Cash Salary</b> \$	<b>Superannuation</b> \$	<b>Short-term incentives</b> \$	<b>Long-term incentives</b> \$	<b>Total</b> \$
<b>Margaret Towers</b>					
Period from 1/4/2018 to 30/06/2018	15,000	1,425	-	-	16,425
<b>Bruce Coleman</b>					
Period from 1/7/2017 to 31/03/2018	45,000	4,275	-	-	49,275
FY 2017	60,000	5,700	-	-	65,700
<b>Ian Hunter</b>					
FY 2018	55,000	5,225	-	-	60,225
FY 2017	55,000	5,225	-	-	60,225
<b>Malcolm Halstead</b>					
FY 2018	55,000	5,225	-	-	60,225
FY 2017	55,000	5,225	-	-	60,225
<b>Total Remuneration</b>					
FY 2018	170,000	16,150	-	-	186,150
FY 2017	170,000	16,150	-	-	186,150

**Employment Arrangements of KMP**

The key aspects of the KMP contracts are as follows:

- Remuneration and other terms of employment for Directors are formalised in letters of appointment that all Directors signed.
- All contracts with Directors include the components of remuneration that are to be paid to KMP and provide for annual review, but do not prescribe how remuneration levels are to be modified from year to year.
- The tenure of the Directors is subject to approval by shareholders at every third AGM or other general meeting convened for the purposes of election of Directors.
- In the event of termination, all KMP are only entitled to receive their statutory entitlements.
- Directors may resign by written notice to the Chairperson and where circumstances permit, it is desirable that reasonable notice of an intention to resign is given to assist the Board in succession planning.

**Link between the Remuneration of the Directors and Company Performance**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total investment gain/(loss) (\$'000)	79,884	61,040	(8,466)
Expenses (\$'000)	(6,940)	(5,508)	(4,326)
Operating gain/(loss) after tax (\$'000)	51,478	39,151	(9,049)
Earnings per share (cents per share)	14.32	12.95	(3.97)
Dividends (cents per share)	10.0	1.0	-
Net tangible asset value (pre-tax) (30 June) (\$ per share)	1.1960	1.0920	0.9338
Closing share price (30 June) (\$ per share)	1.26	1.015	0.885
Total fixed remuneration (salary and superannuation) paid (\$)	186,150	186,150	189,729 <sup>1</sup>

<sup>1</sup>Remuneration was for a period longer than 12 months, being 24<sup>th</sup> June 2015 (the Company's incorporation date) to 30 June 2016.

The remuneration of the Directors is not linked to the performance of the Company.

**Platinum Asia Investments Limited**  
**Remuneration Report (audited)**  
**30 June 2018**

**Interests of Directors in Shares**

The relevant interest in ordinary shares of the Company that each Director held at balance date was:

	<b>Opening balance</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Closing balance</b>
Margaret Towers	-	50,000	-	50,000
Ian Hunter	200,001	-	-	200,001
Malcolm Halstead	1	-	-	1

Bruce Coleman held 375,001 shares at the start of the year and up until the date of his departure on 31 March 2018.



## *Auditor's Independence Declaration*

As lead auditor for the audit of Platinum Asia Investments Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

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

Simon Cuthbert  
Partner  
PricewaterhouseCoopers

Sydney  
17 August 2018

**Platinum Asia Investments Limited**  
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**30 June 2018**

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**General Information**

The financial statements cover Platinum Asia Investments Limited as an individual entity. The financial statements are presented in Australian dollars, which is Platinum Asia Investments Limited's functional and presentation currency.

Platinum Asia Investments Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 8, 7 Macquarie Place  
Sydney NSW 2000

A description of the nature of the Company's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 17 August 2018. The Directors have the power to amend and reissue the financial statements.

**Platinum Asia Investments Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

	Note	2018	2017
		\$'000	\$'000
<b>Investment income</b>			
Dividends		6,782	6,249
Interest		125	322
Net gains on equities/derivatives		73,460	57,863
Net (losses) on foreign currency forward contracts		(923)	(1,876)
Net foreign exchange gain/(losses) on overseas bank accounts		440	(1,518)
Total investment income	2	<u>79,884</u>	<u>61,040</u>
<b>Expenses</b>			
Management fees	18	(4,882)	(3,404)
Custody		(508)	(399)
Share registry		(75)	(111)
Continuous reporting disclosure		(156)	(112)
Directors' fees	19	(186)	(186)
Auditor's remuneration and other services	20	(101)	(114)
Brokerage and transaction costs		(779)	(844)
Other expenses		(253)	(213)
IPO non-capitalised fees and charges		-	(125)
Total expenses		<u>(6,940)</u>	<u>(5,508)</u>
<b>Profit before income tax expense</b>		72,944	55,532
Income tax expense	3(a)	<u>(21,466)</u>	<u>(16,381)</u>
<b>Profit after income tax expense for the year attributable to the owners of Platinum Asia Investments Limited</b>	8	51,478	39,151
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive Income for the year attributable to the owners of Platinum Asia Investments Limited</b>		<u>51,478</u>	<u>39,151</u>
Basic earnings per share (cents per share)	12	14.32	12.95
Diluted earnings per share (cents per share)	12	14.32	12.95

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**Platinum Asia Investments Limited**  
**Statement of financial position**  
**As at 30 June 2018**

	<b>Note</b>	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
<b>Assets</b>			
Cash and cash equivalents	13(a)	57,363	40,283
Receivables	6	2,230	1,974
Financial assets at fair value through profit or loss	4	372,871	352,550
Income tax receivable	3(b)	-	2,510
<b>Total assets</b>		<u>432,464</u>	<u>397,317</u>
<b>Liabilities</b>			
Payables	7	982	1,275
Financial liabilities at fair value through profit or loss	5	-	589
Income tax payable	3(b)	2,799	-
Deferred tax liability	3(c)	9,007	10,475
<b>Total liabilities</b>		<u>12,788</u>	<u>12,339</u>
<b>Net assets</b>		<u><b>419,676</b></u>	<u><b>384,978</b></u>
<b>Equity</b>			
Issued capital	11	348,121	346,942
Retained earnings	8	(9,049)	(9,049)
Capital reserve	9(a)	7,934	7,934
Dividend profit reserve	9(b)	72,670	39,151
<b>Total equity</b>		<u><b>419,676</b></u>	<u><b>384,978</b></u>

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

**Platinum Asia Investments Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2018**

	<b>Note</b>	<b>Issued Capital \$'000</b>	<b>Retained earnings \$'000</b>	<b>Reserves \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2016		278,772	(9,049)	10,240	279,963
Profit after income tax expense for the year		-	39,151	-	39,151
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year		-	39,151	-	39,151
Transfer of profit after income tax expense for the year to the dividend profit reserve	8,9(b)	-	(39,151)	39,151	-
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares associated with the exercise of options	11	68,170	-	-	68,170
Movements in option reserve as a result of options exercised during the year		-	-	(2,306)	(2,306)
Transfer from option reserve	9(a)	-	-	(7,934)	(7,934)
Transfer to capital reserve	9(a)	-	-	7,934	7,934
Balance at 30 June 2017		<b>346,942</b>	<b>(9,049)</b>	<b>47,085</b>	<b>384,978</b>
		<b>Issued Capital \$'000</b>	<b>Retained earnings \$'000</b>	<b>Reserves \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2017		346,942	(9,049)	47,085	384,978
Profit after income tax expense for the year		-	51,478	-	51,478
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year		-	51,478	-	51,478
Transfer of profit after income tax expense for the year to the dividend profit reserve	8,9(b)	-	(51,478)	51,478	-
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares associated with the dividend reinvestment plan	11	1,068	-	-	1,068
Issue of shares associated with the reinvestment of unclaimed dividends	11	111	-	-	111
Dividends paid	10	-	-	(17,959)	(17,959)
Balance at 30 June 2018		<b>348,121</b>	<b>(9,049)</b>	<b>80,604</b>	<b>419,676</b>

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

**Platinum Asia Investments Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2018**

	<b>Note</b>	<b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
<b>Cash flows from operating activities</b>			
Payments for purchase of financial assets		(351,347)	(294,788)
Proceeds from sale of financial assets		400,975	226,293
Dividends received		6,597	4,817
Interest received		132	338
Management fees paid		(4,847)	(3,294)
Other expenses paid		(2,118)	(1,965)
Income tax paid		(17,109)	(2,510)
<b>Net cash from/(used in) operating activities</b>	<b>13(b)</b>	<b>32,283</b>	<b>(71,109)</b>
<b>Cash flows from financing activities</b>			
Dividends paid - net of dividend re-investment plan	10	(16,551)	-
Proceeds from issue of shares in relation to unclaimed dividends	11	111	-
Proceeds from issue of shares associated with the exercise of options		-	65,864
<b>Net cash (used in)/from financing activities</b>		<b>(16,440)</b>	<b>65,864</b>
Net increase/(decrease) in cash and cash equivalents		15,843	(5,245)
Cash and cash equivalents at the beginning of the year		40,283	45,744
Effects of exchange rate changes on cash and cash equivalents		1,237	(216)
Cash and cash equivalents at the end of the year	<b>13(a)</b>	<b>57,363</b>	<b>40,283</b>

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

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 1 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied for all years presented, unless otherwise stated.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities measured at fair value.

The statement of financial position is presented on a liquidity basis. Specifically, assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current assets and liabilities. The majority of receivables and payables are expected to be recovered or settled within 12 months, whereas tax and investment balances may be recovered after 12 months.

*Critical accounting judgements, estimates and assumptions*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances.

*Fair value measurement hierarchy (refer to Note 17)*

The Company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 (if any) is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

*Recovery of deferred tax assets (refer to Note 3)*

Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

*Functional currency (refer to the "foreign currency transactions" accounting policy note)*

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"), which is the Australian Dollar. Refer to the "foreign currency transactions" policy on page 22 for further information.

**Financial assets/liabilities at fair value through profit or loss**

Under AASB 139: *Financial Instruments: Recognition and Measurement*, investments are classified in the Company's statement of financial position as "financial assets/liabilities at fair value through profit or loss". Derivatives and foreign currency forward contracts are classified as financial instruments "held for trading" and equity securities are designated at fair value through profit or loss upon initial recognition.

The Company has applied AASB 13: *Fair Value Measurement*. AASB 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Financial assets/liabilities at fair value through profit or loss (continued)**

The standard prescribes that the most representative price within the bid-ask spread should be used for valuation purposes. With respect to the Company, the last-sale or “last” price is the most representative price within the bid-ask spread, because it represents the price that the security last changed hands from seller to buyer.

The Company has applied last-sale pricing as the fair value measurement basis for equities and derivatives it holds.

Generally, derivatives take the form of long or short equity swap contracts. Equity swaps are valued based on the price of the underlying investment, which may be a specific share or a share market index. Daily fluctuations in the value of derivatives were recognised as part of “net gains/(losses) on equities/derivatives” in the statement of profit or loss and other comprehensive income.

Long equity swap contracts allow the Company to gain exposure to price movements of underlying investments without buying the underlying investment. Under the term of each long equity swap contract, the Company makes a profit if the underlying share price was higher on the date that the contract was closed relative to the price when the contract commenced.

With respect to short equity swap contracts, the Company makes a profit if the underlying share price was lower on the date that the contract was closed relative to the price when the contract commenced.

Participatory Notes are sometimes used as a convenient means of investing in local securities by a foreign investor. Participatory Notes are generally traded over-the-counter, as they are issued by a counterparty to provide the investor with exposure to an individual equity or a basket or index of equities, in markets where liquidity, custody or other issues make ownership of the local shares sub-optimal. The valuation of Participatory Notes depends on the level of trading. If the Participatory Notes are actively traded, then the market price is used. If the Participatory Notes are not actively traded, counterparties provide a daily valuation that is based on the intrinsic value of the individual security.

AASB 13 also requires reporting entities to disclose its valuation techniques and inputs. This is described below.

*Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets uses quoted market prices at reporting date without any deduction for estimated future selling costs. Financial assets are valued using “last-sale” pricing. Gains and losses arising from changes in the fair value of the financial assets/liabilities are included in the statement of profit or loss and other comprehensive income in the year or period they arise.

Foreign currency forward contracts are initially recognised at fair value on the date contracts are entered into and are subsequently remeasured at each reporting date. The fair value is the unrealised profit or loss on the foreign currency position (in Australian dollars).

*Fair value in an inactive market or unquoted market*

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, discounted cash flow techniques or any other valuation techniques that provides a reliable estimate of prices obtained in actual market transactions. Options are valued with reference to the quoted price of the underlying index or share. If there is no liquid market available, the options are valued based on the option prices provided by an arm’s length broker. These valuations are based on option pricing models.

*Recognition/derecognition*

The Company recognises financial assets and liabilities on the date they become party to the purchase contractual agreement (trade date) and recognises changes in fair value of the financial assets and liabilities from this date. Financial assets and liabilities are no longer recognised on the date they become party to the sale contractual agreement (trade date).

**Offsetting a financial asset and a financial liability**

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

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Brokerage and transaction costs on financial assets**

Initial measurement (cost) on purchase of trading securities shall not include directly attributable transaction costs, such as fees and commissions paid to agents. Incremental transaction costs on purchases of financial assets at fair value through profit or loss are expensed immediately.

**Operating segments**

Operating segments are presented using a single operating segment. However AASB 8: *Operating Segments* requires certain entity-wide disclosures. Refer to Note 2 for further information.

**Foreign currency transactions**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the country that the Company is regulated, capital is raised and dividends are paid in. The Australian dollar is also the Company's presentation currency.

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

**Investment income**

*Interest income*

Interest income is recognised in the statement of profit or loss and other comprehensive income based on actual interest rates available on the bank accounts held at various locations.

*Dividend income*

Dividend income is brought to account on the applicable ex-dividend date for equities and payment date for Participatory Notes.

**Directors' entitlements**

Liabilities for Directors' entitlements to fees are accrued at nominal amounts calculated on the basis of current fee rates. Contributions to Directors' superannuation plans are charged as an expense as the contributions are paid or become payable.

**Income tax**

The income tax expense or benefit for the year is the tax payable or receivable on that year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. Any foreign withholding tax on income, deducted at source or paid, will be included as part of the income tax expense.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Receivables**

All receivables are recognised when a right to receive payment is established. Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for bad debts. Debts that are known to be uncollectible are written off.

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Due from/due to brokers for unsettled trades**

Amounts due from/due to brokers represent receivables for proceeds on sale of financial assets (as disclosed in Note 6) and payables on purchase of financial assets/liabilities (as disclosed in Note 7) that have been traded, but not yet settled at reporting date. Proceeds on sale of financial assets are usually received between two and five days after trade date. Payables on purchase of financial assets/liabilities are usually paid between two and five days after trade date.

**Cash and cash equivalents**

For the purposes of the statement of cash flows, cash includes deposits at call with financial institutions, cash held in margin accounts and other short-term, highly liquid investments and term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Margin accounts comprise cash held as collateral for derivative transactions.

Payments and receipts relating to the purchase and sale of financial assets are classified as "cash flows from operating activities" as realised and unrealised gains (and losses) on financial assets represent the Company's main source of operating income.

**Trade and other payables**

These amounts represent liabilities for services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Issued capital**

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

**Dividends**

A provision is booked in the accounts if the Directors declare or determine to pay a dividend on or before balance date that has not been paid at balance date.

**Expenses**

All expenses, including management fee and performance fee (if any), are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

**Dividend profit reserve**

To the extent that any current year profits are not distributed, the Company's policy will be to set aside those undistributed profits to a separate dividend profit reserve, rather than offsetting those profits against retained earnings. This policy will ensure that any undistributed profits will not be netted against potential future losses and will remain available for payment of future franked dividends. For example, the Directors may decide not to distribute all of the available profits in a given year due to a lack of available franking credits and may reserve the undistributed profits for future dividends when more franking credits become available. The reserve is included when determining the overall equity of the Company for accounting purposes.

**Basic and diluted earnings per share**

Basic and diluted earnings per share are calculated by dividing the profit attributable to the owners of Platinum Asia Investments Limited, by the weighted average number of ordinary shares outstanding during the year or period.

**Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of expenses.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from, or payable to the tax authority, are presented as cash flows from operating activities.

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**Rounding of amounts**

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in these financial statements have been rounded off in accordance with this Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Accounting Standards and Interpretations not yet mandatory or early adopted**

The following Australian Accounting Standards and Interpretations have been issued or amended but are not yet mandatory, and have not been early adopted by the Company for the year ended 30 June 2018. The Company's assessment of the impact of these Accounting Standards and Interpretations, most relevant to the Company, are set out below.

*AASB 15: Revenue from contracts with customers and amendments to AASB 15*

The main objective of this standard is to provide a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received in return for that transfer. The standard is applicable for annual reporting periods beginning on or after 1 January 2018.

The Company's main source of income is investment income, in the form of gains on equities and derivatives, foreign currency forward contracts and overseas bank accounts, as well as interest and dividend income. All of these income types are outside the scope of the standard. The standard was assessed as not having a material impact on the Company's results in the current or future reporting periods. The Company expects to adopt this standard for annual reporting periods commencing on 1 July 2018.

*AASB 9: Financial Instruments (and applicable amendments)*

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It includes revised rules around classification, hedge accounting and impairment. The standard is applicable for annual reporting periods beginning on or after 1 January 2018.

More specifically AASB 9 replaces the classification and measurement model in AASB 139: *Financial Instruments: recognition and measurement* with a new model that classifies financial assets based on a) the business model within which the assets are managed, and b) whether contractual cash flows under the instrument solely represent the payment of principal and interest. Management has assessed the classification and measurement aspects of AASB 9 on the financial statements. Given the Company manages and reports its investments on a fair value basis, management expects on adoption, that all financial assets, will remain classified at fair value through profit or loss resulting in no impact to the financial performance or position of the Company.

The hedging and impairment aspects of the new standard have also been assessed as having no impact as the Company does not enter into hedging arrangements and is not impacted by write-downs, because the financial assets and liabilities are carried at fair value through profit or loss.

The Company expects to adopt this standard for annual reporting periods commencing on 1 July 2018.

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

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**Note 2. Operating segments**

*Identification of reportable operating segments*

The Company is organised into one main operating segment with the key function of the investment of funds in the Asian Region ex Japan. AASB 8: *Operating Segments* requires disclosure of revenue by investment type and geographic location, which is outlined below:

*(a) Investment income by investment type*

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Equity securities	78,662	61,498
Derivatives	1,580	2,614
Foreign currency forward contracts	(923)	(1,876)
Bank accounts	565	(1,196)
<b>Total</b>	<b>79,884</b>	<b>61,040</b>

*(b) Investment income by geographic location*

China	7,153	9,263
China ex PRC <sup>^</sup>	57,682	24,183
Hong Kong	10,449	2,207
Taiwan	444	2,275
<b>Greater China total</b>	<b>75,728</b>	<b>37,928</b>
India	(2,003)	10,511
Indonesia	2,590	(693)
South Korea	1,429	11,386
Malaysia	34	359
Philippines	1,659	(1,264)
Singapore	132	694
Thailand	1,645	3,418
Australia	26	194
Vietnam	1,635	1,958
North America	(2,068)	(1,575)
Unallocated investment income – Net (losses) on foreign currency forward contracts	(923)	(1,876)
<b>Total</b>	<b>79,884</b>	<b>61,040</b>

<sup>^</sup>China ex PRC refers to Chinese equity securities listed outside mainland China.

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**Note 3. Income tax**

<i>(a) Income tax expense</i>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>

The income tax expense attributable to the operating profit comprises:

Current income tax provision	(22,418)	-
Movement in deferred tax liability	1,468	(16,608)
Withholding tax on foreign dividends	(516)	(313)
Income tax expense	<u>(21,466)</u>	<u>(16,381)</u>

The income tax expense attributable to the financial year differs from the prima facie amount payable on the operating profit. The difference is reconciled as follows:

Profit before income tax expense	<u>72,944</u>	<u>55,532</u>
Prima facie income tax at tax rate of 30%	(21,883)	(16,660)
Reduce tax payable:		
Tax impact of foreign tax credits	417	279
Income tax expense	<u>(21,466)</u>	<u>(16,381)</u>

*(b) Income tax (payable)/receivable*

The income tax (payable)/receivable as disclosed in the statement of financial position is comprised of:

Current income tax provision (before foreign tax credits)	(23,554)	(7,584)
Foreign tax credits utilised	1,136	1,107
Prior year losses utilised	-	6,477
Current income tax provision	<u>(22,418)</u>	<u>-</u>
Income tax instalments paid	19,619	2,510
Income tax (payable)/receivable	<u>(2,799)</u>	<u>2,510</u>

*(c) Deferred tax liability*

In line with its existing accounting policy, the Company has exercised judgement in determining the extent of recognition of its deferred tax balance.

The deferred tax liability figure in the statement of financial position is comprised of:

Deferred tax liability on investments	(9,175)	(11,055)
Deferred tax liability on dividends accrued	(619)	(576)
Deferred tax asset impact on expense accruals	45	42
Deferred tax asset impact on costs associated with the Initial Public Offer	742	1,114
Deferred tax liability	<u>(9,007)</u>	<u>(10,475)</u>

At 30 June 2018, the Company is in a net deferred tax liability position and this is predominantly because the Company has net unrealised gains on investment of \$30,585,000 (2017: \$36,850,000). The tax impact of these unrealised gains is \$9,175,000 (2017: \$11,055,000).

The realised tax balance will depend on the actual gains or losses generated as and when the investments are sold.

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**Note 4. Financial assets at fair value through profit or loss**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Equity securities	372,784	351,917
Derivatives	87	155
Foreign currency forward contracts	-	478
	<u>372,871</u>	<u>352,550</u>

Refer to Note 17 for further information on the fair value measurement of these financial assets.

**Note 5. Financial liabilities at fair value through profit or loss**

Derivatives <sup>^</sup>	-	4
Foreign currency forward contracts	-	585
	<u>-</u>	<u>589</u>

<sup>^</sup>Derivatives were \$32 at 30 June 2018 and rounded down to nil.

**Note 6. Receivables**

Dividends receivable	2,064	1,879
Proceeds on sale of financial assets	54	40
Interest receivable	4	11
Goods and Services Tax receivable	48	44
Prepayments	59	-
Other	1	-
	<u>2,230</u>	<u>1,974</u>

Dividends are usually received within approximately 30 days of the ex-dividend date.

**Note 7. Payables**

Trade creditors (unsecured)	607	569
Payables on purchase of financial assets	32	704
PAYG tax payable	3	2
Unclaimed dividends payable	340	-
	<u>982</u>	<u>1,275</u>

Trade creditors are payable between 14 and 30 days after receipt of the invoice. These payables are non-interest bearing. Information relating to the Company's exposure of payables to liquidity risk is shown in Note 16.

**Note 8. Retained earnings**

Retained losses at the beginning of the year	(9,049)	(9,049)
Operating profit after income tax expense for the year	51,478	39,151
Transfer of operating profit after income tax for the year to the dividend profit reserve (see Note 9 (b))	(51,478)	(39,151)
Retained earnings/(losses) at the end of the financial year	<u>(9,049)</u>	<u>(9,049)</u>

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**Note 9. Reserves**

*Summary of Reserve Balances*

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Capital reserve	7,934	7,934
Dividend profit reserve	72,670	39,151
Closing Balance	<u>80,604</u>	<u>47,085</u>

*(a) Capital reserve*

A total of 226,697,672 options that were issued under the 2015 IPO expired on 15 May 2017 and the total fair value of unexercised options, which was \$7,934,419, was transferred to a separate capital reserve. The option fair value reserve entry was the number of unexercised options, which was 226,697,672 multiplied by 3.5 cents per option, which equals the amount that was transferred to the capital reserve.

*(b) Dividend profit reserve*

The Company may set aside some or all of its undistributed profits to a separate dividend profit reserve, to facilitate the payment of future franked dividends, rather than maintaining these profits within retained earnings. Operating losses are not transferred to the dividend profit reserve. The balance of this reserve is as follows.

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance 1 July 2017 (2016)	39,151	-
Profit after income tax for the year ended 30 June 2018 (2017)	51,478	39,151
Dividends paid (see Note 10)	(17,959)	-
Closing Balance	<u>72,670</u>	<u>39,151</u>

Subsequent to 30 June 2018, the 2018 final fully-franked dividend was declared out of this reserve. The balance in the dividend profit reserve after the declaration of the 2018 final dividend is \$51,070,000 (14.19 cents per share, based on the current shares on issue).

**Note 10. Dividends**

Dividends paid during the financial year were as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend paid for the 2017 financial year (1 cent per ordinary share)	3,590	-
Interim dividend paid for the 2018 financial year (4 cents per ordinary share)	<u>14,369</u>	-
	<u>17,959</u>	-

The "dividends paid - net of dividend re-investment plan" figure shown in the statement of cash flows is determined as follows:

Gross dividends (paid) (from above)	(17,959)	-
Less increase in unclaimed dividends payable (Note 7)	340	-
Less dividend reinvestment plan allotment (Note 11)	1,068	-
Dividends (paid) - net of dividend re-investment plan	<u>(16,551)</u>	-

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**Note 10. Dividends (continued)**

**Franking credits**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Franking credits available at the balance date based at a tax rate of 30%	11,923	2,510
Franking credit/(debits) that will arise from the tax payable/(receivable) at balance date based on a tax rate of 30%	2,799	(2,510)
	<u>14,722</u>	<u>-</u>

*Dividends not recognised at year-end*

On 17 August 2018, the Directors declared the payment of the 2018 final fully-franked dividend of 6 cents per fully paid ordinary share. The aggregate amount of the dividend expected to be paid on 17 September 2018, but not recognised as a liability at year-end, is \$21,600,000.

**Note 11. Issued capital**

	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>Shares</b>	<b>\$'000</b>	<b>Shares</b>	<b>\$'000</b>
Ordinary shares - fully paid	360,003,594	348,121	359,041,623	346,942

*Movements in ordinary share capital*

<b>Details</b>	<b>Date/Month</b>	<b>Shares</b>	<b>\$'000</b>
Balance	30 June 2016	293,177,249	278,772
Options exercised - issue of shares	July 2016	2,500	3
Options exercised - issue of shares	August 2016	25,000	26
Options exercised - issue of shares	January 2017	10,000	10
Options exercised - issue of shares	February 2017	7,500	8
Options exercised - issue of shares	April 2017	14,997,500	15,522
Options exercised - issue of shares	May 2017	50,821,874	52,601
Sub-total		<u>65,864,374</u>	<u>68,170</u>
Balance	30 June 2017	<u>359,041,623</u>	<u>346,942</u>
Dividend reinvestment plan (a)	13 September 2017	172,549	176
Dividend reinvestment plan (a)	19 March 2018	702,189	892
Reinvestment of unclaimed dividends (b)	20 March 2018	87,233	111
Balance	30 June 2018	<u>360,003,594</u>	<u>348,121</u>

(a) Shares were issued under the dividend reinvestment plan at a 2.5% discount to the volume-weighted price of the Company's shares traded on the Australian Securities Exchange (ASX), over the five business days subsequent to the date on which the Company shares ceased to trade cum-dividend.

(b) Dividends that remain unclaimed after 6 months from payment date are automatically reinvested into additional shares in the Company.

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**Note 11. Issued capital (continued)**

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Rights issue or share buy-back*

There is no current rights issue or share buy-back in place.

**Note 12. Earnings per share**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax attributable to the owners of Platinum Asia Investments Limited	51,478	39,151
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	359,403,643	302,339,406
Basic earnings profit per share (cents)	14.32	12.95
Diluted earnings profit per share (cents)	14.32	12.95

**Note 13. Notes to the statement of cash flows**

*(a) Components of cash and cash equivalents*

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank*	352	9
Cash on deposit held within the portfolio**	57,011	20,664
Term deposits with maturities of three months or less	-	19,610
	<u>57,363</u>	<u>40,283</u>

\* includes \$340,000 held in respect of unclaimed dividends on behalf of shareholders.

\*\* includes \$675,000 on deposit to 'cash cover' derivative contracts' deposits and margin calls. These amounts are held by the relevant derivative exchanges and counterparties as security. If losses are realised, the cash balances are set off against those losses. If profits are realised on the close out of derivative contracts, the money is returned to the Company.

The Company maintains bank accounts to enable the settlement of purchases and sales of investments and to conduct other normal banking transactions. These accounts are at call and bear floating interest rates in the range of 0.15% to 0.35% (2017: 0% to 1.40%).

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**Note 13. Notes to the statement of cash flows (continued)**

(b) Reconciliation of profit after income tax to net cash from/(used in) operating activities

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax expense for the year	51,478	39,151
Adjustments for non-operating and non-cash items:		
Foreign exchange differences	(1,237)	216
(Increase) in investment securities and foreign currency forward contracts	(20,911)	(123,520)
Change in operating assets and liabilities:		
(Increase) in settlements receivable	(14)	(40)
Decrease in interest receivable	7	16
(Increase) in dividends receivable	(185)	(1,433)
(Increase) in Goods and Services Tax receivable	(4)	(9)
(increase)/decrease in prepayments	(59)	125
Decrease/(Increase) in income tax receivable	2,510	(2,510)
(Decrease)/increase in settlements payable	(672)	693
Increase in trade and other payables	39	134
Increase in income tax payable	2,799	-
Decrease in deferred tax asset	369	6,844
(Decrease)/increase in deferred tax liability	(1,837)	9,224
Net cash from/(used in) operating activities	<u>32,283</u>	<u>(71,109)</u>

**Note 14. Statement of Net Tangible Asset Backing (NTA)**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciling Net Tangible Asset Backing (post-tax) in accordance with Australian Accounting Standards to that reported to the ASX</b>		
Post-tax Net Tangible Asset Backing per statement of financial position	419,676	384,978
Realisation costs and accruals*	(909)	(881)
Deferred income tax asset on realisation costs	272	264
<b>Post-tax Net Tangible Asset Backing as reported to the ASX</b>	<u>419,039</u>	<u>384,361</u>

Post-tax Net Tangible Asset Backing at 30 June 2018 was \$1.1640 per share (2017: \$1.0705).

\* The difference between the ASX and financial accounts reporting is mainly caused by the ASX requirement that realisation costs need to be deducted for ASX reporting of NTA.

**Note 15. Investment Portfolio**

All investments below are ordinary shares, unless stated otherwise.

	<b>Quantity</b>	<b>2018</b>
		<b>\$'000</b>
<b>China</b>		
China Merchants Bank - Participatory Notes	1,818,994	9,815
Inner Mongolia Yili - Participatory Notes	397,400	2,263
Jiangsu Yanghe Brewery - Participatory Notes	369,170	9,912
Kingenta Ecological - Participatory Notes	2,028,890	2,849
Midea - Participatory Notes	595,299	6,347
Ping An Insurance - A share - Participatory Notes	38,282	457
		<u>31,643</u>

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**Note 15. Investment Portfolio (continued)**

	<b>Quantity</b>	<b>2018 \$'000</b>
<b>China</b>		
3SBio	1,386,869	4,256
58.com - American Depository Receipt	41,534	3,892
Alibaba - American Depository Receipt	52,110	13,064
Anta Sports Products	871,914	6,239
Baidu - American Depository Receipt	18,520	6,081
Beijing Enterprise	1,094,791	7,203
Bitauto - American Depository Receipt	147,062	4,726
CGN Power	2,914,681	1,019
China BlueChemical	6,231,662	3,102
China Everbright International	3,356,380	5,862
China International Capital	2,303,394	5,546
China Oilfield Services	8,101,085	10,339
China Overseas Land & Investment	2,712,458	12,076
China Shenhua Energy	644,778	2,068
CNOOC	4,502,517	10,500
Dongfang Electric - H share	218,371	194
Guangzhou Baiyunshan	198,862	1,185
Hilong	9,060,988	1,904
Huatai Securities	768,682	1,652
JD.com - American Depository Receipt	71,587	3,768
Jiangsu Yanghe Brewery	10	-
Longfor	1,203,301	4,383
Microport Scientific	3,181,192	5,194
MMG	9,728,970	9,199
Ping An Insurance - H Share	1,217,369	15,138
Sina	80,920	9,260
Tencent	61,870	4,196
United Laboratories	2,169,565	3,053
Yanzhou Coal Mining	3,906,708	6,903
YY - American Depository Receipt	39,186	5,320
ZTO Express - American Depository Receipt	165,606	4,476
		171,798
<b>Hong Kong</b>		
AIA	746,130	8,815
ENN Energy	369,969	4,916
Melco International Development	1,184,380	4,926
Melco Resorts & Entertainment - American Depository Receipt	177,928	6,732
Pacific Basin Shipping	4,379,826	1,622
		27,011
<b>India</b>		
Axis Bank	1,357,625	13,686
Bharti Airtel	932,419	7,028
Care Ratings	79,600	1,970
CRISIL	32,000	1,136
Gujarat Pipavav Port	472,615	984
Gujarat State Petronet	974,423	3,461

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**Note 15. Investment Portfolio (continued)**

	<b>Quantity</b>	<b>2018 \$'000</b>
<b>India (continued)</b>		
ICRA	15,100	981
IDFC Bank	2,122,956	1,628
IDFC	1,536,000	1,400
IRB Infrastructure Developers	599,008	2,493
IRB InvIT	1,550,000	2,421
Nifty Singapore - Future July 2018	(481)	87
Oil & Natural Gas	1,469,290	4,593
Yes Bank	1,857,630	12,452
		<b>54,320</b>
<b>Indonesia</b>		
PT Vale	6,871,864	2,618
		<b>2,618</b>
<b>South Korea</b>		
KB Financial	52,403	3,354
LG Chem	5,901	2,386
LG	79,896	6,983
Naver	10,900	10,082
Samsung Electronics	273,960	14,958
Shinhan Financial	79,430	4,169
S-Oil	33,350	4,427
		<b>46,359</b>
<b>Malaysia</b>		
Genting Bhd	795,742	2,239
		<b>2,239</b>
<b>Philippines</b>		
Ayala	56,674	1,320
Ayala Land	7,153,699	6,864
		<b>8,184</b>
<b>Singapore</b>		
Jardine Matheson	35,236	3,004
		<b>3,004</b>
<b>Taiwan</b>		
Taiwan Semiconductor	605,449	5,812
		<b>5,812</b>
<b>Thailand</b>		
Kasikornbank - Foreign	1,481,850	12,122
Land and Houses - Foreign	10,290,500	4,756
Land and Houses - Non-voting Depository Receipt	1	-
Major Cineplex - Foreign	1,766,783	1,778
Major Cineplex - Non-voting Depository Receipt	154,092	155
		<b>18,811</b>

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**Note 15. Investment Portfolio (continued)**

	<b>Quantity</b>	<b>2018 \$'000</b>
<b>Vietnam</b>		
Vietnam Enterprise Investments	143,170	1,072
		1,072
<b>Total equities and derivatives (Note 4 and Note 5)*</b>		<b>372,871</b>

\*From Note 4 (financial assets), the total of equity securities was \$372,784,000 and the total of derivatives was \$87,000. This results in a total of \$372,871,000.

Add:

Proceeds on sale of financial assets (Note 6)	54
Payables on purchase of financial assets (Note 7)	(32)
Dividends receivable (Note 6)	2,064
Cash on deposit held within the portfolio (Note 13)	57,011
<b>Total investment Portfolio</b> (reconciles to Note 16 foreign exchange risk on page 36)	<b>431,968</b>

During the year, the number of transactions was 1,914 and the total brokerage paid was \$1,905,000 (\$779,000 on purchases and \$1,126,000 on sales).

**Note 16. Financial risk management**

**Financial risk management objectives**

The Company's primary risks are related to the investment activities undertaken on its behalf by Platinum Investment Management Limited. The risks that the Company is exposed to include: market risk (including currency and price risk), credit risk and liquidity risk.

The Investment Manager, Platinum Investment Management Limited's investment style:

- (i) adopts a bottom-up stock selection methodology, through which long-term capital growth is sought by investing in undervalued securities across the Asian Region ex Japan;
- (ii) seeks absolute returns and not returns relative to any index;
- (iii) invests excess funds in cash when undervalued stocks cannot be found; and
- (iv) actively manages currency.

The Company may use financial derivative instruments (both Over-the-Counter (OTC) derivatives and exchange traded derivatives) for risk management purposes and to take opportunities to increase returns, including, for example:

- to gain access to markets not readily available to foreign investors;
- to create a short position in a company;
- to build a position in a company as a short-term strategy to be reversed when physical positions are purchased; and
- to aid in the management of the Company's cash flows (e.g. some stock markets require pre-funding of stock purchases that may be avoided through the use of derivatives).

The underlying value of derivatives held by the Company may not exceed 100% of the Net Asset Value (NAV). If the Company has a 100% NAV exposure to derivative positions, it is theoretically possible that the Company would lose its entire NAV from losses on its derivative positions. The underlying value of long stocks and derivative contracts may not exceed 150% of the NAV. Where options are employed, the underlying value will be the delta-adjusted exposure. It should be noted that while the Company may be leveraged up to 150% of its NAV, shareholders would not have an exposure in excess of 100% of their investments in the securities. Furthermore, in practice, the Company's net effective exposure excluding cash will rarely exceed 100% of its NAV. Compliance with these limits are reviewed by the Board and the Audit, Risk and Compliance Committee on a regular basis. The Company's net exposure at 30 June 2018 was 83.1% (30 June 2017: 91.4%).

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
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**Note 16. Financial risk management (continued)**

The table below summarises the Company's physical exposure at fair value and derivative effective exposure:

	Physical	Long Derivatives Contracts	Short Derivatives Contracts	Net Exposure
	\$'000	\$'000	\$'000	\$'000
<b>2018</b>				
China	31,643	-	-	31,643
China ex PRC <sup>^</sup>	171,798	-	-	171,798
Hong Kong	27,011	-	-	27,011
Taiwan	5,812	-	-	5,812
Greater China sub-total	<b>236,264</b>	-	-	<b>236,264</b>
India	54,233	-	(13,899)	40,334
Indonesia	2,618	-	-	2,618
Thailand	18,811	-	-	18,811
South Korea	46,359	-	-	46,359
Malaysia	2,239	-	-	2,239
Philippines	8,184	-	-	8,184
Singapore	3,004	-	-	3,004
Vietnam	1,072	-	-	1,072
	<b>372,784</b>	-	<b>(13,899)</b>	<b>358,885</b>
<b>2017</b>				
China	32,451	626	-	33,077
China ex PRC <sup>^</sup>	145,633	-	-	145,633
Hong Kong	7,280	-	-	7,280
Taiwan	16,325	-	-	16,325
Greater China sub-total	201,689	626	-	202,315
India	51,683	-	-	51,683
Indonesia	1,955	-	-	1,955
Thailand	22,593	-	-	22,593
South Korea	42,603	-	-	42,603
Malaysia	3,378	-	-	3,378
Philippines	22,268	-	-	22,268
Singapore	5,748	-	-	5,748
Vietnam	-	7,003	-	7,003
	<b>351,917</b>	<b>7,629</b>	-	<b>359,546</b>

<sup>^</sup>China ex PRC refers to Chinese investments listed outside mainland China.

The "Physical" column represents the location of the Company's investments. The Investments shown in the "Physical" column (totalling \$372,784,000) reconciles to the fair value of equity securities disclosed in Note 4.

The "Long/Short Derivative Contracts" columns include the effective exposure of long/short equity swaps and futures. The "Net Exposure" column represents an approximation of the investment portfolio's exposure to movements in markets. This is calculated by making an adjustment to the "Physical" position, by adding any long (bought) derivative positions in shares or share index futures and subtracting the amount of any short (sold) positions.

For example, if 5% of the Portfolio was invested in India, but there was a 2% short position in Indian futures, then the net exposure column would show 3%. Conceivably, the figure could show a negative exposure, which would indicate that the Portfolio was net short the Indian market. Except for equity swaps and futures, the maximum capital risk resulting from financial instruments is determined by the fair value of financial instruments. Potential losses from short equity swaps and futures are limited to available capital.

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 16. Financial risk management (continued)**

**Market risk**

*Foreign exchange risk*

Foreign exchange risk is the risk the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates in the Asian Region ex Japan and is exposed to foreign exchange risk arising from buying, selling and holding investments denominated in foreign currency. Platinum Investment Management Limited selects stocks based on value regardless of geographic location. The Company undertakes a significant number of its transactions denominated in foreign currencies and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Currency management is an integral part of the management of currency risk. Platinum Investment Management Limited may position the Company's Portfolio in what it believes will be a stronger currency(ies).

The Company's main exposure was the Hong Kong Dollar at 43.3% (30 June 2017: 26.7%), with an additional 20% (30 June 2017: 29.8%), in US Dollars, 10.7% (30 June 2017: 10.8%), in Korean Won, 9.3% (30 June 2017: 13.2%), in Indian Rupees and 7.3% (30 June 2017: 8.0%), in the Chinese Yuan.

Platinum Investment Management Limited may use foreign currency forward contracts, and futures and option contracts on foreign currency contracts to position the Portfolio in the desired currencies. At 30 June 2018, there were no open foreign currency forward contracts, which means currency exposure was predominantly generated by the long positions.

Where there have been major currency movements or where currencies are perceived to be over or undervalued, Platinum Investment Management Limited may look for investments whose operating environment has been distorted by the lower currency as part of the search for undervalued stocks. There may be even opportunities to invest in stocks impacted by a lower currency (for example, export-oriented stocks).

The tables below and on the following page summarise the Company's investment exposure at fair value to foreign exchange risk. The total "Physical" and "Net Exposure" reconciles to the total investment portfolio in Note 15.

<b>2018</b>	<b>Physical</b>	<b>Bought</b>	<b>Sold</b>	<b>Net</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>Exposure</b>
				<b>\$'000</b>
Chinese Yuan	31,643	-	-	31,643
Hong Kong Dollar	187,056	-	-	187,056
Taiwan Dollar	6,027	-	-	6,027
United States Dollar	72,330	-	-	72,330
Indian Rupee	54,320	-	-	54,320
Indonesian Rupiah	2,618	-	-	2,618
Thai Baht	19,226	-	-	19,226
Korean Won	46,359	-	-	46,359
Malaysian Ringgit	2,255	-	-	2,255
Philippines Peso	8,184	-	-	8,184
Vietnam Dong	1,072	-	-	1,072
Australian Dollar	878	-	-	878
	<b>431,968</b>	<b>-</b>	<b>-</b>	<b>431,968</b>

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
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**Note 16. Financial risk management (continued)**

<b>2017</b>	<b>Physical \$'000</b>	<b>Bought \$'000</b>	<b>Sold \$'000</b>	<b>Exposure \$'000</b>
Chinese Yuan	30,949	-	(28,724)	2,225
Hong Kong Dollar	104,943	-	-	104,943
Taiwan Dollar	16,552	-	-	16,552
United States Dollar	96,108	28,618	-	124,726
Indian Rupee	51,879	-	-	51,879
Indonesian Rupiah	1,955	-	-	1,955
Thai Baht	22,595	-	-	22,595
Korean Won	42,603	-	-	42,603
Malaysian Ringgit	3,378	-	-	3,378
Philippines Peso	22,335	-	-	22,335
Vietnam Dong	155	-	-	155
Australian Dollar	(2)	106	-	104
	<u>393,450</u>	<u>28,724</u>	<u>(28,724)</u>	<u>393,450</u>

*Foreign exchange risk sensitivity analysis*

The table below summarises the sensitivities of the Company's profit to foreign exchange risk. The analysis is based on the assumption that the Australian Dollar strengthened by 10% against the United States Dollar and Hong Kong Dollar (shown in the +10% column) and weakened by 10% against the United States Dollar and Hong Kong Dollar (shown in the -10% column). These two currencies are the two most material foreign currencies to which the Company was exposed at 30 June 2018.

A sensitivity of 10% has been selected as this is considered reasonably possible given current exchange rates and the volatility observed both on a historic basis and after factoring in possible future movements. The sensitivity has been undertaken on a combined basis for both monetary assets and liabilities and financial assets and liabilities measured at fair value through profit or loss, as the Company believes this accurately portrays the Company's exposure to foreign exchange risk.

<b>2018</b>	<b>% change</b>	<b>AUD strengthened Effect on profit before tax \$'000</b>	<b>% change</b>	<b>AUD weakened Effect on profit before tax \$'000</b>
Hong Kong Dollar	10%	(17,011)	(10%)	20,791
United States Dollar	10%	(6,575)	(10%)	8,036
Other currencies	10%	(13,061)	(10%)	15,964
		<u>(36,647)</u>		<u>44,791</u>
<b>2017</b>	<b>% change</b>	<b>AUD strengthened Effect on profit before tax \$'000</b>	<b>% change</b>	<b>AUD weakened Effect on profit before tax \$'000</b>
Hong Kong Dollar	10%	(9,540)	(10%)	11,660
United States Dollar	10%	(11,339)	(10%)	13,859
Other currencies	10%	(12,467)	(10%)	15,237
		<u>(33,346)</u>		<u>40,756</u>

The weakening of the AUD will increase the operating profit. A strengthening of the AUD will decrease the operating profit.

The sensitivity analysis shows that the Company is affected by exchange rate movements (other things being equal).

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 16. Financial risk management (continued)**

*Interest Rate Risk*

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

The majority of the Company's financial assets and liabilities are non-interest bearing as the Company has a policy of not borrowing, other than for settlement of trades.

However, other cash holdings are directly affected by interest rate movements, but at balance date, interest rates on these cash accounts are very low (and range from 0.15% to 0.35%) (2017: 0% to 1.4%). Therefore, there is minimal direct exposure to interest rate risk on these cash holdings.

Interest rate risk indirectly affects the Company as interest rate movements may affect forward points used in determining gains or losses on foreign currency forward contracts, however at 30 June 2018, there were no foreign currency forward contracts.

At 30 June 2018, if interest rates had changed by +/- 100 basis points with all other variables held constant, the direct impact on interest income would not be significant for the Company.

*Price risk*

Market prices fluctuate due to a range of factors specific to the individual investments, or factors affecting the market in general. Platinum Investment Management Limited's stock selection process is core to the management of price risk. Platinum adopts a thematic stock selection approach and is referred to as being an "active manager". Platinum Investment Management Limited seeks a broad range of Asian ex Japan investments whose businesses and growth prospects, it believes, are being undervalued by the market. Accordingly, holdings in the Company may vary considerably from the make-up of the MSCI Asia ex Japan index on the basis that the Investment Manager remains Index agnostic.

As an additional risk management tool, the Company may enter into short equity swaps and futures to protect against market movements.

*Price risk sensitivity analysis*

Price risk exposure arises from the Company's investment portfolio, which comprises investments in securities and derivatives. At 30 June 2018, the markets that the Company had the biggest investment exposure to are the Chinese and Indian markets. The effect on profit due to a possible change in market prices, as represented by a +/-10% movement in these markets with all other variables held constant, is illustrated in the table below:

<b>2018</b>	<b>Increase % change</b>	<b>Effect on profit before tax \$'000</b>	<b>Decrease % change</b>	<b>Effect on profit before tax \$'000</b>
Greater China	10%	20,344	(10%)	(20,344)
India	10%	6,118	(10%)	(6,118)
All other markets	10%	11,511	(10%)	(11,511)
		<u>37,973</u>		<u>(37,973)</u>
<b>2017</b>	<b>Increase % change</b>	<b>Effect on profit before tax \$'000</b>	<b>Decrease % change</b>	<b>Effect on profit before tax \$'000</b>
Greater China	10%	17,871	(10%)	(17,871)
India	10%	5,168	(10%)	(5,168)
All other markets	10%	12,916	(10%)	(12,916)
		<u>35,955</u>		<u>(35,955)</u>

An increase in the above indices may increase the operating profit. A decrease in the above indices may reduce the operating profit.

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 16. Financial risk management (continued)**

A sensitivity of 10% has been selected, as this is considered reasonably possible. The markets specified are a reference point only. Actual movements in stocks held in the portfolio may vary significantly to movements in the respective markets.

**Credit risk**

Credit risk relates to the risk of a counterparty defaulting on a financial obligation resulting in a loss to the Company. (typically "non-equity" financial instruments or cash holdings).

The exposure to credit risk for cash and cash equivalents, futures, equity swaps, and foreign currency forward contracts is any unrealised profit, margins and collateral paid on the positions (the money the Company would lose if the counterparty defaulted) at reporting date. The table below shows the Company's counterparty credit risk exposure by credit rating:

<b>Ratings</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
A	56,337	17,873
A-	16,273	33,414
AA-	-	19,610
BBB+	16,134	485
Total	<u>88,744</u>	<u>71,382</u>

Platinum Investment Management Limited regularly monitors the Company's credit risk exposure to counterparties and seeks to manage the risk by spreading exposure over a number of counterparties by signing standard ISDA (International Swaps and Derivatives Association) master agreements and net settlement contracts, employing two-way symmetrical margining of unrealised profits and losses and by controlling the duration of contracts to be short-term. Transactions in listed securities and investments are entered into with approved brokers. Payment is only made once a broker has received securities and delivery of securities sold only occurs once the broker receives payment.

**Liquidity risk**

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities. This includes the risk that the Company:

- (i) will not have sufficient funds to settle a transaction on the due date; and
- (ii) will be forced to sell financial assets at a value which is less than they are worth.

*Remaining contractual maturities*

The table below details the Company's remaining contractual maturity for its financial and non-financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial and non-financial liabilities based on the earliest date on which the financial and non-financial liabilities were required to be paid.

<b>2018</b>	<b>Within 3 months</b>	<b>Between 3 and 12 months</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-financial</b>			
Payables (Note 7)	952	30	982
Total non-financial	<u>952</u>	<u>30</u>	<u>982</u>
<b>Financial</b>			
Derivative contractual outflows <sup>^</sup>	-	-	-
Foreign currency forward contractual outflows	-	-	-
Total financial	<u>-</u>	<u>-</u>	<u>-</u>

<sup>^</sup> Derivatives were \$32 at 30 June 2018 and rounded down to nil.

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 16. Financial risk management (continued)**

2017	Within 3 months	Between 3 and 12 months	Total
	\$'000	\$'000	\$'000
<b>Non-financial</b>			
Payables (Note 7)	1,218	57	1,275
Total non-financial	<u>1,218</u>	<u>57</u>	<u>1,275</u>
<b>Financial</b>			
Derivative contractual outflows (Note 5)	4	-	4
Foreign currency forward contractual outflows (Note 5)	585	-	585
Total financial	<u>589</u>	<u>-</u>	<u>589</u>

The Company has sufficient funds to meet these liabilities as the value of net assets realisable in one year or less, excluding brokerage costs, is \$420,658,000 (2017: \$386,253,000). Assets that are realisable in one year or less include equities, derivatives, cash and cash equivalents.

Except for equity swaps and futures, the maximum capital risk resulting from financial instruments is determined by the fair value of financial instruments. Potential losses from short equity swaps and futures are limited to available capital. The risk management guidelines adopted are designed to minimise liquidity risk through:

- (i) ensuring that there is no significant exposure to illiquid or thinly traded financial instruments; and
- (ii) applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

Platinum Investment Management Limited prepares daily cash forecasts for the Company and maintains sufficient cash to meet normal operating requirements. The Company has a policy of not borrowing money, other than on a short-term basis for settlement, trading and like purposes.

***Fair value of financial instruments***

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

***Capital risk management***

The Company considers its capital to comprise ordinary share capital, reserves and over-time, accumulated retained profits.

The Company's objective is to seek long-term capital growth by investing in undervalued securities across the Asian Region ex Japan, so to continue to provide returns to shareholders.

The Board regularly and actively reviews the most efficient manner by which the Company manages its capital, in response to changing market conditions and risks, with the sole aim of enhancing shareholder value, through:

- the management of the level of dividends to shareholders;
- the issue of shares by methods such as rights offers, share purchase plans or placements; or
- the use of share buy-backs.

The Company is an ASX-listed investment company and is subject to various ASX Listing Rules requirements. The Company complies with all externally-imposed capital requirements.

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 17. Fair value measurement**

*Fair value hierarchy*

AASB 13: *Fair Value Measurement* requires the Company to classify those assets and liabilities measured at fair value using the following fair value hierarchy model:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

- (i) Equity securities, long equity swaps and long futures;
- (ii) Short equity swaps and short futures; and
- (iii) Foreign currency forward contracts.

The following table details the Company's assets and liabilities, measured or disclosed at fair value, using the three level hierarchy model.

<b>2018</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>			
Equity securities	341,140	31,644	372,784
Derivatives	87	-	87
<b>Total assets</b>	<b>341,227</b>	<b>31,644</b>	<b>372,871</b>
<b>Liabilities</b>			
Derivatives <sup>^</sup>	-	-	-
Foreign currency forward contracts	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>2017</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>			
Equity securities	320,964	30,953	351,917
Derivatives	-	155	155
Foreign currency forward contracts	-	478	478
<b>Total assets</b>	<b>320,964</b>	<b>31,586</b>	<b>352,550</b>
<b>Liabilities</b>			
Derivatives	-	4	4
Foreign currency forward contracts	-	585	585
<b>Total liabilities</b>	<b>-</b>	<b>589</b>	<b>589</b>

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. There were no transfers between levels 1 and 2 for any assets or liabilities measured at fair value for the year.

<sup>^</sup> Derivatives were \$32 at 30 June 2018 and rounded down to nil. These are Level 2 investments.

There were no Level 3 investments for FY 2018 or FY 2017.

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 17. Fair value measurement (continued)**

*Rationale for classification of assets and liabilities as level 1*

At 30 June 2018, 91.50% of the equity securities held by the Company were valued using unadjusted quoted prices in active markets and were classified as Level 1 in the fair-value hierarchy model.

*Rationale for classification of assets and liabilities as level 2*

There were certain financial instruments that were classified as level 2, because a degree of adjustment has been made to the quoted price i.e., whilst all significant inputs required for fair value measurement are observable and quoted in an active market, there was a degree of estimation involved in deriving the fair value. Participatory Notes were classified as level 2 because they were generally traded Over-the Counter (OTC) and were often priced in a different currency to the underlying security.

**Note 18. Investment Manager Fees**

The Investment Manager receives a monthly management fee for investment services provided in accordance with the Investment Management Agreement. This Agreement provides for a management fee payable monthly and calculated at 1.1% (2017: 1.1%) per annum of the adjusted portfolio value (which includes cash and deposits).

In the event of termination, the Investment Manager will be paid a 1.1% lump sum termination fee.

A performance fee is payable at 15%, at 30 June, of the amount by which the portfolio's annual performance exceeds the return achieved by the index (index is the Morgan Stanley All Country Asia ex Japan Net Index in A\$). Where the portfolio's annual performance is less than the index, the amount of the underperformance is aggregated, carried forward and deducted from the annual performance in the subsequent year before calculating any performance fee for that year. The aggregate of underperformance is carried forward until a performance fee becomes payable.

At 30 June 2018, pre-tax performance of the portfolio was 18.40%<sup>1</sup> and the corresponding index was 14.10%. This represents an out-performance of 4.30% against the index and once the prior period underperformance of 6.96% is also included, a performance fee has not been accrued. The total aggregate underperformance of 2.66% will need to be made up before a performance fee will be paid.

Management fees paid and payable for the year ending 30 June 2018 and 30 June 2017 are shown below:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Management fee paid	4,485,357	3,042,771
Management fee payable	396,471	361,203
	<u>4,881,828</u>	<u>3,403,974</u>

A summary of the salient provisions of the Investment Management Agreement ("Agreement") are contained below:

(a) The terms of the Agreement require Platinum Investment Management Limited to:

- (i) invest and manage the Portfolio in accordance with the Agreement;
- (ii) keep the portfolio under review and confer with the Board of the Company at regular intervals in respect of the investment and management of the Portfolio;
- (iii) exercise all due diligence and vigilance in carrying out its functions, powers and duties under the Agreement; and
- (iv) promptly notify the Board of any instructions given to it by the Company which have not been complied with.

<sup>1</sup> This figure represents the 12 month return of the "Portfolio Value" (as defined in the Investment Management Agreement), which is defined as the aggregate value of each asset or investment of the Company's portfolio. This differs from the Company's 12 month pre-tax NTA return of 18.6% referred to in the Directors' Report, which also includes non-portfolio and non-investment related assets and liabilities.

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
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**Note 18. Investment Manager Fees (continued)**

(b) The initial term of the Agreement is 10 years. However, the Company may immediately terminate the Agreement where Platinum Investment Management Limited:

- (i) becomes subject to a receiver, receiver and manager, administrative receiver or similar person;
- (ii) goes into liquidation;
- (iii) ceases to carry on business in relation to its activities as an Investment Manager;
- (iv) breaches any material provision of the Agreement, or fails to observe or perform any representation, warranty or undertaking given by Platinum Investment Management Limited under the Agreement;
- (v) sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking given by Platinum Investment Management Limited or its beneficial interest therein, other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by the Company; or
- (vi) ceases to be licensed under the relevant law or its licence is suspended by ASIC or it is unable to carry out its duties under this Agreement because it has ceased to hold necessary legal authorisations to operate as an Investment Manager.

**Note 19. Key management personnel disclosures**

Details of remuneration paid to the Non-Executive Directors are outlined in the statement of profit or loss and other comprehensive income and in aggregate terms was \$186,150 (2017: \$186,150), with \$170,000 (2017: \$170,000) paid as cash salary and \$16,150 (2017: \$16,150) paid as superannuation. Refer to the Remuneration Report for further details.

*Interests of Directors in securities*

The relevant interest in ordinary shares of the Company that each Director held at balance date was:

	Opening balance	Acquisitions	Disposals	Closing balance
Margaret Towers	-	50,000	-	50,000
Ian Hunter	200,001	-	-	200,001
Malcolm Halstead	1	-	-	1

Bruce Coleman held 375,001 shares at the start of the year and up until the date of his departure on 31 March 2018.

**Note 20. Remuneration of auditors**

During the year, the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company:

	2018 \$	2017 \$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit and review of the financial statements	75,226	73,000
<i>Other services - PricewaterhouseCoopers</i>		
Taxation services	26,084	41,030
	<u>101,310</u>	<u>114,030</u>

**Note 21. Contingent assets, liabilities and commitments to capital expenditure**

No contingent assets or liabilities exist at 30 June 2018 or 30 June 2017. The Company has no commitments for uncalled share capital on investments.

**Platinum Asia Investments Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 22. Related party transactions**

*Management Fees*

Disclosures relating to management fees paid and payable to the related party, Platinum Investment Management Limited are set out in Note 18.

*Administration fees*

Under the Administrative Agreement, Platinum Investment Management Limited provides various administrative services to the Company. These include accountancy, secretarial, performance analytics, taxation, compliance and risk monitoring services. The services provided extend to liaison with the share registry to ensure that accurate share records are maintained and services are provided to shareholders in a timely and efficient manner. In consideration for providing these services, Platinum Investment Management Limited received a payment of \$1 from the Company.

*Investment*

At 30 June 2018, Platinum Investment Management Limited (PIML) held 30 million shares (2017: 50 million shares) in the Company.

During the year, PIML sold 20 million of its shares in the Company and this generated for PIML, sale proceeds (after brokerage) of \$24.1 million. At 30 June 2018, PIML held 30 million ordinary shares in the Company, which represents an interest of 8.33% of the Company's ordinary shares. At 30 June 2018, the shares were valued at \$1.26 per share (30 June 2017: \$1.015 per share). During the year, PIML received a final 2017 fully-franked dividend of \$500,000 and a interim 2018 fully-franked dividend of \$1,200,000.

*Key management personnel*

Disclosures relating to key management personnel are set out in Note 20 and the Remuneration Report in the Directors' Report.

*Loans to/from related parties*

There were no loans to or from related parties at reporting date.

**Note 23. Events after the reporting period**

Apart from the dividend declared in Note 10, no significant matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**Note 24. The Company**

Platinum Asia Investments Limited is a company limited by shares, incorporated and domiciled in New South Wales. Its current registered office and principal place of business is:

Level 8, 7 Macquarie Place  
Sydney NSW 2000

A description of the nature of the Company's operations and its principal activities is included in the Directors' Report.

**Platinum Asia Investments Limited**  
**Directors' Declaration**  
**30 June 2018**

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

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Margaret Towers  
Chairperson

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Ian Hunter  
Director

17 August 2018  
Sydney



## *Independent auditor's report*

To the members of Platinum Asia Investments Limited

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of Platinum Asia Investments Limited (the 'Company') is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### ***What we have audited***

The financial report comprises:

- the statement of financial position as at 30 June 2018
- the statement of profit or loss and other comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

#### ***Independence***

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the 'Code') that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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### *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Company, its accounting processes and controls and the industry in which it operates.

Platinum Asia Investments Limited is a listed investment company on the ASX. The Company primarily makes investments in Asian equities excluding in Japan.

<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"><li>• For the purpose of our audit we used overall materiality of \$2,098,000, which represents approximately 0.5% of the Company's net assets.</li><li>• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li><li>• We chose net assets because, in our view, it is the most significant area of interest to the investors in the Company and is a generally accepted benchmark for listed investment companies.</li><li>• We utilised a 0.5% threshold based on our professional judgement, noting it is within the range of commonly accepted thresholds.</li></ul>	<ul style="list-style-type: none"><li>• Our audit focused on where the Company made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li><li>• Our audit approach reflects the nature of the investments held by the Company and the consideration of the work undertaken by third party service providers. The key service providers manage the Company's investments, maintain the accounting records of the Company and provide custodian services.</li></ul>	<ul style="list-style-type: none"><li>• Amongst other relevant topics, we communicated the following key audit matters to the Audit, Risk &amp; Compliance Committee:<ul style="list-style-type: none"><li>– Investment valuation and existence.</li></ul></li><li>• This is further described in the <i>Key audit matters</i> section of our report.</li></ul>

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## *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b><i>Investment valuation and existence</i></b> <i>Refer to Note 1 (Summary of significant accounting policies) and Note 4 (Financial assets at fair value through profit or loss)</i></p> <p>At 30 June 2018, investments in financial assets of \$372,871,000 were comprised primarily of investments in equity securities, futures contracts and participatory notes.</p> <p>The existence and valuation of financial assets was a key audit matter because financial assets represent the principal element of the Statement of financial position in the financial statements, accounting for 89% of net assets. A discrepancy in the valuation or existence of investments could cause the net assets attributable to unitholders to be materially misstated which could also impact the Company's performance as the valuation of financial assets are the main driver of movements in the profit of the Company.</p>	<p>Our audit procedures on investment valuation included, amongst others:</p> <ul style="list-style-type: none"><li>• For a sample of participatory notes held by the Company, we obtained price data from a third party price vendor for the underlying equity security of the participatory note in local currency. We translated the price into Australian dollars and compared it to the participatory note price used to value the investments by the Company.</li><li>• For a sample of all other investments held by the Company, we obtained price data from third party price vendors and compared it to the prices used by the Company.</li></ul> <p>Our audit procedures over investment existence included, amongst others:</p> <ul style="list-style-type: none"><li>• We obtained the System and Organization Controls ("SOC 1") Report issued within 3 months of the Company's year end and evaluated the controls mentioned in the report over investment existence at the custodian including consideration of exceptions identified in the SOC 1 Report. This report and assurance opinion is comparable to the Australian equivalent, ASAE 3402 issued by the Auditing and Assurance Standards Board.</li><li>• We obtained confirmations from the custodian of the investment holdings as at 30 June 2018 and sample tested the largest reconciling items by obtaining supporting evidence for the differences.</li><li>• We assessed the adequacy of the disclosures in Note 1, Note 4 and Note 17 to the financial report in light of the requirements of Australian Accounting Standards.</li></ul>

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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Corporate directory, Shareholder information, Investment Structure, Objectives and Methodology and Directors' Report. We expect the remaining other information to be made available to us after the date of this auditor's report, including Chairman's Report and market research article(s).

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

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

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

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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### *Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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



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### *Auditor's responsibilities for the audit of the financial report*

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

### *Report on the remuneration report*

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#### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 11 to 13 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Platinum Asia Investments Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

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#### *Responsibilities*

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

PricewaterhouseCoopers

Simon Cuthbert  
Partner

Sydney  
17 August 2018