

Platinum Asia Investments Limited

ABN 13 606 647 358

Interim Financial Report - 31 December 2016

**Platinum Asia Investments Limited
Corporate Directory**

| | |
|------------------------------|---|
| Directors | Bruce Coleman Ian Hunter Malcolm Halstead |
| Company secretary | Joanne Jefferies |
| Investment manager | Platinum Investment Management Limited (trading as Platinum Asset Management ®) |
| 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 and the ASX codes are: Shares: PAI Options: PAIO |
| Website | www.platinum.com.au/our-funds/platinum-asia-investments-limited/ |

Platinum Investment Management Limited neither guarantees the repayment of capital nor the investment performance of the Company.

Platinum Asia Investments Limited
Investment Structure, Objective and Methodology
31 December 2016

Investment Structure

Platinum Asia Investment Limited (the “Company”) is a listed investment company or “LIC”. It is listed on the Australian Securities Exchange (“ASX”) and shares in the Company can be bought or sold in the same way as shares in CBA or BHP. As a LIC, the Company:

- is closed to daily inflows and redemptions meaning the underlying portfolio can be managed without concern for the possibility of these unplanned investor cash movements;
- is taxed at source and distributes available profits to shareholders in the form of dividends, usually fully-franked; and
- has established a dividend profit reserve, which will ensure that any undistributed profits will not be netted against losses and will remain available for payment of future franked dividends.

Shares in the Company can trade at a premium or discount to its Net Tangible Asset Backing per share (“NTA”) which is calculated and announced to the ASX weekly and monthly.

The Company delegates the investment and administration functions to Platinum Investment Management Limited (trading as Platinum Asset Management) (the “Manager”) which employs a team of investment professionals and administration personnel.

Investment Objective

The key investment objective of the Company is to provide capital growth over a long-term through investing primarily in undervalued listed securities of companies in the Asian Region ex Japan across all industry sectors. The Company aims to achieve net returns over a five year plus investment horizon that are in excess of the MSCI All Country Asia ex Japan Net Index (\$A) return (“Benchmark”).

Investment Methodology

The Manager’s index agnostic investment process has been well tested over many years. The principles on which it is based have not varied since inception, although some refinements have evolved over time.

The Manager seeks a broad range of investments in the Asian Region ex Japan whose businesses and growth prospects, it believes, are being inappropriately valued by the market. After identifying key themes and preferred industries, with due consideration of the macro environment, the portfolio is then built up through individual stock selection. How the stock will fit and function within the portfolio is also carefully assessed.

By locating the research team in one location, the Manager 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. This process 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 open to the scrutiny of divergent thinking peers. This process serves to challenge and encourage analysts and to “test” investment decisions, as well as add accountability to the process. Implementation of investment decisions is also given detailed attention, as is the on-going review and monitoring of the portfolio.

For a more detailed description of Platinum Investment Management Limited's investment process, we encourage you to visit Platinum's website at the following link:

<https://www.platinum.com.au/About-Us/Investment-Process/>

Platinum Asia Investments Limited
Directors' Report
31 December 2016

The Directors present their report, together with the interim financial statements of Platinum Asia Investments Limited (the "Company") for the half-year ended 31 December 2016.

Directors

The following persons were Directors of the Company during the whole of the financial half-year and up to the date of this report:

Bruce Coleman – Chairman and Non-Executive Director
Ian Hunter – Independent, Non-Executive Director
Malcolm Halstead – Independent, Non-Executive Director

Company Secretary

Joanne Jefferies was appointed Company Secretary on 17 October 2016, replacing Mr Andrew Stannard who was the interim Company Secretary prior to Ms Jefferies appointment.

Principal Activities

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

Operating and Financial Review

For the half-year ended 31 December 2016, the operating profit for the Company after income tax expense was \$10,252,000 (31 December 2015: loss of \$2,948,000).

The operating profit for the Company before providing for income tax was \$15,433,000 (31 December 2015: loss of \$4,207,000). Income tax expense for the period was \$5,181,000 (31 December 2015: benefit of \$1,259,000).

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. For the 6 months to 31 December 2016, the Company's pre-tax NTA increased from \$0.93 per share to \$0.99 per share.

The improvement in operating profit, NTA and performance reflects a recovery in the key sectors that make up half of the Company's portfolio (Financials, Information Technology and Consumer Discretionary), whilst on a geographic basis, our investments in China, Korea and India contributed strongly.

For the 6 months ending 31 December 2016, the Company's net assets on a pre-tax basis, after fees and expenses, increased by 5.59%, compared to a gain of 6.11% for the benchmark Morgan Stanley Capital International All Country Asia ex Japan Net Index (MSCI) in \$A terms. The Company's 12 month pre-tax NTA return to 31 December 2016 was 2.28% compared to the MSCI 5.94%.

With respect to the future, the Investment Manager reports that: "There is a huge amount of activity happening in Asia, and our view is that the reform measures being pursued by policy-makers are generally encouraging. Notwithstanding short-term turbulences, companies in the region with sustainable, competitive positions are likely to prove worthwhile investments over the long run. Given that markets have adjusted, the starting valuation for some companies is looking quite attractive. We will continue to deploy PAI's capital when suitable opportunities arise."

Dividends

No dividend was declared or paid during the half-year or since balance date, up to the date of this report.

The Company's ability to pay fully-franked dividends is subject to the Company paying tax and building up its franking account balance. The profit after tax for the half-year ended 31 December 2016, which translates to 3.5 cents per share, was transferred to the dividend profit reserve in order to facilitate the payment of fully-franked dividends in the future.

The Company generated realised income of \$16,222,187 in the six months to 31 December 2016. The Company needs to generate a further \$5,366,281 of realised income before it will start paying tax and generate franking credits.

Platinum Asia Investments Limited
Directors' Report (continued)
31 December 2016

Exercise of Options

Shareholders who acquired shares in the Company under the Initial Public Offer received one option for every one share that was acquired. These options are exercisable at \$1.00 and shareholders have until 15 May 2017 to exercise these options. At 31 December 2016, 335,100 options had been exercised and 335,100 additional shares had been issued.

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 that 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 the following page.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Bruce Coleman
Chairman

Ian Hunter
Director

Sydney, 15 February 2017



Auditor's Independence Declaration

As lead auditor for the review of Platinum Asia Investments Limited for the half-year ended 31 December 2016, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
15 February 2017

Platinum Asia Investments Limited
Contents
31 December 2016

| | |
|---|----|
| Statement of profit or loss and other comprehensive income | 8 |
| Statement of financial position | 9 |
| Statement of changes in equity | 10 |
| Statement of cash flows | 11 |
| Notes to the financial statements | 12 |
| Directors' declaration | 21 |
| Independent auditor's review report to the members of Platinum Asia Investments Limited | 22 |

General information

The interim financial report is 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 interim report was authorised for issue, in accordance with a resolution of Directors, on 15 February 2017.

Platinum Asia Investments Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

| | Note | 31 Dec 16 \$'000 | Period from 24 June to 31 Dec 15 \$'000 |
|---|------|----------------------|--|
| Investment income | | | |
| Dividends | | 1,898 | 319 |
| Interest | | 145 | 234 |
| Net gains on equities/derivatives | | 14,460 | 1,737 |
| Net gains on foreign currency forward contracts | | 294 | 822 |
| Net foreign exchange gains/(losses) on overseas bank accounts | | 1,267 | (5,280) |
| Total investment income/(loss) | | <u>18,064</u> | <u>(2,168)</u> |
| Expenses | | | |
| Management fees | 12 | (1,600) | (922) |
| Custody | | (197) | (64) |
| Share registry | | (29) | (29) |
| Continuous reporting disclosure | | (72) | (86) |
| Directors' fees | 13 | (93) | (96) |
| Auditor's remuneration and other services | 14 | (85) | (78) |
| Brokerage and transaction costs | | (465) | (389) |
| Other expenses | | (90) | (142) |
| IPO non-capitalised fees and charges | | - | (233) |
| Total expenses | | <u>(2,631)</u> | <u>(2,039)</u> |
| Profit/(loss) before income tax (expense)/benefit | | 15,433 | (4,207) |
| Income tax (expense)/benefit | | <u>(5,181)</u> | <u>1,259</u> |
| Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Platinum Asia Investments Limited | | 10,252 | (2,948) |
| Other comprehensive income for the half-year, net of tax | | <u>-</u> | <u>-</u> |
| Total comprehensive Income/(loss) for the half-year attributable to the owners of Platinum Asia Investments Limited | | <u>10,252</u> | <u>(2,948)</u> |
| Basic earnings per share (cents per share) | 9 | 3.50 | (1.78) |
| Diluted earnings per share (cents per share) | 9 | 3.50 | (1.78) |

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 31 December 2016

| | Note | 31 Dec 16 \$'000 | 30 Jun 16 \$'000 |
|--|------|-----------------------|-----------------------|
| Assets | | | |
| Cash and cash equivalents | | 61,967 | 45,744 |
| Trade and other receivables | | 1,106 | 633 |
| Financial assets at fair value through profit or loss | 3 | 230,227 | 230,098 |
| Deferred tax asset | 2 | 561 | 5,593 |
| Total assets | | <u>293,861</u> | <u>282,068</u> |
| Liabilities | | | |
| Payables | | 1,393 | 448 |
| Financial liabilities at fair value through profit or loss | 4 | 2,225 | 1,657 |
| Total liabilities | | <u>3,618</u> | <u>2,105</u> |
| Net assets | | <u>290,243</u> | <u>279,963</u> |
| Equity | | | |
| Issued capital | 7 | 278,801 | 278,772 |
| Option reserve | 8(a) | 10,239 | 10,240 |
| Dividend profit reserve | 8(b) | 10,252 | - |
| Retained earnings | 6 | (9,049) | (9,049) |
| Total equity | | <u>290,243</u> | <u>279,963</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 half-year ended 31 December 2016

| | Note | Issued Capital \$'000 | Retained earnings \$'000 | Reserves \$'000 | Total equity \$'000 |
|---|---------|--------------------------------------|---|----------------------------|------------------------------------|
| Balance on date of incorporation (24 June 2015) | | - | - | - | - |
| Loss after income tax benefit for the period | | - | (2,948) | - | (2,948) |
| Other comprehensive income for the half-year, net of tax | | - | - | - | - |
| Total comprehensive (loss) for the period | | - | (2,948) | - | (2,948) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Proceeds from the issue of shares associated with the exercise of options | 7 | 282,869 | - | 10,250 | 293,119 |
| Transaction costs on the issue of shares and options in relation to the IPO, net of tax | 7 | (4,165) | - | - | (4,165) |
| Movement in share option reserve | 8(a) | - | - | (8) | (8) |
| Balance at 31 December 2015 | | 278,704 | (2,948) | 10,242 | 285,998 |
| | | Issued Capital \$'000 | Retained earnings \$'000 | Reserves \$'000 | Total equity \$'000 |
| Balance at 1 July 2016 | | 278,772 | (9,049) | 10,240 | 279,963 |
| Profit after income tax expense for the half-year | | - | 10,252 | - | 10,252 |
| Other comprehensive income for the half-year, net of tax | | - | - | - | - |
| Total comprehensive income for the half-year | | - | 10,252 | - | 10,252 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Proceeds from the issue of shares associated with the exercise of options | 7 | 29 | - | - | 29 |
| Transfer of profit after income tax for the half-year to the dividend profit reserve | 6, 8(b) | - | (10,252) | 10,252 | - |
| Movement in share option reserve | 8(a) | - | - | (1) | (1) |
| Balance at 31 December 2016 | | 278,801 | (9,049) | 20,491 | 290,243 |

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 half-year ended 31 December 2016

| | Note | 31 Dec 16 \$'000 | Period from 24 June to 31 Dec 15 \$'000 |
|---|------|---------------------|--|
| Cash flows from operating activities | | | |
| Payments for purchase of financial assets | | (126,780) | (164,629) |
| Proceeds from sale of financial assets | | 142,658 | 20,301 |
| Dividends received | | 2,329 | 319 |
| Interest received | | 148 | 233 |
| Management fees paid | | (1,586) | (662) |
| Other expenses paid | | (1,068) | (1,072) |
| Net cash from/(used in) operating activities | | 15,701 | (145,510) |
| Cash flows from financing activities | | | |
| Net proceeds from the issue of shares and options in relation to the IPO | | - | 286,794 |
| Proceeds from the issue of shares associated with the exercise of options | 5 | 28 | 242 |
| Net cash from financing activities | | 28 | 287,036 |
| Net increase in cash and cash equivalents | | 15,729 | 141,526 |
| Cash and cash equivalents at the beginning of the half-year | | 45,744 | - |
| Effects of exchange rate changes on cash and cash equivalents | | 494 | (3,453) |
| Cash and cash equivalents at the end of the half-year | | 61,967 | 138,073 |

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

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2016

Note 1 Summary of significant accounting policies

These financial statements for the interim reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

These financial statements for the half-year ended 31 December 2016 do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New Accounting Standards and Interpretations not mandatory for the 31 December 2016 reporting period

Except as disclosed in the 30 June 2016 annual report, there are no new accounting standards, amendments or interpretations issued during the half-year that are not yet effective that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Note 2. Recognition of deferred tax balances

In line with its existing accounting policy, the Company has exercised judgement in determining the extent of recognition of deferred tax balances. As at 31 December 2016, realised (taxable) losses carried forward from the previous year together with certain IPO costs have given rise to the recognition of a deferred tax asset (DTA) of \$561,000 (30 June 2016: \$5,593,000) which was comprised of the following balances:

| | 31 Dec 16 | 30 Jun 16 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Deferred tax asset impact on 30 June 2016 realised/(taxable) loss | 1,610 | 6,090 |
| Deferred tax asset impact on costs associated with the Initial Public Offer | 1,114 | 1,870 |
| Deferred tax asset impact on expense accruals | 28 | 40 |
| Deferred tax liability on dividends accrued | (5) | (134) |
| Deferred tax liability on investments | (2,186) | (2,273) |
| Deferred tax asset | 561 | 5,593 |

The large reduction in the DTA balance is due to the fact that \$16,222,187 of realised taxable profits were generated in the first six months of the current year, making it highly probable that the remaining DTA balance will be recovered in future periods via further realised investment gains. The Company needs to generate a further \$5,366,281 of realised income before it will start paying tax and generate franking credits.

Note 3. Financial assets at fair value through profit or loss

| | | |
|------------------------------------|----------------|----------------|
| Equity securities | 228,808 | 228,098 |
| Derivatives | - | 158 |
| Foreign currency forward contracts | 1,419 | 1,842 |
| | 230,227 | 230,098 |

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2016

Note 4. Financial liabilities at fair value through profit or loss

| | 31 Dec 16 | 30 Jun 16 |
|------------------------------------|------------------|------------------|
| | \$'000 | \$'000 |
| Derivatives | 100 | 23 |
| Foreign currency forward contracts | 2,125 | 1,634 |
| | <u>2,225</u> | <u>1,657</u> |

Note 5. Dividends

No dividend was declared between 31 December 2016 and the date of issue of this report.

The Company did not pay any tax instalments in the current half-year. As a result, as at 31 December 2016, the Company has no franking credits to distribute.

Note 6. Retained earnings

| | 31 Dec 16 | 30 Jun 16 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Opening Balance as at 1 July 2016 (24 June 2015) | (9,049) | - |
| Operating profit/(loss) after income tax (expense)/benefit for the half-year/year | 10,252 | (9,049) |
| Transfer of profit after tax for the half-year to the dividend profit reserve (see Note 8(b)) | (10,252) | - |
| Retained earnings at the end of the half-year/year | <u>(9,049)</u> | <u>(9,049)</u> |

The Directors passed a resolution that transferred the 31 December 2016 interim profit after income tax to the dividend profit reserve.

Note 7. Issued capital

In September 2015, the Company completed its Initial Public Offering ("IPO") and raised \$292,869,646 by the issue of 292,869,646 ordinary shares and 292,869,646 attached options for nil consideration exercisable at \$1.00 each on or before 15 May 2017.

The capital raised of \$292,869,646 must be allocated between the ordinary shares issued and the fair value of options at the date of issue, because shareholders received both shares and options as a result of participating in the IPO.

The fair value of the options, have been valued using the Black-Scholes model, and this has produced a valuation of 3.5 cents per option. Accordingly, the value attributable to each share is 96.5 cents per share.

Shares on issue as at 31 December 2016 (and 30 June 2016) was as follows:

| | 31 Dec 16 | 31 Dec 16 | 30 Jun 16 | 30 Jun 16 |
|---|------------------|------------------|------------------|------------------|
| | Shares | \$'000 | Shares | \$'000 |
| Ordinary shares - fully paid, net of costs of the IPO, net of tax | 293,204,749 | 278,801 | 293,177,249 | 278,772 |

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2016

Note 7. Issued capital (continued)

Movements in ordinary share capital during the half-year

| Details | Date/Month | Shares | 31 Dec 16 \$'000 |
|-------------------------------------|-------------|-------------|---------------------|
| Opening balance | 1 July 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 |
| Closing balance | | 293,204,749 | 278,801 |

During the half-year ended 31 December 2016, 27,500 options were exercised (31 December 2015: 241,600 options) and 27,500 additional shares (31 December 2015: 241,600 shares) were issued for consideration of \$27,500. (31 December 2015: \$241,600).

Movements in ordinary share capital during the comparative period

| Details | Date/Month | Shares | 31 Dec 15 \$'000 |
|--|----------------|-------------|---------------------|
| Balance on incorporation date | 24 June 2015 | 3 | - |
| Shares issued under the IPO | September 2015 | 292,869,646 | 282,619 |
| Options exercised - issue of shares | October 2015 | 109,300 | 113 |
| Options exercised - issue of shares | November 2015 | 70,800 | 73 |
| Options exercised - issue of shares | December 2015 | 61,500 | 64 |
| Sub-total | | 293,111,249 | 282,869 |
| Less transactions costs in relation to the IPO, net of tax | | | (4,165) |
| Closing balance | | 293,111,249 | 278,704 |

Ordinary shares

When options are exercised, the value of each option is included in the value of each additional share issued. 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.

Note 8. Reserves

Summary of Reserve Balances

| | 31 Dec 16 \$'000 | 30 Jun 16 \$'000 |
|-------------------------|---------------------|---------------------|
| Option reserve | 10,239 | 10,240 |
| Dividend profit reserve | 10,252 | - |
| Closing Balance | 20,491 | 10,240 |

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2016

Note 8. Reserves (continued)

(a) Option reserve

On 15 September 2015, the Company as part of the IPO issued 292,869,646 options to shareholders to acquire ordinary shares in the Company at an exercise price of \$1.00 on or before 15 May 2017. The options trade on the ASX under the ASX code PAIO.

Fair Value of Options Issued

The assessed fair value at issue date was 3.5 cents per option. The model inputs used to determine this fair value is set out below:

| Input | Value |
|--------------------|--------------|
| a. Exercise price | \$1 |
| b. Life of option | 20 months |
| c. Dividend Yield | 5% |
| d. Volatility | 20% |
| e. Risk-free rate | 1.99% |
| f. Dilution factor | 50% |
| g. Options uplift | 2% |

As the Company was listed in September 2016, there was no historical basis on which to base the assumed price volatility of the Company's options or shares. The assumed volatility is based on an analysis of comparable listed investment companies that invest in the Asian region.

The options fair value reserve entry at 31 December 2016 was 292,534,546 options outstanding multiplied by 3.5 cents per option = \$10,239,000.

Movements in options that are still outstanding and associated movement in the option reserve were as follows:

| Details | Date | Options | 31 Dec 16 |
|-------------------|-------------|----------------|------------------|
| | | | \$'000 |
| Opening balance | 1 July 2016 | 292,562,046 | 10,240 |
| Options exercised | July 2016 | (2,500) | - |
| Options exercised | August 2016 | (25,000) | (1) |
| | | 292,534,546 | 10,239 |

| Details | Date | Options | 31 Dec 15 |
|------------------------------|----------------|----------------|------------------|
| | | | \$'000 |
| Options issued under the IPO | September 2015 | 292,869,646 | 10,250 |
| Options exercised | October 2015 | (109,300) | (4) |
| Options exercised | November 2015 | (70,800) | (2) |
| Options exercised | December 2015 | (61,500) | (2) |
| | | 292,628,046 | 10,242 |

As at 31 December 2016, 335,100 options have been exercised, and 335,100 new shares have been issued. Options do not carry a dividend entitlement until they are exercised. Option holders are not entitled to vote or participate in new share issues, until the options are exercised. As at 31 December 2016, 292,534,546 options remain unexercised.

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2016

Note 8. Reserves (continued)

(b) Dividend profit reserve

The Company may set aside some or all of its 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.

| | 31 Dec 16 | 30 Jun 16 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Opening balance 1 July 2016 (24 June 2015) | - | - |
| Profit after tax for the half-year ended 31 December 2016 | 10,252 | - |
| Closing Balance | <u>10,252</u> | <u>-</u> |

Note 9. Earnings per share

| | 31 Dec 16 | 31 Dec 15 |
|--|------------------|------------------|
| | \$'000 | \$'000 |
| Profit/(loss) after income tax attributable to the owners of Platinum Asia Investments Limited | <u>10,252</u> | <u>(2,948)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 293,199,994 | 165,671,171 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share* | 293,199,994 | 165,671,171 |
| | Cents | Cents |
| Basic earnings/(loss) per share | 3.50 | (1.78) |
| Diluted earnings/(loss) per share | 3.50 | (1.78) |

* The options were "out of the money" and non-dilutive because the average market price of PAI ordinary shares during the period was below the \$1 exercise price of the options.

Note 10. Statement of Net Tangible Asset Backing

| | 31 Dec 16 | 30 Jun 16 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Reconciling Net Tangible Asset Backing (post-tax) in accordance with Australian Accounting Standards to that reported to the ASX | | |
| Post-tax Net Tangible Asset Backing per Statement of Financial Position | 290,243 | 279,963 |
| Realisation costs and accruals* | (573) | (597) |
| Deferred tax asset recognised in the accounts, but not recognised in Net Tangible Asset Backing ** | (561) | (5,593) |
| Post-tax Net Tangible Asset Backing as reported to the ASX | <u>289,109</u> | <u>273,773</u> |

Post-tax Net Tangible Asset Backing at 31 December 2016 was \$0.9860 per share (30 June 2016: \$0.9338).

* At 31 December 2016, financial assets and liabilities were valued at "last-sale" price for both ASX and financial accounts reporting. The difference at 31 December 2016 is mainly caused by the ASX requirement that realisation costs need to be deducted for the ASX reporting of NTA.

**At 31 December 2016, the post-tax NTA reported to the ASX was calculated on a full liquidation basis therefore any deferred tax asset in excess of the liquidation tax provision was not recognised.

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2016

Note 11. 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 (consistent with the hierarchy model applied to financial assets and liabilities at 30 June 2016):

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 a three level hierarchy model as at 31 December 2016. The Company had no assets or liabilities that were classified as level 3.

| 31 Dec 16 | Level 1 \$'000 | Level 2 \$'000 | Total \$'000 |
|------------------------------------|---------------------------|---------------------------|-------------------------|
| Assets | | | |
| Equity securities | 204,122 | 24,686 | 228,808 |
| Foreign currency forward contracts | - | 1,419 | 1,419 |
| Total assets | 204,122 | 26,105 | 230,227 |
| Liabilities | | | |
| Derivatives | - | 100 | 100 |
| Foreign currency forward contracts | - | 2,125 | 2,125 |
| Total liabilities | - | 2,225 | 2,225 |
| | | | |
| 30 Jun 16 | Level 1 \$'000 | Level 2 \$'000 | Total \$'000 |
| Assets | | | |
| Equity securities | 208,462 | 19,636 | 228,098 |
| Derivatives | - | 158 | 158 |
| Foreign currency forward contracts | - | 1,842 | 1,842 |
| Total assets | 208,462 | 21,636 | 230,098 |
| Liabilities | | | |
| Derivatives | - | 23 | 23 |
| Foreign currency forward contracts | - | 1,634 | 1,634 |
| Total liabilities | - | 1,657 | 1,657 |

All figures presented above can be reconciled to Note 3 or Note 4 and the statement of financial position.

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 from level 1 to level 2 for any assets or liabilities measured at fair value during the period.

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2016

Note 11. Fair value measurement (continued)

Rationale for classification of assets and liabilities as level 1

At 31 December 2016, 89% 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. Examples include:

- (i) foreign currency forward contracts were classified as level 2 even though forward points were quoted in an active and liquid market. The forward points themselves were based on interest rate differentials;
- (ii) P-Notes were classified as level 2 because they were generally traded Over-The-Counter and were often priced in a different currency to the underlying security;
- (iii) Over-The-Counter (OTC) equity swap contracts were classified as level 2 because the swap contract itself was not listed and therefore there was no directly observable market price; or the price is sourced from the relevant counterparty, even though the price (and in the case of options, the relevant delta) could be verified directly from Bloomberg or verified using option pricing models; and
- (iv) certain index derivatives were classified as level 2 because the Company may agree with the counterparty to include or exclude one or more securities that make up the “basket” of securities that comprise the index derivative. Hence, the quoted price of the index derivative would be very similar, but not identical to the index derivative that the Company held.

Note 12. Investment Manager

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% 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 2017, of the amount by which the portfolio's annual performance exceeds the return achieved by the MSCI (MSCI is the Morgan Stanley Capital International All Country Asia ex Japan Net Index in A\$). Where the portfolio's annual performance is less than the MSCI, 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 31 December 2016, pre-tax performance of the portfolio was 5.55% and the corresponding MSCI 6.11%. This represents an underperformance of 0.56% against the MSCI in the current half-year. The brought forward prior year underperformance from 30 June 2016 was 4.14% and this means that total aggregate underperformance of 4.70% needs to be recovered before a performance fee will be paid.

Management fees paid and payable for the half-year ended 31 December 2016 is shown below:

| | 31 Dec 16 | 31 Dec 15 |
|----------------|------------------|------------------|
| | \$'000 | \$'000 |
| Management fee | 1,600 | 922 |

Management fees increased because in the prior year, management fees were only paid from the date that the Company commenced trading in September 2015, which was a period of three and a half months up to 31 December 2015.

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2016

Note 13. Related party transactions

Management Fees

Disclosures relating to management fees paid and payable to the Investment Manager, Platinum Investment Management Limited (PIML) are set out above in Note 12.

Investment

At 31 December 2016, PIML held 50 million ordinary shares and 50 million options in the Company, which represents an interest of 17.05% of the Company's ordinary shares. At 31 December 2016, the shares were valued at \$0.935 per share (30 June 2016: \$0.885 per share) and the options were valued at 0.6 cents per option (30 June 2016: 1.6 cents per option). Therefore, the total fair value of PIML's investment was \$46,750,000 for the shares and \$300,000 for the options.

Loans to/from related parties

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

Key management personnel

The table below presents Non-Executive Directors remuneration including superannuation paid and payable for the half-year ended 31 December 2016.

| Director | Position | Cash Salary (\$) | Superannuation (\$) | Total (\$) |
|------------------|-------------------------------------|-----------------------------|--------------------------------|-----------------------|
| Bruce Coleman | Chairman and Non-Executive Director | 30,000 | 2,850 | 32,850 |
| Ian Hunter | Independent, Non-Executive Director | 27,500 | 2,612 | 30,112 |
| Malcolm Halstead | Independent, Non-Executive Director | 27,500 | 2,612 | 30,112 |
| | | <u>85,000</u> | <u>8,074</u> | <u>93,074</u> |

The table below presents Non-Executive Directors remuneration including superannuation paid and payable for the period 24 June 2015 (date of incorporation) to 31 December 2015.

| Director | Position | Cash Salary (\$) | Superannuation (\$) | Total (\$) |
|------------------|-------------------------------------|-----------------------------|--------------------------------|-----------------------|
| Bruce Coleman | Chairman and Non-Executive Director | 31,152 | 2,960 | 34,112 |
| Ian Hunter | Independent, Non-Executive Director | 28,558 | 2,612 | 31,170 |
| Malcolm Halstead | Independent, Non-Executive Director | 28,558 | 2,612 | 31,170 |
| | | <u>88,268</u> | <u>8,184</u> | <u>96,452</u> |

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

| | Opening Balance | Acquisitions | Disposals | Closing Balance |
|------------------|------------------------|---------------------|------------------|------------------------|
| Bruce Coleman | 250,001 | - | - | 250,001 |
| Ian Hunter | 100,001 | - | - | 100,001 |
| Malcolm Halstead | 1 | - | - | 1 |

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2016

Note 13. Related party transactions (continued)

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

| | Opening Balance | Acquisitions | Disposals | Closing Balance |
|------------------|-----------------|--------------|-----------|-----------------|
| Bruce Coleman | 250,000 | - | - | 250,000 |
| Ian Hunter | 100,000 | - | - | 100,000 |
| Malcolm Halstead | - | - | - | - |

Note 14. Remuneration of auditors

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

| | 31 Dec 16 \$ | 31 Dec 15 \$ |
|---|-----------------|-----------------|
| <i>Audit services - PricewaterhouseCoopers</i> | | |
| Audit and review of the financial statements | 72,691 | 62,467 |
| <i>Other services - PricewaterhouseCoopers</i> | | |
| Taxation services | 12,480 | 16,030 |
| | <u>85,171</u> | <u>78,497</u> |
| IPO Due Diligence services - Investigating Accountant and taxation services (disclosed as a transaction cost in relation to the IPO and deducted against equity) | - | 99,466 |
| | <u>85,171</u> | <u>177,963</u> |

Note 15. Contingent liabilities

No contingent liabilities exist as at 31 December 2016. The Company has no commitments for uncalled share capital on investments.

Note 16. Segment information

The Company is organised into one main operating segment with the key function, being the investment of funds in the Asian Region ex Japan.

Note 17. Events after the reporting period

No other significant matter or circumstance has arisen since 31 December 2016 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.

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the financial half-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.

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

Bruce Coleman
Chairman

Ian Hunter
Director

Sydney, 15 February 2017



Independent auditor's review report to the members of Platinum Asia Investments Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Platinum Asia Investments Limited (the company), which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Platinum Asia Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Platinum Asia Investments Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Joe Sheeran
Partner

Sydney
15 February 2017