

Platinum Asia Investments Limited

ABN 13 606 647 358

Interim Financial Report – for the half-year ended 31 December 2017

**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 ®) 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	Platinum Asia Investments Limited shares are listed on the Australian Securities Exchange (ASX code: PAI)
Website	www.platinum.com.au/Our-Products/All-Products/Platinum-Asia-Investments-Limited

Platinum Asia Investments Limited
Investment Structure, Objective and Methodology
31 December 2017

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, in contrast to unlisted managed investment schemes or quoted managed funds, the Company:

- is closed-ended and therefore not open for subscriptions or redemptions by investors, 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 deliver attractive returns to shareholders over time, made up of capital growth and fully-franked dividends.

In addition, the Company seeks to enhance the consistency of fully-franked dividends by partially reserving profits in years of strong performance to be utilised for distribution to shareholders in periods of lower returns.

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 benchmark 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 benchmark 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.

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Investment Methodology (continued)

The Manager uses various devices 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 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.

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:

www.platinum.com.au/About-Platinum.

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 a minimum 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
31 December 2017

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 2017.

Directors

The following persons were Directors of the Company during the whole of the 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

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

For the half-year ended 31 December 2017, the operating profit for the Company after income tax expense was \$53,482,000 (31 December 2016: \$10,252,000).

The operating profit for the Company before income tax was \$76,066,000 (31 December 2016: \$15,433,000). Income tax expense for the period was \$22,584,000 (31 December 2016: \$5,181,000).

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 2017, the Company's pre-tax NTA increased from \$1.09 per share to \$1.26 per share. This is after the payment of the 1 cent per share dividend paid in September 2017.

For the 6 months ending 31 December 2017, the Company's net assets on a pre-tax basis, after fees, expenses, dividend and taxes paid, increased by 19.5%, compared to a gain of 13.2% 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 2017 was 36.1% compared to the MSCI return of 31.2%, concluding a 12 month period of very strong returns. The Investment Manager has reported that "The economic reforms that are taking place in China and India, together with the cyclical recovery across the Asian region, are producing rich pickings of investment ideas that are currently out of favour, hence cheap, but highly attractive over the longer term."

In terms of outlook, the Investment Manager believes that "...with the market having consolidated around the current levels, the outlook is perhaps becoming more sanguine. With an abundance of prospective ideas generated by the team, we are busy making risk-reward evaluations to prioritise the most attractive opportunities for the portfolio."

Dividends

The Directors transferred the 31 December 2017 interim profit after income tax to the dividend profit reserve.

On 27 February 2018, the Directors declared a 4 cents per share (\$14,369,000) 2018 interim fully-franked dividend payable on 19 March 2018, which will be paid out of the dividend profit reserve. After the payment of the 2018 interim dividend, the balance in the dividend profit reserve will be \$74,674,000 which translates to 20.79 cents per share, based on the current shares on issue. No dividend was paid in the comparative interim reporting period.

The Company's ability to pay franked dividends is dependent on the Company paying income tax. At 31 December 2017, the interim profit after tax included substantial unrealised gains which did not have tax paid on them, as tax is only paid once gains are crystallised. Therefore, the ability to pay fully-franked dividends is constrained.

The dividend reinvestment plan (DRP) has been activated for the 2018 interim dividend and a discount of 2.5% applies to the relevant share price.

Platinum Asia Investments Limited
Directors' Report (continued)
31 December 2017

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, 27 February 2018



Auditor's Independence Declaration

As lead auditor for the review of Platinum Asia Investments Limited for the half-year ended 31 December 2017, 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.

A handwritten signature in black ink, appearing to read 'Simon Cuthbert', is written over a light grey horizontal line.

Simon Cuthbert
Partner
PricewaterhouseCoopers

Sydney
27 February 2018

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Platinum Asia Investments Limited
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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 27 February 2018.

Platinum Asia Investments Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	31 Dec 17 \$'000	31 Dec 16 \$'000
Investment income			
Dividends		2,191	1,898
Interest		98	145
Net gains on equities/derivatives		79,827	14,460
Net gains/(losses) on foreign currency forward contracts		(694)	294
Net foreign exchange gains/(losses) on overseas bank accounts		(1,837)	1,267
Total investment income		<u>79,585</u>	<u>18,064</u>
Expenses			
Management fees	12	(2,392)	(1,600)
Custody		(247)	(197)
Share registry		(27)	(29)
Continuous reporting disclosure		(112)	(72)
Directors' fees	13	(93)	(93)
Auditor's remuneration and other services	14	(62)	(85)
Brokerage and transaction costs		(483)	(465)
Other expenses		(103)	(90)
Total expenses		<u>(3,519)</u>	<u>(2,631)</u>
Profit before income tax expense		76,066	15,433
Income tax expense		<u>(22,584)</u>	<u>(5,181)</u>
Profit after income tax expense for the half-year attributable to the owners of Platinum Asia Investments Limited		53,482	10,252
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive Income for the half-year attributable to the owners of Platinum Asia Investments Limited		<u>53,482</u>	<u>10,252</u>
Basic earnings per share (cents per share)	9	14.89	3.50
Diluted earnings per share (cents per share)	9	14.89	3.50

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 2017

	Note	31 Dec 17 \$'000	30 Jun 17 \$'000
Assets			
Cash and cash equivalents		42,852	40,283
Trade and other receivables		437	1,974
Financial assets at fair value through profit or loss	3	410,971	352,550
Income tax receivable	2(b)	1,829	2,510
Total assets		<u>456,089</u>	<u>397,317</u>
Liabilities			
Payables		821	1,275
Financial liabilities at fair value through profit or loss	4	-	589
Deferred tax liability	2(a)	20,222	10,475
Total liabilities		<u>21,043</u>	<u>12,339</u>
Net assets		<u>435,046</u>	<u>384,978</u>
Equity			
Issued capital	8	347,118	346,942
Dividend profit reserve	6(a)	89,043	39,151
Capital reserve	6(b)	7,934	7,934
Retained earnings	5	(9,049)	(9,049)
Total equity		<u>435,046</u>	<u>384,978</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 2017

	Note	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
Transfer of profit after income tax for the half-year to the dividend profit reserve		-	(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	8	29	-	-	29
Movement in capital reserve		-	-	(1)	(1)
Balance at 31 December 2016		278,801	(9,049)	20,491	290,243
		Issued Capital \$'000	Retained earnings \$'000	Reserves \$'000	Total equity \$'000
Balance at 1 July 2017		346,942	(9,049)	47,085	384,978
Profit after income tax expense for the half-year		-	53,482	-	53,482
Other comprehensive income for the half-year, net of tax		-	-	-	-
Total comprehensive income for the half-year		-	53,482	-	53,482
Transfer of profit after income tax for the half-year to the dividend profit reserve	5, 6(a)	-	(53,482)	53,482	-
<i>Transactions with owners in their capacity as owners:</i>					
Proceeds from the issue of shares associated with the dividend reinvestment plan	8	176	-	-	176
Dividends paid	6(a), 7	-	-	(3,590)	(3,590)
Balance at 31 December 2017		347,118	(9,049)	96,977	435,046

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 2017

	Note	31 Dec 17 \$'000	31 Dec 16 \$'000
Cash flows from operating activities			
Payments for purchase of financial assets		(189,503)	(126,780)
Proceeds from sale of financial assets		208,464	142,658
Dividends received		4,057	2,329
Interest received		61	148
Management fees paid		(2,333)	(1,586)
Other expenses paid		(1,232)	(1,068)
Income tax paid		(11,856)	-
Net cash from operating activities		7,658	15,701
Cash flows from financing activities			
Dividends paid - net of dividend reinvestment plan		(3,241)	-
Proceeds from the issue of shares associated with the exercise of options	8	-	28
Net cash from/(used in) financing activities		(3,241)	28
Net increase in cash and cash equivalents		4,417	15,729
Cash and cash equivalents at the beginning of the half-year		40,283	45,744
Effects of exchange rate changes on cash and cash equivalents		(1,848)	494
Cash and cash equivalents at the end of the half-year		42,852	61,967

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 2017

Note 1 Summary of significant accounting policies

These financial statements for the interim reporting period ended 31 December 2017 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 2017 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 2017 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 2017 reporting period

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the interim reporting period ended 31 December 2017. The Company's assessment of the impact of the new or amended 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 new 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 Company's main source of income is 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 is applicable for reporting periods beginning on or after 1 January 2018.

The standard was assessed as not having a material impact on the Company in current or future reporting periods.

AASB 9: Financial Instruments (and applicable amendments)

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

The standard has been assessed as not having a material impact on the recognition and measurement of the Company's financial instruments, as the financial instruments are carried at fair value through profit or loss.

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.

Note 2. Income tax

(a) Recognition of deferred tax balances

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:

	31 Dec 17	30 Jun 17
	\$'000	\$'000
Deferred tax asset impact on costs associated with the Initial Public Offer	742	1,114
Deferred tax asset impact on expense accruals	35	42
Deferred tax liability on dividends accrued	(4)	(576)
Deferred tax liability on investments	(20,995)	(11,055)
Deferred tax liability	<u>(20,222)</u>	<u>(10,475)</u>

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2017

Note 2. Income tax (continued)

At 31 December 2017, the Company is in a deferred tax liability position and this is predominantly because the Company has net unrealised gains on investments of \$69,986,000 (30 June 2017: \$36,850,000). The tax impact of these unrealised gains is \$20,995,000 (30 June 2017: \$11,055,000) and this forms a major part of the overall deferred tax liability.

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

(b) Income tax receivable

The income tax receivable disclosed in the statement of financial position is comprised of:

	31 Dec 17	30 Jun 17
	\$'000	\$'000
Current income tax provision	(12,537)	-
Income tax instalments paid during the half-year/year	11,446	2,510
Tax refund receivable for the year ended 30 June 2017	2,920	-
Income tax receivable	<u>1,829</u>	<u>2,510</u>

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

	31 Dec 17	30 Jun 17
	\$'000	\$'000
Equity securities	410,664	351,917
Derivatives	307	155
Foreign currency forward contracts	-	478
	<u>410,971</u>	<u>352,550</u>

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

	31 Dec 17	30 Jun 17
	\$'000	\$'000
Derivatives	-	4
Foreign currency forward contracts	-	585
	<u>-</u>	<u>589</u>

There were no financial liabilities at 31 December 2017.

Note 5. Retained earnings

	31 Dec 17	30 Jun 17
	\$'000	\$'000
Opening Balance as at 1 July 2017 (1 July 2016)	(9,049)	(9,049)
Operating profit after income tax expense for the half-year/year	53,482	39,151
Transfer of profit after tax to the dividend profit reserve (see Note 6(a))	(53,482)	(39,151)
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 2017 interim profit after income tax to the dividend profit reserve. Prior year losses are not transferred to the dividend profit reserve.

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2017

Note 6. Reserves

Summary of Reserve Balances

	31 Dec 2017	30 June 2017
	\$'000	\$'000
Dividend profit reserve	89,043	39,151
Capital reserve	7,934	7,934
Closing Balance	<u>96,977</u>	<u>47,085</u>

(a) 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 17	30 Jun 17
	\$'000	\$'000
Opening balance 1 July 2017 (1 July 2016)	39,151	-
Transfer of operating profit after income tax expense from retained earnings (see Note 5)	53,482	39,151
Dividends paid (see Note 7)	(3,590)	-
Closing Balance	<u>89,043</u>	<u>39,151</u>

(b) Capital reserve

The Company transferred the total fair value of the expired options, amounting to \$7,934,000, to the capital reserve during the financial year ended 30 June 2017.

Note 7. Dividends

Dividends paid

Dividends paid during the half-year were as follows:

	31 Dec 17	31 Dec 16
	\$'000	\$'000
Final dividend for the year ended 30 June 2017 (2016: 30 June 2016) of 1 cent (2016: nil) per share	3,590	-
	<u>3,590</u>	<u>-</u>

Dividends not recognised at half-year-end

In addition to the above dividend paid, on 27 February 2018, the Directors provided for the payment of the 2018 interim fully-franked dividend of 4 cents per fully paid ordinary share. The aggregate amount of the dividend expected to be paid on 19 March 2018, but not recognised as a liability at half-year end, is \$14,369,000. The dividend will be paid out of the dividend profit reserve.

Note 8. Issued capital

Shares on issue as at 31 December 2017 (and 30 June 2017) were as follows:

	31 Dec 17	31 Dec 17	30 Jun 17	30 Jun 17
	Shares	\$'000	Shares	\$'000
Ordinary shares - fully paid	359,214,172	347,118	359,041,623	346,942

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2017

Note 8. Issued capital (continued)

Movements in ordinary share capital during the half-year

Details	Date/Month	Shares	31 Dec 17 \$'000
Opening balance	1 July 2017	359,041,623	346,942
Dividend reinvestment plan (a)	13 Sep 2017	172,549	176
Closing balance		359,214,172	347,118

(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.

Movements in ordinary share capital during the comparative period

			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 comparative period, 27,500 options were exercised and 27,500 additional shares were issued for consideration of \$27,500, which appears in the statement of cash flows as "proceeds from the issue of shares associated with the exercise of options".

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 9. Earnings per share

	31 Dec 17 \$'000	31 Dec 16 \$'000
Profit after income tax attributable to the owners of Platinum Asia Investments Limited	53,482	10,252
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	359,144,777	293,199,994
	Cents	Cents
Basic earnings per share	14.89	3.50
Diluted earnings per share	14.89	3.50

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2017

Note 10. Statement of Net Tangible Asset Backing

	31 Dec 17 \$'000	30 Jun 17 \$'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	435,046	384,978
Realisation costs and accruals*	(1,030)	(881)
Deferred tax asset recognised in the accounts, but not recognised in Net Tangible Asset Backing	308	264
Post-tax Net Tangible Asset Backing as reported to the ASX	434,324	384,361

Post-tax Net Tangible Asset Backing at 31 December 2017 was \$1.2091 per share (30 June 2017: \$1.0705).

* At 31 December 2017, financial assets and liabilities were valued at "last-sale" price for both ASX and financial accounts reporting. The difference at 31 December 2017 is mainly caused by the ASX requirement that realisation costs need to be deducted for the ASX reporting of NTA.

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 2017):

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 tables below and on the following page detail the Company's assets and liabilities, measured or disclosed at fair value, using the three level hierarchy model as at 31 December 2017. The Company had no assets or liabilities that were classified as level 3.

31 Dec 17	Level 1 \$'000	Level 2 \$'000	Total \$'000
Assets			
Equity securities	383,186	27,478	410,664
Derivatives	-	307	307
Total assets	383,186	27,785	410,971
Liabilities			
Derivatives	-	-	-
Foreign currency forward contracts	-	-	-
Total liabilities	-	-	-

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31 December 2017

Note 11. Fair value measurement (continued)

30 Jun 17	Level 1	Level 2	Total
	\$'000	\$'000	\$'000
Assets			
Equity securities	320,964	30,953	351,917
Derivatives	-	155	155
Foreign currency forward contracts	-	478	478
Total assets	320,964	31,586	352,550
Liabilities			
Derivatives	-	4	4
Foreign currency forward contracts	-	585	585
Total liabilities	-	589	589

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.

Rationale for classification of assets and liabilities as level 1

At 31 December 2017, 93% 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 have been 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 is a degree of estimation involved in deriving the fair value. Examples include:

- (i) foreign currency forward contracts are classified as level 2 even though forward points are quoted in an active and liquid market. The forward themselves are based on interest rate differentials;
- (ii) Participatory Notes are classified as level 2 because they are generally traded Over-The-Counter (OTC) and are often priced in a different currency to the underlying security; and
- (iii) Over-The-Counter (OTC) equity swap contracts are classified as level 2 because the swap contract itself is not listed and therefore there is 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) can be verified directly from Bloomberg or verified using option pricing models. However, the underlying securities referred to in this swap contract do have a directly observable price in an active market.

Note 12. 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% (2016: 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 2018, 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.

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Note 12. Investment Manager Fees (continued)

At 31 December 2017, pre-tax performance of the portfolio was 19.23% and the corresponding MSCI 13.17%. This represents an out-performance of 6.06% against the MSCI for the current half-year. The brought forward prior year underperformance from 30 June 2017 was 6.96% and this means that total aggregate underperformance of 0.90% needs to be recovered before a performance fee will be paid.

Management fees paid and payable for the half-year ended 31 December 2017 is shown below:

	31 Dec 17	31 Dec 16
	\$'000	\$'000
Management fee paid	1,971	1,334
Management fee payable	421	266
	2,392	1,600
	2,392	1,600

Note 13. Related party transactions

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

During the half-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 31 December 2017, PIML held 30 million ordinary shares in the Company, which represents an interest of 8.35% of the Company's ordinary shares. At 31 December 2017, the shares were valued at \$1.265 per share (30 June 2017: \$1.015 per share). During the period, PIML received a fully-franked dividend of \$500,000 for its holding in PAI.

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 2017 and 31 December 2016.

31 December 2017

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
		85,000	8,074	93,074
		85,000	8,074	93,074

31 December 2016

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
		85,000	8,074	93,074
		85,000	8,074	93,074

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Note 13. Related party transactions (continued)

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	375,001	-	-	375,001
Ian Hunter	200,001	-	-	200,001
Malcolm Halstead	1	-	-	1

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 17 \$	31 Dec 16 \$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit and review of the financial statements	49,850	72,691
<i>Other services - PricewaterhouseCoopers</i>		
Taxation services	12,501	12,480
	<u>62,351</u>	<u>85,171</u>

Note 15. Contingent liabilities

No contingent liabilities exist as at 31 December 2017. 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

Apart from the dividend provided on 27 February 2018, as set out in Note 7, no other significant matter or circumstance has arisen since 31 December 2017 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 2017 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, 27 February 2018



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 2017, the statement of changes in equity, statement of cash flows and statement of profit or loss and other comprehensive income 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 2017 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*.

PricewaterhouseCoopers, ABN 52 780 433 757
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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 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A large, stylized cursive signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A cursive signature of 'Simon Cuthbert' in black ink.

Simon Cuthbert
Partner

Sydney
27 February 2018