

Platinum Asia Investments Limited

ABN 13 606 647 358

**Interim Financial Report
For the half-year ended 31 December 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	www.platinum.com.au/Our-Products/All-Products/Platinum-Asia-Investments-Limited

Platinum Asia Investments Limited
Directors' Report
31 December 2018

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 2018.

Directors

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

Margaret Towers	Chairperson and Non-Independent 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 6 months to 31 December 2018, the operating loss for the Company before income tax was \$38,220,000 (31 December 2017: net profit before tax of \$76,066,000). The operating loss for the Company after income tax was \$26,719,000 (31 December 2017: net profit after tax of \$53,482,000).

The Directors consider that pre-tax Net Tangible Asset backing per share ("NTA"), after the deduction of fees and expenses, adjusted for corporate taxes paid, and any capital flows and assuming the reinvestment 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 6 months ending 31 December 2018, the Company's NTA decreased by 9.4%¹, compared to a decrease of 5.6% for the benchmark Morgan Stanley Capital International All Country Asia ex Japan Net Index (MSCI) in \$A terms. For the 6 months to 31 December 2018, the Company's pre-tax NTA decreased from \$1.20 per share to \$1.02 per share. This is after the payment of the 6 cents per share dividend paid in September 2018.

The Company's 12 month pre-tax NTA return to 31 December 2018 was negative 10.1% compared to the MSCI return of negative 4.9%.

The interim period was a difficult one for the Company. Investment performance was directly impacted by financial reforms in China and the resulting unintended Chinese economic slowdown caused by the tightening of credit. This economic slowdown was exacerbated by the US-China trade war and rising US interest rates.

In terms of outlook, the Investment Manager has noted "some of the key concerns troubling the Asian markets are starting to ease. As most Asian countries rely on energy imports, a lower oil price is generally a positive for the region. Since there are now concerns of an economic slowdown facing both the US and China, the incentives to reach a trade deal have arguably increased for both sides. Finally, with growth slowing, we may see a pause in US interest rate hikes. In spite of a turbulent 2018, we remain optimistic about Asia's long-term prospects. When the dust settles, China, or for that matter, Asia, is expected to continue to grow at a faster pace than most other economies."

¹ PAI's returns are calculated using PAI's pre-tax net tangible asset (NTA) backing per share as released to the ASX monthly over the specified period. Such returns are calculated after the deduction of fees and expenses, adjusted for corporate taxes paid and any capital flows and assume the reinvestment of dividends. The returns have not been calculated using 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.

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. Please see full MSCI disclaimer in <https://www.platinum.com.au/Special-Pages/Terms-Conditions>. PAI and MSCI returns assume the reinvestment of dividends.

Platinum Asia Investments Limited
Directors' Report
31 December 2018

Proposal to discontinue cash refunds of franking credits

The Board believes the Federal Opposition's policy, to discontinue cash refunds of franking credits, is discriminatory and unfair and Platinum with the Board's support, conveyed this view to the Leader of the Federal Opposition and Shadow Treasurer.

As a member of LICAT (Listed Investment Companies and Trusts Association), we have actively supported their representations to Treasury and the political parties. Unfortunately, as Platinum has made clear in its submissions, the policy particularly discriminates against shareholders in Listed Investment Companies on low marginal tax rates. However, while remaining concerned, the Board also considers there are possible reasons why this policy may either be amended, or not in fact, implemented. The Board will continue to monitor developments.

We encourage all investors to voice their opinion to their local Member of Parliament and make representations to the House of Representatives Standing Committee on Economics Inquiry into the implications of removing refundable franking credits.

Dividends

On 26 February 2019, the Directors declared a 2019 fully-franked interim dividend of 2 cents per share (\$7,231,000), with a record date of 6 March 2019 and payable to shareholders on 25 March 2019, out of the dividend profit reserve. After the declaration of the 2019 interim dividend, the balance in the dividend profit reserve is \$43,839,000, which translates to 12.12 cents per share, based on the shares on issue at the date of this report.

The ability of the Company to pay an interim fully-franked dividend of more than 2 cents per share is constrained by the fact that the Company did not generate sufficient realised gains for the half-year.

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.

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 using derivatives. At the end of the interim period, the Investment Manager reported that it has raised the cash level of the Company and intends to deploy capital over time into quality companies.

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.

Rounding of amounts

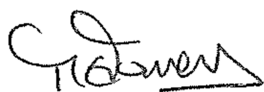
The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with this Instrument to the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



Margaret Towers
Chairperson



Ian Hunter
Director

26 February 2019
Sydney



Auditor's Independence Declaration

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

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

Simon Cuthbert
Partner
PricewaterhouseCoopers

Sydney
26 February 2019

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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 26 February 2019.

Platinum Asia Investments Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Half-year ended	
		31 Dec 18 \$'000	31 Dec 17 \$'000
Investment income			
Dividends		2,230	2,191
Interest		125	98
Net (losses)/gains on equities/derivatives		(38,344)	79,827
Net (losses) on foreign currency forward contracts		(865)	(694)
Net foreign exchange gains/(losses) on overseas bank accounts		1,978	(1,837)
Total investment (loss)/income		(34,876)	79,585
Expenses			
Management fees	12	(2,185)	(2,392)
Custody		(259)	(247)
Share registry		(58)	(27)
Continuous reporting disclosure		(110)	(112)
Directors' fees	13	(93)	(93)
Auditor's remuneration and other services	14	(71)	(62)
Brokerage and transaction costs		(447)	(483)
Other expenses		(121)	(103)
Total expenses		(3,344)	(3,519)
(Loss)/profit before income tax (benefit)/expense		(38,220)	76,066
Income tax benefit/(expense)		11,501	(22,584)
(Loss)/profit after income tax benefit/(expense) for the half-year attributable to the owners of Platinum Asia Investments Limited		(26,719)	53,482
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive (loss)/Income for the half-year attributable to the owners of Platinum Asia Investments Limited		(26,719)	53,482
Basic earnings per share (cents per share)	9	(7.40)	14.89
Diluted earnings per share (cents per share)	9	(7.40)	14.89

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 2018

	Note	As at	
		31 Dec 18 \$'000	30 Jun 18 \$'000
Assets			
Cash and cash equivalents		86,693	57,363
Trade and other receivables		3,755	2,230
Financial assets at fair value through profit or loss	3	282,350	372,871
Income tax receivable	2(b)	2,464	-
Deferred tax asset	2(a)	2,868	-
Total assets		378,130	432,464
Liabilities			
Payables		1,354	982
Financial liabilities at fair value through profit or loss	4	3,588	-
Income tax payable	2(b)	-	2,799
Deferred tax liability	2(a)	-	9,007
Total liabilities		4,942	12,788
Net assets		373,188	419,676
Equity			
Issued capital	8	349,952	348,121
Retained earnings	5	(35,768)	(9,049)
Capital reserve	6(a)	7,934	7,934
Dividend profit reserve	6(b)	51,070	72,670
Total equity		373,188	419,676

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 2018

	Note	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		-	(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(b), 7	-	-	(3,590)	(3,590)
Balance at 31 December 2017		347,118	(9,049)	96,977	435,046
		Issued Capital \$'000	Retained earnings \$'000	Reserves \$'000	Total equity \$'000
Balance at 1 July 2018		348,121	(9,049)	80,604	419,676
Loss after income tax benefit for the half-year		-	(26,719)	-	(26,719)
Other comprehensive income for the half-year, net of tax		-	-	-	-
Total comprehensive loss for the half-year		-	(26,719)	-	(26,719)
<i>Transactions with owners in their capacity as owners:</i>					
Proceeds from the issue of shares associated with the dividend reinvestment plan and unclaimed dividends	8	1,831	-	-	1,831
Dividends paid	6(b), 7	-	-	(21,600)	(21,600)
Balance at 31 December 2018		349,952	(35,768)	59,004	373,188

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 2018

	Note	Half- year ended 31 Dec 18 \$'000	31 Dec 17 \$'000
Cash flows from operating activities			
Payments for purchase of financial assets		(299,417)	(189,503)
Proceeds from sale of financial assets		350,629	208,464
Dividends received		4,266	4,057
Interest received		119	61
Management fees paid		(2,242)	(2,333)
Other expenses paid		(1,080)	(1,232)
Income tax paid		(5,373)	(11,856)
Net cash from operating activities		46,902	7,658
Cash flows from financing activities			
Dividends paid - net of dividend reinvestment plan	7	(19,998)	(3,241)
Proceeds from issue of shares in relation to unclaimed dividends	8	262	-
Net cash from/(used in) financing activities		(19,736)	(3,241)
Net increase in cash and cash equivalents		27,166	4,417
Cash and cash equivalents at the beginning of the half-year		57,363	40,283
Effects of exchange rate changes on cash and cash equivalents		2,164	(1,848)
Cash and cash equivalents at the end of the half-year		86,693	42,852

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 2018

Note 1 Basis of Preparation of the Interim Financial Report

These financial statements for the interim reporting period ended 31 December 2018 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 interim reporting period ended 31 December 2018 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 2018 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 adopted for the interim reporting period ended 31 December 2018

The following Australian Accounting Standards have been adopted by the Company for the interim reporting period ended 31 December 2018 for the first time.

(a) New accounting standards and interpretations

Other than as noted below, there are no standards, interpretations or amendments to existing standards that are effective for the first time from 1 July 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(b) Adoption of AASB 9: *Financial Instruments* (and applicable amendments) ("AASB 9")

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also introduced revised rules around hedge accounting and impairment. The standard was applicable from 1 January 2018.

The Company adopted AASB 9 for reporting periods commencing 1 July 2018. AASB 9 replaces the classification and measurement model in AASB 139: *Financial Instruments: Recognition and Measurement* with a new model that classifies financial instruments based on the business model within which the financial instruments are managed, and whether the contractual cash flows under the instrument solely represent the payment of principal and interest.

Under the new standard, financial instruments are classified as:

- amortised cost if the objective of the business model is to hold the financial instruments to collect contractual cash flows and those cash flows represent solely payments of principal and interest (SPPI);
- fair value through other comprehensive income if the objective of the business model is to hold the financial instruments to collect contractual cashflows from SPPI and to sell; or
- all other financial instruments must be recognised at fair value through profit or loss. An entity can, at initial recognition, also irrevocably designate a financial instrument as measured at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

AASB 9 has been applied retrospectively by the Company and did not result in a change to the classification or measurement of financial instruments, given no debt instruments are held by the Company, which could result in a reclassification of the financial instruments to amortised cost or fair value through other comprehensive income ("FVOCI"). The derecognition rules have not been changed from previous requirements and the Company does not apply hedge accounting.

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2018

Note 1 Basis of Preparation of the Interim Financial Report (continued)

Financial instruments

Classification

The Company classifies its investments based on its business model for managing those investments and their contractual cash flow characteristics. The Company's portfolio of financial assets and financial liabilities are managed and performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company evaluates the information about its investments on a fair value basis together with other related financial information.

For equity securities, derivatives and foreign currency forward contracts, the contractual cash flows held by the Company are not comprised of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

Recognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in the fair value of financial assets or financial liabilities from this date.

Investments are derecognised when the contractual right to receive cash flows from the investments have expired or have been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures financial assets and financial liabilities at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within "net (losses)/gains on equities/derivatives" and "net (losses) on foreign currency forward contracts" in the period in which they arise.

For further details on how the fair values of financial instruments are determined, please refer to Note 11.

(c) *Adoption of 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.

AASB 15 has been applied retrospectively by the Company and did not result in a material change in revenue recognition for the Company.

Accounting Standards and Interpretations not yet mandatory or early adopted for the 31 December 2018 reporting period

There are no standards and interpretations 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.

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2018

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 asset/(liability) figure in the statement of financial position is comprised of:

	31 Dec 18	As at 30 Jun 18
	\$'000	\$'000
Deferred tax asset/(liability) on investments	2,467	(9,175)
Deferred tax liability on dividends accrued	(9)	(619)
Deferred tax asset impact on expense accruals	39	45
Deferred tax asset impact on costs associated with the Initial Public Offer	371	742
Deferred tax asset/(liability)	<u>2,868</u>	<u>(9,007)</u>

At 31 December 2018, the Company is in a deferred tax asset position and this is predominantly because the Company has unrealised losses on investments of \$8,223,000 (30 June 2018: unrealised gains of \$30,585,000). The tax impact of these unrealised losses is \$2,467,000 (30 June 2018: deferred tax liability of \$9,175,000) and this forms a major part of the overall deferred tax asset at 31 December 2018 (30 June 2018: 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/(payable)

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

	31 Dec 2018	As at 30 June 2018
	\$'000	\$'000
Current income tax provision (before foreign tax credits)	(436)	(23,554)
Foreign tax credits utilised	336	1,136
Current income tax provision	<u>(100)</u>	<u>(22,418)</u>
Income tax instalments paid	2,564	19,619
Income tax receivable/(payable)	<u>2,464</u>	<u>(2,799)</u>

The "31 Dec 2018" column shows the tax provision and instalments for the 6 month period from 1 July 2018 to 31 December 2018. The "30 June 2018" shows the tax provision and instalments for the 12 months period from 1 July 2017 to 30 June 2018.

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

Equity securities	279,949	372,784
Derivatives	128	87
Foreign currency forward contracts	2,273	-
	<u>282,350</u>	<u>372,871</u>

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

Derivatives	515	-^
Foreign currency forward contracts	3,073	-
	<u>3,588</u>	<u>-</u>

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

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2018

Note 5. Retained earnings

	As at	
	31 Dec 2018	30 June 2018
	\$'000	\$'000
Opening Balance as at 1 July 2018 (1 July 2017)	(9,049)	(9,049)
(Loss)/profit after income tax benefit/(expense) for the half-year/year	(26,719)	51,478
Transfer of profit after tax to the dividend profit reserve (see Note 6(b))*	-	(51,478)
Retained earnings at the end of the half-year/year	<u>(35,768)</u>	<u>(9,049)</u>

*The current period loss after tax (together with any prior period losses) comprised the retained earnings balance and have not been transferred to the dividend profit reserve.

Note 6. Reserves

Summary of Reserve Balances

	As at	
	31 Dec 2018	30 June 2018
	\$'000	\$'000
Capital reserve	7,934	7,934
Dividend profit reserve	51,070	72,670
Closing Balance	<u>59,004</u>	<u>80,604</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.

(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. The current period loss after tax was not transferred to the dividend profit reserve.

	As at	
	31 Dec 18	30 Jun 18
	\$'000	\$'000
Opening balance 1 July 2018 (1 July 2017)	72,670	39,151
Transfer of operating profit after tax from retained earnings	-	51,478
Dividends paid (see Note 7)*	(21,600)	(17,959)
Closing Balance	<u>51,070</u>	<u>72,670</u>

*Dividends are paid out of the dividend profit reserve. Subsequent to 31 December 2018, the 2019 interim fully-franked dividend of 2 cents per share will be paid out of the reserve. The balance in the dividend profit reserve after the payment of 2019 interim dividend will be \$43,839,000 (or 12.12 cents per share, based on the current shares on issue).

Note 7. Dividends

Dividends paid

Dividends paid during the half-year were as follows:

	Half-year ended	
	31 Dec 18	31 Dec 17
	\$'000	\$'000
Final dividend paid for the 2017 financial year (1 cent per ordinary share)	-	3,590
Final dividend paid for the 2018 financial year (6 cents per ordinary share)	21,600	-
	<u>21,600</u>	<u>3,590</u>

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2018

Note 7. Dividends (continued)

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

	Half-year ended	
	31 Dec 18	31 Dec 17
	\$'000	\$'000
Gross dividends (paid) (from above)	(21,600)	(3,590)
Less increase in unclaimed dividends payable	33	173
Less dividend reinvestment plan allotment (see Note 8)	1,569	176
Dividends (paid) - net of dividend re-investment plan	<u>(19,998)</u>	<u>(3,241)</u>

Dividends not recognised at half-year end

On 26 February 2019, the Directors declared the payment of the 2019 interim fully-franked dividend of 2 cents per fully paid ordinary share. The aggregate amount of the dividend expected to be paid on 25 March 2019, but not recognised as a liability at half-year-end, is \$7,231,000. The ability of the Company to pay an interim fully-franked dividend of more than 2 cents per share is constrained by the fact that the Company did not generate sufficient realised gains for the half-year.

Note 8. Issued capital

Shares on issue as at 31 December 2018 (and 30 June 2018) were as follows:

	31 Dec 18	31 Dec 18	30 Jun 18	30 Jun 18
	Shares	\$'000	Shares	\$'000
Ordinary shares - fully paid	361,558,324	349,952	360,003,594	348,121

Movements in ordinary share capital during the half-year were as follows:

Details	Date	Shares	\$'000
31 December 2018			
Opening balance	1 July 2018	360,003,594	348,121
Dividend reinvestment plan (a)	17 Sep 2018	1,329,880	1,569
Reinvestment of unclaimed dividends (b)	26 Sep 2018	224,850	262
Closing balance	31 December 2018	<u>361,558,324</u>	<u>349,952</u>
31 December 2017			
Opening balance	1 July 2017	359,041,623	346,942
Dividend reinvestment plan (a)	13 Sep 2017	172,549	176
Closing balance	31 December 2017	<u>359,214,172</u>	<u>347,118</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.

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.

Platinum Asia Investments Limited
Notes to the financial statements
31 December 2018

Note 8. Issued capital (continued)

Rights issue or share buy-back

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

Note 9. Earnings per share

	Half-year ended	
	31 Dec 18	31 Dec 17
	\$'000	\$'000
(Loss)/profit after income tax attributable to the owners of Platinum Asia Investments Limited	(26,719)	53,482
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	360,886,527	359,144,777
	Cents	Cents
Basic earnings per share	(7.40)	14.89
Diluted earnings per share	(7.40)	14.89

Note 10. Statement of Post-Tax Net Tangible Asset Backing

	As at	
	31 Dec 18	30 Jun 18
	\$'000	\$'000
Reconciling Post-Tax Net Tangible Asset backing in accordance with Australian Accounting Standards to that reported to the ASX		
Post-tax Net Tangible Asset backing per Statement of Financial Position	373,188	419,676
Realisation costs and accruals*	(714)	(909)
Deferred income tax asset on realisation costs	214	272
Deferred income tax asset and income tax receivable not recognised in Net Tangible Asset backing **	(5,549)	-
Post-tax Net Tangible Asset Backing as reported to the ASX	367,139	419,039

Post-tax Net Tangible Asset backing at 31 December 2018 was \$1.0154 per share (30 June 2018: \$1.1640).

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

**At 31 December 2018, 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 and income tax receivable were not recognised.

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 through profit or loss, using the following fair value hierarchy model (consistent with the hierarchy model applied to financial assets and liabilities at 30 June 2018):

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.

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Note 11. Fair value measurement (continued)

The tables below detail the Company's assets and liabilities, measured or disclosed at fair value through profit or loss, using the three level hierarchy model as at 31 December 2018. The Company had no assets or liabilities that were classified as level 3.

As at 31 Dec 18	Level 1 \$'000	Level 2 \$'000	Total \$'000
Assets			
Equity securities	246,750	33,199	279,949
Derivatives	-	128	128
Foreign currency forward contracts	-	2,273	2,273
Total assets	246,750	35,600	282,350
Liabilities			
Derivatives	19	496	515
Foreign currency forward contracts	-	3,073	3,073
Total liabilities	19	3,569	3,588

As at 30 Jun 18	Level 1 \$'000	Level 2 \$'000	Total \$'000
Assets			
Equity securities	341,140	31,644	372,784
Derivatives	87	-	87
Foreign currency forward contracts	-	-	-
Total assets	341,227	31,644	372,871
Liabilities			
Derivatives [^]	-	-	-
Foreign currency forward contracts	-	-	-
Total liabilities	-	-	-

[^] Derivatives were \$32 at 30 June 2018 and rounded down to nil. These were level 2 investments.

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 through profit or loss during the period.

Rationale for classification of assets and liabilities as level 1

At 31 December 2018, 88% 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.

Fair value of non-financial instruments

Due to their short-term nature, the carrying amount of receivables and payables were assumed to approximate their fair value.

Platinum Asia Investments Limited
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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% (2017: 1.1%) per annum of the adjusted portfolio value (which includes cash and deposits).

In the event of termination, after the initial 10 year term has expired, the Investment Manager will be eligible to receive a 1.1% lump sum termination fee of the adjusted portfolio value (which includes cash and deposits) on the termination date.

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.

At 31 December 2018, pre-tax performance of the portfolio was negative 8.92% and the corresponding MSCI was negative 5.64%. This represents an underperformance of 3.28% against the MSCI for the current half-year. The brought forward prior year underperformance from 30 June 2018 was 2.66% and this means that total aggregate underperformance of 5.94% needs to be recovered before a performance fee will be paid.

Management fees paid and payable for the half-year ended 31 December 2018 is shown below:

	Half-year ended	
	31 Dec 18	31 Dec 17
	\$	\$
Management fee paid	1,845,829	1,971,351
Management fee payable	339,080	420,537
	2,184,909	2,391,888

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

At 31 December 2018, PIML held 30 million ordinary shares in the Company, which represents an interest of 8.3% of the Company's ordinary shares. At 31 December 2018, the shares were valued at \$1.07 per share (30 June 2018: \$1.26 per share). During the period, PIML received a fully-franked dividend of \$1,800,000 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 tables below and on the following page present Non-Executive Directors remuneration including superannuation paid and payable for the half-year ended 31 December 2018 and 31 December 2017.

31 December 2018

Director	Cash Salary	Superannuation	Total
	(\$)	(\$)	(\$)
Margaret Towers	30,000	2,850	32,850
Ian Hunter	27,500	2,612	30,112
Malcolm Halstead	27,500	2,612	30,112
	85,000	8,074	93,074

Platinum Asia Investments Limited
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Note 13. Related party transactions (continued)

31 December 2017

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

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

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:

	Half-year ended	
	31 Dec 18	31 Dec 17
	\$	\$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit and review of the financial statements	51,308	49,850
<i>Other services - PricewaterhouseCoopers</i>		
Taxation services	19,398	12,501
	<u>70,706</u>	<u>62,351</u>

Note 15. Contingent liabilities

No contingent liabilities exist as at 31 December 2018. 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

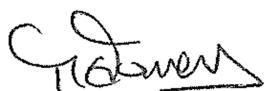
Apart from the dividend declared on 26 February 2019, as set out in Note 7 and the Directors' report, no other significant matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

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 2018 and of its performance for the 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



Margaret Towers
Chairperson



Ian Hunter
Director

26 February 2019
Sydney



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 2018, 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 other 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 2018 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 2018 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*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Company for the half-year ended 31 December 2018 included on Platinum Asia Investments Limited's web site. The Company's directors are responsible for the integrity of the Platinum Asia Investments Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Simon Cuthbert'.

Simon Cuthbert
Partner

Sydney
26 February 2019