

ELLERSTON ASIAN INVESTMENTS LIMITED

ACN 606 683 729

23 February 2021

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

HALF YEAR RESULTS

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

1. Appendix 4D Statement for the half year ended 31 December 2020; and
2. Interim Financial Report for the half year ended 31 December 2020.

Yours sincerely



Ian Kelly
Company Secretary

Appendix 4D

Half Year Report for the period ended 31 December 2020

Details of the reporting period

Current Period: 1 July 2020 to 31 December 2020

Previous Corresponding Period: 1 July 2019 to 31 December 2019

Results for announcement to the market

	Current period AUD (\$)	% Change from the corresponding period
Revenue from ordinary activities	24,728,436	70.16%
Profit/(loss) after tax from ordinary activities	17,117,143	83.24%
Net profit/(loss) after tax for the period attributable to ordinary shareholders	17,117,143	83.24%

Over the 6 months to 31 December 2020, the portfolio returned net 15.16% (before all taxes) compared to the benchmark MSCI AC Asia Ex Japan (AUD) Index which returned 15.92% for the corresponding period.

Period	EAI Portfolio Return Pre-tax*	MSCI AC Asia Ex Japan (AUD) Index
6 Months	15.16%	15.92%
1 Year	12.36%	11.57%
3 Years p.a.	8.50%	6.19%
Since inception p.a.	8.62%	9.06%

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

Dividend Information

Interim dividend declared

2.5 cents per fully paid ordinary share

Fully franked at the tax rate of 26%

From the Dividend Profit Reserve account

Interim dividend dates:

Ex-dividend date

11 March 2021

Record date

12 March 2021

Payment date

07 April 2021

Details of dividend reinvestment plan (DRP)

The Board of the Company has determined that in relation to the 2020 interim dividend the DRP will not apply.

Net tangible assets (NTA) per ordinary share

	Current period AUD (\$)	Previous corresponding period AUD (\$)
NTA before all taxes (i)**	1.3014	1.2064
NTA after realised tax (ii)	1.2736	1.2056
NTA after tax	1.2429	1.1710

(i) All figures are after the payment of dividends and taxes. The current period NTA is after dividends paid of 2.5 cents per share and after tax paid of 0.0 cents per share over the 6 months to 31 December 2020.

(ii) Net Tangible Assets after realised tax includes a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax line.

** The EAI return calculation for 1 year to 31 December 2020 is as follows: Closing NTA before all taxes 1.3014 + tax paid 0.0093 + dividends (including return on investment) 0.04448 = 1.3555 less Opening NTA before all taxes 1.2064 = 12.36%

Control gained or lost over entities during the period

N/A

Details of associates and joint venture entities

The Company did not have any interest in any associates or joint venture entities during both the current period and the previous corresponding period.

Accounting standards used by foreign entities

N/A – The Company is an Australian Entity.

Qualification of review

The interim report for the period ended 31 December 2020 is not subject to review dispute or qualification.



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Ian Kelly
Company Secretary

23 February 2021

Ellerston Asian Investments Limited

ASX: EAI

ABN 82 606 683 729

Interim Report

For the half-year ended 31 December 2020

For personal use only

Ellerston Asian Investments Limited

ASX: EAI

ABN 82 606 683 729

Interim Report

For the half-year ended 31 December 2020

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The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the period ended 30 June 2020 and any public announcements made by Ellerston Asian Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

The directors of Ellerston Asian Investments Limited (the "Company") present their report together with the financial statements of the Company for the half-year ended 31 December 2020.

Directors

The following persons were directors of the Company during the period and up to the date of this report:

NAME	DIRECTORSHIP	APPOINTED
Bill Best	Independent Non-Executive Director, Chairman	14 December 2018
Sam Brougham	Independent Non-Executive Director	23 July 2015
Paul Dortkamp	Independent Non-Executive Director	25 June 2015
Marian Carr	Independent Non-Executive Director	01 December 2020

Company Secretary

The following person was Company Secretary during the period and up to the date of this report:

NAME	APPOINTED
Ian Kelly	25 June 2015

Ian Kelly, BA LLB (Hons)

Ian Kelly has been the Company Secretary of Ellerston Asian Investments Limited for 6 years. He has been a practising solicitor for over 12 years.

Principal activities

The Company is a listed investment company (ASX: EAI) established to construct a concentrated portfolio of between 20 to 50 Asian securities.

Review and results of operations

Beginning in January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Company's performance.

The operating results of the Company for the half-year ended on 31 December 2020 and 31 December 2019 are:

	Half-year ended	
	31 December 2020	31 December 2019
	\$	\$
Net profit before income tax	22,803,498	12,742,598
Net profit after income tax	17,117,143	9,341,323

Directors' Report (continued)

Review and results of operations (continued)

	As of	
	31 December 2020	31 December 2019
	\$	\$
Net tangible assets per share (NTA)		
- before tax (i)**	1.3014	1.2064
Net tangible assets per share (NTA)		
- after realised tax (ii)	1.2736	1.2056
Net tangible assets per share (NTA)		
- after tax	1.2429	1.1710

The Net Tangible Assets as at 31 December 2020 is based on fully paid ordinary shares of 131,840,696 (31 December 2019: 137,681,445).

- (i) During the period ended 31 December 2020 dividends of 2.50 cents per share (31 December 2019: 1.50 cents per share) and tax of 0.00 cents per share (31 December 2019: 0.30 cents per share) were paid.
- (ii) Net Tangible Assets after realised tax includes tax paid and a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax line.

For the 12 month period to 31 December 2020, the Company returned 12.36% (December 2019: 24.09%) on a before-tax basis and 10.65% (December 2019: 17.33%) on an after-tax basis, while the return of its benchmark MSCI AC Ex-Japan Index (AUD) was 11.57% (December 2019: 15.54%).

For the half-year to 31 December 2020, the Company returned 15.16% (December 2019: 8.99%) on a before-tax basis and 11.54% (December 2019: 6.78%) on an after-tax basis, while the return of its benchmark MSCI AC Asia Ex-Japan (AUD) was 15.92% (December 2019: 5.28%).

On 11 September 2020, the Company announced a renewal of its on-market buy-back as part of its ongoing capital management program of up to 10% of its shares, commencing on 27 September 2020 and continuing until 26 September 2021 unless the maximum number of shares are bought back prior to this date or EAI decides to cease the buy-back. Since 27 September 2020, a total of 21,500 shares had been bought back. Please refer to Note 10 Issued Capital for further details.

Strategy and future outlook

The Company is predominantly invested in equities, with a focus upon the equities of Asian domiciled companies. The Company will continue to pursue its objective of generating superior returns for shareholders over time, with a focus on risk management and capital preservation.

Dividends

On 23 February 2021, the directors declared an interim dividend of 2.5 cent per fully paid ordinary share, fully franked at the 26.0% corporate tax. This dividend will have a record date of 12 March 2021 and will be paid to shareholders on 7 April 2021. The Dividend Reinvestment Plan (DRP) will not operate in conjunction with these dividends.

On 26 August 2020, the directors declared a fully franked dividend of 2.5 cents per fully paid ordinary share of \$3,296,554, which was paid to the shareholders on 2 October 2020.

More details of dividend payments are provided under Note 3 on page 12 of the report.

Directors' Report (continued)

Dividend Profit Reserve

The Company may transfer any current year or prior period accumulated profits not distributed as dividends to a Dividend Profit Reserve. Doing so facilitates the payment of future dividends, rather than maintaining these profits within retained earnings.

On 26 August 2020, the directors resolved to transfer approximately \$4,167,143 to the dividend profit reserve which equates to 3.2 cents per share.

The balance of the dividend profit reserve as of 31 December 2020 is \$7,910,962 (30 June 2020: \$7,040,373) which is 6.00 cents per share (30 June 2020: 5.33 cents per share).

Significant changes in the state of affairs

In the opinion of the directors, other than what is noted in the 'Review and results of operations' and 'Strategy and future outlook', there were no other significant changes in the state of affairs of the Company that occurred during the half-year ended 31 December 2020.

Matters subsequent to the end of the interim period

Other than the dividends declared as mentioned in the dividends section, no other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

- (i) the operations of the Company in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Company in future financial years.

Likely developments and expected results of operations

The Company provides monthly updates and daily NTA estimate announcements, which can be found in the announcements section of the ASX website and in the Ellerston Asian Investments Limited section of the Ellerston Capital website, <https://ellerstoncapital.com/listed-investment-companies/ellerston-asian-investments>."

As markets continue to be subject to fluctuations, it is neither possible to accurately forecast the investment returns of the Company nor to provide a detailed outlook on the Company's future operations.

Rounding of amounts to the nearest dollar

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 5.

Signed in accordance with a resolution of the directors.



Bill Best
Chairman

23 February 2021



**Building a better
working world**

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Auditor's independence declaration to the directors of Ellerston Asian Investments Limited

As lead auditor for the review of the half-year financial report of Ellerston Asian Investments Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young

Rita Da Silva
Partner
23 February 2021

Statement of Comprehensive Income

		Half-year ended	
		31 December 2020	31 December 2019
	Notes	\$	\$
Investment income			
Interest income from financial assets measured at amortised cost		3,636	27,664
Dividend income		1,050,232	1,423,494
Net foreign exchange gains		229,750	317,703
Net changes in fair value of financial assets and liabilities at fair value through profit or loss		23,403,291	12,763,548
Other income		41,527	-
Total net investment income		24,728,436	14,532,409
Expenses			
Directors fees		45,375	45,375
Management and performance fees	13	692,194	671,895
Custody and administration fees		67,650	63,690
Audit and tax fees		27,417	27,417
Registry fees		25,625	25,625
Transaction costs		817,811	769,603
Withholding taxes		168,954	141,986
ASX fees		30,792	33,530
Other expenses		49,120	10,690
Total operating expenses		1,924,938	1,789,811
Net profit before income tax		22,803,498	12,742,598
Income tax expense		(5,686,355)	(3,401,275)
Net profit after income tax		17,117,143	9,341,323
Other comprehensive income/(loss)		-	-
Total comprehensive income		17,117,143	9,341,323
Basic and diluted earnings per share (cents)	11	12.98	6.63

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

Statement of Financial Position

		As at	
	Notes	31 December 2020 \$	30 June 2020 \$
Current assets			
Cash and cash equivalents	9	16,574,458	25,232,232
Receivables		326,089	499,104
Due from brokers		3,276,861	6,016,738
Financial assets at fair value through profit or loss	6	157,874,506	121,726,167
Total current assets		178,051,914	153,474,241
Total assets		178,051,914	153,474,241
Current liabilities			
Payables		127,715	140,648
Management and performance fees payable	13	115,450	680,631
Due to brokers		5,592,387	143,453
Current tax liability		3,672,683	123,088
Financial liabilities at fair value through profit or loss	7	634,917	275,348
Total current liabilities		10,143,152	1,363,168
Non-current liabilities			
Deferred tax liability		4,040,408	1,903,649
Total non-current liabilities		4,040,408	1,903,649
Total liabilities		14,183,560	3,266,817
Net assets		163,868,354	150,207,424
Equity			
Issued capital	10	131,001,500	131,161,159
Retained earnings		24,955,892	12,005,892
Dividend profit reserve	8	7,910,962	7,040,373
Total equity		163,868,354	150,207,424

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

Statement of Changes in Equity

	Notes	Issued capital \$	Retained earnings/ (losses) \$	Dividend profit reserve \$	Total \$
Balance as at 1 July 2020		131,161,159	12,005,892	7,040,373	150,207,424
Total comprehensive income for the period		-	17,117,143	-	17,117,143
Shares bought back	10	(159,659)	-	-	(159,659)
Transfer to dividend profit reserve account	8	-	(4,167,143)	4,167,143	-
Total dividends paid	8	-	-	(3,296,554)	(3,296,554)
Balance as at 31 December 2020	10	<u>131,001,500</u>	<u>24,955,892</u>	<u>7,910,962</u>	<u>163,868,354</u>
Balance as at 1 July 2019		143,201,805	5,920,304	11,177,902	160,300,011
Total comprehensive income for the period		-	9,341,323	-	9,341,323
Shares bought back	10	(6,288,921)	-	-	(6,288,921)
Total dividends paid	8	-	-	(2,126,500)	(2,126,500)
Balance as at 31 December 2019	10	<u>136,912,884</u>	<u>15,261,627</u>	<u>9,051,402</u>	<u>161,225,913</u>

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

Statement of Cash Flows

	Half-year ended	
	31 December 2020	31 December 2019
Notes	\$	\$
Cash flows from operating activities		
Purchase of financial instruments at fair value through profit or loss	(145,321,764)	(123,901,391)
Proceeds from sale of financial instruments at fair value through profit or loss	138,635,872	121,546,330
Amounts transferred from brokers as collateral	2,739,877	851,283
Dividends received	1,163,577	1,575,133
Interest received	3,636	29,519
Other income received	41,527	58,106
Income tax paid	-	(485,223)
Management and performance fees paid	(1,257,375)	(555,001)
Custody and administration fees paid	(67,650)	(77,159)
Transaction costs paid	(817,811)	(769,603)
Other expenses paid	(325,533)	(259,647)
Net cash (outflow) from operating activities	(5,205,644)	(1,987,653)
Cash flows from financing activities		
Dividends paid	(3,296,554)	(2,126,500)
Shares bought back	(134,674)	(6,185,763)
Net cash (outflow) from financing activities	(3,431,228)	(8,312,263)
Net (decrease) in cash and cash equivalents	(8,636,872)	(10,299,916)
Cash and cash equivalents at the beginning of the period	25,232,232	18,145,096
Effect of foreign currency exchange rate changes on cash and cash equivalents	(20,902)	(76)
Cash and cash equivalents at the end of the period	16,574,458	7,845,104

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

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1 General information

This interim report is for Ellerston Asian Investments Limited (the "Company") for the half-year ended 31 December 2020.

The Company was incorporated and registered on 25 June 2015 and commenced trading on the Australian Stock Exchange ("ASX") on 15 September 2015.

The Company is a for-profit entity limited by shares, incorporated and domiciled in Australia. Its shares (ASX code: EAI) are publicly traded on the ASX.

The interim report was authorised for issue by the directors on 23 February 2021. The directors have the power to amend and reissue the interim report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the previous financial year, unless otherwise stated in the following text.

(a) Basis of preparation

This half-yearly interim report as at 31 December 2020 is a general purpose financial report and has been prepared in accordance with the *Corporations Act 2001*, AASB 134: *Interim Financial Reporting* and other applicable disclosure requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

The interim financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. This interim report is presented in Australian dollars, unless otherwise noted.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the Company's annual report for the period ended 30 June 2020 and public announcements made in respect of the Company during the half-year ended 31 December 2020 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Company is a for-profit entity for the purpose of preparing interim financial statements.

(b) Changes in accounting standards

The significant accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the Company's financial statements for the year ended 30 June 2020.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the half-year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(c) New standards, amendments and interpretations effective after 1 January 2021 and have not been early adopted

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2021 that have a material impact on the Company.

(d) Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying

2 Summary of significant accounting policies (continued)

(d) Critical accounting estimates and judgements (continued)

values of assets and liabilities. As such, actual results could differ from those estimates. The Company's significant accounting estimates and judgements include fair value measurement of financial assets and financial liabilities that are not traded in an active market. Details on the determination of fair value are provided on note 5(ii).

(e) Comparative disclosures

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

3 Dividends

Dividends are recognised during the period when declared.

	Half-year ended			
	31 December 2020		31 December 2019	
	CPS	\$	CPS	\$
Paid - 2 October 2020 (4 October 2019)				
Fully franked at 26.0% tax rate (2019: 27.5%)	2.50	3,296,554	1.50	2,126,500
Amount of dividends reinvested		-		-
Amount of cash dividends paid		3,296,554		2,216,500

Dividend profit reserve

To the extent that any current period profits or prior period accumulated profits are not distributed as dividends, the Company may set aside some or all of the undistributed profits to a separate dividend profit reserve, to facilitate the payment of future dividends, rather than maintaining these profits within retained earnings. For further information refer to note 8.

4 Segment information

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

The Company operates in one business segment being equity investment, and in one geographic segment, Australia, however the Company has foreign exposures as it invests in companies which operate internationally.

5 Fair value measurement

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

- Equity securities
- Derivatives

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy;

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

5 Fair value measurement (continued)

- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last traded prices.

The Company values its investments in accordance with the Company's accounting policies. For the majority of its investments, the Company relies on information provided by independent pricing services for the valuation of its investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Company would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

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

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

5 Fair value measurement (continued)

Recognised fair value measurement

The table below sets out the Company's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy as at 31 December 2020 and 30 June 2020.

As at 31 December 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity securities	156,826,652	-	-	156,826,652
Derivatives	-	1,047,854	-	1,047,854
Total financial assets at fair value through profit or loss	156,826,652	1,047,854	-	157,874,506
Financial liabilities at fair value through profit or loss				
Derivatives	-	634,917	-	634,917
Total financial liabilities at fair value through profit or loss	-	634,917	-	634,917
 As at 30 June 2020	 Level 1 \$	 Level 2 \$	 Level 3 \$	 Total \$
Financial assets at fair value through profit or loss				
Equity securities	121,004,392	-	-	121,004,392
Derivatives	-	721,775	-	721,775
Total financial assets at fair value through profit or loss	121,004,392	721,775	-	121,726,167
Financial liabilities at fair value through profit or loss				
Derivatives	-	275,348	-	275,348
Total financial liabilities at fair value through profit or loss	-	275,348	-	275,348

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(i) Transfers between levels

There were no transfers between levels in the fair value hierarchy for the half-year ended 31 December 2020 and year ended and 30 June 2020.

(ii) Fair value measurements using significant unobservable inputs (level 3)

There were no investments classified as level 3 within the Company as at 31 December 2020 and 30 June 2020.

(iii) Fair values of other financial instruments

Due to their short-term nature, the carrying amounts of cash and cash equivalents, receivables and payables approximate fair value.

6 Financial assets at fair value through profit or loss

	As at	
	31 December 2020	30 June 2020
	\$	\$
Financial assets at fair value through profit or loss		
Equity securities	156,826,652	121,004,392
Derivatives	<u>1,047,854</u>	<u>721,775</u>
Total financial assets at fair value through profit or loss	<u>157,874,506</u>	<u>121,726,167</u>

7 Financial liabilities at fair value through profit or loss

	As at	
	31 December 2020	30 June 2020
	\$	\$
Financial liabilities at fair value through profit or loss		
Derivatives	<u>634,917</u>	<u>275,348</u>
Total financial liabilities at fair value through profit or loss	<u>634,917</u>	<u>275,348</u>

8 Dividend profit reserve

	As at	
	31 December 2020	30 June 2020
	\$	\$
Movements in Dividend Profit Reserve		
Balance at the beginning of the period	7,040,373	11,177,902
Transferred from current year profits	4,167,143	-
Payment of dividend	<u>(3,296,554)</u>	<u>(4,137,529)</u>
Closing balance at the end of the period	<u>7,910,962</u>	<u>7,040,373</u>

On 26 August 2020, the Directors resolved to transfer \$4,167,143 (2019:nil) to the dividend profit reserve to pay 3.2 cents per share dividend that was declared on 26 August 2020.

9 Cash and cash equivalents

	As at 31 December 2020	30 June 2020
	\$	\$
Cash at bank and custodian	15,681,132	24,339,822
Deposits at call	893,326	892,410
Total cash and cash equivalents	16,574,458	25,232,232

10 Issued capital

	As at 31 December 2020	
	No. of Securities	\$
Ordinary		
Opening balance - 1 July 2020	132,001,369	131,161,159
Shares bought back during the year	(160,673)	(159,659)
Total issued capital - fully paid ordinary shares	131,840,696	131,001,500
Total issued capital	131,840,696	131,001,500

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

(a) Terms and conditions

(i) Ordinary shares

Fully paid ordinary shares entitle the holder to receive dividends as declared and the proceeds on winding up the Company in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

On 9 September 2019, the Company announced a renewal of its on-market buy-back as part of its ongoing capital management program of up to 10% of its shares, commenced 27 September 2019 and continuing until 26 September 2020 unless the maximum number of shares are bought back prior to this date or EAI decides to cease the buy-back. During this period, the Company had bought back 9,249,428 shares in total, 7.01% of its issued ordinary shares.

10 Issued capital (continued)

(a) Terms and conditions (continued)

(i) Ordinary shares (continued)

On 11 September 2020, the Company announced a renewal of its on-market buy-back as part of its ongoing capital management program of up to 10% of its shares, commencing on 27 September 2020 and continuing until 26 September 2021 unless the maximum number of shares are bought back prior to this date or EAI decides to cease the buy-back. During the six months to 31 December, the Company had bought back 160,673 shares in total, 0.12% of its issued ordinary shares.

11 Earnings per share

	Half-year ended	
	31 December 2020	31 December 2019
Basic earnings per share (cents)	12.98	6.63
Diluted earnings per share (cents)	12.98	6.63
Weighted average number of ordinary shares		
Weighted average number of ordinary shares on issue used in calculating basic earnings per share	<u>131,862,696</u>	<u>140,982,130</u>
Weighted average number of ordinary shares on issue used in calculating diluted earnings per share	<u>131,862,696</u>	<u>140,982,130</u>
Earnings reconciliation		
Net profit after income tax used in the calculation of basic and diluted earnings per share (\$)	<u>17,117,143</u>	<u>9,341,323</u>

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on exercise of any options during the period.

12 Net tangible assets per share

	As at	
	31 December 2020	30 June 2020
	\$	\$
Net tangible assets per share		
Net Tangible Assets before all taxes (i)	1.3014	1.1533
Net Tangible Assets after realised tax (ii)	1.2736	1.1523
Net Tangible Assets after tax	1.2429	1.1379

The Net Tangible Assets as at 31 December 2020 is based on fully paid ordinary shares of 131,840,696 (June 2020: 132,001,369).

12 Net tangible assets per share (continued)

(i) All figures are after the payment of dividends and taxes. During the year ended 31 December 2020 dividends of 2.50 cents per share (30 June 2020: 3 cents per share) and tax of 0.30 cents per share (30 June 2020: 0.81 cents per share) were paid.

(ii) Net Tangible Assets after realised tax includes tax paid and a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax.

13 Management and performance fees

Under the Management Agreement, dated 27 July 2015, the Company must pay the Investment Manager a Management Fee as determined with respect to the scale set out below based on the pre tax net asset value of the Investment Portfolio.

For the first AUD\$50 million of net asset value the Investment Manager is entitled to 0.95% Management Fees per annum.

Any amount by which the net asset value exceeds AUD\$50 million the Investment Manager is entitled to 0.75% Management Fees per annum.

The Management Fee is calculated exclusive of GST and accrued each month and paid monthly in arrears.

In addition, the Investment Manager will be entitled to receive a Performance Fee from the Company equal to 15% (plus GST) of the amount by which the Investment Portfolio's pre tax return exceeds the return of the MSCI AC Asia Ex Japan Index (\$AUD), calculated and accrued monthly and paid annually in arrears.

A Performance Fee will be payable only if the Investment Portfolio's pre tax return exceeds the return of the MSCI AC Asian Ex Japan Index (\$AUD) for the financial year, no Performance Fee will be payable in respect of that financial year and the negative Performance Fee amount will be carried forward to the following financial year or financial years until the negative performance has been recouped. For the half-year 31 December 2020, the Company has not accrued the performance fee (31 December 2019: nil) as the criteria for recognising performance fee were not met.

	31 December 2020	31 December 2019
	\$	\$
Management fees expense	692,194	671,895
Management fees payable	115,450	233,163

14 Contingent assets, liabilities and commitments

The Company has no material commitments, contingent assets or liabilities as at 31 December 2020 and 30 June 2020.

15 Events occurring after the reporting period

On 23 February 2021, the directors declared an interim dividend of 2.5 cent per fully paid ordinary share, fully franked at the 26.0% corporate tax rate. The dividend will have a record date of 12 March 2021 and will be paid to shareholders on 7 April 2021 from the Company's dividend profit reserve account. The Dividend Reinvestment Plan (DRP) will not operate in conjunction with this dividend.

No other significant events have occurred since the end of the reporting period and up to the date of this report which would impact on the financial position of the Company disclosed in the Statement of Financial Position as at 31 December 2020 or on the results and cash flows of the Company for the period ended on that date.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 18 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Bill Best
Chairman
23 February 2021

Independent auditor's review report to the members of Ellerston Asian Investments Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Ellerston Asian Investments Limited (the Company), which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

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

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva'.

Rita Da Silva
Partner
Sydney
23 February 2021

Corporate directory

Directors

Bill Best
Sam Brougham
Paul Dortkamp
Marian Carr

Company Secretary

Ian Kelly

Registered Office

c/- Ellerston Capital Limited
Level 11, 179 Elizabeth Street
SYDNEY NSW 2000

Auditor

Ernst & Young
Ernst and Young Centre
200 George Street
SYDNEY NSW 2000

Manager

Ellerston Capital Limited
ACN 110 397 674
Level 11, 179 Elizabeth Street
SYDNEY NSW 2000

Share Registry

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000

Securities Exchange Listing

ASX code (ordinary shares): EAI