Platinum®
ASIA INVESTMENTS LIMITED

Annual Report 2018

Platinum Asia Investments Limited

ABN 13 606 647 358

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

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Share Registrar
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
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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.platinumasia.com.au

Corporate Governance Statement
www.platinum.com.au/PlatinumSite/media/Find-a-form/pai_corp_gov.pdf

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Chairperson's Report

Highlights

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

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

Investment Performance[1]

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

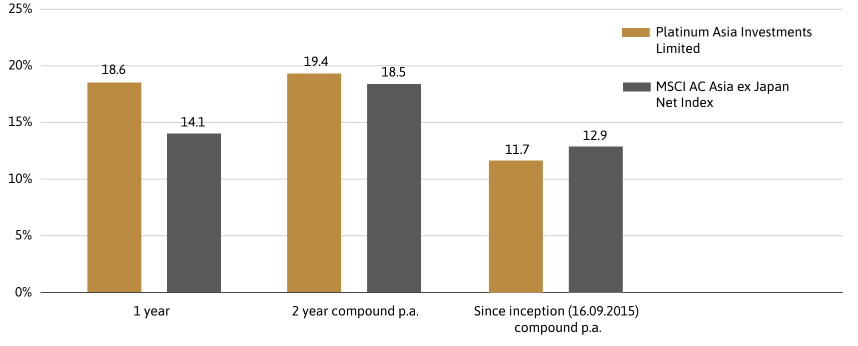
The investment manager has reported that the strongest performance came from those companies that are benefiting from the consumer trends of China's rising middle class, including, for example, healthcare and e-commerce stocks. The investment manager has re-positioned the portfolio more towards domestically-focused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

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

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

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

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



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

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

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

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

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

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

Chairperson's Report

Continued

Dividends

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

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

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

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

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

Proposal to Remove the Refund of Tax Paid on Franking Credits

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

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

Director Renewal and Change of Company Chairperson

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

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

Capital Management

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

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

– the management of the level of dividends to shareholders;

– the issue of shares by methods such as rights offers, share purchase plans or placements; and/or

– the use of share buy-backs.

Corporate Governance

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

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

Outlook for 2018-2019

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

Chairperson's Report

Continued

Finally

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

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

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

Margaret Towers

Chairperson

17 August 2018

Financial Statements 2018

Platinum Asia Investments Limited

General Information

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

Shareholder Information

30 June 2018

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

Distribution of ordinary shares

Analysis of number of ordinary shareholders by size of holding:

	NUMBER OF HOLDERS OF ORDINARY SHARES
1 to 1,000	204
1,001 to 5,000	1,304
5,001 to 10,000	1,583
10,001 to 100,000	5,344
100,001 and over	415
Total	8,850
Holding less than a marketable parcel (of $500)	75

Twenty largest shareholders

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

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

Shareholder Information

Continued

Substantial shareholders

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

	ORDINARY SHARES	
	NUMBER HELD	% OF TOTAL SHARES ISSUED
Platinum Investment Management Limited	30,000,000	8.35%^

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

Voting Rights

Ordinary shares

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

Distribution of Annual Report to Shareholders

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

Financial Calendar

Ordinary shares trade ex-dividend	24 August 2018
Record (books close) date for dividend	27 August 2018
Dividend paid	17 September 2018

These dates are indicative and may be changed.

Notice of Annual General Meeting (AGM)

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

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

Questions for the AGM

If you would like to submit a question prior to the AGM to be addressed at the AGM you may email your question to invest@platinum.com.au.

Investment Structure, Objectives and Methodology

30 June 2018

Investment Structure

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

– is closed-ended which means that the underlying portfolio can be managed without concern for the possibility of unplanned, fluctuating cashflows;

– is taxed at source and can therefore distribute any available profits to shareholders in the form of dividends, usually fully-franked; and

– has established a dividend profit reserve, which enables some smoothing of dividends, from year to year, at the discretion of the Board.

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

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

Investment Objectives

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

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

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

Investment Structure, Objectives and Methodology

Continued

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

Investment Methodology

The Investment Manager's index-agnostic investment approach has been well tested over many years through its management of the unlisted Platinum Trust Funds, which include 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 Investment Manager seeks a broad range of investments in the Asian Region ex Japan whose businesses and growth prospects are, in the Investment Manager's 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 Investment 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.

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

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

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

Managing Currency Exposures

Equity investments in the Asian Region ex Japan create an exposure to foreign currency fluctuations, which can change the value of the equity investments measured in the reporting currency of the Company's portfolio, which is the Australian dollar. It is part of the Investment Manager's investment strategy to assess the potential returns and risks created by currency exposures and to seek to position the portfolio with the aim of capturing those returns while minimising those risks. The aim is for the Company's portfolio to be exposed to the greatest extent possible to appreciating currencies and to minimise exposure to depreciating currencies. Accordingly, the level of the Company's hedging back into the Australian dollar will depend on the Investment 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 based on valuations and growth prospects, among other considerations, rather than predominantly from a currency perspective.

The Investment 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 Investment 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.

Directors' Report

30 June 2018

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

Directors

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

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

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

Principal Activities

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

Operating and Financial Review

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

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

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

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

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

Dividends

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

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

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

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

Directors' Report

Continued

Capital Management

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

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments and Expected Results of Operations

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

Environmental Regulation

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

Information on Directors

Margaret Towers CA, GAICD

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

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

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

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

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

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

Information on Company Secretary

Joanne Jefferies BCOM, LLB
Company Secretary since 17 October 2016.

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

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

Directors' Report

Continued

Meetings of Directors

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

	BOARD		AUDIT, RISK AND COMPLIANCE COMMITTEE	
	ATTENDED	HELD	ATTENDED	HELD
Margaret Towers (appointed 31 March 2018)	1	1	–	–
Bruce Coleman (until 31 March 2018)	3	3	3	3
Ian Hunter	4	4	3	3
Malcolm Halstead	4	4	3	3

Indemnity and Insurance of Directors or Officers

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

Indemnity and Insurance of Auditor

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

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

Non-Audit Services

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

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

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

– all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and

– none of the services undermine the general principles relating to auditor independence as set out in APES 110: *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board.

Rounding of Amounts

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 24.

Auditor

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

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

On behalf of the Directors

Margaret Towers
Chairperson

Ian Hunter
Director

17 August 2018
Sydney

Directors' Report

Continued

Remuneration Report (audited)

Executive Summary

– At any time during the year, the Company had no more than three key management personnel ("KMP").

– The aggregate annual remuneration paid by the Company to the two persons that occupied the position of Chairperson during the year was $65,700 (including superannuation).

– The remuneration paid by the Company to each of the other Non-Executive Directors was $60,225 (including superannuation).

– The Company does not pay bonuses to any of its Directors.

– Mr Coleman did not receive any termination payments.

Introduction

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

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

Key Management Personnel ("KMP")

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

NAME	POSITION
Margaret Towers	Chairperson and Non-Independent Non-Executive Director since 31 March 2018
Bruce Coleman	Chairperson and Non-Independent Non-Executive Director until 31 March 2018
Ian Hunter	Independent Non-Executive Director
Malcolm Halstead	Independent Non-Executive Director

Shareholders' Approval of the 2017 Remuneration Report

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

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

Principles, Policy and Components of Director's Remuneration

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

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

Directors received a fixed fee and mandatory superannuation.

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

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

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

Mr Coleman did not receive any termination payments.

Directors' Report

Continued

Remuneration for Directors

The table below presents amounts received by the Directors.

NAME	CASH SALARY $	SUPER-ANNUATION $	SHORT-TERM INCENTIVES $	LONG-TERM INCENTIVES $	TOTAL $
Margaret Towers					
Period from 1/4/2018 to 30/6/2018	15,000	1,425	–	–	16,425
Bruce Coleman					
Period from 1/7/2017 to 31/3/2018	45,000	4,275	–	–	49,275
FY 2017	60,000	5,700	–	–	65,700
Ian Hunter					
FY 2018	55,000	5,225	–	–	60,225
FY 2017	55,000	5,225	–	–	60,225
Malcolm Halstead					
FY 2018	55,000	5,225	–	–	60,225
FY 2017	55,000	5,225	–	–	60,225
Total Remuneration					
FY 2018	170,000	16,150	–	–	186,150
FY 2017	170,000	16,150	–	–	186,150

Employment Arrangements of KMP

The key aspects of the KMP contracts are as follows:

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

Link between the Remuneration of the Directors and Company Performance

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

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

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

Interests of Directors in Shares

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

	OPENING BALANCE	ACQUISITIONS	DISPOSALS	CLOSING BALANCE
Margaret Towers	–	50,000	–	50,000
Ian Hunter	200,001	–	–	200,001
Malcolm Halstead	1	–	–	1

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

Auditor's Independence Declaration

30 June 2018

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

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Simon Cuthbert
Partner
PricewaterhouseCoopers

Sydney, 17 August 2018

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

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

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

Statement of Financial Position

As at 30 June 2018

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

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

Statement of Changes in Equity

For the year ended 30 June 2018

	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 year		–	39,151	–	39,151
Other comprehensive income for the year, net of tax		–	–	–	–
Total comprehensive income for the year		–	39,151	–	39,151
Transfer of profit after income tax expense for the year to the dividend profit reserve	8, 9(b)	–	(39,151)	39,151	–
Transactions with owners in their capacity as owners:					
Issue of shares associated with the exercise of options	11	68,170	–	–	68,170
Movements in option reserve as a result of options exercised during the year		–	–	(2,306)	(2,306)
Transfer from option reserve	9(a)	–	–	(7,934)	(7,934)
Transfer to capital reserve	9(a)	–	–	7,934	7,934
Balance at 30 June 2017		346,942	(9,049)	47,085	384,978

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

Statement of Changes in Equity

For the year ended 30 June 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 year		–	51,478	–	51,478
Other comprehensive income for the year, net of tax		–	–	–	–
Total comprehensive income for the year		–	51,478	–	51,478
Transfer of profit after income tax expense for the year to the dividend profit reserve	8, 9(b)	–	(51,478)	51,478	–
Transactions with owners in their capacity as owners:					
Issue of shares associated with the dividend reinvestment plan	11	1,068	–	–	1,068
Issue of shares associated with the reinvestment of unclaimed dividends	11	111	–	–	111
Dividends paid	10	–	–	(17,959)	(17,959)
Balance at 30 June 2018		**348,121**	**(9,049)**	**80,604**	**419,676**

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

Statement of Cash Flows

For the year ended 30 June 2018

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

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

Notes to the Financial Statements

30 June 2018

Note 1. Summary of significant accounting policies

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

Basis of preparation

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

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

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

Critical accounting judgements, estimates and assumptions

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

Fair value measurement hierarchy (refer to Note 17)

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

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

Note 1. Summary of significant accounting policies Continued

Recovery of deferred tax assets (refer to Note 3)
Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Functional currency (refer to the "foreign currency transactions" accounting policy note)
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"), which is the Australian Dollar. Refer to the "foreign currency transactions" policy on page 33 for further information.

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

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

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

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

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

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

Notes to the Financial Statements

30 June 2018

Note 1. Summary of significant accounting policies Continued

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

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

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

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

Fair value in an active market

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

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

Fair value in an inactive market or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques or any other valuation techniques that provides a reliable estimate of prices obtained in actual market transactions. Options are valued with reference to the quoted price of the underlying index or share. If there is no liquid market available, the options are valued based on the option prices provided by an arm's length broker. These valuations are based on option pricing models.

Recognition/derecognition

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

Note 1. Summary of significant accounting policies Continued

Offsetting a financial asset and a financial liability

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

Brokerage and transaction costs on financial assets

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

Operating segments

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

Foreign currency transactions

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

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

Investment income

Interest income

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

Dividend income

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

Notes to the Financial Statements

30 June 2018

Note 1. Summary of significant accounting policies Continued

Directors' entitlements

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

Income tax

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

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

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

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

Receivables

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

Due from/due to brokers for unsettled trades

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

Note 1. Summary of significant accounting policies Continued

Cash and cash equivalents

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

Margin accounts comprise cash held as collateral for derivative transactions.

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

Trade and other payables

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

Issued capital

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

Dividends

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

Expenses

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

Dividend profit reserve

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

Notes to the Financial Statements

30 June 2018

Note 1. Summary of significant accounting policies Continued

Basic and diluted earnings per share

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

Goods and Services Tax (GST)

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

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

Rounding of amounts

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

Accounting Standards and Interpretations not yet mandatory or early adopted

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

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

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

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

Note 1. Summary of significant accounting policies Continued

Accounting Standards and Interpretations not yet mandatory or early adopted Continued

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

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

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

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

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

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

Notes to the Financial Statements

30 June 2018

Note 2. Operating segments

Identification of reportable operating segments

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

(a) Investment income by investment type

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

(b) Investment income by geographic location

	2018 $'000	2017 $'000
China	**7,153**	9,263
China ex PRC^	**57,682**	24,183
Hong Kong	**10,449**	2,207
Taiwan	**444**	2,275
Greater China total	**75,728**	37,928
India	**(2,003)**	10,511
Indonesia	**2,590**	(693)
South Korea	**1,429**	11,386
Malaysia	**34**	359
Philippines	**1,659**	(1,264)
Singapore	**132**	694
Thailand	**1,645**	3,418
Australia	**26**	194
Vietnam	**1,635**	1,958
North America	**(2,068)**	(1,575)
Unallocated investment income – Net (losses) on foreign currency forward contracts	**(923)**	(1,876)
Total	**79,884**	61,040

^ China ex PRC refers to Chinese equity securities listed outside mainland China.

Note 3. Income tax

(a) Income tax expense

The income tax expense attributable to the operating profit comprises:

	2018 $'000	2017 $'000
Current income tax provision	**(22,418)**	–
Movement in deferred tax liability	**1,468**	(16,608)
Withholding tax on foreign dividends	**(516)**	(313)
Income tax expense	**(21,466)**	(16,381)

The income tax expense attributable to the financial year differs from the prima facie amount payable on the operating profit. The difference is reconciled as follows:		
Profit before income tax expense	**72,944**	55,532
Prima facie income tax at a tax rate of 30%	**(21,883)**	(16,660)
Reduce tax payable:		
Tax impact of foreign tax credits	**417**	279
Income tax expense	**(21,466)**	(16,381)

(b) Income tax (payable)/receivable

The income tax (payable)/receivable as disclosed in the statement of financial position is comprised of:		
Current income tax provision (before foreign tax credits)	**(23,554)**	(7,584)
Foreign tax credits utilised	**1,136**	1,107
Prior year losses utilised	**–**	6,477
Current income tax provision	**(22,418)**	–
Income tax instalments paid	**19,619**	2,510
Income tax (payable)/receivable	**(2,799)**	2,510

Notes to the Financial Statements

30 June 2018

Note 3. Income tax continued

(c) Deferred tax liability

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

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

	2018 $'000	2017 $'000
Deferred tax liability on investments	**(9,175)**	(11,055)
Deferred tax liability on dividends accrued	**(619)**	(576)
Deferred tax asset impact on expense accruals	**45**	42
Deferred tax asset impact on costs associated with the Initial Public Offer	**742**	1,114
Deferred tax liability	**(9,007)**	(10,475)

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

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

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

	2018 $'000	2017 $'000
Equity securities	**372,784**	351,917
Derivatives	**87**	155
Foreign currency forward contracts	**–**	478
	372,871	352,550

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

	2018 $'000	2017 $'000
Note 5. Financial liabilities at fair value through profit or loss		
Derivatives^	**–**	4
Foreign currency forward contracts	**–**	585
	–	589

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

Note 6. Receivables

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

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

Note 7. Payables

Trade creditors (unsecured)	**607**	569
Payables on purchase of financial assets	**32**	704
PAYG tax payable	**3**	2
Unclaimed dividends payable	**340**	–
	982	1,275

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

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Note 8. Retained earnings

	2018 $'000	2017 $'000
Retained losses at the beginning of the year	**(9,049)**	(9,049)
Operating profit after income tax expense for the year	**51,478**	39,151
Transfer of operating profit after income tax for the year to the dividend profit reserve (see Note 9 (b))	**(51,478)**	(39,151)
Retained earnings/(losses) at the end of the financial year	**(9,049)**	(9,049)

Note 9. Reserves

Summary of Reserve Balances

	2018 $'000	2017 $'000
Capital reserve	**7,934**	7,934
Dividend profit reserve	**72,670**	39,151
Closing Balance	**80,604**	47,085

(a) Capital reserve

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

(b) Dividend profit reserve

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

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

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

Note 10. Dividends

Dividends paid

Dividends paid during the financial year were as follows:

	2018 $'000	2017 $'000
Final dividend paid for the 2017 financial year (1 cent per ordinary share)	**3,590**	–
Interim dividend paid for the 2018 financial year (4 cents per ordinary share)	**14,369**	–
	17,959	–
The "dividends paid – net of dividend re-investment plan" figure shown in the statement of cash flows is determined as follows:		
Gross dividends (paid) (from above)	**(17,959)**	–
Less increase in unclaimed dividends payable (Note 7)	**340**	–
Less dividend reinvestment plan allotment (Note 11)	**1,068**	–
Dividends (paid) – net of dividend re-investment plan	**(16,551)**	–

Franking credits

	2018 $'000	2017 $'000
Franking credits available at the balance date based on a tax rate of 30%	**11,923**	2,510
Franking credit/(debits) that will arise from the tax payable/(receivable) at balance date based on a tax rate of 30%	**2,799**	(2,510)
Franking credits available for future dividends based on a tax rate of 30%	**14,722**	–

Dividends not recognised at year-end

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

Notes to the Financial Statements

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	2018 SHARES	2018 $'000	2017 SHARES	2017 $'000
Note 11. Issued capital				
Ordinary shares – fully paid	**360,003,594**	**348,121**	359,041,623	346,942

Movements in ordinary share capital

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

(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.

Rights issue or share buy-back

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

	2018 $'000	2017 $'000

Note 12. Earnings per share

Profit after income tax attributable to the owners of Platinum Asia Investments Limited	**51,478**	39,151
	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**359,403,643**	302,339,406
Basic earnings profit per share (cents)	**14.32**	12.95
Diluted earnings profit per share (cents)	**14.32**	12.95

Note 13. Notes to the statement of cash flows

(a) Components of cash and cash equivalents

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

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

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

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

Notes to the Financial Statements

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Note 13. Notes to the statement of cash flows continued

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

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

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

Reconciling Net Tangible Asset Backing (post-tax) in accordance with Australian Accounting Standards to that reported to the ASX

	2018 $'000	2017 $'000
Post-tax Net Tangible Asset Backing per statement of financial position	**419,676**	384,978
Realisation costs and accruals*	**(909)**	(881)
Deferred income tax asset on realisation costs	**272**	264
Post-tax Net Tangible Asset Backing as reported to the ASX	**419,039**	384,361

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

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

Note 15. Investment Portfolio

All investments below are ordinary shares, unless stated otherwise.

	QUANTITY	2018 $'000
China		
China Merchants Bank – Participatory Notes	1,818,994	9,815
Inner Mongolia Yili – Participatory Notes	397,400	2,263
Jiangsu Yanghe Brewery – Participatory Notes	369,170	9,912
Kingenta Ecological – Participatory Notes	2,028,890	2,849
Midea – Participatory Notes	595,299	6,347
Ping An Insurance – A share – Participatory Notes	38,282	457
		31,643
China ex PRC		
3SBio	1,386,869	4,256
58.com – American Depository Receipt	41,534	3,892
Alibaba – American Depository Receipt	52,110	13,064
Anta Sports Products	871,914	6,239
Baidu – American Depository Receipt	18,520	6,081
Beijing Enterprise	1,094,791	7,203
Bitauto – American Depository Receipt	147,062	4,726
CGN Power	2,914,681	1,019
China BlueChemical	6,231,662	3,102
China Everbright International	3,356,380	5,862
China International Capital	2,303,394	5,546
China Oilfield Services	8,101,085	10,339
China Overseas Land & Investment	2,712,458	12,076
China Shenhua Energy	644,778	2,068
CNOOC	4,502,517	10,500
Dongfang Electric – H share	218,371	194
Guangzhou Baiyunshan	198,862	1,185
Hilong	9,060,988	1,904
Huatai Securities	768,682	1,652
JD.com – American Depository Receipt	71,587	3,768
Jiangsu Yanghe Brewery – Long Equity Swap	10	–

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	QUANTITY	2018 $'000
Note 15. Investment Portfolio continued		
China ex PRC Continued		
Longfor	1,203,301	4,383
Microport Scientific	3,181,192	5,194
MMG	9,728,970	9,199
Ping An Insurance – H Share	1,217,369	15,138
Sina	80,920	9,260
Tencent	61,870	4,196
United Laboratories	2,169,565	3,053
Yanzhou Coal Mining	3,906,708	6,903
YY – American Depository Receipt	39,186	5,320
ZTO Express – American Depository Receipt	165,606	4,476
		171,798
Hong Kong		
AIA	746,130	8,815
ENN Energy	369,969	4,916
Melco International Development	1,184,380	4,926
Melco Resorts & Entertainment – American Depository Receipt	177,928	6,732
Pacific Basin Shipping	4,379,826	1,622
		27,011
India		
Axis Bank	1,357,625	13,686
Bharti Airtel	932,419	7,028
Care Ratings	79,600	1,970
CRISIL	32,000	1,136
Gujarat Pipavav Port	472,615	984
Gujarat State Petronet	974,423	3,461
ICRA	15,100	981
IDFC Bank	2,122,956	1,628
IDFC	1,536,000	1,400
IRB Infrastructure Developers	599,008	2,493
IRB InvIT	1,550,000	2,421

Note 15. Investment Portfolio continued

	QUANTITY	2018 $'000
India continued		
Nifty Singapore – Future July 2018	(481)	87
Oil & Natural Gas	1,469,290	4,593
Yes Bank	1,857,630	12,452
		54,320
Indonesia		
PT Vale	6,871,864	2,618
		2,618
South Korea		
KB Financial	52,403	3,354
LG Chem	5,901	2,386
LG	79,896	6,983
Naver	10,900	10,082
Samsung Electronics	273,960	14,958
Shinhan Financial	79,430	4,169
S-Oil	33,350	4,427
		46,359
Malaysia		
Genting Bhd	795,742	2,239
		2,239
Philippines		
Ayala	56,674	1,320
Ayala Land	7,153,699	6,864
		8,184
Singapore		
Jardine Matheson	35,236	3,004
		3,004
Taiwan		
Taiwan Semiconductor	605,449	5,812
		5,812

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30 June 2018

Note 15. Investment Portfolio continued

	QUANTITY	2018 $'000
Thailand		
Kasikornbank – Foreign	1,481,850	12,122
Land and Houses – Foreign	10,290,500	4,756
Land and Houses – Non-voting Depository Receipt	1	–
Major Cineplex – Foreign	1,766,783	1,778
Major Cineplex – Non-voting Depository Receipt	154,092	155
		18,811
Vietnam		
Vietnam Enterprise Investments	143,170	1,072
		1,072
Total equities and derivatives (Note 4 and Note 5)*		**372,871**

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

Add:	
Proceeds on sale of financial assets (Note 6)	54
Payables on purchase of financial assets (Note 7)	(32)
Dividends receivable (Note 6)	2,064
Cash on deposit held within the portfolio (Note 13)	57,011
Total investment Portfolio (reconciles to Note 16 foreign exchange risk on page 55)	**431,968**

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

Note 16. Financial risk management

Financial risk management objectives

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

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

(i) adopts a bottom-up stock selection methodology, through which long-term capital growth is sought by investing in undervalued securities across the Asian Region ex Japan;

(ii) seeks absolute returns and not returns relative to any index;

(iii) invests excess funds in cash when undervalued stocks cannot be found; and

(iv) actively manages currency.

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

– to gain access to markets not readily available to foreign investors;

– to create a short position in a company;

– to build a position in a company as a short-term strategy to be reversed when physical positions are purchased; and

– to aid in the management of the Company's cash flows (e.g. some stock markets require pre-funding of stock purchases that may be avoided through the use of derivatives).

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

Notes to the Financial Statements

30 June 2018

Note 16. Financial risk management Continued

Financial risk management objectives Continued

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

2018	PHYSICAL $'000	LONG DERIVATIVES CONTRACTS $'000	SHORT DERIVATIVES CONTRACTS $'000	NET EXPOSURE $'000
China	31,643	–	–	31,643
China ex PRC^	171,798	–	–	171,798
Hong Kong	27,011	–	–	27,011
Taiwan	5,812	–	–	5,812
Greater China sub-total	236,264	–	–	236,264
India	54,233	–	(13,899)	40,334
Indonesia	2,618	–	–	2,618
Thailand	18,811	–	–	18,811
South Korea	46,359	–	–	46,359
Malaysia	2,239	–	–	2,239
Philippines	8,184	–	–	8,184
Singapore	3,004	–	–	3,004
Vietnam	1,072	–	–	1,072
	372,784	–	(13,899)	358,885

^ China ex PRC refers to Chinese investments listed outside mainland China.

Note 16. Financial risk management Continued

Financial risk management objectives Continued

2017	PHYSICAL $'000	LONG DERIVATIVES CONTRACTS $'000	SHORT DERIVATIVES CONTRACTS $'000	NET EXPOSURE $'000
China	32,451	626	–	33,077
China ex PRC^	145,633	–	–	145,633
Hong Kong	7,280	–	–	7,280
Taiwan	16,325	–	–	16,325
Greater China sub-total	201,689	626	–	202,315
India	51,683	–	–	51,683
Indonesia	1,955	–	–	1,955
Thailand	22,593	–	–	22,593
South Korea	42,603	–	–	42,603
Malaysia	3,378	–	–	3,378
Philippines	22,268	–	–	22,268
Singapore	5,748	–	–	5,748
Vietnam	–	7,003	–	7,003
	351,917	7,629	–	359,546

^ China ex PRC refers to Chinese investments listed outside mainland China.

The "Physical" column represents the location of the Company's investments. The Investments shown in the "Physical" column for 2018 on page 52 (totalling $372,784,000) reconciles to the fair value of equity securities disclosed in Note 4.

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

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

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30 June 2018

Note 16. Financial risk management continued

Market risk

Foreign exchange risk

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

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

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

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

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

Note 16. Financial risk management Continued

Market risk Continued

Foreign exchange risk Continued

The table below summarises the Company's investment exposure at fair value to foreign exchange risk. The total "Physical" and "Net Exposure" columns reconciles to the total investment portfolio in Note 15 on page 50.

2018	PHYSICAL $'000	BOUGHT $'000	SOLD $'000	NET EXPOSURE $'000
Chinese Yuan	**31,643**	**–**	**–**	**31,643**
Hong Kong Dollar	**187,056**	**–**	**–**	**187,056**
Taiwan Dollar	**6,027**	**–**	**–**	**6,027**
United States Dollar	**72,330**	**–**	**–**	**72,330**
Indian Rupee	**54,320**	**–**	**–**	**54,320**
Indonesian Rupiah	**2,618**	**–**	**–**	**2,618**
Thai Baht	**19,226**	**–**	**–**	**19,226**
Korean Won	**46,359**	**–**	**–**	**46,359**
Malaysian Ringgit	**2,255**	**–**	**–**	**2,255**
Philippines Peso	**8,184**	**–**	**–**	**8,184**
Vietnam Dong	**1,072**	**–**	**–**	**1,072**
Australian Dollar	**878**	**–**	**–**	**878**
	431,968	**–**	**–**	**431,968**

2017	PHYSICAL $'000	BOUGHT $'000	SOLD $'000	NET EXPOSURE $'000
Chinese Yuan	30,949	–	(28,724)	2,225
Hong Kong Dollar	104,943	–	–	104,943
Taiwan Dollar	16,552	–	–	16,552
United States Dollar	96,108	28,618	–	124,726
Indian Rupee	51,879	–	–	51,879
Indonesian Rupiah	1,955	–	–	1,955
Thai Baht	22,595	–	–	22,595
Korean Won	42,603	–	–	42,603
Malaysian Ringgit	3,378	–	–	3,378
Philippines Peso	22,335	–	–	22,335
Vietnam Dong	155	–	–	155
Australian Dollar	(2)	106	–	104
	393,450	28,724	(28,724)	393,450

Notes to the Financial Statements

30 June 2018

Note 16. Financial risk management continued

Market risk Continued

Foreign exchange risk sensitivity analysis

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

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

	AUD STRENGTHENED		AUD WEAKENED	
2018	**% CHANGE**	**EFFECT ON PROFIT BEFORE TAX $'000**	**% CHANGE**	**EFFECT ON PROFIT BEFORE TAX $'000**
Hong Kong Dollar	**10%**	**(17,011)**	**(10%)**	**20,791**
United States Dollar	**10%**	**(6,575)**	**(10%)**	**8,036**
Other currencies	**10%**	**(13,061)**	**(10%)**	**15,964**
		(36,647)		**44,791**

	AUD STRENGTHENED		AUD WEAKENED	
2017	% CHANGE	EFFECT ON PROFIT BEFORE TAX $'000	% CHANGE	EFFECT ON PROFIT BEFORE TAX $'000
Hong Kong Dollar	10%	(9,540)	(10%)	11,660
United States Dollar	10%	(11,339)	(10%)	13,859
Other currencies	10%	(12,467)	(10%)	15,237
		(33,346)		40,756

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

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

Note 16. Financial risk management Continued

Market risk Continued

Interest rate risk

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

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

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

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

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

Price risk

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

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

Notes to the Financial Statements

30 June 2018

Note 16. Financial risk management Continued

Market risk **Continued**

Price risk sensitivity analysis

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

2018	**INCREASE % CHANGE**	**EFFECT ON PROFIT BEFORE TAX $'000**	**DECREASE % CHANGE**	**EFFECT ON PROFIT BEFORE TAX $'000**
Greater China	**10%**	**20,344**	**(10%)**	**(20,344)**
India	**10%**	**6,118**	**(10%)**	**(6,118)**
All other markets	**10%**	**11,511**	**(10%)**	**(11,511)**
		37,973		**(37,973)**

2017	INCREASE % CHANGE	EFFECT ON PROFIT BEFORE TAX $'000	DECREASE % CHANGE	EFFECT ON PROFIT BEFORE TAX $'000
Greater China	10%	17,871	(10%)	(17,871)
India	10%	5,168	(10%)	(5,168)
All other markets	10%	12,916	(10%)	(12,916)
		35,955		(35,955)

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

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

Note 16. Financial risk management continued

Credit risk

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

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

RATINGS	**2018 $'000**	2017 $'000
A	**56,337**	17,873
A–	**16,273**	33,414
AA–	**–**	19,610
BBB+	**16,134**	485
Total	**88,744**	71,382

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

Liquidity risk

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

(i) will not have sufficient funds to settle a transaction on the due date; and

(ii) will be forced to sell financial assets at a value which is less than they are worth.

Remaining contractual maturities

The table on page 60 details the Company's remaining contractual maturity for its financial and non-financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial and non-financial liabilities based on the earliest date on which the financial and non-financial liabilities were required to be paid.

Notes to the Financial Statements

30 June 2018

Note 16. Financial risk management Continued

Liquidity risk Continued

Remaining contractual maturities Continued

2018	WITHIN 3 MONTHS $'000	BETWEEN 3 AND 12 MONTHS $'000	TOTAL $'000
Non-financial			
Payables (Note 7)	**952**	**30**	**982**
Total non-financial	**952**	**30**	**982**
Financial			
Derivative contractual outflows^	**–**	**–**	**–**
Foreign currency forward contractual outflows	**–**	**–**	**–**
Total financial	**–**	**–**	**–**

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

2017	WITHIN 3 MONTHS $'000	BETWEEN 3 AND 12 MONTHS $'000	TOTAL $'000
Non-financial			
Payables (Note 7)	1,218	57	1,275
Total non-financial	1,218	57	1,275
Financial			
Derivative contractual outflows (Note 5)	4	–	4
Foreign currency forward contractual outflows (Note 5)	585	–	585
Total financial	589	–	589

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

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

Note 16. Financial risk management Continued

Liquidity risk Continued

Remaining contractual maturities Continued

(i) ensuring that there is no significant exposure to illiquid or thinly traded financial instruments; and

(ii) applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

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

Fair value of financial instruments

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

Capital risk management

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

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

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

– the management of the level of dividends to shareholders;

– the issue of shares by methods such as rights offers, share purchase plans or placements; or

– the use of share buy-backs.

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

Notes to the Financial Statements

30 June 2018

Note 17. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

(i) Equity securities, long equity swaps and long futures;

(ii) Short equity swaps and short futures; and

(iii) Foreign currency forward contracts.

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

2018	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 are Level 2 investments.

Note 17. Fair value measurement Continued

Fair value hierarchy Continued

2017	LEVEL 1 $'000	LEVEL 2 $'000	TOTAL $'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

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between Levels 1 and 2 for any assets or liabilities measured at fair value for the year.

There were no level 3 investments as at 30 June 2018 or 30 June 2017.

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

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

Notes to the Financial Statements

30 June 2018

Note 18. Investment Manager Fees

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

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

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

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

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

	2018 $	2017 $
Management fee paid	**4,485,357**	3,042,771
Management fee payable	**396,471**	361,203
	4,881,828	3,403,974

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

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

(i) invest and manage the Portfolio in accordance with the Agreement;

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

Note 18. Investment Manager Fees continued

(ii) keep the portfolio under review and confer with the Board of the Company at regular intervals in respect of the investment and management of the Portfolio;

(iii) exercise all due diligence and vigilance in carrying out its functions, powers and duties under the Agreement; and

(iv) promptly notify the Board of any instructions given to it by the Company which have not been complied with.

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

(i) becomes subject to a receiver, receiver and manager, administrative receiver or similar person;

(ii) goes into liquidation;

(iii) ceases to carry on business in relation to its activities as an Investment Manager;

(iv) breaches any material provision of the Agreement, or fails to observe or perform any representation, warranty or undertaking given by Platinum Investment Management Limited under the Agreement;

(v) sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking given by Platinum Investment Management Limited or its beneficial interest therein, other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by the Company; or

(vi) ceases to be licensed under the relevant law or its licence is suspended by ASIC or it is unable to carry out its duties under this Agreement because it has ceased to hold necessary legal authorisations to operate as an Investment Manager.

Notes to the Financial Statements

30 June 2018

Note 19. Key management personnel disclosures

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

Interests of Directors in securities

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

	OPENING BALANCE	ACQUISITIONS	DISPOSALS	CLOSING BALANCE
Margaret Towers	–	50,000	–	50,000
Ian Hunter	200,001	–	–	200,001
Malcolm Halstead	1	–	–	1

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

Note 20. Remuneration of auditors

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

	2018 $	2017 $
Audit services – PricewaterhouseCoopers		
Audit and review of the financial statements	**75,226**	73,000
Other services – PricewaterhouseCoopers		
Taxation services	**26,084**	41,030
	101,310	114,030

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

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

Note 22. Related party transactions

Management fees

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

Administration fees

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

Investment

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

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

Key management personnel

Disclosures relating to key management personnel are set out in Note 19 and the Remuneration Report in the Directors' Report.

Loans to/from related parties

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

Note 23. Events after the reporting period

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

Notes to the Financial Statements

30 June 2018

Note 24. The Company

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

Level 8, 7 Macquarie Place
Sydney NSW 2000

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

Directors' Declaration

30 June 2018

In the Directors' opinion:

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

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

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

On behalf of the Directors

Margaret Towers
Chairperson

Ian Hunter
Director

17 August 2018
Sydney

Independent Auditor's Report

to the members of Platinum Asia Investments Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

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

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Basis for opinion

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

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

Independence

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

Our audit approach

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

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

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

Independent Auditor's Report

to the members of Platinum Asia Investments Limited

MATERIALITY	AUDIT SCOPE	KEY AUDIT MATTERS
– For the purpose of our audit we used overall materiality of $2,098,000, which represents approximately 0.5% of the Company's net assets. – We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. – We chose net assets because, in our view, it is the most significant area of interest to the investors in the Company and is a generally accepted benchmark for listed investment companies. – We utilised a 0.5% threshold based on our professional judgement, noting it is within the range of commonly accepted thresholds.	– Our audit focused on where the Company made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. – Our audit approach reflects the nature of the investments held by the Company and the consideration of the work undertaken by third party service providers. The key service providers manage the Company's investments, maintain the accounting records of the Company and provide custodian services.	– Amongst other relevant topics, we communicated the following key audit matters to the Audit, Risk & Compliance Committee: • Investment valuation and existence. – This is further described in the *Key audit matters* section of our report.

Key audit matters

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Investment valuation and existence *Refer to Note 1 (Summary of significant accounting policies) and Note 4 (Financial assets at fair value through profit or loss)* At 30 June 2018, investments in financial assets of $372,871,000 were comprised primarily of investments in equity securities, futures contracts and participatory notes. The existence and valuation of financial assets was a key audit matter because financial assets represent the principal element of the Statement of financial position in the financial statements, accounting for 89% of net assets. A discrepancy in the valuation or existence of investments could cause the net assets attributable to unitholders to be materially misstated which could also impact the Company's performance as the valuation of financial assets are the main driver of movements in the profit of the Company.	Our audit procedures on investment valuation included, amongst others: – For a sample of participatory notes held by the Company, we obtained price data from a third party price vendor for the underlying equity security of the participatory note in local currency. We translated the price into Australian dollars and compared it to the participatory note price used to value the investments by the Company. – For a sample of all other investments held by the Company, we obtained price data from third party price vendors and compared it to the prices used by the Company.

Independent Auditor's Report

to the members of Platinum Asia Investments Limited

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
	Our audit procedures over investment existence included, amongst others: – We obtained the System and Organization Controls ("SOC 1") Report issued within 3 months of the Company's year end and evaluated the controls mentioned in the report over investment existence at the custodian including consideration of exceptions identified in the SOC 1 Report. This report and assurance opinion is comparable to the Australian equivalent, ASAE 3402 issued by the Auditing and Assurance Standards Board. – We obtained confirmations from the custodian of the investment holdings as at 30 June 2018 and sample tested the largest reconciling items by obtaining supporting evidence for the differences. – We assessed the adequacy of the disclosures in Note 1, Note 4 and Note 17 to the financial report in light of the requirements of Australian Accounting Standards.

Other information

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

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

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

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

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

Responsibilities of the directors for the financial report

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

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

Independent Auditor's Report

to the members of Platinum Asia Investments Limited

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 20 to 23 of the directors' report for the year ended 30 June 2018.

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

Responsibilities

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

PricewaterhouseCoopers

Simon Cuthbert
Partner

Sydney, 17 August 2018

Big Data Meets Big Brother

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“Are we heading for a future where we will all be branded online and data-mined?”

Writer and researcher Rachel Botsman examines the complex social and ethical implications of China’s data-driven Social Credit System.

Big data meets Big Brother as China moves to rate its citizens.

The Chinese government plans to launch its Social Credit System in 2020. The aim? To judge the trustworthiness – or otherwise – of its 1.3 billion residents.

On June 14, 2014, the State Council of China published an ominous-sounding document called "Planning Outline for the Construction of a Social Credit System". In the way of Chinese policy documents, it was a lengthy and rather dry affair, but it contained a radical idea. What if there was a national trust score that rated the kind of citizen you were?

Imagine a world where many of your daily activities were constantly monitored and evaluated: what you buy at the shops and online; where you are at any given time; who your friends are and how you interact with them; how many hours you spend watching content or playing video games; and what bills and taxes you pay (or not). It's not hard to picture, because most of that already happens, thanks to all those data-collecting behemoths like Google, Facebook and Instagram or health-tracking apps such as Fitbit. But now imagine a system where all these behaviours are rated as either positive or negative and distilled into a single number, according to rules set by the government.

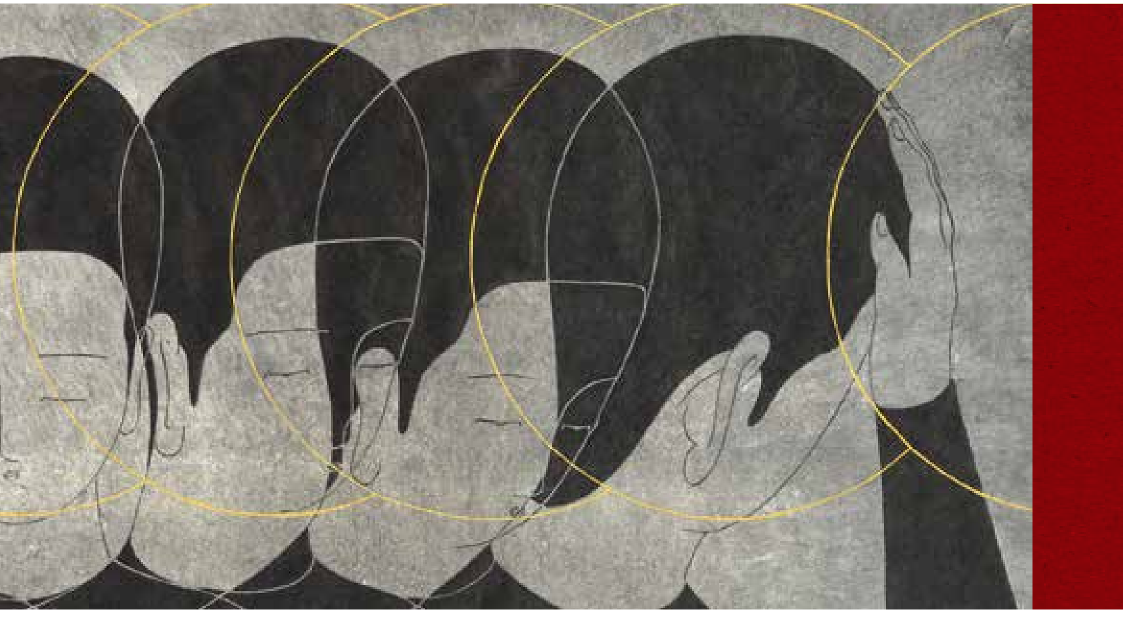
That would create your Citizen Score and it would tell everyone whether or not you were trustworthy. Plus, your rating would be publicly ranked against that of the entire population and used to determine your eligibility for a mortgage or a job, where your children can go to school – or even just your chances of getting a date.

A futuristic vision of Big Brother out of control? No, it's already getting underway in China, where the government is developing the Social Credit System (SCS) to rate the trustworthiness of its 1.3 billion citizens. The Chinese government is pitching the system as a desirable way to measure and enhance "trust" nationwide and to build a culture of "sincerity". As the policy states, "It will forge a public opinion environment where keeping trust is glorious. It will strengthen sincerity in government affairs, commercial sincerity, social sincerity and the construction of judicial credibility."

Others are less sanguine about its wider purpose. "It is very ambitious in both depth and scope, including scrutinising individual behaviour and what books people are reading.

It's Amazon's consumer tracking with an Orwellian political twist,"

is how Johan Lagerkvist, a Chinese internet specialist at the Swedish Institute of International Affairs, described the social credit system. Rogier Creemers, a post-doctoral scholar specialising in Chinese law and governance at the Van Vollenhoven Institute at Leiden University, who published a comprehensive translation of the plan, compared it to "Yelp reviews with the nanny state watching over your shoulder".



For now, technically, participating in China's Citizen Scores is voluntary. But by 2020 it will be mandatory. The behaviour of every single citizen and legal person (which includes every company or other entity) in China will be rated and ranked, whether they like it or not.

Prior to its national roll-out in 2020, the Chinese government is taking a watch-and-learn approach.

In this marriage between communist oversight and capitalist can-do, the government has given a licence to eight private companies to come up with systems and algorithms for social credit scores.

Predictably, data giants currently run two of the best-known projects.

The first is with China Rapid Finance, a partner of the social-network behemoth Tencent and developer of the messaging app *WeChat* with more than 850 million active users. The other, Sesame Credit, is run by the Ant Financial Services Group (AFSG), an affiliate company of Alibaba. Ant Financial sells insurance products and provides loans to small-to medium-sized businesses.

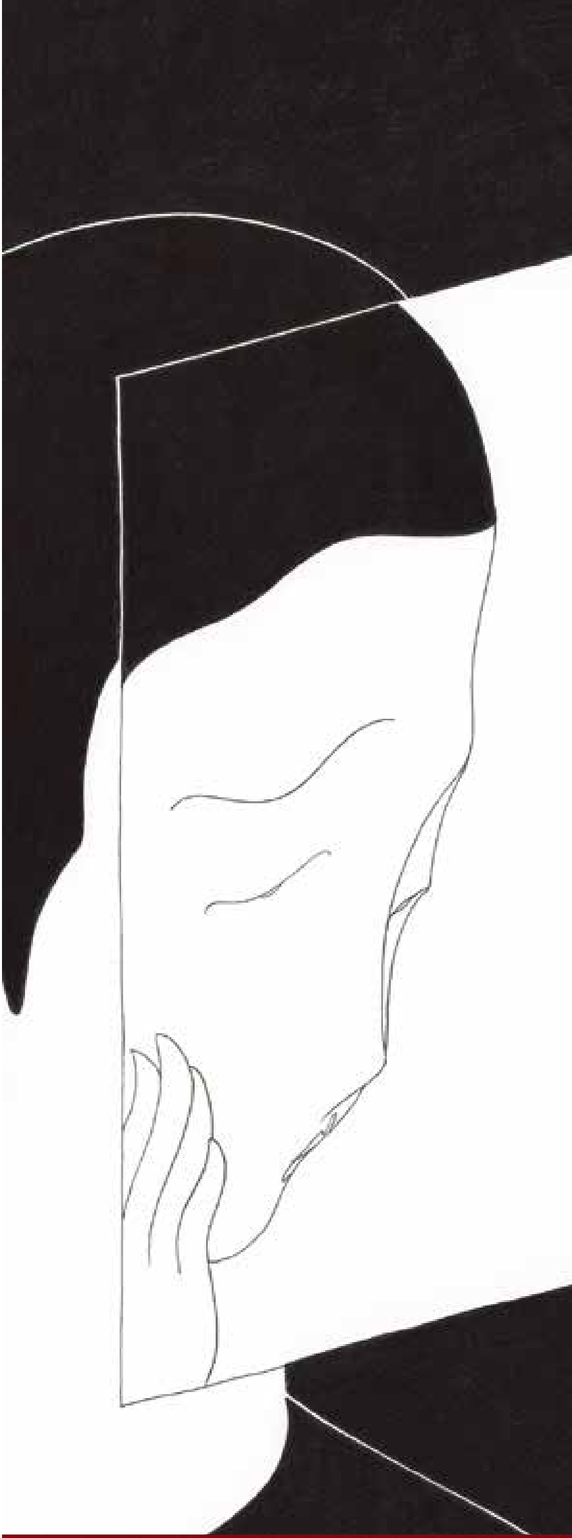
However, the real star of Ant is AliPay, its payments arm that people use not only to buy things online, but also for restaurants, taxis, school fees, cinema tickets and even to transfer money to each other.

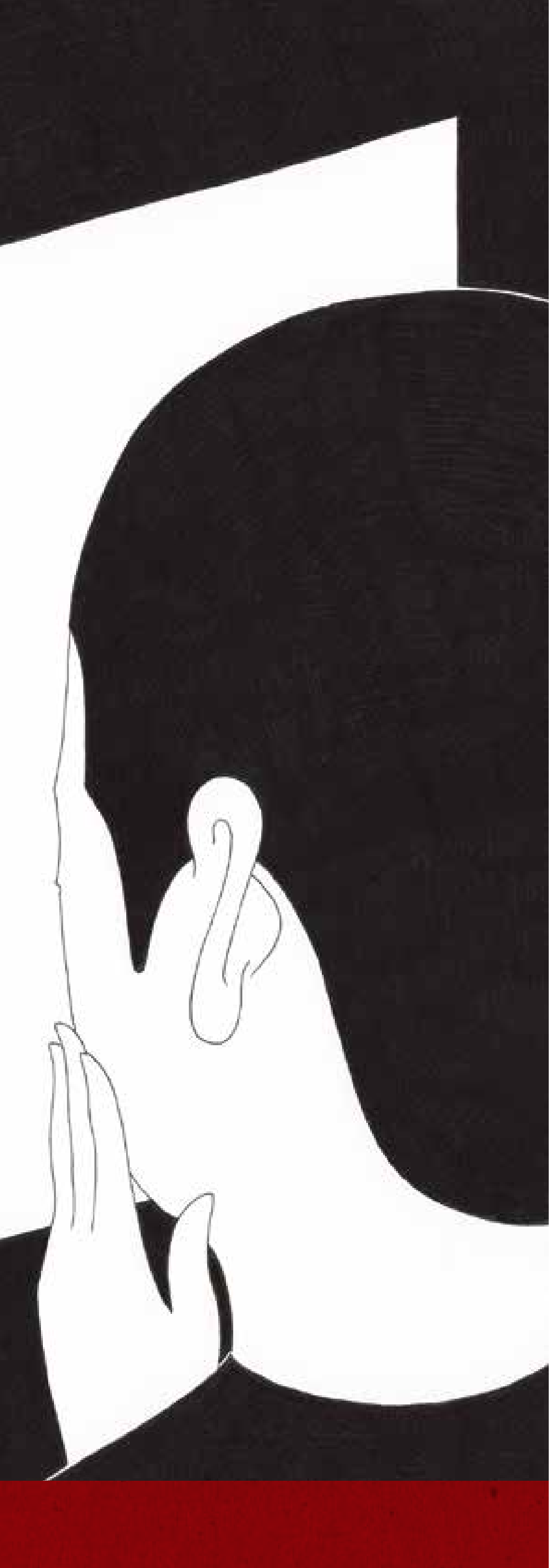
Sesame Credit has also teamed up with other data-generating platforms, such as Didi Chuxing, the ride-hailing company that was Uber's main competitor in China before it acquired the American company's Chinese operations in 2016, and Baihe, the country's largest online matchmaking service. It's not hard to see how that all adds up to gargantuan amounts of big data that Sesame Credit can tap into to assess how people behave and rate them accordingly.

So just how are people rated? Individuals on Sesame Credit are measured by a score ranging between 350 and 950 points.

Alibaba does not divulge the "complex algorithm" it uses to calculate the number but they do reveal the five factors taken into account. The first is credit history. For example, does the citizen pay their electricity or phone bill on time? Next is fulfilment capacity, which it defines in its guidelines as "a user's ability to fulfil his/her contract obligations". The third factor is personal characteristics, verifying personal information such as someone's mobile phone number and address. But the fourth category, behaviour and preference, is where it gets interesting.

Under this system, something as innocuous as a person's shopping habits become a measure of character. Alibaba admits it judges people by the types of products they buy.





“Someone who plays video games for ten hours a day, for example, would be considered an idle person,” says Li Yingyun, Sesame’s Technology Director. “Someone who frequently buys diapers would be considered as probably a parent, who on balance is more likely to have a sense of responsibility.” So the system not only investigates behaviour – it shapes it. It “nudges” citizens away from purchases and behaviours the government does not like.

Friends matter, too. The fifth category is interpersonal relationships.

What does their choice of online friends and their interactions say about the person being assessed? Sharing what Sesame Credit refers to as “positive energy” online, nice messages about the government or how well the country’s economy is doing, will make your score go up.

Alibaba is adamant that, currently, anything negative posted on social media does not affect scores (we don't know if this is true or not because the algorithm is secret). But you can see how this might play out when the government’s own citizen score system officially launches in 2020.

Even though there is no suggestion yet that any of the eight private companies involved in the ongoing pilot scheme will be ultimately responsible for running the government's own system, it's hard to believe that the government will not want to extract the maximum amount of data for its SCS, from the pilots. If that happens, and continues as the new normal under the government's own SCS it will result in private platforms acting essentially as spy agencies for the government. They may have no choice.

Posting dissenting political opinions or links mentioning Tiananmen Square has never been wise in China, but now it could directly hurt a citizen's rating. But here's the real kicker: a person's own score will also be affected by what their online friends say and do, beyond their own contact with them. If someone they are connected to online posts a negative comment, their own score will also be dragged down.

So why have millions of people already signed up to what amounts to a trial run for a publicly endorsed government surveillance system? There may be darker, unstated reasons – fear of reprisals, for instance, for those who don't put their hand up – but there is also a lure, in the form of rewards and "special privileges" for those citizens who prove themselves to be "trustworthy" on Sesame Credit.

If their score reaches 600, they can take out a Just Spend loan of up to 5,000 yuan (around £565) to use to shop online, as long as it's on an Alibaba site. Reach 650 points, they may rent a car without leaving a deposit. They are also entitled to faster check-in at hotels and use of the VIP check-in at Beijing Capital International Airport. Those with more than 666 points can get a cash loan of up to 50,000 yuan (£5,700), obviously from Ant Financial Services. Get above 700 and they can apply for Singapore travel without supporting documents such as an employee letter. And at 750, they get fast-tracked application to a coveted pan-European Schengen visa. "I think the best way to understand the system is as a sort of bastard love child of a loyalty scheme," says Creemers.

Higher scores have already become a status symbol, with almost 100,000 people bragging about their scores on Weibo (the Chinese equivalent of Twitter) within months of launch.

A citizen's score can even affect their odds of getting a date, or a marriage partner, because the higher their Sesame rating, the more prominent their dating profile is on Baihe.

Sesame Credit already offers tips to help individuals improve their ranking, including warning about the downsides of friending someone who has a low score. This might lead to the rise of score advisers, who will share tips on how to gain points, or reputation consultants willing to offer expert advice on how to strategically improve a ranking or get off the trust-breaking blacklist.

Indeed, the government's Social Credit System is basically a big data gamified version of the Communist Party's surveillance methods; the disquieting *dang'an*. The regime kept a dossier on every individual that tracked political and personal transgressions. A citizen's *dang'an* followed them for life, from schools to jobs.

People started reporting on friends and even family members, raising suspicion and lowering social trust in China. The same thing will happen with digital dossiers. People will have an incentive to say to their friends and family, "Don't post that. I don't want you to hurt your score but I also don't want you to hurt mine."

We're also bound to see the birth of reputation black markets selling under-the-counter ways to boost trustworthiness. In the same way that Facebook Likes and Twitter followers can be bought, individuals will pay to manipulate their score. What about keeping the system secure? Hackers (some even state-backed) could change or steal the digitally stored information.

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The new system reflects a cunning paradigm shift. As we've noted, instead of trying to enforce stability or conformity with a big stick and a good dose of top-down fear, the government is attempting to make obedience feel like gaming. It is a method of social control dressed up in some points-reward system. It's gamified obedience.

In a trendy neighbourhood in downtown Beijing, the BBC news services hit the streets in October 2015 to ask people about their Sesame Credit ratings. Most spoke about the upsides. But then, who would publicly criticise the system? Ding, your score might go down. Alarmingly, few people understood that a bad score could hurt them in the future. Even more concerning was how many people had no idea that they were being rated.

Currently, Sesame Credit does not directly penalise people for being "untrustworthy" – it's more effective to lock people in with treats for good behaviour.

But Hu Tao, Sesame Credit's chief manager, warns people that the system is designed so that "untrustworthy people can't rent a car, can't borrow money or even can't find a job". She has even disclosed that Sesame Credit has approached China's Education Bureau about sharing a list of its students who cheated on national examinations, in order to make them pay into the future for their dishonesty.

Penalties are set to change dramatically when the government system becomes mandatory in 2020. Indeed, on September 25, 2016, the State Council General Office updated its policy entitled "Warning and Punishment Mechanisms for Persons Subject to Enforcement for Trust-Breaking".

The overriding principle is simple: "If trust is broken in one place, restrictions are imposed everywhere," the policy document states.

For instance, people with low ratings will have slower internet speeds; restricted access to restaurants, nightclubs or golf courses; and the removal of the right to travel freely abroad with, I quote, "restrictive control on consumption within holiday areas or travel businesses". Scores will influence a person's rental applications, their ability to get insurance or a loan and even social-security benefits.

Citizens with low scores will not be hired by certain employers and will be forbidden from obtaining some jobs, including in the civil service, journalism and legal fields, where of course you must be deemed trustworthy. Low-rating citizens will also be restricted when it comes to enrolling themselves or their children in high-paying private schools. I am not fabricating this list of punishments. It's the reality Chinese citizens will face.

As the government document states, the social credit system will "allow the trustworthy to roam everywhere under heaven while making it hard for the discredited to take a single step".

According to Luciano Floridi, a professor of philosophy and ethics of information at the University of Oxford and the director of research at the Oxford Internet Institute, there have been three critical "decentering shifts" that have altered our view in self-understanding: Copernicus's model of the Earth orbiting the Sun; Darwin's theory of natural selection; and Freud's claim that our daily actions are controlled by the unconscious mind.

Floridi believes we are now entering the fourth shift, as what we do online and offline merge into an onlife.

Floridi believes we are now entering the fourth shift, as what we do online and offline merge into an onlife. He asserts that, as our society increasingly becomes an infosphere, a mixture of physical and virtual experiences, we are acquiring an onlife personality – different from who we innately are in the "real world" alone. We see this writ large on Facebook, where people present an edited or idealised portrait of their lives.

Think about your Uber experiences. Are you just a little bit nicer to the driver because you know you will be rated? But Uber ratings are nothing compared to Peeple, an app launched in March 2016, which is like a Yelp for humans. It allows you to assign ratings and reviews to everyone you know – your spouse, neighbour, boss and even your ex. A profile displays a "Peeple Number", a score based on all the feedback and recommendations you receive. Worryingly, once your name is in the Peeple system, it's there for good. You can't opt out.

Peeple has forbidden certain bad behaviours including mentioning private health conditions, making profanities or being sexist (however you objectively assess that). But there are few rules on how people are graded or standards about transparency.

China's trust system might be voluntary as yet, but it's already having consequences. In February 2017, the country's Supreme People's Court announced that 6.15 million of its citizens had been banned from taking flights over the past four years for social misdeeds. The ban is being pointed to as a step toward blacklisting in the SCS. "We have signed a memorandum… [with over] 44 government departments in order to limit 'discredited' people on multiple levels," says Meng Xiang, head of the executive department of the Supreme Court. Another 1.65 million blacklisted people cannot take trains.

Where these systems really descend into nightmarish territory is that the trust algorithms used are unfairly reductive. They don't take into account context.

For instance, one person might miss paying a bill or a fine because they were in hospital; another may simply be a freeloader. And therein lies the challenge facing all of us in the digital world, and not just the Chinese. If life-determining algorithms are here to stay, we need to figure out how they can embrace the nuances, inconsistencies and contradictions inherent in human beings and how they can reflect real life.

You could see China's so-called trust plan as Orwell's *1984* meets Pavlov's dogs. Act like a good citizen, be rewarded and be made to think you're having fun. It's worth remembering, however, that personal scoring systems have been present in the west for decades.

More than 70 years ago, two men called Bill Fair and Earl Isaac invented credit scores. Today, companies use FICO scores to determine many financial decisions, including the interest rate on our mortgage or whether we should be given a loan.

For the majority of Chinese people, they have never had credit scores and so they can't get credit. "Many people don't own houses, cars or credit cards in China, so that kind of information isn't available to measure," explains Wen Quan, an influential blogger who writes about technology and finance. "The central bank has the financial data from 800 million people, but only 320 million have a traditional credit history." According to the Chinese Ministry of Commerce, the annual economic loss caused by lack of credit information is more than 600 billion yuan (£68bn).

China's lack of a national credit system is why the government is adamant that Citizen Scores are long overdue and badly needed to fix what they refer to as a "trust deficit".

In a poorly regulated market, the sale of counterfeit and substandard products is a massive problem. According to the Organization for Economic Co-operation and Development (OECD), 63 per cent of all fake goods, from watches to handbags to baby food, originate from China. "The level of micro corruption is enormous," Creemers says. "So if this particular scheme results in more effective oversight and accountability, it will likely be warmly welcomed."

The government also argues that the system is a way to bring in those people left out of traditional credit systems, such as students and low-income households. Professor Wang Shuqin from the Office of Philosophy and Social Science at Capital Normal University in China recently won the bid to help the government develop the system that she refers to as "China's Social Faithful System". Without such a mechanism, doing business in China is risky, she stresses, as about half of the signed contracts are not kept. "Given the speed of the digital economy it's crucial that people can quickly verify each other's credit worthiness," she says. "The behaviour of the majority is determined by their world of thoughts. A person who believes in socialist core values is behaving more decently." She regards the "moral standards" the system assesses, as well as financial data, as a bonus.

Indeed, the State Council's aim is to raise the "honest mentality and credit levels of the entire society" in order to improve "the overall competitiveness of the country". Is it possible that the SCS is in fact a more desirably transparent approach to surveillance in a country that has a long history of watching its citizens? "As a Chinese person, knowing that everything I do online is being tracked, would I rather be aware of the details of what is being monitored and use this information to teach myself how to abide by the rules?" says Rasul Majid, a Chinese blogger based in Shanghai who writes about behavioural design and gaming psychology. "Or would I rather live in ignorance and hope/wish/dream that personal privacy still exists and that our ruling bodies respect us enough not to take advantage?"

Put simply, Majid thinks the system gives him a tiny bit more control over his data.

When I tell westerners about the Social Credit System in China, their responses are fervent and visceral. Yet we already rate restaurants, movies, books and even doctors. Facebook, meanwhile, is now capable of identifying you in pictures without seeing your face; it only needs your clothes, hair and body type to tag you in an image with 83 per cent accuracy.

In 2015, the OECD published a study revealing that in the US there are at least 24.9 connected devices per 100 inhabitants. All kinds of companies scrutinise the "big data" emitted from these devices to understand our lives and desires, and to predict our actions in ways that we couldn't even predict ourselves.

Governments around the world are already in the business of monitoring and rating. In the US, the National Security Agency (NSA) is not the only official digital eye following the movements of its citizens. In 2015, the US Transportation Security Administration proposed the idea of expanding the PreCheck background checks to include social-media records, location data and purchase history. The idea was scrapped after heavy criticism, but that doesn't mean it's dead. We already live in a world of predictive algorithms that determine if we are a threat, a risk, a good citizen and even if we are trustworthy. We're getting closer to the Chinese system – the expansion of credit scoring into life scoring – even if we don't know we are.

So are we heading for a future where we will all be branded online and data-mined?

So are we heading for a future where we will all be branded online and data-mined? It's certainly trending that way. Barring some kind of mass citizen revolt to wrench back privacy, we are entering an age where an individual's actions will be judged by standards they can't control and where that judgement can't be erased.

The consequences are not only troubling; they're permanent. Forget the right to delete or to be forgotten, to be young and foolish.

While it might be too late to stop this new era, we do have choices and rights we can exert now. For one thing, we need to be able rate the raters.

The real questions about the future of trust are not technological or economic; they are ethical.

In his book *The Inevitable*, Kevin Kelly describes a future where the watchers and the watched will transparently track each other. "Our central choice now is whether this surveillance is a secret, one-way panopticon – or a mutual, transparent kind of 'coveillance' that involves watching the watchers," he writes.

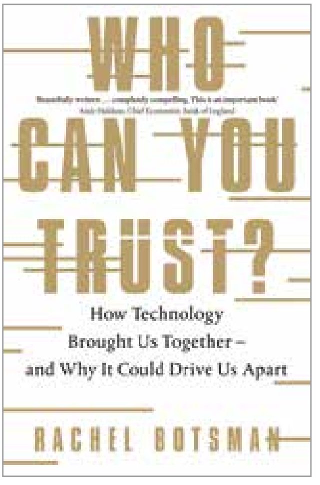
Our trust should start with individuals within government (or whoever is controlling the system). We need trustworthy mechanisms to make sure ratings and data are used responsibly and with our permission. To trust the system, we need to reduce the unknowns. That means taking steps to reduce the opacity of the algorithms. The argument against mandatory disclosures is that if you know what happens under the hood, the system could become rigged or hacked.

But if humans are being reduced to a rating that could significantly impact their lives, there must be transparency in how the scoring works.

In China, certain citizens, such as government officials, will likely be deemed above the system. What will be the public reaction when their unfavourable actions don't affect their score? We could see a Panama Papers 3.0 for reputation fraud.

It is still too early to know how a culture of constant monitoring plus rating will turn out. What will happen when these systems, charting the social, moral and financial history of an entire population, come into full force? How much further will privacy and freedom of speech (long under siege in China) be eroded? Who will decide which way the system goes? These are questions we all need to consider, and soon. Today China, tomorrow a place near you. The real questions about the future of trust are not technological or economic; they are ethical.

If we are not vigilant, distributed trust could become networked shame. Life will become an endless popularity contest, with us all vying for the highest rating that only a few can attain. ★



Extracted from WHO CAN YOU TRUST by Rachel Botsman, published by Portfolio Penguin @ £14.99.

Since this piece was written, The People's Bank of China delayed the licences to the eight companies conducting social credit pilots. The government's plans to launch the Social Credit System in 2020 remain unchanged.