

First State China All Cap Fund

Annual Report

July 2018 - June 2019

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)**

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This annual report shall not constitute an offer to sell or a solicitation of an offer to buy units in First State China All Cap Fund (formerly known as "First State New Era PRC Fund"). Subscriptions are to be made only on the basis of the information contained in the relevant Explanatory Memorandum, as supplemented by the latest annual and semi-annual reports.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
REPORT OF THE MANAGER
FOR THE YEAR ENDED 30 JUNE 2019**

PERFORMANCE

	1 July 2018 to 30 June 2019	1 July 2017 to 30 June 2018
First State China All Cap Fund Class II	-7.62%	31.46%
First State China All Cap Fund Class III	-7.22%	32.06%
Benchmark: MSCI China Free Index	-6.73%	21.23%

(Performance calculation is based on the official dealing NAV.)

Market review

The MSCI China index decreased by 6.7% in US dollar terms over the 12 months to 30 June 2019. At a sector level, Health Care and Information Technology were the worst performers, while Real Estate and Financials rose.

Fund performance

Key detractors to performance included CSPC Pharmaceutical, which declined on general investor concerns around recent price cut policies. AAC Technologies issued a profit warning due to the widespread industry slowdown and lower shipment expectations for the Apple iPhone. On the positive side, China Merchants Bank's asset quality improved after the implementation of more conservative lending policies; and its high margin retail business grew strongly. Shanghai International Airport increased, as revenue was boosted by strong duty-free sales.

Major activity

Significant purchases over the period included Yunnan Baiyao, a leading Traditional Chinese Medicine (TCM) producer that produces haemostatic medicine and health care products such as toothpaste and shampoo. The Fund also purchased 51job, China's largest online recruitment platform. Investment into people and products should help growth in the long run; and its track record suggests that it is a defensive and cash-generative business.

The Fund divested Wuxi Little Swan after the announcement of a share swap with Midea, which the Fund already owns. Another disposal was Foshan Haitian Flavouring, on expensive valuations.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
REPORT OF THE MANAGER (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

Outlook

We cannot predict which side will triumph or how long negotiations will continue; but, having invested in China equities over numerous cycles and market scares, we believe that our bottom-up stock selection and focus on quality should continue to deliver positive returns over the long term. While our portfolios have not been immune to market volatility, the companies we own have tended to preserve capital better during downturns.

On a longer-term basis, we believe that the trade war will have limited impact on our portfolios, as many of the businesses we own have proven that they are able to develop new capabilities, innovate and remain competitive in response to challenging headwinds. Meanwhile, China's growth story remains intact and the structural trends of consumption upgrading and healthcare spending should persist as incomes continue to rise.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
PERFORMANCE TABLE (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2019**

NET ASSET VALUES

Financial year	Net asset value US\$	Net asset value per unit in issue US\$
30.6.2019 - Class II	4,332,056	123.18
30.6.2019 - Class III	7,962,559	13.10
30.6.2018 - Class II	5,558,961	133.39
30.6.2018 - Class III	8,270,281	14.12
30.6.2017 - Class II	4,582,834	101.48
30.6.2017 - Class III	8,471,782	10.70

PERFORMANCE RECORD

Financial year ended	Highest price per unit US\$	Lowest price per unit US\$
30.6.2019 - Class II	134.27	102.14
30.6.2019 - Class III	14.27	10.84
30.6.2018 - Class II	145.14	99.92
30.6.2018 - Class III	15.37	10.53
30.6.2017 - Class II	102.70	80.20
30.6.2017 - Class III	10.82	8.42
30.6.2016 - Class II	102.19	72.84
30.6.2016 - Class III	10.71	7.64
30.6.2015 - Class II*	112.91	88.30
30.6.2015 - Class III	11.82	9.23
30.6.2014 - Class II	97.50	80.10
30.6.2014 - Class III	-	-
30.6.2013 - Class II	88.60	68.25
30.6.2013 - Class III	-	-
30.6.2012 - Class II	79.42	57.46
30.6.2012 - Class III	-	-

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
PERFORMANCE TABLE (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

PERFORMANCE RECORD (Continued)

Financial year ended	Highest price per unit US\$	Lowest price per unit US\$
30.6.2011 - Class II	83.06	65.41
30.6.2011 - Class III	-	-
30.6.2010 - Class II	72.39	49.65
30.6.2010 - Class III	-	-

* As per the updated Explanatory Memorandum dated 7 October 2014, the existing units of the Fund will be referred to as "Class II" units.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 30 JUNE 2019**

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 28 June 2001, as amended, for the year ended 30 June 2019.

For and on behalf of

HSBC Institutional Trust Services (Asia) Limited
as the Trustee of
First State China All Cap Fund
(Formerly known as “First State New Era PRC Fund”)

Hong Kong, 18 October 2019

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF FIRST STATE CHINA ALL CAP FUND (THE "FUND")
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)**

Report on the Audit of the Financial Statements

Opinion

What we have audited

The financial statements of the Fund set out on pages 9 to 35, which comprise:

- the statement of net assets as at 30 June 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2019, and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements 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 Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The Trustee and the Manager (the "Management") of the Fund are responsible for the other information. The other information comprises report of the manager, performance table (unaudited), report of the trustee, investment portfolio (unaudited), statement of movements in portfolio holdings (unaudited) and general information, but does not include the financial statements and our auditor's report thereon.

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

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

**INDEPENDENT AUDITOR’S REPORT
TO THE UNITHOLDERS OF FIRST STATE CHINA ALL CAP FUND (THE “FUND”)
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
(CONTINUED)**

Other Information (Continued)

If, based on the work we have performed, 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.

Responsibilities of the Management for the Financial Statements

The Management of the Fund is responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management of the Fund is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 28 June 2001, as amended (the “Trust Deed”) and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the “SFC Code”).

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 these financial statements. In addition, we are required to assess whether the financial statements of the Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF FIRST STATE CHINA ALL CAP FUND (THE "FUND")
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
(CONTINUED)**

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and the SFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 October 2019

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
STATEMENT OF NET ASSETS
AS AT 30 JUNE 2019**

	Note	2019 US\$	2018 US\$
Assets			
Formation cost		4,122	8,130
Investments	4(b)	12,263,304	13,555,129
Interest receivable	9(f)	8	7
Dividend receivable		51,322	40,720
Amounts receivable from brokers		5,313	19,845
Cash at banks	9(f)	128,555	437,819
Total assets		12,452,624	14,061,650
Liabilities			
Derivative financial instruments	6, 9(f)	1	12
Amounts payable to brokers		-	90,582
Amounts payable on redemption		53,132	53,132
Accounts payable and accrued expenses		104,876	88,682
Total liabilities (excluding net assets attributable to unitholders)		158,009	232,408
Net assets attributable to unitholders		12,294,615	13,829,242
Number of units in issue			
- Class II (USD)	3	35,166.60	41,672.87
- Class III (USD)	3	607,402.20	585,300.89
Net assets attributable to unitholders per unit			
- Class II (USD)	3	123.18	133.39
- Class III (USD)	3	13.10	14.12

Signed for and on behalf of

HSBC Institutional Trust Services (Asia) Limited
as the Trustee

First State Investments (Hong Kong) Limited
as the Manager

The notes on pages 13 to 35 form part of these financial statements.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 US\$	2018 US\$
Income			
Interest on bank deposits	9(f)	1,729	449
Dividend on investments		243,796	246,002
Net (losses)/gains on investments and derivative financial instruments	5	(975,168)	3,942,842
Other income		-	2,914
Exchange losses		(2,494)	(4,100)
Total net (loss)/income		<u>(732,137)</u>	<u>4,188,107</u>
Expenses			
Management fee	9(a)	141,894	165,395
Trustee's fee	9(b)	5,990	6,941
Administration fee	9(c)	12,300	13,883
Auditor's remuneration		35,950	33,298
Legal and professional fees		50,440	23,729
Safe custody and bank charges	9(f)	536	2,738
Interest expenses	9(f)	-	40
Preliminary expenses		4,008	3,986
Other operating expenses		28,550	27,712
Total operating expenses		<u>279,668</u>	<u>277,722</u>
(Loss)/profit before tax		(1,011,805)	3,910,385
Withholding tax		(10,491)	(10,981)
(Decrease)/increase in net assets attributable to unitholders from operations		<u><u>(1,022,296)</u></u>	<u><u>3,899,404</u></u>

The notes on pages 13 to 35 form part of these financial statements.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 US\$	2018 US\$
Net assets attributable to unitholders at 1 July		13,829,242	13,054,616
Allotment of units	3	255,049	2,565,675
Redemption of units	3	(767,380)	(5,690,453)
(Decrease)/increase in net assets attributable to unitholders from operations		(1,022,296)	3,899,404
Net assets attributable to unitholders at 30 June		<u>12,294,615</u>	<u>13,829,242</u>

The notes on pages 13 to 35 form part of these financial statements.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	US\$	US\$
Cash flows from operating activities		
Payments on purchase of investments and derivative financial instruments	(3,375,378)	(3,649,219)
Proceeds from sale of investments and derivative financial instruments	3,615,974	7,175,050
Interest received	1,728	442
Dividend received	222,703	238,593
Other income received	-	2,914
Management fee paid	(144,514)	(163,866)
Trustee's fee paid	(6,089)	(6,888)
Administration fee paid	(12,480)	(13,777)
Auditor's remuneration paid	(33,710)	(32,300)
Interest paid	-	(40)
Other operating expenses paid	(62,673)	(36,325)
	<hr/>	<hr/>
Net cash generated from operating activities	205,561	3,514,584
	-----	-----
Cash flows from financing activities		
Allotment of units	255,049	2,565,675
Redemption of units	(767,380)	(5,707,042)
	<hr/>	<hr/>
Net cash used in financing activities	(512,331)	(3,141,367)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(306,770)	373,217
Effect of foreign exchange rate changes	(2,494)	(4,100)
Cash and cash equivalents at the beginning of the year	437,819	68,702
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	128,555	437,819
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balance of cash and cash equivalents		
Cash at banks	128,555	437,819
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 35 form part of these financial statements.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

1. The Fund

First State China All Cap Fund (formerly known as First State New Era PRC Fund) (the “Fund”) is a unit trust established in Hong Kong under a Trust Deed dated 28 June 2001, as amended. With effect from 9 November 2018, the name of the Fund has been changed from First State New Era PRC Fund to First State China All Cap Fund.

The Fund is authorised by the Securities and Futures Commission of Hong Kong under Section 104 of the Hong Kong Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong. Prior to 7 October 2014, the investment objective of the Fund was to provide investors with capital growth over the medium to long term primarily by investing in Hong Kong listed Red Chips and H-shares, and securities listed on the stock exchanges of the People’s Republic of China (the “PRC”), which are available to foreign investors. With effect from 7 October 2014, according to the updated Explanatory Memorandum, the investment objective of the Fund has been changed to achieving long-term capital appreciation. The Fund aims to invest fully in equity and equity related securities issued by companies, with no restriction on company size, with either assets in, or revenues derived from, the PRC that are listed, traded or dealt in on stock exchanges and markets in the PRC, Hong Kong, Taiwan, the United States or in a member state of the Organisation for Economic Co-operation and Development (the “OECD”). Further with effect from 12 April 2017, the Fund may directly invest up to 30% of its net asset value in certain eligible China A-shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (the “Stock Connects”). The Fund may also invest directly in China B-shares through the PRC stock exchanges.

Further, as per the notice to unitholders dated 26 October 2018, the investment policy of the Fund has been changed as per below.

The Fund aims to invest primarily (i.e. at least 70% of the Fund’s net asset value) in equity and equity related securities issued by companies, with no restriction on company size or market capitalization, with either assets in, or revenue derived from, the PRC or whose business is otherwise connected with the economy of the PRC which are listed, traded or dealt in on stock exchanges and markets worldwide (or which the Manager expects to be listed on a stock market within a reasonable period after the acquisition of such securities) where the Manager considers such appropriate.

Further, the Fund may invest in China A-shares directly via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The Fund’s maximum exposure to China A-shares and China B-shares in aggregate will be less than 30% of the Fund’s net asset value. For the avoidance of doubt, the Fund’s investment in participation notes will not exceed 15% of its net asset value. The Fund may also invest up to 10% of its net asset value in collective investment schemes (including those invested by the Fund for the purpose of gaining indirect exposure to China A-shares). The Fund may hold cash (up to 20% of its net asset value) for liquidity purposes. Under exceptional circumstances (e.g. market crash or major crisis), the Fund may invest temporarily up to 100% of its net asset value in liquid assets such as bank deposits, certificates of deposit, commercial papers and treasury bills for cash flow management.

HSBC Institutional Trust Services (Asia) Limited (the “Trustee”) has been appointed as the trustee of the Fund. The investment objectives of the Fund are managed by First State Investments (Hong Kong) Limited (the “Manager”).

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) held at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the Trustee to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

New and amended standards that are effective in the current year and have been adopted by the Fund

HKFRS 9, ‘Financial instruments’, addresses the classification, measurement and derecognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in HKAS 39.

Classification and measurement of debt assets are driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss.

An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure the financial assets at fair value through other comprehensive income. HKFRS 9 also introduces a new expected credit loss impairment model.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

New and amended standards that are effective in the current year and have been adopted by the Fund (continued)

HKFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 2(b). The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, interpretations or amendments to existing standards that are effective for annual periods beginning on 1 July 2018 that have a material effect on the financial statements of the Fund.

New standards, amendments and interpretations that are relevant to the Fund but are not yet effective and have not been early adopted by the Fund

A number of new standards, amendments to standards and interpretations are not yet effective, and have not been adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

(b) Investments

Classification

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all investments are measured at fair value through profit or loss.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Summary of significant accounting policies (continued)

(b) Investments (continued)

Recognition, derecognition and measurement

Purchases and sales of investments are accounted for on the trade date basis – the date on which the Fund commits to purchase or sell the investment. Investments are initially recognised at fair value, excluding transaction costs which are expensed as incurred, and are subsequently re-measured at fair value. Realised and unrealised gains and losses on investments are included in the statement of comprehensive income in the year in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

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

Fair value estimation

Fair value is 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 fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date.

Investments that are listed or traded on an exchange are fair valued based on quoted last traded prices.

Investments which are not listed on an exchange or are thinly traded are valued by using quotes from brokers.

Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

(c) Derivative financial instruments

Derivative financial instruments are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Subsequent changes in the fair value of any derivative financial instrument are recognised immediately in the statement of comprehensive income.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Summary of significant accounting policies (continued)

(d) Offsetting financial instruments

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

(e) Amounts receivable from and payable to brokers

Amounts receivable from and payable to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the reporting date respectively. The amounts receivable from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts receivable from brokers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant known financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. For the purposes of measurement for presentation in the financial statements, a significant increase in credit risk is defined by the Manager as any contractual payment which is more than 30 days past due, and any contractual payment which is more than 90 days past due is considered credit impaired. The Manager has measures in place to monitor exposures and increase in credit risk.

(f) Translation of foreign currencies

(i) Functional and presentation currencies

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The performance of the Fund is measured and reported to the unitholders in United States dollar ("US\$"). The Manager considers the US\$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in US\$, which is the Fund's functional and presentation currency.

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2. Summary of significant accounting policies (continued)

(f) Translation of foreign currencies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rates prevailing at the reporting date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within exchange gains/(losses).

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within net gains/(losses) on investments and derivative financial instruments.

(g) Income

Interest income is recognised on a time-proportionate basis using the effective interest method. Dividend income is recognised when the right to receive payments is established. Other income is accounted for on an accruals basis.

(h) Expenses

Expenses are accounted for on an accruals basis.

(i) Preliminary expenses

Expenses incurred in the formation of the Fund's Class II units are recognized as expenses of the Fund in the period in which they arise.

(j) Taxation

The Fund currently incurs withholding tax imposed by certain countries on investment income and capital gains. Such income is recorded gross of withholding tax in the statement of comprehensive income.

(k) Subscription and redemption of units

The Fund issues units, which are redeemable at the holder's option and are classified as a financial liability. The price at which units are subscribed or redeemed is calculated by reference to the net asset value per unit at the close of business on the relevant dealing day.

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2. Summary of significant accounting policies (continued)

(l) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at banks with maturity of three months or less from the date of placing the deposits, net of bank overdrafts, if any.

3. Number of units in issue and net assets attributable to unitholders

The Fund has no restrictions on the subscription of units. However, to protect the interests of unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of units redeemed on any dealing day (whether by sale to the Manager or by cancellation by the Trustee) to 10% of the total number of units in issue. In this event, the limitation will apply pro rata so that all unitholders wishing to redeem units on that dealing day will redeem the same proportion of such units, and units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next dealing day. If requests for redemption are so carried forward, the Manager will inform the unitholders concerned. Subscription and redemption of units during the year are shown in the statement of changes in net assets attributable to unitholders. In order to achieve the investment objectives, the Fund endeavors to invest its capital in accordance with the investment policies as outlined in note 4, whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments.

At 30 June 2019, the Fund had US\$12,294,615 (2018: US\$13,829,242) of net assets attributable to unitholders which represent a financial liability in the statement of net assets, carried at the redemption amount that would be payable at the reporting date if the unitholders exercised the right to redeem the units in the Fund.

	2019	2018
	Units	Units
Number of Class II units in issue	35,166.60	41,672.87
Number of Class III units in issue	607,402.20	585,300.89
	2019	2018
	US\$	US\$
Net assets attributable to unitholders per Class II unit	123.18	133.39
Net assets attributable to unitholders per Class III unit	13.10	14.12

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3. Number of units in issue and net assets attributable to unitholders (continued)

	2019	2019
	Class II	Class III
	Units	Units
Balance at the beginning of the year	41,672.87	585,300.89
Allotment of units	-	22,101.31
Redemption of units	(6,506.27)	-
	<u>35,166.60</u>	<u>607,402.20</u>
Balance at the end of the year	<u><u>35,166.60</u></u>	<u><u>607,402.20</u></u>
	2018	2018
	Class II	Class III
	Units	Units
Balance at the beginning of the year	45,158.78	791,686.42
Allotment of units	-	218,541.31
Redemption of units	(3,485.91)	(424,926.84)
	<u>41,672.87</u>	<u>585,300.89</u>
Balance at the end of the year	<u><u>41,672.87</u></u>	<u><u>585,300.89</u></u>

According to the updated Explanatory Memorandum dated 7 October 2014, four classes of units had been set up (Class I, Class I (Hong Kong dollars), Class II and Class III). Existing units of the Fund had been transferred into Class II on the date of the updated Explanatory Memorandum. Class II units are not available for subscription by retail investors in Hong Kong.

The Fund's objectives and policies for managing its obligations to redeem these instruments are included in note 4(h) on capital risk management and note 4(e) on liquidity risk.

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4. Financial risk management

Investments and derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss. The remaining financial assets and liabilities as shown on the statement of net assets are classified as “financial assets at amortised cost” and “financial liabilities at amortised cost” respectively.

(a) Strategy in using financial instruments

The investment objective of the Fund is to achieve long-term capital appreciation. The Fund aims to invest fully in equity and equity related securities issued by companies, with no restriction on company size, with either assets in, or revenues derived from, the PRC that are listed, traded or dealt in on stock exchanges and markets in the PRC, Hong Kong, Taiwan, the United States or in a member state of the OECD. Further with effect from 12 April 2017, the Fund may directly invest up to 30% of its net asset value in certain eligible China A-shares via the Stock Connects. The Fund may also invest directly in China B-shares through the PRC stock exchanges.

The Fund is expected to provide a return in excess of the relevant benchmark index, the MSCI China Free Index (Total return) in United States dollars.

The Fund is exposed to market price risk, interest rate risk, credit risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below:

(b) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

It is the policy of the Manager to maintain a diversified portfolio of investments so as to minimise risk.

At the reporting date, the overall exposures are as follows:

	2019		2018	
	Fair value US\$	% of net assets	Fair value US\$	% of net assets
Financial assets at fair value through profit or loss:				
- Equities	12,263,304	99.75	13,555,129	98.02
	12,263,304	99.75	13,555,129	98.02

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4. Financial risk management (continued)

(b) Market price risk (continued)

The table below shows the exposure the Fund has to various markets:

Markets exposed to	2019 US\$ equivalents	2018 US\$ equivalents
China	8,205,715	9,385,950
Hong Kong	3,881,651	4,032,512
Taiwan	175,938	136,667
	<u>12,263,304</u>	<u>13,555,129</u>

The exposure to country is based on the place of domiciles of the security.

The exposure to sectors at the reporting date are as follows:

Sectors exposed to	2019 % of net assets	2018 % of net assets
Communication services	9.78	-
Consumer discretionary	18.32	23.28
Consumer staples	12.26	8.08
Financials	8.96	7.41
Health care	11.39	14.82
Industrials	13.37	9.56
Information technology	7.68	19.47
Materials	2.14	1.99
Real estate	6.74	6.06
Utilities	9.11	7.35
	<u>99.75</u>	<u>98.02</u>

There were no individual investments with fair value exceeding 10% of the Fund's net asset value at 30 June 2019 and 2018.

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4. Financial risk management (continued)

(b) Market price risk (continued)

The table below summarizes the impact on the net assets at the reporting date of a reasonably possible change in the benchmark market index as applied to the respective beta reported by Lipper.

The reasonably possible change in the benchmark market index has been determined by using the last five years' annualized benchmark returns.

The performance of the Fund does not necessarily follow the benchmark and the holdings in the Fund might be different to the benchmark. The sensitivity analysis below is a relative estimate of risk. Please note that past performance should not be used as a guide to future performance as future market conditions could vary significantly from those experienced in the past.

	2019		2018	
	Change in market index % +/-	Impact US\$ +/-	Change in market index % +/-	Impact US\$ +/-
MSCI China Free Index (Total return)	43.48%	4,395,342	12.27%	1,338,201

(c) Interest rate risk

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

The majority of the Fund's financial assets and liabilities are non-interest bearing, as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The Fund had bank balances of US\$128,555 (2018: US\$437,819) at 30 June 2019, and is therefore exposed to minimal interest rate risk on these bank balances.

(d) Credit and custody risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency, negligence or fraudulent action of the custodian or sub-custodian.

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits and assets held with the custodian. The table below summarizes the assets placed with the bank and custodian at the reporting date.

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4. Financial risk management (continued)

(d) Credit and custody risk (continued)

At 30 June 2019

	US\$	Credit rating	Source of credit rating
<u>Custodian – custody risk</u>			
HSBC Institutional Trust Services (Asia) Limited	12,263,304	AA-*	Fitch
<u>Bank – credit risk</u>			
The Hongkong and Shanghai Banking Corporation Limited	128,555	AA-*	Fitch

At 30 June 2018

	US\$	Credit rating	Source of credit rating
<u>Custodian – custody risk</u>			
HSBC Institutional Trust Services (Asia) Limited	13,555,129	AA-*	Fitch
<u>Bank – credit risk</u>			
The Hongkong and Shanghai Banking Corporation Limited	437,819	AA-*	Fitch

All transactions in listed/quoted investments are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Fund considers to be well established.

The Fund has arranged uncommitted overdraft facility with The Hongkong and Shanghai Banking Corporation Limited (“HSBC”). To secure the facility, the Fund has granted HSBC a lien on the collateral and the securities and/or cash held in other accounts from time to time whether for safe custody or otherwise in respect of the Fund’s actual or contingent liabilities under the facility. The Fund is therefore also exposed to credit risk to HSBC. Please refer to note 7 for the uncommitted bank overdraft facility.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as shown on the statement of net assets.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss.

* The credit ratings of HSBC Institutional Trust Services (Asia) Limited and The Hongkong and Shanghai Banking Corporation Limited are obtained from HSBC Holdings plc, which is their ultimate holding company.

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4. Financial risk management (continued)

(d) Credit and custody risk (continued)

Management considers the probability of default to be insignificant as the counterparties generally have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be insignificant to the Fund.

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in settling a liability, including a redemption request.

The Fund is exposed to daily cash redemptions of units in the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. Please refer to note 3 for restrictions on unit redemptions and note 7 for the uncommitted bank overdraft facility.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 month US\$	1 - 3 months US\$	More than 3 months US\$
At 30 June 2019			
Derivative financial instruments	1	-	-
Amounts payable on redemption	-	-	53,132
Accounts payable and accrued expenses	22,885	40,370	41,621
Net assets attributable to unitholders	12,294,615	-	-
	<u>12,317,501</u>	<u>40,370</u>	<u>94,753</u>
	Less than 1 month US\$	1 - 3 months US\$	More than 3 months US\$
At 30 June 2018			
Derivative financial instruments	12	-	-
Amounts payable to brokers	90,582	-	-
Amounts payable on redemption	-	-	53,132
Accounts payable and accrued expenses	26,161	38,296	24,225
Net assets attributable to unitholders	13,829,242	-	-
	<u>13,945,997</u>	<u>38,296</u>	<u>77,357</u>

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4. Financial risk management (continued)

(e) Liquidity risk (continued)

Units are redeemable on demand at the holder's option. At 30 June 2019, there were 2 (2018: 2) unitholders holding over 10% of the Fund's net assets individually.

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within 1 month or less. The table below illustrates the expected liquidity of assets held:

At 30 June 2019	Less than 1 month US\$	1 - 3 months US\$	More than 3 months US\$
Investments	12,263,304	-	-
Interest receivable	8	-	-
Dividend receivable	47,735	3,587	-
Amounts receivable from brokers	5,313	-	-
Cash at banks	128,555	-	-
	<u>12,444,915</u>	<u>3,587</u>	<u>-</u>
	<u><u>12,444,915</u></u>	<u><u>3,587</u></u>	<u><u>-</u></u>
At 30 June 2018	Less than 1 month US\$	1 - 3 months US\$	More than 3 months US\$
Investments	13,555,129	-	-
Interest receivable	7	-	-
Dividend receivable	36,062	4,658	-
Amounts receivable from brokers	19,845	-	-
Cash at banks	437,819	-	-
	<u>14,048,862</u>	<u>4,658</u>	<u>-</u>
	<u><u>14,048,862</u></u>	<u><u>4,658</u></u>	<u><u>-</u></u>

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4. Financial risk management (continued)

(f) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund has assets and liabilities denominated in currencies other than United States dollar, the Fund's functional and presentation currency. The Fund is therefore exposed to currency risk, as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Manager will enter into spot foreign exchange contracts from time to time to hedge against the fluctuation in exchange rates. Details of spot foreign exchange contracts outstanding at the reporting date are disclosed in note 6.

The table below summarizes the Fund's net exposure to different major foreign currencies:

	2019		2018	
	Monetary US\$	Non- monetary US\$	Monetary US\$	Non- monetary US\$
Chinese renminbi	-	2,523,463	-	2,174,941
Hong Kong dollar	56,625	8,971,297	4,802	10,578,390
Taiwan dollar	-	175,938	-	136,667

The table below summarizes the impact on net assets as a result of increases/decreases of key exchange rates on the exposures tabled above, to which the Fund is exposed. The analysis is based on the assumption that the exchange rates had increased/decreased by the stated percentage with all other variables held constant.

	2019			2018		
	Change	Impact	Impact	Change	Impact	Impact
		Monetary	Non- monetary		Monetary	Non- monetary
		US\$	US\$		US\$	US\$
	+/-	equivalents	equivalents	+/-	equivalents	equivalents
		+/-	+/-		+/-	+/-
Chinese renminbi	5.0%	-	126,173	5.0%	-	108,747
Taiwan dollar	5.0%	-	8,797	5.0%	-	6,833

As Hong Kong dollar is currently pegged to United States dollar within a narrow range, the impact on net assets is considered minimal, hence no sensitivity analysis of Hong Kong dollar is presented.

The Manager has used its view of what would be a "reasonably possible shift" in the exchange rate to estimate the change for use in the currency risk sensitivity analysis above.

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4. Financial risk management (continued)

(f) Currency risk (continued)

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in exchange rate % are revised annually depending on the Manager's current view of exchange rate volatility and other relevant factors.

(g) Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the close of trading on the reporting date. The Fund utilises the last traded market prices as its fair valuation inputs for both financial assets and liabilities.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

HKFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Fund. The Fund considers observable data to be such market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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4. Financial risk management (continued)

(g) Fair value estimation (continued)

The table below analyses within the fair value hierarchy the Fund's investments and derivative financial instruments (by class) measured at fair value:

At 30 June 2019

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Assets				
Financial assets at fair value through profit or loss				
- Equities	12,263,304	-	-	12,263,304
	<u>12,263,304</u>	<u>-</u>	<u>-</u>	<u>12,263,304</u>
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivatives	-	1	-	1
	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

At 30 June 2018

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Assets				
Held for trading				
- Equities	13,555,129	-	-	13,555,129
	<u>13,555,129</u>	<u>-</u>	<u>-</u>	<u>13,555,129</u>
Liabilities				
Held for trading				
- Derivatives	-	12	-	12
	<u>-</u>	<u>12</u>	<u>-</u>	<u>12</u>

Financial instruments whose values are based on quoted market prices in active markets are classified within level 1. The Fund does not adjust the quoted prices for these instruments.

Financial instruments that trade in markets that are not considered to be active and are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Financial instruments classified within level 3 have significant unobservable inputs, as they trade infrequently.

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4. Financial risk management (continued)

(g) Fair value estimation (continued)

There were no transfers between levels for the year ended 30 June 2019 and 2018.

The assets and liabilities as stated in the statement of net assets, excluding investments and derivative financial instruments, are carried at amortised cost; their carrying amounts are a reasonable approximation of fair value.

(h) Capital risk management

The capital of the Fund is represented by the net assets attributable to unitholders. The amount of net assets attributable to unitholders can change significantly as the Fund is subject to subscriptions and redemptions every day at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- monitor the level of subscriptions and redemptions relative to the liquid assets; and
- redeem and issue units in accordance with the Trust Deed of the Fund.

The Manager monitors capital on the basis of the value of net assets attributable to unitholders.

5. Net (losses)/gains on investments and derivative financial instruments

	2019	2018
	US\$	US\$
Unrealised (losses)/gains on investments	(1,917,787)	2,010,061
Unrealised gains on derivative financial instruments	11	-
Realised gains on investments	942,608	1,932,781
	<u>(975,168)</u>	<u>3,942,842</u>

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6. Derivative financial instruments

Derivative financial instruments represent outstanding spot foreign exchange contracts.

	2019		2018	
	US\$	% of net assets	US\$	% of net assets
<u>Derivative financial instruments</u>				
- Spot foreign exchange contracts	(1)	(0.00)	(12)	(0.00)
Total derivative financial instruments - liabilities	(1)	(0.00)	(12)	(0.00)

The details of outstanding spot foreign exchange contracts at the reporting date are as follows:

At 30 June 2019

Contract to deliver	In exchange for	Settlement date	Fair value US\$
HKD20,982	USD2,685	2 July 2019	(1)
			(1)

At 30 June 2018

Contract to deliver	In exchange for	Settlement date	Fair value US\$
USD19,658	HKD154,243	3 July 2018	(4)
USD7,987	HKD62,671	3 July 2018	(1)
USD19,757	HKD155,009	3 July 2018	(5)
USD8,349	HKD65,520	3 July 2018	-
HKD155,733	USD19,842	5 July 2018	(2)
			(12)

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7. Uncommitted bank overdraft facility

The Fund has arranged uncommitted overdraft facility with HSBC since 29 May 2013. The overdraft facility limit is the lesser of US\$1,000,000 and 10% of the net asset value of the Fund. The overdraft balance shall bear interest at 0.5% above HSBC's best lending rate for United States dollars and 2.6% below HSBC's best lending rate for Hong Kong dollars. The terms under the facility are subject to renewal from time to time and at least on an annual basis.

To secure the facility, the Fund has granted HSBC a lien on the collateral and the securities and/or cash held in other accounts from time to time whether for safe custody or otherwise in respect of the Fund's actual or contingent liabilities under the facility. At 30 June 2019 and 2018, there was no outstanding payable under the overdraft facility.

For the year ended 30 June 2019, interest expenses of US\$Nil (2018: US\$40) and bank charges of US\$338 (2018: US\$2,231) were incurred by the Fund.

8. Taxation

- (a) No provision for Hong Kong profits tax has been made as the Fund is authorised as a collective investment scheme under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.
- (b) The Fund invests in shares of companies in the PRC listed on the Hong Kong Stock Exchange ("H-shares"). Under the PRC Corporate Income Tax Law, the Fund may be liable to pay PRC tax on the capital gains realised in the trading of H-shares. However, no provision was made for taxation from such gains in the financial statements as the Trustee and the Manager believe that the Fund can sustain a position for not filing a tax return based on the existing tax regulations and that the enforcement of China tax on capital gains is not probable.
- (c) The Fund invests in B-shares of companies listed in the PRC. Under current PRC tax laws, gains derived from the transfer of shares of Chinese companies by non-residents should be subject to a withholding tax of 10%, unless exempt under relevant tax treaties. The State Administration of Taxation (the "SAT") has remained silent on the application of withholding tax for capital gains and until further clarification is issued by the SAT, the Manager considers that there is significant uncertainty in respect of whether the Fund has any liability and the extent of such liability. In making the assessment, the Manager has considered (i) the current position of the SAT, (ii) absence of a withholding mechanism of the relevant tax, and (iii) current market practice. Based on assumptions that the withholding tax, if levied, is at 10% of the gross gains, the maximum liability the Fund may be exposed to is US\$81,297 (2018: US\$84,545), calculated based on the realised gains and unrealised gains from all investments in B-shares up to 30 June 2019. The Manager has assessed the risk for the Fund to be liable for such tax and considers such risk to be low at 30 June 2019, and therefore no provision was made (2018: Nil).
- (d) The Fund invests in A-shares of companies listed in the PRC. Under current PRC tax laws, corporate income tax and business tax will be temporarily exempt on gains derived by Hong Kong and overseas investors (including the Fund) on the trading of China A-shares through the Stock Connects with effect from 17 November 2014. However, Hong Kong and overseas investors are required to pay tax on dividends and/or bonus shares at the rate of 10% which will be withheld and paid to the relevant authority by the listed companies.
- (e) Withholding tax was charged on certain dividend income received during the year.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

9. Transactions with connected persons/related parties

The following is a summary of the transactions entered into during the year between the Fund and its related parties including the Trustee, the Manager and its connected persons. Connected persons of the Manager are those defined in the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong. All such transactions were entered into in the ordinary course of business and on normal commercial terms. To the best of the Manager's knowledge, the Fund does not have any other transactions with connected persons except those disclosed below.

(a) Management fee

The Manager is entitled to receive in arrears a monthly management fee from the Fund, accrued on and calculated at each dealing day at the rate of 1.5% per annum of the net asset value of the Class II (USD) units and 1% per annum of the net asset value of the Class III (USD) units. The Manager may increase the rate of management fee payable in respect of each class of the Fund up to 2.25% per annum by giving not less than three months' written notice of such increase to the Trustee and the unitholders. For the year ended 30 June 2019, a management fee of US\$141,894 (2018: US\$165,395) was incurred by the Fund, of which US\$11,550 (2018: US\$14,170) remained payable at 30 June 2019.

(b) Trustee's fee

The Trustee is entitled to receive in arrears a monthly trustee fee from the Fund, accrued on and calculated at each dealing day at the rate of 0.05% per annum of the net asset value of the Fund. The Trustee may increase the rate of the trustee fee up to 1% per annum by giving not less than three months' written notice of such increase to the Manager and the unitholders. For the year ended 30 June 2019, a trustee fee of US\$5,990 (2018: US\$6,941) was incurred by the Fund, of which US\$491 (2018: US\$590) remained payable at 30 June 2019.

(c) Administration fee

The Trustee is also entitled to receive in arrears a monthly administration fee from the Fund, accrued on and calculated at each dealing day at the rate of 0.1% per annum of the net asset value of the Fund, subject to a minimum fee of US\$1,000 per month. For the year ended 30 June 2019, an administration fee of US\$12,300 (2018: US\$13,883) was incurred by the Fund, of which US\$1,000 (2018: US\$1,180) remained payable at 30 June 2019.

(d) Subscription charge

The Manager is entitled to a charge of 5% of the issue price per unit relating to subscriptions in the Fund. For the year ended 30 June 2019, units have been issued but no subscription charge has been levied by the Manager (2018: Nil).

(e) Cross trades with another fund managed by the Manager

During the year ended 30 June 2019, the Fund has transacted with another fund which is also managed by the Manager. The Fund sold an investment amounting to US\$20,468 (2018: Nil) to that another fund. The percentage of such transaction in value to total transactions during the year is 0.30% (2018: Nil). The transaction was carried out at fair value of the investment on the date of the transaction. The decision was in the best interest of the Fund and fell within the investment objectives and policies of the Fund.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

9. Transactions with connected persons/related parties (continued)

(f) Other transactions and balances with the Trustee and its related parties

In addition to the trustee's fee of US\$5,990 (2018: US\$6,941) as disclosed in note 9(b) and the administration fee of US\$12,300 (2018: US\$13,883) as disclosed in note 9(c), the Fund had the following transactions with the Trustee and its related parties. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

	2019	2018
	US\$	US\$
Interest on bank deposits	1,729	449
Interest expenses	-	(40)
Safe custody and bank charges	(536)	(2,738)
Transaction costs	(5,295)	(12,384)
Accounting fee	(8,049)	(9,049)

In addition to the trustee fee payable of US\$491 (2018: US\$590) as disclosed in note 9(b) and the administration fee payable of US\$1,000 (2018: US\$1,180) as disclosed in note 9(c), the Fund had the following balances with the Trustee and its related parties.

	2019	2018
	US\$	US\$
Cash at banks	128,555	437,819
Interest receivable	8	7
Transaction costs payable	(2,970)	(3,570)
Accounting fee payable	(5,132)	(5,133)
Spot foreign exchange contracts payable	(1)	(12)

During the year ended 30 June 2019 and 2018, the Fund had an uncommitted bank overdraft facility with the related parties of the Trustee as disclosed in note 7.

**FIRST STATE CHINA ALL CAP FUND
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

10. Soft commission arrangements

During the year ended 30 June 2019 and 2018, there was no use of soft commission arrangement with brokerage firms.

11. Distributions

No distribution was made during the year ended 30 June 2019 (2018: Nil).

12. Subsequent event

On 2 August 2019, Mitsubishi UFJ Financial Group, Inc.'s ("MUFG") trust banking entity, Mitsubishi UFJ Trust and Banking Corporation ("MUTB"), completed the acquisition of First State Investments (as it is known outside of Australia)/Colonial First State Global Asset Management ("CFSGAM"). The MUFG group is headquartered in Tokyo and with over 360 years of history, which has a global network with over 1,800 locations in more than 50 countries. On 16 September 2019, CFSGAM rebranded in Australia to First Sentier Investors. A global rebrand of the business to First Sentier Investors will occur before the end of 2020.

13. Approval of the financial statements

The financial statements were approved by the Trustee and the Manager on 18 October 2019.

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2019**

	Holdings as at 30.6.2019	Market value US\$	% of net asset value
Listed investments – equities (99.75%)			
Listed on the Stock Exchange of Hong Kong (70.83%)			
AAC Technologies Holdings Inc Com	31,500	178,819	1.45
Aeon Stores (Hong Kong) Co Ltd	167,500	83,831	0.68
ASM Pacific Technology Ltd	31,700	324,608	2.64
China Bluechemical Ltd Shs - H	332,000	90,517	0.74
China Conch Venture Holdings Ltd	47,000	166,042	1.35
China Mengniu Dairy Co Ltd	141,000	545,952	4.44
China Merchants Bank Co Ltd - H	144,291	719,377	5.85
China Overseas Grand Oceans Group Ltd	360,000	158,515	1.29
China Overseas Property Holding Co Ltd	422,307	220,005	1.79
China Resources Beer Holdings Co Ltd	54,000	256,435	2.09
China Resources Land Ltd	50,137	220,763	1.80
China Resources Medical Holdings Co Ltd	233,834	170,605	1.39
China Taiping Insurance Holdings Co Ltd	87,661	234,511	1.91
China Vanke Co Ltd - H	61,126	229,247	1.87
CSPC Pharmaceutical Group Ltd	230,000	370,944	3.02
ENN Energy Holdings Ltd	57,900	563,251	4.58
Fuyao Glass Industry Group Co Ltd - H	41,754	129,605	1.05
Hengan International Group Co Ltd	19,500	143,395	1.17
Luk Fook Holdings International Ltd	65,000	203,840	1.66
Luye Pharma Group Ltd	188,500	136,565	1.11
Minth Group Ltd	106,000	285,606	2.32
Nissin Foods Co Ltd	278,000	200,694	1.63
Shenzhen International Group	24,600	338,181	2.75
Sino Biopharmaceutical Ltd	131,000	133,976	1.09
Sunny Optical Technology Group Co Ltd	9,300	96,065	0.78
Techtronic Industries Co Ltd	50,500	386,547	3.14
Tencent Holdings Ltd	18,800	848,497	6.90
Tong Ren Tang Technologies Co Ltd - H	152,000	181,135	1.47
Towngas China Co Ltd	450,113	324,370	2.64
Tsingtao Brewery Co Ltd - H	28,000	178,304	1.45
VITASOY International Holdings Ltd	38,000	182,643	1.49
Wasion Holdings Ltd	636,000	232,827	1.89
Xinyi Glass Holdings Co Ltd	164,000	172,134	1.40
		8,707,806	70.83

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)
AS AT 30 JUNE 2019**

	Holdings as at 30.6.2019	Market value US\$	% of net asset value
Listed investments – equities (99.75%) (continued)			
Listed on the Stock Exchange of New York, U.S.A. (4.82%)			
51Job Inc ADR	2,808	212,004	1.72
Baidu Inc ADR	1,205	141,418	1.15
Ctrip.Com International Ltd ADR	4,679	172,702	1.41
Yum China Holdings Inc	1,439	66,482	0.54
		592,606	4.82
Listed on the Stock Exchange of Shanghai, People's Republic of China (8.84%)			
Beijing Wangfujing Department Store	27,300	60,336	0.49
Haier Smart Home Co Ltd (Formerly known as Qingdao Haier Co Ltd)	66,820	168,095	1.37
Hongfa Technology Co Ltd - A	35,920	126,998	1.03
Shanghai International Airport Co Ltd	37,618	458,553	3.73
Zhejiang Chint Electrics Co Ltd	81,168	272,686	2.22
		1,086,668	8.84
Listed on the Stock Exchange of Shenzhen, People's Republic of China (13.83%)			
Anhui Zhongding Sealing Parts Co Ltd	74,800	104,370	0.85
Bank of Ningbo Co Ltd - A	41,730	147,175	1.20
Beijing Thunisoft Corp Ltd	23,230	64,218	0.52
China National Accord Medicines Co Ltd - B	47,000	165,380	1.35
Gree Electric Appliances Inc of Zhuhai	14,591	116,762	0.95
Hangzhou Hikvision Digital Technology Co Ltd	26,100	104,734	0.85
Han's Laser Technology Industry Group Co Ltd	19,755	98,818	0.80
Midea Group Co Ltd	70,154	529,345	4.31
Shenzhen Inovance Technology Co Ltd	8,952	29,840	0.24
Weifu High-Technology Group Co Ltd	54,400	98,111	0.80
Yunnan Baiyao Group Co Ltd - A	19,900	241,533	1.96
		1,700,286	13.83

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)
AS AT 30 JUNE 2019**

	Holdings as at 30.6.2019	Market value US\$	% of net asset value
Listed investments – equities (99.75%) (continued)			
Listed on the Stock Exchange of Taiwan (1.43%)			
Advantech Co Ltd	20,699	175,938	1.43
		<u>175,938</u>	<u>1.43</u>
Total listed investments – equities		12,263,304	99.75
Derivative financial instruments		(1)	(0.00)
Other net assets		31,312	0.25
Net assets as at 30 June 2019		<u>12,294,615</u>	<u>100.00</u>
Total listed investments, at historical cost		<u>9,235,746</u>	

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2019**

Listed investments	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
<u>Equities</u>			
<i>Listed on the Stock Exchange of Hong Kong</i>			
AAC Technologies Holdings Inc Com	3,500	4,500	-
Aeon Stores (Hong Kong) Co Ltd	67,500	-	-
ASM Pacific Technology Ltd	7,900	9,600	-
China Bluechemical Ltd Shs - H	10,000	366,000	-
China Conch Venture Holdings Ltd	21,500	38,500	-
China Medical System Holdings Ltd	-	9,000	-
China Mengniu Dairy Co Ltd	29,000	21,000	-
China Merchants Bank Co Ltd - H	-	19,000	-
China Overseas Grand Oceans Group Ltd	37,000	139,000	-
China Overseas Property Holding Co Ltd	90,000	65,000	-
China Resources Beer Holdings Co Ltd	14,000	6,000	-
China Resources Land Ltd	4,000	40,000	-
China Resources Medical Holdings Co Ltd	95,500	-	-
China Taiping Insurance Holdings Co Ltd	-	47,400	-
China Vanke Co Ltd - H	-	9,200	-
CSPC Pharmaceutical Group Ltd	-	24,000	-
ENN Energy Holdings Ltd	4,200	8,300	-
Fuyao Glass Industry Group Co Ltd - H	-	4,000	-
Hansoh Pharmaceutical Group Co Ltd	2,000	2,000	-
Hengan International Group Co Ltd	19,500	-	-
Innovent Biologics Inc	9,500	9,500	-
JNBY Design Ltd	41,500	102,500	-
Li Ning Co Ltd	-	65,500	-
Luk Fook Holdings International Ltd	23,000	-	-
Luye Pharma Group Ltd	21,500	17,000	-
Minth Group Ltd	24,000	14,000	-
Nissin Foods Co Ltd	278,000	-	-
Shanghai PRET Composites Co Ltd	-	12,750	-
Shenzhou International Group	-	7,400	-
Sino Biopharmaceutical Ltd	-	33,000	-
Sun Art Retail Group Ltd	62,500	147,597	-
Sunny Optical Technology Group Co Ltd	9,300	-	-
Techtronic Industries Co Ltd	10,000	8,000	-
Tencent Holdings Ltd	2,100	1,000	-
Tong Ren Tang Technologies Co Ltd - H	-	43,000	-
Towngas China Co Ltd	43,000	13,000	-
Tsingtao Brewery Co Ltd - H	28,000	-	-
VITASOY International Holdings Ltd	6,000	28,000	-
Wasion Holdings Ltd	78,000	14,000	-
Xinyi Glass Holdings Co Ltd	44,000	-	-

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
(CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

Listed investments (Continued)	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
<u>Equities (Continued)</u>			
<i>Listed on the Stock Exchange of New York, U.S.A.</i>			
51Job Inc ADR	2,808	-	-
Baidu Inc ADR	509	696	-
Ctrip.Com International Ltd ADR	652	873	-
NetEase Inc ADR	60	430	-
Yum China Holdings Inc	1,439	-	-
<i>Listed on the Stock Exchange of Shanghai, People's Republic of China</i>			
Beijing Wangfujing Department Store	27,300	-	-
Foshan Haitian Flay & Food Co Ltd	-	12,599	-
Haier Smart Home Co Ltd (Formerly known as Qingdao Haier Co Ltd)	17,800	7,800	-
Hongfa Technology Co Ltd - A	10,800	4,000	-
Jiangsu Hengrui Medicine Co Ltd	-	8,118	-
Shanghai International Airport Co Ltd	5,780	20,100	-
Zhejiang Chint Electrics Co Ltd	53,068	-	-
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China</i>			
Anhui Zhongding Sealing Parts Co Ltd	74,800	-	-
Bank of Ningbo Co Ltd - A	47,930	6,200	-
Beijing Thunisoft Corp Ltd	23,230	-	-
China National Accord Medicines Co Ltd - B	8,200	24,100	-
Gree Electric Appliances Inc of Zhuhai	-	26,300	-
Hangzhou Hikvision Digital Technology Co Ltd	4,200	-	-
Han's Laser Technology Industry Group Co Ltd	23,455	3,700	-
Midea Group Co Ltd	4,800	6,100	-
Shenzhen Inovance Technology Co Ltd	-	14,400	-
Weifu High-Technology Group Co Ltd	54,400	-	-
Wuxi Little Swan Co Ltd - B	-	64,100	-
Yunnan Baiyao Group Co Ltd - A	20,300	400	-
<i>Listed on the Stock Exchange of Taiwan</i>			
Advantech Co Ltd	2,000	2,000	-

**FIRST STATE CHINA ALL CAP FUND
(FORMERLY KNOWN AS FIRST STATE NEW ERA PRC FUND)
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2019**

Manager	First State Investments (Hong Kong) Limited 25th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Directors of the Manager	Christian Richard Spencer Turpin Michael David Stapleton Lucinda Kate Dowling
Trustee and Registrar	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
Auditor	PricewaterhouseCoopers 22nd Floor, Prince's Building Central Hong Kong
Legal Advisor to the Manager	Deacons Alexandra House 5th Floor 18 Charter Road Central Hong Kong

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* The SFC has not reviewed the contents of this website.