

# First State New Era PRC Fund

Annual Report

July 2015 - June 2016

## 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 the 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 NEW ERA PRC FUND  
REPORT OF THE MANAGER  
FOR THE YEAR ENDED 30 JUNE 2016**

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**REPORT OF THE MANAGER**

**PERFORMANCE**

	1 July 2015 to 30 June 2016	1 July 2014 to 30 June 2015
First State New Era PRC Fund Class II*	-22.32%	9.92%
Benchmark: MSCI China Free Index	-23.20%	24.95%
	1 July 2015 to 30 June 2016	7 October 2014 to 30 June 2015
First State New Era PRC Fund Class III	-22.22%	8.90%
Benchmark: MSCI China Free Index	-23.20%	20.20%

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

**Market review**

The MSCI China Free index declined by 23.2% in US dollar terms over the 12 months to 30 June 2016, underperforming the MSCI Asia Pacific ex Japan index, which fell by 10%.

At the beginning of the year, investor confidence in the onshore China equity market was weak, as the introduction of circuit breakers designed to stabilise the market spooked investors. There was improved sentiment and evidence of a stabilizing economy in the second quarter; however, manufacturing and mining industries continued to be marred by weakness and overcapacity, suggesting that China's economic recovery may be limited.

**Performance**

The fund declined but outperformed its benchmark over the period. On the negative side, China Taiping Insurance declined on concerns that persistently low interest rates would impact margins. However, insurance penetration in China is still low; we believe that longer-term there is still a need to provide better protection in the form of savings products and medical cover. Meanwhile, Lenovo Group was weak due to a challenging environment in the global PC and gadgets market.

On the positive side, AAC Technologies rose as the company reported reassuring earnings and expectations of stabilising margins, while Minth rose on better than expected operating performance, strong sales in China, good performance from Japanese brands and growing profit margins at its overseas plants.

\* 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 NEW ERA PRC FUND  
REPORT OF THE MANAGER (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2016**

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**Major Activity**

During the period we bought China South Publishing, a leading educational publications company in Hunan province, and purchased Vitasoy International a conservative, family-owned and professionally managed manufacturer of soy milk and health foods. We believe Vitasoy should continue to grow market share as consumers focus more on healthy and nutritious food products.

We sold Want Want on concerns around weak demand and a lack of innovation at the company and divested China Construction Bank on concerns around the credit cycle.

**Outlook**

On the economic front, although the data is worrying, the good news is that domestic consumption remains largely stable and disposable incomes continue to rise. As a result, Chinese consumers have been changing their discretionary spending habits and there is significant potential to tap into the trend of consumers trading up.

While we are cautious on China's outlook in the short term, we believe that investing in quality companies at sensible valuations – and adding to quality in market dips – should keep us in good stead for the long term.

We continue to pay close attention to the progress of state-owned enterprise reforms and look for evidence of market-oriented practices when considering potential investments in the state-owned sector. Further asset rationalisation and M&A activity seems likely, which would provide renewed opportunities for asset owners.

Finally, the manager has proposed a payment of US\$1,503 be paid into the fund post 30 June 2016 due to an opportunity cost arising from an operational matter that occurred at a related entity. The matter is confidential as it has a bearing on a related matter before the courts outside of Hong Kong. These court proceedings do not involve First State Investments.

**FIRST STATE NEW ERA PRC FUND  
PERFORMANCE TABLE (UNAUDITED)  
FOR THE YEAR ENDED 30 JUNE 2016**

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**NET ASSET VALUES**

<b>Financial year</b>	<b>Net asset value US\$</b>	<b>Net asset value per unit in issue US\$</b>
30.6.2016 - Class II	4,094,278	80.73
30.6.2016 - Class III	5,328,662	8.47
30.6.2015 - Class II*	10,274,510	103.93
30.6.2015 - Class III	1,238,202	10.89
30.6.2014 - Class II	10,284,868	94.54
30.6.2014 - Class III	-	-

**PERFORMANCE RECORD**

<b>Financial year Ended</b>	<b>Highest price per unit US\$</b>	<b>Lowest price per unit US\$</b>
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	-	-
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	-	-
30.6.2009 - Class II	59.58	25.52
30.6.2009 - Class III	-	-
30.6.2008 - Class II	81.01	51.35
30.6.2008 - Class III	-	-
30.6.2007 - Class II	56.96	29.76
30.6.2007 - 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 NEW ERA PRC FUND  
REPORT OF THE TRUSTEE  
FOR THE YEAR ENDED 30 JUNE 2016**

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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 2016.

For and on behalf of

HSBC Institutional Trust Services (Asia) Limited  
as the Trustee of  
the First State New Era PRC Fund

Hong Kong, 14 October 2016

# **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF FIRST STATE NEW ERA PRC FUND (THE "FUND")**

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## **Report on the Financial Statements**

We have audited the financial statements of the Fund set out on pages 7 to 30, which comprise the statement of net assets as at 30 June 2016, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's Responsibility for the Financial Statements**

The Trustee and the Manager (the "Management") of the Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and are responsible for ensuring 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 Securities and Futures Commission of Hong Kong (the "SFC Code"), 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.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF FIRST STATE NEW ERA PRC FUND (THE "FUND")  
(CONTINUED)**

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**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2016, and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

**Report on Other Legal and Regulatory Requirements**

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, 14 October 2016

**FIRST STATE NEW ERA PRC FUND**  
**STATEMENT OF NET ASSETS**  
**AS AT 30 JUNE 2016**

	Note	2016 US\$	2015 US\$
<b>Assets</b>			
<b>Non-current assets</b>			
Formation cost		16,113	19,989
<b>Current assets</b>			
Investments	4(b)	9,347,678	11,446,298
Dividend receivable		48,252	84,464
Amounts receivable from brokers		48,610	16,014
Cash at banks		107,482	114,980
		<u>9,552,022</u>	<u>11,661,756</u>
<b>Total assets</b>		<u>9,568,135</u>	<u>11,681,745</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Derivative financial instruments	6	19	4
Amounts payable on redemption		53,132	53,132
Amounts payable to brokers		26,007	42,321
Accounts payable and accrued expenses		66,037	73,576
		<u>145,195</u>	<u>169,033</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>145,195</u>	<u>169,033</u>
<b>Net assets attributable to unitholders</b>		<u>9,422,940</u>	<u>11,512,712</u>
<b>Number of units in issue</b>			
- Class II (USD)	3	50,715.53	98,851.01
- Class III (USD)	3	628,672.88	113,620.74
		<u>628,672.88</u>	<u>113,620.74</u>
<b>Net assets attributable to unitholders per unit</b>			
- Class II (USD)	3	80.73	103.93
- Class III (USD)	3	8.47	10.89
		<u>80.73</u>	<u>103.93</u>

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 11 to 30 form part of these financial statements.

**FIRST STATE NEW ERA PRC FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 US\$	2015 US\$
<b>Income</b>			
Dividend on investments		219,187	291,628
Interest on bank deposits		15	-
Net (losses)/gains on investments and derivative financial instruments	5	(2,531,973)	1,024,063
Exchange losses		(1,699)	(4,314)
Total net (loss)/income		<u>(2,314,470)</u>	<u>1,311,377</u>
<b>Expenses</b>			
Management fee	9(a)	131,512	159,643
Trustee's fee	9(b)	5,492	5,438
Administration fee	9(c)	11,977	12,013
Auditor's remuneration		31,120	31,627
Legal and professional fee		10,770	30,558
Safe custody and bank charges		4,234	807
Interest expenses		13	41
Preliminary expenses		3,285	11
Other operating expenses		38,491	30,482
Total operating expenses		<u>236,894</u>	<u>270,620</u>
<b>(Loss)/profit before tax</b>		(2,551,364)	1,040,757
Withholding tax		(11,692)	(19,743)
<b>(Decrease)/increase in net assets attributable to unitholders from operations</b>		<u><u>(2,563,056)</u></u>	<u><u>1,021,014</u></u>

The notes on pages 11 to 30 form part of these financial statements.

**FIRST STATE NEW ERA PRC FUND  
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 US\$	2015 US\$
<b>Net assets attributable to unitholders at 1 July</b>		11,512,712	10,284,868
Allotment of units	3	4,431,018	1,125,028
Redemption of units	3	(3,957,734)	(918,198)
(Decrease)/increase in net assets attributable to unitholders from operations		(2,563,056)	1,021,014
<b>Net assets attributable to unitholders at 30 June</b>		<u>9,422,940</u>	<u>11,512,712</u>

The notes on pages 11 to 30 form part of these financial statements.

**FIRST STATE NEW ERA PRC FUND  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>US\$</b>	<b>US\$</b>
<b>Cash flows from operating activities</b>		
Purchase of investments and derivative financial instruments	(3,133,036)	(3,952,336)
Proceeds from sale of investments and derivative financial instruments	2,650,788	3,837,185
Dividend received	243,707	220,547
Interest received	15	-
Interest paid	(13)	(41)
Administration fee paid	(11,963)	(12,037)
Auditor's remuneration paid	(30,736)	(30,150)
Management fee paid	(136,339)	(158,012)
Trustee's fee paid	(5,598)	(5,365)
Other operating expenses paid	(55,908)	(62,759)
	<u>(479,083)</u>	<u>(162,968)</u>
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<b>Cash flows from financing activities</b>		
Allotment of units	4,431,018	1,125,028
Redemption of units	(3,957,734)	(918,198)
	<u>473,284</u>	<u>206,830</u>
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<b>Net (decrease)/increase in cash and cash equivalents</b>	(5,799)	43,862
Effect of foreign exchange rate changes	(1,699)	(4,314)
Cash and cash equivalents at the beginning of the year	114,980	75,432
	<u>107,482</u>	<u>114,980</u>
	=====	=====
<b>Analysis of balance of cash and cash equivalents</b>		
Cash at banks	107,482	114,980
	<u>107,482</u>	<u>114,980</u>
	=====	=====

The notes on pages 11 to 30 form part of these financial statements.

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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**1. The Fund**

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.

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 28 January 2015, the Fund may directly invest up to 10% of its total net asset value in certain eligible China A-shares via the Shanghai-Hong Kong Stock Connect (the “Stock Connect”).

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”).

**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 (“HKFRS”) 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 financial liabilities (including derivative financial instruments) held at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the Trustee to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Standards and amendments to existing standards effective from 1 July 2015

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that would be expected to have a material impact on the Fund.

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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**2. Summary of significant accounting policies (continued)**

(a) Basis of preparation (continued)

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

HKFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Fund is yet to assess HKFRS 9’s full impact and expects that the application of the standard will have no material impact on how the results and financial position of the Fund is prepared.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Fund.

(b) Investments

All investments have been classified as “financial assets at fair value through profit or loss”.

Purchases and sales of investments are accounted for on the trade date basis. 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 period 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.

The Fund utilises the last traded market price as its fair valuation input for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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**2. Summary of significant accounting policies (continued)**

(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.

(d) 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 accrual basis.

(e) 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 holders of redeemable units in United States dollar. The Manager considers the United States dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in United States dollar, which is the Fund's functional and presentation currency.

(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 rate prevailing at the year end 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".

(f) Expenses

Expenses are accounted for on an accruals basis.

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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**2. Summary of significant accounting policies (continued)**

(g) Subscription and redemption of units

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

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount 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.

(i) 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.

(j) Amounts receivable from/payable to brokers

Amounts receivable from/payable to brokers represent receivables from investments sold and payables for investments purchased that have been contracted for but not yet settled or delivered by the end of the year.

(k) Preliminary expenses

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

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

The Fund has no restrictions on the subscriptions 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. Subscriptions and redemptions 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.

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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

As at 30 June 2016, the Fund had US\$9,422,940 (2015: US\$11,512,712) of net assets attributable to unitholders which represent a liability in the statement of net assets, carried at the redemption amount that would be payable at the year end date if the unitholders exercised the right to redeem the units in the Fund.

	<b>2016 Units</b>
Number of Class II units in issue	50,715.53
Number of Class III units in issue	628,672.88
	<b>2015 Units</b>
Number of Class II units in issue	98,851.01
Number of Class III units in issue	113,620.74
	<b>2016 US\$</b>
Net assets attributable to unitholders per Class II unit	80.73
Net assets attributable to unitholders per Class III unit	8.47
	<b>2015 US\$</b>
Net assets attributable to unitholders per Class II unit	103.93
Net assets attributable to unitholders per Class III unit	10.89

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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

	<b>2016 Class II Units</b>	<b>2016 Class III Units</b>
Balance at the beginning of the year	98,851.01	113,620.74
Allotment of units	-	515,052.14
Redemption of units	(48,135.48)	-
	<u>50,715.53</u>	<u>628,672.88</u>
Balance at the end of the year	<u><u>50,715.53</u></u>	<u><u>628,672.88</u></u>
	<b>2015 Class II Units</b>	<b>2015 Class III Units</b>
Balance at the beginning of the year	108,787.13	-
Allotment of units	-	113,620.74
Redemption of units	(9,936.12)	-
	<u>98,851.01</u>	<u>113,620.74</u>
Balance at the end of the year	<u><u>98,851.01</u></u>	<u><u>113,620.74</u></u>

According to the Explanatory Memorandum, 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 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 their obligations to redeem these instruments are included in note 4(h) on capital risk management and note 4(e) on liquidity risk.

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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**4. Financial risk management**

Investments and derivative financial instruments are classified as “financial assets and 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 “loans and receivables” and “other financial liabilities” 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 28 January 2015, the Fund may directly invest up to 10% of its total net asset value in certain eligible China A-shares via the Stock Connect.

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

As at year end, the overall market exposures were as follows:

	2016		2015	
	Fair value US\$	% of net assets	Fair value US\$	% of net assets
Held for trading:				
- Listed equities	9,347,678	99.20	11,446,298	99.42
	9,347,678	99.20	11,446,298	99.42

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**4. Financial risk management (continued)**

(b) Market price risk (continued)

The following table shows the market exposure the Fund has to various markets:

Markets exposed to	<b>2016 US\$ equivalents</b>	<b>2015 US\$ equivalents</b>
China	6,509,565	8,720,512
Hong Kong	2,193,546	2,305,511
Taiwan	644,567	420,275
	<u>9,347,678</u>	<u>11,446,298</u>

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

The exposure to sectors at 30 June 2016 and 2015 are as follows:

Sectors exposed to	<b>2016 % of net assets</b>	<b>2015 % of net assets</b>
Consumer discretionary	23.57	21.57
Consumer staples	8.35	9.12
Energy	1.95	4.33
Financials	11.17	16.69
Health care	14.80	14.29
Industrials	4.29	3.73
Information technology	23.84	19.24
Materials	1.08	1.11
Telecommunication services	-	0.89
Utilities	10.15	8.45
	<u>99.20</u>	<u>99.42</u>

There are no individual investments with market value exceeding 10% of the Fund's net asset value at 30 June 2016 and 2015.

**FIRST STATE NEW ERA PRC FUND  
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**4. Financial risk management (continued)**

(b) Market price risk (continued)

The table below summarises the impact on the net assets attributable to unitholders, as at 30 June 2016 and 2015, 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 annualised 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 below sensitivity analysis 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.

	2016		2015	
	Change in market index % +/-	Impact US\$ +/-	Change in market index % +/-	Impact US\$ +/-
MSCI China Free Index (Total return)	0.24%	17,325	7.72%	646,296

(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\$107,482 (2015: US\$114,980) at year end, 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 of a 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 summarises the assets placed with the bank and custodian at 30 June 2016 and 2015.

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**4. Financial risk management (continued)**

(d) Credit and custody risk (continued)

**At 30 June 2016**

	US\$	Credit rating	Source of credit rating
<u>Custodian – custody risk</u>			
HSBC Institutional Trust Services (Asia) Limited	9,347,678	AA-*	Fitch
<u>Bank – credit risk</u>			
The Hongkong and Shanghai Banking Corporation Limited	107,482	AA-*	Fitch

**At 30 June 2015**

	US\$	Credit rating	Source of credit rating
<u>Custodian – custody risk</u>			
HSBC Institutional Trust Services (Asia) Limited	11,446,298	AA-*	Fitch
<u>Bank – credit risk</u>			
The Hongkong and Shanghai Banking Corporation Limited	114,980	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 had 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 uncommitted bank overdraft facility.

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

None of the assets is impaired nor past due but not impaired.

\* 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 the ultimate holding company.

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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**4. Financial risk management (continued)**

(e) Liquidity risk

Liquidity risk is the risk that an enterprise 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 redemption and note 7 for uncommitted bank overdraft facility.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the year end 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 balances, as the impact of discounting is not significant.

	<b>Less than 1 month US\$</b>	<b>1-3 months US\$</b>	<b>Over 3 months US\$</b>
<b>At 30 June 2016</b>			
Derivative financial instruments	19	-	-
Amounts payable on redemption	-	-	53,132
Amounts payable to brokers	26,007	-	-
Accounts payable and accrued expenses	14,996	36,765	14,276
Net assets attributable to unitholders	9,422,940	-	-
	<hr/>	<hr/>	<hr/>
<b>Total financial liabilities</b>	<b>9,463,962</b>	<b>36,765</b>	<b>67,408</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
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**4. Financial risk management (continued)**

(e) Liquidity risk (continued)

	Less than 1 month US\$	1-3 months US\$	Over 3 months US\$
<b>At 30 June 2015</b>			
Derivative financial instruments	4	-	-
Amounts payable on redemption	-	-	53,132
Amounts payable to brokers	42,321	-	-
Accounts payable and accrued expenses	17,216	36,360	20,000
Net assets attributable to unitholders	11,512,712	-	-
	<u>11,572,253</u>	<u>36,360</u>	<u>73,132</u>
<b>Total financial liabilities</b>	<b>11,572,253</b>	<b>36,360</b>	<b>73,132</b>

Units are redeemed on demand at the holder's option. As at 30 June 2016, there were 2 (2015: 1) 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 following table illustrates the expected liquidity of assets held:

	Less than 1 month US\$	1-3 months US\$	More than 3 months US\$
<b>At 30 June 2016</b>			
Investments	9,347,678	-	-
Dividend receivable	37,378	10,874	-
Amounts receivable from brokers	48,610	-	-
Formation cost	-	-	16,113
Cash at banks	107,482	-	-
	<u>9,541,148</u>	<u>10,874</u>	<u>16,113</u>
<b>Total assets</b>	<b>9,541,148</b>	<b>10,874</b>	<b>16,113</b>
<b>At 30 June 2015</b>			
Investments	11,446,298	-	-
Dividend receivable	77,306	7,158	-
Amounts receivable from brokers	16,014	-	-
Formation cost	-	-	19,989
Cash at banks	114,980	-	-
	<u>11,654,598</u>	<u>7,158</u>	<u>19,989</u>
<b>Total assets</b>	<b>11,654,598</b>	<b>7,158</b>	<b>19,989</b>

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NOTES TO THE FINANCIAL STATEMENTS  
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**4. Financial risk management (continued)**

(f) Currency risk

Currency risk is the risk that the value of financial instruments 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 the monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Manager will enter into forward foreign exchange contracts from time to time to hedge against the fluctuation in exchange rates. Details of forward foreign exchange contracts outstanding at the year end are disclosed in note 6.

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

	2016		2015	
	Monetary US\$	Non- monetary US\$	Monetary US\$	Non- monetary US\$
Chinese renminbi	19,274	758,528	17,854	837,175
Hong Kong dollar	81,475	7,647,808	14,047	9,460,515
Taiwan dollar	17,760	644,567	10,818	420,275

As the Hong Kong dollar is currently linked to the United States dollar, the functional currency, within a narrow range, no sensitivity analysis is performed on Hong Kong dollar.

The table below summarises the impact on net assets attributable to unitholders 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 respective percentage with all other variables held constant.

	2016			2015		
	Change +/-	Impact Monetary US\$ equivalent +/-	Impact Non- monetary US\$ equivalent +/-	Change +/-	Impact Monetary US\$ equivalent +/-	Impact Non- monetary US\$ equivalent +/-
Chinese renminbi	5.0%	964	37,926	5.0%	893	41,859
Taiwan dollar	5.0%	888	32,228	5.0%	541	21,014

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

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

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
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**4. Financial risk management (continued)**

(g) Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The Fund utilises the last traded market price as its fair valuation inputs for both financial assets and financial 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 categorised 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 judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgement 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 following table analyses within the fair value hierarchy the Fund's financial instruments (by class) measured at fair value:

**At 30 June 2016**

	<b>Level 1 US\$</b>	<b>Level 2 US\$</b>	<b>Level 3 US\$</b>	<b>Total US\$</b>
<b>Assets</b>				
Held for trading				
- Equities	9,347,678	-	-	9,347,678
	<u>9,347,678</u>	<u>-</u>	<u>-</u>	<u>9,347,678</u>
<b>Total assets</b>	<b><u>9,347,678</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>9,347,678</u></b>
<b>Liabilities</b>				
Held for trading				
- Derivatives	-	19	-	19
	<u>-</u>	<u>19</u>	<u>-</u>	<u>19</u>
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>19</u></b>	<b><u>-</u></b>	<b><u>19</u></b>

**At 30 June 2015**

	<b>Level 1 US\$</b>	<b>Level 2 US\$</b>	<b>Level 3 US\$</b>	<b>Total US\$</b>
<b>Assets</b>				
Held for trading				
- Equities	11,446,298	-	-	11,446,298
	<u>11,446,298</u>	<u>-</u>	<u>-</u>	<u>11,446,298</u>
<b>Total assets</b>	<b><u>11,446,298</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>11,446,298</u></b>
<b>Liabilities</b>				
Held for trading				
- Derivatives	-	4	-	4
	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>4</u></b>	<b><u>-</u></b>	<b><u>4</u></b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Fund does not adjust the quoted price for these investments.

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. These include forward foreign exchange contracts. As level 2 investments 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.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As at 30 June 2016 and 2015, the Fund did not hold any investments classified in level 3.

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
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**4. Financial risk management (continued)**

(g) Fair value estimation (continued)

There were no transfers between levels of investments for the years ended 30 June 2016 and 2015.

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 values 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 development of 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**

	<b>2016 US\$</b>	<b>2015 US\$</b>
Change in unrealised gains/losses in value of investments	(2,818,494)	96,792
Change in unrealised gains/losses on derivative financial instruments	(15)	4
Realised gains on sale of investments	286,536	927,267
	<u>(2,531,973)</u>	<u>1,024,063</u>

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**6. Derivative financial instruments**

Derivative financial instruments represent outstanding forward foreign exchange contracts.

	2016		2015	
	US\$	% of net assets	US\$	% of net assets
<b><u>Derivative financial instruments</u></b>				
- Forward foreign exchange contracts	(19)	-	(4)	-
<b>Total derivative financial instruments</b>				
<b>- liabilities</b>	<u>(19)</u>	<u>-</u>	<u>(4)</u>	<u>-</u>

The details of outstanding forward foreign exchange contracts as at year end for the Fund were as follows:

**At 30 June 2016**

Contract to deliver	In exchange for	Settlement date	Fair value US\$
TWD155,294	USD4,807	1 July 2016	(7)
HKD160,005	USD20,613	5 July 2016	(10)
HKD28,118	USD3,622	5 July 2016	(2)
			<u>(19)</u>

**At 30 June 2015**

Contract to deliver	In exchange for	Settlement date	Fair value US\$
USD1,572	HKD12,187	2 July 2015	-
USD9,772	HKD75,746	2 July 2015	(1)
USD2,616	HKD20,280	2 July 2015	-
USD4,855	HKD37,633	2 July 2015	-
USD11,105	HKD86,077	2 July 2015	(1)
USD960	HKD7,438	2 July 2015	-
USD5,753	HKD44,591	2 July 2015	(1)
USD5,692	HKD44,122	2 July 2015	(1)
			<u>(4)</u>

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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**7. Uncommitted bank overdraft facility**

The Fund had 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. As at 30 June 2016 and 2015, there was no outstanding payable under the overdraft facility.

**8. Taxation**

- (a) No provision for Hong Kong profits tax has been made as the Fund was authorised as a collective investment scheme under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempted 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 exempted under relevant tax treaties. The State Administration of Taxation ("SAT") has remained silent on the application of the 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 (a) the current position of the SAT, (b) absence of a withholding mechanism of the relevant tax, and (c) current market practice. Based on assumptions that the withholding tax, if levied, is at 10% of the gross gain, the maximum liability the Fund may be exposed to is US\$85,777 (2015: US\$102,618), calculated based on the realised gain and unrealised gain from all investments in B-shares up to 30 June 2016. The Manager has assessed the risk for the Fund to be liable for such tax and considers such risk to be low as at 30 June 2016, and therefore no provision is made.
- (d) The Fund invests in A-shares of companies listed in the PRC. Under current PRC tax laws, corporate income tax, individual income tax and business tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (including the Fund) on the trading of China A-shares through the Stock Connect 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 NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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**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.

(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% 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 2016, a management fee of US\$131,512 (2015: US\$159,643) was incurred by the Fund, of which US\$9,296 (2015: US\$14,123) remained payable at 30 June 2016.

(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 2016, a trustee fee of US\$5,492 (2015: US\$5,438) was incurred by the Fund, of which US\$382 (2015: US\$488) remained payable at 30 June 2016.

(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 2016, an administration fee of US\$11,977 (2015: US\$12,013) was incurred by the Fund, of which US\$1,000 (2015: US\$976) remained payable at 30 June 2016.

(d) Subscription charge

The Manager is entitled to a preliminary charge of 5% relating to unit subscriptions in the Fund. For the year ended 30 June 2016, units have been issued but no subscription charge has been levied by the Manager (2015: Nil).

**10. Soft commission arrangements**

The Manager may make use of commission sharing arrangements with brokerage firms that execute orders or that provide research and advisory services to the Manager. This may include situations where the dealing commission on a particular trade or a series of trades is shared between one or more providers of execution and/or research services. In this case a portion of the commission paid by the Manager to the executing broker is used to purchase third party research or execution services. The Manager made use of commission sharing arrangement during the year ended 30 June 2016 and 2015. The brokerage firm has provided execution services in this period and a portion of commission paid has been to purchase third party research services.

**FIRST STATE NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
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**11. Distributions**

No distribution was made during the year ended 30 June 2016 (2015: Nil).

**12. Approval of the financial statements**

The financial statements were approved by the Trustee and the Manager on 14 October 2016.

**FIRST STATE NEW ERA PRC FUND  
INVESTMENT PORTFOLIO (UNAUDITED)  
AS AT 30 JUNE 2016**

	Holdings as at 30.6.2016	Market value US\$	% of net asset value
<b>Listed investments – equities (99.20%)</b>			
<b>Listed on the Stock Exchange of Hong Kong (72.74 %)</b>			
AAC Technologies Hldg Inc Com	37,000	314,028	3.33
Aeon Stores (Hong Kong) Co Ltd	102,500	79,266	0.84
ASM Pacific Technology	39,500	282,299	3.00
Changan Minsheng APLL Logistic	54,000	46,353	0.49
China Bluechemical Ltd Shs - H	578,000	101,316	1.08
China Mengniu Dairy Co Ltd	207,000	359,643	3.82
China Merchants Bank Co Ltd - H	145,791	325,830	3.46
China Oilfield Services Ltd	240,000	184,051	1.95
China Resources Gas Group Ltd	36,000	109,039	1.16
China Resources Land Ltd	34,137	79,637	0.84
China Resources Power Holdings Co Ltd	57,965	86,364	0.92
China Taiping Insurance Holdings Co Ltd	198,861	370,108	3.93
China Vanke Co Ltd - H	90,926	178,132	1.89
CSPC Pharmaceutical Group Ltd	376,000	334,386	3.55
ENN Energy Holdings Ltd	72,000	354,028	3.76
Fuyao Glass Industry Group Co Ltd - H	69,600	161,112	1.71
Hang Lung Group Ltd	33,000	98,889	1.05
Lenovo Group Ltd	304,000	182,979	1.94
Li & Fung Ltd	182,000	87,731	0.93
Luye Pharma Group Ltd	135,000	82,649	0.88
Minth Group Ltd	96,000	309,949	3.29
Pacific Textiles Holdings Ltd	64,000	79,931	0.85
Pou Sheng International (Holdings) Ltd	343,000	99,027	1.05
Shenzhen International Group	61,000	294,437	3.12
Sino Biopharmaceutical Ltd	314,000	204,377	2.17
Sun Art Retail Group Ltd	226,597	158,586	1.68
Tencent Holdings Ltd	21,500	487,988	5.18
Tong Ren Tang Technologies Co Ltd - H	327,000	540,315	5.73
Towngas China Co Ltd	716,681	407,357	4.32
Truly International Holdings Ltd	248,000	118,587	1.26
VITASOY International Holdings Ltd	72,000	130,661	1.39
Wasion Group Holdings Ltd	190,000	100,648	1.07
Xinjiang Goldwind Sci & Tech - H	24,400	33,273	0.35
Yue Yuen Industrial Holdings Ltd	18,000	71,107	0.75
		6,854,083	72.74
<b>Listed on the Stock Exchange of New York, U.S.A. (3.15%)</b>			
Baidu Inc – ADR	1,797	296,775	3.15

**FIRST STATE NEW ERA PRC FUND  
INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 30 JUNE 2016**

	Holdings as at 30.6.2016	Market value US\$	% of net asset value
<b>Listed investments – equities (99.20%) (continued)</b>			
<b>Listed on the Stock Exchange of Shanghai (8.05%)</b>			
China South Publishing & Media Group Co Ltd	58,100	157,951	1.68
Foshan Haitian Flav & Food Co Ltd	30,099	137,358	1.46
Huayu Automotive Systems	40,969	86,163	0.91
Jiangsu Hengrui Medicine Co Ltd	11,638	70,074	0.74
Qingdao Haier Co Ltd	78,420	104,537	1.11
Shanghai International Airport Co Ltd	28,900	113,014	1.20
Zhengzhou Yutong Bus Co Ltd	30,088	89,431	0.95
		758,528	8.05
<b>Listed on the Stock Exchange of Shenzhen, People's Republic of China (8.42%)</b>			
China National Accord Medicines Co Ltd - B	27,800	162,671	1.72
Jiangling Motors Corp Ltd - B	39,956	102,585	1.09
Luthai Textile Co Ltd - B	303,650	393,715	4.18
Weifu High-Technology Co Ltd - B	63,712	134,754	1.43
		793,725	8.42
<b>Listed on the Stock Exchange of Taiwan (6.84%)</b>			
Advantech Co Ltd	13,000	98,537	1.05
ASUSTeK Computer Inc	11,000	90,538	0.96
Delta Electronics Inc	77,518	374,889	3.98
Giant Manufacturing Co Ltd	13,000	80,603	0.85
		644,567	6.84
<b>Total listed investments – equities</b>		9,347,678	99.20
<b>Derivative financial instruments</b>		(19)	-
Other net assets		75,281	0.80
Net assets as at 30 June 2016		9,422,940	100.00
Total listed investments, at historical cost		8,914,474	

**FIRST STATE NEW ERA PRC FUND**  
**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

<b>Listed investments</b>	<b>Portfolio holdings</b>		<b>Bonus/ Split</b>
	<b>Additions</b>	<b>Disposals</b>	
<b><u>Equities</u></b>			
<b><i>Listed on the Stock Exchange of Hong Kong</i></b>			
AAC Technologies Hldg Inc Com	17,000	5,000	-
Aeon Stores (Hong Kong) Co Ltd	102,500	-	-
ASM Pacific Technology	10,500	800	-
China Bluechemical Ltd Shs - H	228,000	-	-
China Conch Venture Holdings Ltd	8,000	50,000	-
China Construction Bank - H	-	239,181	-
China Mengniu Dairy Co Ltd	24,000	23,000	115,000
China Merchants Bank Co Ltd - H	-	38,000	-
China Oilfield Services Ltd	12,000	-	-
China Resources Gas Group Ltd	36,000	-	-
China Resources Power Holdings Co Ltd	10,265	6,000	-
China Taiping Insurance Holdings Co Ltd	55,600	5,800	-
China Telecom Corp Ltd - H	-	174,000	-
China Vanke Co Ltd - H	-	74,600	-
CNOOC Ltd	-	95,000	-
CPMC Holdings Ltd	-	315,000	-
CSPC Pharmaceutical Group Ltd	64,000	-	-
ENN Energy Holdings Ltd	8,000	6,000	-
Fuyao Glass Industry Group Co Ltd - H	27,200	-	-
Hang Lung Group Ltd	9,000	2,000	-
Hengan International Group Co Ltd	-	8,700	-
I.T Ltd	106,000	330,000	-
Lee's Pharmaceutical Holdings Ltd	-	63,000	-
Lenovo Group Ltd	-	8,000	-
Li & Fung Ltd	182,000	-	-
Luye Pharma Group Ltd	81,500	-	-
Minth Group Ltd	-	48,000	-
Pacific Textiles Holdings Ltd	19,000	29,000	-
Pou Sheng International (Holdings) Ltd	343,000	-	-
Shenzhou International Group	24,000	5,000	-
Sino Biopharmaceutical Ltd	88,000	64,000	90,000
Sun Art Retail Group Ltd	59,500	-	-
Tencent Holdings Ltd	-	3,700	-
Tong Ren Tang Technologies Co Ltd - H	47,000	32,000	-
Towngas China Co Ltd	278,000	-	-
Truly International Holdings Ltd	256,000	252,000	-
VITASOY International Holdings Ltd	72,000	-	-
Want Want China Holdings Ltd	-	214,000	-
Wasion Group Holdings Ltd	190,000	-	-
Yue Yuen Industrial Holdings Ltd	18,000	-	-

**FIRST STATE NEW ERA PRC FUND**  
**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)**  
**(CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

<b>Listed investments (continued)</b>	<b>Portfolio holdings</b>		<b>Bonus/ Split</b>
	<b>Additions</b>	<b>Disposals</b>	
<b><u>Equities (continued)</u></b>			
<b><i>Listed on the Stock Exchange of New York, U.S.A.</i></b>			
Baidu Inc - ADR	217	642	-
China Biologic Products Inc Com	-	727	-
Wuxi Pharmatech Cayman Inc - ADR	-	4,786	-
<b><i>Listed on the Stock Exchange of Shanghai</i></b>			
China South Publishing & Media Group Co Ltd	58,100	-	-
Foshan Haitian Flav & Food Co Ltd	16,000	8,500	-
Huayu Automotive Systems	24,300	59,200	-
Jiangsu Hengrui Medicine Co Ltd	9,699	-	1,939
Qingdao Haier Co Ltd	-	62,700	70,560
Shanghai International Airport Co Ltd	28,900	-	-
Zhengzhou Yutong Bus Co Ltd	-	4,700	-
<b><i>Listed on the Stock Exchange of Shenzhen,</i></b>			
China National Accord Medicines Co Ltd - B	7,300	-	-
Jiangling Motors Corp Ltd - B	6,100	-	-
Luthai Textile Co Ltd - B	80,800	-	-
Weifu High-Technology Co Ltd - B	-	9,000	-
<b><i>Listed on the Stock Exchange of Taiwan</i></b>			
Advantech Co Ltd	13,000	-	-
ASUSTeK Computer Inc	11,000	-	-
Delta Electronics Inc	33,518	15,000	-
Delta Electronics Inc Rts (Nov 2015) 25/12/2015	-	3,518	3,518
Giant Manufacturing Co Ltd	-	1,000	-

**FIRST STATE NEW ERA PRC FUND  
GENERAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2016**

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Manager	First State Investments (Hong Kong) Limited 25th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Directors of the Manager	Chris Turpin Joe Fernandes (appointed with effect from 24 February 2016) Michael Stapleton Ng Hui Lin (resigned with effect from 24 February 2016) Todd Prado (resigned with effect from 24 February 2016)
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

**First State Investments (Hong Kong) Limited**

Level 25  
One Exchange Square  
8 Connaught Place  
Central, Hong Kong

Telephone: (852) 2846 7555  
Intermediary Hotline: (852) 2846 7575  
Investor Services Hotline: (852) 2846 7566  
Fax: (852) 2868 4742  
Email: [info@firststate.com.hk](mailto:info@firststate.com.hk)  
[www.firststateinvestments.com](http://www.firststateinvestments.com)\*

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