

FSSA China
All Cap Fund

Annual Report

July 2020 - June 2021



FSSA CHINA ALL CAP FUND

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First State Investments has been rebranded to First Sentier Investors on 22 September 2020. The brand change is part of a global re-branding program which began in 2019 after FSI Group was acquired by Mitsubishi UFJ Trust and Banking Corporation.

This annual report shall not constitute an offer to sell or a solicitation of an offer to buy units in FSSA China All Cap 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.

**FSSA CHINA ALL CAP FUND
REPORT OF THE MANAGER
FOR THE YEAR ENDED 30 JUNE 2021**

PERFORMANCE

	1 July 2020 to 30 June 2021	1 July 2019 to 30 June 2020
Class I ¹	30.72%	2.20%
Class II	30.71%	13.03%
Class III	31.41%	13.42%
<u>Benchmark: MSCI China Free Index</u>		
Class I ¹	27.39%	2.16%
Class II	27.39%	13.13%
Class III	27.39%	13.13%

¹ New class “Class I (USD)” is issued with effective from 8 January 2020

(Performance calculation is based on the official dealing net asset value.)

Fund performance

Key contributors to performance included China Merchants Bank (CMB), which reported decent earnings results and a quality loan book. CMB continues to focus on growing its wealth management business, which has the potential to improve returns in the medium to long term. Meituan Dianping benefitted from changing consumer behaviour and lifestyles, particularly against the recent backdrop of the Covid-19 pandemic. On the negative side, TAL Education declined after the government announced tighter supervision of tuition providers. Yihai International declined after reporting weaker than expected earnings results.

Major activity

Significant new purchases included Ping An Insurance Group, a leading financial holding company with diversified business segments in life insurance, banking, securities, trust services, asset management and others. The risk-reward profile looked reasonable, as the insurance business is good quality and seemed undervalued. The Fund also purchased Weimob, the biggest Software-as-a-Service (SaaS) vendor on the WeChat platform, with around 15% market share. The company helps small-to-medium sized businesses develop their e-commerce presence with WeChat’s mini-programs and official accounts.

The Fund disposed of 51job as its price neared the privatisation offer. Nissin Foods was sold due to concerns about the management’s strategy.

**FSSA CHINA ALL CAP FUND
REPORT OF THE MANAGER (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

Outlook

A number of key leading indicators point to a healthy and broad-based recovery in China. Industrial production, trade activity and retail sales have been strong; and in stark contrast to the lockdowns and travel restrictions in early 2020, domestic travel, tourism and the leisure sectors in China have sprung back to life.

In the short term, corporate earnings growth is expected to be generally strong from a low base in 2020. The main risks are from rising raw materials costs, which could affect profitability if companies are unable to pass these on or find efficiencies elsewhere. In the medium and long term, there are still major challenges with excessive liquidity in global markets, which continues to drive ineffective pricing mechanisms and inflated asset prices.

**FSSA CHINA ALL CAP FUND
PERFORMANCE TABLE (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2021**

NET ASSET VALUES

Financial year ended	Net asset value US\$	Net asset value per unit in issue US\$
30.6.2021 - Class I	1,055,450	13.36
30.6.2021 - Class II	5,866,176	182.04
30.6.2021 - Class III	5,236,681	19.54
30.6.2020 - Class I ¹	298,460	10.22
30.6.2020 - Class II	4,785,484	139.27
30.6.2020 - Class III	3,986,376	14.87
30.6.2019 - Class II	4,332,056	123.18
30.6.2019 - Class III	7,962,559	13.10

PERFORMANCE RECORD

Financial year ended	Highest price per unit US\$	Lowest price per unit US\$
30.6.2021 - Class I	15.70	10.53
30.6.2021 - Class II	213.80	143.41
30.6.2021 - Class III	22.91	15.31
30.6.2020 - Class I ¹	10.32	7.76
30.6.2020 - Class II	140.35	105.67
30.6.2020 - Class III	14.96	11.27
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	-	-

**FSSA CHINA ALL CAP FUND
PERFORMANCE TABLE (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

PERFORMANCE RECORD (CONTINUED)

Financial year ended	Highest price per unit US\$	Lowest price per unit US\$
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	-	-

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

¹ New class "Class I (USD)" is issued with effective from 8 January 2020

**FSSA CHINA ALL CAP FUND
REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 30 JUNE 2021**

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 2021.

For and on behalf of

HSBC Institutional Trust Services (Asia) Limited
as the Trustee of
FSSA China All Cap Fund

Hong Kong, 25 October 2021

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF FSSA CHINA ALL CAP FUND

Opinion

We have audited the financial statements of FSSA China All Cap Fund (the "Fund") set out on pages 9 to 35, which comprise the statement of net assets as at 30 June 2021, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2021, and of its financial performance and its 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 ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Fund for the year ended 30 June 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 16 October 2020.

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), information on exposure arising from financial derivative instruments (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. 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 the 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF FSSA CHINA ALL CAP FUND (CONTINUED)

Responsibilities of the Management for the Financial Statements (Continued)

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 of the Fund either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Management of the Fund is responsible for overseeing the Fund's financial reporting process.

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 the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

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 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 HKSA's 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.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF FSSA CHINA ALL CAP FUND (CONTINUED)**

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

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 Relevant Disclosure Provisions of Appendix E of the SFC Code

In our opinion, 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 Appendix E of the SFC Code.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 October 2021

**FSSA CHINA ALL CAP FUND
STATEMENT OF NET ASSETS
AS AT 30 JUNE 2021**

	Note	2021 US\$	2020 US\$
Assets			
Formation cost		-	114
Investments	4(b)	11,830,853	9,044,886
Derivative financial instruments	6, 9(f)	5	-
Dividend receivable		32,191	23,027
Amounts receivable on subscription		1,276	-
Amounts receivable on management fee rebate	9(h)	7,601	-
Cash and cash equivalents	9(f)	560,208	157,370
Total assets		12,432,134	9,225,397
Liabilities			
Amounts payable to brokers		118,370	19,242
Amounts payable on redemption		53,132	53,132
Accounts payable and accrued expenses		102,325	82,703
Total liabilities (excluding net assets attributable to unitholders)		273,827	155,077
Net assets attributable to unitholders		12,158,307	9,070,320
Number of units in issue			
- Class I (USD) ¹	3	78,969.86	29,182.21
- Class II (USD)	3	32,223.48	34,360.65
- Class III (USD)	3	267,959.27	267,959.27
Net assets attributable to unitholders per unit			
- Class I (USD) ¹	3	13.36	10.22
- Class II (USD)	3	182.04	139.27
- Class III (USD)	3	19.54	14.87

Signed for and on behalf of

HSBC Institutional Trust Services (Asia) Limited
as the Trustee

First Sentier Investors (Hong Kong) Limited
as the Manager

¹ New class "Class I (USD)" is issued with effective from 8 January 2020

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

FSSA CHINA ALL CAP FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 US\$	2020 US\$
Income			
Interest on bank deposits	9(f)	6	821
Dividend on investments		140,867	168,486
Net gains on investments and derivative financial instruments	5	2,805,026	1,007,532
Management fee rebate		76,691	-
Exchange losses		(2,608)	(6,246)
Total net income		3,019,982	1,170,593
Expenses			
Management fee	9(a)	146,358	108,549
Trustee's fee	9(b)	8,375	4,305
Administration fee	9(c)	12,161	12,069
Auditor's remuneration		37,281	37,030
Legal and professional fees		27,123	37,151
Transaction costs	9(f), 10	12,658	20,695
Safe custody and bank charges	9(f)	160	162
Preliminary expenses		114	4,008
Other operating expenses	9(f)	27,898	27,215
Total operating expenses		272,128	251,184
Profit before tax		2,747,854	919,409
Withholding tax		(8,571)	(9,364)
Increase in net assets attributable to unitholders from operations		2,739,283	910,045

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

FSSA CHINA ALL CAP FUND
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 US\$	2020 US\$
Net assets attributable to unitholders at 1 July		9,070,320	12,294,615
Allotment of units	3	762,170	250,669
Redemption of units	3	(413,466)	(4,385,009)
Increase in net assets attributable to unitholders from operations		2,739,283	910,045
Net assets attributable to unitholders at 30 June		<u>12,158,307</u>	<u>9,070,320</u>

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

**FSSA CHINA ALL CAP FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021**

	2021	2020
	US\$	US\$
Cash flows from operating activities		
Payments on purchase of investments and derivative financial instruments	(4,512,200)	(5,093,128)
Proceeds from sale of investments and derivative financial instruments	4,630,382	9,343,632
Interest received	6	829
Dividend received	123,132	187,417
Management fee rebate received	69,090	-
Management fee paid	(143,411)	(110,164)
Trustee's fee paid	(7,933)	(4,408)
Administration fee paid	(12,158)	(12,069)
Auditor's remuneration paid	(35,555)	(34,692)
Transaction costs paid	(12,658)	(20,695)
Other operating expenses paid	(40,677)	(87,321)
	<hr/>	<hr/>
Net cash generated from operating activities	58,018	4,169,401
	-----	-----
Cash flows from financing activities		
Allotment of units	760,894	250,669
Redemption of units	(413,466)	(4,385,009)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	347,428	(4,134,340)
	-----	-----
Net increase in cash and cash equivalents	405,446	35,061
Effect of foreign exchange rate changes	(2,608)	(6,246)
Cash and cash equivalents at the beginning of the year	157,370	128,555
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	560,208	157,370
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balance of cash and cash equivalents		
Cash at banks	560,208	157,370
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The notes on pages 13 to 35 form part of these financial statements.

**FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. The Fund

FSSA China All Cap 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 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 Stock Connects. 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. As per the updated Explanatory Memorandum dated 17 December 2019, the Fund may invest up to 100% of its net assets value in China A-shares directly via the Stock Connects. Direct investment in China A-shares through the RQFII quota is limited to less than 70% of the Fund’s net asset value. The Fund may also invest less than 30% of its net asset value directly in China B-shares through the PRC stock exchanges.

For the avoidance of doubt, the Fund’s investment in equity linked or 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.

**FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

1. The Fund (continued)

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 Sentier Investors (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 (“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.

Standards and amendments to existing standards effective 1 July 2020

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning on 1 July 2020 that are expected to have a material effect on the financial statements of the Fund.

New standards, amendments and interpretations effective after 1 July 2020 and have not been early adopted by the Fund

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020, and have not been early 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 primarily focuses 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.

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 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.

FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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 due 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.

(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 losses.

**FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Summary of significant accounting policies (continued)

(f) Translation of foreign currencies (continued)

(ii) Transactions and balances (continued)

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 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) Redeemable units

The Fund issues three classes of redeemable units, which are redeemable at the holder's option and do not have identical rights. Such units are classified as financial liabilities. Redeemable units can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the unit class.

The redeemable units are carried at amortized cost which corresponds to the redemption amount that is payable at the reporting date if the holder exercises the right to put the unit back to the Fund.

Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units with the total number of outstanding redeemable units for each respective class. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of significant accounting policies (continued)

(1) 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 2021, the Fund had US\$12,158,307 (2020: US\$9,070,320) 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.

	2021	2020
	Units	Units
Number of Class I units in issue	78,969.86	29,182.21
Number of Class II units in issue	32,223.48	34,360.65
Number of Class III units in issue	267,959.27	267,959.27
	2021	2020
	US\$	US\$
Net assets attributable to unitholders per Class I unit	13.36	10.22
Net assets attributable to unitholders per Class II unit	182.04	139.27
Net assets attributable to unitholders per Class III unit	19.54	14.87

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

	2021	2020
	Units	Units
<u>Class I (USD)</u>		
Balance at the beginning of the year	29,182.21	-
Allotment of units	55,673.09	29,182.21
Redemption of units	(5,885.44)	-
	<hr/>	<hr/>
Balance at the end of the year	78,969.86	29,182.21
	<hr/> <hr/>	<hr/> <hr/>
<u>Class II (USD)</u>		
Balance at the beginning of the year	34,360.65	35,166.60
Allotment of units	-	-
Redemption of units	(2,137.17)	(805.95)
	<hr/>	<hr/>
Balance at the end of the year	32,223.48	34,360.65
	<hr/> <hr/>	<hr/> <hr/>
<u>Class III (USD)</u>		
Balance at the beginning of the year	267,959.27	607,402.20
Allotment of units	-	-
Redemption of units	-	(339,442.93)
	<hr/>	<hr/>
Balance at the end of the year	267,959.27	267,959.27
	<hr/> <hr/>	<hr/> <hr/>

According to the updated Explanatory Memorandum dated 22 September 2020, five classes of units had been set up (Class I, Class I (Hong Kong dollars), Class I (Renminbi), Class II and Class III). Class II units are not available for subscription by new 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.

**FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
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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. As per the updated Explanatory Memorandum dated 17 December 2019, the Fund may invest up to 100% of its net assets value in China A-shares directly via the Stock Connects. Direct investment in China A-shares through the RQFII quota is limited to less than 70% of the Fund’s net asset value. The Fund may also invest less than 30% of its net asset value 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:

	2021		2020	
	Fair value US\$	% of net assets	Fair value US\$	% of net assets
Financial assets at fair value through profit or loss:				
- Equities	11,830,853	97.31	9,044,886	99.72
	11,830,853	97.31	9,044,886	99.72

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

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

	2021 US\$ equivalents	2020 US\$ equivalents
Markets exposed to		
China	11,248,695	8,078,782
Hong Kong	105,964	567,701
Taiwan	249,368	265,639
United States	226,826	132,764
	<u>11,830,853</u>	<u>9,044,886</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:

	2021 % of net assets	2020 % of net assets
Sectors exposed to		
Communication services	7.79	9.58
Consumer discretionary	22.25	23.26
Consumer staples	11.28	12.71
Financials	9.36	9.19
Healthcare	10.05	8.36
Industrials	17.53	17.59
Information technology	10.82	10.88
Real estate	6.55	6.65
Utilities	1.68	1.50
	<u>97.31</u>	<u>99.72</u>

There was no individual investment with fair value exceeding 10% of the Fund's net asset value at 30 June 2021 and 2020.

FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
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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.

	2021		2020	
	Change in market index % +/-	Impact US\$ +/-	Change in market index % +/-	Impact US\$ +/-
MSCI China Free Index (Total return)	16.61%	1,699,432	29.91%	2,391,301

(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.

At 30 June 2021, the Fund had cash and cash equivalent of US\$560,208 (2020: US\$157,370) 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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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

4. Financial risk management (continued)

(d) Credit and custody risk (continued)

At 30 June 2021

	US\$	Credit rating	Source of credit rating
<u>Custodian – custody risk</u>			
HSBC Institutional Trust Services (Asia) Limited	11,830,853	AA-*	Fitch
<u>Bank – credit risk</u>			
The Hongkong and Shanghai Banking Corporation Limited	560,208	AA-	Fitch

At 30 June 2020

	US\$	Credit rating	Source of credit rating
<u>Custodian – custody risk</u>			
HSBC Institutional Trust Services (Asia) Limited	9,044,886	AA-*	Fitch
<u>Bank – credit risk</u>			
The Hongkong and Shanghai Banking Corporation Limited	157,370	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 rating of HSBC Institutional Trust Services (Asia) Limited is 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 2021			
Amounts payable to brokers	118,370	-	-
Amounts payable on redemption	-	-	53,132
Accounts payable and accrued expenses	18,403	52,426	31,496
Net assets attributable to unitholders	12,158,307	-	-
	<u>12,295,080</u>	<u>52,426</u>	<u>84,628</u>

	Less than 1 month US\$	1-3 months US\$	More than 3 months US\$
At 30 June 2020			
Amounts payable to brokers	19,242	-	-
Amounts payable on redemption	-	-	53,132
Accounts payable and accrued expenses	17,735	42,726	22,242
Net assets attributable to unitholders	9,070,320	-	-
	<u>9,107,297</u>	<u>42,726</u>	<u>75,374</u>

FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
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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 2021, there was 1 (2020: 1) unitholder 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 2021	Less than 1 month US\$	1-3 months US\$	More than 3 months US\$
Investments	11,830,853	-	-
Derivative financial instruments	5	-	-
Dividend receivable	32,030	161	-
Amounts receivable on subscription	1,276	-	-
Amounts receivable on management fee rebate	7,601	-	-
Cash and cash equivalents	560,208	-	-
	<u>12,431,973</u>	<u>161</u>	<u>-</u>
	<u><u>12,431,973</u></u>	<u><u>161</u></u>	<u><u>-</u></u>
At 30 June 2020	Less than 1 month US\$	1-3 months US\$	More than 3 months US\$
Investments	9,044,886	-	-
Dividend receivable	23,027	-	-
Cash and cash equivalents	157,370	-	-
	<u>9,225,283</u>	<u>-</u>	<u>-</u>
	<u><u>9,225,283</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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:

	2021		2020	
	Monetary US\$	Non- monetary US\$	Monetary US\$	Non- monetary US\$
Chinese renminbi	-	3,814,112	-	2,274,900
Hong Kong dollar	(86,108)	6,497,685	23,018	5,516,404
Taiwan dollar	-	249,368	-	265,639
British Sterling Pound	1,278	-	-	-

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.

	2021			2020		
	Change	Impact	Impact	Change	Impact	Impact
	+/-	Monetary US\$ equivalents +/-	Non- monetary US\$ equivalents +/-	+/-	Monetary US\$ equivalents +/-	Non- monetary US\$ equivalents +/-
Chinese renminbi	5.0%	-	190,706	5.0%	-	113,745
Taiwan dollar	5.0%	-	12,468	5.0%	-	13,282
British Sterling Pound	5.0%	64	-	5.0%	-	-

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.

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

(f) Currency risk (continued)

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.

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 2021

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Assets				
Financial assets at fair value through profit or loss				
- Equities	11,830,853	-	-	11,830,853
	<u>11,830,853</u>	<u>-</u>	<u>-</u>	<u>11,830,853</u>

At 30 June 2020

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Assets				
Financial assets at fair value through profit or loss				
- Equities	9,044,886	-	-	9,044,886
	<u>9,044,886</u>	<u>-</u>	<u>-</u>	<u>9,044,886</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.

**FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

4. Financial risk management (continued)

(g) Fair value estimation (continued)

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

There were no transfers between levels for the year ended 30 June 2021 and 2020.

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 objectives when managing capital are 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 gains on investments and derivative financial instruments

	2021	2020
	US\$	US\$
Unrealised gains/(losses) on investments	996,664	(766,697)
Realised gains on investments	1,808,362	1,774,229
	<u>2,805,026</u>	<u>1,007,532</u>

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NOTES TO THE FINANCIAL STATEMENTS
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6. Derivative financial instruments

Derivative financial instruments represent outstanding spot foreign exchange contracts.

There are no outstanding spot foreign exchange contracts as 30 June 2020.

	<u>2021</u>	
	US\$	% of net assets
<u>Derivative financial instruments</u>		
- Spot foreign exchange contracts	5	0.00
Total derivative financial instruments		
- assets	<u>5</u>	<u>0.00</u>

The details of outstanding spot foreign exchange contracts as 30 June 2021 are as follows:

At 30 June 2021

Currency/ Amount bought	Currency/ Amount sold	Settlement date	Counterparty	Fair Value US\$
<u>Financial assets:</u>				
HKD919,247	USD118,365	02 July 2021	The Hong Kong and Shanghai Banking Corporation Limited	5
				<u>5</u>

**FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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 2021 and 2020, there was no outstanding payable under the overdraft facility.

For the year ended 30 June 2021, interest expenses of US\$Nil (2020: US\$Nil) and bank charges of US\$Nil (2020: US\$ Nil) 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 practice 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 (2020: US\$81,297), calculated based on the realised gains and unrealised gains from all investments in B-shares up to 30 June 2021. 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 2021 and 2020, and therefore no provision was made.
- (d) The Fund invests in A-shares of companies listed in the PRC. Under current PRC tax laws, corporate income 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.

FSSA CHINA ALL CAP FUND
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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. 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 I (USD) and 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 2021, a management fee of US\$146,358 (2020: US\$108,549) was incurred by the Fund, of which US\$12,882 (2020: US\$9,935) remained payable at 30 June 2021.

(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 2021, a trustee fee of US\$8,375 (2020: US\$4,305) was incurred by the Fund, of which US\$830 (2020: US\$388) remained payable at 30 June 2021.

(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 2021, an administration fee of US\$12,161 (2020: US\$12,069) was incurred by the Fund, of which US\$1,003 (2020: US\$1,000) remained payable at 30 June 2021.

(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 2021 and 2020, units have been issued but no subscription charge has been levied by the Manager.

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

There were no cross trades with another fund managed by the Manager during the year ended 30 June 2021 and 2020.

FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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\$8,375 (2020: US\$4,305) as disclosed in Note 9(b) and the administration fee of US\$12,161 (2020: US\$12,069) 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.

	2021	2020
	US\$	US\$
Interest on bank deposits	6	821
Safe custody and bank charges	(160)	(162)
Transaction costs	(12,658)	(9,765)
Accounting fee	(7,909)	(7,918)

In addition to the trustee fee payable of US\$830 (2020: US\$388) as disclosed in Note 9(b) and the administration fee payable of US\$1,003 (2020: US\$1,000) as disclosed in Note 9(c), the Fund had the following balances with the Trustee and its related parties.

	2021	2020
	US\$	US\$
Cash at banks	560,208	157,370
Spot foreign exchange contracts receivable	5	-
Transaction costs payable	(270)	(615)
Accounting fee payable	(7,960)	(5,150)
Script fee and other fees payable	(537)	-

During the year ended 30 June 2021 and 2020, the Fund had an uncommitted bank overdraft facility with the Trustee and its related parties as disclosed in Note 7.

**FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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

(g) Brokerage

First State Investments (Colonial First State Global Asset Management in Australia) (together, “CFSGAM”) was acquired by Mitsubishi UFJ Trust and Banking Corporation (“MUTB”) from Commonwealth Bank of Australia (“CBA”) on 2 August 2019.

The table below summarises the value of transactions effected through Morgan Stanley & Co. International Plc, which is a related company of the Manager as at 30 June 2021 and 2020, in the ordinary course of the Fund’s investment sales and purchase activities.

	2021	2020
	US\$	US\$
Total brokerage commission paid in respect of the Fund	5,401	7,786
<i>Morgan Stanley</i>		
Total aggregate value of transactions	633,439	295,940
Percentage of such transactions in value to total transactions during the year	6.86%	2.05%
Total commission paid	410	176
Percentage of such commission in value to total commission during the year	7.59%	2.26%
Average commission rate	0.06%	0.06%

(h) Other transactions with the Manager and its related parties

During the years ended 30 June 2021 and 2020, other than Management fee that paid to the Manager, other respective amounts paid to the Manager or its Connected Persons were as follows:

	2021	2020
	US\$	US\$
Amounts receivable on management fee rebate	7,601	-

**FSSA CHINA ALL CAP FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

10. Transaction costs

During the year ended 30 June 2021 and 2020, following transaction costs were incurred by the Fund.

	2021	2020
	US\$	US\$
Brokerage fee	5,401	7,767
Other transaction costs	7,257	12,928
	<u>12,658</u>	<u>20,695</u>

11. Soft commission arrangements

During the year ended 30 June 2021 and 2020, all research and advisory services are paid by the Manager and hence there is no use of soft commissions as part of trading.

12. Distributions

No distribution was made during the year ended 30 June 2021 and 2020.

13. Approval of the financial statements

The financial statements were approved by the Trustee and the Manager on 25 October 2021.

FSSA CHINA ALL CAP FUND
INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 30 JUNE 2021

	Holdings as at 30.6.2021	Market value US\$	% of net asset value
Listed investments – equities (97.31%)			
Listed on the Stock Exchange of Hong Kong (53.44%)			
Alibaba Group Holding Ltd	19,100	541,087	4.45
Beijing Capital International Airport Co Ltd	318,000	210,885	1.73
China Mengniu Dairy Co Ltd	54,000	326,468	2.69
China Merchants Bank Co Ltd - H	60,291	514,339	4.23
China Resources Beer Holdings Co Ltd	52,000	467,045	3.84
China Resources Gas Group Ltd	34,000	204,021	1.68
China Resources Land Ltd	156,137	632,321	5.20
China Resources Medical Holdings Co Ltd	108,334	131,549	1.08
China Taiping Insurance Holdings Co Ltd	124,261	206,732	1.70
China Vanke Co Ltd - H	52,326	163,733	1.35
Haier Smart Home Co Ltd - H	34,600	120,741	0.99
Meituan (formerly known as Meituan Dianping)	15,600	643,618	5.29
Nongfu Spring Co Ltd	6,800	34,106	0.28
Sino Biopharmaceutical Ltd	368,500	361,579	2.97
Sunny Optical Technology Group Co Ltd	3,100	97,960	0.81
Tencent Holdings Ltd	12,600	947,533	7.79
Tsingtao Brewery Co Ltd - H	12,000	129,181	1.06
Weimob Inc	99,000	218,248	1.80
Wuxi Biologics Cayman Inc	5,871	107,579	0.89
Xinyi Glass Holdings Co Ltd	26,000	105,964	0.87
Yihai International Holding Ltd	18,000	120,875	0.99
Zhongsheng Group Holdings Ltd	25,500	212,121	1.75
		6,497,685	53.44
Listed on the Stock Exchange of New York, U.S.A. (10.45%)			
ACM Research Inc	2,219	226,826	1.87
JD.Com Inc	6,326	504,878	4.15
TAL Education Group	4,926	124,283	1.02
ZTO Express (Cayman) Inc ADR	13,631	413,701	3.41
		1,269,688	10.45

FSSA CHINA ALL CAP FUND
INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)
AS AT 30 JUNE 2021

	Holdings as at 30.6.2021	Market value US\$	% of net asset value
Listed investments – equities (97.31%) (continued)			
Listed on the Stock Exchange of Shanghai, People’s Republic of China (14.42%)			
Autobio Diagnostics Co Ltd - A	15,918	186,679	1.53
Dashenlin Pharmaceutical Group	37,144	293,836	2.42
Guangzhou Kingmed Diagnostics Group Co Ltd	10,200	252,235	2.07
Hongfa Technology Co Ltd - A	21,320	206,902	1.70
Jiangsu Hengrui Medicine Co Ltd	17,400	183,053	1.51
Ping An Insurance Group Co	27,200	270,617	2.23
Shanghai M&G Stationery Inc	10,300	134,807	1.11
Zhejiang Chint Electrics Co Ltd	43,568	225,094	1.85
		1,753,223	14.42
Listed on the Stock Exchange of Shenzhen, People’s Republic of China (16.95%)			
Bank of Ningbo Co Ltd - A	24,230	146,148	1.20
Beijing Thunisoft Corp Ltd	40,129	119,564	0.98
Gree Electric Appliances Inc	17,000	137,087	1.13
Hangzhou Hikvision Digital Technology Co Ltd	21,200	211,644	1.74
Han's Laser Technology Industry Group Co Ltd	24,355	152,255	1.25
Midea Group Co Ltd	38,154	421,470	3.47
S F Holding Co Ltd	22,991	240,911	1.98
Shanghai Liangxin Electric Co Ltd	39,260	136,967	1.13
Shenzhen Sunlord Electronics Co Ltd	31,900	191,424	1.57
Zhejiang Weixing New Building Materials Co Ltd	94,840	303,419	2.50
		2,060,889	16.95
Listed on the Stock Exchange of Taiwan (2.05%)			
Largan Precision Co Ltd	1,000	111,261	0.91
MediaTek Inc	4,000	138,107	1.14
		249,368	2.05
Total listed investments – equities		11,830,853	97.31
Derivative financial instruments - spot foreign exchange contracts		5	0.00

**FSSA CHINA ALL CAP FUND
INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)
AS AT 30 JUNE 2021**

	Holdings as at 30.6.2021	Market value US\$	% of net asset value
Other net assets		327,449	2.69
Net assets as at 30 June 2021		<u>12,158,307</u>	<u>100.00</u>
Total listed investments, at historical cost		<u>8,577,997</u>	

FSSA CHINA ALL CAP FUND
STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2021

Listed investments	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
<u>Equities</u>			
<i>Listed on the Stock Exchange of Hong Kong</i>			
Alibaba Group Holding Ltd	4,800	-	-
ASM Pacific Technology Ltd	-	7,500	-
Beijing Capital International Airport Co Ltd	318,000	-	-
China Mengniu Dairy Co Ltd	-	24,000	-
China Merchants Bank Co Ltd - H	-	43,500	-
China Overseas Property Holding Co Ltd	-	37,307	-
China Resources Beer Holdings Co Ltd	14,000	32,000	-
China Resources Gas Group Ltd	6,000	-	-
China Resources Land Ltd	38,000	-	-
China Resources Medical Holdings Co Ltd	-	127,000	-
China Resources Mixc Lifestyle Services Ltd	2,618	2,618	-
China Taiping Insurance Holdings Co Ltd	30,400	47,200	-
China Vanke Co Ltd - H	15,600	-	-
CSPC Pharmaceutical Group Ltd	-	5,200	-
Fuyao Glass Industry Group Co Ltd - H	-	32,154	-
Haier Smart Home Co Ltd - H	34,600	-	-
Meituan (formerly known as Meituan Dianping)	600	7,800	-
Ming Yuan Cloud Group Holding	441	441	-
Minth Group Ltd	-	32,000	-
Nissin Foods Co Ltd	48,000	246,000	-
Nongfu Spring Co Ltd	8,800	2,000	-
Shanghai Henlius Biotech Inc - H	8,200	17,500	-
Shenzhou International Group	-	7,900	-
Sino Biopharmaceutical Ltd	364,500	175,000	-
Sunny Optical Technology Group Co Ltd	-	9,800	-
Tencent Holdings Ltd	300	1,200	-
Tsingtao Brewery Co Ltd - H	-	6,000	-
Weimob Inc	99,000	-	-
Wuxi Biologics Cayman Inc	9,000	6,629	-
Xinyi Glass Holdings Co Ltd	-	118,000	-
Yihai International Holding Ltd	18,000	-	-
Zhongsheng Group Holdings Ltd	30,000	4,500	-

FSSA CHINA ALL CAP FUND
STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2021

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	229	4,434	-
ACM Research Inc	342	252	-
JD.Com Inc	1,216	443	-
TAL Education Group	4,926	-	-
ZTO Express (Cayman) Inc ADR	7,662	-	-
<i>Listed on the Stock Exchange of Shanghai, People's Republic of China</i>			
Autobio Diagnostics Co Ltd - A	15,918	-	-
Dashenlin Pharmaceutical Group	22,024	-	-
Guangzhou Kingmed Diagnostics Group Co Ltd	3,900	5,500	-
Hongfa Technology Co Ltd - A	11,600	3,800	-
Jiangsu Hengrui Medicine Co Ltd	17,400	-	-
Ping An Insurance Group Co	27,200	-	-
Shanghai International Airport Co Ltd	-	28,118	-
Shanghai M&G Stationery Inc	2,200	8,000	-
Zhejiang Chint Electrics Co Ltd	-	15,600	-
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China</i>			
Bank of Ningbo Co Ltd - A	-	10,900	-
Beijing Thunisoft Corp Ltd	16,400	-	-
Gree Electric Appliances Inc	17,000	-	-
Hangzhou Hikvision Digital Technology Co Ltd	-	20,900	-
Han's Laser Technology Industry Group Co Ltd	5,600	-	-
Midea Group Co Ltd	3,000	17,400	-
S F Holding Co Ltd	15,891	-	-
Shanghai Liangxin Electric Co Ltd	39,260	-	-
Shenzhen Inovance Technology Co Ltd	-	8,252	-
Shenzhen Sunlord Electronics Co Ltd	36,600	12,600	-
Zhejiang Weixing New Building Materials Co Ltd	15,000	23,500	-
<i>Listed on the Stock Exchange of Taiwan</i>			
Advantech Co Ltd	1,268	13,967	-
MediaTek Inc	4,000	-	-

FSSA CHINA ALL CAP FUND
INFORMATION ON EXPOSURE ARISING FROM FINANCIAL DERIVATIVE
INSTRUMENTS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2021

The following table shows the lowest, highest and average gross exposure arising from the use of financial derivative instruments for any purpose as a proportion to the Fund's total net asset value for the year ended 30 June 2021.

There are no outstanding financial derivative instruments as 30 June 2020.:

	2021
	% of NAV
Lowest gross exposure	0.00%
Highest gross exposure	0.00%
Average gross exposure	0.00%

The following table shows the lowest, highest and average net exposure arising from the use of financial derivative instruments for any purpose as a proportion to the Fund's total net asset value for the year ended 30 June 2021.

There are no outstanding financial derivative instruments as 30 June 2020.:

	2021
	% of NAV
Lowest net exposure	0.00%
Highest net exposure	0.00%
Average net exposure	0.00%

**FSSA CHINA ALL CAP FUND
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2021**

Manager	First Sentier Investors (Hong Kong) Limited 25th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Directors of the Manager	Michael David Stapleton Lucinda Kate Dowling Robert Gordon Scott Chung Piau Chia (Appointed on 8 October 2021)
Trustee and Registrar	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
Auditor	Deloitte Touche Tohmatsu 35/F, One Pacific Place 88 Queensway Hong Kong
Legal Advisor to the Manager	Deacons 5th Floor Alexandra House 18 Charter Road Central Hong Kong

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