

# First State China All Cap Fund

Semi-Annual Report

July 2018 - December 2018

**First State China All Cap Fund**  
**(Formerly known as First State New Era PRC Fund)**

---

<b>Contents</b>	<b>Pages</b>
Report of the manager (unaudited)	1 – 2
Investment portfolio (unaudited)	3 – 5
Statement of movements in portfolio holdings (unaudited)	6 – 7
Statement of net assets (unaudited)	8
General information	9

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

**First State China All Cap Fund**  
**(Formerly known as First State New Era PRC Fund)**  
**Report of the Manager (Unaudited)**

---

**Performance**

	1 July 2018 to 31 Dec 2018	1 July 2017 to 31 Dec 2017
First State China All Cap Fund Class II*	(20.59%)	24.39%
First State China All Cap Fund Class III	(20.45%)	24.67%
Benchmark: MSCI China Free Index	(17.43%)	23.50%

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

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

**Review**

The MSCI China Index declined by 17.4% in US dollar terms over the six months to 31 December 2018, buffeted by a combination of external and domestic concerns. A deterioration in the global demand outlook and steep falls in developed equity markets foreshadowed similar weakness in Chinese equities. After much toing and froing, the US-China trade war came to a temporary halt in December, after US President Donald Trump and Chinese President Xi Jinping came to a preliminary agreement on trade between the two countries. On the domestic front, broad activity indicators pointed to a deceleration in the economy, with industrial production, retail sales and exports all printing lower than expected in November.

**Performance**

The Fund declined by 19.5% over the six months to 31 December 2018. Detracting from performance, CSPP Pharmaceutical declined on concerns around recent price cut policies, while AAC Technologies softened due to weaker shipment expectations for the Apple iPhone in the second half of 2018. Tencent weakened following a broad technology sell-off in North America and on concerns around regulatory tightening.

On the positive side, Vitasoy strengthened after announcing strong earnings results, while China Resources Land rose on the back of strong property sales and solid growth in rental income. China Merchants Bank reported strong profits growth, as its conservative approach helped to maintain asset quality amid the economic slowdown.

**First State China All Cap Fund**  
**(Formerly known as First State New Era PRC Fund)**  
**Report of the Manager (Unaudited) (continued)**

---

**Portfolio changes**

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

The Fund divested Foshan Haitian Flavouring on expensive valuations and disposed of JNBY Design, which had performed well.

**Outlook**

The Chinese equity market corrected sharply in 2018. We took advantage of market weakness to add to our high quality portfolio holdings; and have started to reassess the companies on our watch-list which look more attractive on valuation metrics.

However, we remain cautious in our outlook for the coming year and expect market volatility to continue over the short term. Although the progress towards an entente cordiale with the US is encouraging, there remains a wide gulf between the two countries on a broad range of issues, which will take time to resolve.

In response to trade war uncertainties and slowing growth, we expect the Chinese government to continue its targeted approach to bolster the economy, with policies designed to ease conditions for businesses and households, while maintaining its line of attack on debt reduction. In addition, ongoing structural reforms should continue to enhance market-based efficiencies and improve corporate profitability in the state-owned sector.

On a longer-term basis, we believe that China's growth story remains intact. Chinese companies have been focusing more on research and development, and product innovation, in order to compete with global peers. Meanwhile, the structural trends of consumption upgrading and healthcare spending should persist as incomes continue to rise.

**First State China All Cap Fund**  
**(Formerly known as First State New Era PRC Fund)**  
**Investment Portfolio (Unaudited)**  
**as at 31 December 2018**

	<b>Holdings as at 31.12.2018</b>	<b>Market value US\$</b>	<b>% of net asset value</b>
<b>Listed investments – equities (98.06%)</b>			
<i>Listed on the Stock Exchange of Hong Kong (78.18%)</i>			
AAC Technologies Holdings Inc Com	32,000	185,763	1.72
Aeon Stores (Hong Kong) Co Ltd	145,500	78,238	0.73
ASM Pacific Technology Ltd	41,300	398,000	3.69
China Bluechemical Ltd Shs - H	378,000	118,768	1.10
China Conch Venture Holdings Ltd	52,500	156,239	1.45
China Mengniu Dairy Co Ltd	162,000	504,869	4.68
China Merchants Bank Co Ltd - H	154,291	565,584	5.24
China Overseas Grand Oceans Group Ltd	499,000	163,798	1.52
China Overseas Property Holding Co Ltd	477,307	139,607	1.29
China Resources Beer Holdings Co Ltd	42,000	146,717	1.36
China Resources Land Ltd	46,137	177,374	1.64
China Resources Medical Holdings Co Ltd	233,834	152,916	1.42
China Taiping Insurance Holdings Co Ltd	96,061	263,791	2.45
China Vanke Co Ltd - H	64,026	217,527	2.02
CSPC Pharmaceutical Group Ltd	242,000	349,275	3.24
ENN Energy Holdings Ltd	59,300	526,019	4.88
Fuyao Glass Industry Group Co Ltd - H	41,754	133,592	1.24
Gree Electric Appliances Inc of Zhuhai	24,791	128,784	1.19
Hangzhou Hikvision Digital Technology Co Ltd	21,900	82,113	0.76
Li Ning Co Ltd	65,500	70,274	0.65
Luk Fook Holdings International Ltd	59,000	168,424	1.56
Luye Pharma Group Ltd	205,500	143,048	1.33
Midea Group Co Ltd	76,254	409,109	3.79
Mint Group Ltd	110,000	354,755	3.29
Shenzhen Inovance Technology Co Ltd	8,952	26,242	0.24
Shenzhou International Group	27,000	306,060	2.84
Sino Biopharmaceutical Ltd	164,000	108,086	1.00
Techtronic Industries Co Ltd	52,500	278,950	2.59
Tencent Holdings Ltd	19,500	782,057	7.25
Tong Ren Tang Technologies Co Ltd - H	152,000	199,189	1.85
Towngas China Co Ltd	437,113	324,373	3.01
Tsingtao Brewery Co Ltd - H	16,000	64,577	0.60
VITASOY International Holdings Ltd	58,000	221,129	2.05
Wasion Holdings Ltd	650,000	316,310	2.93
Xinyi Glass Holdings Co Ltd	154,000	170,339	1.58
		8,431,896	78.18

**First State China All Cap Fund**  
**(Formerly known as First State New Era PRC Fund)**  
**Investment Portfolio (Unaudited) (continued)**  
**as at 31 December 2018**

	<b>Holdings as at 31.12.2018</b>	<b>Market value US\$</b>	<b>% of net asset value</b>
<b>Listed investments – equities (98.06%) (continued)</b>			
<i>Listed on the Stock Exchange of New York, U.S.A.</i>			
<i>(4.98%)</i>			
51Job Inc - ADR	2,145	133,934	1.24
Baidu Inc - ADR	1,593	252,650	2.34
Ctrip.Com International Ltd ADR	5,552	150,237	1.40
		536,821	4.98
<i>Listed on the Stock Exchange of Shanghai</i>			
<i>(6.50%)</i>			
Hongfa Technology Co Ltd - A	35,920	117,949	1.09
Qingdao Haier Co Ltd	49,020	98,820	0.92
Shanghai International Airport Co Ltd	38,538	284,729	2.64
Zhejiang Chint Electrics Co Ltd	56,468	199,231	1.85
		700,729	6.50
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China (6.96%)</i>			
Bank of Ningbo Co Ltd - A	47,930	113,157	1.05
China National Accord Medicines Co Ltd - B	71,100	237,383	2.20
Wuxi Little Swan Co Ltd - B	43,400	216,242	2.00
Yunnan Baiyao Group Co Ltd - A	17,100	184,083	1.71
		750,865	6.96
<i>Listed on the Stock Exchange of Taiwan (1.44%)</i>			
Advantech Co Ltd	22,699	155,452	1.44
		155,452	1.44

**First State China All Cap Fund**  
**(Formerly known as First State New Era PRC Fund)**  
**Investment Portfolio (Unaudited) (continued)**  
**as at 31 December 2018**

	<b>Market value US\$</b>	<b>% of net asset value</b>
<b>Listed investments – equities (98.06%) (continued)</b>		
Total listed investments – equities	10,575,763	98.06
Other net assets	208,956	1.94
Net assets as at 31 December 2018	<u>10,784,719</u>	<u>100.00</u>
Total listed investments, at historical cost	<u>8,864,888</u>	

**First State China All Cap Fund**  
**(Formerly known as First State New Era PRC Fund)**  
**Statement of Movements in Portfolio Holdings (Unaudited)**  
**for the period ended 31 December 2018**

Listed investments	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
<b>Equities</b>			
<i>Listed on the Stock Exchange of Hong Kong</i>			
AAC Technologies Holdings Inc Com	3,500	4,000	-
Aeon Stores (Hong Kong) Co Ltd	45,500	-	-
ASM Pacific Technology Ltd	7,900	-	-
China Bluechemical Ltd Shs - H	-	310,000	-
China Conch Venture Holdings Ltd	4,500	16,000	-
China Medical System Holdings Ltd	-	9,000	-
China Mengniu Dairy Co Ltd	29,000	-	-
China Merchants Bank Co Ltd - H	-	9,000	-
China Overseas Grand Oceans Group Ltd	37,000	-	-
China Overseas Property Holding Co Ltd	90,000	10,000	-
China Resources Beer Holdings Co Ltd	-	4,000	-
China Resources Land Ltd	-	40,000	-
China Resources Medical Holdings Co Ltd	95,500	-	-
China Taiping Insurance Holdings Co Ltd	-	39,000	-
China Vanke Co Ltd - H	-	6,300	-
CSPC Pharmaceutical Group Ltd	-	12,000	-
ENN Energy Holdings Ltd	-	2,700	-
Fuyao Glass Industry Group Co Ltd - H	-	4,000	-
Gree Electric Appliances Inc of Zhuhai	-	16,100	-
Innovent Biologics Inc	9,500	9,500	-
JNBY Design Ltd	-	61,000	-
Luk Fook Holdings International Ltd	17,000	-	-
Luye Pharma Group Ltd	21,500	-	-
Midea Group Co Ltd	4,800	-	-
Minth Group Ltd	14,000	-	-
Shanghai PRET Composites Co Ltd	-	12,750	-
Shenzhen Inovance Technology Co Ltd	-	14,400	-
Shenzhou International Group	-	5,000	-
Sun Art Retail Group Ltd	-	85,097	-
Techtronic Industries Co Ltd	6,000	2,000	-
Tencent Holdings Ltd	1,800	-	-
Tong Ren Tang Technologies Co Ltd - H	-	43,000	-
Towngas China Co Ltd	30,000	13,000	-
Tsingtao Brewery Co Ltd - H	16,000	-	-
VITASOY International Holdings Ltd	6,000	8,000	-
Wasion Holdings Ltd	78,000	-	-
Xinyi Glass Holdings Co Ltd	34,000	-	-



**First State China All Cap Fund**  
**(Formerly known as First State New Era PRC Fund)**  
**Statement of Movements in Portfolio Holdings (Unaudited)**  
**for the period ended 31 December 2018**

Listed investments (continued)	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
<b>Equities</b>			
<i>Listed on the Stock Exchange of New York, U.S.A.</i>			
51Job Inc - ADR	2,145	-	-
Baidu Inc - ADR	255	54	-
Ctrip.Com International Ltd ADR	652	-	-
Netease Inc ADR	60	430	-
<i>Listed on the Stock Exchange of Shanghai, People's Republic of China</i>			
Hongfa Technology Co Ltd - A	10,800	4,000	-
Jiangsu Hengrui Medicine Co Ltd	-	8,118	-
Qingdao Haier Co Ltd	-	7,800	-
Shanghai International Airport Co Ltd	-	13,400	-
Zhejiang Chint Electrics Co Ltd	28,368	-	-
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China</i>			
Bank of Ningbo Co Ltd - A	47,930	-	-
China National Accord Medicines Co Ltd - B	8,200	-	-
Foshan Haitian Flay & Food Co Ltd	-	12,599	-
Wuxi Little Swan Co Ltd - B	-	20,700	-
Yunnan Baiyao Group Co Ltd - A	17,100	-	-
<i>Listed on the Stock Exchange of Taiwan</i>			
Advantech Co Ltd	2,000	-	-

**First State China All Cap Fund**  
**(Formerly known as First State New Era PRC Fund)**  
**Statement of Net Assets (Unaudited)**  
**as at 31 December 2018**

	<b>(Unaudited)</b> <b>31 December</b> <b>2018</b> <b>US\$</b>	<b>(Audited)</b> <b>30 June</b> <b>2018</b> <b>US\$</b>
<b>Assets</b>		
Formation cost	6,531	8,130
Investments	10,575,763	13,555,129
Derivative financial instruments	8,515	-
Interest receivable	8	7
Dividend receivable	-	40,720
Amounts receivable from brokers	8,584	19,845
Cash at banks	318,505	437,819
<b>Total assets</b>	<b>10,917,906</b>	<b>14,061,650</b>
<b>Liabilities</b>		
Derivative financial instruments	8,519	12
Amounts payable to brokers	-	90,582
Amounts payable on redemption	53,132	53,132
Accounts payable and accrued expenses	71,536	88,682
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>133,187</b>	<b>232,408</b>
<b>Net assets attributable to unitholders</b>	<b>10,784,719</b>	<b>13,829,242</b>
<b>Number of units in issue</b>		
- Class II (USD)	37,317.92	41,672.87
- Class III (USD)	607,402.20	585,300.89
<b>Net assets attributable to unitholders per unit</b>		
- Class II (USD)	105.93	133.39
- Class III (USD)	11.24	14.12

**First State China All Cap Fund**  
**(Formerly known as First State New Era PRC Fund)**  
**General Information**  
**For the period ended 31 December 2018**

---

Manager	First State Investments (Hong Kong) Limited 25th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Directors of the Manager	Chris Turpin Michael Stapleton Lucinda Kate Dowling
Trustee and Registrar	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
Auditor	PricewaterhouseCoopers 33rd Floor, Cheung Kong Center 2 Queen's Road 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.