

**Appendix 4E  
Final Report  
For the year ended 30 June 2019  
Date: 22 August 2019**

**Results for announcement to the market**

Financial Results	30 June 2019 \$	30 June 2018 \$	Change %*
(Loss)/revenue from ordinary activities	(4,018,498)	7,209,990	n/a
(Loss)/profit from ordinary activities after tax attributable to members	(3,662,272)	4,445,627	n/a
(Loss)/profit for the year attributable to members	(3,662,272)	4,445,627	n/a

\* Note: A loss from ordinary activities in the prior year was recorded, accordingly no % change is shown.

Net Tangible Asset ("NTA") Backing Per Share	30 June 2019 \$	30 June 2018 \$	Change %
NTA before tax accruals	1.0472	1.2186	(14.1%)
NTA after tax	1.0763	1.1818	(8.9%)
NTA after tax (2019 adding the October 2018 final dividend of 2.0 cents per share and April 2019 dividend of 2.0 cents per share)	1.1163	1.1818	(5.5%)

**Dividends**

On 22 August 2019, the Directors declared a fully franked final dividend of 1.5 cents per share (June 2018: 2.0 cents per share) which will be paid on 3 October 2019. The Ex-Dividend date is 11 September 2019 and the Record Date is 12 September 2019.

The amount of the proposed fully franked dividend, which is not recognised as a liability as at 30 June 2019, is \$853,393 (June 2018: \$1,126,278).

The Dividend Reinvestment Plan ("DRP") will operate in conjunction with this dividend. The last date for receipt of an election notice in respect of this dividend is 13 September 2019. No discount will be offered on the Dividend Reinvestment Plan in respect of this dividend.

**Details of any dividend or distribution reinvestment plans in operation:**

On 18 August 2016, the Company introduced a Dividend Reinvestment Plan ("Plan"). The Plan allows eligible shareholders to re-invest their future dividends (as may be declared from time to time) into the Company's shares.

Participation in the Plan is voluntary. If shareholders elect to participate in the Plan now, they may vary or cancel their participation in the future in accordance with the terms and conditions of the Plan.

Eligible shareholders are shareholders with a registered address in Australia. The Company does not currently intend to extend the Plan to shareholders outside of Australia, given the potential complexity and additional costs involved.

The Dividend Reinvestment Plan application form must be received by the share registry no later than the next business day after the Record Date for that dividend (or a later date approved by the Company).

Details of the Plan can be found on the Company's website as follows:

<http://www.pmcapital.com.au/paf/compliance>

**Entities over which control has been lost during the period:**

None.

**Details of associates and joint venture entities**

None.

To find out more about PM Capital Asian Opportunities Fund Limited, please visit the Company's website:

<http://www.pmcapital.com.au/listed-investment-company/paf>



PM Capital

ASIAN OPPORTUNITIES FUND LIMITED



# Annual Report

For the year ended 30 June 2019

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PM Capital Asian Opportunities Fund Limited

ACN 168 666 171

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## CHAIRMAN'S REPORT

Dear Shareholders,

The 2019 financial year proved challenging for the portfolio of the PM Capital Asian Opportunities Fund Limited ("the Company").

Underlying Investment performance delivered by PM Capital Limited ("the Investment Manager") over the year ended 30 June 2019 was (7.1)%<sup>1</sup> in an environment where the broader Asian index experienced modestly positive returns. Performance was impacted by the portfolio's exposure to investments deemed by the market to be sensitive to adverse macroeconomic issues associated with the US-China trade dispute and concerns over slowing growth as more recently indicated by yield curve inversion. For detail on the portfolio, drivers of performance, insights into the market and investment positioning, I'd encourage you to read Kevin Bertoli's portfolio manager report following in this annual report.

### Financial Results

For the year ended 30 June 2019, the Company reported a loss before tax of \$5.0 million and total comprehensive loss after tax of \$3.7 million. Despite this loss, the Company realised gains on the sale of a number of its investments which was the primary driver of taxable income for the year, being \$5.5 million.

### Dividends

During the year the Company paid 2 dividends, totalling 4.0 cents - a final June 2018 fully franked dividend of 2.0 cents per share (amounting to \$1,126,278, paid on 4 October 2018) and an interim 2019 fully franked dividend of 2.0 cents (amounting to \$1,130,831 paid on 4 April 2019).

Taking into account, among other matters, the Company's performance for the year, we declare a final fully franked dividend for the period to June 2019 of 1.5 cents per share (amounting to \$853,393). The timing of the dividend is as follows:

The last date to be eligible for this dividend	10 September 2019
Ex-Dividend Date	11 September 2019
Record Date	12 September 2019
Last date for receipt of Dividend Reinvestment Plan Election notices	13 September 2019
Payment Date	3 October 2019

Subject to financial conditions, future prospects and other factors, on a forward-looking basis, it is the current intention of the Board to pay semi-annual dividends.

We are very aware that in the current year a share price discount to the Company's NTA has re-emerged.

A broad range of Listed Investment Companies (LICs) specialising in Asian and global equities, including the Company, saw their discounts to Net Tangible Assets (NTA) widen considerably during FY2019. We are aware that this can mean the mark-to-market returns of a shareholder can be quite different to the investment performance of the underlying portfolio. The history of the LIC market in Australia has shown that many LICs cycle between experiencing adverse and positive movements in share price relative to NTA. In the Company's case the discount to pre-tax NTA as at 31 December 2018 was a mere 0.3%, however, this had expanded to 9.6% as at 30 June 2019.

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<sup>1</sup> Before tax, after all fees and expenses, adjusted for capital flows associated with the payment of dividends, share issuance as a result of the dividend reinvestment plan, and including the value of franking credits.  
 If capital flows are ignored and one simply adds to the 30 June 2019 NTA the dividends paid, the increase over the 30 June 2018 NTA before tax accruals + franking credits is 7.2%.

As a board we are constantly considering ways to maximise long term shareholder value. During the year PM Capital Limited has been actively promoting the Company through interaction with stockbrokers, advisers and researchers. In addition, it continues to focus on communications and engagement with the market generally. Numerous portfolio manager insight and portfolio positioning articles, reports and videos have been made available for investors through the year.

Finally, thank you to our Shareholders, for your ongoing support of the Company.

My fellow Directors and I are looking forward to seeing those of you who are able to join us for the Annual General Meeting on 15 November 2019.



Brett Spork  
Chairman  
22 August 2019

## PORTFOLIO MANAGER'S REPORT

Dear Fellow Shareholders,

June 30 marked the end of a difficult year for the underlying portfolio. The Company's portfolio total return for the Financial Year 2019 (FY2019) was 7.1%. The US-China trade dispute and the outlook of global interest rates were the two defining issues which drove investor sentiment and dictated the direction of regional markets over the year. The stop-start nature of trade negotiations put significant pressure on regional markets with periods of heightened conflict, such as that seen in October 2018 and May 2019, prompting large drawdowns across Asia.

While interest rates are a constant consideration for investors, FY2019 was unique in terms of the abrupt shift in policy direction seen in a relatively short period of time. It was only last October that investors witnessed the 10-year US Treasury yield move through 3% for the first time since 2011 on the expectation of a persistent tightening cycle by the US Federal Reserve in response to a strong underlying economy. At the time of writing we have just seen the US 2- and 10-year yields invert for the first time since May 2007 with the 10-year falling below 1.60%.

Considering the above, at the portfolio level, positions perceived to be sensitive to the broader macroeconomic environment negatively impacted performance. Most notably were the performance of our Macau gaming and copper holdings. I will talk to each of the major portfolio investments below.

### **Portfolio & Performance**

At June 30 the major portfolio themes were;

- Online classifieds and internet
- Consumer franchises
- Regional gaming
- Copper
- Financials

#### **Online classifieds and internet:**

The online classifieds and internet thematic has been a material part of the portfolio from the Company's inception, but is now nearing the end its investment cycle. Globally, the loosely defined 'internet' sector trades at a substantial premium to the broader market, justified by the structural earnings growth outlook and favourable business economics of companies operating within this sector. However, it has become difficult to find genuine mispricing in this space.

Our holdings now consist of two ASX-listed regional classifieds companies, iCar Asia and Frontier Digital Ventures (FDV).

iCar Asia continued to make solid operational progress over the year with EBITDA breakeven achieved in both Malaysia and Thailand while dealer monetisation was also established in Indonesia. The conversion of options in the latter part of the year reduced concern around short term capital requirements. The competitive position of the business in all three of its markets continues to strengthen and it is well placed to capture the long runway for growth in the core used car market as well as extending to other automotive adjacencies.

We initiated a position in FDV in May 2018 by participating in its capital raising and built our position further over the last year. The portfolio approach taken by management is different to most classified companies, and ultimately results in a lower level of transparency at the operating level. We believe this was one of the factors that drove the mispricing. Since establishing our position FDV's portfolio investments have performed ahead of our expectations and this has resulted in a material share price rerating.

We exited a position in Baidu on concerns over capital allocation discipline. Recent investments into their news feed product are reminiscent of the failed O2O strategy of 2-3 years ago and shows a desire to compete as a member of 'BAT' (Baidu, Alibaba and Tencent) for the mantle of China's leading internet company at the expense of profitability and ultimately long term success.



### Consumer franchises:

This portfolio theme consists of what we consider to be tier one consumer-focused businesses with strong franchise-like qualities. These businesses tend to be domestic champions with market-leading distribution and proven track records of innovation - factors that typically create high barriers to entry to new competition and drive consolidated market categories. Over time we have found that when these dynamics are identified and subsequently supported by favourable industry trends (such as the growing affluence of the consumer, urbanisation and rising income levels), this creates the perfect environment for long term sustainable earnings growth.

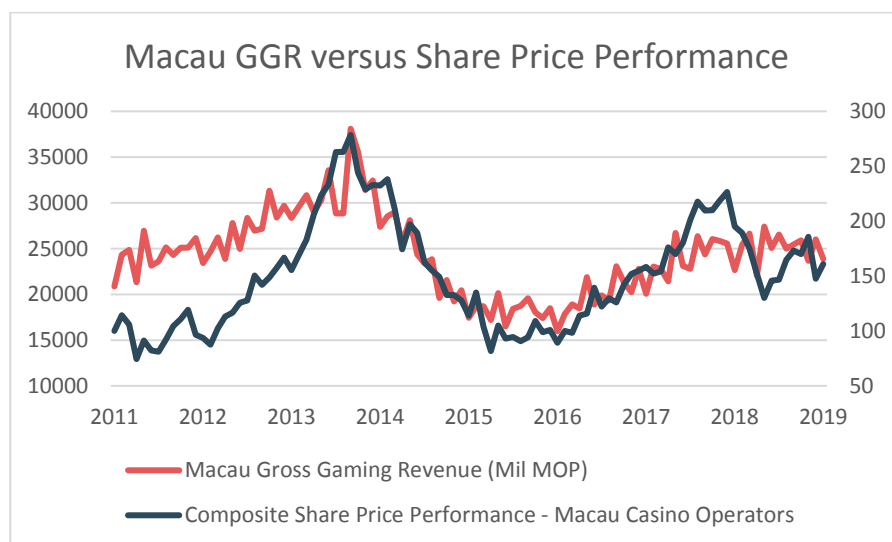
Unfortunately, we are not the first to recognise these dynamics. As such these businesses tend to be fairly priced, if not expensive, during most parts of the cycle. Therefore, we continue to monitor a long list of potential portfolio candidates waiting patiently for entry catalysts driven by specific mispricing.

Portfolio exposure to brewing was reduced with the sale of Carlsberg Malaysia at prices close to all-time highs. Our Malaysian brewing exposure – Carlsberg Malaysia and Heineken Malaysia (still held) – were first entered in 2013. Both companies have benefited from a favourable market structure and rational competitive landscape in Malaysia that has driven consistent growth in earnings, returns and share price performance. At the time of our initial investment both brewers traded at 15-16 times earnings. They have now rerated to 25 times, which we consider to be fairly valued.

### Regional gaming:

Macau-centric casino operators represent a majority of the portfolio's gaming exposure. Share price performance over the year was volatile with the sector viewed as a proxy for slowing economic growth in China and potential collateral damage from increasing trade tensions. The portfolio's Macau exposure was meaningfully reduced in January 2018. However, we added back into the sector through the purchase of Wynn Resorts and Melco Crown Entertainment (Melco) in the second half of 2018. This proved to be early. Consequently, the regional gaming positioning was one of the primary detractors to performance.

I have visited Macau on several occasions over the last 18 months, meeting both with casino operators and VIP junket enterprises. Current operating conditions are not reflective of the share price correction seen over the past year. While growth rates have slowed from the peak, activity has not been as bad as feared, with many forecasting a return to the market malaise of 2015 during China's anti-corruption crackdown. Mass market growth remains robust. VIP activity has slowed and remains volatile month to month but this is now less important to underlying earnings.



In the face of the ongoing trade dispute, license renewal remains a core issue for Macau's gaming operators to navigate. In March MGM China and SJM Holdings had their licenses extended until 2022 for a relatively small outlay. This puts all six operators on the same license terms and reduces the complexity of the renewal process. We continue to believe the worst-case scenario of a license non-renewal remains remote. Furthermore, two of our Macau holdings have large local shareholders, which we think puts them in a strong position when negotiating their respective licences.



While investor concerns remain heightened towards Macau, most recently as a result of the protests in Hong Kong which have disrupted the flow of visitation through Hong Kong International Airport, our long term positive view of the sector remains intact. Significant free cash flow is set to be released and returned back to shareholders now that the capital expenditure cycle has passed its peak.

Beyond Macau, the Company exited its investment in Cambodian casino operator Nagacorp. The strong share price performance of Nagacorp coincided with the ramp up of the second casino in Phnom Penh, aptly named Naga2, which opened in October 2017. The property has been an overwhelming success driving significant growth in both the mass and VIP businesses. Cambodia's low tax rate jurisdiction has helped support the establishment of several new VIP partnerships. We believe much of the positive earnings momentum is now being recognised and valuation relative to other regional operators is now comparable.

#### Copper:

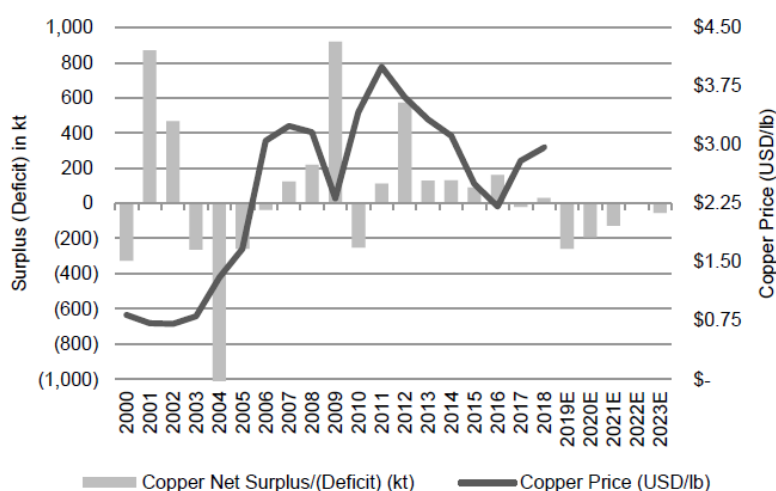
Exposure to the copper sector increased during the year as we built into a broader portfolio position. Our investment thesis for copper centres around supply side constraints that are expected to develop over the next decade. There are several factors set to impact global copper supply:

- Firstly, existing mining operations, primarily in the Americas, are now experiencing significant declines in grades which are only forecast to worsen.
- Furthermore, to extend the life of these older mines, operators are having to undertake more complex mining methods to extend mine life – most notably the transition from open cut to underground mining – which is much more capital intensive.
- Thirdly, there has been a lack of large scale mine discoveries to offset the grade declines at existing operations. Global copper production is actually very concentrated with the top ten mines accounting for approximately 30% of production. Only two of which have been put into operation in the last 30 years.

Commentary from producers suggests the copper price, or at least an anticipation of a copper price, around US\$3.50/lb is required to stimulate new greenfield projects.

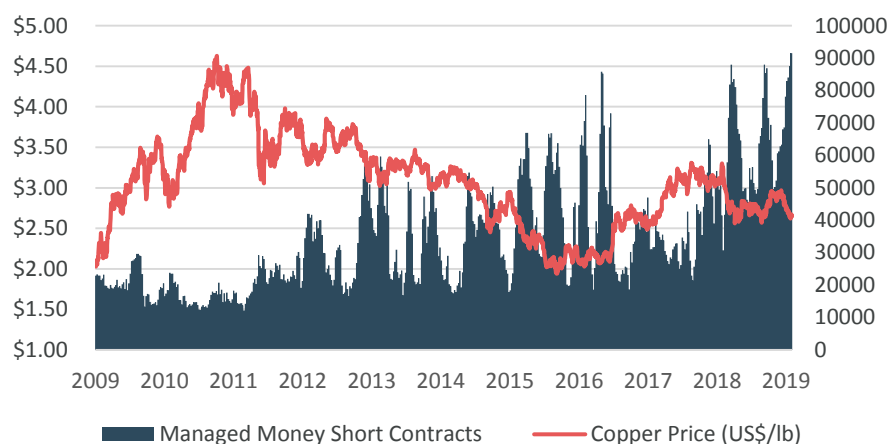
While challenges on the supply side have been widely discussed, in the short term the copper price and consequently the share prices of producers are being driven by demand concerns, primarily in China which accounts for close to 50% of global demand. While Chinese demand has slowed, we don't believe it will offset supply constraints over the long term and this will eventually come into focus as deficits materialise.

**Global Refined Copper Net Surplus (Deficit) vs. LME Copper Price**



Source: Wood Mackenzie; Bloomberg; Scotiabank

## 10 Year Copper Short Position



### Financials:

This portfolio theme consists of traditional banking businesses and ratings companies in the region.

Amongst the Company's major portfolio themes this was one that was materially reduced during the year. This reduction has continued into FY2020 and at the time of writing portfolio exposure to traditional banking businesses was less than 4% and the overall 'financials' position was below 10%. The decision to realise these investments was in part a result of new opportunities arising from volatile markets but also growing concern over the broader macro environment. The likelihood of rate cuts in the region has clearly increased and while share prices have corrected from their 2018 highs, rate cuts will put pressure on bank net interest margins and return on equity in the near term. A handful of market anecdotes – mentioned below – also suggest that despite the relatively low interest rate environment in Asia, risks within the loan books of banks have increased as the economy slows. We do not believe the risk reward warrants holding these positions.

We continued building out positions in Indian rating agencies while remaining cognisant of the short-term challenges present in the Indian capital markets in which they operate.

### Market outlook

Looking forward, trade negotiations remain the primary sticking point for investors and without a clear resolution we expect volatility will continue.

Trade first made headlines in March 2018 with Trump calling for tariffs on foreign made steel. At the time I was attending a conference in Hong Kong where 'synchronised global growth' was the most repeated phrase, suggesting an overwhelmingly positive sentiment amongst investors. Consensus was for trade negotiations to be dealt with rationally and therefore they were likely to be little more than a speedbump to investors rosy economic outlooks. This has clearly not been the case. A reform of trade relationships and issues such as IP protection are long term structural issues which clearly needed addressing but by their nature are very difficult to find common ground on.

The primary change now versus when trade first came onto the radar of investors as a key issue is that it is now clearly starting to have an impact on growth, not just in China. As I have said during my quarterly commentary we are cognisant of a second half slowdown. Increasingly we have seen commentary from companies suggesting many have pulled forward orders as a measure to protect themselves from the implementation of tariffs and this could result in softness if demand weakens. Concerningly slowing economic growth globally comes at a time when interest rates are already nearing zero in most major economies, potentially making it harder to kick start growth.

Given its sheer size and importance to the region's economy China will continue to dictate overall sentiment. Amidst the US-China trade dispute, Hong Kong protests, and stresses within the domestic banking system, China currently has a lot of balls in the air to manage.

Several market anecdotes concerning the Chinese banking system highlight the risks within the loan books of banks as the economy slows.

Hong Kong-based lender Bank of East Asia (not owned) announced a profit warning with management expecting a material decrease in profits for the first half after provisioning for legacy loans in China due to “worsening market conditions that have materially impacted the commercial property sector”. There has also been an increase in bank bailouts in mainland China with the two largest state-controlled banks, China Construction Bank and Industrial and Commercial Bank, seemingly undertaking national service with the government controlled bailouts of Baoshang Bank and Bank of Jinzhou respectively.

It is difficult to predict how these events will unfold in the short term, which leads us to be increasingly cautious. While we have identified new opportunities to deploy capital and rotate positions, developments such as this have given us pause and led to a more cautious positioning in the portfolio.

The drawdown seen in regional markets over the past year has resulted in a much-needed adjustment to valuations. While this is positive, we remain cautious as in many cases consensus earnings expectations likely remain inflated, particularly in a slowing China environment, artificially boosting valuations.



Kevin Bertoli  
Portfolio Manager of PM Capital Asian Opportunities Fund Limited  
22 August 2019

# LIST OF INVESTMENTS HELD AS AT 30 JUNE 2019

Investment	Market Value \$
<b>Equity Securities</b>	
Icar Asia Limited	4,930,480
Frontier Digital Ventures	3,734,933
Sinopec Kantons Holdings	3,501,351
MGM China Holdings Ltd	3,310,298
Wynn Resorts Limited	2,935,652
Turquoise Hill Resources Ltd	2,338,819
Heineken Maylasia Bhd	2,208,490
Dali Foods Group Co Ltd	2,161,116
Samsung Electronics Co Ltd	2,088,873
Amorepacific Corp	1,890,436
Hite Jinro Co Ltd	1,866,038
Industrial and Commercial Bank of China Ltd	1,788,261
DBS Group Holdings Ltd	1,774,537
Freeport-McMoran Inc	1,737,157
Melco Crown Entertainment Ltd	1,711,137
Hyundai Motor Co Ltd	1,655,654
Travelsky Technology Ltd	1,623,717
Astro Malaysia Holdings Bhd	1,507,759
CARE Ratings Ltd	1,500,534
Kunlun Energy Co Ltd	1,494,309
Crisil Ltd	1,482,220
MMG Limited	1,341,955
Shinhan Financial Group Ltd	1,267,024
KB Financial Group Inc	1,192,260
Donaco International Limited	1,035,137
Champion REIT	(890,574)
<b>Cash &amp; Other Securities</b>	
Total cash assets (per note 3 to the financial statements)	8,710,375
Currency forward contracts	9,589
	<b>59,907,537</b>

## CORPORATE GOVERNANCE

The Company's corporate governance statement can be found on our website at the following location:  
<http://www.pmcapital.com.au/paf/compliance>

## DIRECTORS' REPORT

The directors submit the financial report of PM Capital Asian Opportunities Fund Limited ("the Company") for the year ended 30 June 2019.

### Directors' Experience and Other Directorships

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

**Brett Spork** B.Bus

*Chairman and Independent Non-executive Director*

*Chairman of the Nomination and Corporate Governance Committee*

*Member of the Audit Committee*

Mr Spork has over 26 years' experience in the financial markets industry as a trader, advisor and senior manager, both within Australia and overseas. He currently provides consulting services to a broad range of financial institutions. Such consulting services comprise the provision of commercial, business development and regulatory advice. Previously, Mr Spork was the Chief Executive Officer of InvestorFirst Limited and BTIG Australia Limited.

During the period 2002 to 2006, Mr Spork was the Chief Executive Officer of E\*Trade Australia Limited. Before joining E\*Trade Australia Limited, he worked at Macquarie Bank for 14 years, the latter part as an Executive Director of Macquarie Financial Services. Mr Spork also serves as a director of Clime Capital Limited, a Non-executive Director of PM Capital GO 2025 Limited, a Non-executive Chairman of Primarymarkets.com, and as Non-executive Director of PM Capital Global Opportunities Fund Limited.

Mr Spork holds a Bachelor of Business from the Queensland University of Technology. In 2004, he was recognised by the Australian Stockbrokers Foundation and admitted to its "Hall of Fame".

**Andrew McGill** B.Comm, LLB, Grad Dip AppFin

*Independent Non-executive Director*

*Chairman of the Audit Committee*

*Member of the Nomination and Corporate Governance Committee*

Mr McGill has more than 29 years' financial markets experience, including investment and management experience within the alternative asset sector and the funds management industry generally. He previously served as Managing Director and Chief Executive Officer of Pacific Current Group and in this capacity served on the board of a number of affiliated companies. Prior to joining Pacific Current Group, Mr McGill was a founding partner of Crescent Capital Partners, an independent mid-market private equity firm where he worked from 2000 to 2010. Earlier in his career, Mr McGill held senior roles within Macquarie Bank's Corporate Finance and Direct Investment teams. He was also a consultant with The LEK Partnership, an international firm of business strategy consultants.

Mr McGill also serves as Non-executive Director of Countplus Limited, and as a member of the Council of Kambala Girls School.

Mr McGill holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales and a Graduate Diploma in Applied Finance (FinSIA).

## **DIRECTORS' REPORT (CONTINUED)**

### **Directors' experience and Other Directorships (continued)**

**Chris Knoblanche AM** B.Com, CA, FCPA (appointed 4 July 2019)

*Independent Non-executive Director*

*Member of the Audit Committee*

*Member of the Nomination and Corporate Governance Committee*

Mr Knoblanche has over 34 years experience in the financial markets in corporate strategy, financing, risk control and management. Mr Knoblanche's previous executive experience includes serving as Managing Director and Head of Citigroup Corporate and Investment Banking Australia & NZ, partner in Caliburn (now Greenhill Investment Bank) and CEO of Andersen Australia and Andersen Business Consulting — Asia.

Mr Knoblanche is currently the Non-executive Chairman of iSelect, and a Non-executive Director of Latitude Financial, Environment Protection Authority of NSW and PM Capital Global Opportunities Fund Limited. Boards on which Mr Knoblanche has previously served include: Aussie Home Loans Limited; Greencross Limited; The Australian Ballet; and Australian Business Arts Foundation.

Mr Knoblanche holds a Bachelor of Commerce (Accounting and Financial Management) and is a member of Chartered Accountants Australia and New Zealand (CA) and Fellow of the Australian Society of CPA's (FCPA). In 2014 Mr Knoblanche was awarded an Order of Australia (AM) for significant service to arts administration, the community and the business and finance sector. In 2000 Mr Knoblanche was awarded the Centenary Medal by the Australian Government for services to the arts and business.

**Ben Skilbeck** B.Eng (Hons), B.Comm

*Executive Director*

*Member of the Audit Committee*

*Member of the Nomination and Corporate Governance Committee*

Mr Skilbeck has over 23 years' experience in financial markets. He joined the Investment Manager of the Company in February 2015 as the Chief Executive Officer ("CEO") and is responsible for implementing and contributing to the determination of the operational and strategic objectives of the Investment Manager's business. Mr Skilbeck has an Investment Banking background, having worked in both Australia and the US with Merrill Lynch and Credit Suisse, where he focused on mergers and acquisitions and corporate finance advisory.

Before joining the Investment Manager, Mr Skilbeck was most recently the CEO of Rismark, a provider of quantitative research solutions and synthetic equity exposures over the Australian residential property sector.

Mr Skilbeck is also a Director of PM Capital Limited, Director of PM Capital GO 2025 Limited and Director of PM Capital Global Opportunities Fund Limited. Mr Skilbeck attended the University of Melbourne and holds a Bachelor of Engineering (with Honours) and a Bachelor of Commerce.

## DIRECTORS' REPORT (CONTINUED)

### Directors' experience and Other Directorships (continued)

**Richard Matthews** B.Sc. B.A. B.Ec. Grad Dip AppFin (Corporate Finance) MPA  
*Company Secretary*  
*Alternate Director for Ben Skilbeck*

Mr Matthews is PM Capital Limited's Chief Operating Officer, Head of Risk and Compliance and Company Secretary. He has over 19 years' experience in investment banking and funds management including as a Director and Chief Operating Officer of Aurora Funds Management, and a senior manager of equity capital markets at Challenger Financial Services. His overall experience includes funds management administration, establishing and administering listed/traded and unlisted investment schemes, managing equity capital market issues and/or equity swaps, and other specialised corporate structured products.

Mr Matthews is a Director and Company Secretary of PM Capital GO 2025 Limited, and is Alternate Director for Mr Ben Skilbeck, and Company Secretary, for PM Capital Global Opportunities Fund Limited.

Mr Matthews holds the degrees of Bachelor of Science, Bachelor of Arts, and Bachelor of Economics, as well as a Graduate Diploma in Applied Finance (Corporate Finance) and a Masters of Professional Accounting.

### Attendance at Meetings

#### Board of Directors Meetings

Director	Meetings Held and Entitled to Attend*	Meetings Attended*
Brett Spork	6	6
Andrew McGill	6	6
Ben Skilbeck	6	6

\* In addition, 2 circular resolutions were made.

#### Nomination and Corporate Governance Committee Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
Brett Spork	5	5
Andrew McGill	5	5
Ben Skilbeck	5	5

#### Audit Committee Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
Brett Spork	5	5
Andrew McGill	5	5
Ben Skilbeck	5	5



## DIRECTORS' REPORT (CONTINUED)

### Directors' Interests in Shares and Options

The relevant interests of the Directors and their related entities in the securities of the Company as at 30 June 2019 were as follows:

Director	Number of Shares	Number of Options
Brett Spork	52,630	-
Andrew McGill	100,000	-
Ben Skilbeck	10,000	-
Richard Matthews	3,063	-

The relevant interests of the Directors and their related entities in the securities of the Company as at 30 June 2018 were as follows:

Director	Number of Shares	Number of Options
Brett Spork	52,630	-
Andrew McGill	100,000	-
Ben Skilbeck	10,000	-
Richard Matthews	3,000	-

### Principal Activities of the Company

The Company is a listed investment company established to invest predominantly in a concentrated portfolio of listed securities from Asian equity markets (ex-Japan) or companies whose business is predominantly conducted in this region, with the objective of providing long-term capital growth.

### Review of Operations

The performance of the Company, as represented by the results of its operations, was as follows:

	2019 \$	2018 \$
(Loss)/Profit before income tax	(5,035,603)	6,074,847
Income tax benefit/(expense)	1,373,331	(1,629,220)
(Loss)/Profit for the year attributable to shareholders	(3,662,272)	4,445,627

Please refer to the Statement of Profit or Loss and Other Comprehensive Income for further details.

The invested position of the Company is recognised on the Balance Sheet as follows:

	2019 %	2018 %
Financial assets at fair value through profit or loss	86.67%	90.37%
Cash and cash equivalent assets and interest bearing liabilities	13.33%	9.63%
Financial liabilities at fair value through profit or loss	0.00%	0.00%

## **DIRECTORS' REPORT (CONTINUED)**

### **Dividends**

On 22 August 2019, the Directors declared a fully franked final dividend of 1.5 cents per share (June 2018: 2.0 cents per share) which will be paid on 3 October 2019. The Ex-Dividend date is 11 September 2019 and the Record Date is 12 September 2019.

The amount of the proposed fully franked dividend, which is not recognised as a liability as at 30 June 2019, is \$853,393 (June 2018: \$1,126,278).

The Dividend Reinvestment Plan ("DRP") will operate in conjunction with this dividend. The last date for receipt of an election notice in respect of this dividend is 13 September 2019. No discount will be offered on the Dividend Reinvestment Plan in respect of this dividend.

Details of the Plan can be found on the Company's website: <http://www.pmcapital.com.au/paf/compliance>

A fully franked interim dividend of 2.0 cents per ordinary share, amounting to \$1,130,831, was paid on 4 April 2019.

### **Net Assets**

As at 30 June 2019 the net assets of the Company were \$61,230,135 (2018: \$66,550,828). Please refer to the Statement of Financial Position for further details.

### **State of Affairs**

During the financial year there were no significant changes in the state of affairs of the Company.

### **Events Subsequent to Balance Date**

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

### **Likely Developments**

The Company will be managed in accordance with the Constitution and investment objectives as detailed in the Prospectus dated 7 April 2014.

### **Indemnification of Officers**

The Company has indemnified directors and officers for any actions that may arise as a result of acting in their capacity as directors and officers of the Company in respect of:

- a) Liability to third parties when acting in good faith; and
- b) Costs and expenses of defending legal proceedings and ancillary matters.

The terms of the policy preclude disclosure of the premium.

### **Environmental Regulations**

The Company's operations are not subject to any significant environmental regulations.

## DIRECTORS' REPORT (CONTINUED)

### Remuneration Report

This remuneration report sets out information about the remuneration of the Company's directors for the year ended 30 June 2019, under the requirements of Section 300A(1) of the *Corporations Act 2001*.

#### Key management personnel

The directors and other key management personnel of the Company during the whole of the financial year were:

Brett Spork – Chairman and Independent Non-executive Director  
 Andrew McGill – Independent Non-executive Director  
 Ben Skilbeck – Executive Director  
 Richard Matthews – Alternate Director for Ben Skilbeck

#### Directors' Remuneration

The Company has a Nomination and Corporate Governance Committee which reviews and advises the Board on the composition of the Board and its committees.

Directors' remuneration received or receivable for the year ended 30 June 2019 was as follows:

Director	Directors' fees \$	Superannuation \$	Total \$
Brett Spork	31,963	3,037	35,000
Andrew McGill	27,397	2,603	30,000
Ben Skilbeck	-	-	-
Richard Matthews	-	-	-
	<u>59,360</u>	<u>5,640</u>	<u>65,000</u>

Directors' base fees are limited in the Constitution to a maximum of \$250,000 per annum.

Directors' remuneration received or receivable for the year ended 30 June 2018 was as follows:

Director	Directors' fees \$	Superannuation \$	Total \$
Brett Spork	31,963	3,037	35,000
Andrew McGill	27,397	2,603	30,000
Ben Skilbeck	-	-	-
Richard Matthews	-	-	-
	<u>59,360</u>	<u>5,640</u>	<u>65,000</u>

Ben Skilbeck is the Chief Executive Officer of the Investment Manager and Richard Matthews is the Chief Operating Officer, Head of Risk and Compliance, and Company Secretary of the Investment Manager. They are remunerated by the Investment Manager and are not entitled to a director's fee or any other form of remuneration from the Company.

## **DIRECTORS' REPORT (CONTINUED)**

### **Proceedings on Behalf of the Company**

There are no proceedings that the directors have brought, or intervened in, on behalf of the Company.

### **Non-Audit Services**

Details of amount paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 8(b) to the financial statements. The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

### **Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under *Section 307C* of the *Corporations Act 2001* is set out on page 17.

Signed at Sydney this 22<sup>nd</sup> day of August 2019, in accordance with a resolution of the Board of Directors by:



**Brett Spork**  
**Chairman**

**Auditor's Independence Declaration to the directors of PM Capital Asian Opportunities Fund Limited:**

As lead auditor for the audit of the financial report of PM Capital Asian Opportunities Fund Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

**Sydney, NSW**  
**22 August 2019**



**S Grivas**  
**Partner**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Interest		45,796	65
Dividends		1,296,059	1,980,230
(Losses)/Gains on investments held at fair value through profit or loss		(5,907,383)	5,163,002
Gains on foreign exchange		547,025	58,380
Other income		5	8,313
<b>Total (loss)/revenue</b>		<b>(4,018,498)</b>	<b>7,209,990</b>
<b>Expenses</b>			
Management fees	8 (a)	626,298	713,713
Finance costs		-	16,302
Audit fees	8 (b)	41,256	40,333
Directors' fees	12	65,000	65,000
ASX fees		64,107	54,951
Insurance		47,748	27,321
Legal and tax advice		5,271	17,323
Brokerage fees		77,315	89,623
Other operating expenses		90,110	110,577
<b>Total expenses</b>		<b>1,017,105</b>	<b>1,135,143</b>
<b>(Loss)/Profit for the year before income tax</b>		<b>(5,035,603)</b>	<b>6,074,847</b>
Income tax benefit/(expense)	6 (a)	1,373,331	(1,629,220)
<b>(Loss)/Profit after income tax</b>		<b>(3,662,272)</b>	<b>4,445,627</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive (loss)/income attributable to shareholders</b>		<b>(3,662,272)</b>	<b>4,445,627</b>
<b>Basic (loss)/earnings per share</b>	9	<b>(6.47) cents</b>	<b>7.92 cents</b>
<b>Diluted (loss)/earnings per share</b>	9	<b>(6.47) cents</b>	<b>7.92 cents</b>

*This Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements which follow.*

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	8,710,375	9,474,654
Financial assets at fair value through profit or loss	2 (d)	51,197,162	61,879,435
Receivables	4	684,158	350,762
<b>Total current assets</b>		<b>60,591,695</b>	<b>71,704,851</b>
<b>Non-current assets</b>			
Deferred tax assets	6 (c)	3,158,790	80,496
<b>Total non-current assets</b>		<b>3,158,790</b>	<b>80,496</b>
<b>TOTAL ASSETS</b>		<b>63,750,485</b>	<b>71,785,347</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Interest bearing liabilities	3	838,150	2,877,691
Payables	5	180,881	209,167
Income tax payable		1,457,100	2,051,839
<b>Total current liabilities</b>		<b>2,476,131</b>	<b>5,138,697</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	6 (c)	44,219	95,822
<b>Total non-current liabilities</b>		<b>44,219</b>	<b>95,822</b>
<b>TOTAL LIABILITIES</b>		<b>2,520,350</b>	<b>5,234,519</b>
<b>NET ASSETS</b>		<b>61,230,135</b>	<b>66,550,828</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	55,288,264	54,689,576
Retained profits		5,941,871	11,861,252
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>61,230,135</b>	<b>66,550,828</b>

*This Statement of Financial Position should be read in conjunction with  
the Notes to the Financial Statements which follow.*



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Interest received		39,499	65
Dividends received		1,497,112	1,818,336
Other income received		5	8,313
Interest paid		-	(17,729)
Income tax paid		(2,351,305)	(1,201,486)
Management fees paid		(650,994)	(699,494)
Other operating expenses		(394,164)	(393,871)
<b>Net cash (outflow) from operating activities</b>	10	<u>(1,859,847)</u>	<u>(485,866)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		23,594,360	25,144,483
Purchase of investments		(18,961,641)	(23,418,920)
<b>Net cash inflow from investing activities</b>		<u>4,632,719</u>	<u>1,725,563</u>
<b>Cash flows from financing activities</b>			
Dividend paid (net of Dividend Reinvestment Plan)		(1,658,421)	(2,293,463)
<b>Net cash (outflow) from financing activities</b>		<u>(1,658,421)</u>	<u>(2,293,463)</u>
Impact of exchange rate changes on cash and cash equivalents		<b>160,811</b>	<b>(35,984)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,275,262	(1,089,750)
Cash and cash equivalents at the beginning of the financial year		<u>6,596,963</u>	<u>7,686,713</u>
<b>Cash and cash equivalents at the end of the financial year</b>	3	<u><b>7,872,225</b></u>	<u><b>6,596,963</b></u>

*This Statement of Cash Flows should be read in conjunction with  
the Notes to the Financial Statements which follow.*

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Share Capital \$	Retained Profits \$	Total \$
<b>Balance at 1 July 2017</b>		<b>54,180,273</b>	<b>10,218,391</b>	<b>64,398,664</b>
Total comprehensive income for the year		-	4,445,627	4,445,627
<b>Subtotal</b>		<b>54,180,273</b>	<b>14,664,018</b>	<b>68,844,291</b>
<b>Transactions with owners in their capacity as owners</b>				
Dividends paid		-	(2,802,766)	(2,802,766)
Shares issued under the Company's dividend reinvestment plan	7	509,303	-	509,303
<b>Subtotal</b>		<b>509,303</b>	<b>(2,802,766)</b>	<b>(2,293,463)</b>
<b>Balance at 30 June 2018</b>		<b>54,689,576</b>	<b>11,861,252</b>	<b>66,550,828</b>
<b>Balance at 1 July 2018</b>		<b>54,689,576</b>	<b>11,861,252</b>	<b>66,550,828</b>
Total comprehensive loss for the year		-	(3,662,272)	(3,662,272)
<b>Subtotal</b>		<b>54,689,576</b>	<b>8,198,980</b>	<b>62,888,556</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares issued under the Company's dividend reinvestment plan	7	598,688	-	598,688
Dividends paid		-	(2,257,109)	(2,257,109)
<b>Subtotal</b>		<b>598,688</b>	<b>(2,257,109)</b>	<b>(1,658,421)</b>
<b>Balance at 30 June 2019</b>		<b>55,288,264</b>	<b>5,941,871</b>	<b>61,230,135</b>

*This Statement of Changes in Equity should be read in conjunction with  
the Notes to the Financial Statements which follow.*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. General information and summary of significant accounting policies

PM Capital Asian Opportunities Fund Limited ("the Company") is a listed investment company incorporated in Australia. The Company was registered on 20 March 2014. The registered office and principal place of business of the Company is Level 27, 420 George Street Sydney NSW 2000. The Company's principal activity is to invest predominantly in a concentrated portfolio of listed securities from Asian (ex-Japan) equity markets or companies whose business is predominantly conducted in this region, with the objective of providing long-term capital growth.

These general purpose financial statements are for the year ended 30 June 2019. The financial statements were authorised for issue by the directors on 22 August 2019.

A summary of the material accounting policies adopted by the Company in the preparation of the financial statements is set out below:

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. For the purposes of preparing financial statements, the Company is a for-profit entity.

#### (b) Statement of Compliance

The financial statements and notes thereto comply with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### (c) Reporting Currency

All amounts are presented in Australian dollars as the functional and presentational currency of the Company.

#### (d) Going Concern Basis

The financial report has been prepared on a going concern basis.

#### (e) Investments

Investments held at fair value through profit or loss are initially recognised at fair value including any transaction costs related to their acquisition. Subsequent to initial recognition, all financial instruments held at fair value through profit or loss are accounted for at fair value, with changes to such values recognised in profit or loss. For further details on how the fair value of financial instruments is determined please see Note 2(d).

#### (f) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Company competes for funds and is regulated.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 1. General information and summary of significant accounting policies (continued)

#### (f) Foreign currency translation (continued)

##### (ii) Transactions and balances

Transactions during the year denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, are translated at the exchange rate prevailing at the balance date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss. Net exchange gains and losses arising on the revaluation of investments are included in gains/(losses) on investments.

Hedging may be undertaken in order to minimise possible adverse financial effects of movements in exchange rates. Hedging gains or losses are included as part of gains/(losses) on foreign exchange.

#### (g) Investment income

##### (i) Interest income

Interest income is recognised in profit or loss for all financial instruments that are held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in gains/(losses) on financial instruments. Other changes in fair value of such instruments are recorded in accordance with the policies described in Note 1(e) to the financial statements.

##### (ii) Dividends

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded against dividend income. The Company incurs withholding tax imposed by certain countries on dividend income.

##### (iii) Net changes in fair value of investments

Changes in the fair value of investments are recognised in profit or loss.

#### (h) Income tax

For the year ended 30 June 2019 the company is subject to income tax at 30% on taxable income (2018: 30%). A capital gains tax concession may be available to investors where certain requirements are met.

The Company incurs withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in profit or loss.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on the corporate tax rate. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)**

**1. General information and summary of significant accounting policies (continued)**

**(h) Income tax (continued)**

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(i) Goods and services tax (“GST”)**

The Company is registered for GST and under current regulations can claim up to 75% of the GST incurred depending on the nature of the expense. The un-claimable portion is written off as an expense.

**(j) Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within Interest bearing liabilities in the Statement of Financial Position.

**(k) Receivables**

Receivables may include amounts for dividends, interest and securities sold. Dividends are receivable when they have been declared and are legally payable. Interest is accrued at the balance date from the time of last payment. Amounts receivable for securities sold are recorded when a sale has occurred.

**(l) Payables**

These amounts represent liabilities for amounts owing by the Company at period end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(m) Derivative financial instruments**

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to financial derivatives are included in profit or loss as part of gains/(losses) on investments.

**(n) Share capital**

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)**

**1. General information and summary of significant accounting policies (continued)**

**(o) Earnings per share**

Undiluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares and potential ordinary shares (options) outstanding during the year.

**(p) Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of some assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant, and reasonable under the circumstance. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The methods used in the valuation of investments are set out in Note 1(e) to these financial statements.

**(q) New and amended accounting standards adopted**

AASB 9 Financial Instruments replaced AASB 139 Financial Instruments: Recognition and Measurement, AASB 15 Revenue from Contracts with Customers replaced AASB 118 Revenue and AASB 111 Construction Contracts and AASB 2016-5 Amendments to Australia Accounting Standards – Classification and Measurement of Share-based Payment Transactions. These new standards were effective for the Company from 1 July 2018. The Company has performed an assessment and concluded that no transitional adjustments were required as a result of complying with the new standards.

There are no other new accounting standards and interpretations that have been published and have been early adopted for the 30 June 2019 reporting year that are material to the financial statements.

**(r) New standards and interpretations not yet adopted**

A number of new accounting standards, amendments to standards and interpretations are not yet effective for 30 June 2019 reporting period and have not been early adopted in preparing these financial statements. The directors' assessment of these new accounting standards (to the extent relevant to the Company) and interpretations is that they are not expected to have a material effect on the financial statements of the Company.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)**

**2. Financial risk management**

**(a) Objectives, strategies, policies and processes**

The Company's investment objective is to provide long-term capital growth over a seven-year plus investment horizon through investment in a concentrated portfolio of Asian equities and other investment securities, with a focus on the Asian Region (ex-Japan), which the Investment Manager considers to be mispriced. It is expected that the Company will have varied outcomes to that of a traditional index benchmarked investment vehicle. The Company is managed from an Australian investor's perspective with tax and currency exposures forming important considerations in the daily management of the Company, whilst complying with the Company's Investment Mandate as amended from time to time. Financial risk management is carried out by the Investment Manager under the guidance of its Chief Investment Officer.

The Company's activities are exposed to different types of financial risks. These risks include market risk (including foreign currency risk, and price risk) and credit risk. The Company may employ derivative financial instruments to hedge these risk exposures in order to minimise the effects of these risks. The use of derivatives is an essential part of proper portfolio management and is not managed in isolation. Consequently, the use of derivatives is multifaceted and may include:

- hedging to protect an asset of the Company against a fluctuation in market values or foreign exchange rates or to reduce volatility;
- as a substitute for physical securities;
- adjusting asset exposures within the parameters set in the investment strategy;
- adjusting the duration or the weighted average maturity of fixed interest portfolios.

The use of short selling and derivatives may indirectly leverage the portfolio on a gross basis.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)**

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

**(b) Market risk**

Market risk is the risk that the fair value of financial instruments will fluctuate. These fluctuations can be caused by market volatility, interest rate volatility, economic cycles, political events and levels of economic growth, both global and domestic. The Company is materially exposed to two different types of market risks, namely foreign currency risk and price risk. Market risk exposures are assessed and minimised through employing established investment strategies.

The Company has a focused portfolio and, due to the concentrated nature of the Company's investments, considerable short term volatility may be experienced. The Company may also short specific securities that, in the opinion of the Investment Manager, are overvalued. All of the portfolio positions are subject to research and peer group review and if appropriate opportunities cannot be found the Company will hold cash until new opportunities arise.

*(i) Foreign currency risk*

Foreign currency risk is the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Company holds assets denominated in currencies other than the Australian dollar (being the functional currency) and is therefore exposed to foreign currency risk when the value of assets denominated in other currencies fluctuates due to movements in exchange rates.

The Company may enter into foreign exchange forward contracts both to hedge the foreign exchange risk implicit in the value of portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities.

The terms and conditions of these contracts rarely exceed one year and the level of hedging will depend on the Investment Manager's expectation of future currency exchange rate movements.

As the nature of these contracts is to hedge the international investment activities of the Company, they are accounted for by marking to market at balance date in a manner consistent with the valuation of the underlying securities. The currency position of the Company is monitored on an ongoing basis by the Investment Manager.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)**

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

**(b) Market risk (continued)**

*(i) Foreign currency risk (continued)*

The Company's portfolio in different currencies at balance date is summarised below.

	Australian Dollars A\$	US Dollars A\$	Hong Kong Dollars A\$	Malaysian Ringgit A\$	Other Currencies A\$	Total A\$
<b>2019</b>						
<b>Assets</b>						
Cash and cash equivalents	-	7,027,801	383,268	-	1,299,306	8,710,375
Financial assets at fair value through profit or loss:						
Listed securities	9,700,551	8,722,766	14,330,431	3,716,249	14,717,576	51,187,573
Currency forward contracts	8,790,000	5,959,151	-	(3,803,600)	(10,935,962)	9,589
Receivables	538,671	-	111,263	-	34,224	684,158
Deferred tax assets	3,158,790	-	-	-	-	3,158,790
<b>Total assets</b>	<b>22,188,012</b>	<b>21,709,718</b>	<b>14,824,962</b>	<b>(87,351)</b>	<b>5,115,144</b>	<b>63,750,485</b>
<b>Liabilities</b>						
Interest bearing liabilities	838,150	-	-	-	-	838,150
Payables	180,881	-	-	-	-	180,881
Income tax payable	1,457,100	-	-	-	-	1,457,100
Deferred tax liabilities	44,219	-	-	-	-	44,219
<b>Total liabilities</b>	<b>2,520,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,520,350</b>
<b>Net assets</b>	<b>19,667,662</b>	<b>21,709,718</b>	<b>14,824,962</b>	<b>(87,351)</b>	<b>5,115,144</b>	<b>61,230,135</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)**

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

**(b) Market risk (continued)**

*(i) Foreign currency risk (continued)*

	Australian Dollars A\$	US Dollars A\$	Hong Kong Dollars A\$	Malaysian Ringgit A\$	Other Currencies A\$	Total A\$
<b>2018</b>						
<b>Assets</b>						
Cash and cash equivalents	4,237,715	2,267,068	718,298	213,359	2,038,214	9,474,654
Financial assets at fair value through profit or loss:						
Listed securities	5,128,615	13,072,679	18,022,924	8,543,283	16,594,731	61,362,232
Currency forward contracts	-	21,221,366	-	(8,848,918)	(12,260,641)	111,807
Options	405,396	-	-	-	-	405,396
Receivables	3,529	229,647	22,037	61,872	33,677	350,762
Deferred tax assets	80,496	-	-	-	-	80,496
<b>Total assets</b>	<b>9,855,751</b>	<b>36,790,760</b>	<b>18,763,259</b>	<b>(30,404)</b>	<b>6,405,981</b>	<b>71,785,347</b>
<b>Liabilities</b>						
Interest bearing liabilities	-	-	-	-	2,877,691	2,877,691
Payables	209,167	-	-	-	-	209,167
Income tax payable	2,051,839	-	-	-	-	2,051,839
Deferred tax liabilities	95,822	-	-	-	-	95,822
<b>Total liabilities</b>	<b>2,356,828</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,877,691</b>	<b>5,234,519</b>
<b>Net assets</b>	<b>7,498,923</b>	<b>36,790,760</b>	<b>18,763,259</b>	<b>(30,404)</b>	<b>3,528,290</b>	<b>66,550,828</b>

*Foreign currency sensitivity*

A sensitivity of 5 % (2018: 5%) has been selected to account for the current level of exchange rate volatility observed in the market. As at reporting date, the Australian dollar to United States dollar (AUD/USD) exchange rate was 0.7018 (2018: 0.7389) and the Australian dollar to Hong Kong dollar (AUD/HKD) exchange rate was 5.4824 (2018: 5.7966). As the Hong Kong dollar is pegged to the US dollar, any movement in the US dollar is likely to result in a movement of a similar proportion in the Hong Kong dollar.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 2. Financial risk management (continued)

#### (b) Market risk (continued)

##### (i) Foreign currency risk (continued)

##### *Foreign currency sensitivity (continued)*

As at reporting date, had the Australian dollar depreciated/(appreciated) by 5% against the US dollar with all other variables held constant, assuming that the Hong Kong dollar follows the US dollar, the change in net assets would be:

	Depreciation of AUD (5%)		Appreciation of AUD (5%)	
	Increase in Net Assets \$	Increase in Net Assets %	(Decrease) in Net Assets \$	(Decrease) in Net Assets %
30 June 2019	1,922,878	3.1%	(1,739,747)	(2.8%)
30 June 2018	2,923,896	4.4%	(2,645,429)	(4.0%)

##### (ii) Price risk

Price risk is the risk that the fair value of financial instruments will fluctuate, whether those changes are specifically related to an individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is primarily exposed to price risk for its investments in listed securities. The price risk of securities is dependent on the financial circumstances of the companies in which the securities are purchased, including their profits, earnings and cash flows. The return on a security's investment may also be affected by the quality of company management, the general health of the sector in which it operates and government policy.

In cases where financial instruments are denominated in currencies other than the Australian dollar, future prices will also fluctuate because of changes in foreign exchange rates. Refer to Note 2(b)(i) for the management of foreign currency risk. Some securities present a risk of loss of capital and, except where equities are sold short, the maximum exposure resulting from financial instruments is determined by the fair value of those instruments. Potential losses from equities sold short can be unlimited.

The Investment Manager's security selection process is fundamental to the management of price risk. Whilst the Morgan Stanley Capital International ('MSCI') AC Asia ex Japan Net Index is used in measuring relative performance of the Company, risk in the view of the Investment Manager is not limited to relative performance versus a benchmark, but more so the prospect of losing money (i.e. absolute returns). The Company seeks a diversified range of investments whose business and growth prospects are being undervalued by the market. As a result, the Company's equity holdings vary considerably from the composition of the index.

The Company's overall market positions are monitored on an ongoing basis by the Investment Manager.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)**

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

**(b) Market risk (continued)**

*(ii) Price risk (continued)*

The Company's net equity exposure as at 30 June 2019 and 30 June 2018 is set out below:

Industry Groups	2019	2018
Consumer services	18%	13%
Media	13%	10%
Banks	12%	17%
Materials	11%	10%
Energy	10%	10%
Software & Services	10%	6%
Food, Beverage & Tobacco	9%	14%
Diversified Financials	6%	3%
Household & Personal Products	4%	5%
Food & Staples Retailing	4%	3%
Technology Hardware & Equipment	4%	3%
Automobiles & Components	3%	3%
Capital Goods	0%	4%
Real Estate	(4%)	(1%)
<b>Total</b>	<b>100%</b>	<b>100%</b>

*Price sensitivity*

The directors of the Company believe that it is difficult to accurately estimate future returns. Equity market returns can be volatile and returns from year to year often have a wide variance. As such, the Company uses a long-term performance average, rather than a short term performance number, when estimating sensitivity to price risk. The longer return average takes into consideration the full market cycle, whereas an estimate based solely on last year's performance is likely to be misleading when the market cycle shifts.

As at reporting date, if the listed security prices in the portfolio had increased/(decreased) by 5% (2018: 5%) with all other variables being constant, this would have increased/(decreased) the net assets attributable to shareholders by approximately +/- \$2,559,379 (2018: +/- \$3,068,112).

**(c) Credit risk**

Credit risk is the risk that a counterparty will fail to perform contractual obligations (i.e. default in either whole or part) under a contract causing the Company to make a financial loss.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of assets and liabilities as they are marked to market at balance date.

The total credit risk for assets including fixed income and equity securities is therefore limited to the amount carried in the Statement of Financial Position.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 2. Financial risk management (continued)

#### (c) Credit risk (continued)

The Investment Manager minimises the Company's concentrations of credit risk by adopting a number of procedures, including the following:

- Undertaking transactions with a large number of counterparties on recognised and reputable exchanges;
- Ensuring that these counterparties together with the respective credit limits are approved.

The contractual credit risk of assets is represented by the net payments or receipts that remain outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The Company does not hold any collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired as at balance date.

The Company has appointed Morgan Stanley & Co. International Plc ("Morgan Stanley") as both Prime Broker and Custodian to the Company. Morgan Stanley is subject to regulatory oversight and capital requirements imposed by the Financial Services Authority (UK) and, where applicable to its Australian operations, the Australian Securities and Investments Commission. As at the date of this report, Morgan Stanley has a credit rating of A+ (S&P) for long term debt and a rating of A-1 for short term debt.

The terms of the Prime Broker Agreement provide that Morgan Stanley may utilise custodial assets for its own lending and financing purposes (including to borrow, lend, charge, re-hypothecate, and dispose of) up to, but not exceeding, 180% of the value of the Company's outstanding liabilities with Morgan Stanley. These assets are owned by Morgan Stanley in its Prime Broker capacity. Under the terms of the Prime Broker Agreement, Morgan Stanley is obliged to return to the Company the equivalent custodial assets irrespective of what transpires between it and any third party with whom Morgan Stanley has transacted.

Cash holdings with Morgan Stanley are not subject to this arrangement and are always considered to be held by Morgan Stanley in its Prime Broker capacity.

All other custodial assets not subject to the Prime Broking arrangement are held by Morgan Stanley in its capacity as a Custodian in a separate asset pool, as is required by the Financial Services Authority (UK).

As at balance date, the maximum value of the Company's gross assets available to Morgan Stanley for its lending and financing activities is \$1,508,670 (2018: \$5,179,844). Under the Prime Broker arrangements in place, the amount does not require disclosure by Morgan Stanley. The maximum net exposure to the Prime Broking activities of Morgan Stanley, after offsetting the Company's outstanding liabilities with Morgan Stanley, approximates \$670,520 (2018: \$2,302,153) as at balance date.

The credit position of the Company is monitored on an ongoing basis by the Investment Manager.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 2. Financial risk management (continued)

#### (d) Fair Value Measurements

The Company measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis. The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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 (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

##### (i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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.

##### (ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets and liabilities that are not traded in an active market are valued with reference to external third-party pricing information. These assets and liabilities include: Currency forward contracts and Options.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 2. Financial risk management (continued)

#### (d) Fair Value Measurements (continued)

##### (iii) Recognised fair value measurements

The table below presents the Company's financial assets and liabilities measured and recognised at fair value as at 30 June 2019 and 30 June 2018:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>2019</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed securities	51,187,573	-	-	51,187,573
Currency forward contracts	-	9,589	-	9,589
	<u>51,187,573</u>	<u>9,589</u>	<u>-</u>	<u>51,197,162</u>
<b>2018</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed securities	61,362,232	-	-	61,362,232
Currency forward contracts	-	111,807	-	111,807
Options	-	405,396	-	405,396
	<u>61,362,232</u>	<u>517,203</u>	<u>-</u>	<u>61,879,435</u>

##### (iv) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

##### (v) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

### 3. Cash and cash equivalents and interest bearing liabilities

	2019 \$	2018 \$
<i>Cash and cash equivalents</i>		
Cash at bank (Custodian) - AUD	-	4,237,715
Cash at bank (Custodian) - USD	7,027,801	2,267,068
Cash at bank (Custodian) - other currencies	<u>1,682,574</u>	<u>2,969,871</u>
	<u>8,710,375</u>	<u>9,474,654</u>
<i>Interest bearing liabilities</i>		
Overdraft at Custodian	<u>(838,150)</u>	<u>(2,877,691)</u>
	<u>7,872,225</u>	<u>6,596,963</u>

Overdraft at Custodian is a cash facility offered by the Custodian. The Custodian in its role as Prime Broker has been granted a floating charge over the assets of the Company to secure any liabilities to the Prime Broker.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)**

	2019 \$	2018 \$
<b>4. Receivables</b>		
Dividends receivable	147,436	347,233
GST receivable	1,961	2,194
Interest receivable	7,632	1,335
Trade receivables	527,129	-
	<u>684,158</u>	<u>350,762</u>
<b>5. Payables</b>		
Management fees payable	154,746	179,442
Audit fees payable	26,135	29,725
	<u>180,881</u>	<u>209,167</u>

**6. Income tax**

**(a) Income tax expense**

The aggregate amount of income tax attributable to the financial year differs from the amount of income tax that would be payable by the Company if its taxable income for the year were equal to the amount of the profit/(loss) before income tax. The difference between these amounts is explained as follows:

	2019 \$	2018 \$
(Loss)/profit for the year before income tax	(5,035,603)	6,074,847
Prima facie income tax (benefit)/expense calculated at 30% (2018: 27.5%)	(1,510,681)	1,670,583
Change in company tax rate	221,380	-
Tax credits - current year	(84,176)	(41,199)
Over/(under) provision of prior year tax	146	(164)
Income tax (benefit)/expense	<u>(1,373,331)</u>	<u>1,629,220</u>

**(b) Franking credits**

	2019	2018
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2018 - 27.5%)	\$5,118,864	\$4,273,984
Number of shares on issue at the end of the financial year	56,892,865	56,313,902
Franking Credits available per Share on issue	\$0.0900	\$0.0759

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits or debits that will arise from the settlement of liabilities or receivables for income tax at the end of the period. The "NTA before tax accruals + franking credits" as announced to the ASX does not include franking credits that will arise from the payment of income tax payable per the Statement of Financial Position as at the end of each reporting period.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)**

**6. Income tax (continued)**

**(c) Deferred tax**

Deferred tax assets are represented by the following temporary differences:

	2019 \$	2018 \$
Insurances	5,179	6,626
Audit fees	7,842	8,174
Unrealised losses on investments	3,145,769	65,696
	<u>3,158,790</u>	<u>80,496</u>

Deferred tax liabilities are represented by the following temporary differences:

	2019 \$	2018 \$
Dividend receivable	44,219	95,822
	<u>44,219</u>	<u>95,822</u>

**7. Share capital**

There is a single class of ordinary shares on issue. For all shares issued in accordance with the Prospectus dated 7 April 2014, an option was also issued (exercisable on or before 31 May 2016, after this date the options expired). The amount paid by each shareholder was allocated between the share and the option based on relative market prices on the first day of trading. Costs of fundraising were allocated between shares and options on the same basis.

Each Share confers on its holder equal voting rights and the rights to share equally in dividends and any surplus on winding up.

Subject to the *Corporations Act 2001* and the ASX Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution. Movements in share capital during the year are set out below:

	2019 Number of Shares	2018 Number of Shares
Shares on issue at beginning of the year	56,313,902	55,861,921
Shares issued under the Company's dividend reinvestment plan	578,962	451,981
Shares on issue at the end of the year	<u>56,892,864</u>	<u>56,313,902</u>

**Capital Management**

The Company's objectives for managing capital are to invest the capital in investments meeting the description, risk exposure and expected return pursuant to the Investment Management Agreement between the Company and the Investment Manager.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 8. Expenses

#### (a) Fees paid to the Investment Manager

The Company has outsourced its investment management function to PM Capital Limited. A summary of the fees (GST exclusive) charged by the Investment Manager is set out below.

##### (i) Management fee

The Investment Manager is entitled to be paid a management fee equal to 1.00% p.a. (plus GST) of the Portfolio Net Asset Value. The management fee is calculated and accrued on the last day of each week and paid at the end of each quarter in arrears.

##### (ii) Performance Fee

At the end of each financial year, the Investment Manager is entitled to receive a performance fee from the Company. The fee is calculated and accrued monthly using the following formula:

$$P = 15\% \times (A - B) \times \text{Portfolio Net Asset Value at the end of the last day of the relevant month where:}$$

P is the Performance Fee for the relevant month;  
A is the Investment Return of the Portfolio for the relevant month; and  
B is the Benchmark Return for the relevant month. "Benchmark Return" means, in respect of the relevant month, the percentage by which the Morgan Stanley Capital International ("MSCI") Asia (ex-Japan) Equity Index (Net Dividends Reinvested, AUD) increases or decreases over the course of the relevant month.

The performance fee for each month in a financial year will be aggregated (including any negative amounts carried forward) and paid annually in arrears if the aggregate performance fee for that financial year (including any negative amounts carried forward) is a positive amount.

No performance fee was payable during the year (2018: \$Nil).

#### (b) Auditor's Remuneration

	2019 \$	2018 \$
Audit and review of the financial statements	40,250	39,500
Tax compliance services	4,500	13,633
Other assurance services	-	-
	44,750	53,133

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)**

	2019	2018
<b>9. (Losses)/earnings per share</b>		
Basic (losses)/earnings per share	(6.47) cents	7.92 cents
Diluted (losses)/earnings per share	(6.47) cents	7.92 cents
<b>Reconciliation of (losses)/earnings and weighted average number of shares used in calculating basic and diluted (losses)/earnings per share:</b>		
(Losses)/earnings used in calculating basic earnings per share	(\$3,662,272)	\$4,445,627
(Losses)/earnings used in calculating diluted earnings per share	(\$3,662,272)	\$4,445,627
Weighted average number of ordinary shares used in the calculation of basic (losses)/earnings per share	56,566,995	56,162,519
Weighted average number of shares used in the calculation of diluted (losses)/earnings per share	56,566,995	56,162,519

**10. Cash flow statement**

	2019 \$	2018 \$
<b>Reconciliation of Net (Loss)/Profit after income tax to Cash Flow from Operating Activities</b>		
(Loss)/profit after income tax	(3,662,272)	4,445,627
Losses/(Gains) on investments held at fair value through profit or loss	5,907,383	(5,163,002)
(Gains) on foreign exchange	(547,025)	(58,380)
<i>Changes in assets and liabilities:</i>		
Decrease/(increase) in receivables	194,989	(158,420)
(Decrease)/increase in income tax payable	(594,739)	1,162,948
(Increase) in deferred tax assets	(3,078,294)	(5,037)
(Decrease) in deferred tax liabilities	(51,603)	(730,177)
(Decrease)/increase in payables	(28,286)	20,575
Net cash (outflow) from operating activities	<u>(1,859,847)</u>	<u>(485,866)</u>

**11. Segment information**

The Company has only one reportable segment and one industry. It operates predominantly in Australia and in the securities industry (though most investments are in foreign jurisdictions). It earns revenue from dividend income, interest income and other returns from the investment portfolio. The Company invests in different types of securities, as detailed at Note 2 Financial risk management.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 12. Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions, and are as follows:

- Compensation arrangements with the Directors and Executive Directors (refer to Directors' Remuneration below);
- Interests in the Company held directly or indirectly by the Directors and Executive Directors (refer to remuneration report included in the directors' report); and
- Management Agreement between the Company and the Investment Manager (refer to Note 8 for details of fees paid to the Investment Manager).

#### Directors' Remuneration

Directors' remuneration received or receivable for the year ended 30 June 2019 was as follows:

Director	Directors' fees \$	Superannuation \$	Total \$
Brett Spork	31,963	3,037	35,000
Andrew McGill	27,397	2,603	30,000
Ben Skilbeck	-	-	-
Richard Matthews	-	-	-
	<u>59,360</u>	<u>5,640</u>	<u>65,000</u>

Directors' remuneration received or receivable for the year ended 30 June 2018 was as follows:

Director	Directors' fees \$	Superannuation \$	Total \$
Brett Spork	31,963	3,037	35,000
Andrew McGill	27,397	2,603	30,000
Ben Skilbeck	-	-	-
Richard Matthews	-	-	-
	<u>59,360</u>	<u>5,640</u>	<u>65,000</u>

Ben Skilbeck is the Chief Executive Officer of the Investment Manager and Richard Matthews is the Chief Operating Officer, Head of Risk and Compliance and Company Secretary of the Investment Manager. They are remunerated by the Investment Manager and are not entitled to a director's fee or any other form of remuneration from the Company.

## DIRECTORS' DECLARATION

1. In the directors' opinion:
  - (a) the financial statements and notes set out on pages 18 to 39 are in accordance with the *Corporations Act 2001*, and
    - (i) comply with Australian Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
    - (ii) give a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.
3. The directors have been given by the Executive Director and Chief Financial Officer of the Investment Manager the declarations for the year ended 30 June 2019 required by Section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



**Brett Spork**  
**Chairman**

**Sydney, NSW**  
**22 August 2019**

## Independent Auditor's Report to the Members of PM Capital Asian Opportunities Fund Limited

### REPORT ON THE AUDIT OF THE FINANCIAL REPORT

#### Opinion

We have audited the financial report of PM Capital Asian Opportunities Fund Limited ("the Company") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<b><i>Existence and Valuation of Cash and Investments</i></b>	
At 30 June 2019 the Company held "Cash and Cash Equivalents" of \$8,710,375 and "Financial assets at fair value through profit or loss" of \$51,197,162, which have been included in the Company's Statement of Financial Position at that date.	We confirmed the Existence of the Cash and Investments with the Custodian, and the Valuation of the Investments with the Custodian and third party valuation information.
We considered these areas to be key audit matters due to the size of the amounts involved.	



<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<b><i>Existence and Valuation of Cash and Investments (continued)</i></b>	
As disclosed in Note 1 to the financial report, investments are initially held at fair value through profit or loss including any transaction costs. Subsequent to initial recognition they are accounted for at fair value, with changes in those values recognised in profit or loss.	
<b><i>Completeness of Interest Bearing Liabilities</i></b>	
At 30 June 2019 the Statement of Financial Position shows "Interest bearing liabilities" of \$838,150.	We confirmed with the Custodian that all interest bearing liabilities had been recognised.
We considered this area to be a key audit matter due to the potential size of the liabilities.	
<b><i>Completeness and Occurrence of Performance and Management Fees</i></b>	
The Company has an agreement with its Investment Manager, PM Capital Limited, to pay management fees and, depending on performance, performance fees to PM Capital Limited.	We obtained copies of the Investment Manager's calculation of the performance and management fees. We reviewed the calculation of the fees, ensuring that the rates used were those in the agreement.
For the year ended 30 June 2019 the Company incurred "performance fees" of \$Nil and "management fees" of \$626,298 which have been included in the Company's Statement of Profit or Loss and Other Comprehensive Income.	We confirmed with the Investment Manager that the expense recognised by the Company reconciled to the income received by the Investment Manager.
We focused on this area as a key audit matter as the agreement is with the Investment Manager of the Company.	

### **Information Other than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed, 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 Directors for the Financial Report**

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

going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Company'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 report 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

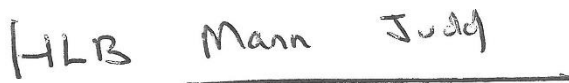
**REPORT ON THE REMUNERATION REPORT****Opinion on the Remuneration Report**

We have audited the Remuneration Report included in page 15 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of the Company for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

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



**HLB Mann Judd**  
**Chartered Accountants**

**Sydney, NSW**  
**22 August 2019**



**S Grivas**  
**Partner**

## SHAREHOLDER INFORMATION

### Additional Information

The additional information required by the Australian Securities Exchange Limited Listing Rules is set out below.

### 20 Largest Shareholders

Details of the 20 largest ordinary shareholders and their respective holdings as at 30 July 2019.

Holder name	Ordinary Shares held	% of Issued Shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,983,181	21.06%
ROARING LION PTY LIMITED	3,415,771	6.00%
SPAR NOMINEES PTY LTD	752,861	1.32%
BNP PARIBAS NOMINEES PTY LTD	598,408	1.05%
NETWEALTH INVESTMENTS LIMITED	427,462	0.75%
JAWP INVESTMENTS PTY LTD	300,000	0.53%
MR BRYAN JOHN HISCOCK & MRS JEAN HELEN HISCOCK	250,000	0.44%
PRESBYTERIAN CHURCH OF QUEENSLAND	250,000	0.44%
SINGAPORE INVESTMENTS PTY LTD	250,000	0.44%
LACTIC INVESTMENT MANAGERS PTY LTD	250,000	0.44%
DENATA PTY LTD	250,000	0.44%
MR AARON LAURIE RODWELL & MRS MARIKA TONI RODWELL	234,166	0.41%
SURFSIDE PTY LIMITED	229,998	0.40%
ESKDALE INVESTMENT CO PTY LTD	222,246	0.39%
BOARDWALK PTY LTD	200,000	0.35%
ROBEV PTY LTD	200,000	0.35%
MORBEN NOMINEES PTY LTD	200,000	0.35%
ANGUELINE CAPITAL PTY LIMITED	200,000	0.35%
HAILEYBURY FOUNDATION	200,000	0.35%
POSSE INVESTMENT HOLDINGS PTY LIMITED	175,600	0.31%
	<b>20,589,693</b>	<b>36.17%</b>

### Substantial Shareholders

Details of substantial shareholders and their respective holdings as at 30 July 2019.

Holder name	Ordinary Shares held	% of Issued Shares
Roaring Lion Pty Ltd as trustee for the Roaring Lion Super Fund, and PM Capital Global Opportunities Fund Limited	13,205,612	23.21%
	<b>13,205,612</b>	<b>23.21%</b>

## SHAREHOLDER INFORMATION (CONTINUED)

### Distribution of Shares

Analysis of numbers of equity security holders, by size of holding, as at 30 July 2019.

Holding	Number of shareholders	Ordinary shares held	% of Issued Shares
1-1,000	79	39,829	0.07%
1,001-5,000	300	958,448	1.68%
5,001-10,000	327	2,674,891	4.70%
10,001-100,000	898	27,507,158	48.35%
100,001 and over	60	25,712,539	45.19%
	<b>1,664</b>	<b>56,892,865</b>	<b>100.00%</b>

The number of holders possessing less than a marketable parcel of the Company's ordinary shares, based on the closing market price as at 30 July 2019 is 41.

### Other Stock Exchanges Listing

Quotation has been granted for all Ordinary Shares of the Company on all Member Exchanges of the ASX.

### Restricted Securities

There is no issue of restricted securities by the Company currently.

### Unquoted Securities

There are no unquoted securities on issue by the Company.

### Buy-Back

There is no on market buy-back currently.

### Investment Transactions

The total number of transactions in securities during the reporting period was 81.

The total brokerage paid (net of RITC) on these transactions was \$77,315.

## **SHAREHOLDER INFORMATION (CONTINUED)**

### **Investment Management Agreement (between the Company and the Investment Manager)**

The Company has appointed PM Capital Limited (“Investment Manager”) to manage the investment portfolio of the Company, and to calculate the value of the portfolio and net tangible assets at least monthly. The Investment Manager must, from time to time and on behalf of the Company, invest portfolio money, including money received on disposal of investments or distributions from investments, to make or hold investments, and realise or dispose of investments.

Additional duties of the Investment Manager include assisting the Company’s auditors as required, keeping proper books of account and records, providing or procuring the provision of administrative support services reasonably required by the Company, and keeping the Company informed in respect of the management of the portfolio.

In consideration for the performance of its duties as Investment Manager of the Company, the Investment Manager is paid a management fee of 1% per annum of the portfolio net asset value, calculated on the last day of each month, and a performance fee of 15% of the investment return above the benchmark return multiplied by the portfolio net asset value. The performance fee for each month for the year will be aggregated and will be payable if it is a positive amount at 30 June of each year.

The Agreement was automatically extended on the expiry of the Initial Term (5 years from the IPO allotment date) for 5 years (the “Extended Term”). The Investment Manager may terminate the Agreement at any time by giving the Company at least 3 months’ written notice. The Company may terminate the Agreement on delivery of 3 months’ prior written notice and payment of termination fees where applicable, or with immediate effect in certain cases, including in the case of the Investment Manager’s insolvency, the Investment Manager’s material default or breach under the Agreement or the Investment Manager consistently investing outside of the investment strategy.

# Corporate information

**Directors:** Brett Spork - Chairman and Non-executive Director  
Andrew McGill - Non-executive Director  
Chris Knoblanche - Independent Non-executive Director  
(appointed 4 July 2019)  
Ben Skilbeck - Executive Director  
Richard Matthews - Alternate Director for Ben Skilbeck

**Company Secretary:** Richard Matthews

**Investment Manager:** PM Capital Limited  
Level 27, 420 George Street  
Sydney NSW 2000  
(AFSL 230222)

**Auditor:** HLB Mann Judd (NSW Partnership)  
Chartered Accountants  
Level 19, 207 Kent Street  
Sydney NSW 2000

**Country of Incorporation:** Australia

**Registered Office:** Level 27, 420 George Street  
Sydney NSW 2000  
Telephone: (+612) 9290 9600

**Share Registry:** Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000  
Telephone: (+612) 9290 9600

**ASX Code:** Shares: PAF.AX

**Website:** <http://www.pmcapital.com.au/listed-investment-company/paf>

**Charters and Policies:** <http://www.pmcapital.com.au/paf/compliance>