

**Appendix 4E**  
**Final Report**  
**For the year ended 30 June 2021**  
**Date: 12 August 2021**

**Results for announcement to the market**

Financial Results	30 June 2021 \$	30 June 2020 \$	Change %
Net revenue/(loss) from ordinary activities	16,223,007	(5,051,027)	n/a
Gain/(loss) from ordinary activities after tax attributable to members	10,666,035	(4,215,015)	n/a
Gain/(loss) for the year attributable to members	10,666,035	(4,215,015)	n/a

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

Net Tangible Asset ("NTA") Backing Per Share	30 June 2021 \$	30 June 2020 \$	Change %
NTA before tax accruals	1.1272	0.8801	28.1%
NTA after tax excluding Deferred Tax Assets ("DTA")	1.1081	0.8777	26.3%
NTA after tax excluding DTA (2021 adding the March 2021 dividend of 1.5 cents per share)	1.1231	0.8777	28.0%

**Dividends**

On 12 August 2021, the Directors declared a fully franked final dividend of 2.5 cents per share (June 2020: \$nil) which will be paid on 14 October 2021. The Ex-Dividend date is 15 September 2021, and the Record Date is 16 September 2021.

The amount of the proposed fully franked final dividend, which is not recognised as a liability as at 30 June 2021, is \$1,430,759 (June 2020: \$nil).

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 17 September 2021. 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 2021

PM Capital Asian Opportunities Fund Limited

ACN 168 666 171

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## CHAIRMAN'S REPORT

- **30% Portfolio return; Profit before tax of \$15.2 million**
- **Final dividend 2.5 cents fully franked**
- **Gross dividend yield (including franking) = 6%<sup>1</sup>**

Dear Shareholders,

Financial year 2021 proved rewarding for the Company. Its portfolio comfortably out-performing the broader MSCI Asia Ex-Japan benchmark expressed in Australian dollars. You'll recall in my prior year report that I made mention of the Company's portfolio being in stocks and investment themes expected to play out over the long term despite their short term adverse movements. Pleasingly, these stocks have gone on to generate strong NTA growth for the Company as their investment thesis started to materialise over financial year 2021.

Returns were associated with the Investment Manager's positioning in high conviction out-of-favour value-oriented industrials and high quality franchise businesses. Following the initial COVID induced market crash of March 2020, it was the large cap growth stocks which largely drove the Asian market's initial V-shaped recovery. However, in doing this, these large cap growth stocks created record value disparity between themselves and the cyclical, value and smaller cap sectors of the Asian market. While it took a little time for the market to recognise the opportunity, by the December 2020 quarter the ratio was well under way. The December quarter alone delivered a 14% rise in NTA per share.

The year finished with underlying investment performance over the year ended 30 June 2021 being +30.3%<sup>2</sup> in an environment where the broader MSCI AC Asia ex Japan Net Total Return Index in AUD ("MSCI Asia") experienced a return of +28.0% and the local S&P/ASX 200 Accumulation Index increased +27.8%.

For details on the portfolio, drivers of performance and outlook, I refer you to the Investment Manager's Report within this annual report.

Briefly commenting on operational matters, I am again pleased this year to be able to report that throughout the various COVID induced lockdowns across the nation, all operations of the Company have continued uninterrupted.

### *Financial Results and Capital Management*

For the year ended 30 June 2021, the Company reported a profit before tax of \$15.2 million and total comprehensive profit after tax of \$10.7 million. The Company received dividends and realised gains on the sale of a number of its investments which were the primary drivers of taxable income for the year, being \$3.0 million.

During the year, a profit reserve was established which has now grown to \$2.1m as at 30 June 2021. The profit reserve will allow the Company to pay franked dividends in periods where there are insufficient retained earnings to allow the Company to fully frank dividends. The Board intends to transfer the maximum allowable amounts from retained earnings to profit reserve and continue to pay fully franked dividends from retained earnings, until exhausted. At this point the Board will pay fully franked dividends from the profit reserve.

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<sup>1</sup> Based on 2.5 cents FY'21 final fully franked dividend, FY'21 1.5 cent interim fully franked dividend, and closing share price of \$0.95 on 30 June 2021.

<sup>2</sup> Before tax, after all fees and expenses, adjusted for capital flows associated with the payment of dividends, and share issuance as a result of the dividend reinvestment plan.

If capital flows are ignored and one simply adds to the 30 June 2021 NTA the dividends paid, the increase over the 30 June 2020 NTA before tax accruals is 29.7%.

The board were pleased to be able to reinstate the payment of fully franked dividends with the interim 2021 fully franked dividend of 1.5 cents (amounting to \$853,639 paid on 25 March 2021). Continuing on this trajectory, we are announcing a final 2021 dividend of 2.5 cents per share fully franked. The Record date for is final 2021 dividend is 16 September 2021, and it will be paid on 14 October 2021.

As a Board we are constantly considering ways to maximise long term shareholder value. Initiatives such as the equal access buy-back offered between 23 September 2020 and 23 October 2020 resulted in 702,138 shares being bought back and provided shareholders with additional choice in realising some of the value of the Company at a price close to NTA at a time when meaningful discounts to NTA prevailed in the listed investment company sector. Additional initiatives during the year included PM Capital Limited actively promoting the Company through interaction with stockbrokers, financial planners and researchers.

*In conclusion,*

The Company's Investment Manager, PM Capital Limited, has a long history of applying its philosophy and process of investing in high conviction valuation anomalies to deliver attractive long term returns for investors. Given the nature of this process, returns are likely to differ materially from the index. I am encouraged by the Investment Manager's view that, while it is difficult to perfectly time the inflection in sentiment towards a particular stock or group of stocks, he believes the downside is well protected and the Company is being paid to wait via attractive dividend yields which are anticipated to grow with both an increase in earnings and payout ratios.

Thank you to all our shareholders for your continued interest in and support for the Company.



Brett Spork  
Chairman  
12 August 2021

## PORTFOLIO MANAGER'S REPORT

Dear fellow shareholders,

The performance outcomes achieved during the year are pleasing to report. The Company's portfolio total return for the Financial Year 2021 (FY2021) was 30.34%. We have witnessed several cornerstone investment themes play out in line, if not ahead of our expectations, justifying the decision to maintain our conviction in these holdings during the market sell off at the beginning of the COVID-19 outbreak.

At June 30 the major portfolio themes were:

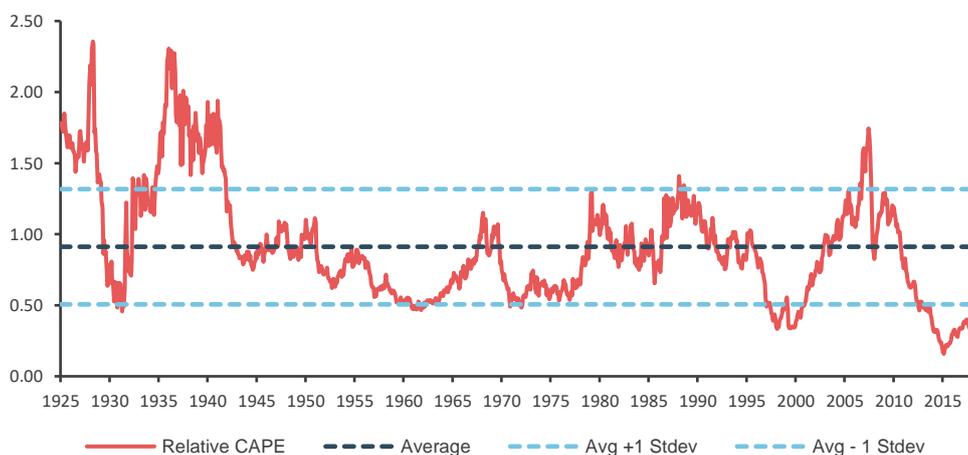
- Commodities
- Online classifieds
- Regional gaming
- Infrastructure
- Consumer franchises
- Financials

Commodities –

Over the last couple of years, we have spoken at length about the investment opportunities we believed were emerging across the commodities sector. This investment view manifested itself as a significant position in commodity companies in the portfolio, the strongest conviction being companies leveraged to copper.

Even before the pandemic, commodity companies stood out from a valuation perspective. Below is a chart of the cyclically adjusted price-to-earnings multiple for the S&P500 Mining Index relative to the broader market. It highlights commodity companies trading in the bottom quartile of their long-term range and wider than during the Dotcom Bubble and even the Great Depression. COVID-19 only acted to drive valuations to a further extreme as investors factored in the impacts to economic growth and we looked to take advantage of this in the portfolio.

**CAPE Multiple – Mining Relative to Market (S&P 500) Since 1925**



We have witnessed a dramatic shift in sentiment towards commodities over the past year. The copper price reached a record high above US\$4.70/lbs in May, a price level more than double the low point recorded during the early stages of the initial COVID-19 outbreak. A combination of factors supported this meteoric rise, on both the demand and supply sides. Chinese stimulus-led buying coupled with production disruption caused by COVID-19 stoppages, most notably in South America, provided the perfect tailwind. Simply put, supply is inelastic to demand changes in the short term, resulting in higher prices. However, more importantly and consistent with our initial thesis there has been growing recognition of the longer-term supply picture which looks increasingly unlikely to meet the increasing demand created in the new ‘electrification era’.

Freeport-McMoRan, our largest holding, was a standout contributor amongst our copper holdings benefiting not just from higher prices but also improving fundamentals. Freeport, one of the largest copper producers in the world with a portfolio of tier one assets, was widely overlooked by investors when we first initiated a position in 2018. Copper and gold production was in decline, albeit temporarily, as its Grasberg mine in Indonesia moved from an open pit operation to an underground block cave. Management was also in the process of repairing the balance sheet which was heavily indebted, a consequence of a failed oil and gas acquisition several years prior. Freeport has now come full circle. Its recently reported second quarter CY2021 results highlighted the significant progress made at Grasberg, which will reach 100% of its annualized production target in the December quarter, this in turn drives a material step change free cash flow in coming years. Furthermore, debt has been reduced considerably, to the point that management is now in the position to imminently announce a major shareholder returns policy.

### Freeport-McMoRan Share Price – 2000 to June 2021

**“The easy copper deposits have been found over the years. Modern deposits at the surface are much lower grade and require tremendous investment in infrastructure, mining and processing. Increasingly, mines are underground where costs are greater.” Richard Adkerson, CEO Freeport-McMoRan**



**“If there is a strategic metal, it’s copper. If you believe in electrification, copper is the metal and copper comes with gold.” Mark Bristow, CEO Barrick Gold**

Despite the impressive performance copper remains a core part of the portfolio. Current market dynamics continue to suggest we are still in the early stages of a supportive cycle for copper companies and our conviction was reinforced in recent months with Chile and Peru both looking to increase taxes to capture a larger share of profits. Accordingly, higher prices will be required to incentivise new supply.

Oil was another commodity that staged a strong recovery after an unprecedented sell off in March 2020 which saw the front month futures contract turning negative. Brent crude, the key benchmark in Asia, finished FY2021 at \$74.62, 80% above the year prior.

In November, we initiated a position in CNOOC Ltd, the leading oil exploration and production business in Asia, after its share price declined materially when its parent company was added to the US Entity List. An Executive Order issued by President Trump prohibits 'US Persons' from acquiring securities in companies on the entity list after a defined date. The Executive Order created a technical anomaly that provided an attractive opportunity. At our entry price CNOOC trades on a mid-single digit price-to-earnings multiple at current spot prices more than two standard deviations below its long-term average. The business is also forecasted to pay a dividend exceeding 10% in the coming year. This makes CNOOC one of the cheapest oil stocks globally despite the high-quality nature of its domestic operations, its attractive position on the cost curve and growing production base.

Online classifieds –

It was an eventful year for our holdings in the online classifieds sector, Frontier Digital Venture and iCar Asia.

COVID-19 proved to be extremely painful for these business from a revenue perspective, at least in the short term, with movement restrictions slowing activity in both the property and automotive markets. However, both companies proactively reduced expenses which helped to offset the impact, so much so that operating cash outflows remained broadly unchanged, an outcome which should be applauded. Revenues have subsequently recovered strongly with COVID-19 reinforcing the importance of the online advertising model in both the property and automotive verticals.

Frontier Digital Ventures was active in expanding its business announcing the acquisition of four businesses from global marketplace operator Adevinta, while also increasing its shareholding in several existing portfolio companies. The acquired businesses all hold dominant market positions in their core verticals and complement the existing portfolio extremely well. The acquisitions were completed at a very attractive valuation given Adevinta's strategic decision to rationalise its large portfolio after the acquisition of eBay's classifieds business.

Looking back over the last year and a half, where the uncertainty created by the pandemic resulted in many businesses taking a more conservative approach to growth, the strategic acquisitions made by Frontier Digital Ventures stand out as highly contrarian. The long-term focus of management and the decision to take advantage of the disruption caused by the pandemic has put the business on a markedly different growth trajectory than that envisioned pre-COVID-19.

In every business we buy, the most important attribute is the investment we make in human capital, the people that run these businesses. Frontier Digital Ventures is a great case study in the importance of human capital and alignment of interests and philosophy.

Conversely, in October iCar Asia was on the receiving end of a non-binding takeover offer from Autohome Inc., the owner of China's largest automotive classifieds marketplace, which valued the business at A\$216 million. Consummating the deal however proved difficult and a formal agreement between the two companies remained outstanding at year end. Since June 30th iCar Asia has received another buyout proposal, this time from Singapore based Carsome Group. The offer is a joint bid with iCar Asia's largest shareholder Catcha Group and values the business at A\$243 million. While currently non-binding we believe the likelihood that a deal is finalised is highly probable.

#### Regional gaming, Macau –

It was a mixed year for economic recovery plays. Over the first three quarters share prices generally advanced with optimism around the rollout of vaccinations and economic reopening. However, a resurgence in COVID-19 cases coupled with slow rates of vaccination has led to reopening expectations moderating and a delay in the earnings recoveries for some holdings.

It is somewhat counterintuitive that the most impacted companies within our portfolio are those situated in Macau which has recorded zero COVID-19 cases in the last year. While casinos have returned to breakeven levels, China and Macau's zero tolerance approach to new COVID-19 cases, particularly given the emergence of the highly transmissible Delta variant, has resulted in an extremely cautious approach being taken to any border re-openings. Despite its relatively small size, reliance on inbound tourism and access to vaccines from China, Macau's vaccination rates have been frustratingly slow as success combating the virus has resulted in reduced urgency amongst the population to get vaccinated.

While we have maintained our overall exposure to gaming, adjustments to the mix were made, reducing MGM China and adding Las Vegas Sands. In March Las Vegas Sands announced the sale of its property in Las Vegas, meaning the business now derives all its earnings from Asia. Beyond Macau where it is the largest operator, Las Vegas Sands owns the Marina Bay Sands property in Singapore which accounts for approximately one third of earnings. Marina Bay Sands, which opened in 2010 and has a license through to 2030, has consistently achieved industry leading margins and returns.

#### Infrastructure –

Oil and gas infrastructure companies Kunlun Energy and Sinopec Kantons are main positions within this thematic.

Reform of gas pipeline ownership within China had been a persistent and frustrating overhang for both Kunlun Energy and Sinopec Kantons in recent years, however this was removed during the year with both companies completing the disposal of their gas pipeline assets to China's newly formed National Pipeline Company.

Both companies achieved higher valuations than the market had anticipated, however, the subsequent performance has been a visible contrast. While Kunlun Energy was a standout contributor to performance over the year, Sinopec Kantons remained broadly flat.

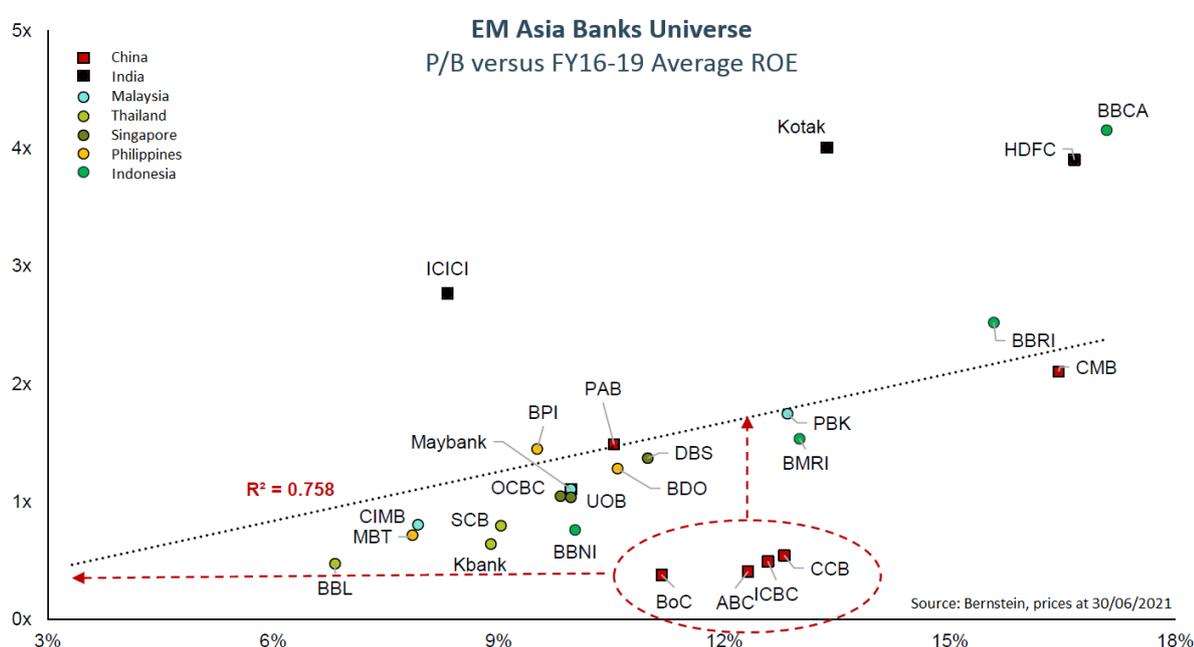
We put this down to capital management, Kunlun Energy declared a special dividend equal to 50% of the proceeds from the sale of their shareholding in PetroChina Beijing Gas Pipeline Co., the equivalent of 34% dividend yield at the ex-dividend date. The special dividend has led to far greater investor attention being given to the business which is now more streamlined and focused on its rapidly growing natural gas sales and distribution business.

To the disappointment of minority shareholders, Sinopec Kantons has failed to communicate a coherent capital management strategy and this has dictated its share price performance. We believe the business remains deeply mispriced and greater clarity around long term strategy can be a meaningful positive catalyst moving forward.

## Financials –

Throughout FY2021 the main financials exposure was a position in Indian credit rating agencies, CRISIL Limited and CARE Ratings. Notwithstanding the recent COVID-19 outbreak in India both businesses experienced significant price appreciation. Both businesses are well positioned to benefit from the structural growth in credit issuance in India. CRISIL, the largest rating agency firm in India and a subsidiary of S&P Global, continues to take market share benefiting from its globally recognised ratings brand and strong domestic track record.

We have gradually increased our exposure to traditional banking businesses in the region. A position was initiated in China Construction Bank late in the period. The regression chart below shows the clear valuation anomaly present among Chinese banks relative to regional peers. We believe the Return on Equity for large Chinese SOE banks is sustainable at current levels and in the right conditions could improve, therefore we expect valuations to move closer to the regression line overtime.



## Regional consumer franchises –

This 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.

COVID-19 gave us an opportunity to add to this thematic with positions initiated in Budweiser APAC and SABECO. Combined, these two investments mark a return to the beer sector; something we know well having held several positions across the region over the past decade.

While Budweiser APAC experienced a swift share price recovery from our entry point and was subsequently sold, SABECO and our other Vietnamese consumer holding Vinamilk, have been negatively impacted by recent COVID-19 outbreaks. While earnings will be lower than expected this year, we continue to hold strong convictions in the normalised earnings power of both businesses and have been encouraged by trends witnessed in similar businesses operating in markets which have reopened.

## Outlook-

The rapid development of vaccines and optimism around the distribution of those vaccines, coupled with unprecedented levels of fiscal and monetary policy support, were the primary catalysts for the rapid turnaround equity markets witnessed over the year.

A resurgence in COVID-19 cases, in particular the delta variant, has seen this momentum stall in recent months. While India has received the most attention several countries in Asia have also experienced a meaningful second wave of cases and been forced to reintroduce restrictions. Vaccination rates across Asia initially lag wealthier Western nations which has led to reopening expectations moderating. Vaccination rates have started to accelerate in large part because of the recent outbreak and the renewed sense of urgency this inspires. So, while earning momentum for CY2021 has been rebased, we believe the progress being made bodes very well for CY2022 earnings growth. Benefiting most here will be our gaming and consumer themes as well as companies like TravelSky Technologies.

While the historic level of monetary support injected into the economy played a vital role in the aftermath of the initial outbreak, it has also created areas of absolute and relative valuation distortion in markets which we do not view as justified by underlying fundamentals. We believe we are still in the early stages of the rotation from growth and momentum stocks to that of value stocks.

Subsequent to the end of FY2021 we have witnessed a sharp sell off in many Chinese facing companies, particularly those in the internet sector. Investors would be aware that we do not own any Chinese ADR's or Chinese internet names and haven't for some time. A lot of money has gone into these businesses chasing the momentum trade. Valuations had become very inflated at the same time as growth momentum looked to be peaking. Through CY2021 we have seen earnings estimates coming down and analyst have started to taper their bullish thesis.

A major change over the last year has been the increased regulatory attention placed on the large Chinese internet companies. Much like we have seen in the US, the Government has started pushing back against the 'big tech' monopolies, however in China they have more power to effect change. Over the last decade we've seen too much power coalesce in the hands of too few and the Chinese government sees this as a risk. Private companies like Alibaba and Tencent have been quick to acquire up and coming companies across the online ecosystem and as a result hold a dominant position in most categories. Higher regulatory risk is likely a new normal and it means competition will intensify going forward.

The inverse of these companies is the much-maligned large cap 'value' companies in China. The bearish arguments towards China and Chinese equities have been well publicised and led to valuations for large 'old economy' companies, many of which are state controlled, to fall to all-time lows. Noticeably recent share price performances have been in stark contrast to the recovery witnessed in the Chinese economy.

Historically we have tended to have minimal exposure to state owned companies given misalignment of interests with controlling shareholders but valuations today more than factor in this dynamic and it presents one area of potential opportunity in markets today. We now hold positions in a handful of deeply depressed large cap state own companies in China, two of those being highlighted above CNOOC and China Construction Bank. These businesses trade at trough historic valuations despite their improving outlooks. While it is difficult to perfectly time the inflection in sentiment towards a particular stock or group of stocks, we believe the downside is well protected and we are being paid to wait via attractive dividend yields which we anticipate will grow with both an increase in earnings and payout ratios.



Kevin Bertoli  
Portfolio Manager of PM Capital Asian Opportunities Fund Limited

12 August 2021

**LIST OF INVESTMENTS HELD AS AT 30 June 2021**

Investment	Market Value \$
<b>Equity Securities</b>	
Frontier Digital Ventures	4,990,064
Icar Asia Limited	3,642,669
CNOOC LTD	3,135,066
Turquoise Hill Resources Ltd	2,974,243
Sinopec Kantons Holdings	2,930,008
Wynn Resorts Limited	2,843,485
Kunlun Energy Co Ltd	2,610,910
Freeport-McMoran Inc	2,579,584
China Construction Bank - H Shares	2,557,953
China Mobile Ltd	2,467,382
MGM China Holdings Ltd	2,283,737
Crisil Ltd	2,196,091
Travelsky Technology Ltd	2,143,074
Samsung Electronics Co Ltd	2,067,714
Shinhan Financial Group Ltd	2,056,034
Melco Crown Entertainment Ltd	2,009,919
Dali Foods Group Co Ltd	1,812,924
China Merchants Holdings International	1,422,284
Las Vegas Sands Corp	1,319,443
Astro Malaysia Holdings BHD	1,227,028
MMG Limited	1,178,907
CARE Ratings	977,215
Donaco International Limited	343,089
<b>Cash &amp; Other Securities</b>	
Total cash assets (per note 3 to the financial statements)	12,433,199
Swaps	67,341
Currency forward contracts	9,639
Options	(382,341)
Total Interest bearing liabilities (per note 3 to the financial statements)	(869,905)
	<b>63,026,756</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 2021.

### 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*

*Member of the Audit Committee*

*Member of the Nomination and Corporate Governance Committee*

Mr Spork has over 28 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 Non-executive director of Clime Investment Management Limited, a Director of APP Securities Limited 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".

**Chris Knoblanche AM B.Com, CA, FCPA**

*Independent Non-executive Director*

*Chairman of the Audit Committee*

*Chairman of the Nomination and Corporate Governance Committee*

Mr Knoblanche has over 36 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 Chairman and Non-executive Director of HiPages Limited, Non-executive Director of Latitude Financial Insurance (Hallmark companies), Harris Farms and PM Capital Global Opportunities Fund Limited. Boards on which Mr Knoblanche has previously served include: Environment Protection Authority of NSW, iSelect Limited, 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.

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

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

**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 25 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, 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.

**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 21 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 also the Alternate Director for Mr Ben Skilbeck, and Company Secretary, for PM Capital Global Opportunities Fund Limited, and Company Secretary for PM Capital 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.

## DIRECTORS' REPORT (CONTINUED)

### Attendance at Meetings

#### Board of Directors Meetings

Director	Meetings Held and Entitled to Attend*	Meetings Attended*
Brett Spork	5	5
Chris Knoblanche	5	5
Ben Skilbeck	5	5

\* In addition, 6 circular resolutions were made.

#### Nomination and Corporate Governance Committee Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
Brett Spork	3	3
Chris Knoblanche	3	3
Ben Skilbeck	3	3

#### Audit Committee Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
Brett Spork	4	4
Chris Knoblanche	4	4
Ben Skilbeck	4	4

### Board Skills Matrix

	All Directors
<u>Skills</u>	
Strategy - experience with defining and implementing strategic objectives.	✓
Financial Acumen - experience in accounting, financial reporting and corporate finance	✓
Risk and Compliance - able to identify key risks and risk management effectiveness	✓
Corporate Governance - knowledge and experience of best practice governance	✓
<u>Industry</u>	
Investment Management - extensive experience specifically in investment management	✓
Financial Services - extensive experience in financial services outside of investment management (for example broking, banking, capital markets, superannuation)	✓

## 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 2021 were as follows:

Director	Number of Shares	Number of Options
Brett Spork	52,630	-
Chris Knoblanche	-	-
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 2020 were as follows:

Director	Number of Shares	Number of Options
Brett Spork	52,630	-
Chris Knoblanche	-	-
Ben Skilbeck	10,000	-
Richard Matthews	3,063	-

### 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:

	2021	2020
	\$	\$
Profit/(loss) before income tax	15,154,404	(6,100,479)
Income tax (expense)/benefit	(4,488,369)	1,885,464
Profit/(loss) for the year attributable to shareholders	<u>10,666,035</u>	<u>(4,215,015)</u>

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:

	2021	2020
Financial assets at fair value through profit or loss	82.26%	77.66%
Cash and cash equivalent assets and interest bearing liabilities	18.35%	22.79%
Financial liabilities at fair value through profit or loss	(0.61%)	(0.45%)

## DIRECTORS' REPORT (CONTINUED)

### Equal Access Buy-Back

On 13 August 2020, the Company announced an off-market share buy-back ("Buy-Back") on an equal access basis allowing Shareholders to sell up to a maximum of 5% of their holdings in the Company at a price set at a 5% discount to the post-tax NTA (excluding deferred tax assets). The Buy-Back offer period commenced on 23 September 2020 and closed on 23 October 2020.

On 28 October 2020, a total of 702,138 shares were bought back and cancelled for a total consideration of \$627,711.

### Dividends

On 12 August 2021, the Directors declared a fully franked final dividend of 2.5 cents per share (June 2020: \$nil) which will be paid on 14 October 2021. The Ex-Dividend date is 15 September 2021, and the Record Date is 16 September 2021.

The amount of the proposed fully franked final dividend, which is not recognised as a liability as at 30 June 2021, is \$1,430,759 (June 2020: \$nil).

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 17 September 2021. 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 1.5 cents per ordinary share, amounting to \$853,638 was paid on 25 March 2021.

### Net Assets

As at 30 June 2021 the net assets of the Company were \$65,323,811 (2020: \$55,846,229). Please refer to the Statement of Financial Position for further details.

### State of Affairs

During the financial year, other than the Equal Access Buy-Back, there were no significant changes in the state of affairs of the Company.

### Events Subsequent to Balance Date

Other than the 2.5 cents per share fully franked dividend (which will be paid on October 14 2021), 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.

## DIRECTORS' REPORT (CONTINUED)

### Environmental Regulations

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

### Remuneration Report

This remuneration report sets out information about the remuneration of the Company's directors for the year ended 30 June 2021, 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 (unless otherwise stated) were:

Brett Spork – Chairman and Independent Non-executive Director  
 Chris Knoblanche AM – 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 2021 was as follows:

Director	Directors' fees \$	Superannuation \$	Total \$
Brett Spork	31,963	3,037	35,000
Chris Knoblanche	30,000	-	30,000
Ben Skilbeck	-	-	-
Richard Matthews	-	-	-
	<u>61,963</u>	<u>3,037</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 2020 was as follows:

Director	Directors' fees \$	Superannuation \$	Total \$
Brett Spork	31,963	3,037	35,000
Chris Knoblanche	29,755	-	29,755
Ben Skilbeck	-	-	-
Richard Matthews	-	-	-
Andrew McGill (resigned 23 August 2019)	4,722	377	5,099
	<u>66,440</u>	<u>3,414</u>	<u>69,854</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.

### **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.

### **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 18.

Signed at Sydney this 12<sup>th</sup> day of August 2021, 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 2021, 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**  
**12 August 2021**

**S Grivas**  
**Partner**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$	2020 \$
<b>Revenue</b>			
Interest		993	17,322
Dividends		2,059,554	1,281,134
Gains/(losses) on investments at fair value through profit or loss		14,163,821	(6,620,177)
Gains/(losses) on foreign exchange		(11,361)	260,675
Other income		10,000	10,019
<b>Total revenue/(loss)</b>		<b>16,223,007</b>	<b>(5,051,027)</b>
<b>Expenses</b>			
Management fees	8 (a)	605,445	571,774
Insurance		84,691	59,963
Directors' fees	12	65,000	69,854
ASX fees		54,466	52,985
Brokerage and trading fees		48,559	71,733
Audit fees	8 (b)	42,770	43,076
Administration fees		41,797	40,880
Registry fees		40,036	34,849
Legal and professional fees		38,709	20,722
Finance costs		24,276	74,669
Other operating expenses		22,854	8,947
<b>Total expenses</b>		<b>1,068,603</b>	<b>1,049,452</b>
<b>Profit/(loss) for the year before income tax</b>		<b>15,154,404</b>	<b>(6,100,479)</b>
Income tax (expense)/benefit	6 (a)	(4,488,369)	1,885,464
<b>Profit/(loss) after income tax</b>		<b>10,666,035</b>	<b>(4,215,015)</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income/(loss) attributable to shareholders</b>		<b>10,666,035</b>	<b>(4,215,015)</b>
<b>Basic earnings/(losses) per share</b>	9	<b>18.64 cents</b>	<b>(7.36) cents</b>
<b>Diluted earnings/(losses) per share</b>	9	<b>18.64 cents</b>	<b>(7.36) 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 2021**

	Note	2021 \$	2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	12,433,199	11,870,207
Financial assets at fair value through profit or loss	2 (d)	51,845,803	40,447,742
Receivables	4	1,701,386	280,219
<b>Total current assets</b>		<b>65,980,388</b>	<b>52,598,168</b>
<b>Non-current assets</b>			
Deferred tax assets	6 (c)	1,907,877	5,278,620
<b>Total non-current assets</b>		<b>1,907,877</b>	<b>5,278,620</b>
<b>TOTAL ASSETS</b>		<b>67,888,265</b>	<b>57,876,788</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Interest bearing liabilities	3	869,905	-
Financial liabilities at fair value through profit or loss	2 (d)	382,341	231,890
Payables	5	216,183	1,661,214
Income tax payable		701,067	53,710
<b>Total current liabilities</b>		<b>2,169,496</b>	<b>1,946,814</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	6 (c)	394,958	83,745
<b>Total non-current liabilities</b>		<b>394,958</b>	<b>83,745</b>
<b>TOTAL LIABILITIES</b>		<b>2,564,454</b>	<b>2,030,559</b>
<b>NET ASSETS</b>		<b>65,323,811</b>	<b>55,846,229</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	55,496,272	55,831,087
Retained profits		7,762,721	15,142
Profit reserve		2,064,818	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>65,323,811</b>	<b>55,846,229</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 2021**

	Note	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Interest received		993	24,954
Dividends received		1,020,622	1,149,385
Other income received		10,000	10,019
Interest paid		(27,049)	(70,027)
Income tax paid		(159,056)	(1,598,230)
Management fees paid		(571,232)	(597,539)
Other operating expenses		(439,443)	(398,209)
<b>Net cash (outflow) from operating activities</b>	10	<u>(165,165)</u>	<u>(1,479,647)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		12,551,897	41,043,903
Purchase of investments		(11,579,430)	(34,288,525)
<b>Net cash inflow from investing activities</b>		<u>972,467</u>	<u>6,755,378</u>
<b>Cash flows from financing activities</b>			
Dividend paid (net of DRP)		(560,742)	(1,168,891)
Repurchase of shares under buy-back		(627,711)	-
<b>Net cash (outflow) from financing activities</b>		<u>(1,188,453)</u>	<u>(1,168,891)</u>
Impact of exchange rate changes on cash and cash equivalents		<b>74,238</b>	<b>(108,858)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(306,913)	3,997,982
Cash and cash equivalents at the beginning of the financial year		<u>11,870,207</u>	<u>7,872,225</u>
<b>Cash and cash equivalents at the end of the financial year</b>	3	<u><b>11,563,294</b></u>	<u><b>11,870,207</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 2021**

	Note	Share Capital	Profit Reserve	Retained Profits	Total
		\$	\$	\$	\$
<b>Balance at 1 July 2019</b>		<b>55,288,264</b>	-	<b>5,941,871</b>	<b>61,230,135</b>
Total comprehensive loss for the year		-	-	4,215,015	4,215,015
<b>Subtotal</b>		<b>55,288,264</b>	-	<b>1,726,856</b>	<b>57,015,120</b>
<b>Transactions with owners in their capacity as owners</b>					
Dividends paid (1.5 cents per share paid on 3 October 2019 and 1.5 cents per share paid on 26 March 2020)		-	-	(1,711,714)	(1,711,714)
Shares issued under the Company's dividend reinvestment plan	7	542,823	-	-	542,823
<b>Subtotal</b>		<b>542,823</b>	-	<b>(1,711,714)</b>	<b>(1,168,891)</b>
<b>Balance at 30 June 2020</b>		<b>55,831,087</b>	-	<b>15,142</b>	<b>55,846,229</b>
<b>Balance at 1 July 2020</b>		<b>55,831,087</b>	-	<b>15,142</b>	<b>55,846,229</b>
Total comprehensive income for the year		-	-	10,666,035	10,666,035
Transfer to profit reserve		-	2,064,818	(2,064,818)	-
<b>Subtotal</b>		<b>55,831,087</b>	<b>2,064,818</b>	<b>8,616,359</b>	<b>66,512,264</b>
<b>Transactions with owners in their capacity as owners</b>					
Shares issued under the Company's dividend reinvestment plan	7	292,896	-	-	292,896
Dividends paid (1.5 cents per share paid on 25 March 2021)		-	-	(853,638)	(853,638)
Shares repurchased under buy-back		(627,711)	-	-	(627,711)
<b>Subtotal</b>		<b>(334,815)</b>	-	<b>(853,638)</b>	<b>(1,188,453)</b>
<b>Balance at 30 June 2021</b>		<b>55,496,272</b>	<b>2,064,818</b>	<b>7,762,721</b>	<b>65,323,811</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 2021

### 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 11, 68 York 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 2021. The financial statements were authorised for issue by the directors on 12 August 2021.

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 the 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

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

#### (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.

##### (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.

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

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

**(h) Income tax**

Under current legislation, the Company is subject to income tax at 30% (2020: 30%) on taxable income. 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.

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.

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

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

**(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.

**(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 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) Profit Reserve**

The profit reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

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

There are no new accounting standards and interpretations that have been published and have been adopted for the 30 June 2021 reporting year that are material to the financial statements.

**(s) 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 2021 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 2021 (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 2021 (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 2021 (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\$	South Korea Won A\$	Other Currencies A\$	Total A\$
<b>2021</b>						
<b>Assets</b>						
Cash and cash equivalents	4,920,868	4,375,265	-	2,580,679	556,387	12,433,199
Financial assets at fair value through profit or loss:						
Listed securities	8,975,820	11,726,676	22,542,245	4,123,748	4,400,334	51,768,823
Currency forward contracts	-	22,302,692	(22,293,053)	-	-	9,639
Swaps	-	67,341	-	-	-	67,341
Receivables	3,875	-	1,688,902	8,609	-	1,701,386
Deferred tax assets	1,907,877	-	-	-	-	1,907,877
<b>Total assets</b>	<b>15,808,440</b>	<b>38,471,974</b>	<b>1,938,094</b>	<b>6,713,036</b>	<b>4,956,721</b>	<b>67,888,265</b>
<b>Liabilities</b>						
Interest bearing liabilities	-	-	869,905	-	-	869,905
Financial liabilities at fair value through profit or loss:						
Options	382,341	-	-	-	-	382,341
Payables	216,183	-	-	-	-	216,183
Income tax payable	701,067	-	-	-	-	701,067
Deferred tax liabilities	394,958	-	-	-	-	394,958
<b>Total liabilities</b>	<b>1,694,549</b>	<b>-</b>	<b>869,905</b>	<b>-</b>	<b>-</b>	<b>2,564,454</b>
<b>Net assets</b>	<b>14,113,891</b>	<b>38,471,974</b>	<b>1,068,189</b>	<b>6,713,036</b>	<b>4,956,721</b>	<b>65,323,811</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2021 (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\$	South Korea Won A\$	Other Currencies A\$	Total A\$
<b>2020</b>						
<b>Assets</b>						
Cash and cash equivalents	1,723,022	3,500,974	4,013,047	2,149,200	483,964	11,870,207
Financial assets at fair value through profit or loss:						
Listed securities	8,575,591	7,481,382	18,107,771	3,222,414	3,060,584	40,447,742
Receivables	2,634	21,886	243,630	-	12,069	280,219
Deferred tax assets	5,278,620	-	-	-	-	5,278,620
<b>Total assets</b>	<b>15,579,867</b>	<b>11,004,242</b>	<b>22,364,448</b>	<b>5,371,614</b>	<b>3,556,617</b>	<b>57,876,788</b>
<b>Liabilities</b>						
Financial liabilities at fair value through profit or loss:						
Options	3,920	-	-	-	-	3,920
Swaps	-	227,970	-	-	-	227,970
Payables	1,661,214	-	-	-	-	1,661,214
Income tax payable	53,710	-	-	-	-	53,710
Deferred tax liabilities	83,745	-	-	-	-	83,745
<b>Total liabilities</b>	<b>1,802,589</b>	<b>227,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,030,559</b>
<b>Net assets</b>	<b>13,777,278</b>	<b>10,776,272</b>	<b>22,364,448</b>	<b>5,371,614</b>	<b>3,556,617</b>	<b>55,846,229</b>

*Foreign currency sensitivity*

A sensitivity of 5% (2020: 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 0.7508 (2020: 0.6885) and the Australian dollar to Hong Kong dollar (AUD/HKD) exchange rate was 5.8302 (2020: 5.3362). 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 2021 (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 2021	2,081,061	3.2%	(1,882,865)	(2.9%)
30 June 2020	1,744,248	3.1%	(1,578,129)	(2.8%)

*(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 2021 (CONTINUED)**

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

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

*(ii) Price risk (continued)*

The Company's net equity exposure as at 30 June 2021 and 30 June 2020 is set out below:

Industry Groups	2021	2020
Consumer services	16%	18%
Software & Services	13%	16%
Materials	12%	11%
Energy	11%	13%
Media & Entertainment	9%	11%
Food, Beverage & Tobacco	9%	9%
Banks	8%	4%
Diversified Financials	6%	5%
Utilities	5%	0%
Technology Hardware & Equipment	4%	6%
Telecommunication Services	4%	0%
Transportation	3%	3%
Household & Personal Products	0%	4%
<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% (2020: 5%) with all other variables being constant, this would have increased/(decreased) the net assets attributable to shareholders by approximately +/- \$2,588,441 (2020: +/- \$2,022,287).

**(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 2021 (CONTINUED)

### 2. Financial risk management (continued)

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

The Investment Manager manages 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 a Custodian 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 \$2,254,043 (2020: \$417,402). 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 \$1,001,797 (2020: \$185,512) 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 2021 (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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021 (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 2021 and 30 June 2020:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>2021</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed securities	51,768,823	-	-	51,768,823
Swaps	67,341	-	-	67,341
Currency forward contracts	-	9,639	-	9,639
	<u>51,836,164</u>	<u>9,639</u>	<u>-</u>	<u>51,845,803</u>
<b>Financial liabilities at fair value through profit or loss</b>				
Options	382,341	-	-	382,341
	<u>382,341</u>	<u>-</u>	<u>-</u>	<u>382,341</u>
<b>2020</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed securities	40,447,742	-	-	40,447,742
	<u>40,447,742</u>	<u>-</u>	<u>-</u>	<u>40,447,742</u>
<b>Financial liabilities at fair value through profit or loss</b>				
Options	3,920	-	-	3,920
Swaps	227,970	-	-	227,970
	<u>231,890</u>	<u>-</u>	<u>-</u>	<u>231,890</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.

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

	2021	2020
	\$	\$
<b>3. Cash and cash equivalents and interest bearing liabilities</b>		
<i>Cash and cash equivalents</i>		
Cash at bank (Custodian) - AUD	4,920,868	1,723,022
Cash at bank (Custodian) - USD	4,375,265	3,500,974
Cash at bank (Custodian) - other currencies	3,137,066	6,646,211
	<u>12,433,199</u>	<u>11,870,207</u>
<i>Interest bearing liabilities</i>		
Overdraft at Custodian - HKD	(869,905)	-
	<u>11,563,294</u>	<u>11,870,207</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.

	2021	2020
	\$	\$
<b>4. Receivables</b>		
Dividends receivable	1,352,172	277,585
Outstanding settlements	345,339	-
GST receivable	3,875	2,634
	<u>1,701,386</u>	<u>280,219</u>
<b>5. Payables</b>		
Management fees payable	163,194	128,981
Audit fees payable	32,288	31,608
Outstanding settlements	18,832	1,495,983
Interest payable	1,869	4,642
	<u>216,183</u>	<u>1,661,214</u>

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

**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:

	2021 \$	2020 \$
Profit/(loss) for the year before income tax	15,154,404	(6,100,479)
Prima facie income tax expense/(benefit) calculated at 30% (2020: 30%)	4,546,321	(1,830,144)
Tax credits - current year	(54,962)	(65,805)
Non-assessable income	(3,000)	-
Prior year over provision	10	10,485
Income tax expense/(benefit)	4,488,369	(1,885,464)

**(b) Franking credits**

	2021	2020
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2020: 30%)	\$5,020,671	\$4,580,111
Number of shares on issue at the end of the financial year	57,230,342	57,611,321
Franking Credits available per Share on issue	\$0.0877	\$0.0795

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.

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

**6. Income tax (continued)**

**(c) Deferred tax**

	2021 \$	2020 \$
Deferred tax assets are represented by the following temporary differences:		
Unrealised losses on investments	1,897,630	5,267,743
Audit fees	9,686	9,482
Foreign exchange gains on outstanding trades	561	1,395
	1,907,877	5,278,620

Deferred tax liabilities are represented by the following temporary differences:

Dividends receivable	394,958	83,745
	394,958	83,745

The utilisation of the deferred tax asset is dependent on future taxable profits. The Company undertook statistical analysis utilising both the Company's annualised 3 year returns (NTA pre-tax) and the Investment Managers annualised 5 year returns from the PM Capital Asian Companies Fund (whose strategy, mean and standard deviations are materially the same). The Investment Managers annualised 5 year returns were chosen as the Company's inception date was 22 May 2014, yielding too few samples. The Company utilised the mean and standard deviation of both the returns to create a number of potential return simulations (over 5 years) and took the average of these simulations. In addition, the Company reviewed expected equity risk premiums from respected market participants based on data at July 2021 and March 2021. Based on the Company's statistical analysis or the market's expected equity risk premiums, the Company believes it is probable that taxable profit will be generated to fully utilise the deferred tax asset over the next 5 years.

**7. Share capital**

There is a single class of ordinary shares on issue. 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:

	2021 Number of Shares	2020 Number of Shares
Shares on issue at beginning of the year	57,611,321	56,892,864
Shares issued under the Company's dividend reinvestment plan	321,159	718,457
Shares purchased under buy-back	(702,138)	-
Shares on issue at the end of the year	57,230,342	57,611,321

**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 2021 (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.

The Company expensed an amount of \$605,445 (2020: \$571,774) as fees paid or payable to the Investment Manager and as at balance date an amount of \$163,194 (2020: \$128,981) is included in Trade creditors and accruals.

*(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 (2020: \$Nil).

**(b) Auditor's Remuneration**

	2021	2020
	\$	\$
Audit and review of the financial statements	42,770	43,076
Tax compliance services	7,000	7,000
Tax advice	15,618	-
	<u>65,388</u>	<u>50,076</u>

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

	2021	2020
<b>9. Earnings/(Losses) per share</b>		
Basic earnings/(losses) per share	18.64 cents	(7.36) cents
Diluted earnings/(losses) per share	18.64 cents	(7.36) cents
Reconciliation of earnings/(losses) and weighted average number of shares used in calculating basic and diluted earnings/(losses) per share:		
Earnings/(losses) used in calculating basic earnings per share	\$10,666,035	(\$4,215,015)
Earnings/(losses) used in calculating diluted earnings per share	\$10,666,035	(\$4,215,015)
Weighted average number of ordinary shares used in the calculation of basic earnings/(losses) per share	57,219,601	57,240,362
Weighted average number of shares used in the calculation of diluted earnings/(losses) per share	57,219,601	57,240,362
<b>10. Cash flow statement</b>		
	2021	2020
	\$	\$
<b>Reconciliation of Net Profit/(Loss) after income tax to Cash Flow from Operating Activities</b>		
Profit/(loss) after income tax	10,666,035	(4,215,015)
(Gains)/Losses on investments held at fair value through profit or loss	(14,163,821)	6,620,177
Losses/(Gains) on foreign exchange	11,361	(260,675)
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in receivables	(1,040,173)	(124,790)
Increase/(decrease) in income tax payable	647,357	(1,403,390)
(Increase)/decrease in deferred tax assets	3,370,743	(2,119,830)
Increase/(decrease) in deferred tax liabilities	311,213	39,526
Increase/(decrease) in payables	32,120	(15,650)
Net cash (outflow) from operating activities	<u>(165,165)</u>	<u>(1,479,647)</u>
<b>11. Segment information</b>		

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 2021 (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 2021 was as follows:

Director	Directors' fees \$	Superannuation \$	Total \$
Brett Spork	31,963	3,037	35,000
Chris Knoblanche	30,000	-	30,000
Ben Skilbeck	-	-	-
Richard Matthews	-	-	-
	61,963	3,037	65,000

Directors' remuneration received or receivable for the year ended 30 June 2020 was as follows:

Director	Directors' fees \$	Superannuation \$	Total \$
Brett Spork	31,963	3,037	35,000
Chris Knoblanche	29,755	-	29,755
Ben Skilbeck	-	-	-
Richard Matthews	-	-	-
Andrew McGill (resigned 23 August 2019)	4,722	377	5,099
	66,440	3,414	69,854

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 19 to 41 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 2021 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 2021 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**  
**12 August 2021**

**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 2021, 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 2021 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.

<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<b><i>Existence and Valuation of Cash and Investments</i></b>	
At 30 June 2021 the Company held “Cash and Cash Equivalents” of \$12,433,199, “Financial assets at fair value through profit or loss” of \$51,845,803, 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.	

Key Audit Matter	How our audit addressed the key audit matter
<b><i>Existence and Valuation of Cash and Investments (continued)</i></b>	
<p>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.</p>	
<b><i>Completeness of Interest Bearing Liabilities and Other Financial Liabilities</i></b>	
<p>At 30 June 2021 the Statement of Financial Position shows "Interest bearing liabilities" of \$869,905 and "Financial liabilities at fair value through profit or loss" of \$382,341.</p> <p>We considered this area to be a key audit matter due to the potential size of the liabilities.</p>	<p>We confirmed with the Custodian that all interest bearing liabilities and other financial liabilities had been recognised.</p>
<b><i>Completeness and Occurrence of Performance and Management Fees</i></b>	
<p>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.</p> <p>For the year ended 30 June 2021 the Company incurred "performance fees" of \$Nil and "management fees" of \$605,445 which have been included in the Company's Statement of Profit or Loss and Other Comprehensive Income.</p> <p>We focused on this area as a key audit matter as the agreement is with the Investment Manager of the Company.</p>	<p>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.</p> <p>We confirmed with the Investment Manager that the expense recognised by the Company reconciled to the income received by the Investment Manager.</p>
<b><i>Valuation and Accuracy of Deferred Tax Assets</i></b>	
<p>At 30 June 2021 the Statement of Financial Position shows "Deferred tax assets" of \$1,907,877.</p> <p>We considered this area to be a key audit matter due to the size of the amount involved and due to the judgement surrounding whether it is probable that deferred tax assets will be realised.</p>	<p>We obtained management's calculation of the deferred tax assets and reviewed the calculation in accordance with applicable Accounting Standards.</p> <p>We also obtained and reviewed management's assessment on the probability that the deferred tax assets will be realised, including assessing the source data referenced, underlying calculations made, and assumptions included.</p>

### **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 2021, 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**

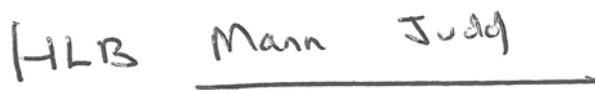
### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included on page 16 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of the Company for the year ended 30 June 2021 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**  
**12 August 2021**



**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 20 July 2021. The 20<sup>th</sup> largest shareholders each hold 250,000 shares, as such all are shown as number 20.

Holder name	Ordinary Shares held	% of Issued Shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,642,545	23.84%
ROARING LION PTY LIMITED	4,571,014	7.99%
BNP PARIBAS NOMINEES PTY LTD	1,099,772	1.92%
SPAR NOMINEES PTY LTD	752,861	1.32%
PERPETUAL CORPORATE TRUST LTD	579,680	1.01%
MR JAMES THOMAS MACKNAMARA	488,659	0.85%
ANGUELINE CAPITAL PTY LIMITED	425,000	0.74%
MR AARON LAURIE RODWELL & MRS MARIKA TONI RODWELL	424,269	0.74%
MR BRYAN JOHN HISCOCK & MRS JEAN HELEN HISCOCK	362,500	0.63%
MRS VICTORIA RUTH JUDGE	361,973	0.63%
JAWP INVESTMENTS PTY LTD	351,500	0.61%
NETWEALTH INVESTMENTS LIMITED	331,521	0.58%
MR SEAN DAVID CUNNINGHAM & MRS NELLY MICHELLE CUNNINGHAM	323,000	0.56%
VOSBURG PTY LTD	304,935	0.53%
DAT INVESTMENTS PTY LTD	300,000	0.52%
ENDORAS SUPER PTY LTD	280,000	0.49%
MORBEN NOMINEES PTY LTD	275,000	0.48%
MR ADRIAN LOBO	270,880	0.47%
GROZS PTY LTD	268,498	0.47%
SINGAPORE INVESTMENTS PTY LTD	250,000	0.44%
MRS CATHERINE ANNE MARSON & MR JOSEPH MARSON	250,000	0.44%
DENATA PTY LTD	250,000	0.44%
PRESBYTERIAN CHURCH OF QUEENSLAND	250,000	0.44%
	<b>26,413,607</b>	<b>46.15%</b>

## SHAREHOLDER INFORMATION (CONTINUED)

### Substantial Shareholders

Details of substantial shareholders and their respective holdings as at 20 July 2021.

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	16,293,360	28.47%
	<b>16,293,360</b>	<b>28.47%</b>

### Distribution of Shares

Analysis of numbers of equity security holders, by size of holding, as at 20 July 2021.

Holding	Number of shareholders	Ordinary shares held	% of Issued Shares
1-1,000	85	33,973	0.06%
1,001-5,000	243	753,447	1.32%
5,001-10,000	220	1,816,650	3.17%
10,001-100,000	578	19,586,347	34.22%
100,001 and over	84	35,039,925	61.23%
	<b>1,210</b>	<b>57,230,342</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 20 July 2021 is 50.

### 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 108.

The total brokerage paid (net of RITC) on these transactions was \$43,703.

## **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  
Chris Knoblanche - Independent Non-executive Director  
Ben Skilbeck - Executive Director  
Richard Matthews - Alternate Director for Ben Skilbeck

**Company Secretary:** Richard Matthews

**Investment Manager:** PM Capital Limited  
Level 11, 68 York 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 11, 68 York 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>