

New Era PRC Fund

Semi-Annual Report

July 2010 – December 2010

Contents

Report of the manager	1
Investment portfolio (unaudited)	2
Statement of movements in portfolio holdings (unaudited)	4
Statement of net assets (unaudited)	6
Reconciliation between net asset value per the financial statements and the published net asset value	7
General information	8

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

New Era PRC Fund

Report of the Manager

PERFORMANCE

	1 July 2010 to 31 Dec 2010	1 July 2009 to 31 Dec 2009
New Era PRC Fund	14.74%	33.49%
Benchmark: MSCI China Free Index	11.50%	18.17%

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

The Chinese markets rose over the six months to 31 December 2010 with global markets, but underperformed the Asia Pacific ex-Japan region. The MSCI China Index increased by 11.5% in US dollar terms, while the Asia Pacific ex-Japan Index was up by 27.2%.

The Chinese economy remained firm in the second half of 2010 with retail sales growing strongly. GDP growth was 9.8% in the fourth quarter, ahead of the 9.6% recorded in the third quarter. Inflation is becoming a major concern, reaching 4.6% in December. The Chinese market lagged over the period on investor concerns about measures to tighten liquidity.

Performance was positively impacted by Energy stocks **China Oilfield Services** and **CNOOC** which both rose with the oil price. **Luk Fook** (Consumer Discretionary) outperformed as it was a beneficiary of strong retail sales. On the negative side, **Li Ning** was hit by concerns over weakening orders amid fierce pricing competition, while **China Resources Power** (Utilities) and **Mindray Medical** (Health Care) lagged as defensive stocks were out of favour in rising markets.

Over the six months, significant purchases included **China Mobile** which remains the dominant Chinese mobile telecom franchise and **Lee & Man Paper Manufacturing** (Materials)

which should benefit from expanding capacity. We also purchased **Bank of China** as it was trading on a very low valuation. We sold **Shangri-La Asia** (Consumer Discretionary) to take profits after recent good performance and **Want Want** (Consumer Staples) on concerns about cost pressures and the company's valuation. **China Shipping** (Industrials) was sold because of concerns about oversupply.

Over the longer term, China's domestic economy should continue to grow strongly, and urbanisation should prove positive for energy and resources companies. We expect some weaker companies to lose market share to their stronger rivals as the operating environment becomes more difficult. We remain positive about the long-term outlook for equity investors in China which offers high levels of economic growth and many quality business franchises.

New Era PRC Fund

Investment Portfolio (Unaudited)

As at 31 December 2010

	Holdings as at 31.12.2010	Market value US\$	% of net asset value
Listed investments (99.21%)			
Listed on the Stock Exchange of Hong Kong (83.99%)			
Anhui Expressway Co Ltd – H	130,000	113,176	1.02
ASM Pacific Technology	8,000	101,332	0.92
Bank of China Ltd – H	229,908	120,625	1.09
Beijing Enterprises Holdings Ltd	15,000	92,491	0.84
Beijing Jingkelong Supermarket Chain Group Co Ltd	33,000	43,455	0.39
Belle International Holdings Ltd	144,000	243,691	2.21
Boer Power Holdings Ltd	58,000	52,358	0.47
Café de Coral Holdings Ltd	28,000	69,204	0.63
Chen Hsong Holdings Ltd	158,000	91,024	0.82
China Bluechemical Ltd	246,000	175,570	1.59
China Communications Services Corp Ltd – H	671,362	399,723	3.62
China Construction Bank – H	476,181	426,190	3.86
China Foods Ltd	124,000	79,091	0.72
China Mengniu Dairy Co Ltd	78,000	205,121	1.86
China Merchants Bank Co Ltd – H	142,947	359,923	3.26
China Merchants Holdings International Co Ltd	32,305	126,081	1.14
China Mobile Ltd	18,000	178,347	1.61
China Oilfield Services Ltd	224,000	481,621	4.36
China Resources Enterprise Ltd	84,667	344,051	3.11
China Resources Land Ltd	96,000	174,312	1.58
China Resources Power Holdings Co	219,700	398,355	3.61
China Shanshui Cement Group Co Ltd	166,000	118,687	1.07
China Taiping Insurance Holdings Co Ltd	128,000	392,572	3.55

	Holdings as at 31.12.2010	Market value US\$	% of net asset value
Listed investments (99.21%)			
China Telecom Corp Ltd – H	790,000	409,405	3.71
CIMC Enric Holdings Ltd	75,000	33,274	0.30
CNOOC Ltd	233,000	550,111	4.98
Dongfeng Motor Group Co Ltd	70,000	120,081	1.09
ENN Energy Holdings Ltd	144,000	430,533	3.90
Glorious Sun Enterprises Ltd	107,900	48,980	0.44
Haitian International Holdings	94,000	98,033	0.89
Harbin Power Equipment Co Ltd – H	42,000	65,568	0.59
Hengan International Group Co Ltd	43,000	370,756	3.36
Hong Kong & China Gas Ord	52,700	124,695	1.13
Hopewell Highway Infrastructure Ltd	150,900	115,847	1.05
Hopewell Holdings Ltd	22,000	69,029	0.62
Kerry Properties Ltd	15,500	80,725	0.73
Kingboard Chemical Holdings Ltd	18,400	109,789	0.99
Lee & Man Paper Manufacturing Ltd	165,000	124,762	1.13
Lenovo Group Ltd	240,000	153,696	1.39
Li & Fung Ltd	19,890	115,866	1.05
Li Ning Co Ltd	129,500	274,774	2.49
Little Sheep Group Ltd	82,000	51,669	0.47
Luk Fook Holdings International Ltd	50,000	173,602	1.57
Minth Group Ltd	174,000	285,510	2.58
Pacific Textiles Holdings Ltd	90,000	58,446	0.53
Ping An Insurance (Group) Co of China Ltd – H	15,000	167,044	1.51
Ports Design Ltd	43,500	119,988	1.09
Tencent Holdings Ltd	6,400	139,499	1.26
Texwinca Holdings Ltd	4,000	5,010	0.05
Tingyi (Cayman) Holding Corp	22,000	56,468	0.51
Towngas China Co Ltd	61,000	29,024	0.26
Yue Yuen Industrial Holdings Ltd	30,500	109,819	0.99
		9,279,003	83.99

New Era PRC Fund

Investment Portfolio (Unaudited) (continued)

As at 31 December 2010

	Holdings as at 31.12.2010	Market value US\$	% of net asset value
Listed investments (99.21%)			
Listed on the Stock Exchange of New York, USA (5.65%)			
AsiaInfo-linkage Inc Com	518	8,583	0.08
Home Inns & Hotels Management Inc ADR	151	6,185	0.06
New Oriental Education & Technology Group Com	759	79,870	0.72
Mindray Medical International Ltd ADR	11,441	301,928	2.73
Perfect World Co Ltd ADR	1,800	42,516	0.38
Tal Education Group ADR	1,351	21,670	0.20
Yum! Brands Inc Com	3,326	163,140	1.48
		623,892	5.65

Listed on the Stock Exchange of Shenzhen, People's Republic of China (8.66%)			
China International Marine Container Group Co Ltd – B	43,500	100,633	0.91
China Vanke Co Ltd – B	207,618	255,772	2.32
Shenzhen Accord Pharmaceutical Co Ltd – B	16,600	50,165	0.45
Yantai Changyu Pioneer Wine Co – B	51,752	550,502	4.98
		957,072	8.66

Listed on the Stock Exchange of Singapore (0.91%)			
Capitaretail China Trust	32,000	30,346	0.27
Global Logistic Properties Ltd	42,000	70,190	0.64
		100,536	0.91
Total listed investments		10,960,503	99.21

	Holdings as at 31.12.2010	Market value US\$	% of net asset value
Listed investments (99.21%)			
Total Forex Forward Contract		(159)	(0.00)
Other net Liabilities		86,774	0.79
Net asset as at 31 December 2010		11,047,118	100.00
Total listed investments, at historical cost		7,681,336	

New Era PRC Fund

Statement of Movements in Portfolio Holdings (Unaudited)

For the Period from 1 July 2010 to 31 December 2010

	Portfolio holdings		Bonus/ Split		Portfolio holdings		Bonus/ Split
	Additions	Disposals			Additions	Disposals	
Equities				Equities			
Listed on the Stock Exchange of Hong Kong							
Anhui Conch Cement Co Ltd – H	–	10,000	–	CIMC Enric Holdings Ltd	–	14,000	–
ASM Pacific Technology	800	600	–	CNOOC Ltd	13,000	8,000	–
Bank of China Ltd – H	229,908	–	–	Dongfeng Motor Group Co Ltd	–	10,000	–
Bank of China Ltd – H Nil Paid Rts 03/12/2010	–	20,900	20,900	ENN Energy Holdings Ltd	–	8,000	–
Beijing Enterprises Holdings Ltd	–	500	–	Global Bio-chem Technology Group Co Ltd	75,200	263,200	–
Belle International Holdings Ltd	–	52,000	–	Global Bio-chem Technology Group Co Ltd Nil Paid Rts 13/07/2010	–	75,200	–
Boer Power Holdings Ltd	58,000	–	–	Greatview Aseptic Packaging Co Ltd	10,000	10,000	–
Café De Coral Holdings Ltd	–	16,000	–	GZI Real Estate Investment Trust	–	51,000	–
China Bluechemical Ltd – H	–	52,000	–	Haitan International Holdings	–	51,000	–
China Communications Services Corp Ltd – H	34,000	–	–	Harbin Power Equipment Co Ltd – H	42,000	–	–
China Construction Bank – H	98,181	–	–	Hengan International Group Co Ltd	–	9,000	–
China Construction Bank – H Nil Paid Rts 08/12/2010	–	31,150	31,150	Hong Kong & China Gas Ord	1,000	–	–
China Foods Ltd	–	60,000	–	Hopewell Highway Infrastructure Ltd	–	77,500	–
China Mengniu Dairy Co Ltd	–	15,000	–	IDS Group Ord	–	34,000	–
China Oilfield Services Ltd	68,000	–	–	Kingboard Chemical Holdings Ltd	–	14,000	–
China Merchants Bank Co Ltd – H	16,500	–	–	Kingboard Chemical Holdings Ltd Call Wts 31/10/2012	–	3,940	–
China Merchants Holdings International Co Ltd	18,305	–	–	Lee & Man Paper Manufacturing Ltd	165,000	–	–
China Mobile Ltd	18,000	–	–	Lenovo Group Ltd	–	66,000	–
China Resources Enterprise Ltd	–	30,000	–	Li & Fung Ltd	19,890	–	–
China Resources Land Ltd	8,000	–	–	Luk Fook Holdings International Ltd	–	24,000	–
China Resources Power Holdings Co	42,000	–	–	Minth Group Ltd	–	14,000	–
China Shipping Development Co Ltd – H	–	56,500	–	Pacific Textiles Holdings Ltd	22,000	–	–
China Shanshui Cement Group Co Ltd	166,000	–	–	Ping An Insurance (Group) Co of China Ltd – H	–	3,500	–
				Ports Design Ltd	–	8,500	–

New Era PRC Fund

Statement of Movements in Portfolio Holdings (Unaudited) (continued) For the Period from 1 July 2010 to 31 December 2010

	Portfolio holdings Additions	Disposals	Bonus/ Split
Equities			

Listed on the Stock Exchange of Hong Kong (Continued)

Shangri-La Asia Limited (Hong Kong Listing)	-	78,000	-
Tencent Holdings Ltd	-	2,600	-
Texwinca Holdings Ltd	4,000	-	-
Tingyi (Cayman) Holding Corp	-	20,000	-
Towngas China Co Ltd	61,000	-	-
Want Want China Holdings Ltd	-	88,000	-
Yue Yuen Industrial Holdings Ltd	-	5,500	-

Listed on the Stock Exchange of New York, USA

Asiainfo-linkage Inc Com	518	-	-
E Commerce China Dangang Inc ADR	120	120	-
Home Inns & Hotels Management Inc ADR	151	-	-
Netease.com Inc ADR	-	1,300	-
New Oriental Education & Technology Group Com	-	844	-
Perfect World Co Ltd ADR	1,600	1,400	-
Sina Corp Com	-	1,200	-
Tal Education Group ADR	1,351	-	-
Xueda Education Group ADR	758	758	-
Yum! Brands Inc Com	1,643	759	-

Listed on the Stock Exchange of Shenzhen, People's Republic of China

China International Marine Container Group Co Ltd - B	-	66,400	-
China Vanke Co Ltd - B	-	57,500	-
Shenzhen Accord Pharmaceutical Co Ltd - B	-	5,400	-
Yantai Changyu Pioneer Wine Co Ltd - B	-	9,086	-

	Portfolio holdings Additions	Disposals	Bonus/ Split
Equities			

Listed on the Stock Exchange of Singapore

Capitaretail China Trust	32,000	32,000	-
Global Logistic Properties Ltd	78,000	36,000	-

New Era PRC Fund

Statement of Net Assets (Unaudited)

As at 31 December 2010

	Dec 2010 US\$	Dec 2009 US\$
Assets		
Current assets		
Investments	10,960,503	10,996,536
Amounts receivable from brokers	41,746	9,145
Dividends receivable and other receivables	5,036	5,773
Cash at banks	117,550	35,516
Total assets	11,124,835	11,046,970
Liabilities		
Current liabilities		
Amounts payable on redemption	1,451	18,879
Amounts payable to brokers	37,342	13,986
Derivative financial instruments	159	–
Accounts payable and accrued expenses	38,765	32,826
Total liabilities	77,717	65,691
Equity		
Net assets attributable to unitholders (at bid market prices)	11,047,118	10,981,279
Number of units in issue	143,946.58	161,742.52
Net assets attributable to unitholders per unit	76.74	67.89

New Era PRC Fund

Reconciliation between Net Asset Value per the Financial Statements and Published Net Asset Value

	2010 US\$	2009 US\$
Net asset value per the financial statements	11,047,118	10,981,279
Adjustment to fair value of trading securities and trading securities sold, not yet purchased*	26,222	37,329
Net asset value used for calculating published net asset value per unit	11,073,340	11,018,608
Number of units in issue	143,946.58	161,742.52
Published net asset value per unit in issue	76.92	68.12

- * The published net asset value per unit issued is calculated using last traded price at the close of business on the balance sheet date in determining the fair value of investment securities, in accordance with the Trust Deed and Explanatory Memorandum, instead of using last bid price for securities held and last ask price for securities to be purchased, as required under International Financial Reporting Standards.

New Era PRC Fund

General Information

For the Period Ended 31 December 2010

MANAGER

First State Investments (Hong Kong) Limited
6th Floor, Three Exchange Square
8 Connaught Place, Central
Hong Kong

AUDITORS

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

DIRECTORS OF THE MANAGER

Michael Stapleton
Lau Kwok Kit Martin
(Resigned on 1 December 2010)
Robert Keith James

TRUSTEE AND REGISTRAR

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
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