

# New Era PRC Fund

Semi-Annual Report

July 2011 – December 2011

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**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 2011 To 31 Dec 2011	1 July 2010 To 31 Dec 2010
New Era PRC Fund	-16.10%	14.74%
Benchmark: MSCI China Free Index	-19.10%	11.50%

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

The Chinese markets fell over the six months to 31 December 2011, underperforming the Asia Pacific ex-Japan region. The MSCI China Index declined by 19.1% in US dollar terms, while the Asia Pacific ex-Japan Index dropped by 17.1%

The Chinese economy remains robust, although it is slowing from unsustainably high levels. Fourth quarter GDP growth was +8.9%, compared to over 10% for 2010. Retailers are starting to report more subdued same-store-sales growth numbers, such as Belle's +8.2% in the fourth quarter compared to the +18% in the third quarter. Inflation in China has eased, but remains somewhat high at 4.1% in December.

Performance was positively impacted by consumer stocks **Asahi Breweries**, **Yum Brands** and **Hengan International** which all rose as they enjoyed resilient top line growth and as the sector was viewed as defensive against an uncertain global economic backdrop.

On the negative side, **CNOOC** suffered downward revision of production growth and **Minth** was negatively impacted by loss of market share by Japanese car makers on the back of the earthquake and tsunami. **China Communications Services** underperformed as investors anticipated a rights issue.

Over the six months, significant purchases included **CPMC** and **Shirble Department Stores** which were both trading on attractive valuations. We also purchased **China Overseas Grand Oceans** as it should enjoy the strong brand and platform of China Overseas as it moves into new city markets.

We sold **China Shanshui Cement**, taking profits as it announced a sharp jump in profits, and **Li Ning** on concerns about intensifying competitive pressures. We also sold **Bank of China** to consolidate our position into China Merchants Bank and China Construction Bank.

We remain concerned about a number of global issues, notably sovereign indebtedness in Europe, high leverage in the banking system, the fiscal situation in the US and the slowdown in China. On the positive side, many of these issues are now widely recognised. We believe that economic growth will slow in China in 2012 and we continue to be cautiously positioned, preferring stocks exposed to consumption rather than investment.

# New Era PRC Fund

## Investment Portfolio (Unaudited)

### As at 31 December 2011

	Holdings as at 31.12.2011	Market value US\$	% of net asset value
<b>Listed investments (99.91%)</b>			
<i>Listed on the Stock Exchange of Hong Kong (89.68%)</i>			
AAC Acoustic Technology Hldg Inc Com	28,000	62,551	0.69
Anhui Expressway Co Ltd	220,000	127,681	1.40
Asiainfo-Linkage Inc Com	9,463	72,960	0.80
ASM Pacific Technology	2,200	24,659	0.27
Beijing Jingkelong Supermarket Chain Group Co Ltd	188,000	154,834	1.70
Belle International Holdings Ltd	151,000	262,325	2.88
Chen Hsong Hldgs Ltd	114,000	35,208	0.39
China Bluechemical Ltd	220,000	165,052	1.81
China Communications Services Corp Ltd	653,362	292,592	3.22
China Construction Bank	476,181	330,898	3.63
China Foods Ltd	84,000	65,290	0.72
China Mengniu Dairy Co Ltd	83,000	193,537	2.13
China Merchants Bank Co Ltd	187,447	378,228	4.15
China Merchants Hldgs International Co Ltd	67,463	195,768	2.15
China Mobile Ltd	13,500	131,770	1.45
China Oilfield Services Ltd	254,000	397,462	4.36
China Overseas Grand Oceans Group Ltd	84,500	73,943	0.81
China Resources Cement Holding Ltd	74,000	55,041	0.60
China Resources Enterprise Ltd	84,667	288,728	3.17
China Resources Gas Group Ltd	142,000	202,103	2.22
China Resources Land Ltd	70,000	112,059	1.23
China Resources Power Holdings Co Ltd	213,700	409,750	4.50
China Taiping Insurance Holdings Co Ltd	142,612	263,536	2.90
China Telecom Corp Ltd	614,000	347,656	3.82
CNOOC Ltd	278,000	485,818	5.34
CPMC Holidngs Ltd	278,000	119,845	1.32
Dongfeng Motor Group Co Ltd	60,000	102,691	1.13
ENN Energy Holdings Ltd	160,000	509,593	5.59
Glorious Sun Enterprises Ltd	73,900	22,443	0.25
Golden Eagle Retail Group Ltd	15,000	31,657	0.35
Haitian International Hldgs	70,000	58,101	0.64
Hengan International Group Co Ltd	22,500	209,483	2.30
Home Inns & Hotels Management Inc	1,439	37,069	0.41
Hong Kong & China Gas	112,770	260,052	2.86
Hopewell Highway Infrastructure Ltd	135,400	67,257	0.74
Hopewell Hldgs Ltd	22,000	56,225	0.62
Kingboard Chemical Hldgs Ltd	28,900	84,793	0.93
Lee & Man Paper Manufacturing Ltd	17,000	5,447	0.06
Lenovo Group Ltd	136,000	90,481	0.99
Li & Fung Ltd	21,780	40,192	0.44
Little Sheep Group Ltd	40,000	33,098	0.36

	Holdings as at 31.12.2011	Market value US\$	% of net asset value
<b>Listed investments (99.91%)</b>			
Luk Fook Holdings International Ltd			
	28,000	97,466	1.07
Mindray Medical Intl Ltd	9,206	235,397	2.59
Minth Group Ltd	162,000	151,766	1.67
Pacific Basin Shipping Ltd	88,000	35,105	0.39
Pacific Textiles Holdings Ltd	90,000	50,959	0.56
Ping An Insurance (Group) Co of China Ltd	14,000	92,061	1.01
Shenzhen Accord Pharmaceutical Co Ltd	16,600	30,334	0.33
Shirble Department Stores Ltd	848,000	87,300	0.96
Tencent Holdings Ltd	7,200	144,539	1.59
Texwinca Holdings Ltd	32,000	35,085	0.39
Tingyi (Cayman Islands) Holdings Corp	16,000	48,592	0.53
Towngas China Co Ltd	209,000	112,691	1.24
Wuxi Pharmatech Cayman Inc	6,308	69,703	0.77
Yue Yuen Industrial Hldgs Ltd	36,000	113,500	1.25
		8,162,374	89.68
<i>Listed on the Stock Exchange of Japan (1.51%)</i>			
Asahi Group Holdings Ltd	6,300	137,183	1.51
		137,183	1.51
<i>Listed on the Stock Exchange of New York, USA (1.76%)</i>			
Yum! Brands Inc	2,717	160,330	1.76
		160,330	1.76
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China (6.65%)</i>			
China Vanke Co Ltd	189,800	183,916	2.02
Yantai Changyu Pioneer Wine Co Ltd	38,510	421,034	4.63
		604,950	6.65
<i>Listed on the Stock Exchange of Singapore (0.31%)</i>			
Capitaretail China Trust	32,000	28,034	0.31
		28,034	0.31
<b>Total listed investments</b>		9,092,871	99.91
<b>Other net Assets</b>		7,920	0.09
<b>Net asset as at 31 December 2011</b>		9,100,791	100.00
<b>Total listed investments, at historical cost</b>		7,767,321	

# New Era PRC Fund

## Statement of Movements in Portfolio Holdings (Unaudited)

For the Period from 1 July 2011 to 31 December 2011

	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
<b>Equities</b>			
<i>Listed on the Stock Exchange of Hong Kong</i>			
AAC Acoustic Technology Hldg	28,000	–	–
Anhui Expressway Co Ltd	90,000	–	–
Asiainfo-Linkage Inc	5,186	–	–
ASM Pacific Technology	–	3,200	–
Bank of China Ltd	–	229,908	–
Beijing Enterprises Hldgs Ltd	–	15,000	–
Beijing Jingkelong Supermarket Chain Group Co Ltd	17,000	–	–
Belle International Holdings Ltd	–	8,000	–
Boer Power Holdings Ltd	–	58,000	–
China Foods Ltd	–	8,000	–
China Mengniu Dairy Co Ltd	12,000	–	–
China Merchants Bank Co Ltd	54,500	21,000	–
China Merchants Hldgs International Co Ltd	25,158	–	–
China Mobile Ltd	–	4,500	–
China National Materials Co	83,000	83,000	–
China Oilfield Services Ltd	20,000	6,000	–
China Overseas Grand Oceans Group Ltd	65,000	–	19,500
China Resources Cement Holding Ltd	74,000	–	–
China Resources Enterprise Ltd	4,000	2,000	–
China Resources Gas Group Ltd	22,000	–	–
China Resources Land Ltd	10,000	14,000	–
China Resources Land Ltd Nil Paid Rts 19/10/2011	–	5,692	5,692
China Resources Power Holdings Co Ltd	–	14,000	–
China Shanshui Cement Group Co Ltd	–	198,000	–
China Taiping Insurance Holdings Co Ltd	6,612	–	–
China Telecom Corp Ltd	–	58,000	–
CIMC Enric Holdings Ltd	–	75,000	–
CNOOC Ltd	28,000	–	–
CPMC Holidngs Ltd	278,000	–	–
Dongfeng Motor Group Co Ltd	–	2,000	–
ENN Energy Holdings Ltd	2,000	–	–
Golden Eagle Retail Group Ltd	15,000	–	–
Hengan International Group Co Ltd	–	2,000	–
Home Inns & Hotels Management Inc	–	861	–
Hong Kong & China Gas	46,000	–	–
Hopewell Highway Infrastructure Ltd	–	8,000	–
Kingboard Chemical Hldgs Ltd	10,500	–	–
Lee & Man Paper Manufacturing Ltd	–	167,000	–
Lenovo Group Ltd	56,000	–	–
Li & Fung Ltd	–	6,000	–
Li Ning Co Ltd	–	129,500	–
Little Sheep Group Ltd	–	42,000	–

	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
<b>Equities</b>			
Luk Fook Holdings International Ltd	–	14,000	–
Minth Group Ltd	–	12,000	–
Pacific Basin Shipping Ltd	88,000	–	–
Ping An Insurance (Group) Co of China Ltd	10,500	2,000	–
Ports Design Ltd	–	28,500	–
Shirble Department Stores Ltd	848,000	–	–
Sun Art Retail Group Ltd	35,000	35,000	–
Tencent Holdings Ltd	1,400	600	–
Towngas China Co Ltd	148,000	–	–
Wuxi Pharmatech Cayman Inc	1,589	–	–
<i>Listed on the Stock Exchange of Japan</i>			
Asahi Group Holdings Ltd	2,500	4,200	–
<i>Listed on the Stock Exchange of New York, USA</i>			
Yum! Brands Inc Com	–	231	–
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China</i>			
China Vanke Co Ltd	36,082	–	–
Yantai Changyu Pioneer Wine Co Ltd	–	6,218	–

New Era PRC Fund  
Statement of Net Assets (Unaudited)  
As at 31 December 2011

	(unaudited) 31 December 2011 US\$	(audited) 30 June 2011 US\$
<b>Assets</b>		
<b>Current assets</b>		
Investments	9,092,871	10,671,056
Amounts receivable from brokers	3,525	2,669
Dividends receivable and other receivables	7,159	49,369
Cash at banks	84,725	406,701
<b>Total assets</b>	<b>9,188,280</b>	<b>11,129,795</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Amounts payable on redemption	16,979	1,451
Amounts payable to brokers	31,839	58,256
Accounts payable and accrued expenses	38,671	49,280
<b>Total liabilities</b>	<b>87,489</b>	<b>108,987</b>
<b>Equity</b>		
Net assets attributable to unitholders (at bid market prices)	9,100,791	11,020,808
<b>Number of units in issue</b>	<b>139,871.53</b>	<b>141,818.91</b>
<b>Net assets attributable to unitholders per unit</b>	<b>65.06</b>	<b>77.71</b>

## New Era PRC Fund

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

	31 December 2011 US\$	30 June 2011 US\$
Net asset value per the financial statements	9,100,791	11,020,808
Adjustment to fair value of trading securities and trading securities sold, not yet purchased and unit subscribed and redeemed on 31 December 2011 and 30 June 2011*	41,741	28,499
Net asset value used for calculating published net asset value per unit	9,142,532	11,049,307
Number of units in issue	139,871.53	141,818.91
Published net asset value per unit in issue	65.36	77.91

\* 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 2011

<i>Manager</i>	First State Investments (Hong Kong) Limited 6th Floor, Three Exchange Square 8 Connaught Place, Central Hong Kong
<i>Directors of the Manager</i>	Chris Turpin Michael Stapleton Robert Keith James (Resigned on 7 October 2011)
<i>Auditor</i>	PricewaterhouseCoopers 22nd Floor, Prince's Building Central Hong Kong
<i>Trustee and Registrar</i>	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong



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