

New Era PRC Fund

Semi-Annual Report

July 2009 – December 2009

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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 2009 to 31 Dec 2009	1 July 2008 to 31 Dec 2008
New Era PRC Fund	33.49%	-38.94%
Benchmark:		
MSCI China Free Index	18.17%	-33.25%

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

The Chinese markets rose over the six months to 31 December 2009 with global markets, but underperformed the Asia Pacific ex-Japan region. The MSCI China Index increased by 18.2% in US dollar terms, while the Asia Pacific ex-Japan Index was up by 30.4%.

The Chinese economy responded positively to stimulus measures, including infrastructure investment and government-directed bank lending. China reported better-than-expected GDP growth as fixed asset investment and consumption remained strong and exports showed signs of stabilisation. However, property markets began to show indications of overheating with prices in some cities returning to the peak levels of 2007. Towards the end of the year, the Chinese government launched several policy initiatives to contain property prices on concerns about a potential bubble.

Performance was positively impacted by **Yantai Changyu** (Consumer Staples) which rose on improving domestic consumption and paper product manufacturer **Hengan International** which was boosted by lower pulp prices and growing tissue consumption. Beer and supermarkets group **China Resources Enterprise** (Consumer Discretionary) outperformed on the sale of non-core assets. On the negative side, **China Communications Services** (Telecom Services) lagged on concerns

that future capital spending in the telecom industry will slow and **China Resources Power** (Utilities) underperformed on worries that on-grid tariffs would not be adjusted to accommodate a potential increase in coal prices. **China Vanke** (Financials) was weak on concerns about monetary tightening.

Over the six months, significant purchases included **Longfor Properties**, a leading private property developer in China, and **China Longyuan Power**, a wind power operator. We also bought **China Resources Land**, which has a good pipeline of business. We sold **China Mobile** on valuation concerns and **Sino Gold** (Materials) as it was bought by another company. We sold **Vinda International** (Consumer Staples), taking profits after strong performance.

There are growing signs of improvement in the global economy, but we do not expect strong growth over the next three to five years. As money supply growth has exceeded 30% in China, we believe inflation will pick up in 2010. We have therefore turned our focus from stocks in the Consumer Staples sector to Consumer Discretionary companies.

New Era PRC Fund

Investment Portfolio (Unaudited)

As at 31 December 2009

	Holdings as at 31.12.2009	Market Value US\$	% of net asset value		Holdings as at 31.12.2009	Market Value US\$	% of net asset value
Listed investments (100.14%)				Listed investments (100.14%)			
Listed on the Stock Exchange of Hong Kong (84.33%)							
Anhui Expressway Co Ltd – H	156,000	108,426	0.99	China Taiping Insurance Holdings Co Ltd	90,200	291,362	2.65
ASM Pacific Technology	9,000	85,532	0.78	China Telecom Corp Ltd– H	482,000	200,756	1.83
Beijing Enterprises Holdings Ltd	18,500	134,068	1.22	CIMC Enric Holdings Ltd	107,000	79,888	0.73
Beijing Jingkelong Supermarket Chain Group Co Ltd	34,000	27,709	0.25	CNOOC Ltd	228,000	358,097	3.26
Belle International Holdings Ltd	182,000	212,157	1.93	Dongfeng Motor Group Co Ltd	100,000	143,133	1.30
Cafe de Coral Holdings Ltd	44,000	100,653	0.92	Global Bio-chem Technology Group Co Ltd	228,000	56,155	0.51
Chen Hsong Holdings Ltd	158,000	44,823	0.41	Glorious Sun Enterprises Ltd	107,900	39,376	0.36
China Bluechemical Ltd	396,000	240,000	2.19	GZI Real Estate Investment Trust	125,000	47,389	0.43
China Communications Services Corp Ltd– H	555,362	273,563	2.49	Haitian International Holdings	159,000	85,702	0.78
China Construction Bank – H	229,000	196,665	1.79	Hengan International Group Co Ltd	78,000	575,822	5.25
China Dongxiang Group Co	168,000	129,114	1.18	Hopewell Highway Infrastructure Ltd	228,400	139,013	1.27
China Foods Ltd	184,000	164,663	1.50	Hopewell Holdings Ltd	22,000	71,206	0.65
China Longyuan Power Group Corp – H	46,000	59,554	0.54	IDS Group	61,000	87,783	0.80
China Mengniu Dairy Co Ltd	101,000	359,458	3.27	Kerry Properties Ltd	17,500	89,136	0.81
China Merchants Bank Co Ltd – H	111,900	292,195	2.66	Kingboard Chemical Holdings Ltd	70,900	279,760	2.55
China Merchants Holdings International Co Ltd	14,000	45,493	0.41	Lenovo Group Ltd	378,000	235,427	2.14
China Oilfield Services Ltd	182,000	218,494	1.99	Li Ning Co Ltd	128,000	486,086	4.43
China Resources Enterprise Ltd	130,667	477,680	4.35	Little Sheep Group Ltd	82,000	45,150	0.41
China Resources Land Ltd	86,000	194,290	1.77	Longfor Properties Co Ltd	68,000	76,637	0.70
China Resources Power Holdings Co	181,700	361,291	3.29	Luk Fook Holdings International Ltd	92,000	79,484	0.72
China Shanshui Cement Group Co Ltd	75,000	54,739	0.50	Minth Group Ltd	188,000	274,909	2.50
China Shipping Development Co Ltd – H	62,500	93,972	0.86	Pacific Textiles Holdings Ltd	132,000	88,340	0.80
				Ports Design Ltd	37,500	116,538	1.06
				Shangri-La Asia Limited (Hong Kong Listing)	74,000	139,317	1.27
				Tencent Holdings Ltd	13,400	291,500	2.65
				Times Ltd	207,000	148,143	1.35
				Tingyi (Cayman) Holding Corp	70,000	172,947	1.57
				Want Want China Holdings Ltd	147,000	102,360	0.93
				Weichai Power Co Ltd	9,000	72,650	0.66

New Era PRC Fund

Investment Portfolio (Unaudited) (continued)

As at 31 December 2009

	Holdings as at 31.12.2009	Market Value US\$	% of net asset value
Listed investments (100.14%)			
Listed on the Stock Exchange of Hong Kong (84.33%) (Continued)			
Xinao Gas Holdings Ltd	154,000	393,589	3.59
Yue Yuen Industrial Holdings Ltd	41,000	118,691	1.08
		9,260,885	84.33
Listed on the Stock Exchange of New York, USA (3.42%)			
Eldorado Gold Corp	6,020	85,123	0.78
Mindray Medical International Ltd ADR	8,558	290,287	2.64
		375,410	3.42
Listed on the Stock Exchange of Shenzhen, People's Republic of China (12.12%)			
China International Marine Container Group Co Ltd – B	134,300	168,849	1.54
China Vanke Co Ltd – B	292,718	366,511	3.34
Shenzhen Accord Pharmaceutical Co Ltd – B	19,400	45,329	0.41
Yantai Changyu Pioneer Wine Co – B	84,826	750,363	6.83
		1,331,052	12.12
Listed on the Stock Exchange of Singapore (0.27%)			
Capitaretail China Trust	32,000	29,190	0.27
Total listed investments		10,996,537	100.14
Total Forex Forward Contract		(1)	0
Other net Liabilities		(15,257)	(0.14)

	Holdings as at 31.12.2009	Market Value US\$	% of net asset value
Listed investments (100.14%)			
Net asset as at 31 December 2009		10,981,279	100.00
Total listed investments, at historical cost		7,594,451	

New Era PRC Fund

Statement of Movements in Portfolio Holdings (Unaudited)

For the Period from 1 July 2009 to 31 December 2009

	Portfolio holdings		Bonus/ Split		Portfolio holdings		Bonus/ Split
	Additions	Disposals			Additions	Disposals	
Equities				Equities			
Listed on the Stock Exchange of Australia							
Sino Gold Mining Ltd	-	18,545	-	China Telecom Corp Ltd- H	-	44,000	-
				CIMC Enric Holdings Ltd	-	8,000	-
				CNOOC Ltd	8,000	-	-
				Dongfeng Motor Group Co Ltd	14,000	20,000	-
				Global Bio-chem Technology Group Co Ltd	200,000	38,000	-
				GZI Real Estate Investment Trust	-	12,000	-
				Hengan International Group Co Ltd	2,000	36,000	-
				Hopewell Highway Infrastructure Ltd	-	50,000	-
				Hopewell Holdings Ltd	8,000	-	-
				Hung Hing Printing Group	-	296,592	-
				Kerry Properties Ltd	-	17,000	-
				Kingboard Chemical Holdings Ltd	-	27,000	-
				Lenovo Group Ltd	-	158,000	-
				Li Ning Co Ltd	72,500	-	-
				Longfor Properties Co Ltd	78,000	10,000	-
				Luk Fook Holdings International Ltd	-	4,000	-
				Minth Group Ltd	-	108,000	-
				Ports Design Ltd	-	5,000	-
				Sany Heavy Equipment International Holdings Co Ltd	25,000	25,000	-
				Shangri-La Asia Limited (Hong Kong Listing)	38,000	-	-
				Sino Gold Mining Ltd (Hong Kong Listing)	-	19,946	-
				Sinopharm Medicine Holding Co Ltd - H	2,000	2,000	-
				Tencent Holdings Ltd	-	4,600	-
				Tianneng Power International Ltd	40,000	40,000	-
				Times Ltd	-	14,000	-
				Tingyi (Cayman) Holding Corp	-	58,000	-
				Trinity Ltd	28,000	28,000	-
				Vinda International Holdings	-	119,000	-
Listed on the Stock Exchange of Hong Kong							
Anhui Conch Cement Co Ltd - H	-	42,000	-				
ASM Pacific Technology	-	1,600	-				
Beijing Enterprises Holdings Ltd	-	3,000	-				
Beijing Jingkelong Supermarket Chain Group Co Ltd	34,000	-	-				
Belle International Holdings Ltd	62,000	-	-				
China Communications Services Corp Ltd - H	50,000	-	-				
China Construction Bank - H	119,000	20,000	-				
China Dongxiang Group Co	-	12,000	-				
China Foods Ltd	94,000	-	-				
China Longyuan Power Group Corp - H	46,000	-	-				
China Mengniu Dairy Co Ltd	16,000	-	-				
China Merchants Bank Co Ltd - H	-	43,500	-				
China Mobile Ltd	-	7,500	-				
China Oilfield Services Ltd	-	84,000	-				
China Resources Enterprise Ltd	-	34,000	-				
China Resources Land Ltd	86,000	-	-				
China Resources Power Holdings Co	18,700	4,000	-				
China Resources Power Holdings Co Ltd Nil Paid Right	-	16,700	-				
China Shipping Development Co Ltd - H	-	44,000	-				
China Shanshui Cement Group Co Ltd	-	10,000	-				
China Taiping Insurance Holdings Co Ltd	54,400	-	-				

New Era PRC Fund

Statement of Movements in Portfolio Holdings (Unaudited) (continued)

For the Period from 1 July 2009 to 31 December 2009

	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
Equities			
Listed on the Stock Exchange of Hong Kong (Continued)			
Want Want China Holdings Ltd	91,000	38,000	
Weichai Power Co Ltd	8,000	6,000	
Xinao Gas Holdings Ltd	–	46,000	–
Yue Yuen Industrial Holdings Ltd	–	3,500	–
Listed on the Stock Exchange of New York, USA			
Eldorado Gold Corp	6,020	–	–
Mindray Medical International Ltd ADR	3,000	–	–
Shanda Interactive Entertainment Ltd ADR	900	900	–
Listed on the Stock Exchange of Shenzhen, People's Republic of China			
China International Marine Container Group Co Ltd – B	–	19,400	–
China Vanke Co Ltd – B	12,300	5,000	–
Shenzhen Accord Pharmaceutical Co Ltd – B	19,400	–	–
Listed on the Stock Exchange of Singapore			
Capitaretail China Trust	32,000	–	–
Guocoland Ltd	–	27,000	

New Era PRC Fund

Statement of Net Assets (Unaudited)

As at 31 December 2009

	Dec 2009 US\$	Dec 2008 US\$
Assets		
Investments	10,996,536	5,851,023
Dividends receivable and other receivables	5,773	2,235
Amounts receivable from brokers	9,145	17,347
Cash at banks	35,516	153,130
Total assets	11,046,970	6,023,735
Liabilities		
Amounts payable on redemption	18,879	–
Amounts payable to brokers	13,986	16,623
Accounts payable and accrued expenses	32,826	25,336
Liabilities (excluding net assets attributable to unitholders)	65,691	41,959
Net assets attributable to unitholders (at bid market prices)	10,981,279	5,981,776
Number of Units in Issue	161,742.52	176,566.48
Net assets attributable to unitholders per unit	67.89	33.87

New Era PRC Fund

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

	2009 US\$	2008 US\$
Net asset value used for calculating published net asset value per unit	11,018,608	6,028,474
Adjustment to fair value of trading securities and trading securities sold, not yet purchased*	(37,329)	(46,698)
<u>Net asset value per the financial statements</u>	<u>10,981,279</u>	<u>5,981,776</u>
Number of units in issue	161,742.52	176,566.48
Published net asset value per unit in issue	68.12	34.14

- * 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 2009

MANAGER

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

AUDITORS

PricewaterCoopers
22/F, Prince's Building
Central
Hong Kong

DIRECTORS OF THE MANAGER

Michael Stapleton (appointed on 10 Nov 2009)
Lindsay Robert Mann (resigned on 16 Dec 2009)
Lau Kwok Kit Martin
Robert Keith James

TRUSTEE AND REGISTRAR

HSBC Institutional Trust Services (Asia) Limited
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