

New Era PRC Fund

Semi-Annual Report

July 2012 – December 2012

NEW ERA PRC FUND

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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 2012 To 31 Dec 2012	1 July 2011 To 31 Dec 2011
New Era PRC Fund	15.33%	-16.10%
Benchmark: MSCI China Free Index	18.21%	-19.10%

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

Market Review

The Chinese market rose over the six months to 31 December 2012, outperforming 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 climbed by 16.3%.

Improvements in recent economic numbers such as industrial production, property and retail sales have strengthened the belief that the economy may have bottomed out – at a growth rate that is still very high compared with the West. We continue to believe that the Chinese economy will grow at a less robust but more sustainable rate in coming years, with the composition of growth moving away from exports and fixed investment towards domestic consumption.

Performance

The fund underperformed its benchmark index over the period. Performance was held back by **Yantai Changyu** which suffered from concerns about slowing growth and increasing competition from foreign wines. **Baidu.com** was weak on concerns about competition from Qihoo360.

On the positive side, **China Oilfield Services** rose as the oil price rebounded over the period and **ENN Energy** outperformed as investors were attracted by its domestically-driven earnings. **China Telecom** contributed positively as it continued to deliver steady growth.

Transactions

Over the six months, significant purchases included **Sany Heavy Equipment** as the valuation was cheap and the company is a likely consolidator in China's coal mining equipment industry. We also bought **Biostime International** as we are backing an entrepreneurial management team.

We sold **Anhui Expressway** on concerns about the longer term risk of tolls being reduced by the state and **United Laboratories** to take profits. We also sold **Ctrip.com** on worries about the competitive landscape.

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REPORT OF THE MANAGER (CONTINUED)

Outlook

We remain focused on finding quality companies. In our view, quality comprises characteristics such as proven management integrity, transparency and a responsible attitude towards minority shareholders. The last point is often indicated by dividend payments and we remain interested in firms that generate cash and pay reasonable amounts to shareholders. Poor corporate governance remains a significant problem in China, with true ownership often muddled by the state's significant involvement in the private sector and this is something we try to navigate to the best of our abilities.

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INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 31 DECEMBER 2012

	Holdings as at 31.12.2012	Market value US\$	% of net asset value
Listed investments (99.92%)			
<i>Listed on the Stock Exchange of Hong Kong (79.46%)</i>			
AAC Technology Hldg Inc Com	40,000	139,330	1.31
Asm Pacific Technology	1,900	23,004	0.21
Beijing Jingkelong Supermarket Chain Group Co Ltd Shs - H	221,000	151,678	1.42
Belle International Holdings Ltd	90,000	193,901	1.82
Biostime International Holdings Ltd	32,500	101,046	0.95
China Bluechemical Ltd Shs - H	278,000	186,137	1.74
China Communications Services Corp Ltd - H	762,100	440,463	4.13
China Construction Bank - H	476,181	382,105	3.58
China Foods Ltd	134,000	123,431	1.16
China Mengniu Dairy Co Ltd	119,000	336,978	3.16
China Merchants Bank Co Ltd - H	196,947	433,967	4.07
China Merchants Hldgs International Co Ltd	58,009	185,595	1.74
China Oilfield Services Ltd	246,000	504,606	4.73
China Overseas Grand Oceans Group Ltd	155,250	186,467	1.75
China Resources Enterprise Ltd	38,667	139,426	1.31
China Resources Gas Group Ltd	118,000	243,264	2.28
China Resources Land Ltd	64,000	172,975	1.62
China Resources Power Holdings Co Ltd	125,700	319,464	2.99
China Taiping Insurance Holdings Co Ltd	152,012	307,891	2.89
China Telecom Corp Ltd - H	680,000	377,222	3.54
CNOOC Ltd	195,000	422,130	3.96
Cpmc Holidngs Ltd	234,000	161,506	1.51
Digital China Hldgs Ltd	45,000	76,747	0.72
Enn Energy Holdings Ltd	114,000	495,627	4.65
Glorious Sun Enterprises Ltd	73,900	21,546	0.20
Haitian International Hldgs	55,000	65,633	0.61
Hengan International Group Co Ltd	26,500	238,628	2.24
Hong Kong & China Gas	112,347	305,094	2.86
Hopewell Hldgs Ltd	13,000	55,513	0.52
Lenovo Group Ltd	198,000	179,062	1.68
Li & Fung Ltd	137,780	243,160	2.28
Minth Group Ltd	128,000	147,132	1.38
Pacific Textiles Holdings Ltd	36,000	32,232	0.30
Sany Heavy Equipment Intl Holdings Co Ltd	212,000	110,767	1.04
Shirble Department Stores Ltd	604,000	55,324	0.52
Techtronic Industries Co Ltd	59,000	109,302	1.02
Tencent Holdings Ltd	6,600	211,332	1.98
Texwinca Holdings Ltd	74,000	69,404	0.65
Tong Ren Tang Technologies Co Ltd - H	91,000	197,229	1.85
Towngas China Co Ltd	248,000	203,483	1.91

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INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)
AS AT 31 DECEMBER 2012

	Holdings as at 31.12.2012	Market Value US\$	% of net asset value
Listed investments (continued)			
<i>Listed on the Stock Exchange of Hong Kong (79.46%) (continued)</i>			
Yue Yuen Industrial Hldgs Ltd	23,500	78,370	0.73
Zhaojin Mining Industry Co Ltd - H	31,000	48,391	0.45
		<u>8,476,562</u>	<u>79.46</u>
<i>Listed on the Stock Exchange of Japan (1.95%)</i>			
Asahi Group Holdings Ltd	5,300	113,013	1.06
Softbank Corp	2,600	94,614	0.89
		<u>207,627</u>	<u>1.95</u>
<i>Listed on the Stock Exchange of New York, USA (10.53%)</i>			
Asiainfo-Linkage Inc	8,369	90,971	0.85
Baidu Inc - ADR	2,145	215,122	2.02
Mindray Medical Intl Ltd - ADR	12,499	408,842	3.83
Wuxi Pharmatech Cayman Inc - ADR	9,858	155,165	1.45
Yum! Brands Inc	3,819	253,658	2.38
		<u>1,123,758</u>	<u>10.53</u>
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China (7.58%)</i>			
China National Accord Medicines Co Ltd - B	22,000	73,311	0.69
China Vanke Co Ltd – B	242,766	391,174	3.66
Jiangling Motors Corp Ltd - B	20,134	45,689	0.43
Yantai Changyu Pioneer Wine Co – B	50,763	298,695	2.80
		<u>808,869</u>	<u>7.58</u>
<i>Listed on the Stock Exchange of Singapore (0.40%)</i>			
Capitaretail China Trust	32,000	42,794	0.40
		<u>42,794</u>	<u>0.40</u>
Total listed investments		<u>10,659,610</u>	<u>99.92</u>

NEW ERA PRC FUND

**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)
AS AT 31 DECEMBER 2012**

	Holdings as at 31.12.2012	Market Value US\$	% of net asset value
<hr/> Listed investments (continued) <hr/>			
Other net Assets		<u>8,658</u>	<u>0.08</u>
Net asset as at 31 December 2012		<u>10,668,268</u>	<u>100.00</u>
Total listed investments, at historical cost		<u>8,149,679</u>	

NEW ERA PRC FUND

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE PERIOD FROM 1 JULY 2012 TO 31 DECEMBER 2012**

	Portfolio holdings Additions	Disposals	Bonus/ Split
Equities			
<i>Listed on the Stock Exchange of Hong Kong</i>			
AAC Technology Hldg Inc Com	-	20,000	-
Anhui Expressway Co Ltd - H	-	108,000	-
Beijing Jingkelong Supermarket Chain Group Co Ltd Shs - H	33,000	-	-
Belle International Holdings Ltd	-	37,000	-
Biostime International Holdings Ltd	37,000	4,500	-
Chen Hsong Hldgs Ltd	-	110,000	-
China Bluechemical Ltd Shs - H	34,000	-	-
China Communications Services Corp Ltd - H	-	22,000	-
China Foods Ltd	70,000	20,000	-
China Mengniu Dairy Co Ltd	7,000	-	-
China Merchants Bank Co Ltd - H	13,000	3,500	-
China Merchants Hldgs International Co Ltd	546	6,000	-
China Oilfield Services Ltd	-	66,000	-
China Overseas Grand Oceans Group Ltd	-	5,000	-
China Resources Enterprise Ltd	2,000	4,000	-
China Resources Gas Group Ltd	-	6,000	-
China Resources Land Ltd	-	4,000	-
China Resources Power Holdings Co Ltd	-	42,000	-
China Shipping Development Co Ltd - H	202,000	302,000	-
China Telecom Corp Ltd - H	-	62,000	-
CNOOC Ltd	-	24,000	-
Cpmc Holidngs Ltd	56,000	14,000	-
Digital China Hldgs Ltd	15,000	-	-
Enn Energy Holdings Ltd	-	22,000	-
Golden Eagle Retail Group Ltd	-	15,000	-
Haitian International Hldgs	-	15,000	-
Hengan International Group Co Ltd	7,000	-	-
Hong Kong & China Gas	-	4,000	-
Hopewell Hldgs Ltd	-	6,000	-
Kingboard Chemical Hldgs Ltd	-	3,400	-
Lenovo Group Ltd	66,000	-	-
Li & Fung Ltd	50,000	-	-
Pacific Textiles Holdings Ltd	-	48,000	-
Sany Heavy Equipment Intl Holdings Co Ltd	212,000	-	-
Techtronic Industries Co Ltd	-	54,000	-
Tencent Holdings Ltd	1,600	200	-
Texwinca Holdings Ltd	80,000	38,000	-
Tong Ren Tang Technologies Co Ltd - H	20,000	6,000	-
Towngas China Co Ltd	-	12,000	-

NEW ERA PRC FUND

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)
FOR THE PERIOD FROM 1 JULY 2012 TO 31 DECEMBER 2012

	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
Equities (continued)			
<i>Listed on the Stock Exchange of Hong Kong (continued)</i>			
United Laboratories Ltd	-	114,000	-
Yue Yuen Industrial Hldgs Ltd	-	4,500	-
Zhaojin Mining Industry Co Ltd - H	-	3,000	-
<i>Listed on the Stock Exchange of Japan</i>			
Asahi Group Holdings Ltd	-	600	-
Softbank Corp	-	400	-
<i>Listed on the Stock Exchange of New York, USA</i>			
Asiainfo-Linkage Inc	-	465	-
Baidu Inc - ADR	1,757	-	-
Ctrip.Com Intl Ltd - ADR	700	3,500	-
Wuxi Pharmatech Cayman Inc - ADR	-	1,100	-
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China</i>			
China National Accord Medicines Co Ltd - B	-	8,200	-
China Vanke Co Ltd – B	40,200	-	-
Yantai Changyu Pioneer Wine Co – B	5,900	-	-
<i>Listed on the Stock Exchange of Singapore</i>			
Capitaretail China Trust	64,000	64,000	-

NEW ERA PRC FUND

**STATEMENT OF NET ASSETS (UNAUDITED)
AS AT 31 DECEMBER 2012**

	(unaudited) 31 December 2012 US\$	(audited) 30 June 2012 US\$
Assets		
Current assets		
Investments	10,659,610	9,364,436
Derivative financial instruments	1	-
Amounts receivable from brokers	-	30,217
Dividends receivable and other receivables	4,133	57,590
Cash at banks	111,789	113,102
	<hr/>	<hr/>
Total assets	10,775,533	9,565,345
	<hr/>	<hr/>
Liabilities		
Current liabilities		
Amounts payable on redemption	27,511	1,451
Amounts payable to brokers	42,881	78,819
Derivative financial instruments	-	67
Accounts payable and accrued expenses	36,873	49,059
	<hr/>	<hr/>
Total liabilities	107,265	129,396
	<hr/>	<hr/>
Equity		
Net assets attributable to unitholders (at bid market prices)	10,668,268	9,435,949
	<hr/> <hr/>	<hr/> <hr/>
Number of units in issue	133,906.71	137,000.06
	<hr/> <hr/>	<hr/> <hr/>
Net assets attributable to unitholders per unit	79.67	68.88
	<hr/> <hr/>	<hr/> <hr/>

NEW ERA PRC FUND**RECONCILIATION BETWEEN NET ASSET VALUE PER THE FINANCIAL STATEMENTS
AND PUBLISHED NET ASSET VALUE**

	31 December 2012 US\$	30 June 2012 US\$
Net asset value per the financial statements	10,668,268	9,435,949
Adjustment to fair value of trading securities and trading securities sold, not yet purchased and unit subscribed and redeemed on 31 December 2012 and 30 June 2012 *	<u>(8,809)</u>	<u>19,964</u>
Net asset value used for calculating published net asset value per unit	<u>10,659,459</u>	<u>9,455,913</u>
Number of units in issue	133,906.71	137,000.06
Published net asset value per unit in issue	79.60	69.02

* 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.

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**GENERAL INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2012**

<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 Djayawinata Adrianus Michael Stapleton Ng Hui Lin
<i>Trustee and Registrar</i>	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
<i>Auditor</i>	PricewaterhouseCoopers 22nd Floor, Prince's Building Central Hong Kong
<i>Legal Advisor to the Manager</i>	Deacons Alexandra House 5th Floor 18 Charter Road Central Hong Kong

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