

First State New Era PRC Fund

Semi-Annual Report

July 2014 - December 2014

FIRST STATE NEW ERA PRC FUND

Contents	Pages
Report of the manager (unaudited)	1 - 2
Investment portfolio (unaudited)	3 - 5
Statement of movements in portfolio holdings (unaudited)	6 - 7
Statement of net assets (unaudited)	8
General information	9

This semi-annual report shall not constitute an offer to sell or a solicitation of an offer to buy units in the First State 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.

FIRST STATE NEW ERA PRC FUND

REPORT OF THE MANAGER (UNAUDITED)

PERFORMANCE

	1 July 2014 To 31 Dec 2014	1 July 2013 To 31 Dec 2013
First State New Era PRC Fund	(2.74%)	18.64%
Benchmark: MSCI China Free Index	8.81%	16.52%

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

Market Review

The Chinese market rose over the six months to 31 December 2014, outperforming the Asia Pacific ex-Japan region. The MSCI China Index increased by 8.8% in US dollar terms, while the Asia Pacific ex-Japan Index fell by 3.8%.

China was the strongest market in the region and outperformed global markets over the period driven by supportive policy measures including an interest rate cut, the first in two years, and the launch of the Shanghai-Hong Kong Stock Connect programme. The rate cut helped spur strong gains in the Financials sector in particular, while Telecom Services stocks performed well as they benefited from the launch of a tower-sharing venture by the state-run companies. The Energy sector declined with the oil price and Consumer Staples also fell.

Performance

The fund underperformed its benchmark index over the period as China Oilfield Services was impacted by the decline in the oil price and ENN Energy was weak as a result of concerns over slowing economic growth, price hikes and losses made by their gas refuelling stations. CPMC Holdings fell in the fourth quarter following a period of strong performance.

On the positive side, a number of the stocks we hold in the Financials sector performed well following policy measures, including China Merchants Bank and China Taiping Insurance. Baidu performed well on progress in its mobile business.

Transactions

Over the six months, significant purchases included Delta Electronics because of its high-quality management team and ability to innovate and China BlueChemical as its valuation is attractive, capex intensity has peaked and it is generating free cash flow.

We sold China Overseas Grand Oceans, the property company, on concerns over alignment, and Sunny Optical Technology as the valuation became too high and we had concerns about oversupply in touch panels. We also sold Techtronic Industries on valuation grounds.

FIRST STATE NEW ERA PRC FUND

REPORT OF THE MANAGER (UNAUDITED) (CONTINUED)

Outlook

Investors continue to be concerned about the slowdown in the Chinese economy. These worries are largely focused on the health of the banking and property sectors. Indeed, these and other oversupplied sectors could pose significant risks to growth. The government is seeking a real adjustment to the economy and is perhaps now less worried about engineering a 'controlled' slowdown. As such, we expect the slowdown will continue as China ultimately transitions to a slower, but more sustainable rate of growth.

The continued focus on things like the environment, fuel efficiency and labour rights means tougher standards and higher compliance costs for a wide range of sectors, which is bad news for companies operating with an opportunistic mind set and without a compliance culture. However, this should be positive for honest and compliant operators over the long-term. We are focused on investing in companies with differentiating characteristics and strong management which are trading on reasonable valuations. We think companies with these attributes should provide strong performance over the medium to long-term and are best placed to do well in view of the challenges and risks arising from the significant changes taking place in China's economy.

FIRST STATE NEW ERA PRC FUND

**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 31 DECEMBER 2014**

	Holdings as at 31.12.2014	Market value US\$	% of net asset value
Listed investments – equities (100.23%)			
<i>Listed on the Stock Exchange of Hong Kong (82.74%)</i>			
AAC Technologies Hldg Inc Com	19,500	104,454	1.01
ASM Pacific Technology	28,600	272,844	2.64
China Bluechemical Ltd Shs - H	312,000	110,613	1.07
China Construction Bank - H	409,181	336,026	3.25
China Mengniu Dairy Co Ltd	83,000	342,409	3.31
China Merchants Bank Co Ltd - H	214,291	537,606	5.20
China Oilfield Services Ltd	242,000	419,931	4.06
China Resources Enterprise Ltd	30,667	64,206	0.62
China Resources Gas Group Ltd	86,000	223,404	2.16
China Resources Land Ltd	66,000	174,002	1.68
China Resources Power Holdings Co Ltd	53,700	138,459	1.34
China Suntien Green Energy Corp Ltd - H	273,000	57,016	0.55
China Taiping Insurance Holdings Co Ltd	161,261	461,530	4.46
China Telecom Corp Ltd - H	468,000	273,917	2.65
China Vanke Co Ltd - H	163,126	363,820	3.52
CNOOC Ltd	204,000	274,567	2.66
CPMC Holdings Ltd	382,000	206,838	2.00
CSPC Pharmaceutical Group Ltd	244,000	215,161	2.08
ENN Energy Holdings Ltd	80,000	453,795	4.39
Haitian International Hldgs	36,000	75,928	0.74
Hang Lung Group Ltd	21,000	95,297	0.92
Hengan International Group Co Ltd	9,200	96,130	0.93
Hong Kong & China Gas	77,750	178,017	1.72
Lee's Pharmaceutical Holdings Ltd	70,000	102,336	0.99
Lenovo Group Ltd	318,000	418,162	4.05
Luk Fook Holdings International Ltd	29,000	108,982	1.06
Minth Group Ltd	156,000	323,793	3.13
Pacific Textiles Holdings Ltd	83,000	109,999	1.06
Shenzhou International Group	64,000	211,221	2.04
Sino Biopharmaceutical Ltd	204,000	184,886	1.79
Sun Art Retail Group Ltd	122,597	121,857	1.18
Tencent Holdings Ltd	29,800	432,201	4.18
Tong Ren Tang Technologies Co Ltd - H	310,000	400,449	3.87
Towngas China Co Ltd	377,681	382,706	3.70
Want Want China Holdings Ltd	214,000	281,956	2.73
		8,554,518	82.74

FIRST STATE NEW ERA PRC FUND

**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)
AS AT 31 DECEMBER 2014**

	Holdings as at 31.12.2014	Market value US\$	% of net asset value
Listed investments – equities (100.23%) (continued)			
<i>Listed on the Stock Exchange of Japan (1.63%)</i>			
Softbank Corp	2,800	168,613	1.63
		<hr/>	<hr/>
		168,613	1.63
		<hr/>	<hr/>
<i>Listed on the Stock Exchange of New York, U.S.A. (8.89%)</i>			
Baidu Inc - ADR	2,114	481,929	4.66
Mindray Medical Intl Ltd - ADR	10,206	269,438	2.60
Wuxi Pharmatech Cayman Inc - ADR	5,000	168,350	1.63
		<hr/>	<hr/>
		919,717	8.89
		<hr/>	<hr/>
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China (4.46%)</i>			
China National Accord Medicines Co Ltd - B	22,100	102,739	0.99
Jiangling Motors Corp Ltd - B	26,556	105,035	1.02
Luthai Textile Co Ltd - B	93,350	123,836	1.20
Weifu High-Technology Co Ltd - B	37,750	129,211	1.25
		<hr/>	<hr/>
		460,821	4.46
		<hr/>	<hr/>
<i>Listed on the Stock Exchange of Singapore (0.43%)</i>			
Capitaretail China Trust	36,205	44,239	0.43
		<hr/>	<hr/>
		44,239	0.43
		<hr/>	<hr/>
<i>Listed on the Stock Exchange of Taiwan (2.08%)</i>			
Delta Electronics Inc	36,000	214,917	2.08
		<hr/>	<hr/>
		214,917	2.08
		<hr/>	<hr/>

FIRST STATE NEW ERA PRC FUND

**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)
AS AT 31 DECEMBER 2014**

	Market value US\$	% of net asset value
<hr/> Listed investments – equities (100.23%) (continued) <hr/>		
Total listed investments – equities	10,362,825	100.23
Derivative financial instruments	(114)	(0.00)
Other liabilities	(23,854)	(0.23)
Net assets as at 31 December 2014	<u>10,338,857</u>	<u>100.00</u>
 Total listed investments, at historical cost	 <u>7,688,360</u>	

FIRST STATE NEW ERA PRC FUND

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE PERIOD FROM 1 JULY 2014 TO 31 DECEMBER 2014**

Listed investments	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
<u>Equities</u>			
<i>Listed on the Stock Exchange of Hong Kong</i>			
AAC Technologies Hldg Inc Com	-	12,500	-
ASM Pacific Technology	19,400	-	-
China Bluechemical Ltd Shs - H	312,000	-	-
China Mengniu Dairy Co Ltd	16,000	-	-
China Merchants Bank Co Ltd - H	-	9,000	-
China Oilfield Services Ltd	18,000	-	-
China Overseas Grand Oceans Group Ltd	-	300,250	-
China Resources Gas Group Ltd	-	20,000	-
China Resources Land Ltd	-	6,000	-
China Resources Power Holdings Co Ltd	12,000	-	-
China Taiping Insurance Holdings Co Ltd	28,649	7,800	-
China Taiping Insurance Holdings Co Ltd Nil Paid Rts	-	28,646	28,646
China Telecom Corp Ltd - H	24,000	-	-
China Vanke Co Ltd - H	-	32,600	-
CNOOC Ltd	17,000	-	-
CPMC Holdings Ltd	-	37,000	-
CSPC Pharmaceutical Group Ltd	124,000	-	-
ENN Energy Holdings Ltd	10,000	2,000	-
Hang Lung Group Ltd	5,000	-	-
Luen Thai Holdings Ltd	-	232,000	-
Minth Group Ltd	-	4,000	-
Shenzhou International Group	8,000	3,000	-
Sino Biopharmaceutical Ltd	-	24,000	-
Sunny Optical Technology Group Co Ltd	-	81,000	-
Techtronic Industries Co Ltd	-	30,000	-
Tencent Holdings Ltd	-	1,700	-
Tong Ren Tang Technologies Co Ltd - H	62,000	-	-
Towngas China Co Ltd	77,681	-	-
United Laboratories Ltd	-	58,000	-
Want Want China Holdings Ltd	45,000	-	-
<i>Listed on the Stock Exchange of Japan</i>			
Softbank Corp	500	200	-
<i>Listed on the Stock Exchange of New York, U.S.A.</i>			
Alibaba Group Holding Ltd - ADR	199	199	-
Baidu Inc - ADR	-	298	-

FIRST STATE NEW ERA PRC FUND

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)
FOR THE PERIOD FROM 1 JULY 2014 TO 31 DECEMBER 2014**

Listed investments (continued)	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
<u>Equities (continued)</u>			
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China</i>			
China National Accord Medicines Co Ltd - B	4,000	-	-
<i>Listed on the Stock Exchange of Singapore</i>			
Capitaretail China Trust	36,205	36,205	-
<i>Listed on the Stock Exchange of Taiwan</i>			
Delta Electronics Inc	36,000	-	-

FIRST STATE NEW ERA PRC FUND

**STATEMENT OF NET ASSETS (UNAUDITED)
AS AT 31 DECEMBER 2014**

	(unaudited) 31 December 2014 US\$	(audited) 30 June 2014 US\$
Assets		
Current assets		
Investments	10,362,825	10,319,017
Amounts receivable from brokers	54,645	6,191
Dividend receivable and other receivables	-	33,126
Cash at banks	133,283	75,432
Total assets	10,550,753	10,433,766
Liabilities		
Current liabilities		
Amounts payable on redemption	117,498	53,132
Amounts payable to brokers	49,795	44,427
Derivative financial instruments	114	8
Accounts payable and accrued expenses	44,489	51,331
Total liabilities (excluding net assets attributable to unitholders)*	211,896	148,898
Net assets attributable to unitholders	10,338,857	10,284,868
Number of units in issue		
- Class II (USD)	104,324.10	108,787.13
- Class III (USD)	77,379.93	-
Net assets attributable to unitholders per unit		
- Class II (USD)	91.96	94.54
- Class III (USD)	9.61	-

* Net assets attributable to unitholders are classified as financial liabilities as at 31 December 2014 and as equity as at 30 June 2014.

FIRST STATE NEW ERA PRC FUND

**GENERAL INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2014**

<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 Ng Hui Lin Todd Prado
<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

First State Investments (Hong Kong) Limited

Level 6
Three Exchange Square
8 Connaught Place
Central
Hong Kong

Telephone: (852) 2846 7555
Intermediary Hotline: (852) 2846 7575
Investor Services Hotline: (852) 2846 7566
Fax: (852) 2868 4742
Email: info@firststate.com.hk
www.firststateinvestments.com*

* The SFC has not reviewed the contents of this website.