

# New Era PRC Fund

Semi-Annual Report

July 2013 – December 2013

## 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 (UNAUDITED)

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#### PERFORMANCE

	1 July 2013 To 31 Dec 2013	1 July 2012 To 31 Dec 2012
New Era PRC Fund	18.64%	15.33%
Benchmark: MSCI China Free Index	16.52%	18.21%

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

#### Market Review

The Chinese market rose over the six months to 31 December 2013, outperforming the Asia Pacific ex-Japan region. The MSCI China Index increased by 16.5% in US dollar terms, while the Asia Pacific ex-Japan Index climbed by 9.9%.

Chinese equities rebounded at the beginning of the period, following a pronounced sell-off in June caused by concerns that the US Federal Reserve would begin ‘tapering’ quantitative easing (‘QE’) in the second half of 2013. Positive performance continued through the period as concerns over QE tapering eased and equities were buoyed by stable economic data and policy announcements. The market responded strongly to the government’s statement following the Third Plenum – a major policy meeting of China’s leaders – which reaffirmed its commitment to reform.

#### Performance

The fund outperformed its benchmark index over the period driven by China Oilfield Services, which has delivered positive earnings, and strong performance from ENN Energy, on the back of a positive outlook for clean energy in China and steady growth. Tencent Holdings benefited from a growing mobile gaming user base.

On the negative side, China Vanke and China Overseas Grand Oceans were impacted by concerns over property prices, while Yantai Changyu suffered as a result of concerns about slowing growth and increasing competition from foreign wines.

#### Transactions

Over the six months, significant purchases included Luthai Textile due to its reasonable valuations and steady growth profile and Sun Art Retail Group, a supermarket chain, which is likely to be substantially larger on a five-year view. We also purchased jewellery retailer Luk Fook Holdings, which is reasonably valued.

We sold China Merchants Holdings which reached a full valuation and Belle International on concerns over increasing fragmentation in the shoe industry. We also sold Texwinca Holdings, a textile company, as we prefer Shenzhou International.

## **NEW ERA PRC FUND**

### **REPORT OF THE MANAGER (UNAUDITED) (CONTINUED)**

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#### **Outlook**

We remain focused on finding quality companies, which in our view, means those with characteristics such as proven management integrity, transparency and a responsible attitude towards minority shareholders. Growing non-performing loans (NPLs), peaking property prices and continued overcapacity remain major risks for the Chinese economy. On the other hand, reform measures should begin to transform the economy to a more balanced and dynamic one. In the meantime, companies with sustainable competitiveness, differentiated products and healthy financials should emerge stronger from the downturn.

**NEW ERA PRC FUND**

**INVESTMENT PORTFOLIO (UNAUDITED)  
AS AT 31 DECEMBER 2013**

	<b>Holdings as at 31.12.2013</b>	<b>Market value US\$</b>	<b>% of net asset value</b>
<b>Listed investments (100.51%)</b>			
<i>Listed on the Stock Exchange of Hong Kong (79.72%)</i>			
AAC Technologies Hldg Inc Com	44,500	216,061	1.81
ASM Pacific Technology	6,300	52,240	0.44
Beijing Jingkelong Company Ltd Shs - H	221,000	80,655	0.68
China Bluechemical Ltd Shs - H	266,000	167,056	1.40
China Communications Services Corp Ltd - H	272,100	167,729	1.40
China Construction Bank - H	447,181	337,358	2.83
China Mengniu Dairy Co Ltd	96,000	453,729	3.80
China Merchants Bank Co Ltd - H	253,791	540,677	4.53
China Oilfield Services Ltd	224,000	690,395	5.78
China Overseas Grand Oceans Group Ltd	174,250	165,837	1.39
China Resources Enterprise Ltd	30,667	101,638	0.85
China Resources Gas Group Ltd	128,000	441,556	3.70
China Resources Land Ltd	64,000	158,300	1.33
China Resources Power Holdings Co Ltd	45,700	107,968	0.90
China Taiping Insurance Holdings Co Ltd	152,012	308,556	2.58
China Telecom Corp Ltd - H	548,000	277,025	2.32
CNOOC Ltd	195,000	362,620	3.04
CPMC Holdings Ltd	584,000	453,379	3.80
CSPC Pharmaceutical Group Ltd	80,000	63,035	0.53
ENN Energy Holdings Ltd	100,000	735,067	6.16
Haitian International Hldgs	36,000	81,244	0.68
Hang Lung Group Ltd	16,000	80,780	0.68
Hengan International Group Co Ltd	9,700	114,332	0.96
Hong Kong & China Gas	70,682	162,066	1.36
Lenovo Group Ltd	276,000	335,639	2.81
Li & Fung Ltd	91,780	118,359	0.99
Luen Thai Holdings Ltd	162,000	56,198	0.47
Luk Fook Holdings International Ltd	29,000	109,389	0.92
Minth Group Ltd	150,000	309,502	2.59
Pacific Textiles Holdings Ltd	36,000	54,875	0.46
Shenzhou International Group	57,000	213,169	1.79
Sino Biopharmaceutical Ltd	144,000	114,020	0.95
Sun Art Retail Group Ltd	78,931	110,950	0.93
Techtronic Industries Co Ltd	43,500	122,853	1.03
Tencent Holdings Ltd	7,300	465,993	3.90
Texhong Textile Group Ltd	43,500	56,434	0.47
Tong Ren Tang Technologies Co Ltd - H	125,000	398,161	3.33
Towngas China Co Ltd	345,000	399,528	3.35
United Laboratories Ltd	226,000	90,932	0.76
Want Want China Holdings Ltd	167,000	240,774	2.02
		<b>9,516,079</b>	<b>79.72</b>

NEW ERA PRC FUND

INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 31 DECEMBER 2013

	Holdings as at 31.12.2013	Market value US\$	% of net asset value
<b>Listed investments (100.51%) (continued)</b>			
<i>Listed on the Stock Exchange of Japan (1.76%)</i>			
Softbank Corp	2,400	209,977	1.76
		<u>209,977</u>	<u>1.76</u>
<i>Listed on the Stock Exchange of New York, U.S.A (11.86%)</i>			
Asiainfo-Linkage Inc	8,369	100,010	0.84
Baidu Inc - ADR	2,139	380,421	3.18
Mindray Medical Intl Ltd - ADR	12,513	455,223	3.81
Wuxi Pharmatech Cayman Inc - ADR	6,590	252,858	2.12
Yum! Brands Inc	3,012	227,737	1.91
		<u>1,416,249</u>	<u>11.86</u>
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China (6.86%)</i>			
China National Accord Medicines Co Ltd - B	22,000	101,568	0.85
China Vanke Co Ltd - B	226,266	352,483	2.95
Jiangling Motors Corp Ltd - B	28,034	104,372	0.87
Luthai Textile Co Ltd - B	87,200	121,673	1.02
Weifu High-Technology Co Ltd - B	37,750	132,318	1.11
Yantai Changyu Pioneer Wine Co - B	2,043	6,795	0.06
		<u>819,209</u>	<u>6.86</u>
<i>Listed on the Stock Exchange of Singapore (0.31%)</i>			
Capitaireretail China Trust	35,018	36,670	0.31
		<u>36,670</u>	<u>0.31</u>
<b>Total listed investments</b>		<u>11,998,184</u>	<u>100.51</u>
<b>Other net liabilities</b>		<u>(60,517)</u>	<u>(0.51)</u>
<b>Net asset as at 31 December 2013</b>		<u>11,937,667</u>	<u>100.00</u>
<b>Total listed investments, at historical cost</b>		<u>8,116,921</u>	

**NEW ERA PRC FUND**

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)  
FOR THE PERIOD FROM 1 JULY 2013 TO 31 DECEMBER 2013**

	<b>Portfolio holdings</b>		<b>Bonus/ Split</b>
	<b>Additions</b>	<b>Disposals</b>	
<b>Equities</b>			
<i>Listed on the Stock Exchange of Hong Kong</i>			
AAC Technologies Hldg Inc Com	19,000	2,500	-
ASM Pacific Technology	6,300	-	-
Belle International Holdings Ltd	-	90,000	-
China Bluechemical Ltd Shs - H	-	22,000	-
China Communications Services Corp Ltd - H	-	474,000	-
China Construction Bank - H	-	29,000	-
China Foods Ltd	-	134,000	-
China Mengniu Dairy Co Ltd	-	13,000	-
China Merchants Bank Co Ltd - H	38,344	4,500	-
China Merchants Bank Co Ltd - H Nil Paid Rts 19/09/2013	-	38,270	38,270
China Merchants Hldgs International Co Ltd	317	50,326	-
China Oilfield Services Ltd	-	22,000	-
China Overseas Grand Oceans Group Ltd	35,000	-	-
China Resources Power Holdings Co Ltd	-	14,000	-
CPMC Holdings Ltd	107,000	-	-
CSPC Pharmaceutical Group Ltd	80,000	-	-
ENN Energy Holdings Ltd	-	12,000	-
Glorious Sun Enterprises Ltd	-	73,900	-
Haitian International Hldgs	-	12,000	-
Hang Lung Group Ltd	7,000	-	-
Hengan International Group Co Ltd	1,000	13,500	-
Hong Kong & China Gas	-	21,000	-
Li & Fung Ltd	-	108,000	-
Luen Thai Holdings Ltd	162,000	-	-
Luk Fook Holdings International Ltd	35,000	6,000	-
Minth Group Ltd	46,000	-	-
Shenzhou International Group	19,000	-	-
Sino Biopharmaceutical Ltd	68,000	12,000	-
Sun Art Retail Group Ltd	78,931	-	-
TCC International Holdings Limited	-	126,000	-
Tencent Holdings Ltd	-	700	-
Texhong Textile Group Ltd	43,500	-	-
Texwinca Holdings Ltd	-	74,000	-
Tong Ren Tang Technologies Co Ltd - H	29,000	4,000	-
Towngas China Co Ltd	40,000	12,000	-
United Laboratories Ltd	324,000	98,000	-
Want Want China Holdings Ltd	32,000	-	-
Zhaojin Mining Industry Co Ltd - H	20,000	63,500	-

**NEW ERA PRC FUND**

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)  
FOR THE PERIOD FROM 1 JULY 2013 TO 31 DECEMBER 2013**

	Portfolio holdings Additions	Disposals	Bonus/ Split
<b>Equities (continued)</b>			
<i>Listed on the Stock Exchange of Japan</i>			
Softbank Corp	-	1,000	-
<i>Listed on the Stock Exchange of New York, U.S.A</i>			
Baidu Inc - ADR	171	413	-
Mindray Medical Intl Ltd - ADR	671	657	-
Qunar Cayman Islands Limited - ADR	129	129	-
Wuxi Pharmatech Cayman Inc - ADR	-	890	-
Yum! Brands Inc	-	1,139	-
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China</i>			
Anhui Gujing Distillery Co Ltd - B	-	15,900	-
China Vanke Co Ltd - B	600	17,700	-
Luthai Textile Co Ltd - B	87,200	-	-
Weifu High-Technology Co Ltd - B	5,800	-	10,650
Yantai Changyu Pioneer Wine Co - B	-	31,540	-
<i>Listed on the Stock Exchange of Singapore</i>			
Capitaretail China Trust	35,018	32,000	-
Capitaretail China Trust Nil Paid Rts 13/11/2013	-	1,982	1,982



**NEW ERA PRC FUND****STATEMENT OF NET ASSETS (UNAUDITED)  
AS AT 31 DECEMBER 2013**

	<b>(unaudited) 31 December 2013 US\$</b>	<b>(audited) 30 June 2013 US\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Investments	11,998,184	10,603,025
Amounts receivable from brokers	778	-
Dividends receivable and other receivables	119	64,087
Cash at banks	48,236	148,114
<b>Total assets</b>	<u>12,047,317</u>	<u>10,815,226</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Amounts payable on redemption	11,892	1,451
Amounts payable to brokers	58,643	26,363
Accounts payable and accrued expenses	39,115	52,437
<b>Total liabilities</b>	<u>109,650</u>	<u>80,251</u>
<b>Equity</b>		
Net assets attributable to unitholders (at bid market prices)	<u>11,937,667</u>	<u>10,734,975</u>
<b>Number of units in issue</b>	<u>123,028.74</u>	<u>131,460.52</u>
<b>Net assets attributable to unitholders per unit</b>	<u>97.03</u>	<u>81.66</u>

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

	<b>31 December 2013 US\$</b>	<b>30 June 2013 US\$</b>
Net asset value per the financial statements	11,937,667	10,734,975
Adjustment to fair value of trading securities and trading securities sold, not yet purchased and unit subscribed and redeemed on 31 December 2013 and 30 June 2013 *	29,548	44,134
Net asset value used for calculating published net asset value per unit	<u>11,967,215</u>	<u>10,779,109</u>
Number of units in issue	123,028.74	131,460.52
Published net asset value per unit in issue	97.27	81.99

\* 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 2013**

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<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 Todd Prado (appointed on 25 July 2013)
<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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