

First State New Era PRC Fund

Semi-Annual Report

July 2015 - December 2015

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 2015 to 31 Dec 2015	1 July 2014 to 31 Dec 2014
First State New Era PRC Fund Class II*	(14.73%)	(2.74%)
Benchmark: MSCI China Free Index	(19.56%)	8.81%
	1 July 2015 to 31 Dec 2015	7 October 2014 to 31 Dec 2014
First State New Era PRC Fund Class III	(14.69%)	(3.90%)
Benchmark: MSCI China Free Index	(19.56%)	4.67%

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

* As per the updated Explanatory Memorandum dated 7 October 2014, the existing units of the Fund will be referred to as "Class II" units.

Review

Over the six months to 31 December 2015, the MSCI China Index fell by 19.6% in US dollar terms, underperforming the MSCI World Index which declined 4.7%. The Chinese market slumped due to overcapacity concerns in the manufacturing sector and a general slowdown in economic activity. At a sector level, Energy and Materials were the worst performers, while Health Care declined the least.

Performance

The portfolio outperformed its benchmark index over the period.

On the positive side, China Vanke was bid up as property developer Baoneng Group sought to launch a hostile takeover of the company, while Shenzhou International was lifted by strong earnings results. Sino Biopharm rose as the government announced that price caps on drugs in China was to be lifted.

Detracting from performance, China Oilfield Services slumped on the back of weak earnings results following a collapse in oil prices while China Mengniu was dragged down by a profit warning at subsidiary company Yashili and greater competition from foreign brands. Towngas China was affected by concerns around weaker gas demand due to China's economic slowdown, price cuts due to government intervention and its renminbi exposure.

Portfolio changes

Significant new positions established over the period included Shanghai International Airport, the hub airport for the Yangtze Delta region. Air travel in China at present is still very low but has decent growth potential, supported by an increasing number of outbound tourists and surplus capacity. We added Vitasoy International as we believe the company should benefit from the trend towards differentiated products and bought China Resources Gas, a quality gas distributor that should benefit from the long-term growth in gas demand.

We sold Wuxi Pharmatech to fund other buy ideas. The company is being taken private and there was little upside to the privatisation offer price. We also sold CNOOC, taking profits on its recent strength and Lee's Pharmaceutical on portfolio consolidation and concerns around its licensing model.

First State New Era PRC Fund
Report of the Manager (Unaudited) (continued)

Outlook

We expect the Chinese economy to continue its structural slowdown in 2016. There are downside risks in the manufacturing sector due to over-capacity issues and lacklustre demand, which could exert pressure on company margins. Though there is evidence that over-capacity adjustments are taking place across a number of outputs, we believe more needs to be done. Recent announcements which emphasise supply-side reforms to cut capacity, streamline administrative processes and improve productivity are all positive signs in this area.

Another key issue to watch out for this year is the further weakening of the renminbi. Since the PBoC devalued the Chinese currency last August, the renminbi has continued to decline, dropping to a multi-year low in December. With US interest rates on an upward path, renminbi devaluation concerns could remain for some time.

**First State New Era PRC Fund
Investment Portfolio (Unaudited)
as at 31 December 2015**

	Holdings as at 31.12.2015	Market value US\$	% of net asset value
Listed investments – equities (95.57%)			
<i>Listed on the Stock Exchange of Hong Kong (70.67%)</i>			
AAC Technologies Hldg Inc Com	20,000	130,431	1.25
Aeon Stores (Hong Kong) Co Ltd	102,500	100,236	0.96
ASM Pacific Technology	34,200	268,704	2.57
Changan Minsheng APLL Logistic	54,000	56,082	0.54
China Bluechemical Ltd Shs - H	480,000	130,664	1.25
China Conch Venture Holdings Ltd	50,000	103,597	0.99
China Construction Bank - H	239,181	163,852	1.56
China Mengniu Dairy Co Ltd	207,000	337,558	3.22
China Merchants Bank Co Ltd - H	162,791	384,337	3.67
China Oilfield Services Ltd	240,000	206,523	1.97
China Resources Gas Group Ltd	36,000	107,519	1.03
China Resources Land Ltd	34,137	99,532	0.95
China Resources Power Holdings Co Ltd	47,965	93,316	0.89
China Taiping Insurance Holdings Co Ltd	163,261	505,504	4.83
China Vanke Co Ltd - H	153,026	452,097	4.32
CPMC Holdings Ltd	164,000	101,347	0.97
CSPC Pharmaceutical Group Ltd	312,000	318,795	3.04
ENN Energy Holdings Ltd	68,000	362,757	3.46
Fuyao Glass Industry Group Co Ltd - H	53,600	129,173	1.23
Hang Lung Group Ltd	24,000	78,027	0.75
I.T Ltd	330,000	87,703	0.84
Lenovo Group Ltd	312,000	316,782	3.03
Li & Fung Ltd	70,000	47,593	0.45
Luye Pharma Group Ltd	105,500	109,975	1.05
Minth Group Ltd	102,000	202,652	1.94
Pacific Textiles Holdings Ltd	45,000	69,434	0.66
Shenzhou International Group	50,000	287,375	2.74
Sino Biopharmaceutical Ltd	270,000	245,923	2.35
Sun Art Retail Group Ltd	198,597	149,885	1.43
Tencent Holdings Ltd	22,300	438,739	4.19
Tong Ren Tang Technologies Co Ltd - H	355,000	582,568	5.56
Towngas China Co Ltd	643,681	373,692	3.57
Truly International Holdings Ltd	440,000	105,584	1.01
Vitasoy Intl Hldgs Ltd	56,000	114,873	1.10
Want Want China Holdings Ltd	120,000	89,328	0.85
Xinjiang Goldwind Sci & Tech - H	24,400	46,904	0.45
		7,399,061	70.67

First State New Era PRC Fund
Investment Portfolio (Unaudited) (continued)
as at 31 December 2015

	Holdings as at 31.12.2015	Market value US\$	% of net asset value
Listed investments – equities (95.57%) (continued)			
<i>Listed on the Stock Exchange of New York, U.S.A.</i>			
<i>(3.21%)</i>			
Baidu Inc - ADR	1,778	336,113	3.21
		<u>336,113</u>	<u>3.21</u>
<i>Listed on the Stock Exchange of Shanghai</i>			
<i>(8.39%)</i>			
Foshan Haitian Flav & Food Co Ltd	38,599	207,310	1.98
Huayu Automotive Systems	100,169	256,594	2.45
Qingdao Haier Co Ltd	120,820	182,098	1.74
Shanghai International Air	28,900	129,619	1.24
Zhengzhou Yutong Bus Co Ltd	30,088	102,811	0.98
		<u>878,432</u>	<u>8.39</u>
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China (8.36%)</i>			
China National Accord Medicines Co Ltd - B	24,900	127,918	1.22
Jiangling Motors Corp Ltd - B	39,956	139,128	1.33
Luthai Textile Co Ltd - B	303,650	421,127	4.02
Weifu High-Technology Co Ltd - B	72,712	187,146	1.79
		<u>875,319</u>	<u>8.36</u>
<i>Listed on the Stock Exchange of Taiwan (4.94%)</i>			
Asustek Computer Inc	11,000	90,984	0.87
Delta Electronics Inc	70,518	333,451	3.18
Giant Manufacturing Co Ltd	14,000	93,234	0.89
		<u>517,669</u>	<u>4.94</u>

First State New Era PRC Fund
Investment Portfolio (Unaudited) (continued)
as at 31 December 2015

	Market value US\$	% of net asset value
Listed investments – equities (95.57 %) (continued)		
Total listed investments – equities	10,006,594	95.57
Derivative financial instruments	(9)	(0.00)
Other net assets	463,623	4.43
Net assets as at 31 December 2015	<u>10,470,208</u>	<u>100.00</u>
Total listed investments, at historical cost	<u>8,813,516</u>	

First State New Era PRC Fund
Statement of Movements in Portfolio Holdings (Unaudited)
for the period ended 31 December 2015

Listed investments	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
Equities			
<i>Listed on the Stock Exchange of Hong Kong</i>			
AAC Technologies Hldg Inc Com	-	5,000	-
Aeon Stores (Hong Kong) Co Ltd	102,500	-	-
ASM Pacific Technology	4,400	-	-
China Bluechemical Ltd Shs - H	130,000	-	-
China Conch Venture Holdings Ltd	8,000	-	-
China Mengniu Dairy Co Ltd	24,000	23,000	115,000
China Merchants Bank Co Ltd - H	-	21,000	-
China Oilfield Services Ltd	12,000	-	-
China Resources Gas Group Ltd	36,000	-	-
China Resources Power Holdings Co Ltd	265	6,000	-
China Taiping Insurance Holdings Co Ltd	20,000	5,800	-
China Telecom Corp Ltd - H	-	174,000	-
China Vanke Co Ltd - H	-	12,500	-
CNOOC Ltd	-	95,000	-
CPMC Holdings Ltd	-	151,000	-
ENN Energy Holdings Ltd	2,000	4,000	-
Fuyao Glass Industry Group Co Ltd - H	11,200	-	-
Hang Lung Group Ltd	-	2,000	-
Hengan International Group Co Ltd	-	8,700	-
I.T Ltd	106,000	-	-
Lee's Pharmaceutical Holdings Ltd	-	63,000	-
Li & Fung Ltd	70,000	-	-
Luye Pharma Group Ltd	52,000	-	-
Minth Group Ltd	-	42,000	-
Pacific Textiles Holdings Ltd	-	29,000	-
Shenzhou International Group	10,000	2,000	-
Sino Biopharmaceutical Ltd	-	20,000	90,000
Sun Art Retail Group Ltd	31,500	-	-
Tencent Holdings Ltd	-	2,900	-
Tong Ren Tang Technologies Co Ltd - H	47,000	4,000	-
Towngas China Co Ltd	205,000	-	-
Truly International Holdings Ltd	196,000	-	-
Vitasoy Intl Hldgs Ltd	56,000	-	-
Want Want China Holdings Ltd	-	94,000	-
<i>Listed on the Stock Exchange of New York, U.S.A.</i>			
Baidu Inc - ADR	121	565	-
China Biologic Products Inc Com	-	727	-
Wuxi Pharmatech Cayman Inc - ADR	-	4,786	-

First State New Era PRC Fund
Statement of Movements in Portfolio Holdings (Unaudited) (continued)
for the period ended 31 December 2015

Listed investments (continued)	Portfolio holdings		Bonus/ Split
	Additions	Disposals	
Equities (continued)			
<i>Listed on the Stock Exchange of Shanghai</i>			
Foshan Haitian Flav & Food Co Ltd	16,000	-	-
Huayu Automotive Systems	24,300	-	-
Qingdao Haier Co Ltd	-	20,300	70,560
Shanghai International Air	28,900	-	-
Zhengzhou Yutong Bus Co Ltd	-	4,700	-
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China</i>			
China National Accord Medicines Co Ltd - B	4,400	-	-
Jiangling Motors Corp Ltd - B	6,100	-	-
Luthai Textile Co Ltd - B	80,800	-	-
<i>Listed on the Stock Exchange of Taiwan</i>			
Asustek Computer Inc	11,000	-	-
Delta Electronics Inc	11,518	-	-
Rights			
<i>Listed on the Stock Exchange of Taiwan</i>			
Delta Electronics Inc Rts (Nov2015) 25/12/2015	-	3,518	3,518

First State New Era PRC Fund
Statement of Net Assets (Unaudited)
as at 31 December 2015

	(Unaudited) 31 December 2015 US\$	(Audited) 30 June 2015 US\$
Assets		
Non-current assets		
Formation cost	18,105	19,989
Current assets		
Investments	10,006,594	11,446,298
Dividend receivable	3,458	84,464
Amounts receivable from brokers	-	16,014
Cash at banks	650,275	114,980
	<u>10,660,327</u>	<u>11,661,756</u>
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Total assets	<u>10,678,432</u>	<u>11,681,745</u>
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Liabilities		
Current liabilities		
Derivative financial instruments	9	4
Amounts payable on redemption	53,132	53,132
Amounts payable to brokers	105,781	42,321
Accounts payable and accrued expenses	49,302	73,576
	<u>208,224</u>	<u>169,033</u>
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Total liabilities (excluding net assets attributable to unitholders)	<u>208,224</u>	<u>169,033</u>
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Net assets attributable to unitholders	<u>10,470,208</u>	<u>11,512,712</u>
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Number of units in issue		
- Class II (USD)	96,763.18	98,851.01
- Class III (USD)	203,746.04	113,620.74
	<u>200,509.22</u>	<u>212,471.75</u>
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Net assets attributable to unitholders per unit		
- Class II (USD)	88.62	103.93
- Class III (USD)	9.29	10.89
	<u>97.91</u>	<u>114.82</u>
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First State New Era PRC Fund
General Information
For the period ended 31 December 2015

Manager	First State Investments (Hong Kong) Limited 6th Floor, Three Exchange Square 8 Connaught Place Central Hong Kong
Directors of the Manager	Chris Turpin Joe Fernandes (appointed with effect from 24 February 2016) Michael Stapleton Ng Hui Lin (resigned with effect from 24 February 2016) Todd Prado (resigned with effect from 24 February 2016)
Trustee and Registrar	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
Auditor	PricewaterhouseCoopers 22nd Floor, Prince's Building Central Hong Kong
Legal Advisor to the Manager	Deacons Alexandra House 5th Floor 18 Charter Road Central Hong Kong

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* The Securities & Futures Commission has not reviewed the contents of this website.