

First State New Era PRC Fund

Semi-Annual Report

July 2016 - December 2016

First State 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 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 2016 to 31 Dec 2016	1 July 2015 to 31 Dec 2015
First State New Era PRC Fund Class II*	6.21%	(14.73%)
First State New Era PRC Fund Class III	6.49%	(14.69%)
Benchmark: MSCI China Free Index	5.90%	(19.56%)

(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

The MSCI China Index increased by 5.9% in US dollar terms over the six months to 31 December 2016. At a sector level, Materials and Financials gained the most, while Utilities and Telecom Services declined.

Performance

The portfolio increased over the period. On the positive side, ASM Pacific Technology continued its strong performance, with earnings showing resilience despite the market slowdown. Shenzhou International was lifted by strong earnings results, mainly due to strong sales growth in Europe. Tong Reng Tang Technology rose as the government announced that price caps on drugs in China was to be lifted.

Detracting from performance, ENN Energy and Towngas China declined over concerns that increased regulations might impact future profits. Luthai Textile fell over concerns around weak demand from developed markets and a rise in protectionism from the US.

Portfolio changes

During the period, significant purchases included Techtronic Industries, a leading producer of power tools and floor care appliances. Around 75% of sales are to North America, hence a recovery in the US should be a positive catalyst for the company. We also bought TCC International Holdings, which manufactures and distributes cement and concrete in Hong Kong and China.

During the period we sold Truly International on concerns around its forthcoming capex cycle. The stock had also run up considerably over the year-to-date, which gave us cause for concern over valuations. We also sold Asustek Computer on concerns around the company’s growth prospects.

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

Outlook

Though there have been some encouraging signs of production activity in China, we believe economic growth is likely to remain subdued in the near-term and the stock market to remain volatile. Several industries are witnessing a much-needed cutback in capacity, which should lead to better balance between supply and demand. We believe this is a necessary transformation which should make economic growth more sustainable in the long run.

We think the renminbi could come under further downward pressure, especially as the outlook for the US dollar and the US economy in general looks more positive. This could be challenging for companies with significant borrowings and currency mismatch. Mild inflation growth could help to stabilize corporate earnings in the short-term, but there is the risk that inflation could rise to a more dangerous level and trigger an aggressive government response.

In the US, a rise in protectionism could have a negative impact on China and the Asia region, if it comes to fruition. More widely, political developments in China, the US, the European Union and the UK have the capacity to disrupt global growth and should be monitored closely.

Despite these concerns, stock prices have generally remained fully valued, especially for good quality companies. Valuations for growth companies have been bid up, but we believe there may be growing headwinds due to base effects and growing competition. As always, we maintain a preference for companies with healthy balance sheets, good management risk awareness and reasonable valuations.

First State New Era PRC Fund
Investment Portfolio (Unaudited)
as at 31 December 2016

	Holdings as at 31.12.2016	Market value US\$	% of net asset value
Listed investments – equities (100.12%)			
<i>Listed on the Stock Exchange of Hong Kong (75.62%)</i>			
AAC Technologies Hldg Inc Corn	43,500	395,123	3.58
Aeon Stores (Hong Kong) Co Ltd	122,500	111,665	1.01
ASM Pacific Technology	35,800	379,187	3.43
Changan Minsheng APLL Logistic	54,000	43,027	0.39
China Bluechemical Ltd Shs - H	628,000	174,085	1.58
China Mengniu Dairy Co Ltd	207,000	398,734	3.61
China Merchants Bank Co Ltd - H	145,791	341,733	3.09
China Oilfield Services Ltd	240,000	222,795	2.02
China Resources Gas Group Ltd	36,000	101,186	0.92
China Resources Land Ltd	66,137	148,715	1.35
China Resources Power Holdings Co Ltd	57,965	92,074	0.83
China Taiping Insurance Holdings Co Ltd	198,861	410,234	3.72
China Vanke Co Ltd - H	47,926	109,372	0.99
CSPC Pharmaceutical Group Ltd	438,000	467,592	4.23
ENN Energy Holdings Ltd	72,000	296,132	2.68
Fuyao Glass Industry Group Co Ltd - H	69,600	215,818	1.95
Global Brands Group Holdings	382,000	50,730	0.46
Hang Lung Group Ltd	24,000	83,548	0.76
Lenovo Group Ltd	164,000	99,381	0.90
Li & Fung Ltd	396,000	174,105	1.58
Luye Pharma Group Ltd	135,000	80,067	0.73
Minth Group Ltd	170,000	529,332	4.79
Pacific Textiles Holdings Ltd	74,000	80,335	0.73
Pou Sheng International (Holdings) Ltd	549,000	157,848	1.43
Shenzhen International Group	76,000	480,634	4.35
Sino Biopharmaceutical Ltd	258,000	181,625	1.64
Sun Art Retail Group Ltd	226,597	198,667	1.80
TCC International Holdings Limited	486,000	113,417	1.03
Techtronic Industries Co Ltd	38,500	137,996	1.25
Tencent Holdings Ltd	22,900	560,099	5.07
Tong Ren Tang Technologies Co Ltd - H	356,000	660,041	5.98
Towngas China Co Ltd	779,532	410,069	3.71
VITASOY International Holdings Ltd	90,000	180,789	1.64
Wasion Group Holdings Ltd	174,000	93,551	0.85
Xinjiang Goldwind Sci & Tech - H	24,400	41,212	0.37
Yue Yuen Industrial Holdings Ltd	35,500	128,845	1.17
		8,349,763	75.62

First State New Era PRC Fund
Investment Portfolio (Unaudited) (continued)
as at 31 December 2016

	Holdings as at 31.12.2016	Market value US\$	% of net asset value
Listed investments – equities (100.12%) (continued)			
<i>Listed on the Stock Exchange of New York, U.S.A.</i>			
<i>(3.60%)</i>			
Baidu Inc - ADR	2,417	397,379	3.60
		<hr/>	<hr/>
		397,379	3.60
		<hr/>	<hr/>
<i>Listed on the Stock Exchange of Shanghai</i>			
<i>(8.10%)</i>			
China South Publishing & Media Group Co Ltd	58,100	138,935	1.26
Foshan Haitian Flay & Food Co Ltd	38,199	160,814	1.45
Jiangsu Hengrui Medicine Co Ltd	29,926	195,443	1.77
Qingdao Haier Co Ltd	78,420	111,210	1.01
Shanghai International Airport Co Ltd	28,900	110,010	0.99
Zhengzhou Yutong Bus Co Ltd	63,488	178,520	1.62
		<hr/>	<hr/>
		894,932	8.10
		<hr/>	<hr/>
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China (7.44%)</i>			
China National Accord Medicines Co Ltd - B	46,800	280,523	2.54
Jiangling Motors Corp Ltd - B	39,956	99,014	0.90
Luthai Textile Co Ltd - B	288,450	346,244	3.13
Weifu High-Technology Co Ltd - B	40,412	96,132	0.87
		<hr/>	<hr/>
		821,913	7.44
		<hr/>	<hr/>
<i>Listed on the Stock Exchange of Taiwan (5.36%)</i>			
Advantech Co Ltd	17,000	134,192	1.22
Delta Electronics Inc	77,518	383,491	3.47
Giant Manufacturing Co Ltd	13,000	73,788	0.67
		<hr/>	<hr/>
		591,471	5.36
		<hr/>	<hr/>

First State New Era PRC Fund
Investment Portfolio (Unaudited) (continued)
as at 31 December 2016

	Market value US\$	% of net asset value
Listed investments – equities (100.12%) (continued)		
Total listed investments – equities	11,055,458	100.12
Derivative financial instruments	(1)	-
Other net assets	(12,919)	(0.12)
Net assets as at 31 December 2016	<u>11,042,538</u>	<u>100.00</u>
Total listed investments, at historical cost	<u>10,067,024</u>	

First State New Era PRC Fund
Statement of Movements in Portfolio Holdings (Unaudited)
for the period ended 31 December 2016

Listed investments	Portfolio holdings Additions	Disposals	Bonus/ Split
Equities			
<i>Listed on the Stock Exchange of Hong Kong</i>			
AAC Technologies Hldg Inc Corn	10,000	3,500	-
Aeon Stores (Hong Kong) Co Ltd	20,000	-	-
ASM Pacific Technology	-	3,700	-
China Bluechemical Ltd Shs - H	96,000	46,000	-
China Resources Land Ltd	32,000	-	-
China Vanke Co Ltd - H	-	43,000	-
CSPC Pharmaceutical Group Ltd	62,000	-	-
Global Brands Group Holdings	382,000	-	-
Hang Lung Group Ltd	-	9,000	-
Lenovo Group Ltd	-	140,000	-
Li & Fung Ltd	214,000	-	-
Minth Group Ltd	74,000	-	-
Pacific Textiles Holdings Ltd	10,000	-	-
Pou Sheng International (Holdings) Ltd	206,000	-	-
Shenzhou International Group	15,000	-	-
Sino Biopharmaceutical Ltd	-	56,000	-
TCC International Holdings Limited	486,000	-	-
Techtronic Industries Co Ltd	38,500	-	-
Tencent Holdings Ltd	1,400	-	-
Tong Ren Tang Technologies Co Ltd - H	29,000	-	-
Towngas China Co Ltd	47,000	-	-
Truly International Holdings Ltd	32,000	280,000	-
VITASOY International Holdings Ltd	18,000	-	-
Wasion Group Holdings Ltd	-	16,000	-
Yue Yuen Industrial Holdings Ltd	17,500	-	-
<i>Listed on the Stock Exchange of New York, U.S.A.</i>			
Baidu Inc - ADR	704	84	-
<i>Listed on the Stock Exchange of Shanghai</i>			
Foshan Haitian Flay & Food Co Ltd	8,100	-	-
Huayu Automotive Systems	-	40,969	-
Jiangsu Hengrui Medicine Co Ltd	18,288	-	-
Zhengzhou Yutong Bus Co Ltd	33,400	-	-
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China</i>			
China National Accord Medicines Co Ltd - B	19,000	-	-
Luthai Textile Co Ltd - B	-	15,200	-
Weifu High-Technology Co Ltd - B	-	23,300	-
<i>Listed on the Stock Exchange of Taiwan</i>			
Advantech Co Ltd	4,000	-	-
ASUSTeK Computer Inc	-	11,000	-

First State New Era PRC Fund
Statement of Net Assets (Unaudited)
as at 31 December 2016

	(Unaudited) 31 December 2016 US\$	(Audited) 30 June 2016 US\$
Assets		
Non-current assets		
Formation cost	14,109	16,113
	-----	-----
Current assets		
Investments	11,055,458	9,347,678
Dividend receivable	2,862	48,252
Amounts receivable from brokers	18,432	48,610
Cash at banks	54,093	107,482
	-----	-----
	11,130,845	9,552,022
	-----	-----
Total assets	11,144,954	9,568,135
	-----	-----
Liabilities		
Current liabilities		
Derivative financial instruments	1	19
Amounts payable on redemption	53,132	53,132
Amounts payable to brokers	-	26,007
Accounts payable and accrued expenses	49,283	66,037
	-----	-----
Total liabilities (excluding net assets attributable to unitholders)	102,416	145,195
	-----	-----
Net assets attributable to unitholders	11,042,538	9,422,940
	=====	=====
Number of units in issue		
- Class II (USD)	48,466.73	50,715.53
- Class III (USD)	763,430.02	628,672.88
	=====	=====
Net assets attributable to unitholders per unit		
- Class II (USD)	85.74	80.73
- Class III (USD)	9.02	8.47
	=====	=====

First State New Era PRC Fund
General Information
For the period ended 31 December 2016

Manager	First State Investments (Hong Kong) Limited 25th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Directors of the Manager	Chris Turpin Joe Fernandes Michael Stapleton
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 SFC has not reviewed the contents of this website.