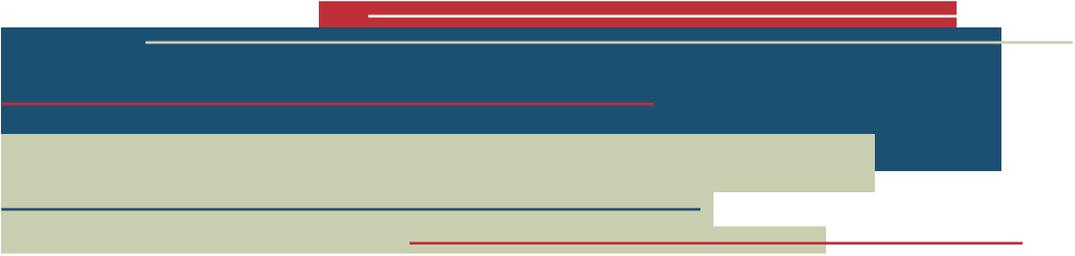


# ***New Era PRC Fund***



# NEW ERA PRC FUND

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**This annual report shall not constitute an offer to sell or a solicitation of an offer to buy shares 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.**

## MANAGER'S REPORT

### PERFORMANCE

	1 July 2006 to 30 June 2007	1 July 2005 to 30 June 2006
New Era PRC Fund	87.68%	38.80%
Benchmark: MSCI China Free Index	79.75%	40.77%

Over the year to 30 June 2007 the MSCI China Index rose by 79.8% in US dollar terms, significantly outperforming the MSCI World Index return of 24.2%. Markets continued to rise strongly on abundant global liquidity and very high levels of risk appetite. The decision by the Chinese authorities to increase stamp duty on share transactions led to a correction in the Chinese Mainland markets but contagion did not spread to other emerging markets. The Chinese markets did, however, continue to be volatile on concerns about further measures to deflate investor sentiment.

The first six months saw the Chinese market rally in line with regional and global markets on expectations that US interest rates had peaked. Oil stocks outperformed as the price of oil continued to rise driven by events in the Middle East. The property sector underperformed as the government introduced further policies to curb property speculation. The financial sector declined at the beginning of the period as the Chinese government continued its efforts to prevent the economy from overheating, raising interest rates by 27 basis points in August. However, the sector then rallied and retail investor sentiment for Chinese companies remained very buoyant in Hong Kong. This was reflected in strong interest in initial public offerings (IPOs) such as China Communications Services Corp and Zhaojin Mining.

Markets continued to rise until the end of February when there was a significant correction led by the Chinese markets on concerns that the government would tighten monetary policy further to cool the economy. Rising concerns about asset quality in subprime mortgages in the US also undermined confidence in global markets.

However, markets bounced strongly on robust global liquidity driven by private equity and M&A activity regardless of a significant rise in the oil price in March. Despite volatility and efforts by the government to subdue the stock market, China continued to perform on buoyant sentiment among retail investors in the second quarter of 2007. Banking and insurance shares in particular rose strongly, as investors anticipated strong upcoming results.

We remain positive on China's economic outlook. Growth has consistently surprised on the upside, although some indications of a slowdown would be positive. We still believe that domestic consumption will become the key economic driver as investment and exports slow. The government's austerity measures may continue to have a short-term negative impact on sentiment. However, longer-term a more moderate growth rate is preferred and market leaders will emerge as weaker industry participants exit the market.

China domestic consumption companies have good long-term prospects. On the other hand, valuations for exporters are attractive, and they should benefit from long-term outsourcing to China.

## NEW ERA PRC FUND

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### PERFORMANCE TABLE NET ASSET VALUES

<b>Financial year ended</b>	<b>Net asset value of the Fund US\$</b>	<b>Net asset value per unit in issue US\$</b>
30.6.2007 .....	12,417,235	56.19
30.6.2006 .....	34,281,311	29.94
30.6.2005 .....	25,383,627	21.57

### PERFORMANCE RECORD

<b>Financial year ended</b>	<b>Highest issue price per unit US\$</b>	<b>Lowest redemption price per unit US\$</b>
30.6.2007 .....	56.96	29.76
30.6.2006 .....	32.98	20.93
30.6.2005 .....	22.05	16.26
30.6.2004 .....	19.73	11.16
30.6.2003 .....	11.33	8.44
30.6.2002 (since inception) .....	10.39	10.33

# NEW ERA PRC FUND

## PERFORMANCE TABLE (CONTINUED)

### FINANCIAL SUMMARY

	Year ended 30.6.2007 US\$	Year ended 30.6.2006 US\$	Year ended 30.6.2005 US\$	Year ended 30.6.2004 US\$	Year ended 30.6.2003 US\$	Period from 28.6.2001 (date of Trust Deed) to 30.6.2002 US\$
<b>Results</b>						
Net income before investment and exchange gains/(losses).	(57,682)	217,915	252,999	142,410	144,541	36,642
Net investment and exchange gains/(losses).....	<u>18,300,499</u>	<u>9,506,732</u>	<u>5,432,585</u>	<u>8,512,929</u>	<u>(1,547,499)</u>	<u>1,685,456</u>
Change in net assets attributable to unitholders for the year/period .....	<u>18,242,817</u>	<u>9,724,647</u>	<u>5,685,584</u>	<u>8,655,339</u>	<u>(1,402,958)</u>	<u>1,722,098</u>
	<b>2007</b> US\$	<b>2006</b> US\$	<b>2005</b> US\$	<b>2004</b> US\$	<b>2003</b> US\$	<b>2002</b> US\$
<b>Assets and liabilities</b>						
Total assets .....	12,538,525	34,654,075	25,496,473	20,848,599	20,406,505	50,036,187
Total liabilities .....	<u>(121,290)</u>	<u>(372,764)</u>	<u>(112,846)</u>	<u>(159,209)</u>	<u>(334,046)</u>	<u>(3,239,851)</u>
Net assets attributable to unitholders.....	<u>12,417,235</u>	<u>34,281,311</u>	<u>25,383,627</u>	<u>20,689,390</u>	<u>20,072,459</u>	<u>46,796,336</u>

#### Notes:

- New Era PRC Fund (the "Fund") is a unit trust established in Hong Kong under a Trust Deed dated 28 June 2001, as amended.
- The results of the Fund for the year ended 30 June 2007 and the assets and liabilities of the Fund as at 30 June 2007 have been extracted from the audited statement of operations and audited statement of assets and liabilities set out on pages 9 and 10 of this annual report.

# NEW ERA PRC FUND

## INVESTMENT PORTFOLIO AS AT 30 JUNE 2007

	Holdings as at 30.6.2007	Market value US\$	% of net asset value
<b>Listed investments – equities (97.76%)</b>			
<i>Listed on the Stock Exchange of Hong Kong (88.13%)</i>			
Anhui Conch Cement Co Ltd - H .....	20,000	140,221	1.13
Anhui Expressway Co Ltd - H .....	206,000	173,945	1.40
Chen Hsong Holdings Ltd ..	146,000	121,414	0.98
China Foods Ltd .....	162,000	109,848	0.88
China Infrastructure Machinery Holdings Ltd	62,000	135,482	1.09
China Mengniu Dairy Co Ltd .....	107,000	368,246	2.97
China Merchants Bank Co Ltd - H .....	197,000	597,333	4.81
China Merchants Holdings International Co Ltd .....	42,000	202,578	1.63
China Oilfield Services Ltd .....	446,000	449,067	3.62
China Resources Land Ltd..	44,000	66,651	0.54
China Resources Power Holdings Co Ltd .....	261,000	624,430	5.03
China Resources Enterprise Ltd .....	114,667	431,308	3.47
China Shenhua Energy Co Ltd .....	41,744	144,465	1.16
China Shipping Development Co Ltd - H	208,500	482,821	3.89
China Telecom Corp Ltd - H .....	810,000	473,590	3.81
China Communications Services Corp Ltd - H .....	230,607	169,940	1.37
CNOOC Ltd .....	652,000	738,231	5.95
Denway Motors Ltd .....	228,000	108,512	0.87
Enric Energy Equipment Holdings Ltd .....	279,000	242,011	1.95
Foxconn International Holdings .....	65,942	188,135	1.52
Geely Automobile Holdings Ltd .....	695,000	107,590	0.87
Glorious Sun Enterprises Ltd .....	107,900	52,181	0.42
Golden Eagle Retail Group Ltd .....	125,000	98,673	0.79
GZI Real Estate Investment Trust .....	238,000	93,784	0.76

	Holdings as at 30.6.2007	Market value US\$	% of net asset value
<b>Listed investments – equities (97.76%)</b>			
<i>Listed on the Stock Exchange of Hong Kong (88.13%)</i>			
Hengan International Group Co Ltd .....	68,000	238,810	1.92
Hopewell Highway Infrastructure Ltd .....	196,900	184,147	1.48
Hung Hing Printing Group .	258,592	149,870	1.21
Huaneng Power International Inc - H .....	112,000	126,956	1.02
IDS Group .....	66,000	208,566	1.68
Kerry Properties Ltd .....	27,501	171,172	1.38
Kingboard Chemical Holdings Ltd .....	110,900	507,944	4.09
Kingboard Laminates Holdings Ltds .....	123,500	114,711	0.92
KWG Property .....	13,000	12,230	0.10
Li & Fung Ltd .....	101,600	367,209	2.96
Li Ning Co Ltd .....	60,655	146,666	1.18
Minth Group Ltd .....	172,000	261,425	2.11
Parkson Retail Group Ltd ..	51,500	328,124	2.64
Pacific Textiles Holdings Ltd .....	99,000	61,176	0.49
Ping An Insurance (Group) Co of China Ltd - H .....	66,000	466,950	3.76
Ports Design Ltd .....	42,000	117,678	0.95
Prime Success International Group Ltd .....	182,000	151,119	1.22
Shandong Weigao Group Medical Polymer Co Ltd .	28,000	62,690	0.50
Sino Gold Ltd .....	10,000	45,802	0.37
Tencent Holdings Ltd .....	50,000	201,183	1.62
Tingyi (Cayman) Holding Corp .....	80,000	92,116	0.74
Wumart Stores Inc - H .....	423,000	259,889	2.09
Xiniao Gas Holdings Ltd ....	188,000	236,195	1.90
Yue Yuen Industrial Holdings Ltd .....	35,500	110,139	0.89
		<u>10,943,223</u>	<u>88.13</u>

# NEW ERA PRC FUND

## INVESTMENT PORTFOLIO (CONTINUED) AS AT 30 JUNE 2007

	Holdings as at 30.6.2007	Market value US\$	% of net asset value
<b>Listed investments – equities (97.76%)</b>			
<i>Listed on the Stock Exchange of Shanghai, People's Republic of China (0.63%)</i>			
Shanghai Jinqiao Export Processing Zone Development Co Ltd - B	48,678	<u>78,372</u>	<u>0.63</u>
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China (9.00%)</i>			
China International Marine Container Group Co Ltd - B	38,300	93,689	0.75
China Merchants Property Development - B	51,200	200,968	1.62
China Vanke Co Ltd - B	224,101	461,893	3.72
Shenzhen Chiwan Wharf Holdings Ltd - B	31,062	71,453	0.58
Yantai Changyu Pioneer Wine Co - B	58,209	<u>289,695</u>	<u>2.33</u>
		<u>1,117,698</u>	<u>9.00</u>
<b>Total listed investments - equities</b>		<u><u>12,139,293</u></u>	<u><u>97.76</u></u>
<b>Total listed investments - equities, at cost</b>		<u><u>6,189,544</u></u>	

	Holdings as at 30.6.2007	Market value US\$	% of net asset value
<b>Listed investments - bonds (1.09%)</b>			
<i>Listed on Stock Exchange of New York, USA (1.09%)</i>			
JP Morgan Intl Derivatives Ltd MTN Conv 0% 12/06/2009	92,949	<u>135,641</u>	<u>1.09</u>
<b>Total listed investments - bonds</b>		<u><u>135,641</u></u>	<u><u>1.09</u></u>
<b>Total listed investments - bonds, at cost</b>		<u><u>52,624</u></u>	
<b>Total listed/quoted investments</b>		<u><u>12,274,934</u></u>	<u><u>98.85</u></u>
<b>Other net assets</b>		<u><u>142,301</u></u>	<u><u>1.15</u></u>
<b>Net assets as at 30 June 2007</b>		<u><u>12,417,235</u></u>	<u><u>100.00</u></u>
<b>Total listed/quoted investments, at historical cost</b>		<u><u>6,242,168</u></u>	

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS  
FOR THE YEAR ENDED 30 JUNE 2007**

	Portfolio holdings		Bonus/ Split		Portfolio holdings		Bonus/ Split
	Additions	Disposals			Additions	Disposals	
<b>(I) Equities</b>				<b>(I) Equities</b>			
<i>Listed on the Stock Exchange of Hong Kong</i>							
Alco Holdings Ltd.....	-	552,000	-	China Citic Bank Corp Ltd - H .....	13,000	13,000	-
Anhui Conch Cement Co Ltd - H .....	28,000	8,000	-	China Communications Service Corp Ltd - H .....	738,000	507,393	-
Anhui Expressway Co Ltd - H .....	-	1,292,000	-	Citic International Financial Holdings Ltd ..	-	726,000	-
Beijing Jingkelong Supermarket Chain Group Co Ltd - H.....	6,000	6,000	-	CMA Logistics Co Ltd - H ..	-	127,000	-
Belle International Holdings Ltd .....	15,000	15,000	-	CNOOC Ltd .....	31,000	2,272,000	-
Capitaretail China Trust ....	14,000	14,000	-	Cosco Pacific Ltd .....	-	350,000	-
Chen Hsong Holdings Ltd ..	-	530,000	-	Denway Motors Ltd .....	718,000	1,672,000	-
China Communications Construction Co Ltd .....	52,000	52,000	-	Dynasty Fine Wines Group Ltd .....	-	524,000	-
China Foods Ltd .....	326,000	638,000	-	Enric Energy Equipment Holdings Ltd .....	14,000	228,000	-
China Infrastructure Machinery Holdings Ltd	-	814,000	-	Foxconn Intl Holdings .....	179,000	184,000	-
China Mengniu Dairy Co Ltd .....	89,000	578,000	-	Geely Automobile Holdings Ltd .....	945,000	250,000	-
China Merchants Bank Co Ltd - H .....	872,000	675,000	-	Glorious Sun Enterprises Ltd .....	-	846,000	-
China Merchants Holdings International Co Ltd .....	42,000	141,381	-	Golden Eagle Retail Group Ltd .....	-	559,000	-
China Metal International Holdings Co Ltd .....	-	1,090,000	-	GZI Real Estate Investment Trust .....	648,000	863,000	-
China Mobile Ltd .....	-	89,000	-	Hengan International Group Co Ltd .....	72,000	416,000	-
China Nickel Resources Holdings Co Ltd .....	-	2,396,000	-	Home Inns & Hotels Management Inc Adr .....	17,600	17,600	-
China Oilfield Services Ltd	1,474,000	1,028,000	-	Hopewell Holdings Ltd .....	-	122,000	-
China Resources Land Ltd ..	-	1,502,000	-	HSU Fu Chi Intel Ltd .....	72,000	72,000	-
China Resources Power Holdings Co Ltd .....	68,000	912,000	-	Huaneng Power International Inc - H .....	112,000	-	-
China Resources Enterprise Ltd .....	124,000	388,000	-	Hung Hing Printing Group .	168,000	364,000	-
China Shenhua Energy Co Ltd .....	-	448,500	-	Industrial & Commercial Bank of China .....	-	266,000	-
China Shineway Pharmaceutical Group ...	-	353,000	-	IDS Group .....	-	216,000	-
China Shipping Development Co Ltd - H	466,000	734,000	-	Jiangsu Expressway Co Ltd - H .....	-	355,700	-
China Telecom Corp Ltd - H .....	2,432,000	1,622,000	-	Johnson Electric Holdings .	290,000	290,000	-
China Agri-Ind Holdings Ltd .....	9,000	9,000	-	Kerry Properties Ltd .....	15,000	182,000	-
				Kingboard Chemical Holdings Ltd .....	184,000	203,500	-
				Kingboard Laminates Holdings Ltd .....	173,813	50,313	-
				Kingdee International Software GRP Co Ltd ....	-	982,000	-
				KWG Property .....	13,000	-	-
				Lenovo Group Ltd .....	522,000	522,000	-

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2007**

	Portfolio holdings		Bonus/ Split		Portfolio holdings		Bonus/ Split
	Additions	Disposals			Additions	Disposals	
<b>(I) Equities</b>				<b>(I) Equities</b>			
Li & Fung Ltd .....	56,000	192,000	-	Weichai Power Co Ltd - H .	-	180,000	-
Li Ning Co Ltd .....	-	252,000	-	Wumart Stores Inc - H .....	323,400	9,200.00	-
Lianhua Supermarket Holdings Ltd .....	-	244,800	-	Xinao Gas Holdings Ltd ....	188,000	-	-
Lung Kee (Bermuda) Holdings Ltd .....	-	485,000	-	Yue Yuen Industrial Holdings Ltd .....	35,500	54,300	-
Maanshan Iron & Steel - H	1,182,000	1,182,000	-	Zhaojin Mining Industry - H .....	13,500	13,500	-
Mindary Medical Intl Ltd Adr .....	1,400	1,400	-	Zhuzhou CSR Times Electric Co Ltd .....	510,000	510,000	-
Ming An Holdings Co Ltd .	198,000	198,000	-	<i>Listed on the Stock Exchange of Shanghai, People's Republic of China</i>			
Minth Group Ltd .....	12,000	560,000	-	Shanghai Jin jiang International Hotel Development Co. Ltd - B .....	-	434,500	-
New Oriental Education & Technology Group Inc ...	1,200	1,200	-	Shanghai Jinqiao Export Processing Zone Development Co. Ltd - B	91,078	42,400	-
Pacific Textiles Holdings Ltd .....	99,000	-	-	<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China</i>			
Parson Retail Group Ltd ....	61,500	178,000	-	China International Marine Container Group Co Ltd - B .....	38,300	-	-
Petochina Co Ltd - H .....	-	602,000	-	China Merchants Property Development - B .....	-	279,200	-
Ping An Insurance (Group ) Co of China Ltd - H .....	-	319,500	-	China Vanke Co Ltd - B ....	109,000	567,600	-
Portrs Design Ltd .....	-	576,000	-	Luthal Textile Co Ltd - B ...	-	1,139,980	-
Prime Success International Group Ltd .....	182,000	-	-	Shenzhen Chiwan Wharf Holdings - B .....	-	395,425	-
Shandong Molong Petroleum - H .....	-	1,984,000	-	Wei Fu High - Technology Co Ltd - B .....	-	814,989	-
Shandong Weigao Group Medical Polymer Co ....	-	424,000	-	Yantai Changyu Pioneer Wine - B .....	-	269,600	-
Shanghai Forte Land Co ....	-	1,670,000	-	<i>Listed on the Stock Exchange of Singapore</i>			
Shanghai Jin Jiang Intl Hotels (Group) Co Ltd ...	92,000	92,000	-	HI-P International Ltd .....	-	27,000	-
Shanghai Prime Machinery Co Ltd - H .....	-	2,192,000	-				
Sichuan Xinhua Wingshare Chainstore - H .....	12,000	12,000	-				
Singamas Container Holdings Ltd .....	-	470,000	-				
Sino Gold Mining Ltd (HKE) .....	10,000	-	-				
Techtronic Industries Co Ltd .....	297,000	297,000	-				
Tencent Holdings Ltd .....	216,000	166,000	-				
Tingya (Cayman) Holdings Corp .....	-	538,000	-				
Tong Ren Tang Technologies Co Ltd - H	-	308,000	-				
TPV Technology Ltd .....	-	336,000	-				
Victory Ciy International Holding Ltd .....	-	704,000	-				

# NEW ERA PRC FUND

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## STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2007

	Portfolio holdings Additions	Disposals	Bonus/ Split
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### (I) Equities

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#### *Listed on the Stock Exchange of Sydney, Australia*

Sino Gold Mining Ltd .....	-	56,334	-
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### (II) Bonds

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#### *Listed on the Stock Exchange of New York, USA*

JP Morgan Intl Derivatives MTN Conv 0% 06/05/ 2009 .....	-	350,632	-
JP Morgan Intl Derivatives MTN Conv 0% 12/06/ 2009 .....	-	324,832	-

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### (III) Money Market Instruments

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#### *Listed on the Stock Exchange of New York, USA*

JP Morgan Intl Derivatives Ltd .....	-	153,387	-
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# NEW ERA PRC FUND

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Year ended 30.6.2007 US\$	Year ended 30.6.2006 US\$
<b>INCOME</b>			
Dividend income.....		625,312	916,769
Interest income on deposits .....		<u>38,373</u>	<u>10,373</u>
		<u>663,685</u>	<u>927,142</u>
<b>EXPENSES</b>			
Administration fee.....	10	29,567	32,333
Trustee fee.....	10	14,709	18,794
Management fee.....	11(b)	441,267	445,573
Auditors' remuneration.....		20,132	12,249
Interest expense .....		11,800	20,838
Brokerage and commission fees.....		171,583	158,848
Other operating expenses.....		<u>32,309</u>	<u>20,592</u>
		<u>721,367</u>	<u>709,227</u>
<b>NET INCOME/(LOSS) BEFORE INVESTMENT GAINS/(LOSSES) AND EXCHANGE LOSSES .....</b>			
		<u>(57,682)</u>	<u>217,915</u>
<b>INVESTMENT GAINS/(LOSSES) AND EXCHANGE LOSSES</b>			
Net realised gains on sale of investments .....		22,376,091	6,722,404
Net change in unrealised gains/losses on investments.....		(4,068,140)	2,785,117
Net exchange losses.....		<u>(7,452)</u>	<u>(789)</u>
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FROM OPERATIONS .....</b>			
		<u>18,242,817</u>	<u>9,724,647</u>
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT .....</b>			
	12	<u>22.88</u>	<u>8.35</u>

NEW ERA PRC FUND

STATEMENT OF ASSETS AND LIABILITIES  
AS AT 30 JUNE 2007

	Notes	2007 US\$	2006 US\$
<b>ASSETS</b>			
Financial assets at fair value through profit or loss .....			
loss .....	5	12,274,914	34,481,350
Amounts due from brokers .....	7	153,318	47,337
Dividends receivable and other receivables.....		11,850	125,388
Cash at bank .....	6	98,443	—
<b>TOTAL ASSETS</b> .....		<u>12,538,525</u>	<u>34,654,075</u>
<b>LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>			
Amounts due to brokers .....			
Bank overdraft.....	8	—	198,970
Amounts due to unitholders.....		682	—
Other payables.....		48,015	67,836
		<u>121,290</u>	<u>372,764</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b> .....		<u>12,417,235</u>	<u>34,281,311</u>
<b>TOTAL LIABILITIES (INCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b> .....			
		<u>12,538,525</u>	<u>34,654,075</u>
<b>NUMBER OF UNITS IN ISSUE</b> .....	9	<u>220,965.88</u>	<u>1,144,813.86</u>
<b>NET ASSET VALUE PER UNIT</b> .....		<u>56.19</u>	<u>29.94</u>

## NEW ERA PRC FUND

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### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE YEAR ENDED 30 JUNE 2007

	US\$
Net assets attributable to unitholders at 1.7.2005.....	25,383,627
Redemption of units during the year.....	(826,963)
Change in net assets attributable to unitholders from operations for the year.....	<u>9,724,647</u>
Net assets attributable to unitholders at 30.6.2006.....	<u>34,281,311</u>
Net assets attributable to unitholders at 1.7.2006.....	34,281,311
Redemption of units during the year.....	(40,106,893)
Change in net assets attributable to unitholders from operations for the year.....	<u>18,242,817</u>
Net assets attributable to unitholders at 30.6.2007.....	<u>12,417,235</u>

NEW ERA PRC FUND

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	Year ended 30.6.2007 US\$	Year ended 30.6.2006 US\$
<b>CASH FLOWS FROM OPERATING</b>			
<b>ACTIVITIES</b>			
Dividend received .....		740,076	859,631
Interest received .....		37,147	10,413
Interest paid .....		(11,800)	(20,838)
Administration fee paid .....		(31,269)	(32,073)
Auditors' remuneration paid .....		(13,184)	(12,143)
Management fee paid .....		(466,790)	(435,552)
Trustee fee paid .....		(15,559)	(19,073)
Brokerage and commission fees paid .....		(171,583)	(158,848)
Other operating expenses .....		(31,005)	(19,923)
<b>NET CASH INFLOW FROM OPERATING</b>			
<b>ACTIVITIES</b> .....		<u>36,033</u>	<u>171,594</u>
<b>CASH FLOWS FROM INVESTING</b>			
<b>ACTIVITIES</b>			
Purchase of investments .....		(11,934,871)	(21,187,081)
Sale of investments .....		<u>52,216,883</u>	<u>21,549,014</u>
<b>NET CASH INFLOW FROM INVESTING</b>			
<b>ACTIVITIES</b> .....		<u>40,282,012</u>	<u>361,933</u>
<b>CASH FLOWS FROM FINANCING</b>			
<b>ACTIVITIES</b>			
Redemption of units .....		(40,106,211)	(826,963)
<b>NET CASH OUTFLOW FROM FINANCING</b>			
<b>ACTIVITIES</b> .....		<u>(40,106,211)</u>	<u>(826,963)</u>
		211,834	(293,436)
<b>EFFECT OF EXCHANGE RATE CHANGES</b>			
<b>ON CASH AND CASH EQUIVALENTS</b> .....		<u>(7,433)</u>	<u>(789)</u>

**NEW ERA PRC FUND**

**CASH FLOW STATEMENT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	Year ended 30.6.2007 US\$	Year ended 30.6.2006 US\$
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS .....</b>		204,401	(294,225)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR .....</b>		<u>(105,958)</u>	<u>188,267</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR .....</b>		<u>98,443</u>	<u>(105,958)</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash at bank .....	6	98,443	–
Bank overdraft.....	8	<u>–</u>	<u>(105,958)</u>
		<u>98,443</u>	<u>(105,958)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. THE FUND

New Era PRC Fund (the “Fund”) is a unit trust established in Hong Kong under a Trust Deed dated 28 June 2001, as amended.

The Fund is authorised by the Securities and Futures Commission of Hong Kong under Section 104 of the Securities and Futures Ordinance and is also listed under Chapter 20 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It is required to comply with the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong. The investment objective of the Fund is to provide investors with capital growth over the medium to long term primarily by investing in Hong Kong listed Red Chips and H shares, and securities listed on the stock markets of the People’s Republic of China (the “PRC”), which are available to foreign investors.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the relevant disclosure provisions of the Trust Deed and the relevant disclosure requirements as set out in Appendix E to the Hong Kong Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “Code”). They have been prepared under the historical cost convention, except for investments, which have been measured at fair value. These financial statements are presented in United States dollars (“US\$”).

### 2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Fund has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. These HKFRSs are effective for annual periods beginning on or after 1 January 2007:

- HKAS 1 Capital Disclosures (Amendment)
- HKFRS 7 Financial Instruments: Disclosures

HKAS 1 (Amendment) will affect the disclosures of qualitative information of the Fund’s objectives, policies and processes for managing capital; quantitative data of what the Fund regards as capital; and compliance with any capital requirement and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. This new standard requires disclosures that enable users of the financial statements to evaluate the significance of the Fund’s financial instruments and the nature and extent of risks arising from those financial instruments.

The Fund is in the process of making an assessment of the impact of these new and revised HKFRS and HKAS upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRS and HKAS are unlikely to have a significant impact on the Fund’s results of operations and financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the financial statements are set out below.

**(a) Investments and other financial assets**

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Fund considers whether a contract contains an embedded derivative when the Fund first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Fund determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Fund commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or

loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the statement of operations.

Investment transactions are accounted for on a trade date basis. Unrealised gains and losses arising from changes in the fair value of investments are recognised in the revenue account as they arise. Realised gains and losses on investments are calculated on the average cost basis and are dealt with in the revenue account.

All investments are measured initially at fair value, with transaction costs for such instruments being recognised in the statement of operations.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the statement of operations when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*Fair value*

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Impairment of financial assets**

The Fund assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

*Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the statement of operations.

The Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event

occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of operations, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

**(c) Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the rights to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Fund has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

Where the Fund has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) **Financial liabilities at amortised cost (including interest-bearing loans and borrowings)**

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the statement of operations when the liabilities are derecognised as well as through the amortisation process.

(e) **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

(f) **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The rates of exchange in effect at 30 June 2007 were:

(g) Revenue recognition

US\$1 = HK\$7.81625      US\$1 = RMB7.61575

Revenue is recognised when it is probable that the economic benefits will flow to the Fund and when the revenue can be measured reliably, on the following bases:

- (i) interest on bank deposits is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (ii) dividend income is recognised when the Fund's right to receive payment has been established, which is taken as being the date on which equities are quoted as ex-dividend.

(h) Foreign currencies

These financial statements are presented in US\$, which is the Fund's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the statement of operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(i) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at a bank, bank overdrafts, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Fund's cash management.

For the purpose of the statement of assets and liabilities, cash at bank represent cash at a bank, which is not restricted as to use.

(j) Amounts due from/to brokers

Amounts due from/to brokers include amounts receivable/payable for investment transactions that have not been settled at the balance sheet date.

(k) Proceeds and payments on issue and redemption of units

The net asset value of the Fund's units is computed in accordance with its explanatory memorandum and the Trust Deed. Prices for the issue and redemption of units are based on the latest available valuation.

Proceeds and payments for units issued and redeemed are shown as movements in the statement of changes in net assets attributable to unitholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Related parties

A party is considered to be related to the Fund if:

- (i) the party, directly or indirectly through one or more intermediaries, (a) controls, is controlled by, or is under common control with, the Fund; (b) has an interest in the Fund that gives it significant influence over the Fund; or (c) has joint control over the Fund;
- (ii) the party is an associate;
- (iii) the party is a jointly-controlled entity;
- (iv) the party is a member of the key management personnel of the Fund;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv); or
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v).

4. TAX

The Fund is exempted from Hong Kong profits tax on income and capital gains arising from its authorised activities under Section 26A of the Hong Kong Inland Revenue Ordinance.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007 US\$	2006 US\$
Listed investments, at market value:		
Hong Kong.....	10,943,223	29,136,441
Elsewhere.....	1,331,691	5,344,909
	<u>12,274,914</u>	<u>34,481,350</u>

The above listed investments at 30 June 2007 were classified as held for trading. A detailed portfolio listing is set out on pages 4 and 5.

6. CASH AND CASH EQUIVALENTS

	2007 US\$	2006 US\$
Cash at bank .....	<u>98,443</u>	<u>–</u>

Cash at a bank bears interest at floating rates based on daily bank deposit notes maintained with the Hongkong and Shanghai Banking Corporation Limited. The carrying amounts of the cash and cash equivalents approximate to their fair values.

For the purpose of the cash flow statement, cash and cash equivalents comprise solely the cash at a bank at 30 June 2007.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 7. AMOUNTS DUE FROM/ TO BROKERS

	2007	2006
	US\$	US\$
Balances due from brokers:		
Receivables for securities sold.....	<u>153,318</u>	<u>47,337</u>

Balances due to brokers:		
Payables for securities purchased .....	<u>72,593</u>	<u>198,970</u>

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the balance sheet date respectively.

## 8. UNCOMMITTED BANK OVERDRAFT AND FOREIGN EXCHANGE FACILITIES

The Fund had arranged uncommitted overdraft and foreign exchange facilities with The Bank of Bermuda Limited, Hong Kong Branch (the "Branch"). On 15 October 2004, the Branch transferred the arrangement to The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), the Trustee, under the Transfer of Facility and Security Agreement (the "Transfer Agreement"). The overdraft facility limit is the lesser of US\$6,000,000 or 25% of the net asset value of the Fund. The foreign exchange facility limit is the lesser of US\$3,600,000 or 15% of the net asset value of the Fund. The overdraft balance shall bear interest at 0.5% above HSBC's best lending rate for United States Dollars and 2.6% below HSBC's best lending rate for Hong Kong Dollars. The terms under the Transfer Agreement are subject to renewal on an annual basis.

To secure these two facilities, the Fund has granted HSBC a charge over all present and future investments of the Fund. The Fund has utilised both facilities during the year. As at 30 June 2007, there was no outstanding payable under the overdraft facility (2006: US\$105,958). There was no outstanding payable under the foreign exchange facility as at 30 June 2007 (2006: Nil).

## 9. NUMBER OF UNITS IN ISSUE

	Year ended 30.6.2007	Year ended 30.6.2006
Balance brought forward .....	1,144,813.86	1,176,513.62
Units redeemed.....	<u>(923,847.98)</u>	<u>(31,699.76)</u>
Balance carried forward .....	<u>220,965.88</u>	<u>1,144,813.86</u>

The Fund paid US\$40,106,893 (2006: US\$826,963) in aggregate for the units redeemed. No units were issued during the year (2006: Nil).

## 10. TRUSTEE FEE AND ADMINISTRATION FEE

The Trustee is entitled to receive in arrears a monthly trustee fee from the Fund, accrued on and calculated as at each dealing day at the rate of 0.05% per annum of the net asset value of the Fund. The Trustee may increase the rate of the trustee fee up to 1% per annum by giving not less than three months' notice to the Manager and the unitholders. For the year ended 30 June 2007, a trustee fee of US\$14,709 (2006: US\$18,794) was incurred by the Fund, of which US\$504 (2006: US\$1,354) remained payable at 30 June 2007.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. TRUSTEE FEE AND ADMINISTRATION FEE (CONTINUED)**

Also in its capacity as Registrar, the Trustee is entitled to receive in arrears a monthly administration fee from the Fund, accrued on and calculated at each dealing day at the rate of 0.1% per annum of the net asset value of the Fund, subject to a minimum fee of US\$1,000 per month. For the year ended 30 June 2007, an administration fee of US\$29,567 (2006: US\$32,333) was incurred by the Fund, of which US\$1,007 (2006: US\$2,709) remained payable as at 30 June 2007.

**11. RELATED PARTY TRANSACTIONS**

The following is a summary of the transactions entered into during the year between the Fund and the Manager and its connected persons. Connected persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong. Transactions disclosed below do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

**(a) Subscription charge**

The Manager is entitled to a preliminary charge of 2% relating to unit subscriptions in the Fund. For the year ended 30 June 2007, no subscription charge has been levied by the Manager as no units had been issued.

**(b) Management fee**

The Manager is entitled to receive in arrears a monthly management fee from the Fund, accrued on and calculated at each dealing day at the rate of 1.5% per annum of the net asset value of the Fund. The Manager may increase the rate of management fee payable in respect of the Fund up to 2.25% per annum by giving not less than three months' written notice to the Trustee and the unitholders. For the year ended 30 June 2007, a management fee of US\$441,267 (2006: US\$445,573) was incurred by the Fund, of which US\$15,155 (2006: US\$40,678) remained payable at 30 June 2007.

**12. CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT**

The change in net assets attributable to unitholders per unit was calculated based on the net change in net assets attributable to unitholders from operations for the year of US\$18,242,817 (2006: US\$9,724,647) and the weighted average number of units for the year of 797,454.16 (2006: 1,164,295.80).

**13. DISTRIBUTION**

No distribution was paid in respect of the year ended 30 June 2007 (2006: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Fund's principal financial instruments comprise investments at fair value through profit or loss. The main purpose of these financial instruments is to achieve the investment objective of the Fund, i.e., to provide investors with capital growth over the medium to long term by investing in listed shares in Hong Kong, Mainland China, and other financial markets. The Fund has other financial assets and liabilities such as cash at a bank, bank overdraft, and amounts due from/to brokers, which arise directly from its operations.

The main risks associated with the financial instruments, assets and liabilities of the Fund are set out below:

**(a) Market risk**

Market risk is the risk that the value of financial assets will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual assets or factors affecting all assets in the market.

The Fund is exposed to market risk on all of its investments listed in major stock exchanges. It is the policy of the Manager to maintain a diversified portfolio of investments for the Fund to manage market risk. The investment positions held by the Fund as at 30 June 2007 are disclosed in the Investment Portfolio on pages 4 and 5.

**(b) Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial assets and liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The Manager considers the Fund's listed investments to be readily realisable as they are listed on major stock exchanges with reasonable level of trading.

The Manager may, with the consent of the Trustee, borrow up to 25% of the net asset value of the Fund to meet realisation needs and expenses which arise directly from its operations.

**(c) Credit risk**

- (i) the risk that a debt issuer or deposit-taking financial institution will default on its obligations; and
- (ii) the risk that a debt's value will decline because either its credit ratings by rating agencies are downgraded or the ability and willingness of the debt issuer or deposit-taking financial institution to service its debt obligations deteriorate.

The Manager considers that the Fund's exposure to credit risk as at 30 June 2007 was minimal.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(d) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument and future cash flows will fluctuate due to changes in market interest rates.

The equity assets of the Fund are sensitive to interest rates, which also drive the economies. Interest rates determine the cost of equity, and affect earnings as well. Equity prices tend to fall when interest rates rise. The Manager does not manage interest rate risk in equity assets on an active basis.

**(e) Foreign currency risk**

Foreign currency risk is the risk that the value of financial assets or liabilities will fluctuate due to changes in foreign exchange rates. The Fund is exposed to foreign currency risk from its cash and cash equivalents and investments which are largely denominated in currencies other than US\$.

The Manager considers that the Fund's exposure to foreign currency risk as at 30 June 2007 was minimal.

**15. COMMISSION SHARING**

The Investment Manager and each of its subsidiaries, affiliates, fellow group members, associates, agents, directors, officers or delegates ("Connected Persons" and each a "Connected Person") use brokerage firms that sell shares or that provide to the Fund research and advisory services, that can reasonably be expected to assist in the provision of investment services to benefit the Fund, but only when the Connected Person(s) believes that no other firm offers a better combination of quality execution and favourable price, the firm has agreed to provide the best execution to the Fund and the brokerage rates are not in excess of customary institutional full-service brokerage rates. This include situations where the dealing commission on a particular trade or series of trades is shared among one or more providers of execution and/or research services. In this case, a portion of the commission paid by the Fund to the executing broker is used to purchase third-party research or execution services. Such arrangements were entered into in order to allow maximum flexibility in the selection of execution counterparties, particularly where a research service provider does not also provide an execution service.

**16. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Trustee and the Manager on 23 October 2007.

**REPORT OF THE TRUSTEE**

In our opinion, the Manager, First State Investments (Hong Kong) Limited, has, in all material respects, managed the New Era PRC Fund for the year ended 30 June 2007 in accordance with the provisions of the Trust Deed dated 28 June 2001, as amended.

For and on behalf of  
HSBC Institutional Trust Services (Asia) Limited  
23 October 2007

**INDEPENDENT AUDITORS' REPORT**

To the unitholders of  
New Era PRC Fund (the "Fund")  
(A unit trust constituted by a Trust Deed dated 28 June 2001 under the laws of Hong Kong)

We have audited the financial statements of the Fund set out on pages 9 to 23, which comprise the statement of assets and liabilities as at 30 June 2007, and the statement of operations, the statement of changes in net assets attributable to unitholders and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**THE MANAGER'S AND THE TRUSTEE'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Manager and the Trustee of the Fund are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements set out in Appendix E to the Hong Kong Code on Unit Trusts and Mutual Funds (the "Code"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

**OPINION**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2007, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed, as amended, and the relevant disclosure requirements of the Code.

Hong Kong  
23 October 2007

**ADMINISTRATION AND MANAGEMENT**

**TRUSTEE AND REGISTRAR**

HSBC Institutional Trust Services (Asia) Limited  
1 Queen's Road Central  
Hong Kong

**MANAGER**

First State Investments (Hong Kong) Limited  
6th Floor, Three Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**AUDITORS**

Ernst & Young  
18th Floor, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

**DIRECTORS OF THE MANAGER**

Lindsay Robert Mann  
Lau Kwok Kit Martin  
Hu Ka Lam Ken  
Ma So Ping Joann  
Robert Keith James

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