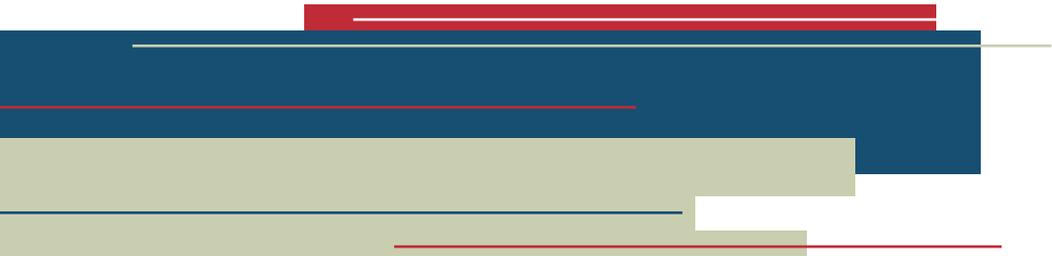


New Era PRC Fund



NEW ERA PRC FUND

TABLE OF CONTENTS

	Pages
REPORT OF THE MANAGER.....	1
PERFORMANCE TABLE (UNAUDITED).....	2
REPORT OF THE TRUSTEE	4
INDEPENDENT AUDITOR'S REPORT	5
STATEMENT OF NET ASSETS.....	7
STATEMENT OF OPERATIONS	8
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	9
CASH FLOW STATEMENT	10
NOTES TO THE FINANCIAL STATEMENTS	11
INVESTMENT PORTFOLIO (UNAUDITED).....	21
STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED).....	23
GENERAL INFORMATION	25

This 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.

REPORT OF THE MANAGER

PERFORMANCE

	1 July 2007 to 30 June 2008	1 July 2006 to 30 June 2007
New Era PRC Fund	-0.76%	87.68%
Benchmark: MSCI China Free Index	0.72%	79.75%

(Performance calculation is based on official dealing NAV.)

Over the year to 30 June 2008 the MSCI China Index rose by 0.7% in US dollar terms, outperforming the MSCI World Index which declined by 10.2%.

In the first half of the year the Chinese markets rallied strongly as confidence remained very high and the number of retail investors increased substantially. However, during the second half the market declined precipitously on concerns about rising inflationary pressures and the prospect of further monetary tightening.

Over the year performance was positively impacted by China Oilfield Services and CNOOC which both rose strongly as the oil price hit new highs above \$140 per barrel. China Shipping Development outperformed after announcing a larger-than-expected increase in freight prices for 2008.

On the negative side, Minth Group (Consumer Discretionary) underperformed on weaker demand for auto parts and Foxconn International (Information Technology) lagged on anticipation of slowing growth of mobile phone shipments. China International Marine Containers was weak as slowing global trade has negatively impacted the demand for marine container boxes.

Over the year we established significant positions in Lenovo Group (Information Technology) for its strong cash generation and ASM Pacific as it is gaining market share and industry utilization is healthy as semiconductor packagers have been very disciplined with capital

expenditure. We also bought Belle International as we are positive about its footwear brand portfolio and the long-term consumption story in China.

We sold Ping An Insurance on concerns that the weak Chinese A-share market would negatively impact earnings and Wumart Stores because the Chairman is under investigation by the government. We also sold China Merchants Property, taking profit amid uncertainties about the outlook for the Chinese property market.

We believe that markets will remain volatile in the short-term and we expect the global economy to slow on the back of falling property prices and the unwinding of consumer leverage. However, we are encouraged that investors are pricing risk more reasonably, unlike the blanket bullishness of last year. Quality companies should emerge stronger from these difficult times and we will add to our favourite names as valuations become attractive. We remain very positive on the long-term potential for China because of high levels of economic growth and the increasing number of quality companies focused on long-term shareholder value.

NEW ERA PRC FUND

PERFORMANCE TABLE (UNAUDITED)

NET ASSET VALUES

Financial year ended	Net asset value of the Fund US\$	Net asset value per unit in issue US\$
30.6.2008	9,951,982	55.91
30.6.2007	12,451,823	56.35
30.6.2006	34,571,615	30.20

PERFORMANCE RECORD

Financial year ended	Highest issue price per unit US\$	Lowest redemption price per unit US\$
30.6.2008	81.01	51.35
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 (UNAUDITED)

FINANCIAL SUMMARY

Results	Year ended 30.6.2008 US\$	Year ended 30.6.2007 US\$	Year ended 30.6.2006 US\$	Year ended 30.6.2005 US\$	Year ended 30.6.2004 US\$
Net income/(loss) before investment and exchange gains/(losses).....	(33,552)	(313,398)	217,915	252,999	142,410
Net investment and exchange gains/(losses)	<u>444,955</u>	<u>18,300,499</u>	<u>9,506,732</u>	<u>5,432,585</u>	<u>8,512,929</u>
Increase in net assets attributable to unitholders for the year/period	<u>411,403</u>	<u>17,987,101</u>	<u>9,724,647</u>	<u>5,685,584</u>	<u>8,655,339</u>
Assets and liabilities	2008	2007	2006	2005	2004
	US\$	US\$	US\$	US\$	US\$
Total assets.....	9,977,455	12,538,525	34,654,075	25,496,473	20,848,599
Total liabilities	<u>(25,473)</u>	<u>(86,702)</u>	<u>(82,460)</u>	<u>(112,846)</u>	<u>(159,209)</u>
Net assets attributable to unitholders.....	<u>9,951,982</u>	<u>12,451,823</u>	<u>34,571,615</u>	<u>25,383,627</u>	<u>20,689,390</u>

Notes:

- (a) New Era PRC Fund (the "Fund") is a unit trust established in Hong Kong under a Trust Deed dated 28 June 2001, as amended.
- (b) The results of the Fund for the year ended 30 June 2008 and the assets and liabilities of the Fund as at 30 June 2008 have been extracted from the audited statement of operations and audited statement of net assets set out on pages 7 and 8 of this annual report.

NEW ERA PRC FUND

REPORT OF THE TRUSTEE

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 28 June 2001, as amended, for the year ended 30 June 2008.

For and on behalf of

HSBC Institutional Trust Services (Asia) Limited
as the Trustee of
the New ERA PRC Fund
Hong Kong, 29 October 2008

INDEPENDENT AUDITOR'S REPORT

To the unitholders of New Era PRC Fund (The "Fund")

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the Fund set out on pages 7 to 20, which comprise the Statement of Net Assets as at 30 June 2008, and the Statement of Operations, Statement of Changes in Net Assets Attributable to Unitholders and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Trustee and the Manager (the "Management") 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 are responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 28 June 2001, as amended (the "Trust Deed"), and the relevant financial statements disclosure provisions specified in Appendix E of the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the "SFC 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund'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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, 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 AUDITOR'S 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 2008, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY DISCLOSURE REQUIREMENTS

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the relevant financial statements disclosure provisions specified in the SFC Code.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 29 October 2008

NEW ERA PRC FUND

STATEMENT OF NET ASSETS AS AT 30 JUNE 2008

	Note	2008 US\$	2007 US\$
Assets			
Investments.....	4(b)	9,566,918	12,274,914
Dividend receivable and other receivables		25,121	11,850
Amounts receivable from brokers		–	153,318
Cash at banks		385,416	98,443
Total assets		<u>9,977,455</u>	<u>12,538,525</u>
Liabilities			
Amounts payable on redemption		7,764	682
Amounts payable to brokers		49,685	72,593
Accounts payable and accrued expenses		42,281	48,015
Liabilities (excluding net assets attributable to unitholders)		<u>99,730</u>	<u>121,290</u>
Net assets attributable to unitholders (at bid market prices)		9,877,725	12,417,235
Adjustments from bid market prices to last traded market prices	3	<u>74,257</u>	<u>34,588</u>
Net assets attributable to unitholders (at last traded market prices)	3	<u>9,951,982</u>	<u>12,451,823</u>
Number of Units in Issue		<u>177,994.40</u>	<u>220,965.88</u>
Net assets attributable to unitholders per unit		<u>55.91</u>	<u>56.35</u>

Signed for and on behalf of

HSBC Institutional Trust Services (Asia) Limited
as the Trustee

First State Investments (Hong Kong) Limited
as the Manager

The notes on pages 11 to 20 form part of these financial statements.

NEW ERA PRC FUND

STATEMENT OF OPERATIONS FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 US\$	2007 US\$
Income			
Interest on bank deposits.....		7,563	38,373
Dividend on investments.....		240,725	625,312
Net gains on investments	5	447,018	18,307,951
Exchange losses		(2,063)	(7,452)
Total investment income		<u>693,243</u>	<u>18,964,184</u>
Expenses			
Management fee.....	8(a)	198,088	441,267
Trustee's fee.....	8(b)	6,603	14,709
Administration fee	8(c)	13,493	29,567
Auditor's remuneration		21,000	20,132
Bank charges		285	319
Interest expense		548	11,800
Transaction expenses.....		52,770	171,583
Other operating expenses.....		28,722	31,990
Total operating expenses.....		<u>321,509</u>	<u>721,367</u>
Net operating income		371,734	18,242,817
Change in adjustments from bid market prices to last traded market prices	3	<u>39,669</u>	<u>(255,716)</u>
Increase in net assets attributable to unitholders from operations		<u>411,403</u>	<u>17,987,101</u>
Increase in net assets attributable to unitholders per unit	11	<u>2.04</u>	<u>22.56</u>

The notes on pages 11 to 20 form part of these financial statements.

NEW ERA PRC FUND

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 JUNE 2008**

	2008		2007	
	Units	US\$	Units	US\$
Balance at the beginning of the year.....	220,965.88	12,451,823	1,144,813.86	34,571,615
Redemption of units	(42,971.48)	(2,911,244)	(923,847.98)	(40,106,893)
Increase in net assets attributable to unitholders from operations	—	411,403	—	17,987,101
Balance at the end of the year	<u>177,994.40</u>	<u>9,951,982</u>	<u>220,965.88</u>	<u>12,451,823</u>

The notes on pages 11 to 20 form part of these financial statements.

NEW ERA PRC FUND

CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	US\$	US\$
Cash flows from operating activities		
Purchase of investments	(7,358,593)	(11,934,871)
Proceeds from sale of investments	10,644,018	52,216,902
Dividend received	226,209	740,076
Interest received	8,807	37,147
Interest paid	(548)	(11,800)
Administration fee paid	(13,500)	(31,269)
Auditor's remuneration paid	(19,000)	(13,184)
Management fee paid	(200,393)	(466,790)
Trustee's fee paid	(6,680)	(15,559)
Transaction expenses paid	(52,770)	(171,583)
Other operating expenses	(34,352)	(31,005)
Net cash generated from operating activities	3,193,198	40,318,064
Cash flows from financing activities		
Redemption of units	(2,904,162)	(40,106,211)
Net cash used in financing activities	(2,904,162)	(40,106,211)
Net increase in cash and cash equivalents	289,036	211,853
Effect of foreign exchange rate changes	(2,063)	(7,452)
Cash and cash equivalents at the beginning of the year	98,443	(105,958)
Cash and cash equivalents at the end of the year	385,416	98,443
Analysis of balance of cash and cash equivalents		
Cash at banks	385,416	98,443

The notes on pages 11 to 20 form part of these financial statements.

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 exchanges of the People’s Republic of China (the “PRC”), which are available to foreign investors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) held at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the Trustee to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Standards and amendments to standards effective in current period

HKFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures have been adopted in 2007. HKFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Fund’s financial statements. In accordance with the requirements of the Amendment to HKAS 1, additional disclosures have been provided on the Fund’s objectives and policies for its capital, which is represented by the net assets attributable to unitholders. There is no impact on the classification and measurement of the Fund’s capital.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards, amendments and interpretations to standards that are not yet effective and have not been early adopted by the Fund

HKAS 1 (Revised), “Presentation of Financial Statements” (effective from 1 January 2009). HKAS 1 (Revised) requires changes made to the presentation of the financial statements. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRS. The Fund will apply HKAS 1 (Revised) from 1 July 2009.

HKAS 32 and HKAS 1 Amendments “Puttable Financial Instruments and Obligations Arising on Liquidation” (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the Fund an obligation to deliver to another party a pro rata share of the net assets of the Fund only on liquidation to be classified as equity. The Fund will apply HKAS 32 and HKAS 1 Amendments from 1 July 2009.

The Statement of Net Assets presents assets and liabilities in increasing order of liquidity and does not distinguish between current and non-current items.

(b) Investments

All investments have been classified as “financial assets at fair value through profit or loss”.

Purchases and sales of investments are accounted for on the trade date basis. Investments are initially recognised at fair value, excluding transaction costs which are expensed as incurred, and are subsequently re-measured at fair value. Realised and unrealised gains and losses on investments are

included in the Statement of Operations in the period in which they arise. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Investments that are listed or traded on an exchange are fair valued based on quoted bid market prices.

(c) Income

Interest income is recognised on a time-proportionate basis using the effective interest method. Dividend income is recognised when the right to receive payments is established.

(d) Translation of foreign currencies

(i) Functional and presentation currencies

Items included in the Fund’s financial statements are measured using the currency of the primary economic environment in which it operates (“the functional currency”). The financial statements are presented in United States dollar, which is the Fund’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Operations. Translation differences on non-monetary financial assets and liabilities such as equities at fair value

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

through profit or loss are recognised in the Statement of Operations within the fair value net gain or loss.

(e) Expenses

Expenses are accounted for on an accruals basis.

(f) Subscription and redemption of units

The price at which units are subscribed or redeemed is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. The basis adopted by the Fund in arriving at the net asset value per unit for subscription and redemption purposes during the year may not be the same as the accounting principles adopted for the preparation of these financial statements.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Net Assets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at banks with maturity of three months or less from the date of placing the deposits, net of bank overdrafts, if any.

(i) Amounts receivable from / payable to brokers

Amounts receivable from/payable to brokers represent receivables from investments sold and payables for investments purchased that have been contracted for but not yet settled or delivered by the end of the year.

3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The Fund's capital is represented by the units in the Fund, and shown as net assets attributable to unitholders in the Statement of Net Assets. The Fund has no restrictions on the subscriptions of units. However, to protect the interests of unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of units redeemed on any dealing day (whether by sale to the Manager or by cancellation by the Trustee) to 10 per cent of the total number of units in issue.

In this event, the limitation will apply pro rata so that all unitholders wishing to redeem units on that dealing day will redeem the same proportion of such units, and units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next dealing day. If requests for redemption are so carried forward, the Manager will inform the unitholders concerned. Subscriptions and redemptions of units during the year are shown in the Statement of Changes in Net Assets Attributable to Unitholders. In order to achieve the investment objectives, the Fund endeavors to invest its capital in accordance with the investment policies as outlined in note 4, whilst maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments.

In accordance with the provisions of the Fund's Trust Deed dated 28 June 2001, as amended, listed investments and investments with prices quoted in over the counter markets or by market makers are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for subscriptions and redemptions and for various fee calculation. However, as stated in note 2(b), the accounting policy of the Fund for the purpose of financial statements preparation in compliance with HKAS 39 is to value investments at the relevant bid market prices on the year end date. As at 30 June

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

2008, the valuation of investments in accordance with HKAS 39 as shown in the financial statements results in a decrease in value of investments by US\$74,257 (2007: US\$34,588), compared with using the valuation methodology indicated in the Fund's Trust Deed.

Net assets attributable to unitholders represent a liability in the Statement of Net Assets, carried at the redemption amount that would be payable at the year end date if the unitholder exercised the right to redeem the units in the Fund. Consequently, the amount of US\$39,669 (2007: US\$(255,716)) adjusts the carrying amount of the net assets attributable to unitholders and is recognised in the Statement of Operations. The cumulative differences are included as "Adjustments from bid market prices to last traded market prices" in the Statement of Net Assets.

4. FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

The investment objective of the Fund is 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 is expected to provide a return in excess of the relevant benchmark index, the MSCI China Free Index (Total return) in US dollars.

The Fund is exposed to market price risk, interest rate risk, credit risk, liquidity risk and currency risk.

The risks and the respective risk management policies employed by the Fund to manage these risks are discussed below:

(b) Market price risk

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

It is the policy of the Investment Manager to maintain a diversified portfolio of investments so as to minimise risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCIAL RISK MANAGEMENT
(CONTINUED)

2008
%
2007
%

As at year end, the overall market exposures were as follows:

	2008			2007		
	Fair value US\$	Cost US\$	% of net assets	Fair value US\$	Cost US\$	% of net assets
Held for trading:						
- Listed equities	9,566,921	8,026,142	96.13	12,274,934	6,267,126	98.58
Forex forward/spot	(3)	-	-	(20)	-	-
	<u>9,566,918</u>	<u>8,026,142</u>	<u>96.13</u>	<u>12,274,914</u>	<u>6,267,126</u>	<u>98.58</u>

The following table shows the net market exposure the Fund has to various markets, incorporating the underlying market risk through all financial assets and liabilities held by the Fund.

	2008 US\$ Equivalents	2007 US\$ Equivalents
Markets exposed to		
Australia.....	238,612	45,802
Cayman Islands ..	108,028	242,011
China.....	3,438,642	4,867,445
Hong Kong.....	4,895,120	6,067,305
Shenzhen.....	843,290	916,730
Singapore.....	43,229	-
Jersey.....	-	135,641
	<u>9,566,921</u>	<u>12,274,934</u>

The net exposures to sectors at 30 June 2008 and 2007 are as follows:

Sectors exposed to

Consumer Discretionary	18.54	19.69
Consumer Staples.....	15.29	10.04
Energy.....	10.60	11.48
Financials	8.76	16.63
Health Care.....	0.23	0.50
Industrials.....	14.26	15.16
Information Technology	14.32	9.49
Materials	5.06	2.70
Telecommunication		
Services	2.53	3.80
Utilities	<u>6.54</u>	<u>9.09</u>
	<u>96.13</u>	<u>98.58</u>

There are no individual investments with market value exceeding 10% of the Fund's net asset value at 30 June 2008 and 30 June 2007.

The table below summarises the impact on the net assets attributable to unitholders, as at 30 June 2008 and 2007, of a reasonable possible change in the benchmark market index as applied to the respective beta reported by Lipper.

The reasonable possible change in the benchmark market index has been determined by using the last five years annualised benchmark returns.

The performance of the Fund does not necessarily follow the benchmark and the holdings might be different to the benchmark. The below sensitivity analysis is a relative estimate of risk. Please note that past performance should not be used as a guide to future performance as future market conditions could vary significantly from those experienced in the past.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market price risk (continued)

	2008		2007	
	Change in market index %	Impact US\$	Change in market index %	Impact US\$
	+/-	+/-	+/-	+/-
MSCI China Free Index (Total return)	34.14%	2,514,829	34.65%	3,275,303

The Investment Manager has used their view of what would be a “reasonable shift” in each key market to estimate the change for use in the market sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in market index % are revised annually depending on management’s current view of market volatility and other relevant factors.

(c) Interest rate risk

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

The majority of the Fund’s financial assets and liabilities are non-interest bearing, as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short term market interest rates.

The Fund had bank balances of US\$385,416 (2007: US\$98,443) at year end, and is therefore exposed to minimal interest rate risk on these bank balances.

(d) Credit and custody risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The Fund’s financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits and assets held with the custodian. The table below summarises the assets placed with the bank and custodian at 30 June 2008 and 2007.

At 30 June 2008

	US\$	Credit rating	Source of credit rating
Custodian			
HSBC Institutional Trust Services (Asia) Limited	9,566,918	AA	Fitch
Bank			
The Hongkong and Shanghai Banking Corporation Limited ..	385,416	AA	Fitch

At 30 June 2007

	US\$	Credit rating	Source of credit rating
Custodian			
HSBC Institutional Trust Services (Asia) Limited	12,274,914	AA	Fitch
Bank			
The Hongkong and Shanghai Banking Corporation Limited ..	98,443	AA	Fitch

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCIAL RISK MANAGEMENT
(CONTINUED)

All transactions in listed/quoted investments are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Fund considers to be well established.

(e) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in settling a liability, including a redemption request.

The Fund is exposed to daily cash redemptions of units in the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the year end date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month US\$	1-3 months US\$	Over 3 months US\$
At 30 June 2008			
Amounts payable on redemption.....	7,764	-	-
Amounts payable to brokers.....	49,685	-	-
Accounts payable and accrued expenses	15,385	21,000	5,896
Net assets attributable to unitholders (at last traded market prices) ..	<u>8,971,941</u>	<u>970,538</u>	<u>9,503</u>
Total financial liabilities	<u>9,044,775</u>	<u>991,538</u>	<u>15,399</u>
	Less than 1 month US\$	1-3 months US\$	Over 3 months US\$

At 30 June 2007			
Amounts payable on redemption.....	682	-	-
Amounts payable to brokers.....	72,593	-	-
Accounts payable and accrued expenses	17,339	19,000	11,676
Net assets attributable to unitholders (at last traded market prices) ..	<u>11,225,604</u>	<u>1,214,327</u>	<u>11,892</u>
Total financial liabilities	<u>11,316,218</u>	<u>1,233,327</u>	<u>23,568</u>

(f) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund has assets and liabilities denominated in currencies other than United States dollar, the Fund's functional and presentation currency. The Fund is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below summarises the Fund's net exposure to different major currencies:

	2008	2007
	US\$	US\$
	equivalents	equivalents
Australian dollar	131,312	-
Hong Kong dollar.....	9,459,724	12,125,300
Renminbi	10,967	8,531
Singapore dollar	43,229	-

The table below summarises the impact on net assets attributable to unitholders as a result of increases/decreases of key exchange rates on the exposures tabled above, to which the Fund is exposed. The analysis is based on the assumption that the exchange rates had increased/decreased by the respective percentage with all other variables held constant.

	2008		2007	
	Change	Impact	Change	Impact
	+/-	US\$ +/-	+/-	US\$ +/-
Australian dollar	5.0%	6,566	5.0%	-
Renminbi	5.0%	548	5.0%	427
Singapore dollar.....	5.0%	2,161	5.0%	-

(g) Fair value estimation

As at 30 June 2008 and 2007, the carrying values of assets and liabilities are a reasonable approximation of their fair values.

5. NET GAINS ON INVESTMENTS

	2008	2007
	US\$	US\$
Change in unrealised gains / losses in value of investments	(4,445,078)	(4,068,140)
Realised gains on sale of investments	4,892,096	22,376,091
	<u>447,018</u>	<u>18,307,951</u>

6. 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 ("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 2008, there was no outstanding payable under the overdraft facility (2007: Nil). There was no outstanding payable under the foreign exchange facility as at 30 June 2008 (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAXATION

No provision for Hong Kong profits tax has been made for the Fund as interest income, dividend income and realised gains on sale of investments are excluded from the charge to profit tax under sections 14, 26 or 26A of the Inland Revenue Ordinance.

8. TRANSACTIONS WITH CONNECTED PERSONS/RELATED PARTIES

The following is a summary of the transactions entered into during the year between the Fund and its related parties including the Manager and its connected persons. Connected persons of the Manager are those 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) 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 2008, a management fee of US\$198,088 (2007: US\$441,267) was incurred by the Fund, of which US\$12,849 (2007: US\$15,155) remained payable at 30 June 2008.

(b) Trustee's fee

The Trustee is entitled to receive in arrears a monthly trustee fee from the Fund, accrued on and calculated at each dealing day at the rate of 0.05% per annum of the net asset value of the Fund. The Manager may increase the rate of trustee fee payable in respect of the Fund up to 1% per annum by giving not less than three months' written notice to the Manager and the unitholders. For the year ended 30 June 2008, a trustee fee of US\$6,603 (2007: US\$14,709) was incurred by the Fund, of which US\$427 (2007: US\$504) remained payable at 30 June 2008.

(c) Administration fee

The Trustee is also 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 2008, an administration fee of US\$13,493 (2007: US\$29,567) was incurred by the Fund, of which US\$1,000 (2007: US\$1,007) remained payable at 30 June 2008.

(d) Subscription charge

The Manger is entitled to a preliminary charge of 2% relating to unit subscriptions in the Fund. For the year ended 30 June 2008, no subscription charge has been levied by the Manager as no units had been issued (2007: Nil).

9. SOFT COMMISSION ARRANGEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. SOFT COMMISSION ARRANGEMENTS (CONTINUED)

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 best execution to the Fund and the brokerage rates are not in excess of customary institutional full-service brokerage rates. This includes 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 of counterparties, particularly where a research service provider does not also provide an execution service.

10. DISTRIBUTIONS

No distribution was made during the year (2007: Nil).

11. INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT

The increase in net assets attributable to unitholders per unit was calculated based on the increase in net assets attributable to unitholders from operations for the year of US\$411,403 (2007: US\$17,987,101) and the weighted average number of units for the year of 201,955.81 (2007: 797,454.16).

12. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 29 October 2008.

INVESTMENT PORTFOLIO (UNAUDITED)

AS AT 30 JUNE 2008

	Holdings as at 30.6.2008	Market value US\$	% of net asset value		Holdings as at 30.6.2008	Market value US\$	% of net asset value
Listed investments – equities (96.13%)				Listed investments – equities (96.13%)			
<i>Listed on the Stock Exchange of Hong Kong (85.94%)</i>							
Anhui Conch Cement Co Ltd – H.....	8,000	53,328	0.54	Glorious Sun Enterprises Ltd.....	107,900	52,562	0.53
Anhui Expressway Co Ltd – H.....	184,000	129,731	1.30	GZI Real Estate Investment Trust.....	175,000	62,814	0.63
ASM Pacific Technology ... Beijing Enterprises Holdings Ltd.....	20,200	152,392	1.53	Haitian International Holdings.....	159,000	69,301	0.70
Belle International Holdings Ltd.....	152,000	136,397	1.37	Hengan International Group Co Ltd.....	112,000	326,635	3.28
Byd Electronic Co Ltd.....	69,500	41,250	0.41	Hong Kong Aircraft Engineering Co Ltd.....	3,200	49,267	0.50
Chen Hsong Holdings Ltd..	158,000	66,840	0.67	Hopewell Highway Infrastructure Ltd.....	347,400	260,080	2.61
China Bluechemical Ltd – H.....	100,000	69,224	0.70	Hung Hing Printing Group ..	296,592	78,703	0.79
China Communications Services Corp Ltd – H....	453,362	330,109	3.32	IDS Group.....	66,000	94,083	0.95
China Dongxiang Group Co.....	322,000	130,026	1.31	Kingboard Chemical Holdings Ltd.....	65,900	304,125	3.06
China Mengniu Dairy Co Ltd.....	211,000	595,071	5.97	Lenovo Group Ltd.....	508,000	343,193	3.45
China Merchants Bank Co Ltd – H.....	106,000	332,917	3.35	Li & Fung Ltd.....	75,600	227,747	2.29
China Merchants Holdings International Co Ltd.....	52,000	200,981	2.02	Little Sheep Group Ltd.....	75,000	27,690	0.28
China Oilfield Services Ltd.....	272,000	486,066	4.88	Luk Fook Holdings International Ltd.....	120,000	64,148	0.64
China Resources Enterprise Ltd.....	158,667	452,564	4.54	Minth Group Ltd.....	268,000	188,269	1.89
China Resources Land Ltd..	52,000	71,593	0.72	Pacific Textiles Holdings Ltd.....	132,000	23,859	0.24
China Resources Power Holdings Co Ltd.....	145,000	352,799	3.55	Parkson Retail Group Ltd...	10,500	76,454	0.77
China Shipping Development Co Ltd – H	132,500	397,462	3.99	Ports Design Ltd.....	62,000	174,458	1.75
China Telecom Corp Ltd – H.....	464,000	251,607	2.53	Pou Sheng International (Holdings) Ltd.....	700	213	0.00
CNOOC Ltd.....	268,000	461,053	4.63	Shandong Weigao Group Medical Polymer Co Ltd.	16,000	23,013	0.23
Denway Motors Ltd.....	172,000	66,368	0.67	Shangri-La Asia Limited....	36,000	83,992	0.84
Dongfeng Motor Group Co Ltd – H.....	174,000	69,593	0.70	Sino Gold Mining Ltd (HKE).....	19,946	111,354	1.12
Enric Energy Equipment Holdings Ltd.....	159,000	108,028	1.09	Tencent Holdings Ltd.....	22,600	174,699	1.76
Fosun International.....	88,000	63,963	0.64	Times Ltd.....	137,000	52,687	0.53
Foxconn International Holdings.....	81,942	79,413	0.80	Tingyi (Cayman) Holding Corp.....	108,000	132,495	1.33
				Vinda International Holdings.....	132,000	39,089	0.39
				Xiniao Gas Holdings Ltd....	176,000	297,817	2.99
				Yue Yuen Industrial Holdings Ltd.....	29,500	70,037	0.70
						<u>8,553,144</u>	<u>85.94</u>

NEW ERA PRC FUND

INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED) AS AT 30 JUNE 2008

	Holdings as at 30.6.2008	Market value US\$	% of net asset value
Listed investments – equities (96.13%)			
<i>Listed on the Stock Exchange of Singapore (0.44%)</i>			
Guocoland Ltd	27,000	43,229	0.44
<i>Listed on the Stock Exchange of Australia (1.28%)</i>			
Sino Gold Mining Ltd	23,401	127,258	1.28
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China (8.47%)</i>			
China International Marine Container Group Co Ltd			
– B	89,300	106,234	1.07
China Vanke Co Ltd – B	285,008	361,706	3.63
Yantai Changyu Pioneer Wine Co – B	60,359	<u>375,350</u>	<u>3.77</u>
		<u>843,290</u>	<u>8.47</u>
Total listed investments – equities		9,566,921	96.13
Forex forward / spot		<u>(3)</u>	<u>–</u>
Total listed investments ...		9,566,918	96.13
Other assets		<u>385,064</u>	<u>3.87</u>
Net assets as at 30 June 2008		<u>9,951,982</u>	<u>100.00</u>
Total listed investments – equities, at cost		<u>8,026,142</u>	

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)
FOR THE YEAR ENDED 30 JUNE 2008**

	Portfolio holdings		Bonus/ Split		Portfolio holdings		Bonus/ Split
	Additions	Disposals			Additions	Disposals	
(I) Equities				(I) Equities			
<i>Listed on the Stock Exchange of Hong Kong</i>				CNOOC Ltd	–	384,000	–
Alibaba.com Ltd	3,500	3,500	–	Denway Motors Ltd	58,000	114,000	–
Anhui Conch Cement Co Ltd – H	6,000	18,000	–	Dongfeng Motor Group Co Ltd – H	174,000	–	–
Anhui Expressway Co Ltd – H	–	22,000	–	Enric Energy Equipment Holdings Ltd	–	120,000	–
ASM Pacific Technology ...	24,700	4,500	–	Fosun International	88,000	–	–
Beijing Jingkelong Supermarket Chain Group Co Ltd – H	14,000	–	–	Foxconn Intl Holdings	41,000	25,000	–
Belle International Holdings Ltd	152,000	–	–	Geely Automobile Holdings Ltd	–	695,000	–
Byd Electronic Co Ltd	69,500	–	–	Glorious Sun Enterprises Ltd	–	–	–
Chen Hsong Holdings Ltd .	12,000	–	–	Golden Eagle Retail Group Ltd	–	125,000	–
China Aoyuan Property Group	12,000	12,000	–	GZI Real Estate Investment Trust	–	63,000	–
China Bluechemical Ltd – H	100,000	–	–	Hong Kong Aircraft Engineering Co Ltd	6,800	3,600	–
China Dongxiang Group Co	392,000	70,000	–	Haitian International Holdings	159,000	–	–
China Foods Ltd	–	162,000	–	Harbin Power Equipment Company Ltd – H	36,000	36,000	–
China Infrastructure Machinery Holdings Ltd	40,000	102,000	–	Hengan International Group Co Ltd	60,000	16,000	–
China Mengniu Dairy Co Ltd	169,000	65,000	–	Hidili Industry Intl Development Ltd	5,000	5,000	–
China Merchants Bank Co Ltd – H	21,500	112,500	–	Hong Kong & China Gas....	109,000	109,000	–
China Merchants Holdings International Co Ltd	36,000	26,000	–	Hopewell Highway Infrastructure Ltd	150,500	–	–
China Oilfield Services Ltd	110,000	284,000	–	Huaneng Power International Inc – H	–	112,000	–
China Resources Land Ltd .	32,000	24,000	–	Hung Hing Printing Group .	38,000	–	–
China Resources Power Holdings Co Ltd	114,000	230,000	–	IDS Group	–	–	–
China Resources Enterprise Ltd	96,000	52,000	–	Kerry Properties Ltd	–	27,501	–
China Shenhua Energy Co Ltd	–	41,744	–	Kingboard Chemical Holdings Ltd	9,500	54,500	–
China Shipping Development Co Ltd – H	42,000	118,000	–	Kingboard Laminates Holdings Ltd	–	123,500	–
China Telecom Corp Ltd – H	224,000	570,000	–	KWG Property	54,000	67,000	–
China Communications Service Corp Ltd – H	440,922	218,167	–	Lenovo Group Ltd	644,000	136,000	–
China High Speed Transmission Equipment Group Co Ltd	78,000	78,000	–	Li & Fung Ltd	16,000	42,000	–
				Li Ning Co Ltd	–	60,655	–
				Little Sheep Gropu Ltd	75,000	–	–
				Luk Fook Holdings International Ltd	120,000	–	–
				Minth Group Ltd	96,000	–	–

STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2008

	Portfolio holdings		Bonus/ Split		Portfolio holdings		Bonus/ Split
	Additions	Disposals			Additions	Disposals	
(I) Equities				(I) Equities			
Pacific Textiles Holdings Ltd	33,000	-	-	<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China</i>			
Parkson Retail Group Ltd ..	-	41,000	-				
Ping An Insurance (Group) Co of China Ltd - H	1,500	67,500	-	China International Marine Container Group Co Ltd - B	86,400	35,400	-
Portrs Design Ltd	20,000	-	-	China Merchants Property Development - B	-	51,200	-
Pou Sheng International (Holdings) Ltd.....	700	-	-	China Vanke Co Ltd - B	52,900	98,871	106,878
Prime Success International Group Ltd	-	182,000	-	Shenzhen Chiwan Wharf Holdings - B	-	31,062	-
Shandong Weigao Group Medical Polymer Co	-	12,000	-	Yantai Changyu Pioneer Wine - B	21,650	19,500	-
Shangri-La Asia Limited....	52,000	16,000	-	<i>Listed on the Stock Exchange of Singapore</i>			
Sino Gold Mining Ltd (HKE)	9,946	-	-	Cosco Corp (Singapore) Ltd	21,000	21,000	-
Sino Gold Mining Ltd (HKE) Nil Paid Right	-	2,346	2,346	Guocoland Ltd	27,000	-	-
Sino-Ocean Land Holdings Ltd	17,000	17,000	-	Yanlord Land Group Ltd	50,000	50,000	-
Tencent Holdings Ltd	11,000	38,400	-	<i>Listed on the Stock Exchange of Sydney, Australia</i>			
Times Ltd	137,000	-	-	Sino Gold Mining Ltd	23,401	-	-
Tingya (Cayman) Holdings Corp	54,000	26,000	-	Sino Gold Mining Ltd Nil Paid Right.....	2,753	5,506	2,753
Vinda International Holdings	301,000	169,000	-	(II) Bonds			
Wumart Stores Inc - H	-	423,200	-	<i>Listed on the Stock Exchange of New York, USA</i>			
Xinao Gas Holdings Ltd	52,000	64,000	-	JP Morgan Intl Derivatives MTN Conv 0% 12/06/2009	-	92,949	-
Xinjiang Xinxin Mining Ind Co Ltd - H	7,000	7,000	-				
Yue Yuen Industrial Holdings Ltd	13,000	19,000	-				
Yue Yuen Industrial Holdings Ltd Nil Paid Right	-	700	700				
<i>Listed on the Stock Exchange of New York, USA</i>							
Perfect World Co Ltd ADR ...	2,400	2,400	-				
Wuxi Pharmatech Cayman Inc ADR.....	400	400	-				
<i>Listed on the Stock Exchange of Shanghai, People's Republic of China</i>							
Shanghai Jinqiao Export Processing Zone Development Co. Ltd	-	48,678	-				

NEW ERA PRC FUND

GENERAL INFORMATION

Manager	First State Investments (Hong Kong) Limited 6th Floor, Three Exchange Square 8 Connaught Place 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
Trustee and Registrar	HSBC Institutional Trust Services (Asia) Limited 39/F Dorset House, Taikoo Place 979 King's Road 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

THIS PAGE IS INTENTIONALLY LEFT BLANK

THIS PAGE IS INTENTIONALLY LEFT BLANK

First State Investments (Hong Kong) Limited

Sixth Floor
Three Exchange Square
8 Connaught Place
Hong Kong

Telephone : (852) 2846 7555

Intermediary Hotline : (852) 2846 7575

Investor Services Hotline : (852) 2846 7566

Fax : (852) 2868 4742

Email : info@firststate.com.hk

www.firststateasia.com