

### 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 authorized 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. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following new and revised SSAPs are effective for the first time for the current year’s financial statements:

- SSAP 1 (Revised):  
“Presentation of financial statements”
- SSAP 15 (Revised):  
“Cash flow statements”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Fund’s accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a statement of movements in capital account is now presented in the financial statements in place of the statement of recognized gains and losses that was previously required.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the cash flow statement is now presented under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required.

#### 3. PRINCIPAL ACCOUNTING POLICIES

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

##### (a) Basis of preparation

These financial statements have been prepared in accordance with the provisions of the Trust Deed, the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “Code”) and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, modified to include the periodic revaluation of investments, as further explained below.

##### (b) Investments

Listed investments are stated at their fair values on the basis of their last traded prices on the principal stock exchange on which they are traded, on an individual basis.