

REPORT OF THE AUDITORS

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 on pages 7 to 14 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF THE MANAGER AND AUDITORS

The Manager of the Fund is responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, in accordance with Appendix E of Hong Kong Code on Unit Trusts and Mutual Funds, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements of the Fund have been properly prepared in accordance with the relevant provisions of the governing Trust Deed, so as to give a true and fair view of the disposition of the Fund as at 30 June 2003 and of the transactions of the Fund for the year then ended, and comply with the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission in Hong Kong.

We have obtained all the information and explanations we consider necessary for the purpose of our audit. In our opinion, proper books of accounts have been kept by the trustee and the financial statements are in agreement with the books of accounts.

Ernst & Young
Certified Public Accountants

Hong Kong
23 October 2003