

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 8 to 16 which have been prepared on the basis of accounting principles generally accepted in Hong Kong, 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”).

RESPECTIVE RESPONSIBILITIES OF THE MANAGER, THE TRUSTEE AND AUDITORS

The Manager and the Trustee are responsible for preparing financial statements of the Fund and the Manager and the Trustee undertake to prepare such financial statements so that they give a true and fair view. In preparing such financial statements it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated. In addition, the Code requires the financial statements of the Fund to contain the relevant disclosures set out in Appendix E to that Code.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and to report on you on the other matters set out above, 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes 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 give a true and fair view of the financial position of the Fund as at 30 June 2005, and of its transactions and cash flows for the year then ended 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.

Ernst & Young
Certified Public Accountants

Hong Kong
24 October 2005