

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. 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 (“HKAS”) 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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Fund and are adopted for the first time for the current year’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 18	Revenue
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities

The adoption of HKASs 1, 7, 8, 10, 18, 21, 36 and 37 has had no material impact on the accounting policies of the Fund and the methods of computation in the Fund’s financial statements.

The impact of adopting the other HKFRSs is summarized as follows:

- (a) HKAS 24 has expanded the definition of related parties and affected the Fund’s related party disclosures.
- (b) HKAS 32 has affected the presentation of redeemable units, which are now classified as financial liabilities, and entitled “Net assets attributable to unitholders”.