

# New Era PRC Fund

Annual Report

July 2009 – June 2010

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**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.**

# New ERA PRC Fund

## Report of the Manager

for the year ended 30 June 2010

### Performance

	1 July 2009 to 30 June 2010	1 July 2008 to 30 June 2009
New Era PRC Fund	31.37%	-8.73%
Benchmark: MSCI China Free Index	11.11%	-8.15%

(Performance calculation is based on the official dealing NAV.)

Over the year to 30 June 2010 the MSCI China Free Index rose by 11.11% in US dollar terms, slightly outperforming the MSCI World Index which increased by 10.8%.

In the first half of the period the Chinese markets continued to rise as the global economy recovered and liquidity remained abundant. However, during the first six months of 2010 concerns rose about the impact of tightening measures on the Chinese economy and markets were increasingly volatile.

Over the year performance was positively impacted by wine company Yantai Changyu which rose sharply on strong domestic consumption, and paper product manufacturer Hengan International which gained as its earnings were boosted by lower pulp prices and growing tissue consumption. China Resources Enterprise outperformed as their beverage business was particularly successful.

On the negative side, China Communications Services (Telecom Services) lagged as defensive stocks underperformed in a rising market. In the Financials sector, China Vanke and China Resources Land both underperformed on concerns about the impact of tightening measures in China.

Significant new positions over the year included Ping An Insurance (Financials) which should be boosted by a favourable outlook for the Chinese insurance industry. We also purchased New Oriental (Industrials) as the company has a very strong franchise in the English language entrance exam preparation market and China Resources Land (Financials) which should be a beneficiary of urbanisation in China.

We sold China Dongxiang (Consumer Discretionary) because of concerns about the sustainability of its Kappa brand and Sino Gold (Industrials) as it was acquired. We also sold China Mobile (Telecom Services), re-allocating funds to companies with a better growth profile.

Weaker data will ease the pressure on the government to tighten policy further. We retain a high weighting in companies exposed to domestic consumption and have limited exposure to exporters and cyclical stocks. We continue to seek investments that generate steady cash flow and pay good dividends.

# New ERA PRC Fund

## Performance Table (Unaudited)

for the year ended 30 June 2010

### Net Asset Values

Financial year ended	Net asset value of the Fund US\$	Net asset value per unit in issue US\$
30.6.2010	10,342,717	66.84
30.6.2009	8,694,032	50.82
30.6.2008	9,877,725	55.49

### Performance Record

Financial year ended	Highest issue price per unit US\$	Lowest redemption price per unit US\$
30.6.2010	72.39	49.65
30.6.2009	59.58	25.52
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) (continued)

for the year ended 30 June 2010

### Financial Summary

Results	Year ended 30.6.2010 US\$	Year ended 30.6.2009 US\$	Year ended 30.6.2008 US\$	Year ended 30.6.2007 US\$	Year ended 30.6.2006 US\$
Net income/(loss) before investment and exchange gains/(losses)	(38,492)	63,395	19,218	(313,398)	217,915
Net investment and exchange gains/(losses)	2,690,983	(953,659)	392,185	18,300,499	9,506,732
Total comprehensive income/(loss)	2,652,491	(890,264)	411,403	17,987,101	9,724,647

Assets and liabilities	2010 US\$	2009 US\$	2008 US\$	2007 US\$	2006 US\$
Total assets	10,388,091	8,743,241	9,977,455	12,538,525	34,654,075
Total liabilities	(45,374)	(49,209)	(99,730)	(86,702)	(82,460)
Net assets attributable to unitholders	10,342,717	8,694,032	9,877,725	12,451,823	34,571,615

#### Notes:

- 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 results of the Fund for the year ended 30 June 2010 and the assets and liabilities of the Fund as at 30 June 2010 have been extracted from the audited statement of net assets and audited statement of comprehensive income set out on pages 7 and 8 of this annual report.

# New ERA PRC Fund

## Report of the Trustee

for the year ended 30 June 2010

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 2010.

For and on behalf of

HSBC Institutional Trust Services (Asia) Limited  
as the Trustee of  
the New Era PRC Fund

Hong Kong, 12 October 2010

# New ERA PRC Fund

## 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 26, which comprise the statement of net assets as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity 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.

## **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2010, 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, 12 October 2010



# New ERA PRC Fund

## Statement of Net Assets

as at 30 June 2010

	Note	2010	30 June	1 July
	2(a)	2010	2009	2008
		US\$	(restated)	(restated)
			US\$	US\$
<b>Assets</b>				
<b>Current assets</b>				
Investments	4(b)	10,082,000	8,647,519	9,566,918
Amounts receivable from brokers		20,502	–	–
Dividend receivable and other receivables		38,152	14,617	25,121
Cash at banks		247,437	81,105	385,416
<b>Total assets</b>		<b>10,388,091</b>	<b>8,743,241</b>	<b>9,977,455</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Amounts payable on redemption		1,451	–	7,764
Amounts payable to brokers		–	3,883	49,685
Derivative financial instruments	6	3	–	–
Accounts payable and accrued expenses		43,920	45,326	42,281
<b>Total liabilities</b>		<b>45,374</b>	<b>49,209</b>	<b>99,730</b>
<b>Equity</b>				
Net assets attributable to unitholders	3	10,342,717	8,694,032	9,877,725
Number of units in issue		154,738.88	171,089.78	177,994.40
Net assets attributable to unitholders per unit		66.84	50.82	55.49

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 26 form part of these financial statements.

# New ERA PRC Fund

## Statement of Comprehensive Income

for the year ended 30 June 2010

		2010	2009
	Note	US\$	(restated) US\$
<b>Income</b>			
Interest on bank deposits		–	475
Dividend on investments		191,135	253,958
Net gains/(losses) on investments	5	2,692,876	(953,060)
Exchange losses		(1,893)	(599)
<b>Total net income/(loss)</b>		<b>2,882,118</b>	<b>(699,226)</b>
<b>Expenses</b>			
Management fee	9(a)	153,083	107,000
Trustee's fee	9(b)	5,103	3,567
Administration fee	9(c)	12,000	12,000
Auditor's remuneration		24,350	31,250
Interest expense		343	119
Legal and professional fee		–	181
Safe custody and bank charges		3,647	3,235
Other operating expenses		23,644	28,655
<b>Total operating expenses</b>		<b>222,170</b>	<b>186,007</b>
<b>Profit/(loss) before tax</b>		<b>2,659,948</b>	<b>(885,233)</b>
Withholding tax		(7,457)	(5,031)
<b>Total comprehensive income/(loss)</b>		<b>2,652,491</b>	<b>(890,264)</b>
<b>Total comprehensive income/(loss) per unit</b>	12	<b>16.42</b>	<b>(5.06)</b>

The notes on pages 11 to 26 form part of these financial statements.

# New ERA PRC Fund

## Statement of Changes in Equity

for the year ended 30 June 2010

	Note	2010		2009	
		Units	US\$	Units	(restated) US\$
<b>Balance at the beginning of the year</b>	2(a)	171,089.78	8,694,032	177,994.40	9,877,725
Redemption of units		(16,350.90)	(1,003,806)	(6,904.62)	(293,429)
Total comprehensive income/(loss)		-	2,652,491	-	(890,264)
<b>Balance at the end of the year</b>		154,738.88	10,342,717	171,089.78	8,694,032

The notes on pages 11 to 26 form part of these financial statements.

# New ERA PRC Fund

## Cash Flow Statement

for the year ended 30 June 2010

	2010 US\$	2009 US\$
<b>Cash flows from operating activities</b>		
Purchase of investments	(3,045,656)	(3,003,105)
Proceeds from sale of investments	4,279,669	2,923,642
Dividend received	160,143	259,273
Interest received	–	633
Interest paid	(343)	(119)
Administration fee paid	(12,000)	(12,000)
Auditor's remuneration paid	(24,350)	(28,250)
Management fee paid	(151,174)	(109,118)
Trustee's fee paid	(5,039)	(3,638)
Other operating expenses	(30,670)	(29,837)
Net cash generated from/(used in) operating activities	1,170,580	(2,519)
<b>Cash flows from financing activities</b>		
Redemption of units	(1,002,355)	(301,193)
<b>Net cash used in financing activities</b>	(1,002,355)	(301,193)
<b>Net increase/(decrease) in cash and cash equivalents</b>	168,225	(303,712)
Effect of foreign exchange rate changes	(1,893)	(599)
Cash and cash equivalents at the beginning of the year	81,105	385,416
<b>Cash and cash equivalents at the end of the year</b>	247,437	81,105
<b>Analysis of balance of cash and cash equivalents</b>		
Cash at banks	247,437	81,105

The notes on pages 11 to 26 form part of these financial statements.

# New ERA PRC Fund

## Notes to the Financial Statements

as at 30 June 2010

### 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 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.

#### **New and amended standards that are effective in the current year and have been adopted by the Fund**

HKAS 1 (revised), “Presentation of financial statements”. The revised standard prohibits the presentation of items of income and expenses (that is, “non-owner changes in equity”) in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of net assets as at the beginning of the comparative period, in addition to the current requirement to present statement of net assets at the end of the current period and comparative period. The Fund has applied HKAS 1 (revised) from 1 July 2009 and has elected to present solely a statement of comprehensive income. The adoption of this revised standard has not resulted in a significant change to the presentation of the Fund’s performance statement, as the Fund has no elements of other comprehensive income.

## 2. Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### **New and amended standards that are effective in the current year and have been adopted by the Fund (continued)**

HKAS 1 (amendment), "Presentation of financial statements". The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, "Financial instruments: Recognition and measurement", are examples of current assets and liabilities respectively. Adoption did not have a significant impact on the Fund's financial statements.

HKAS 32 (amendment), "Financial instruments: Presentation", and HKAS 1 (amendment), "Presentation of financial statements—Puttable financial instruments and obligations arising on liquidation". Previously the Fund had classified its puttable instruments as liabilities in accordance with HKAS 32, "Financial instruments: Presentation". However, the amendment requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met. Those criteria include: the puttable instruments must entitle the holder to a pro-rata share of net assets; the puttable instruments must be the most subordinated class and that class's features must be identical; there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer.

As the Fund's redeemable units meet the above criteria, accordingly, effective from 1 July 2009, the Fund's redeemable units have been reclassified from financial liabilities to equity. Net assets attributable to unitholders have therefore been reclassified from financial liabilities to equity. In prior year, the Fund's redeemable units were stated at fair value which were carried at the redemption amount that was payable at the end of the reporting period if the holders exercised the option to put the redeemable units back to the Fund. Effective from 1 July 2009, net assets attributable to unitholders, being equity are represented by assets less liabilities, which are accounted for in accordance with HKFRS.

The amendment has been applied retrospectively.

The table below summarises the impact on the net assets attributable to unitholders and total comprehensive income as a result of the amendment to reclassify the Fund's redeemable units from financial liabilities to equity.

	2010 US\$	2009 US\$
Net assets attributable to unitholders, representing financial liabilities, as previously reported (at last traded market prices)	10,374,693	8,731,698
Impact on change in accounting policy as described above	(31,976)	(37,666)
Net assets attributable to unitholders, representing equity, as restated (at bid market prices)	10,342,717	8,694,032

# New ERA PRC Fund

## Notes to the Financial Statements

as at 30 June 2010

### 2. Summary of significant accounting policies (continued)

#### (a) Basis of preparation (continued)

##### New and amended standards that are effective in the current year and have been adopted by the Fund (continued)

	2010 US\$	2009 US\$
Increase/(decrease) in net assets attributable to unitholders from operations, as previously reported	2,646,801	(926,855)
Impact on change in accounting policy as described above	5,690	36,591
Total comprehensive income/(loss), as restated	2,652,491	(890,264)

HKAS 39 (amendment), "Financial instruments: Recognition and measurement". The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. Adoption did not have a significant impact on the Fund's financial statements.

HKFRS 7 (amendment) "Financial instruments: Disclosures". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the Fund's financial position or performance.

HKFRS 8, "Operating segments" was effective from 1 July 2009. HKFRS 8 replaces HKAS 14, "Segment reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. As the Fund has only one operating segment, the adoption of the new standard did not have a significant impact on the Fund's financial statements.

##### New standards and amendments to standards that are relevant to the Fund but are not yet effective and have not been early adopted by the Fund

HKFRS 9, "Financial instruments part 1: Classification and measurement". HKFRS 9 was issued in November 2009 and replaces those parts of HKAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

## 2. Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### **New standards and amendments to standards that are relevant to the Fund but are not yet effective and have not been early adopted by the Fund (continued)**

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity instruments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit and loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit and loss, as long as they represent a return on investment.

The Fund will apply the standard from 1 July 2013. However, it is not expected to have a significant impact on the Fund's financial statements.

### (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 comprehensive income 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) Derivative financial instruments

Derivative financial instruments represent outstanding forward foreign exchange contracts. Outstanding forward foreign exchange contracts are valued at the year end date by reference to the forward rate of exchange applicable to the outstanding term of the contracts. Unrealised gains and losses on outstanding contracts and realised gains and losses on closed contracts are shown in the statement of comprehensive income under "net gains/(losses) on investments".

### (d) 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.

### (e) 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 performance of the Fund is measured and reported to the holders of redeemable units in United States dollar. The Manager considers the United States dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in United States dollar, which is the Fund's functional and presentation currency.



# New ERA PRC Fund

## Notes to the Financial Statements

as at 30 June 2010

### 2. Summary of significant accounting policies (continued)

#### (e) Translation of foreign currencies (continued)

##### (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 currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the year end date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within "exchange gains/(losses)".

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within "net gains/(losses) on investments".

#### (f) Expenses

Expenses are accounted for on an accruals basis.

#### (g) Subscription and redemption of units

The Fund issues units, which are redeemable at the holder's option and are classified as equity in accordance with HKAS 32 (amendment).

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.

#### (h) 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.

#### (i) 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.

#### (j) 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.

## 2. Summary of significant accounting policies (continued)

### (k) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Manager, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

## 3. Net assets attributable to unitholders

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 equity. 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 2010, 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\$31,976 (2009: US\$37,666), compared with using the valuation methodology indicated in the Fund's Trust Deed.

A reconciliation of the net asset value as reported in the statement of net assets to the net asset value as determined for the purposes of processing unit subscriptions and redemptions is provided below.

	2010 US\$	2009 US\$
Net assets/equity as per statement of net assets	10,342,717	8,694,032
Adjustment from bid market prices to last traded market prices	31,976	37,666
Net assets attributable to unitholders (at last traded market prices)	10,374,693	8,731,698

As at 30 June 2010, the Fund had US\$10,342,717 (2009: US\$8,694,032) of puttable financial instruments classified as equity.

The Fund's objectives and policies for managing their obligations to redeem these instruments are included in note 4(h) on capital risk management and note 4(e) on liquidity risk.

# New ERA PRC Fund

## Notes to the Financial Statements

as at 30 June 2010

### 4. Financial risk management

Investments and derivative financial instruments are classified as "financial assets and liabilities at fair value through profit or loss". The remaining financial assets and liabilities as shown on the statement of net assets are classified as "loans and receivables" and "other financial liabilities" respectively.

#### (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 Manager to maintain a diversified portfolio of investments so as to minimise risk.

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

	2010		2009	
	Fair value US\$	% of net assets US\$	Fair value US\$	% of net assets US\$
Held for trading:				
- Listed equities	10,082,000	97.48	8,647,519	99.47
	10,082,000	97.48	8,647,519	99.47

The following table shows the market exposure the Fund has to various markets:

	2010 US\$ Equivalents	2009 US\$ Equivalents
Markets exposed to		
Australia	-	163,351
China	5,200,919	4,311,175
Hong Kong	4,757,627	3,941,714
Singapore	28,118	30,020
USA	95,336	201,259
	10,082,000	8,647,519

The market exposure to country is based on the place of domiciles of the security.

The exposure to sectors at 30 June 2010 and 2009 are as follows:

	2010 % of net assets	2009 % of net assets
Sectors exposed to		
Consumer Discretionary	19.81	18.50
Consumer Staples	20.05	19.61
Energy	5.57	6.46
Financials	17.46	13.95
Health Care	3.96	1.79
Industrials	7.74	9.85
Information Technology	6.18	8.07
Materials	1.61	5.50
Telecommunication Services	6.69	7.46
Utilities	8.41	8.28
	97.48	99.47

#### 4. Financial risk management (continued)

##### (b) Market price risk (continued)

There are no individual investments with market value exceeding 10% of the Fund's net asset value at 30 June 2010 and 30 June 2009.

The table below summarises the impact on the net assets attributable to unitholders, as at 30 June 2010 and 2009, 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.

	2010		2009	
	Change in market index % +/-	Impact US\$ +/-	Change in market index % +/-	Impact US\$ +/-
MSCI China Free Index (Total return)	21.07%	1,826,582	22.98%	1,689,152

##### (c) Interest rate risk

Interest rate risk is the risk that the value or cash flows 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\$247,437 (2009: US\$81,105) 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. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency, negligence or fraudulent action of the custodian or of a sub-custodian.

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 2010 and 2009.

##### At 30 June 2010

	US\$	Credit rating	Source of credit rating
Custodian – custody risk			
HSBC Institutional Trust Services (Asia) Limited	10,082,000	AA	Fitch
Bank – credit risk			
The Hongkong and Shanghai Banking Corporation Limited	247,437	AA	Fitch

# New ERA PRC Fund

## Notes to the Financial Statements

as at 30 June 2010

### 4. Financial risk management (continued)

#### (d) Credit and custody risk (continued)

At 30 June 2009

	US\$	Credit rating	Source of credit rating
Custodian – custody risk			
HSBC Institutional Trust Services (Asia) Limited	8,647,519	AA	Fitch
Bank – credit risk			
The Hongkong and Shanghai Banking Corporation Limited	81,105	AA	Fitch

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.

The maximum exposure to credit risk at year end is the carrying amount of the financial assets as shown on the statement of net assets.

None of the assets is impaired nor past due but not impaired.

#### (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. Please refer to note 3 for restrictions on unit redemption and note 7 for uncommitted bank overdraft and foreign exchange facilities.

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\$
<b>At 30 June 2010</b>			
Amounts payable on redemption	1,451	–	–
Derivative financial instruments	7,147	–	–
Accounts payable and accrued expenses	14,389	29,100	431
<b>Total financial liabilities</b>	<b>22,987</b>	<b>29,100</b>	<b>431</b>

	Less than 1 month US\$	1–3 months US\$	Over 3 months US\$
<b>At 30 June 2009</b>			
Amounts payable to brokers	3,883	–	–
Derivative financial instruments	120	–	–
Accounts payable and accrued expenses	12,761	29,100	3,465
<b>Total financial liabilities</b>	<b>16,764</b>	<b>29,100</b>	<b>3,465</b>

Units are redeemed on demand at the holder's option. As at 30 June 2010, there was 1 (2009: 1) unitholder holding over 10% of the Fund's net assets. Based on historical levels of activity, the Fund on average has outflows relating to the redemption of units of US\$84,000 per month.

#### 4. Financial risk management (continued)

##### (e) Liquidity risk (continued)

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within 1 month or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month US\$	1-3 months US\$	Over 3 months US\$
<b>At 30 June 2010</b>			
Investments	10,082,000	-	-
Amounts receivable from brokers	20,502	-	-
Derivative financial instruments	7,144	-	-
Dividend receivable and other receivable	31,839	6,313	-
Cash at banks	247,437	-	-
<b>Total assets</b>	<b>10,388,922</b>	<b>6,313</b>	<b>-</b>

##### (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 monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

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

	2010		2009	
	Monetary US\$	Non- monetary US\$	Monetary US\$	Non- monetary US\$
Australian dollar	-	-	-	76,747
Hong Kong dollar	23,533	9,331,117	(2,783)	8,385,461
Renminbi	26,533	-	10,188	-
Singapore dollar	-	28,118	-	30,020

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.

	2010			2009		
	Change	Impact Monetary US\$	Impact Non- monetary US\$	Change	Impact Monetary US\$	Impact Non- monetary US\$
	+/-	+/-	+/-	+/-	+/-	+/-
Australian dollar	5.0%	-	-	5.0%	-	3,837
Renminbi	5.0%	1,327	-	5.0%	509	-
Singapore dollar	5.0%	-	1,406	5.0%	-	1,501

The Manager has used their view of what would be a "reasonable possible shift" in the exchange rates to estimate the change for use in the currency risk sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative. Changes in exchange rates % are revised annually depending on the Manager's current view of exchange rates volatility and other relevant factors.

# New ERA PRC Fund

## Notes to the Financial Statements

as at 30 June 2010

### 4. Financial risk management (continued)

#### (g) Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

The Fund adopted the amendment to HKFRS 7, effective 1 July 2009. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's investments (by class) measured at fair value at 30 June 2010:

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Assets</b>				
Held for trading				
- Equities	10,082,000	-	-	10,082,000
<b>Total assets</b>	<b>10,082,000</b>	<b>-</b>	<b>-</b>	<b>10,082,000</b>
<b>Liabilities</b>				
Held for trading				
- Derivatives	-	3	-	3
<b>Total liabilities</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>3</b>

#### 4. Financial risk management (continued)

##### (g) Fair value estimation (continued)

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include forward foreign exchange contracts. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As of 30 June 2010, the Fund did not hold any investments classified in level 3.

##### (h) Capital risk management

The capital of the Fund is represented by the net assets attributable to unitholders. The amount of net assets attributable to unitholders can change significantly as the Fund is subject to subscriptions and redemptions every day at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- monitor the level of subscriptions and redemptions relative to the liquid assets; and
- redeem and issue units in accordance with the trust deed of the Fund.

The Manager monitors capital on the basis of the value of net assets attributable to unitholders.

#### 5. Net gains/(losses) on investments

	2010 US\$	2009 US\$
Change in unrealised gains/losses in value of investments	1,528,387	(646,612)
Realised gains/(losses) on sale of investments	1,164,489	(306,448)
	2,692,876	(953,060)



# New ERA PRC Fund

## Notes to the Financial Statements

as at 30 June 2010

### 6. Derivative financial instruments

The details of outstanding forward foreign exchange contracts as at year end for the Fund were as follows:

At 30 June 2010

Contract to deliver	In exchange for	Settlement date	Fair value
			US\$
HKD55,643	USD7,144	02-Jul-10	(3)

At 30 June 2009

Contract to deliver	In exchange for	Settlement date	Fair value
			US\$
USD120	HKD926	02-Jul-09	-

### 7. 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 will not during the subsistence of the investment without the written consent of HSBC create or attempt to create or permit to subsist any encumbrance in or affecting the investment which may prejudice, diminish or affect the investment provided by the Security Deed and the Transfer Agreement. The Fund has utilised both facilities during the year. As at 30 June 2010, there was no outstanding payable under the overdraft facility (2009: Nil). There was no outstanding payable under the foreign exchange facility as at 30 June 2010 (2009: Nil).

### 8. 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.
- The Fund invests in shares of companies in People's Republic of China ("PRC") listed on the Hong Kong Stock Exchange ("H-shares"). Under the PRC Corporate Income Tax Law, the Fund may be liable to pay PRC tax on the capital gains realised in the trading of H-shares. However, no provision was made for taxation from such gains in the financial statements as the Trustee and Manager believe that the Fund can sustain a position for not filing a tax return based on the existing tax regulations and that the enforcement of China tax on capital gains is not probable.

## 8. Taxation (continued)

- (c) The Fund invests in B-shares of companies listed in the PRC. Under current PRC tax laws, gains derived from the transfer of shares of Chinese companies by non-residents should be subject to a withholding tax of 10%, unless exempt under relevant tax treaties. The State Administration of Taxation ("SAT") has remained silent on the application of the withholding tax for capital gains and until further clarification is issued by the SAT, the Manager considers that there is significant uncertainty in respect of whether the Fund has any liability and the extent of such liability. In making the assessment, the Manager has considered (a) the current position of the SAT, (b) absence of a withholding mechanism of the relevant tax, and (c) current market practice. Based on assumptions that the withholding tax, if levied, is at 10% of the gross gain, the maximum liability the Fund may be exposed to is US\$78,304 (2009: US\$64,655), calculated based on the realised gain and unrealised gain from all investments in B-shares up to 30 June 2010. The Manager has assessed the risk for the Fund to be liable for such tax and considers such risk to be low as at 30 June 2010, and therefore no provision has been made.
- (d) Withholding tax was charged on certain dividend income received during the year.

## 9. 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 Trustee, 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 2010, a management fee of US\$153,083 (2009: US\$107,000) was incurred by the Fund, of which US\$12,594 (2009: US\$10,685) remained payable at 30 June 2010.

# New ERA PRC Fund

## Notes to the Financial Statements

as at 30 June 2010

### 9. Transactions with connected persons/ related parties (continued)

#### (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 2010, a trustee fee of US\$5,103 (2009: US\$3,567) was incurred by the Fund, of which US\$420 (2009: US\$356) remained payable at 30 June 2010.

#### (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 2010, an administration fee of US\$12,000 (2009: US\$12,000) was incurred by the Fund, of which US\$1,000 (2009: US\$1,000) remained payable at 30 June 2010.

#### (d) Subscription charge

The Manager is entitled to a preliminary charge of 2% relating to unit subscriptions in the Fund. For the year ended 30 June 2010, no subscription charge has been levied by the Manager as no units had been issued (2009: Nil).

### 10. Soft commission arrangements

The Manager and its connected persons have not entered into any soft commission arrangements relating to dealing in the assets of the Fund during the year (2009: Nil).

### 11. Distributions

No distribution was made during the year (2009: Nil).

### 12. Total comprehensive income/(loss) per unit

The total comprehensive income/(loss) per unit was calculated based on the total comprehensive income/(loss) for the year of US\$2,652,491 (2009: (US\$890,264)) and the weighted average number of units for the year of 161,491.42 (2009: 176,091.07).

### 13. Segment information

The Manager makes the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by the Manager, which are used to make strategic decisions.

The Manager is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The Manager's asset allocation decisions are based on a single, integrated investment strategy and the Fund's performance is evaluated on an overall basis.

The Fund trades in the listed shares in Hong Kong, Mainland China, and other financial markets with the objective to provide investors with capital growth over the medium to long term.

### **13. Segment information (continued)**

The internal reporting provided to the Manager for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of HKFRS, except for the adjustment from bid market prices to last traded market prices as disclosed in note 2(a) and note 3.

There were no changes in the reportable segments during the year.

The Fund is domiciled in Hong Kong. All of the Fund's income is from investments in entities listed in Hong Kong, Mainland China and other financial markets.

The Fund has no assets classified as non-current assets. The Fund has a diversified portfolio of investments and no single investment accounts for more than 10% of the Fund's income.

The Fund also has a diversified unitholder population. However, as at 30 June 2010 and 30 June 2009 there was 1 unitholder who held more than 10% of the Fund's net assets.

### **14. Approval of the financial statements**

The financial statements were approved by the Trustee and the Manager on 12 October 2010.

# New ERA PRC Fund

## Investment Portfolio (Unaudited)

as at 30 June 2010

	Holdings as at 30.6.2010	Market value US\$	% of net asset value
<b>Listed investments-equities (97.48%)</b>			
<i>Listed on the Stock Exchange of Hong Kong (80.18%)</i>			
Anhui Expressway Co Ltd – H	140,000	77,152	0.75
ASM Pacific Technology	7,800	61,171	0.59
Beijing Enterprises Holdings Ltd	15,500	102,144	0.99
Beijing Jingkelong Supermarket Chain Group Co Ltd	33,000	37,728	0.36
Belle International Holdings Ltd	196,000	279,475	2.70
Café De Coral Holdings Ltd	44,000	112,931	1.09
Chen Hsong Holdings Ltd	158,000	61,295	0.59
China Bluechemical Ltd – H	298,000	166,521	1.61
China Communications Services Corp Ltd – H	637,362	310,305	3.00
China Construction Bank Co Ltd – H	378,000	307,854	2.98
China Foods Ltd	184,000	108,255	1.05
China Mengniu Dairy Co Ltd	93,000	304,043	2.94
China Merchants Bank Co Ltd – H	126,447	306,997	2.97
China Merchants Holdings International Co Ltd	14,000	46,489	0.45
China Oilfield Services Ltd	156,000	183,963	1.78
China Resources Enterprise Ltd	114,667	422,014	4.08
China Resources Land Ltd	88,000	166,400	1.61
China Resources Power Holdings Co Ltd	177,700	404,040	3.91
China Shipping Development Co Ltd – H	56,500	72,361	0.70
China Taiping Insurance Holdings Co Ltd	128,000	417,645	4.04
China Telecom Corp Ltd – H	790,000	381,574	3.69
CIMC Enric Holdings Ltd	89,000	41,730	0.40
CNOOC Ltd	228,000	391,881	3.79
Dongfeng Motor Group Co Ltd – H	80,000	93,621	0.91
Global Bio-chem Technology Group Co Ltd	188,000	26,082	0.25
Global Bio-chem Technology Group Co Ltd Nil Paid Rts 13/07/2010	75,200	–	–
Glorious Sun Enterprises Ltd	107,900	40,196	0.39
GZI Real Estate Investment Trust	51,000	21,554	0.21
Haitian International Holdings	145,000	101,328	0.98
Hengan International Group Co Ltd	52,000	423,169	4.09
Hong Kong & China Gas	51,700	128,177	1.24
Hopewell Highway Infrastructure Ltd	228,400	160,196	1.55
Hopewell Holdings Ltd	22,000	62,457	0.60
IDS Group	34,000	59,225	0.57
Kery Properties Ltd	15,500	67,300	0.65
Kingboard Chemical Holdings Ltd	32,400	140,678	1.36
Kingboard Chemical Holdings Ltd Call Wts 31/10/2012	3,940	1,554	0.02
Lenovo Group Ltd	306,000	165,881	1.60
Li Ning Co Ltd	129,500	428,362	4.14
Little Sheep Group Ltd	82,000	48,981	0.47
Luk Fook Holdings International Ltd	74,000	92,208	0.89

	Holdings as at 30.6.2010	Market value US\$	% of net asset value
Minth Group Ltd	188,000	223,390	2.16
Pacific Textiles Holdings Ltd	68,000	33,805	0.33
Ping An Insurance (Group) Co of China Ltd – H	18,500	152,452	1.47
Ports Design Ltd	52,000	133,463	1.29
Shangri-La Asia Limited	78,000	146,088	1.41
Tencent Holdings Ltd	9,000	150,875	1.46
Tingyi (Cayman) Holding Corp	42,000	103,589	1.00
Want Want China Holdings Ltd	88,000	74,044	0.72
Xiniao Gas Holdings Ltd	152,000	338,186	3.26
Yue Yuen Industrial Holdings Ltd	36,000	112,376	1.09
		8,293,205	80.18
<i>Listed on the Stock Exchange of Singapore (0.27%)</i>			
Capitairtel China Trust	32,000	28,118	0.27
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China (10.04%)</i>			
China International Marine Container Group Co Ltd – B	109,900	138,211	1.34
China Vanke Co Ltd – B	265,118	274,838	2.66
Shenzhen Accord Pharmaceutical Co Ltd – B	22,000	50,446	0.49
Yantai Changyu Pioneer Wine Co – B	60,838	574,415	5.55
		1,037,910	10.04
<i>Listed on the Stock Exchange of New York, U.S.A. (6.99%)</i>			
Mindray Medical International Ltd – ADR	11,441	359,362	3.48
Netease.com Inc – ADR	1,300	41,249	0.40
New Oriental Education & Technology Group Com	1,603	149,352	1.44
Perfect World Co Ltd – ADR	1,600	35,168	0.34
Sina Corp Com	1,200	42,300	0.41
Yum! Brands Inc Com	2,442	95,336	0.92
		722,767	6.99
<b>Total listed investments – equities</b>		10,082,000	97.48
<b>Total forward foreign exchange contracts</b>		(3)	(0.00)
<b>Other assets</b>		260,720	2.52
<b>Net assets as at 30 June 2010</b>		10,342,717	100.00
<b>Total listed investments – equities, at cost</b>		7,659,443	

# New ERA PRC Fund

## Statement of Movements in Portfolio Holdings (Unaudited)

For the year ended 30 June 2010

	Portfolio holdings		Bonus/ Split		Portfolio holdings		Bonus/ Split
	Additions	Disposals			Additions	Disposals	
<b>Equities</b>							
<b>Listed on the Stock Exchange of Hong Kong</b>							
Anhui Expressway Co Ltd – H	–	58,000	–	Luk Fook Holdings International Ltd	4,000	26,000	–
ASM Pacific Technology	–	2,800	–	Minth Group Ltd	–	108,000	–
Beijing Enterprises Holdings Ltd	–	6,000	–	Pacific Textiles Holdings Ltd	–	64,000	–
Beijing Jingkelong Supermarket Chain Group Co Ltd	34,000	1,000	–	Ping An Insurance (Group) Co of China Ltd – H	18,500	–	–
Belle International Holdings Ltd	76,000	–	–	Portrs Design Ltd	14,500	5,000	–
China Bluechemical Ltd – H	–	98,000	–	Sany Heavy Equipment International Holdings Co Ltd	25,000	25,000	–
China Communications Service Corp Ltd – H	132,000	–	–	Shangri-La Asia Limited	42,000	–	–
China Construction Bank – H	268,000	20,000	–	Sinopharm Medicine Holding Co Ltd – H	2,000	2,000	–
China Dongxiang Group Co	–	180,000	–	Sino Gold Mining Ltd (HKE)	–	19,946	–
China Foods Ltd	102,000	8,000	–	Tencent Holdings Ltd	400	9,400	–
China Longyuan Power Group Corp Ltd – H	46,000	46,000	–	Tianneng Power International Ltd	40,000	40,000	–
China Mengniu Dairy Co Ltd	16,000	8,000	–	Times Ltd	–	221,000	–
China Merchants Bank Co Ltd – H	14,547	43,500	–	Tingya (Cayman) Holdings Corp	–	86,000	–
China Merchants Bank Co Ltd – H	–	–	–	Trinity Ltd	28,000	28,000	–
Nil Paid Rts 29/03/2010	–	14,547	14,547	Vinda International Holdings	–	119,000	–
China Mobile Ltd	–	7,500	–	Want Want China Holdings Ltd	91,000	97,000	–
China Oilfield Services Ltd	–	110,000	–	Weichai Power Co Ltd – H	8,000	15,000	–
China Resources Land Ltd	88,000	–	–	Xiniao Gas Holdings Ltd	16,000	64,000	–
China Resources Power Holdings Co Ltd	26,700	16,000	–	Yue Yuen Industrial Holdings Ltd	–	8,500	–
China Resources Power Holdings Co Ltd	–	–	–	Zhongsheng Group Holdings Ltd	26,000	26,000	–
Nil Paid Right	–	16,700	–	<b>Listed on the Stock Exchange of Sydney, Australia</b>			
China Resources Enterprise Ltd	–	50,000	–	Sino Gold Mining Ltd	–	18,545	–
China Shanshui Cement Group Co Ltd	–	85,000	–	<b>Listed on the Stock Exchange of New York, USA</b>			
China Shipping Development Co Ltd – H	–	50,000	–	Eldorado Gold Corp Com	6,020	6,020	–
China Taiping Insurance Holdings Co Ltd	92,200	–	–	Mindray Medical International Ltd ADR	6,464	581	–
China Telecom Corp Ltd – H	308,000	44,000	–	Netware.com Inc ADR	1,300	–	–
CIMC Enric Holdings Ltd	–	26,000	–	New Oriental Education & Technology Group Com	1,913	310	–
CNOOC Ltd	8,000	–	–	Perfect World Co Ltd ADR	1,600	–	–
Dongfeng Motor Group Co Ltd – H	14,000	40,000	–	Shanda Interactive Entertainment	900	900	–
Global Bio-chem Technology Group Co Ltd	200,000	78,000	–	Sina Corp Com	1,200	–	–
Global Bio-chem Technology Group Co Ltd	–	–	–	Yum! Brands Inc Com	2,442	–	–
Nil Paid Rts 13/07/2010	–	–	75,200	<b>Listed on the Stock Exchange of Singapore</b>			
GZJ Real Estate Investment Trust	–	86,000	–	CapitaRetail China Trust	32,000	–	–
Haitian International Holdings	–	14,000	–	Guocoland Ltd	–	27,000	–
Hengan International Group Co Ltd	2,000	62,000	–	<b>Listed on the Stock Exchange of Shenzhen, People's Republic of China</b>			
Hong Kong & China Gas	47,000	–	4,700	China International Marine Container Group Co Ltd – B	–	43,800	–
Hopewell Highway Infrastructure Ltd	–	50,000	–	China Vanke Co Ltd – B	36,600	56,900	–
Hopewell Holdings Ltd	8,000	–	–	Shenzhen Accord Pharmaceutical Co Ltd – B	22,000	–	–
Hung Hing Printing Group	–	296,592	–	Yantai Changyu Pioneer Wine – B	–	23,988	–
IDS Group	–	27,000	–				
Kery Properties Ltd	–	19,000	–				
Kingboard Chemical Holdings Ltd	–	65,500	–				
Kingboard Chemical Holdings Ltd	–	–	–				
Call Wts 31/10/2012	–	–	3,940				
Lenovo Group Ltd	–	230,000	–				
Li & Fung Ltd	–	–	–				
Li Ning Co Ltd	74,000	–	–				
Longfor Properties	78,000	78,000	–				

# New ERA PRC Fund

## General Information

for the year ended 30 June 2010

<i>Manager</i>	First State Investments (Hong Kong) Limited 6th Floor, Three Exchange Square 8 Connaught Place Central Hong Kong
<i>Directors of the Manager</i>	Michael Stapleton (appointed on 10 November, 2009) Lindsay Robert Mann (resigned on 16 December, 2009) Lau Kwok Kit Martin Robert Keith James
<i>Trustee and Registrar</i>	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
<i>Auditor</i>	PricewaterhouseCoopers 22nd Floor, Prince's Building Central Hong Kong
<i>Legal Advisor to the Manager</i>	Deacons Alexandra House 5th Floor 18 Charter Road Central Hong Kong

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**First State Investments (Hong Kong) Limited**

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