

# New Era PRC Fund

## Annual Report

July 2012 – June 2013

## NEW ERA PRC FUND

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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 2013**

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**REPORT OF THE MANAGER**

**PERFORMANCE**

	1 July 2012 to 30 June 2013	1 July 2011 to 30 June 2012
New Era PRC Fund	18.79%	(11.41%)
Benchmark: MSCI China Free Index	5.47%	(15.78%)

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

**Review**

Over the year to 30 June 2013 the MSCI China Index rose by 5.5% in US dollar terms, underperforming the MSCI World Index which increased by 19.3%. The Chinese market climbed over the first half of the period with global markets on rising risk appetite as worries about the Eurozone debt crisis faded. However, the market fell over the six-months to 30 June on concerns about slowing economic growth in China, and worries about credit quality in the financial sector.

**Performance**

Performance was positively impacted by China Oilfield Services which rose as the oil price rebounded over the period and ENN Energy Holdings which gained on steady growth of gas usage in China. Tong Ren Tang climbed as it delivered reasonable earnings growth.

On the negative side, Li & Fung and China Foods declined following profit warnings. Yantai Changyu suffered from concerns about slowing growth and increasing competition from foreign wines.

**Transactions**

Significant new positions established over the year included Want Want, a well-run Chinese food and beverage company, and Shenzhou International, a vertically integrated apparel manufacturer with a solid track record. We also purchased Weifu High Technology, a beneficiary of the rising adoption of cleaner engines.

We sold Asahi Breweries which we believed was fully valued and Yue Yuen Industrial on concerns about cost pressures. We also sold China Shipping as we were worried about the lack of capacity discipline in this cyclical industry.

**NEW ERA PRC FUND  
REPORT OF THE MANAGER (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2013**

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**REPORT OF THE MANAGER (CONTINUED)**

**Outlook**

The government reform agenda is aimed at ensuring sustainable development of the economy. The intention is not to cause a major crisis by implementing these measures. China continues to need a stable external and internal environment to carry out necessary reforms. Whatever the broader economic backdrop, it is important that we continue to focus on companies that have proper and professional practices. Management integrity, a long-term mindset and risk-awareness should become even more important going forward. As always we remain focused on quality in terms of business franchise and management.

**NEW ERA PRC FUND  
PERFORMANCE TABLE (UNAUDITED)  
FOR THE YEAR ENDED 30 JUNE 2013**

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**NET ASSET VALUES**

<b>Financial year ended</b>	<b>Net asset value of the Fund US\$</b>	<b>Net asset value per unit in issue US\$</b>
30.6.2013	10,734,975	81.66
30.6.2012	9,435,949	68.88
30.6.2011	11,020,808	77.71

**PERFORMANCE RECORD**

<b>Financial year ended</b>	<b>Highest issue price per unit US\$</b>	<b>Lowest redemption price per unit US\$</b>
30.6.2013	88.60	68.25
30.6.2012	79.42	57.46
30.6.2011	83.06	65.41
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

**NEW ERA PRC FUND  
PERFORMANCE TABLE (UNAUDITED) (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2013**

**FINANCIAL SUMMARY**

<b>Results</b>	<b>Year ended 30.6.2013 US\$</b>	<b>Year ended 30.6.2012 US\$</b>	<b>Year ended 30.6.2011 US\$</b>	<b>Year ended 30.6.2010 US\$</b>	<b>Year ended 30.6.2009 US\$</b>
Net (loss)/income before net investment and exchange gains/(losses)	(29,767)	(20,741)	(15,125)	(38,492)	63,395
Net investment and exchange gains/(losses)	1,765,251	(1,230,507)	1,632,473	2,690,983	(953,659)
Total comprehensive income/(loss)	<u>1,735,484</u>	<u>(1,251,248)</u>	<u>1,617,348</u>	<u>2,652,491</u>	<u>(890,264)</u>
<b>Assets and liabilities</b>	<b>2013 US\$</b>	<b>2012 US\$</b>	<b>2011 US\$</b>	<b>2010 US\$</b>	<b>2009 US\$</b>
Total assets	10,815,226	9,565,345	11,129,795	10,388,091	8,743,241
Total liabilities	<u>(80,251)</u>	<u>(129,396)</u>	<u>(108,987)</u>	<u>(45,374)</u>	<u>(49,209)</u>
Net assets attributable to unitholders	<u>10,734,975</u>	<u>9,435,949</u>	<u>11,020,808</u>	<u>10,342,717</u>	<u>8,694,032</u>

**Notes:**

- (a) New Era PRC Fund (the "Fund") is a unit trust established in Hong Kong under a Trust Deed dated 28 June 2001, as amended.
- (b) The results of the Fund for the year ended 30 June 2013 and the assets and liabilities of the Fund as at 30 June 2013 have been extracted from the audited statement of net assets and audited statement of comprehensive income set out on pages 8 and 9 of this annual report.

**NEW ERA PRC FUND  
REPORT OF THE TRUSTEE  
FOR THE YEAR ENDED 30 JUNE 2013**

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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 2013.

For and on behalf of

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

Hong Kong, 17 October 2013

# **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF NEW ERA PRC FUND (THE "FUND")**

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## **Report on the Financial Statements**

We have audited the financial statements of the Fund set out on pages 8 to 27, which comprise the statement of net assets as at 30 June 2013, 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 information.

## **Management's Responsibility for the Financial Statements**

The Trustee and the Manager (the "Management") of the Fund are responsible for the preparation of financial statements that give a true and fair view 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"), and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **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 about 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 of financial statements that give a true and fair view 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 the 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.



**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF NEW ERA PRC FUND (THE "FUND") (CONTINUED)**

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**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2013, 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, 17 October 2013

**NEW ERA PRC FUND  
STATEMENT OF NET ASSETS  
AS AT 30 JUNE 2013**

	Note	2013 US\$	2012 US\$
<b>Assets</b>			
<b>Current assets</b>			
Investments	4(b)	10,603,025	9,364,436
Amounts receivable from brokers		-	30,217
Dividend receivable and other receivables		64,087	57,590
Cash at banks		148,114	113,102
<b>Total assets</b>		<u>10,815,226</u>	<u>9,565,345</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts payable on redemption		1,451	1,451
Amounts payable to brokers		26,363	78,819
Derivative financial instruments	6	-	67
Accounts payable and accrued expenses		52,437	49,059
<b>Total liabilities</b>		<u>80,251</u>	<u>129,396</u>
<b>Equity</b>			
Net assets attributable to unitholders	3	<u>10,734,975</u>	<u>9,435,949</u>
Number of units in issue		<u>131,460.52</u>	<u>137,000.06</u>
Net assets attributable to unitholders per unit		<u>81.66</u>	<u>68.88</u>

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 12 to 27 form part of these financial statements.

**NEW ERA PRC FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 US\$	2012 US\$
<b>Income</b>			
Dividend on investments		221,029	211,961
Interest income		3	-
Net gains/(losses) on investments	5	1,768,092	(1,229,118)
Exchange losses		(2,841)	(1,389)
<b>Total net income/(loss)</b>		<u>1,986,283</u>	<u>(1,018,546)</u>
<b>Expenses</b>			
Management fee	9(a)	158,115	146,849
Trustee's fee	9(b)	5,271	4,895
Administration fee	9(c)	12,000	12,000
Auditor's remuneration		28,470	27,066
Interest expense		36	193
Safe custody and bank charges		885	1,035
Other operating expenses		32,170	29,657
<b>Total operating expenses</b>		<u>236,947</u>	<u>221,695</u>
<b>Profit/(loss) before tax</b>		1,749,336	(1,240,241)
Withholding tax		(13,852)	(11,007)
<b>Total comprehensive income/(loss)</b>		<u>1,735,484</u>	<u>(1,251,248)</u>
<b>Total comprehensive income/(loss) per unit</b>	12	<u>12.93</u>	<u>(8.95)</u>

The notes on pages 12 to 27 form part of these financial statements.

**NEW ERA PRC FUND  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>		<b>2012</b>	
	<b>Units</b>	<b>US\$</b>	<b>Units</b>	<b>US\$</b>
<b>Balance at the beginning of the year</b>	137,000.06	9,435,949	141,818.91	11,020,808
Redemption of units	(5,539.54)	(436,458)	(4,818.85)	(333,611)
Total comprehensive income/(loss)	-	1,735,484	-	(1,251,248)
<b>Balance at the end of the year</b>	<u>131,460.52</u>	<u>10,734,975</u>	<u>137,000.06</u>	<u>9,435,949</u>

The notes on pages 12 to 27 form part of these financial statements.

**NEW ERA PRC FUND  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
<b>Cash flows from operating activities</b>		
Purchase of investments	(2,879,772)	(3,286,608)
Proceeds from sale of investments	3,386,970	3,357,191
Dividend received	200,680	192,733
Interest received	3	-
Interest paid	(36)	(193)
Administration fee paid	(12,000)	(12,000)
Auditor's remuneration paid	(27,610)	(26,920)
Management fee paid	(156,257)	(148,646)
Trustee's fee paid	(5,209)	(4,955)
Other operating expenses	(32,458)	(29,201)
<b>Net cash generated from operating activities</b>	<u>474,311</u>	<u>41,401</u>
<b>Cash flows from financing activities</b>		
Redemption of units	(436,458)	(333,611)
<b>Net cash used in financing activities</b>	<u>(436,458)</u>	<u>(333,611)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	37,853	(292,210)
Effect of foreign exchange rate changes	(2,841)	(1,389)
Cash and cash equivalents at the beginning of the year	113,102	406,701
<b>Cash and cash equivalents at the end of the year</b>	<u><u>148,114</u></u>	<u><u>113,102</u></u>
<b>Analysis of balance of cash and cash equivalents</b>		
Cash at banks	<u><u>148,114</u></u>	<u><u>113,102</u></u>

The notes on pages 12 to 27 form part of these financial statements.

**NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

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**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 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’, addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is 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. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The new standard is not expected to have a significant impact on the Fund’s financial position or performance, as it is expected that the Fund will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit or loss.

**NEW ERA PRC FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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**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)

HKFRS 13, 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard, the Fund would change their valuation inputs for listed financial assets and liabilities to last traded prices to be consistent with the inputs prescribed in the Fund's offering document for the calculation of their per unit trading value for subscriptions and redemptions. The use of last traded prices is recognised as a standard pricing convention within the industry. The Trustee and the Manager are currently assessing the impact on the Fund's financial statements.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Fund.

(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**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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**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.

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.

(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.



**NEW ERA PRC FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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**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 2013, 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\$42,801 (2012: US\$19,090), 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.

	2013 US\$	2012 US\$
Net assets/equity as per statement of net assets	10,734,975	9,435,949
Adjustment from bid market prices to last traded market prices	42,801	19,090
	<u>10,777,776</u>	<u>9,455,039</u>
Net assets attributable to unitholders (at last traded market prices)	<u><u>10,777,776</u></u>	<u><u>9,455,039</u></u>

As at 30 June 2013, the Fund had US\$10,734,975 (2012: US\$9,435,949) 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.

**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.

**NEW ERA PRC FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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

(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:

	2013		2012	
	Fair value US\$	% of net assets	Fair value US\$	% of net assets
Held for trading:				
- Listed equities	10,603,025	98.77	9,364,436	99.24
	<u>10,603,025</u>	<u>98.77</u>	<u>9,364,436</u>	<u>99.24</u>
	<u><u>10,603,025</u></u>	<u><u>98.77</u></u>	<u><u>9,364,436</u></u>	<u><u>99.24</u></u>

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

Markets exposed to	2013	2012
	US\$ Equivalents	US\$ Equivalents
China	7,031,026	5,668,051
Hong Kong	3,050,115	3,178,625
Japan	198,907	238,686
Singapore	35,314	33,016
USA	287,664	246,058
	<u>10,603,025</u>	<u>9,364,436</u>
	<u><u>10,603,025</u></u>	<u><u>9,364,436</u></u>

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

**NEW ERA PRC FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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

(b) Market price risk (continued)

The exposure to sectors at 30 June 2013 and 2012 are as follows:

	<b>2013</b>	<b>2012</b>
	<b>% of net assets</b>	<b>% of net assets</b>
Sectors exposed to		
Consumer Discretionary	12.10	13.04
Consumer Staples	11.08	13.26
Energy	7.55	9.31
Financials	19.36	17.63
Health Care	9.85	8.22
Industrials	2.10	4.58
Information Technology	9.72	7.06
Materials	5.33	3.16
Telecommunication Services	6.77	7.48
Utilities	14.91	15.50
	<u>98.77</u>	<u>99.24</u>

There are no individual investments with market value exceeding 10% of the Fund's net asset value at 30 June 2013 and 30 June 2012.

The table below summarises the impact on the net assets attributable to unitholders, as at 30 June 2013 and 2012, of a reasonably possible change in the benchmark market indices as applied to the respective beta reported by Lipper.

The reasonably possible change in the benchmark market indices 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.

	<b>2013</b>		<b>2012</b>	
	<b>Change in market index % +/-</b>	<b>Impact US\$ +/-</b>	<b>Change in market index % +/-</b>	<b>Impact US\$ +/-</b>
MSCI China Free Index (Total return)	0.43%	41,210	0.49%	39,003

(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.

**NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

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

(c) Interest rate risk (continued)

The Fund had bank balances of US\$148,114 (2012: US\$113,102) 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 2013 and 2012.

**At 30 June 2013**

	US\$	Credit rating	Source of credit rating
<u>Custodian – custody risk</u>			
HSBC Institutional Trust Services (Asia) Limited	10,603,025	AA-	Fitch
<u>Bank – credit risk</u>			
The Hongkong and Shanghai Banking Corporation Limited	148,114	AA-	Fitch

**At 30 June 2012**

	US\$	Credit rating	Source of credit rating
<u>Custodian – custody risk</u>			
HSBC Institutional Trust Services (Asia) Limited	9,364,436	AA	Fitch
<u>Bank – credit risk</u>			
The Hongkong and Shanghai Banking Corporation Limited	113,102	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.

**NEW ERA PRC FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**4. Financial risk management (continued)**

(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 facility.

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.

	<b>Less than 1 month US\$</b>	<b>1-3 months US\$</b>	<b>Over 3 months US\$</b>
<b>At 30 June 2013</b>			
Amounts payable on redemption	-	-	1,451
Amounts payable to brokers	26,363	-	-
Accounts payable and accrued expenses	16,677	33,125	2,635
	<u>43,040</u>	<u>33,125</u>	<u>4,086</u>
<b>Total financial liabilities</b>	<b>43,040</b>	<b>33,125</b>	<b>4,086</b>
	<b>Less than 1 month US\$</b>	<b>1-3 months US\$</b>	<b>Over 3 months US\$</b>
<b>At 30 June 2012</b>			
Amounts payable on redemption	-	-	1,451
Amounts payable to brokers	78,819	-	-
Derivative financial instruments	67	-	-
Accounts payable and accrued expenses	14,567	32,266	2,226
	<u>93,453</u>	<u>32,266</u>	<u>3,677</u>
<b>Total financial liabilities</b>	<b>93,453</b>	<b>32,266</b>	<b>3,677</b>

Units are redeemed on demand at the holder's option. As at 30 June 2013, there was 1 (2012: 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\$36,000 (2012: US\$28,000) per month.

**NEW ERA PRC FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**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:

<b>At 30 June 2013</b>	<b>Less than 1 month US\$</b>	<b>1-3 months US\$</b>	<b>More than 3 months US\$</b>
Investments	10,603,025	-	-
Dividend receivable and other receivables	57,885	6,202	-
Cash at banks	148,114	-	-
<b>Total assets</b>	<b>10,809,024</b>	<b>6,202</b>	<b>-</b>
<b>At 30 June 2012</b>	<b>Less than 1 month US\$</b>	<b>1-3 months US\$</b>	<b>More than 3 months US\$</b>
Investments	9,364,436	-	-
Amounts receivable from brokers	30,217	-	-
Dividend receivable and other receivables	50,269	7,321	-
Cash at banks	113,102	-	-
<b>Total assets</b>	<b>9,558,024</b>	<b>7,321</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:

	<b>2013</b>		<b>2012</b>	
	<b>Monetary US\$</b>	<b>Non- monetary US\$</b>	<b>Monetary US\$</b>	<b>Non- monetary US\$</b>
Hong Kong dollar	45,543	9,134,473	24,019	8,117,815
Japanese yen	-	198,907	11,936	238,686
Singapore dollar	-	35,314	-	33,016

**NEW ERA PRC FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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

(f) Currency risk (continued)

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.

	2013			2012		
	Change	Impact	Impact	Change	Impact	Impact
		Monetary	Non-monetary		Monetary	Non-monetary
		US\$	US\$		US\$	US\$
	+/-	+/-	+/-	+/-	+/-	+/-
Japanese yen	5.0%	-	9,945	5.0%	597	11,934
Singapore dollar	5.0%	-	1,766	5.0%	-	1,651

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.

(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.

HKFRS 7 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).

**NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

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

(g) Fair value estimation (continued)

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 2013**

	<b>Level 1 US\$</b>	<b>Level 2 US\$</b>	<b>Level 3 US\$</b>	<b>Total US\$</b>
<b>Assets</b>				
Held for trading				
- Equities	10,603,025	-	-	10,603,025
<b>Total assets</b>	<u>10,603,025</u>	<u>-</u>	<u>-</u>	<u>10,603,025</u>

**At 30 June 2012**

	<b>Level 1 US\$</b>	<b>Level 2 US\$</b>	<b>Level 3 US\$</b>	<b>Total US\$</b>
<b>Assets</b>				
Held for trading				
- Equities	9,309,144	-	55,292	9,364,436
<b>Total assets</b>	<u>9,309,144</u>	<u>-</u>	<u>55,292</u>	<u>9,364,436</u>
<b>Liabilities</b>				
Held for trading				
- Derivatives	-	67	-	67
<b>Total liabilities</b>	<u>-</u>	<u>67</u>	<u>-</u>	<u>67</u>



**NEW ERA PRC FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 at 30 June 2013, the Fund did not hold any investments classified in level 3. As at 30 June 2012, one listed equity investment which was suspended for trading had been classified as level 3 investments.

The following table presents the transfers between levels of investments for the years ended 30 June 2013 and 2012:

	<b>Level 1</b> <b>US\$</b>	<b>Level 2</b> <b>US\$</b>	<b>Level 3</b> <b>US\$</b>
<b>At 30 June 2013</b>			
<b>Transfers between levels 1 and 3:</b>			
<b>Assets</b>			
Investments			
- Equities			
Consumer Discretionary	22,117	-	(22,117)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 30 June 2012</b>			
<b>Transfers between levels 1 and 3:</b>			
<b>Assets</b>			
Investments			
- Equities			
Consumer Discretionary	(55,292)	-	55,292
	<u>          </u>	<u>          </u>	<u>          </u>

One listed equity investment transferred out of level 3 related to positions whose trading resumed during the year ended 30 June 2013 (2012: One listed equity investment transferred out of level 1 related to positions whose trading was suspended as at 30 June 2012.).

**NEW ERA PRC FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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

(g) Fair value estimation (continued)

The following table presents the movement in level 3 investments for the years ended 30 June 2013 and 2012:

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Opening balance	55,292	-
Transfers from level 1 into level 3	-	55,292
Transfers from level 3 into level 1	(22,117)	-
Net losses on investments recognised in net gains/(losses) on investments	(33,175)	-
	<u>          </u>	<u>          </u>
Closing balance	-	55,292
	<u>          </u>	<u>          </u>
Change in unrealised gains/losses in value of investments for level 3 assets held at year end and included in net gains/(losses) on investments	-	-
	<u>          </u>	<u>          </u>

(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.

**NEW ERA PRC FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Change in unrealised gains/losses in value of investments	952,330	(1,682,847)
Realised gains on sale of investments	815,762	453,729
	<u>1,768,092</u>	<u>(1,229,118)</u>

**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 2013**

<b>Contract to deliver</b>	<b>In exchange for</b>	<b>Settlement date</b>	<b>Fair value</b>
			<b>US\$</b>
Nil	-	-	-

**At 30 June 2012**

<b>Contract to deliver</b>	<b>In exchange for</b>	<b>Settlement date</b>	<b>Fair value</b>
			<b>US\$</b>
JPY870,422	USD10,916	3 July 2012	(52)
USD45,545	HKD353,131	3 July 2012	(15)
			<u>(67)</u>

**7. Uncommitted bank overdraft**

The Fund has arranged uncommitted overdraft facility with The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) on 29 May 2013. The overdraft facility limit is the lesser of US\$1,000,000 or 10% 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 facility are subject to renewal from time to time and at least on an annual basis.

To secure the facility, the Fund has granted HSBC a lien on the collateral and the securities and/or cash held in the other accounts from time to time whether for safe custody or otherwise in respect of the Fund’s actual or contingent liabilities under the facility. As at 30 June 2013 and 2012, there was no outstanding payable under the overdraft facility.

**8. Taxation**

- (a) 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.

**NEW ERA PRC FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

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**8. Taxation (continued)**

- (b) 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.
- (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 is US\$101,405 (2012: US\$95,063), calculated based on the realised gain and unrealised gain from all investments in B-shares up to 30 June 2013. 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 2013, 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 2013, a management fee of US\$158,115 (2012: US\$146,849) was incurred by the Fund, of which US\$13,430 (2012: US\$11,572) remained payable at 30 June 2013.

(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 2013, a trustee fee of US\$5,271 (2012: US\$4,895) was incurred by the Fund, of which US\$448 (2012: US\$386) remained payable at 30 June 2013.

(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 2013, an administration fee of US\$12,000 (2012: US\$12,000) was incurred by the Fund, of which US\$1,000 (2012: US\$1,000) remained payable at 30 June 2013.

**NEW ERA PRC FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

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

(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 2013, no subscription charge has been levied by the Manager as no units had been issued (2012: 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 (2012: Nil).

**11. Distributions**

No distribution was made during the year (2012: Nil).

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

The total comprehensive income per unit was calculated based on the total comprehensive income for the year of US\$1,735,484 (2012: loss US\$1,251,248) and the weighted average number of units for the year of 134,208.01 (2012: 139,826.88).

**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.

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 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 2013 and 30 June 2012 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 17 October 2013.

**NEW ERA PRC FUND  
INVESTMENT PORTFOLIO (UNAUDITED)  
AS AT 30 JUNE 2013**

	<b>Holdings as at 30.6.2013</b>	<b>Market value US\$</b>	<b>% of net asset value</b>
<b><u>Listed investments - equities (98.77%)</u></b>			
<b><i>Listed on the Stock Exchange of Hong Kong (77.22%)</i></b>			
AAC Technologies Hldg Inc Com	28,000	157,380	1.47
Beijing Jingkelong Company Ltd Shs - H (Formerly known as Beijing Jingkelong Supermarket Chain Group Co Ltd Shs - H)	221,000	70,941	0.66
Belle International Holdings Ltd	90,000	123,682	1.15
China Bluechemical Ltd Shs - H	288,000	175,243	1.63
China Communications Services Corp Ltd - H	746,100	465,531	4.34
China Construction Bank - H	476,181	336,402	3.13
China Foods Ltd	134,000	50,615	0.47
China Mengniu Dairy Co Ltd	109,000	389,938	3.63
China Merchants Bank Co Ltd - H	219,947	366,909	3.42
China Merchants Hldgs International Co Ltd	50,009	155,372	1.45
China Oilfield Services Ltd	246,000	480,139	4.47
China Overseas Grand Oceans Group Ltd	139,250	176,464	1.64
China Resources Enterprise Ltd	30,667	95,871	0.89
China Resources Gas Group Ltd	128,000	326,724	3.04
China Resources Land Ltd	64,000	174,500	1.63
China Resources Power Holdings Co Ltd	59,700	142,073	1.32
China Taiping Insurance Holdings Co Ltd	152,012	235,161	2.19
China Telecom Corp Ltd - H	548,000	260,683	2.43
CNOOC Ltd	195,000	330,321	3.08
CPMC Holdings Ltd	477,000	339,441	3.16
ENN Energy Holdings Ltd	112,000	592,703	5.52
Glorious Sun Enterprises Ltd	73,900	20,197	0.19
Haitian International Hldgs	48,000	70,048	0.65
Hang Lung Group Ltd	9,000	48,150	0.45
Hengan International Group Co Ltd	22,200	239,687	2.23
Hong Kong & China Gas	91,682	223,857	2.09
Lenovo Group Ltd	276,000	249,777	2.33
Li & Fung Ltd	199,780	274,031	2.55
Minth Group Ltd	104,000	161,423	1.50
Pacific Textiles Holdings Ltd	36,000	40,284	0.38
Shenzhou International Group	38,000	107,774	1.00
Sino Biopharmaceutical Ltd	88,000	56,723	0.53
TCC International Holdings Limited	126,000	29,563	0.28
Techtronic Industries Co Ltd	43,500	102,736	0.96
Tencent Holdings Ltd	8,000	313,317	2.92
Texwinca Holdings Ltd	74,000	68,686	0.64
Tong Ren Tang Technologies Co Ltd - H	100,000	304,241	2.83
Towngas China Co Ltd	317,000	315,488	2.94
Want Want China Holdings Ltd	135,000	189,700	1.77
Zhaojin Mining Industry Co Ltd - H	43,500	27,927	0.26
		8,289,702	77.22

**NEW ERA PRC FUND  
INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)  
AS AT 30 JUNE 2013**

	<b>Holdings as at 30.6.2013</b>	<b>Market value US\$</b>	<b>% of net asset value</b>
<b><u>Listed investments - equities (98.77%) (continued)</u></b>			
<i>Listed on the Stock Exchange of Japan (1.85%)</i>			
Softbank Corp	3,400	198,907	1.85
		<u>198,907</u>	<u>1.85</u>
<i>Listed on the Stock Exchange of Shenzhen, People's Republic of China (7.87%)</i>			
Anhui Gujing Distillery Co Ltd - B	15,900	37,060	0.35
China National Accord Medicines Co Ltd - B	22,000	72,038	0.67
China Vanke Co Ltd - B	243,366	432,957	4.03
Jiangling Motors Corp Ltd - B	28,034	75,533	0.70
Weifu High-Technology Co Ltd - B	21,300	74,139	0.69
Yantai Changyu Pioneer Wine Co - B	33,583	153,044	1.43
		<u>844,771</u>	<u>7.87</u>
<i>Listed on the Stock Exchange of Singapore (0.33%)</i>			
Capitaretail China Trust	32,000	35,314	0.33
		<u>35,314</u>	<u>0.33</u>
<i>Listed on the Stock Exchange of New York, U.S.A. (11.50%)</i>			
Asiainfo-Linkage Inc	8,369	96,495	0.90
Baidu Inc - ADR	2,381	225,004	2.10
Mindray Medical Intl Ltd - ADR	12,499	468,088	4.36
Wuxi Pharmatech Cayman Inc - ADR	7,480	157,080	1.46
Yum! Brands Inc	4,151	287,664	2.68
		<u>1,234,331</u>	<u>11.50</u>
<b>Total listed investments – equities</b>		10,603,025	98.77
<b>Other assets</b>		131,950	1.23
<b>Net assets as at 30 June 2013</b>		<u>10,734,975</u>	<u>100.00</u>
<b>Total listed investments – equities, at cost</b>		<u>8,379,351</u>	

**NEW ERA PRC FUND**  
**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

	<b>Portfolio holdings</b>		<b>Bonus/ Split</b>
	<b>Additions</b>	<b>Disposals</b>	
<b><u>Equities</u></b>			
<i>Listed on the Stock Exchange of Hong Kong</i>			
AAC Technologies Hldg Inc Com	-	32,000	-
Anhui Expressway Co Ltd - H	-	108,000	-
ASM Pacific Technology	6,400	8,300	-
Beijing Jingkelong Company Ltd Shs - H (Formerly known as Beijing Jingkelong Supermarket Chain Group Co Ltd Shs - H)	33,000	-	-
Beijing Tong Ren Tang Chinese Medicine Co Ltd	63,161	63,161	-
Belle International Holdings Ltd	-	37,000	-
Biostime International Holdings Ltd	37,000	37,000	-
Chen Hsong Hldgs Ltd	-	110,000	-
China Bluechemical Ltd Shs - H	44,000	-	-
China Communications Services Corp Ltd - H	-	38,000	-
China Foods Ltd	70,000	20,000	-
China Mengniu Dairy Co Ltd	7,000	10,000	-
China Merchants Bank Co Ltd - H	41,000	8,500	-
China Merchants Hldgs International Co Ltd	546	14,000	-
China Oilfield Services Ltd	-	66,000	-
China Overseas Grand Oceans Group Ltd	-	21,000	-
China Resources Enterprise Ltd	2,000	12,000	-
China Resources Gas Group Ltd	10,000	6,000	-
China Resources Land Ltd	-	4,000	-
China Resources Power Holdings Co Ltd	-	108,000	-
China Shipping Development Co Ltd - H	202,000	302,000	-
China Telecom Corp Ltd - H	-	194,000	-
CNOOC Ltd	-	24,000	-
CPMC Holdings Ltd	299,000	14,000	-
Digital China Hldgs Ltd	29,000	59,000	-
ENN Energy Holdings Ltd	-	24,000	-
Golden Eagle Retail Group Ltd	-	15,000	-
Haitian International Hldgs	-	22,000	-
Hang Lung Group Ltd	9,000	-	-
Hengan International Group Co Ltd	7,000	4,300	-
Hong Kong & China Gas	-	33,000	8,335
Hopewell Hldgs Ltd	-	19,000	-
Kingboard Chemical Hldgs Ltd	-	3,400	-
Lenovo Group Ltd	158,000	14,000	-
Li & Fung Ltd	112,000	-	-
Minth Group Ltd	-	24,000	-
Pacific Textiles Holdings Ltd	-	48,000	-
Sany Heavy Equipment Intl Holdings Co Ltd	212,000	212,000	-
Shenzhou International Group	38,000	-	-
Shirble Department Stores Ltd	-	604,000	-
Sino Biopharmaceutical Ltd	88,000	-	-



**NEW ERA PRC FUND**  
**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)**  
**(CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2013**

	<b>Portfolio holdings</b>		<b>Bonus/ Split</b>
	<b>Additions</b>	<b>Disposals</b>	
<b><u>Equities (continued)</u></b>			
<b><i>Listed on the Stock Exchange of Hong Kong</i></b>			
<b><i>(continued)</i></b>			
Sunny Optical Technology Group Co Ltd	107,000	107,000	-
TCC International Holdings Limited	144,000	18,000	-
Techtronic Industries Co Ltd	-	69,500	-
Tencent Holdings Ltd	3,000	200	-
Texwinca Holdings Ltd	106,000	64,000	-
Tong Ren Tang Technologies Co Ltd - H	42,000	19,000	-
Tong Ren Tang Technologies Co Ltd - Preferential Offer (Apr2013)	-	14,960	14,960
Towngas China Co Ltd	69,000	12,000	-
United Laboratories Ltd	-	114,000	-
Want Want China Holdings Ltd	135,000	-	-
Yue Yuen Industrial Hldgs Ltd	-	28,000	-
Zhaojin Mining Industry Co Ltd - H	17,500	8,000	-
<b><i>Listed on the Stock Exchange of Japan</i></b>			
Asahi Group Holdings Ltd	-	5,900	-
Softbank Corp	3,100	2,700	-
<b><i>Listed on the Stock Exchange of Shenzhen, People's Republic of China</i></b>			
Anhui Gujing Distillery Co Ltd - B	15,900	-	-
China National Accord Medicines Co Ltd - B	-	8,200	-
China Vanke Co Ltd - B	40,800	-	-
Jiangling Motors Corp Ltd - B	7,900	-	-
Weifu High-Technology Co Ltd - B	21,300	-	-
Yantai Changyu Pioneer Wine Co - B	5,900	17,180	-
<b><i>Listed on the Stock Exchange of Singapore</i></b>			
Capitaretail China Trust	64,000	64,000	-
<b><i>Listed on the Stock Exchange of New York, USA</i></b>			
Asiainfo-Linkage Inc	-	465	-
Baidu Inc - ADR	1,993	-	-
Ctrip.Com Intl Ltd - ADR	700	3,500	-
Wuxi Pharmatech Cayman Inc - ADR	1,400	4,878	-
Yum! Brands Inc	332	-	-

**NEW ERA PRC FUND  
GENERAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2013**

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<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>	Chris Turpin Djayawinata Adrianus Michael Stapleton Ng Hui Lin
<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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The Securities & Futures Commission has not reviewed the contents of the above website.