

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. PRINCIPAL ACCOUNTING POLICIES  
(CONTINUED)**

Investment transactions are accounted for on a trade date basis. Unrealized gains and losses arising from changes in the fair value of investments are recognized in the statement of operations as they arise. Realized gains and losses on investments are calculated on the average cost basis and are dealt with in the statement of operations.

**(c) Revenue recognition**

Revenue is recognized when it is probable that the economic benefits will flow to the Fund and when the revenue can be measured reliably, on the following bases:

- (i) interest on bank deposits is recognized on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (ii) dividend income is recognized when the Fund's right to receive the payments has been established, which is taken as being the date on which equities are quoted as ex-dividend.

**(d) Expenses**

All expenses are accounted for on an accrual basis.

**(e) Preliminary expenses**

The preliminary establishment expenses of the Fund, including the costs and expenses in obtaining authorization and listing on the Stock Exchange of Hong Kong, the preparation of the explanatory memorandum and all agreements referred to in the explanatory memorandum, all initial legal and printing costs which amounted to approximately US\$150,000, were borne by the Manager in full.

**(f) Translation of foreign currencies**

All monetary assets and liabilities expressed in currencies other than the United States dollars at the balance sheet date are translated into United States dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies during the year are translated into United State dollars at the rates of exchange ruling at the transaction dates. Foreign exchange differences are dealt with in the statement of operations.

**(g) Borrowing costs**

All borrowing costs are charged to the statement of operations in the period in which they are incurred.

**(h) Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise bank balances.

**(i) Distribution**

The Manager does not intend to declare any dividends for the Fund. Income earned by the Fund will be reinvested in the Fund and reflected in the value of its units.

**(j) Proceeds and payments on issue and redemption of units**

The net asset values of the Fund are computed in accordance with its explanatory memorandum and the Trust Deed. Prices for issues and redemptions of units are based on the latest available preceding valuation.

Proceeds and payments for units issued and redeemed are shown as movements in the statement of movements in capital account.