

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. PRINCIPAL ACCOUNTING POLICIES
(CONTINUED)

Period from
28.6.2001
(date of Trust
Deed) to
30.6.2002

(k) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Units issued during the period
and at the end of the period 4,507,423.79

4. TAXATION

No provision for Hong Kong profits tax has been made as the interest and dividend income of the Fund is excluded from the charge to profits tax under either Sections 14, 26 or 26A of the Hong Kong Inland Revenue Ordinance.

7. NET LOSS/INCOME PER UNIT

Net loss/income per unit was calculated based on the net loss for the year of US\$1,402,958 (net income for the period from 28 June 2001 (date of Trust Deed) to 30 June 2002: US\$1,722,098) and the weighted average number of units for the year ended 30 June 2003 of 2,423,026.14 (2002: 4,507,423.79) .

5. INVESTMENTS

The investments comprise equity securities listed on the stock exchanges of Hong Kong, Shanghai and Shenzhen, and have an original cost of US\$17,765,315 (2002: US\$40,838,399).

8. TRANSACTIONS WITH MANAGER AND ITS CONNECTED PERSONS

The following is a summary of the transactions entered into during the year between the Fund and the Manager and its Connected Persons. Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

6. UNITS IN ISSUE

	Year ended 30.6.2003
Balance brought forward	4,507,423.79
Units issued	3,725.10
Units redeemed	(2,699,250.93)
Balance carried forward	<u>1,811,897.96</u>

- (a) During the prior period from 28 June 2001 (date of Trust Deed) to 30 June 2002, 3,762,303.00 units were issued in specie by way of a transfer of investment into the Fund valued at US\$37,623,030 by ABN AMRO Australia Limited as an independent valuer from CMG CH China Investment Limited ("CMG CH China"). At the time when units were issued, CMG CH China was an Australian listed company which was managed by a joint