

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

**8. TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS (CONTINUED)**

**(b) 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 2005, no subscription charge has been levied by the Manager as no units had been issued.

**(c) 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 of increase to the Trustee and the unitholders. For the year ended 30 June 2005, a management fee of US\$353,624 (2004: US\$319,234) was incurred by the Fund, of which US\$30,657 (2004: US\$25,082) remained payable at 30 June 2005.

**9. NET INCOME PER UNIT**

Net income per unit was calculated based on the net income for the year of US\$5,685,584 (2004: US\$8,655,339) and the weighted average number of units for the year of 1,201,330.60 (2004: 1,351,126.32).

**10. 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"). The overdraft facility limit was the

lesser of US\$25,000,000 or 25% of the net asset value of the Fund. The foreign exchange facility limit was the lesser of US\$100,000,000 or 100% of the net asset value of the Fund. The overdraft balance bore interest at 2.25% per annum above the overnight interbank rate and was repayable on demand by the Branch.

According to the Transfer of Facility and Security Agreement dated 15 October 2004 between the Branch, The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), the Trustee and the Manager, the arranged uncommitted overdraft and foreign exchange facilities had been transferred to HSBC. The new overdraft facility limit is the lesser of US\$6,000,000 or 25% of the net asset value of the Fund. The new 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.

To secure these two facilities, the Fund has granted HSBC a charge over all present and future investments of the Fund. The Fund utilized these two facilities during the year, although there were no amounts outstanding as at 30 June 2005 and 2004.

**11. SOFT COMMISSION ARRANGEMENTS**

During the year, the Manager and its connected persons entered into soft commission arrangements with brokers under which certain goods and services used to support investment decision making were received. The Manager and its connected persons do not make direct payment for these goods and services but transact an agreed amount of business with the brokers on behalf of the Fund and commission is paid on these transactions.