

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

- (c) In prior years, the Fund classified all of its investments for trading purposes as short term investments, and these investments were stated at their fair value on an individual basis with gains and losses recognized in the statement of operations. Transaction costs incurred were capitalized and were expensed on disposal of these investments. Upon the adoption of HKAS 39, these investments held by the Fund at 1 July 2005 in the amount of US\$25,239,916 were designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly they are stated at fair value with gains or losses being recognized in the statement of operations and transaction costs of US\$158,848 being recognized as brokerage and commission fees in the statement of operations for the year ended 30 June 2006.

The adoption of HKAS 39 has not resulted in any changes in the measurement of these investments.

### 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Fund has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 39 Amendment	The Fair Value Option
HKFRS 7	Financial Instruments: Disclosures

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Fund's objective, policies and processes for managing capital; quantitative data about what the Fund regards as capital; and compliance with any capital requirements.

The Fund expects that the adoption of HKAS 39 Amendment will not have any significant impact on the Fund's financial statements in the period of initial application.

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.