

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. ACCOUNTING POLICIES (CONTINUED)

#### (d) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

#### (e) 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 an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (ii) Dividend income is recognized when the Fund's right to receive payment has been established, which is taken as being the date on which equities are quoted as ex-dividend.

#### (f) Foreign currencies

These financial statements are presented in United States dollars ("US\$"), which is the Fund's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The rates of exchange in effect at 30 June 2006 were:

US\$1 = AUD 1.3454      US\$1 = MYR 3.6710

US\$1 = HKD 7.7667      US\$1 = SGD 1.5871

US\$1 = KRW 976.4500      US\$1 = TWD 32.3495

#### (g) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank, bank overdraft, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Fund's cash management.

For the purpose of the statement of assets and liabilities, cash and cash equivalents represent cash at bank, which is not restricted as to use.

#### (h) Amounts due from/to broker

Amounts due from/to brokers include amounts receivable/payable for investment transactions that have not been settled at the date of the financial statements.