

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. ACCOUNTING POLICIES (CONTINUED)

(i) Proceeds and payments on issue and redemption of units

The net asset value of the Fund's units is computed in accordance with its Explanatory Memorandum and the Trust Deed. Prices for the issue and redemption of units are based on the latest available valuation.

Proceeds and payments for the units issued and redeemed are shown as movements in the statement of changes in net assets attributable to unitholders.

(j) Borrowing costs

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

(k) Related parties

A party is considered to be related to the Fund if:

- (i) the party, directly or indirectly through one or more intermediaries, (a) controls, is controlled by, or is under common control with, the Fund; (b) has an interest in the Fund that gives it significant influence over the Fund; or (c) has joint control over the Fund;
- (ii) the party is an associate;
- (iii) the party is a jointly-controlled entity;
- (iv) the party is a member of the key management personnel of the Fund;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv); or

- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v).

4. TAX

The Fund is exempted from Hong Kong profits tax on income and capital gains arising from its authorised activities under Section 26A of the Hong Kong Inland Revenue Ordinance.

5. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006 US\$	2005 US\$
Listed investments, at market value:		
Hong Kong.....	29,136,441	21,053,858
Elsewhere.....	<u>5,344,909</u>	<u>4,186,058</u>
	<u>34,481,350</u>	<u>25,239,916</u>

The above listed investments at 30 June 2006 were classified as held for trading. A detail Portfolio listing is set out on pages 5 to 7.

6. CASH AND CASH EQUIVALENTS

	2006 US\$	2005 US\$
Cash at bank	<u>—</u>	<u>188,267</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates maintained with the Hongkong and Shanghai Banking Corporation Limited. The carrying amount of the cash and cash equivalents approximate to their fair values.