

EAST ASIAN GROWTH BASKET LIMITED

Report and Financial Statements

For the year ended 30 September 2011

EAST ASIAN GROWTH BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS CONTENTS

| | Page |
|---|-------|
| General Information | 3 |
| Report of the Directors | 4-5 |
| Independent Auditor's Report | 6 |
| Profit and Loss Account | 7 |
| Statement of Total Recognised Gains and Losses | 7 |
| Balance Sheet | 8 |
| Reconciliation of Movement in Shareholders' Funds | 9 |
| Cash Flow Statement | 10 |
| Notes to the Financial Statements | 11-18 |

EAST ASIAN GROWTH BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS GENERAL INFORMATION

| | |
|--|---|
| DIRECTORS: | C Hickling J Lewis D Stephenson |
| ADMINISTRATOR, SECRETARY AND REGISTRAR: | Praxis Property Fund Services Limited (up to 30 April 2011) PO Box 296 Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA Praxis Fund Services Limited (from 1 May 2011) PO Box 296 Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA |
| REGISTERED OFFICE: | Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA |
| AUDITOR: | Saffery Champness PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS |
| BANKERS: | Investec Bank (Channel Islands) Limited PO Box 188 Gategny Court Gategny Esplanade St Peter Port Guernsey GY1 3LP |
| COMPANY REGISTRATION NO: | 44743 |

EAST ASIAN GROWTH BASKET LIMITED

REPORT OF THE DIRECTORS

For the year ended 30 September 2011

The Directors present their report and the audited financial statements for the year ended 30 September 2011.

Principal Activity

The principal activity of the Company is investment holding.

The Company is a Guernsey authorised closed-ended investment scheme and is subject to the Authorised Closed-Ended Investment Scheme Rules 2008.

At an Extraordinary General Meeting of the Company held on 14 December 2011, shareholders approved a special resolution to extend the life of the Company for a further period of between 5.5 and 6 years from the Company's current termination date of 26 January 2012. Under the terms of the Company's new prospectus, which will replace the current prospectus with effect from 26 January 2012, in the absence of a special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate between July 2017 and January 2018.

Results and Dividends

The profit and loss statement is set out on page 7. The Directors do not propose a dividend for the period (2010: Nil).

Directors

The Directors of the Company during the year and to the date of this report are detailed below.

J Lewis
C Hickling
D Stephenson

No Director had any beneficial interest in the shares of the Company.

Directors' Responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for ensuring that the financial statements comply with the requirements of The Companies (Guernsey) Law, 2008. The financial statements have been prepared in accordance with United Kingdom Accounting Standards (Generally Accepted Accounting Principles) ('UK GAAP').

In addition the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

EAST ASIAN GROWTH BASKET LIMITED

REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2011

Directors' Responsibilities (continued)

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware;
- each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information;
- the financial statements give a true and fair view and have been prepared in accordance with UK GAAP, with The Companies (Guernsey) Law, 2008 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Auditor

A resolution to re-appoint Saffery Champness as auditor will be put to the members at the Annual General Meeting.

By Order of the Board

Chris Hickling

Director

17 January 2012

INDEPENDENT AUDITOR'S REPORT

To the members of East Asian Growth Basket Limited

We have audited the financial statements of East Asian Growth Basket Limited which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Principles).

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the United Kingdom Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Directors' Responsibilities to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view
- are in accordance with Generally Accepted Accounting Principles; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company;
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

SAFFERY CHAMPNESS

Chartered Accountants

Guernsey

17 January 2012

EAST ASIAN GROWTH BASKET LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2011

| | Notes | 2011 US\$ | 2010 US\$ |
|---|-------|---------------------|--------------------|
| REVENUE | | | |
| Interest income | 3 | 765 | 2,102 |
| (LOSSES)/GAINS ON INVESTMENTS | | | |
| Investments at fair value through profit and loss | 4 | (3,885,750) | (479,419) |
| Available-for-sale investments - realised | | 1,011 | - |
| | | <u>(3,883,974)</u> | <u>(477,317)</u> |
| OPERATING EXPENSES | 6 | (283,384) | (285,277) |
| LOSS FOR THE YEAR | | <u>(4,167,358)</u> | <u>(762,594)</u> |
| Loss per share | | | |
| Basic and diluted loss per ordinary share | 7 | <u>US\$(204.18)</u> | <u>US\$(37.22)</u> |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 30 September 2011

| | | 2011 US\$ | 2010 US\$ |
|---|---|--------------------|-----------------|
| LOSS FOR THE YEAR | | (4,167,358) | (762,594) |
| GAIN ON INVESTMENTS | | | |
| Available-for-sale investments - unrealised | 5 | 167,006 | 690,446 |
| TOTAL RECOGNISED LOSSES FOR THE YEAR | | <u>(4,000,352)</u> | <u>(72,148)</u> |

All items of income and expenditure arise from continuing operations.

There are no recognised gains or losses for the year other than those reported above. All gains and losses derive from continuing operations.

The notes on pages 11 to 18 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

BALANCE SHEET at 30 September 2011

| | Notes | 2011 | 2010 |
|---|-------|-------------------|-------------------|
| | | US\$ | US\$ |
| FIXED ASSETS | | | |
| Investments at fair value through profit and loss | 4 | - | 4,892,535 |
| Available-for-sale investments | 5 | - | 20,262,632 |
| | | | 25,155,167 |
| CURRENT ASSETS | | | |
| Investments at fair value through profit and loss | 4 | 944,955 | - |
| Available-for-sale investments | 5 | 20,221,948 | - |
| Debtors and prepayments | 8 | 92,476 | 218,578 |
| Cash at bank | 9 | 179,940 | 337,033 |
| | | 21,439,319 | 555,611 |
| CREDITORS: amounts falling due within one year | | | |
| Creditors and accruals | 10 | 54,477 | 54,453 |
| NET CURRENT ASSETS | | 21,384,842 | 501,158 |
| | | <u>21,384,842</u> | <u>25,656,325</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 11 | 213 | 215 |
| Share premium | 12 | 20,109,482 | 20,380,611 |
| Revaluation reserve | 13 | 2,531,849 | 2,389,333 |
| Profit and loss account | | (1,256,702) | 2,886,166 |
| EQUITY SHAREHOLDERS' FUNDS | | <u>21,384,842</u> | <u>25,656,325</u> |
| Number of fully paid Ordinary shares | | 20,278 | 20,488 |
| Net Asset Value per Ordinary share | | US\$1,054.58 | US\$1,252.26 |

The financial statements were approved by the Board on 17 January 2012 and signed on its behalf by:

Chris Hickling
Director

The notes on pages 11 to 18 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ended 30 September 2011

| | Management | Ordinary | | | | Total |
|---|--------------------------|--------------------------|--------------------------|------------------------------------|--------------------------------|-------------------|
| | Shareholders | Shareholders | | | | |
| | Share Capital US\$ | Share Capital US\$ | Share Premium US\$ | Profit and loss account US\$ | Revaluation reserve US\$ | Total US\$ |
| At 30 September 2009 | 10 | 205 | 20,380,611 | 3,648,760 | 1,698,887 | 25,728,473 |
| Net loss for the year | - | - | - | (762,594) | - | (762,594) |
| Revaluation of available for sale investments (see note 13) | - | - | - | - | 690,446 | 690,446 |
| At 30 September 2010 | 10 | 205 | 20,380,611 | 2,886,166 | 2,389,333 | 25,656,325 |
| Redemptions of shares (see notes 11,12) | - | (2) | (271,129) | - | - | (271,131) |
| Net loss for the year | - | - | - | (4,167,358) | - | (4,167,358) |
| Recycling of prior year revaluation gains on investments disposed of during the year (see note 13) | | | | 24,490 | (24,490) | - |
| Revaluation of available- for-sale investments (see note 13) | - | - | - | - | 167,006 | 167,006 |
| At 30 September 2011 | 10 | 203 | 20,109,482 | (1,256,702) | 2,531,849 | 21,384,842 |

The notes on pages 11 to 18 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

CASH FLOW STATEMENT

For the year ended 30 September 2011

| | Notes | 2011 US\$ | 2010 US\$ |
|---|-------|------------------|------------------|
| RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES | | | |
| Reconciliation of operating profit to net cash outflow from operating activities | | | |
| Operating loss | | (4,167,358) | (762,594) |
| Less: | | | |
| Interest income | | (765) | (2,102) |
| Adjustments for non-cash items: | | | |
| Loss on investments at fair value through profit and loss | 4 | 3,885,750 | 479,419 |
| Gain on available-for-sale investments | 5 | (1,011) | - |
| Adjustments for working capital movements: | | | |
| Decrease/(increase) in debtors and prepayments | | 126,102 | (1,323) |
| Increase/(decrease) in creditors and accruals | | 24 | (5,328) |
| Net cash outflow from operating activities | | (157,258) | (291,928) |
| CASH FLOW STATEMENT | | | |
| Net cash outflow from operating activities | | (157,258) | (291,928) |
| Investing | | | |
| Bank interest | | 765 | 2,102 |
| Management of liquid reserves | | | |
| Proceeds from disposal of investments at fair value through profit and loss | 4 | 61,830 | - |
| Proceeds from disposal of available-for-sale investments | 5 | 208,701 | - |
| | | 270,531 | - |
| Financing | | | |
| Payments for redemptions of shares | 11,12 | (271,131) | - |
| Decrease in cash for the year | | (157,093) | (289,826) |
| Cash at the beginning of the year | | 337,033 | 626,859 |
| Cash at the end of the year | 9 | 179,940 | 337,033 |

The notes on pages 11 to 18 are an integral part of these financial statements.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements of East Asian Growth Basket Limited, with domicile in Guernsey, have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Going concern

Under the terms of the Company's prospectus, the Company's shares may be redeemed and the Company terminated on 26 January 2012. However, the Board has proposed a special resolution for the approval of shareholders to extend the life of the Company for a further period of between 5.5 and 6 years.

The financial statements have therefore been prepared on a going concern basis.

Foreign exchange

Foreign currency assets and liabilities are translated into US Dollars at the rate of exchange ruling on the balance sheet date. Foreign currency transactions are translated into US Dollars at the rate of exchange ruling on the date of the transaction. Foreign exchange gains and losses are included in the profit and loss statement in the period in which they arise.

Income

Bank interest is accounted for on an accruals basis.

Investments

The Company's option investments are designated as investments at fair value through profit or loss.

The Company's bond investments are classified as available-for-sale investments.

All investments are measured initially at cost, which is the fair value of whatever was paid to acquire them. Transaction costs are expensed as incurred in the profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

After initial recognition, the Company uses the following measurement bases for its investments:

- i) Held-for-trading investments and those so designated at inception: Fair value through profit and loss;
- ii) Available-for-sale investments: Fair value through equity.

Fair value is calculated using quoted market prices, independent appraisals, discounted cash flow analysis or other appropriate valuation models at the year end date. Gains arising on the disposal of investments are recognised in the profit and loss account, as are unrealised gains on investment at fair value through profit and loss. Unrealised gains on available-for-sale investments are recognised in the statement of total recognised gains and losses. All gains or losses are recognised in the period in which they arise. Prior year revaluation gains on available-for-sale investments disposed of during the year are recycled through profit and loss in the period in which the investments are disposed of.

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) Guernsey Ordinance 1989 and is charged an annual exemption fee of £600.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

2. SIGNIFICANT AGREEMENTS

The following significant agreements have been entered into by the Company:

Administration, Custodian and Secretarial Agreement

Under the Administration, Custodian and Secretarial Agreement, the Company has agreed to pay or procure to be paid to the administrator, for its services as administrator, secretary, custodian and registrar, a fee of 0.1% per annum of the Company's funds. This fee is payable annually in advance each year until the termination date, the date of compulsory redemption of the ordinary shares. In addition the administrator is entitled to receive interest earned by the Company on the unpaid element of the fees.

Investment Advisory Agreement

Under the Investment Advisory Agreement, the Company has agreed to pay or procure to be paid to the advisor, for its services as advisor, a fee of 0.5% per annum of the Company's funds. This fee is payable annually in advance each year until the termination date, the date of compulsory redemption of the ordinary shares. In addition the advisor is entitled to receive interest earned by the Company on the unpaid element of the fees.

Distribution Agreement

Under the Distribution Agreement, the Company has agreed to pay or procure to be paid to the Distributors a fee of 0.7% per annum of the Company's funds payable in advance on the first Business Day of each year, until the Termination Date.

3. INTEREST INCOME

| | 2011 US\$ | 2010 US\$ |
|--------------------------|--------------|--------------|
| Bank interest receivable | <u>765</u> | <u>2,102</u> |

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

| | 2011 US\$ | 2010 US\$ |
|---------------------------------------|--------------------|------------------|
| Societe Generale equity option | | |
| Balance brought forward | 4,892,535 | 5,371,954 |
| Disposals | (61,830) | - |
| Gains on disposals | 11,682 | - |
| Fair value adjustment for the year | <u>(3,897,432)</u> | <u>(479,419)</u> |
| Fair value carried forward | <u>944,955</u> | <u>4,892,535</u> |

5. AVAILABLE-FOR-SALE INVESTMENTS

| | 2011 US\$ | 2010 US\$ |
|---|-------------------|-------------------|
| Zero Coupon Bonds issued by Investec plc | | |
| Fair value brought forward | 20,262,632 | 19,572,186 |
| Disposals | (208,701) | - |
| Gains on disposals | 1,011 | - |
| Fair value adjustment for the year | <u>167,006</u> | <u>690,446</u> |
| Fair value carried forward | <u>20,221,948</u> | <u>20,262,632</u> |

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

| 6. OPERATING EXPENSES | 2011 | 2010 |
|----------------------------------|-----------------------|-----------------------|
| | US\$ | US\$ |
| Auditor's remuneration | 9,847 | 9,968 |
| Administration fees | 19,771 | 20,854 |
| Distribution fees | 138,401 | 144,822 |
| Investment advisory fees | 98,858 | 103,444 |
| Licence fees | 4,875 | 3,605 |
| Listing fees | 3,870 | 630 |
| Sponsorship fees | 3,531 | 3,500 |
| Statutory fees | 1,769 | 1,345 |
| Interest payable | 104 | (5,169) |
| Professional indemnity insurance | 1,784 | 1,200 |
| Sundry expenses | 574 | 1,078 |
| | <u>283,384</u> | <u>285,277</u> |

7. LOSS PER ORDINARY SHARE

The calculation of basic and diluted loss per share is based on the following data:

| | 2011 | 2010 |
|--|-----------------------------|----------------------------|
| | US\$ | US\$ |
| Loss attributable to Ordinary shares: | | |
| Loss for purpose of basic and diluted earnings per share being loss for the year attributable to Ordinary shareholders | <u>(4,167,358)</u> | <u>(762,594)</u> |
| Number of shares: | | |
| Weighted average number of Ordinary shares for the purpose of basic and diluted loss per | <u>20,410</u> | <u>20,488</u> |
| Loss per ordinary share | <u>US\$ (204.18)</u> | <u>US\$ (37.22)</u> |

A weighted average number of shares has been calculated to enable users to gain a fairer understanding of the loss generated per share through the year. The weighted average has been calculated with reference to the number of days shares have actually been in issue and hence their ability to influence income generated.

| 8. DEBTORS AND PREPAYMENTS | 2011 | 2010 |
|-----------------------------------|----------------------|-----------------------|
| | US\$ | US\$ |
| Bank interest receivable | 143 | 259 |
| Prepaid administration fees | 6,818 | 16,390 |
| Prepaid distributor fees | 47,725 | 114,733 |
| Prepaid investment advisory fees | 34,089 | 81,952 |
| Other prepayments | 3,701 | 5,244 |
| | <u>92,476</u> | <u>218,578</u> |

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

| 9. CASH AT BANK | 2011 | 2010 |
|--|-------------------|-------------------|
| | US\$ | US\$ |
| Balances at bank | <u>179,940</u> | <u>337,033</u> |
| 10. CREDITORS AND ACCRUALS | 2011 | 2010 |
| | US\$ | US\$ |
| Audit fee | 9,350 | 9,430 |
| Interest payable | 45,127 | 45,023 |
| | <u>54,477</u> | <u>54,453</u> |
| 11. SHARE CAPITAL | 2011 | 2010 |
| Authorised: | US\$ | US\$ |
| 10 Management shares of US\$1 each | 10 | 10 |
| 999,000 Ordinary shares of US\$0.01 each | 9,990 | 9,990 |
| | <u>10,000</u> | <u>10,000</u> |
| Issued and fully paid: | US\$ | US\$ |
| 10 Management shares of US\$1 each | 10 | 10 |
| 20,278 Ordinary shares of US\$0.01 each (2010: 20,488) | 203 | 205 |
| | <u>213</u> | <u>215</u> |
| <p>210 Ordinary shares were redeemed during the year at an average redemption price of US\$1,291.17.</p> <p>Ordinary shares are entitled to 1 vote each at a general meeting of the Company. The Ordinary shares will be compulsorily redeemed on the termination date, 26 January 2012.</p> | | |
| 12. SHARE PREMIUM | 2011 | 2010 |
| | US\$ | US\$ |
| Balance brought forward | 20,380,611 | 20,380,611 |
| Ordinary shares redeemed during the year | (271,129) | - |
| Balance carried forward | <u>20,109,482</u> | <u>20,380,611</u> |
| 13. REVALUATION RESERVE | 2011 | 2010 |
| | US\$ | US\$ |
| Balance brought forward | 2,389,333 | 1,698,887 |
| Recycling of prior year revaluation gains on investments disposed of during the year | (24,490) | - |
| Revaluation of available-for-sale investments during the year | 167,006 | 690,446 |
| Balance carried forward | <u>2,531,849</u> | <u>2,389,333</u> |

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

14. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The company's immediate controlling party is The Basket Trust, a trust administered by Praxis Fiduciaries Limited, and the ultimate controlling party is Praxis Holdings Limited, a company incorporated in Guernsey.

Praxis Property Fund Services Limited ('PPFSL') (the administrator of the Company until 30 April 2011) and Praxis Fund Services Limited ('PFSL') (the administrator of the Company with effect from 1 May 2011), are deemed to be related parties as Chris Hickling and Janine Lewis are Directors of the Company and of both PPFSL and PFSL, whilst David Stephenson is a Director of the Company and an employee of PFSL. During the year PPFSL received US\$11,900 (2010: US\$20,854) for their services as administrator, whilst PFSL received US\$7,871 (2010: US\$Nil) for their services as administrator. At the year end date administration fees of US\$6,818 had been paid to PFSL in advance (2010: US\$16,390 paid to PPFSL).

15. FINANCIAL INSTRUMENT RISK FACTORS

The Company is exposed to market risk, credit risk, liquidity risk and capital management risk from the financial instruments it holds. The Company has a fixed *modus operandi*, as stated in its prospectus, which is to invest its capital in a zero coupon bond and an option on a specified basket of indices, and to retain a certain element of cash to cover expenses to be incurred over the specified period of its life. As a result of this, the Company's flexibility in dealing with the risks associated with these instruments is somewhat limited. However, the risk management policies that are employed by the Company to manage these risks are discussed below:

(i) Market risk

(a) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is not materially exposed to foreign exchange risk as most transactions are in US Dollars. The Company's management monitors the exchange rate fluctuations on an on-going basis.

The Company had no material currency exposures as at either 30 September 2011 or 30 September 2010.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as it invests cash and bank balances at short term interest rates. At 30 September 2011, the Company held cash on a call account of US\$179,940 (2010: US\$337,033), which earns interest at a floating rate.

Had these balances existed for the whole of the period, the effect of an increase of 0.5%/decrease of 0.25% in short term annual interest rates would have been a decrease of US\$900/increase of US\$450 in the loss for the year (2010: decrease of US\$1,685/increase of US\$843).

The available-for-sale investments are exposed to fair value interest rate risk. However, whilst changes in market interest rates may give rise to short-term fluctuations in fair value, if the bonds are held to maturity their maturity value is fixed and therefore not subject to interest rate risk.

The Company had no other material interest rate exposures as at either 30 September 2011 or 30 September 2010.

(c) Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Company's investments at fair value through profit and loss are directly affected by changes in market prices.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

15. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(c) Price risk (continued)

Price risk is managed by investing in a European call option on a basket of indices, with an international bank, Societe Generale. The bank has a Fitch long-term credit rating of A+ (2010: A+).

Price risk is managed by investing in a zero coupon bond, with an international bank, Investec plc. The bank has a long-term Fitch credit rating of BBB (2010: BBB).

The investments at fair value through profit and loss and available-for-sale investments expose the Company to price risk. The details are as follows:

| | 2011 US\$ | 2010 US\$ |
|--|-------------------|-------------------|
| European call option with Societe Generale | 944,955 | 4,892,535 |
| Investec plc Zero Coupon Bonds | 20,221,948 | 20,262,632 |
| | <u>21,166,903</u> | <u>25,155,167</u> |

A 3 per cent increase/decrease in the value of the investments at fair value through profit and loss at 30 September 2011 would have increased/decreased the Net Asset Value of the Company by US\$28,349 (2010: US\$146,776).

A 3 per cent increase/decrease in the value of the available-for-sale investments at 30 September 2011 would have increased/decreased the Net Asset Value of the Company by US\$606,658 (2010: US\$607,879).

(ii) Credit risk

Credit risk arises when a failure by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. These financial assets include cash and cash equivalents, debtors, available-for-sale investments and investments at fair value through profit and loss. The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value or fair value of these instruments. The Company aims to manage credit risk by holding assets with reputable banking institutions with a good credit rating.

The Company has determined to maintain its cash and cash equivalent balances with financial institutions which have a Fitch long-term credit rating of at least BBB. The Company monitors the placement of cash balances on an ongoing basis.

The majority of the Company's debtors and prepayments balance consists of prepayments and there is no credit risk associated with these balances.

The available-for-sale investments are held with Investec plc, which has a Fitch long term rating of BBB (2010: BBB). The investments at fair value through profit and loss are held with Societe Generale, which has a Fitch long-term rating of A+ (2010: A+).

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial liability obligations as they fall due, which may cause financial losses to the Company. The Company places its cash and cash equivalents with financial institutions on a short-term basis in order to maintain a high level of liquidity. This ensures that the Company is able to complete transactions in a timely manner, thus minimising the Company's exposure to such losses.

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

15. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(iii) Liquidity risk (continued)

The Board reviews the cash resources of the Company every quarter and ensures that sufficient monies are held on call to meet its short term obligations. At 30 September 2011 the cash on call was US\$179,940 (2010: US\$337,033), which is considered by the Board to be sufficient to meet all the Company's short term obligations.

The table below analyses the Company's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Less than 6 months US\$ | 6-12 months US\$ | 1 - 5 years US\$ |
|--------------------------|--|-----------------------------|-----------------------------|
| 30 September 2011 | | | |
| Creditors and accruals | 54,477 | - | - |
| Net exposure | <u>54,477</u> | <u>-</u> | <u>-</u> |
| | Less than 6 months US\$ | 6-12 months US\$ | 1 - 5 years US\$ |
| 30 September 2010 | | | |
| Creditors and accruals | 54,453 | - | - |
| Net exposure | <u>54,453</u> | <u>-</u> | <u>-</u> |

(iv) Fair value hierarchy

The table below analyses instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 US\$ | Level 2 US\$ | Level 3 US\$ | Total US\$ |
|---|-------------------------|-------------------------|-------------------------|-----------------------|
| 30 September 2011 | | | | |
| Investments at fair value through profit and loss | - | 944,955 | - | 944,955 |
| Available-for-sale investments | - | 20,221,948 | - | 20,221,948 |
| | <u>-</u> | <u>21,166,903</u> | <u>-</u> | <u>21,166,903</u> |
| | Level 1 US\$ | Level 2 US\$ | Level 3 US\$ | Total US\$ |
| 30 September 2010 | | | | |
| Investments at fair value through profit and loss | - | 4,892,535 | - | 4,892,535 |
| Available-for-sale investments | - | 20,262,632 | - | 20,262,632 |
| | <u>-</u> | <u>25,155,167</u> | <u>-</u> | <u>25,155,167</u> |

EAST ASIAN GROWTH BASKET LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2011

15. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(v) Capital risk management

The Company's capital comprises the funds it has raised through the issue of share capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost to capital.

In order to ensure that the Company will be able to continue as a going concern, the Board continuously monitors forecast and actual cash flows and matches the maturity profiles of assets and liabilities. The Company has no external borrowings.

16. POST BALANCE SHEET EVENTS

At an Extraordinary General Meeting held on 14 December 2011, shareholders approved resolutions to amend the Memorandum and Articles of Association of the Company; and, with effect from 26 January 2012, to redenominate the Company's shares from US Dollars to Australian Dollars; extend the life of the Company for a further 5.5 to 6 years; and replace the Company's existing prospectus with a new prospectus.