



# **THE THAI ASSET FUND LIMITED**

*(Incorporated with limited liability in Guernsey)*

**INTERIM REPORT (UNAUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2005**

## **REVIEW OF PERFORMANCE**

During the first half of 2005, the Company recorded a profit after tax of US\$33,155 (compared with a profit of US\$819,118 during the previous corresponding period). The profit was mainly derived from the dividends from investments which were partially set off by net loss on investments.

The net asset value of the Company, as at June 30, 2005, was US\$8,692,228. The net asset value per share was US\$3.36, compared with US\$3.47 as at December 31, 2004, a decrease over the period of 3.17% in US\$ terms. Over the same period, the Stock Exchange of Thailand Index decreased by 4.26% in US\$ terms. The Company, in turn, outperformed the market by 1.09%.

As at June 30, 2005, the Company was 96.16% invested in Thai equities, with the balance being held in the form of bank deposits.

The Company's underlying investments are denominated in Baht and the Company is therefore exposed to fluctuations in Baht/US\$ exchange rates. During the period under review, the Baht depreciated by 5.31% against the US dollar.

## **OUTLOOK OF THE COMPANY**

The Board of the Company passed a resolution on August 5, 2005 to proceed with the following unit redemption of Thai Asset Open-end Fund (the “Fund”):

- 10% of 4,900,000 units redeemed upon the Fund’s trading day in August 2005;
- 10% of 4,900,000 units redeemed upon the Fund’s trading day in September 2005;
- 10% of 4,900,000 units redeemed upon the Fund’s trading day in October 2005;
- 10% of 4,900,000 units redeemed upon the Fund’s trading day in November 2005; and
- 10% of 4,900,000 units redeemed upon the Fund’s trading day in December 2005.

The unit redemption proceeds will be returned to shareholders by way of share redemption with which the details will be announced in due course.

# CURRENT INVESTMENTS AND ACTIVITIES REPORT

## FOR THE SIX MONTHS ENDED JUNE 30, 2005

### 1. ACTIVITIES

The Company's principal activity is investment in Thai securities through a special investment vehicle, Thai Asset Open-end Fund (formerly named as The Thai Asset Fund) (the "Fund"). The Fund was established in 1989 under the terms of an investment plan authorized by the Bank of Thailand and the Company is the sole unitholder in the Fund.

As at June 30, 2005, the total net asset value of the Company was US\$8,692,228 equivalent to a net asset value of US\$3.36 per share .

No interim dividend was declared or paid for the six months ended June 30, 2005 (2004: NIL).

### 2. CURRENT INVESTMENTS

The Company is the sole unitholder in the Fund. All investments comprising the Fund are considered as investments held by the Company.

As at June 30, 2005, the Company was 96.16% invested in Thai equity, with the remaining balance being held in the form of bank deposits.

As at June 30, 2005, the ten largest investments held by the Company through its investment in the Fund were:

	<b>Stock Weighting (%)</b>	
	<b>Company</b>	<b>SET Index</b>
1. PTT	14.83	13.54
2. Siam Cement	10.72	6.07
3. Advanced Info Service	9.43	6.41
4. Bangkok Bank	8.23	4.28
5. PTT Exploration & Production	6.21	5.57
6. Kasikorn Bank	5.58	2.89
7. Shin Corporations	5.31	2.50
8. Siam Commercial Bank	3.75	1.81
9. Thai Oil	2.71	2.88
10. Krungthai Bank	2.13	2.31
TOTAL	68.90	48.26

An analysis by industry of the equity investments held by the Company as at June 30, 2005, together with a comparison with the composition of The Stock Exchange of Thailand (“SET”), is as follows:

Industry	No. of Stocks in		Sector Weightings (%)	
	Company	SET	Company	SET Index
1. Agribusiness	0	19	0.00	1.08
2. Automotive	1	17	0.92	1.04
3. Banking	4	12	19.69	15.45
4. Commerce	1	11	0.40	2.15
5. Communication	3	17	15.47	11.40
6. Companies under rehabilitation	0	45	0.00	2.84
7. Construction Materials	4	31	13.83	10.17
8. Electrical Products & Computer	0	16	0.00	0.59
9. Electronic Components	1	10	0.38	1.41
10. Energy	7	17	29.90	26.86
11. Entertainment & Recreation	0	17	0.00	2.19
12. Fashion	0	25	0.00	1.02
13. Finance and Securities	3	35	2.96	3.35
14. Foods & Beverages	0	22	0.00	1.59
15. Health Care Services	0	13	0.00	1.01
16. Hotels & Travel Services	0	12	0.00	0.93
17. Household Goods	0	8	0.00	0.24
18. Insurance	0	19	0.00	0.78
19. Machinery & Equipment	0	2	0.00	0.03
20. Mining	0	1	0.00	0.06
21. Packaging	0	15	0.00	0.39
22. Paper & Printing Materials	0	3	0.00	0.39
23. Personal Products & Pharmaceuticals	0	4	0.00	0.09
24. Petrochemicals & Chemicals	3	13	4.58	3.76
25. Printing & Publishing	0	9	0.00	0.26
26. Professional Services	0	4	0.00	0.06
27. Property Development	6	41	5.82	5.95
28. Transportation & Logistics	2	13	2.21	4.91
29. Others (Note)	0	0	0.00	0.00
30. Unlisted Securities	7	0	0.00	0.00
31. Debentures & Convertibles	0	0	0.00	0.00
TOTAL	<u>42</u>	<u>451</u>	<u>96.16</u>	<u>100.00</u>

Note: Stocks not classified under sectors listed above.

### 3. TRANSACTIONS

For the six months ended June 30, 2005, total listed securities purchased by the Company amounted to US\$0.61 million, while total sales amounted to US\$0.69 million. The net realised gains for the period amounted to US\$0.23 million.

A summary of purchases and sales by the Company during the six months ended June 30, 2005 is as follows:

Month	<i>(US\$ Millions)</i>		
	Purchase	Sales	Realised Gains/(Losses)
January	0.05	0.07	0.04
February	0.03	0.13	0.05
March	0.06	0.12	0.05
April	0.25	0.10	0.01
May	0.03	0.25	0.09
June	<u>0.19</u>	<u>0.02</u>	<u>(0.01)</u>
Total	<u>0.61</u>	<u>0.69</u>	<u>0.23</u>

Note: Using an averaged exchange rate over the past six months US\$1.00 = Baht 39.525

#### 4. PERFORMANCE

	<b>Jun 30, 2005</b>	<b>Dec 31, 2004</b>	<b>% Change</b>
NAV/Share (US\$)	<b>3.36</b>	<b>3.47</b>	<b>-3.17%</b>
Baht/US\$ Exchange Rate	41.210	39.021	-5.31%
SET Index (Baht)	675.50	668.10	+1.11%
(US\$)	<b>16.39</b>	<b>17.12</b>	<b>-4.26%</b>
Performance to SET Index			+1.09%

During the six months ended June 30, 2005, the net asset value per share of the Company decreased by 3.17% in US\$ terms. Over the same period, the SET Index decreased by 4.26% in US\$ terms. The Company outperformed the market by 1.09%.

	<b>Jun 30, 2005</b>	<b>Dec 1, 1989</b>	<b>% Change since inception</b>
NAV/Share (US\$)	<b>12.43*</b>	<b>10.00</b>	<b>+24.30%</b>
Baht/US\$ Exchange Rate	41.210	25.765	-37.48%
SET Index (Baht)	675.50	769.14	-12.17%
(US\$)	<b>16.39</b>	<b>29.85</b>	<b>-45.09%</b>
Performance to SET Index			+69.39%

\* After adjusting for dividend of US\$9.07 per share paid to shareholders since inception.

After adjusting for dividend, the net asset value per share of the Company since inception increased by 24.30% in US\$ terms. Over the same period, the SET Index decreased by 45.09% in US\$ terms. The Company outperformed the market by 69.39% since inception.

## **5. REVIEW OF THE THAI ECONOMY AND STOCK MARKET**

### **Thai Economy**

The Thai economy expanded at a slow pace during the first five months of 2005. The economy experienced the uncertainties both internal and external factors such as high world oil prices, slowdown of the global economy, drought, Tsunami disaster and rising trend of interest rate. Those factors deteriorated the consumption and investment.

The economy in the first quarter grew only 3.3%, after 5.3% in the fourth quarter of 2004. Besides the Tsunami disaster that caused the slowdown impacts, a few factories, such as those in steel and petrochemical industries had temporarily shut down for maintenance. Consumption was also flat as consumers were careful on their spending amid rising oil prices. Investment, even though slowed from the previous year, was the only bright spot. Cement sales continued to be healthy as constructions were carried over from 2004. Sales of one-ton pick up trucks were strong as their fuel prices (diesel oil) was subsidized by the government.

The country registered a trade deficit for five consecutive months, totaling US\$6.7 billion. High oil prices were the key factor of fast growing imports of 30.5%. Other significant import items were gold and replacement of aircraft. Due to a slowdown in the external demand for electronics and electrical appliances, exports grew only 13% during the first five months, still below the government's 2005 full year target. Coupled with the weakening tourism income from the effect of the Tsunami disaster, current account deficit was US\$4.7 billion, one of the areas of concern.

For monetary conditions, rising oil prices has put more pressure on inflation, and the Bank of Thailand ("BOT") Governor recently signaled that the BOT could adopt a more tightening monetary policy to curb down the inflation and reduce the interest rate gap between the Thai interest rate and US interest rate to prevent large capital outflows. Many commercial banks had increased both the deposits and lending rates, the first time since the BOT started increasing the repo 14-days since August, 25 2004 to be in line with the rising global interest rate trend. Higher world oil prices, which caused rising domestic oil prices put more pressures on consumer prices as the inflation in the 1Q2005 rose by 2.8% y-o-y, increasing to 3.6% in April, 3.7% in May and 3.8% in June 2005. The reduction of diesel oil prices subsidy that took effect in July 2005 would put more pressure on goods prices. Deteriorating domestic economy had put pressures on the Baht to weaken from 39.06 Baht/US\$ in January to 41.21 Baht/US\$ in June 2005.



The latest forecast by the BOT has called for GDP growth of 4.5-5.5% in 2005. Furthermore, many private agencies revised down the economic forecasts within the range between 2.8-4.9% in 2005. The Thai economy is still at risk with uncertainties on high oil prices, drought, and continuing unrest in the southern provinces. Oil prices would cause higher inflation while impacts of the drought, especially in the Eastern Industrial Estate area might adversely affect production and hurt the economy than originally expected. External factors are slowing down the trading partners' economies especially in the Euro zone. However, the surging imports of capital, raw materials and fuels suggest that they were for production rather than for consumption. In addition, the resilient economic growth of countries in this region, especially China and ASEAN will support the external trading sector of the Thai economy because of the increasing importance of an intra-regional trade.

### **Thai Stock Market**

Thai stock index rose from 668.00 points at the end of year 2004 to 675.50 points at the end of June 2005, or an increase of 1.11%. The average daily turnover increased from Baht 16.54 billion to Baht 18.49 billion or 11.08% increase. Foreign investors resumed net-buyer positions of Baht 75.89 billion whereas local institutional investors were net-sellers of Baht 38.07 billion, and retail investors were net-sellers of Baht 37.82 billion.

For the first quarter of 2005, SET index increased 13.39 points, 2%, from 668 at the beginning of 2005 and ended at 681.49 in March. Foreign investors were net-buyers, mostly in big cap stocks, before and after general election on February 6. TRT party overwhelmingly won the election and Mr. Thaksin resumed his role as prime minister. The winning of TRT had created high expectations and confidence among investors. As a result, SET index rose to its peak at 746.10 points at end of February before entering into the downtrend through the rest of the period. The negative factors flew through the market as concerns over the global economic slowdown, especially when high energy prices continuously pressured confidence in expected earnings. The high interest rate policy implemented by US central bank to cope with high inflation number was another major concern to the equity markets throughout the region. Investors started to reduce their equity weighting in Asia and moved back to US market as they expected the dollar to be stronger against Asian currencies until the end of US monetary tightening cycle.

For second quarter of 2005, SET index moved in a narrow band and downed from 681 points to 675 points at end of June. Oil prices continued its run, which resulted in multiple price increases in Benzene and Diesel. Major political factor was the scandal in the acquisition of explosive-detection system, CTX, at Suvarnabhumi Airport. In addition, the fear of a China economic slow down led to a slow down in all petrochemical and commodity prices; the downgrading of Thai GDP number and the increasing current account deficit number started from the beginning of the year. Even with the strong corporate earnings announcement from banking and petrochemical sectors, investors still trimmed down their weighting as these were in line with what they expected. All petrochemical and some energy stocks were the hardest hit in the last week of May as the local newspapers reported the severe drought situation in Eastern Industrial Estate area in which all the petrochemical plants are located. Through the half year the baht depreciated by 5.50% from 39.06 Baht/US\$ to 41.21 Baht/US\$. Towards the end of June, the SET announced the rules to curb volatile movements caused by speculation.

The equity holding has increased substantially from 62.76% at the end of December 2004 to 96.16%. The portfolio reduced the overweighting in commodity related stocks especially in Transportation and Petrochemical stocks. The Company strategy focused more on defensive and dividend stocks. The Company substantially increased weight in Energy sector and also remains overweight in Banking stock because of the strong revenue growth. Communication sector, the overweight sector, will benefit from the telecom reform.

## **6. OUTLOOK FOR THE THAI ECONOMY AND STOCK MARKET**

In the short-term, SET Index is expected to move sideways down as the market sentiment is still pressured by the weaken baht, political stability, volatility in oil price, and Thai economic slowdown. However, SET index is likely to move down with limitation, because the Thai stock market already discounted most of risk factors and value still below their fundamentals. Most of the listed companies generally have strong balance sheets and businesses that can sustain adequate profitability even if there are some downward revisions.

For the medium- to long-term, SET index is expected to be on an upward growth track due to improvements in future Thai economy. Moreover, the market now expects impressive 2Q05 banks' earnings results, which support the SET Index going upward. Improvement in economic data in 2H05 is expected. Floating diesel price could have negative impact in the short-term. Thai economic data in 2H05 should improve from government spending, tourism recovery and better export earnings. Moreover, listing of big market capitalization companies, EGAT and Beer Chang, should provide positive sentiments to investors.

## **7. ARRANGEMENTS AFFECTING DIRECTORS**

- (a) Mr. Andrew Lo is a director of INVESCO Asia Limited, the Company's Investment Adviser, to which fees are payable by the Company for acting in that capacity in accordance with the Investment Contract.

Mr. Pichit Akkrathit is a director of MFC Asset Management Public Company Limited, the Fund's Investment Manager, to which fees are payable by the Fund for acting in that capacity described in the Investment Contract.

- (b) None of the directors has a service contract with the Company.

Save as mentioned herein, there has been no contract subsisting during or at the end of the period in which a director of the Company is or was materially interested either directly or indirectly.

## 8. DISCLOSURE OF INTERESTS

### (a) Interests of the Directors

As at June 30, 2005, the interests of the directors of the Company in the shares of the Company disclosed pursuant to section 352 of the Securities and Futures Ordinance (“SFO”) were as follows:

<u>Name of Director</u>	<u>Number of Shares</u>		
	<u>Personal interest</u>	<u>Family interest</u>	<u>Corporate interest</u>
John Yang Chung Hsiung	67,314	20,712	51,780

*Note:*

John Yang Chung Hsiung is deemed to be interested in a total of 139,806 shares representing approximately 5.4% of the issued share capital of the Company, of which 51,780 shares are held through his 100% beneficial interest in Hsing Ta Cement Co. Ltd. and 20,712 shares through Ming Wang (the spouse of John Yang Chung Hsiung) as family interest.

Other than as disclosed above, none of the directors had any interests or short positions in the shares of the Company which were required to be recorded in the register pursuant to section 352 of the SFO.

### (b) Substantial Shareholders

As at June 30, 2005, the following interests in shares were recorded in the register of interests and short positions required to be kept by the Company pursuant to section 336 of the SFO:

<u>Name</u>	<u>Personal interest</u>	<u>Family interest</u>	<u>Corporate interest</u>	<u>Total interest</u>	<u>% of issued Share Capital</u>
Heung Chit Kau (deceased)	—	—	3,735,000	3,735,000	74.70
Chan Wan Han	—	1,550,100	2,184,900	3,735,000	74.70
City of London Investment Management Company Limited	—	—	252,746	252,746	6.23
John Yang Chung Hsiung	130,000	40,000	100,000	270,000	5.40

*Notes:*

- (i) Heung Chit Kau (deceased) is deemed to be interested in a total of 3,735,000 shares, representing approximately 74.70% of the issued share capital of the Company, of which 2,184,900 shares and 1,550,100 shares are held through his 50% beneficial interest in Tai Tsuen Enterprises Limited and his 100% beneficial interest in Ince Assets Limited respectively.
- (ii) Chan Wan Han (the spouse of Heung Chit Kau (deceased)) is deemed to be interested in the same 3,735,000 shares as Heung Chit Kau (deceased), of which 2,184,900 shares are held through her 50% beneficial interest in Tai Tsuen Enterprises Limited and 1,550,100 shares through Heung Chit Kau (deceased) as family interest.
- (iii) As a result of the second redemption of the Company's Participating Shares on January 11, 2005, the personal interest/family interest/corporate interest of each of the abovenamed persons was/were reduced to the following numbers although their respective percentages of shareholdings remained substantially the same:

<u>Name</u>	<u>Personal interest</u>	<u>Family interest</u>	<u>Corporate interest</u>	<u>Total interest</u>	<u>% of issued Share Capital</u>
Heung Chit Kau (deceased)	—	—	1,933,962	1,933,962	74.70
Chan Wan Han	—	802,633	1,131,329	1,933,962	74.70
City of London Investment Management Company Limited	—	—	168,470	168,470	6.51
John Yang Chung Hsiung	67,314	20,712	51,780	139,806	5.40

## **9. ARRANGEMENTS TO PURCHASE, SELL OR REDEEM SHARES**

On January 12, 2005, a total of 1,463,497 participating redeemable preference shares ("shares") were redeemed resulting the Company's total issued shares to 2,589,028 as of June 30, 2005.

Save as aforesaid, the Company did not purchase, sell, redeem or cancel any of its shares during the six months ended June 30, 2005.

## **10. AUDIT COMMITTEE**

The Company has set up the Audit Committee, comprising of three independent non-executive directors, namely Messrs. Heng Kwoo Seng, Thomas Ng Tung Ming and Narong Chulajata. The Audit Committee's principal duties include the review and supervision of the Company's financial reporting process and internal controls.

The Audit Committee of the Company has reviewed the unaudited interim accounts for the six months ended June 30, 2005.

## **11. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (APPENDIX 10 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED) ("MODEL CODE")**

The Company has adopted the Model Code as its code of conduct regarding Directors' transactions in securities. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended June 30, 2005, and they have all confirmed their respective full compliance with the required standard set out in the Model Code throughout the period under review.

## **12. CODE ON CORPORATE GOVERNANCE PRACTICES (APPENDIX 14 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED) (THE "CODE")**

The Company has complied with the Code throughout the six months to June 30, 2005, except for the following deviations:

### **Code Provision A.2.1**

The Company at present does not stipulate the roles of chairman and chief executive officer while the Company's daily investment activities are mainly performed by the investment manager/investment adviser and administered by the administrator.

The Board will meet to consider major matters affecting the operation and business of the Company. As such, the Board considers that the current structure will not impair the balance of power and authority between the Board and management of the Company.

### **Code Provisions A.4.1 & A.4.2**

None of the existing Directors of the Company is appointed for a specific term.

However, those Directors who are appointed to fill a casual vacancy would be subject to election by shareholders at the first annual general meeting after their appointment, and all Directors of the Company are subject to retirement by rotation at the annual general meetings according to the Company's Articles of Association. As such, the Board considers that sufficient measures are being in place to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

### **Code Provision B.1.1**

The Company does not propose to comply with Code Provision B.1.1 while the Directors' remuneration policy is governed by the Company's Articles of Association to which the establishment of a remuneration committee is no longer necessary.

On behalf of the Board  
**Andrew Lo Tak Shing**  
*Director*

Hong Kong, September 23, 2005

## CONDENSED BALANCE SHEET

	As at	
	(UNAUDITED) June 30, 2005	(AUDITED) Dec 31, 2004
<i>Notes</i>	<i>US\$</i>	<i>US\$</i>
<b>Assets</b>		
Bank balances and cash	463,064	5,310,380
Investments	8,358,476	8,819,360
Other receivables	35,894	35,741
	8,857,434	14,165,481
<b>Liabilities</b>		
Other payables	(115,784)	(113,333)
Due to brokers	(49,422)	—
	(165,206)	(113,333)
<b>Liabilities (excluding net assets attributable to shareholders)</b>		
<b>NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS</b>	8,692,228	14,052,148
<b>NET ASSET VALUE PER SHARE</b>	<i>11</i> <u>3.36</u>	<u>3.47</u>

**Pichit Akkrathit**  


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*Director*

**Andrew Lo Tak Shing**  


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*Director*



**CONDENSED  
PROFIT AND LOSS ACCOUNT (UNAUDITED)**

For the six months ended June 30

		<b>Six months ended June 30,</b>	
		<b>2005</b>	<b>2004</b>
	<i>Notes</i>	<i>US\$</i>	<i>US\$</i>
<b>Revenue</b>			
Interest income	4	5,258	1,388
Dividend income		278,318	316,515
Net (loss)/gain on investments	5	(59,575)	709,561
<b>Total investment revenue</b>		<u>224,001</u>	<u>1,027,464</u>
<b>Expenses</b>			
Investment management fees	6	(27,172)	(40,450)
Investment advisory fees	6	(30,141)	(42,475)
Administration fees	6	(19,935)	(22,149)
Custodian fees	6	(9,260)	(9,964)
Supervisory fees	6	(3,958)	(5,884)
Audit fees		(8,231)	(15,796)
Transaction costs		(2,589)	—
Professional fees for liquidating the Company		(29,401)	—
Other operating expenses		(46,924)	(29,275)
<b>Total operating expenses</b>		<u>(177,611)</u>	<u>(165,993)</u>
Net profit before taxation		46,390	861,471
<b>Taxation</b>	8	(13,235)	(42,353)
<b>Increase in net assets attributable to shareholders from operations</b>		<u>33,155</u>	<u>819,118</u>
<b>EARNINGS PER SHARE</b>	9	<u>0.01</u>	<u>0.20</u>

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	<i>Note</i>	June 30, 2005		December 31, 2004	
		Number of shares	US\$	Number of shares	US\$
Net assets attributable to shareholders at 1 January	10	5,000,010	14,052,148	5,000,010	15,631,942
Proceeds from nominal shares issued	10	1,463,497	14,635	—	—
Redemption of redeemable participating preference shares	10	<u>(1,463,497)</u>	<u>(5,063,700)</u>	—	—
Net decrease from share transactions		—	<u>(5,049,065)</u>	—	—
Increase in net assets attributable to shareholders from operations		—	33,155	—	2,596,630
Decrease in net assets attributable to shareholders from reserves		—	—	—	(4,211,552)
Exchange differences due to presentation of these financial statements in US\$		—	<u>(344,010)</u>	—	<u>35,128</u>
Net assets attributable to shareholders at June 30	10	<u>5,000,010</u>	<u>8,692,228</u>	<u>5,000,010</u>	<u>14,052,148</u>

**CONDENSED  
CASH FLOW STATEMENT (UNAUDITED)  
For the six months ended June 30**

	<b>Six months ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
	<i>US\$</i>	<i>US\$</i>
<b>Cash flows from operating activities</b>		
Cash paid on purchase of investments	(613,779)	(1,179,888)
Proceeds on sale of investments	686,879	1,710,054
Dividend and interest income received	283,423	339,801
Operating expenses paid	(125,738)	(211,392)
Overseas withholding tax paid	(13,235)	(42,353)
	<u>217,550</u>	<u>616,222</u>
<b>Cash flows from financing activities</b>		
Cash paid on redemption of shares	(5,063,700)	—
	<u>(5,063,700)</u>	<u>—</u>
<b>Net cash outflow from financing activities</b>	<u>(5,063,700)</u>	<u>—</u>
<b>Net (decrease)/increase in cash</b>	(4,846,150)	616,222
Cash and cash equivalents at January 1	5,310,380	233,034
Exchange losses on cash and cash equivalents	(1,166)	(42,016)
	<u>463,064</u>	<u>807,240</u>
<b>Cash and cash equivalents at June 30</b>	<u>463,064</u>	<u>807,240</u>

## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1. Basis of preparation and accounting policies

These unaudited condensed interim accounts have been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual financial statements for the year ended December 31, 2004. In the current period, the Company has applied, for the first time, a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (hereinafter collectively referred to as “new HKFRSs”) issued by HKICPA that are effective for accounting periods beginning on or after January 1, 2005. The changes to the Company’s accounting policies and the effect of adopting these new HKFRS are set out in note 2 below.

### 2. Effect of adoption of new/revised accounting standards

#### *New accounting policies*

The accounting policies used for the condensed financial statements for the six months ended June 30, 2005 are the same as those set out in note 3 to the 2004 annual financial statements except for the following:

#### *(a) Foreign currency translation*

##### (i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment (the “functional currency”). This is the Thai Baht, which reflects the Company’s primary activities of investing through the Fund in Thai securities deriving the dividend income in Thai Baht.

The Company has adopted the United States dollars (US\$) as its presentation currency in which investors subscribe to the Company.

##### (ii) Transactions and balances

The Company’s results and financial positions are translated from its functional currency to its presentation currency. The balance sheet of the Company is translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences on translation are dealt with as a movement in net asset attributable to shareholders.

**(b) Comparative figures**

Owing to the adoption of new/revised accounting standards during the reporting period, the preparation of certain items and balances in the accounts have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform to the current period's presentation.

**3. Financial risk management**

The Company's principal activity is investment in Thai securities through a special investment vehicle, Thai Asset Open-end Fund (formerly named as The Thai Asset Fund) (the "Fund"). The Fund was established in 1989 under the terms of an investment plan authorized by the Bank of Thailand and the Company is the sole unitholder in the Fund. The risk exposures inherent in the Company as at June 30, 2005 are summarized below:

**(a) Market price risk**

The Company's investments are subject to the securities price risk inherent in all securities in Thailand i.e. the value of holdings may fall as well as rise. The Company's market risk is managed through diversification of investment portfolio by the Fund.

**(b) Credit risk**

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The Company's financial assets which are potentially subject to concentrations of credit risk consist principally of securities and bank balances.

The Company limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activity with well established broker-dealers, banks and regulated exchanges with high credit ratings.

All transactions in securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has received payment. On a purchase, payment is made once the securities have been received by the broker. If either party fails to meet their obligation, the trade will fail.

Accordingly, the Company has no significant concentration of credit risk.

**(c) Interest rate risk**

The Company is exposed to a minimal interest rate risk as the Company invests mainly in equity securities and only the bank balances are exposed to interest rate risk which is considered to be minimal.

**(d) Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to the changes in foreign exchange rates.

The Company is exposed to currency risk as its functional currency is Thai Baht and the presentation currency is United States dollars (US\$) which fluctuate due to change in exchange rate. The Company's policy is not to enter into any currency hedging transactions.

The Company holds assets denominated in currencies other than the Thai Baht, the functional currency, total of US\$76,455 (2004: US\$5,176,570) which equal to 0.9% (2004: 36.8%) of the net asset value and holds liabilities total of US\$106,558(2004: US\$100,153) which equal to 1.2%(2004: 0.7%) of the net asset value.

**(e) Liquidity risk**

The Company is exposed to minimal liquidity risk as its majority of investments are traded in an active market and can be readily disposed of.

**4. Interest income**

	<u>2005</u>	<u>2004</u>
	<i>US\$</i>	<i>US\$</i>
Cash and short-term funds	<u>5,258</u>	<u>1,388</u>

**5. Net loss on investments**

	<b>(UNAUDITED)</b>
	<b>January 1, 2005 to June 30, 2005</b>
	<i>US\$</i>
Unrealised gain on investments	
At the beginning of the period	2,763,466
At the end of the period	<u>2,473,769</u>
Change in unrealised loss in value of investments	(289,697)
Realised gain on sale of investments	<u>230,122</u>
	<u>(59,575)</u>

If similar treatment has been adopted retrospectively, the comparative figure for June 30, 2004 would have been (US\$2,342,653).

## 6. Fees

### (a) *Investment management fees*

The Investment Manager receives from the Fund a monthly fee for acting as such, together with a fee for acting as the administrator of the Fund, payable monthly in arrears and calculated by reference to weekly valuations of the Fund, equal to 0.55% per annum and 0.10% per annum respectively of the net asset value (“NAV”) of the Fund.

Subsequent to the passing of the Ordinary Resolution at the Extraordinary General Meeting on July 22, 2003, the fee payable to the Investment Manager of 0.55% per annum of the NAV of the Fund is subject to a minimum monthly payment of Thai Baht 150,000.

### (b) *Investment advisory fees*

The Investment Adviser is entitled to receive fees from the Company payable monthly in arrears and calculated by reference to weekly valuations of the participating redeemable preference shares, equal to 0.60% per annum of the net asset value of the participating redeemable preference shares.

### (c) *Custodian fees and supervisory fees*

The Thai Custodian receives out of the assets of the Fund, a fee equal to 0.1% per annum of the net asset value (“NAV”) of the Fund on the last business day of each week, payable monthly in arrears. Effective from December 1, 1998, the Thai Custodian fee has been reduced to 0.08% per annum of the Fund’s NAV by way of the Supplementary Agreement to the Thai Custodian Agreement of the Fund.

As at June 22, 2001, the Thai Custodian has changed its role from the Fund’s Custodian to the Fund’s Supervisor. The supervisory fee remained the same as the previous custodian fee, i.e. 0.08% p.a.

The Guernsey Custodian, for acting as the custodian and the registrar, receives an annual fee from the Company of US\$20,000, payable monthly in arrears, together with permitted out of pocket expenses and transaction charges involved in carrying out its duties.

### (d) *Administration fees*

The Administrator is entitled to receive from the Company a fee, equal to 0.12% per annum of the net asset value of the participating redeemable preference shares on the last business day of each week, subject to a minimum of US\$30,000 in any 12 month period, payable monthly in arrears.

### (e) *Directors’ fees and expenses*

The Directors are entitled to receive from the Company, as remuneration for their services, an aggregate amount of US\$35,000 per annum. They are also entitled to all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings and other business of the Company.

## 7. Segment information

Since the principal activity of the Company is investing in Thai securities with over 90% of its turnover and contribution to results derived from such activity in Thailand, no separate disclosure of geographical nor business segment information is presented.

## 8. Taxation

	<b>Six months ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
	<i>US\$</i>	<i>US\$</i>
Withholding tax in Thailand on distributions from the Fund to the Company	<u>13,235</u>	<u>42,353</u>

Withholding tax is payable in Thailand at the rate of 15% on distributions made by the Fund to the Company being remittances for payment of unitholder expenses. No provision for Hong Kong profits tax has been made as interest, dividend and realised gains on disposal of investments of the Company are excluded from charge to profits tax under either section 14, 26 or 26A of the Hong Kong Inland Revenue Ordinance.

## 9. Earnings per share

The calculation was based on the increase in net asset attributable to shareholders from operations for the six months of US\$33,155 (June 30, 2004: US\$819,118) and on 2,589,028 (June 30, 2004: 4,052,525) shares outstanding during the six months.

## 10. Share Capital

	<b>June 30, 2005</b>		<b>December 31, 2004</b>	
	<b>No. of Shares</b>	<b>US\$</b>	<b>No. of Shares</b>	<b>US\$</b>
(a) <b>Authorised</b>				
Founder shares of US\$1 each	10	10	10	10
Participating redeemable preference shares of US\$1 cent each	5,000,000	50,000	5,000,000	50,000
Unclassified shares of US\$1 cent each	<u>5,000,000</u>	<u>50,000</u>	<u>5,000,000</u>	<u>50,000</u>
	<u>10,000,010</u>	<u>100,010</u>	<u>10,000,010</u>	<u>100,010</u>



**(b) Issued and fully paid**

	<b>June 30, 2005</b>		<b>December 31, 2004</b>	
	<b>No. of Shares</b>	<b>US\$</b>	<b>No. of Shares</b>	<b>US\$</b>
Founder shares of US\$1 each	10	10	10	10
Participating redeemable preference shares of US\$1 cent each	4,052,525	40,525	4,052,525	40,525
Nominal shares of US\$1 cent each	947,475	9,475	947,475	9,475
Redemption of Participating redeemable preference shares of US\$1 cent each	(1,463,497)	(14,635)	—	—
Issue of Nominal shares of US\$1 cent each	1,463,497	14,635	—	—
Total	<u>5,000,010</u>	<u>50,010</u>	<u>5,000,010</u>	<u>50,010</u>

On January 12, 2005, a total of 1,463,497 participating redeemable preference shares were redeemed (“redeemed shares”). On the same date of January 12, 2005, a total of 1,463,497 nominal shares were issued at par, nil paid, with an aim to have the proceeds to satisfy the amount payable on the par or nominal element of the redeemed shares.

**11. Net Asset Value per Share**

The calculation of net asset value per share is based on net assets of US\$8,692,228 (December 31, 2004: US\$14,052,148) and 2,589,028 (December 31, 2004: US\$4,052,525) issued shares as at June 30, 2005.

**12. Subsequent events**

On August 5, 2005, the Board of Directors resolved to redeem the Company’s investments with an aim to return the proceeds to shareholders as soon as possible.

Following the redemption and distribution of all the remaining net proceeds of the Fund to shareholders by way of redeeming all of the participating redeemable preference shares, it is proposed that the remaining holders of the founder shares and nominal shares shall resolve to wind up the Company, and at the same time the Company will follow the procedures for withdrawing the listing status of the Company in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**STATEMENT OF CHANGES IN INVESTMENTS**  
**(For the six months ended June 30, 2005)**

LISTED SECURITIES	Number of shares				As at June 30, 2005	
	Holding at 01/1/05	Purchases	Sales	Holding at 30/06/05	Fair Value US\$	Percentage of Net Assets %
<b>BANKING</b>						
Bangkok Bank	294,900	—	—	294,900	715,603	8.23
Krung Thai Bank	821,800	—	—	821,800	185,458	2.13
Siam Commercial Bank	347,300	—	58,800	288,500	325,534	3.75
Kasikorn Bank	378,500	—	11,800	366,700	484,959	5.58
					<u>1,711,554</u>	<u>19.69</u>
<b>CONSTRUCTION MATERIALS</b>						
Dynasty Ceramic	238,700	—	—	238,700	95,573	1.10
Siam Cement	173,100	—	4,600	168,500	932,250	10.72
Siam City Cement	22,666	—	4,400	18,266	123,221	1.42
Vanachai Group	402,700	—	—	402,700	51,302	0.59
					<u>1,202,346</u>	<u>13.83</u>
<b>PETROCHEMICALS &amp; CHEMICALS</b>						
Aromatics (Thailand)	106,300	33,200	—	139,500	172,640	1.99
National Petrochemical	35,700	—	6,900	28,800	85,261	0.98
Thai Olefins	100,300	—	—	100,300	139,948	1.61
					<u>397,849</u>	<u>4.58</u>
<b>COMMERCE</b>						
Berli Jucker	27,000	—	—	27,000	34,397	0.40
					<u>34,397</u>	<u>0.40</u>

LISTED SECURITIES	Number of shares				As at June 30, 2005	
	Holding at 01/1/05	Purchases	Sales	Holding at 30/06/05	Fair Value US\$	Percentage of Net Assets %
<b>COMMUNICATION</b>						
Advanced Info Service	328,300	16,400	—	344,700	819,719	9.43
Shin Corporations	490,100	17,100	—	507,200	461,538	5.31
United Communication	10,900	45,300	—	56,200	63,414	0.73
					<u>1,344,671</u>	<u>15.47</u>
<b>ELECTRONIC COMPONENTS</b>						
KCE Electronics	426,300	—	146,900	279,400	33,356	0.38
					<u>33,356</u>	<u>0.38</u>
<b>ENERGY</b>						
Banpu	53,100	—	5,200	47,900	172,026	1.98
Electricity Generating	95,400	—	—	95,400	182,883	2.10
Glow Energy <sup>*1</sup>	—	135,400	—	135,400	74,583	0.86
PTT	277,100	—	33,400	243,700	1,289,168	14.83
PTT Exploration & Production	60,500	—	2,600	57,900	539,520	6.21
Ratchaburi Electricity Generating	106,700	—	—	106,700	104,862	1.21
Thai Oil	107,900	46,100	—	154,000	235,428	2.71
					<u>2,598,470</u>	<u>29.90</u>
<b>FINANCE &amp; SECURITIES</b>						
Asia Plus Securities <sup>*2</sup>	480,000	—	—	480,000	58,005	0.67
Bualuang Securities <sup>*3</sup>	—	1,900	1,900	—	—	—
National Finance	333,200	—	—	333,200	102,685	1.18
Tisco Finance	159,000	—	—	159,000	96,457	1.11
					<u>257,147</u>	<u>2.96</u>

LISTED SECURITIES	Number of shares				As at June 30, 2005	
	Holding at 01/1/05	Purchases	Sales	Holding at 30/06/05	Fair Value US\$	Percentage of Net Assets %
<b>PROPERTY DEVELOPMENT</b>						
Amata Corp	192,800	—	—	192,800	53,802	0.62
Asian Property Development	606,100	—	—	606,100	53,241	0.61
Italian — Thai Development	561,300	49,400	154,900	455,800	105,627	1.22
Land and Houses	710,900	280,500	—	991,400	162,387	1.86
Powerline Engineering* <sup>4</sup>	161,300	258,500	—	419,800	91,682	1.05
Sino — Thai Engineering	317,400	—	164,400	153,000	39,726	0.46
					<u>506,465</u>	<u>5.82</u>
<b>AUTOMOTIVE</b>						
Apico Hitech	—	98,800	—	98,800	79,716	0.92
					<u>79,716</u>	<u>0.92</u>
<b>TRANSPORTATION &amp; LOGISTICS</b>						
Bangkok Expressway	134,100	—	—	134,100	83,792	0.96
Thai Airways International	112,700	—	—	112,700	108,707	1.25
Thoresen Thai Agencies	117,600	—	117,600	—	—	—
					<u>192,499</u>	<u>2.21</u>
<b>TOTAL LISTED SECURITIES</b>					<u><u>8,358,470</u></u>	<u><u>96.16</u></u>

UNLISTED SECURITIES	Number of shares				As at June 30, 2005	
	Holding at 01/1/05	Purchases	Sales	Holding at 30/06/05	Fair Value US\$	Percentage of Net Assets %
<b>ENERGY</b>						
Glow Energy <sup>*1</sup>	—	135,400	135,400	—	—	—
<b>FINANCE &amp; SECURITIES</b>						
Bualuang Securities <sup>*3</sup>	—	1,900	1,900	—	—	—
<b>ELECTRICAL EQUIPMENT</b>						
SPEC Thai	105,000	—	—	105,000	1	—
<b>HEALTH CARE SERVICES</b>						
Piyavate Hospital	330,000	—	—	330,000	1	—
<b>HOTELS</b>						
Paitoon Hotel & Resort	110,000	—	—	110,000	1	—
United Resort Service	10,000	—	—	10,000	1	—
					2	—
<b>INSURANCE</b>						
Rattanakosin Insurance	50,850	—	—	50,850	1	—
<b>PROPERTY DEVELOPMENT</b>						
Alpine Real Estate	2,055,000	—	—	2,055,000	1	—
<b>WARRANTS</b>						
KFW — TA	191,747	—	—	191,747	—	—
STEC — W2 <sup>*5</sup>	—	25,500	25,500	—	—	—
					—	—
<b>TOTAL UNLISTED SECURITIES</b>					<u>6</u>	<u>—</u>
<b>TOTAL LISTED AND UNLISTED SECURITIES</b>					<u>8,358,476</u>	<u>96.16</u>
Net current assets					<u>333,752</u>	<u>3.84</u>
<b>TOTAL NET ASSETS</b>					<u>8,692,228</u>	<u>100.00</u>

\*1 Glow Energy — changed from unlisted security to listed security effective from April 21, 2005.

\*2 Asia Plus Securities — par value changed from 10 baht to 1 baht effective from April 18, 2005.

\*3 Bualuang Securities — changed from unlisted security to listed security effective from February 28, 2005.

\*4 Powerline Engineering — capital increase right 1 old: 1 new @ 8 baht.

\*5 STEC-W2 — capital increase right 6 old: 1 new @ 3 baht.

# **CORPORATE INFORMATION**

## **Stock Exchange Listing**

The Stock Exchange of Hong Kong Limited

### **DIRECTORS OF THE COMPANY**

Andrew Lo Tak Shing  
Narong Chulajata  
Heng Kwoo Seng  
Dominic Kwok Chung Kwong  
Thomas Ng Tung Ming  
John Yang Chung Hsiung  
Pichit Akrathit

### **INVESTMENT MANAGER**

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Bangkok 10110  
Thailand

### **INVESTMENT ADVISER**

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12/F, Three Exchange Square  
8 Connaught Place, Hong Kong

### **SUPERVISOR**

The Siam Commercial Bank  
Public Company Limited  
Head Office  
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Bangkok 10900  
Thailand

### **CUSTODIAN**

HSBC Custody Services  
(Guernsey) Limited  
Arnold House  
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Channel Islands GY1 3NF

### **AUDITORS**

PricewaterhouseCoopers  
22nd Floor  
Prince's Building  
Hong Kong

### **SECRETARY**

Jeremy Simpson

### **ADMINISTRATOR AND REGISTERED OFFICE OF THE COMPANY**

HSBC Securities (Guernsey) Limited  
Arnold House  
St. Julian's Avenue  
St. Peter Port  
Guernsey  
Channel Islands GY1 3NF

### **REGISTRAR**

HSBC Custody Services  
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St. Peter Port  
Guernsey  
Channel Islands GY1 3NF

### **Branch Registrar**

HSBC Institutional Trust Services  
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979 King's Road  
Hong Kong

A Chinese version of this Interim Report can be obtained from:

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