

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE YEAR ENDED DECEMBER 31, 2000)

1 GENERAL

The Company was incorporated on May 3, 1989 in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company's books of account are maintained in United States dollars.

The principal activity of the Company is investing in Thai securities for long-term capital appreciation through The Thai-Asia Fund.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purposes, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealized gains and losses included in net profit or loss for the period.

Revenue recognition

Gains and losses on disposal of investments are dealt with through the income statement. Sales of investments are recognised as income on a trade date basis when a sales contract is entered into.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income from bank deposits and money market instruments are accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Foreign currencies

Transactions in foreign currencies are translated into United States dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

The financial statements of the overseas operations are translated at the rates ruling on the balance sheet date. Exchange movements on the translation of overseas operations are dealt with through the exchange reserve.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

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2 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

3 SEGMENT INFORMATION

Turnover is analysed as follows:

	2000			1999		
	Hong Kong	Thailand	Total	Hong Kong	Thailand	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Sales proceeds on disposal of investments	-	2,552,816	2,552,816	-	2,417,774	2,417,774
Dividends from listed investments	-	72,875	72,875	-	43,087	43,087
Interest on deposits	4,818	8,319	13,137	10,178	23,099	33,277
	<u>4,818</u>	<u>2,634,010</u>	<u>2,638,828</u>	<u>10,178</u>	<u>2,483,960</u>	<u>2,494,138</u>

Contribution to results is analysed as follows:

	2000			1999		
	Hong Kong	Thailand	Total	Hong Kong	Thailand	Total
	US\$	US\$	US\$	US\$	US\$	US\$
(Loss)/profit before taxation	(208,211)	(5,516,599)	(5,724,810)	(237,672)	4,590,862	4,353,190

4 INFORMATION REGARDING DIRECTORS' EMOLUMENTS

	2000	1999
	US\$	US\$
Fees to executive directors	3,889	2,989
Fees to independent non-executive directors	15,556	14,966
Fees to directors	<u>19,445</u>	<u>17,955</u>

Fees to the directors were within the following band:

	2000	1999
	No. of directors	No. of directors
HK\$nil to HK\$1,000,000	<u>9</u>	<u>10</u>

The five individuals whose emoluments were the highest in the Company for the year were also directors and their emoluments are reflected in the analysis presented above.

Mr. Michael Benson, Mr. Andrew Lo, Mr. Chaibhondh Osataphan and Mr. Chesada Loha-unchit had agreed to waive their entitlements to directors' fees totalling of US\$15,555 for the year and consequently "Fees to directors" above does not include this amount.

The Company does not have any employees and, accordingly, does not operate a pension scheme.

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5 TAXATION

	<u>2000</u> US\$	<u>1999</u> US\$
Thai withholding tax on distributions made by the Fund in Thailand to the Company in Hong Kong	44,647	—
Taxation for the year	<u>44,647</u>	<u>—</u>

Withholding tax is payable in Thailand at the rate of 15% on distributions made by the Fund to the Company.

The Fund is not liable for any other form of taxation in Thailand.

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.

6 (LOSS)/EARNINGS PER SHARE

The calculation was based on the loss for the year of US\$5,769,457 (1999: profit of US\$4,353,190) and 50,340,800 (1999: 50,340,800) ordinary shares in issue during the year.

7 INVESTMENTS IN SECURITIES

Changes in investments during the year were as follows:

	<u>At</u> <u>1.1.1999</u> US\$	<u>Exchange</u> <u>loss on</u> <u>translation</u> US\$	<u>Purchases</u> US\$	<u>Sales</u> <u>proceeds</u> US\$	<u>Realised</u> <u>loss</u> US\$	<u>Unrealised</u> <u>appreciation</u> US\$	<u>At</u> <u>12.31.1999</u> US\$
Listed in Thailand, at fair value	9,492,210	(131,435)	3,691,952	(2,417,774)	(2,635,213)	7,247,837	15,247,577
Unlisted, at fair value	1	—	—	—	—	—	1
	<u>9,492,211</u>	<u>(131,435)</u>	<u>3,691,952</u>	<u>(2,417,774)</u>	<u>(2,635,213)</u>	<u>7,247,837</u>	<u>15,247,578</u>

	<u>At</u> <u>1.1.2000</u> US\$	<u>Exchange</u> <u>loss on</u> <u>translation</u> US\$	<u>Purchases</u> US\$	<u>Sales</u> <u>proceeds</u> US\$	<u>Realised</u> <u>loss</u> US\$	<u>Unrealised</u> <u>depreciation</u> US\$	<u>At</u> <u>12.31.2000</u> US\$
Listed in Thailand, at fair value	15,247,577	(1,916,661)	1,835,414	(2,552,816)	(449,536)	(5,072,328)	7,091,650
Unlisted, at fair value	1	—	—	—	—	—	1
	<u>15,247,578</u>	<u>(1,916,661)</u>	<u>1,835,414</u>	<u>(2,552,816)</u>	<u>(449,536)</u>	<u>(5,072,328)</u>	<u>7,091,651</u>

8 SHARE CAPITAL

	<u>2000 & 1999</u> US\$
Authorised: 100,000,000 shares of US\$0.01 each	<u>1,000,000</u>
Issued and fully paid: 50,340,800 shares of US\$0.01 each	<u>503,408</u>

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9 RESERVES

	Share premium US\$	Exchange reserve US\$	Capital redemption reserve US\$	Accumulated deficit US\$	Total US\$
At January 1, 1999	46,723,484	(12,218,687)	31,592	(23,475,068)	11,061,321
Exchange loss arising on translation of overseas operations	-	(156,616)	-	-	(156,616)
Profit for the year	-	-	-	4,353,190	4,353,190
At December 31, 1999	<u>46,723,484</u>	<u>(12,375,303)</u>	<u>31,592</u>	<u>(19,121,878)</u>	<u>15,257,895</u>
At January 1, 2000	46,723,484	(12,375,303)	31,592	(19,121,878)	15,257,895
Exchange loss arising on translation of overseas operations	-	(1,979,184)	-	-	(1,979,184)
Loss for the year	-	-	-	(5,769,457)	(5,769,457)
At December 31, 2000	<u>46,723,484</u>	<u>(14,354,487)</u>	<u>31,592</u>	<u>(24,891,335)</u>	<u>7,509,254</u>

Under the Company's Articles of Association, no dividend shall be payable except out of the profits of the Company, realised or unrealised. Under the Fund's Investment Contract, distributions by the Fund to the Company can only be made out of dividend and interest income from, and gains realised from the disposal of, the Fund's investments. Accordingly, there were no reserves available for distribution to members of the Company at December 31, 2000.

10 NET ASSET VALUE PER SHARE

The calculation of the net asset value (the "NAV") per share is based on the NAV at December 31, 2000 of US\$8,012,662 (1999: US\$15,761,303) and the 50,340,800 (1999: 50,340,800) ordinary shares in issue at that date.

11 RECONCILIATION OF (LOSS)/PROFIT FOR THE YEAR TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2000 US\$	1999 US\$
(Loss)/Profit for the year	(5,769,457)	4,353,190
Realised loss on listed and unlisted investments	449,536	2,635,213
Unrealised loss/(gain) on listed investments	5,072,328	(7,247,837)
(Increase)/decrease in interest and dividends receivable	(2,964)	7,193
Increase in accrued charges	17,528	15,709
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(233,029)</u>	<u>(236,532)</u>