

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE YEAR ENDED DECEMBER 31, 2001)

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 under the historical cost convention, as modified for the revaluation of investments in securities and in accordance with accounting principles generally accepted in Hong Kong.

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 unrealised 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 is 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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3 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.

4 INFORMATION REGARDING DIRECTORS' EMOLUMENTS

	<u>2001</u> US\$	<u>2000</u> US\$
Fees to executive directors	3,889	3,889
Fees to independent non-executive directors	15,556	15,556
Fees to directors	<u>19,445</u>	<u>19,445</u>
Fees to the directors were within the following band:		
	<u>2001</u>	<u>2000</u>
	No. of directors	No. of directors
HK\$nil to HK\$1,000,000	<u>9</u>	<u>9</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 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.

5 TAXATION

	<u>2001</u> US\$	<u>2000</u> US\$
Thai withholding tax on distributions made by the Fund in Thailand to the Company in Hong Kong	<u>21,610</u>	<u>44,647</u>
Taxation for the year	<u>21,610</u>	<u>44,647</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.

There was no material unprovided deferred taxation at the balance sheet date.

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6 EARNINGS/(LOSS) PER SHARE

The calculation was based on the profit after taxation for the year of US\$825,428 (2000: loss of US\$5,769,457) and 50,340,800 (2000: 50,340,800) ordinary shares in issue during the year.

7 INVESTMENTS IN SECURITIES

Changes in investments during the year were as follows:

	At 1.1.2000	Exchange loss on translation	Purchases	Sales proceeds	Realised losses	Unrealised depreciation	At 12.31.2000
	US\$	US\$	US\$	US\$	US\$	US\$	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>
	At 1.1.2001	Exchange loss on translation	Purchases	Sales proceeds	Realised losses	Unrealised appreciation	At 12.31.2001
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Listed in Thailand, at fair value	7,091,650	(196,383)	3,270,416	(2,641,157)	(935,137)	1,883,437	8,472,826
Unlisted, at fair value	1	—	—	—	—	—	1
Promissory note	—	—	181,439	(181,439)	—	—	—
	<u>7,091,651</u>	<u>(196,383)</u>	<u>3,451,855</u>	<u>(2,822,596)</u>	<u>(935,137)</u>	<u>1,883,437</u>	<u>8,472,827</u>

8 SHARE CAPITAL

	2001 & 2000
	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	Exchange reserve	Capital redemption reserve	Accumulated deficit	Total
	US\$	US\$	US\$	US\$	US\$
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>
At January 1, 2001	46,723,484	(14,354,487)	31,592	(24,891,335)	7,509,254
Exchange loss arising on translation of overseas operations	—	(220,194)	—	—	(220,194)
Profit for the year	—	—	—	825,428	825,428
At December 31, 2001	<u>46,723,484</u>	<u>(14,574,681)</u>	<u>31,592</u>	<u>(24,065,907)</u>	<u>8,114,488</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, 2001.

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, 2001 of US\$8,617,896 (2000: US\$8,012,662) and the 50,340,800 (2000: 50,340,800) ordinary shares in issue at that date.

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

	2001 US\$	2000 US\$
Profit/(loss) for the year	825,428	(5,769,457)
Realised losses on listed and unlisted investments	935,137	449,536
Unrealised (gains)/losses on listed investments	(1,883,437)	5,072,328
Decrease/(increase) in interest and dividends receivable	2,577	(2,964)
Increase in accrued charges	23,074	17,528
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(97,221)</u>	<u>(233,029)</u>