

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2001

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## **1. GENERAL**

The Company is a closed-ended investment company incorporated in Guernsey on October 18, 1989. The company will remain closed-ended for the first ten years from the issue of the placing shares but may, subject to obtaining all necessary regulatory consents at the time, and with the approval of shareholders by special resolution in general meeting, become open-ended at any time after ten years. The principal investment objective of the Company is long term capital appreciation through investments mainly in equity securities in Thailand. Investments are made through The Thai Asset Fund (the "Fund") established in Thailand and authorised by the Bank of Thailand, in which the Company is the sole unitholder.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the financial statements are set out below.

### **(a) Basis of preparations**

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of investments.

### **(b) Revenue Recognition**

Dividends arising on the Fund's investments are accounted for on an ex-dividend basis. Interest from investments and bank deposits is accrued on a day-to-day basis.

### **(c) Investments**

Investment securities include both listed and unlisted debt and equity securities. Investment securities are held for non-trading purpose and are carried at fair value. Surplus or deficits arising on revaluation of investment securities are recognised as movements in the capital reserve account until the security is disposed of or determined to be impaired, at which time the cumulative gain or loss is included in net income or loss for the period.

### **(d) Foreign Currency Translation**

Foreign currency assets and liabilities are translated into United States dollars at the exchange rates ruling at the balance sheet date. Transactions in foreign currencies during the year within the Company are translated at the exchange rates ruling at the date of the transactions. Transactions in foreign currencies within the Fund are translated at an average rate for the year. Gains and losses are taken to the capital reserve account.

### **(e) Income Tax**

The Company is eligible for exemption from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. As such, the Company is liable only to pay a fixed annual fee, currently £600, to the States of Guernsey.

Distributions from the Fund to the Company being dividend payments are subject to a withholding tax in Thailand at the rate of 10% (2000: 10%), distributions from the Fund to the Company being remittances for payment of unitholder expenses are subject to a withholding tax of 15% (2000: 15%) and capital gains arising from liquidation of the Fund are subject to a withholding tax of 12.5% (2000: 12.5%).

### **(f) Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise bank balances net of bank overdrafts.

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## 3. 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.

### (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 Preference Shares, equal to 0.60% per annum of the net asset value of the Participating 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 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.

## 4. TURNOVER

	2001 US\$	2000 US\$
Dividends income from listed investments	145,254	62,741
Interest income from:		
– listed investments	1,321	—
– unlisted investments	—	1,100
– bank deposits	9,147	11,880
	<u>155,722</u>	<u>75,721</u>

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FOR THE YEAR ENDED DECEMBER 31, 2001

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### 5. DIRECTORS' EMOLUMENTS

	2001	2000
	US\$	US\$
Fees to executive directors	4,375	4,375
Fees to independent non-executive directors	13,125	13,125
Fees to non-executive director	4,375	4,375
	<hr/>	<hr/>
Fees to directors	<u>21,875</u>	<u>21,875</u>

The emoluments were paid to the directors as follows:

Emoluments Band	Number of directors	
	2001	2000
HK\$nil to HK\$1,000,000	8	8

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 and Mr Chesada Loha-unchit have agreed to waive their entitlement to directors' fees totalling US\$13,125 for the year and the consequently "Fee to directors" above does not include this amount.

### 6. TAXATION

	2001	2000
	US\$	US\$
Withholding tax in Thailand on distributions from the Fund:		
Attributable to retained earnings	<u>27,529</u>	<u>56,470</u>

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

### 7. DEFICIT PER SHARE

The calculation of deficit per share is based on the Company's net loss after tax of US\$859,247 (2000: loss US\$787,611) and 5,000,000 (2000: 5,000,000) shares outstanding during the year.

# NOTES TO THE FINANCIAL STATEMENTS

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## 8. INVESTMENTS

	2001 US\$	2000 US\$
Listed investments		
Securities of corporations listed on the Stock Exchange of Thailand, at fair value	6,698,233	5,673,065
Unlisted investments		
Securities of corporations in Thailand, at fair value	6	6
	<u>6,698,239</u>	<u>5,673,071</u>
Cost of investments		
– listed on the Stock Exchange of Thailand	8,647,227	9,186,877
– unlisted	848,566	872,734
	<u>9,495,793</u>	<u>10,059,611</u>

## 9. SHARE CAPITAL

	2001 and 2000 US\$	
(a) Authorised		
10 Founder shares of US\$1 each		10
10,000,000 participating preference shares of US\$1 cent each		<u>100,000</u>
		<u>100,010</u>
(b) Issued and fully paid		
	2001 and 2000 Number of shares	Share capital US\$
Founder shares of US\$1 each	10	10
Participating preference shares of US\$1 cent each	<u>5,000,000</u>	<u>50,000</u>
Total	<u>5,000,010</u>	<u>50,010</u>

The participating preference shares are in substance the “equity” capital of the Company and accordingly are disclosed as equity. Founder shares, in view of their restricted rights, are classed as non-equity.

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### **9. SHARE CAPITAL (Continued)**

#### **Founder shares**

The rights attaching to the founder shares are as follows:

- a) Voting rights - on a show of hands, every holder of founder shares, either present in person or by proxy, shall have one vote, and on a poll shall have one vote for every founder share held.
- b) Dividends and distribution of assets on a winding up - holders of founder shares do not carry any right to dividends, and in the event of a liquidation, they rank only for a return of paid up nominal capital pari passu out of the assets of the Company after the return of paid up nominal capital on the participating preference shares.

#### **Participating preference shares**

The rights attaching to the participating preference shares are as follows:

- a) Voting rights - on a show of hands, every holder of participating preference shares, either present in person or by proxy, shall have one vote, and on a poll shall have one vote for every participating preference share held.
- b) Dividends - the participating preference shares carry the right to receive dividends.
- c) Redemption - the participating preference shares may, in certain circumstances, be converted into redeemable shares.
- d) Winding up - the participating preference shares rank first in a winding up for repayment of the nominal capital amount paid up and have the right to all surplus assets available for distribution to shareholders after the repayment of the nominal capital amount paid up on the founder shares.

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### 10. RESERVES

	2001 US\$	2000 US\$
<b>Share Premium</b>	<u>49,857,897</u>	<u>49,857,897</u>
<b>Capital Reserve</b>		
Investment revaluation reserve brought forward	(4,386,540)	(471,486)
(Listed investments loss US\$3,513,812; Unlisted investments loss US\$872,728)		
Investment revaluation reserve carried forward	(2,797,554)	(4,386,540)
(Listed investments loss US\$1,948,994; Unlisted investments loss US\$848,560)		
Movements in investment revaluation reserve (note a)	1,588,986	(3,915,054)
Exchange loss	(308,526)	(1,710,686)
	<u>1,280,460</u>	<u>(5,625,740)</u>
Capital reserve brought forward	(21,192,696)	(15,566,956)
Capital reserve carried forward	<u>(19,912,236)</u>	<u>(21,192,696)</u>
<b>TOTAL RESERVES (note b)</b>	<u>29,945,661</u>	<u>28,665,201</u>

(a) Included in movements in investment revaluation reserve was an amount of US\$985,889 realised loss (2000: realised gain US\$130,209) in the profit and loss account on disposal of investments.

(b) Under the Company's Articles of Association, no dividend shall be payable except out of such funds as may be lawfully distributed as dividend. The deficit of capital reserves carried forward exceed the retained earnings as at December 31, 2001, accordingly, there was no reserves available for distribution to members of the Company at December 31, 2001. (2000: NIL)

### 11. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on net assets of US\$6,906,540 (2000: US\$6,485,327) and 5,000,000 (2000: 5,000,000) issued shares as at December 31, 2001.

### 12. APPROVAL OF ACCOUNTS

These accounts were approved by the Board of Directors on April 22, 2002.