

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2003

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## 1. GENERAL

The Company was a closed-ended investment company incorporated in Guernsey on October 18, 1989. 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.

The Fund was renamed as Thai Asset Open-end Fund following Thai SEC's formal approval to the open ending of the investment plan on June 9, 2003.

Further to the reporting in the 2003 Interim Report and the Announcement of September 19, 2003 in relation to the redemption of the Company's Participating Shares\*, a total of 947,475 Participating Shares in the Company were redeemed on October 10, 2003. The Shares were redeemed pro-rata among the holders of all the Shares and the total number of Shares being redeemed corresponded as closely as possible to the proportion that the net proceeds received by the Company from the redemption of Initial Investment Units\* bears to the net asset value of the Company.

The redemption price of US\$2.71 per share was paid to all Shareholders recorded on the register of members as at the close of business on October 9, 2003.

In accordance with the Proposal\*, further redemptions of Shares are expected to be effected during the second and third twelve month periods, respectively, following June 9, 2003, when further redemptions of the Company's Initial Investment Units\* are permitted by the Thai SEC and are expected to be effected by the Company.

\* *corresponding to the terms defined in the Announcement of September 19, 2003.*

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention as modified by the revaluation of investments.

In the current year, the Company adopted the following Statement of Standard Accounting Practice ("SSAP") issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003:

SSAP 12 (revised): Income Taxes

In the current year, the Company has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. This change in accounting policy has had no effect on the result for current or prior accounting periods.

## 3. 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 Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention as modified by the revaluation of investments.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (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

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the capital reserve account.

The balance sheet of the Fund expressed in foreign currencies are 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 are dealt with as a movement in 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% (2002: 10%), distributions from the Fund to the Company being remittances for payment of unitholder expenses are subject to a withholding tax of 15% (2002: 15%) and capital gains arising from liquidation of the Fund are subject to a withholding tax of 12.5% (2002: 12.5%).

The redemption of the investment was exempt from withholding tax in Thailand.

### (f) Cash and cash equivalents

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2003

## 4. FEES (Continued)

### (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.

## 5. TURNOVER

	2003 US\$	2002 US\$
Dividends income from listed investments	376,012	211,504
Interest income from:		
— listed investments	—	—
— bank deposits	4,189	3,098
	<u>380,201</u>	<u>214,602</u>

## 6. 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.

## 7. DIRECTORS’ EMOLUMENTS

	2003 US\$	2002 US\$
Fees to executive directors	4,634	4,375
Fees to independent non-executive directors	13,902	13,125
Fees to non-executive director	4,634	4,375
	<u>23,170</u>	<u>21,875</u>

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### 7. DIRECTORS' EMOLUMENTS (Continued)

The emoluments were paid to the directors as follows:

Emoluments Band	Number of directors	
	2003	2002
HK\$nil to HK\$1,000,000	9	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.

Messrs. Andrew Lo and Pichit Akrathit have and Mr. Chesada Loha-unchit and Michael Benson had agreed to waive their entitlement to directors' fees totalling US\$11,830 for the year and the consequently "Fee to directors" above does not include this amount.

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

### 8. TAXATION

	2003	2002
	US\$	US\$
Withholding tax in Thailand on distributions from the Fund:		
Attributable to retained earnings	<u>63,529</u>	<u>40,588</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.

### 9. NET PROFIT/(LOSS) AFTER TAXATION PER SHARE

The calculation of net profit/(loss) after taxation per share is based on the Company's net profit after tax of US\$1,081,878 (2002: loss US\$571,721) and 4,052,525 (2002: 5,000,000) shares outstanding during the year.

### 10. INVESTMENTS

	2003	2002
	US\$	US\$
Listed investments		
Securities of corporations listed on the Stock Exchange of Thailand, at fair value	15,465,466	8,583,292
Unlisted investments		
Securities of corporations in Thailand, at fair value	<u>6</u>	<u>6</u>
	<u>15,465,472</u>	<u>8,583,298</u>
Cost of investments		
— listed on the Stock Exchange of Thailand	7,544,678	8,351,312
— unlisted	<u>945,771</u>	<u>869,832</u>
	<u>8,490,449</u>	<u>9,221,144</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2003

## 11. SHARE CAPITAL

	2003		2002	
	No. of Shares	US\$	No. of Shares	US\$
(a) Authorised				
Founder shares of US\$1 each	10	10	10	10
Participating preference shares of US\$1 cent each	—	—	10,000,000	100,000
Participating redeemable preference shares of US\$1 cent each	5,000,000	50,000	—	—
Unclassified shares of US\$1 cent each	5,000,000	50,000	—	—
	<u>10,000,010</u>	<u>100,010</u>	<u>10,000,010</u>	<u>100,010</u>
(b) Issued and fully paid				
	2003		2002	
	No. of Shares	US\$	No. of Shares	US\$
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
Redemption of Participating redeemable preference shares of US\$1 cent each	(947,475)	(9,475)	—	—
Issue of Nominal shares of US\$1 cent each	947,475	9,475	—	—
Total	<u>5,000,010</u>	<u>50,010</u>	<u>5,000,010</u>	<u>50,010</u>

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

### 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.

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

#### **Participating preference shares (the “participating shares”)**

The rights attaching to the participating shares are as follows:

- (a) Voting rights - on a show of hands, every holder of participating 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 shares carry the right to receive dividends.
- (c) Redemption - the participating shares may, in certain circumstances, be converted into redeemable shares.
- (d) Winding up - the participating 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.

Subsequent to June 30, 2003, the Company’s share capital was changed as follows pursuant to special resolutions unanimously passed at the Extraordinary General Meeting held on July 22, 2003:

- (i) The unissued share capital of the Company consisting of 5,000,000 participating shares of US1 cent each were redesignated as unclassified shares of US1 cent each which may be issued as participating shares of US1 cent each or as nominal shares of US1 cent each;
- (ii) The participating shares were redesignated as participating redeemable preference shares, redeemable at the option of the Board of Directors of the Company;
- (iii) As a result of the aforesaid changes, the nominal capital of the Company is US\$100,010 divided into 10 founder shares of US\$1 each, 5,000,000 participating redeemable preference shares of US1 cent each and 5,000,000 unclassified shares of US1 cent each.

Pursuant to the authority given by the Board on September 19, 2003, a total of 947,475 Nominal Shares of USD0.01 each in the capital of the Company was issued at par, nil paid, on October 10, 2003. The purpose of issuing these shares is to enable the proceeds to be used to satisfy the amount payable on the par or nominal element of the participating shares redeemed on October 10, 2003.

### **12. NET ASSET VALUE PER SHARE**

The calculation of net asset value per share is based on net assets of US\$15,631,942 (2002: US\$8,732,183) and 4,052,525 (2002: 5,000,000) issued shares as at December 31, 2003.

### **13. APPROVAL OF ACCOUNTS**

These financial statements were approved by the Board of Directors on April 8, 2004.