

NOTES TO THE FINANCIAL STATEMENTS

(FOR THE YEAR ENDED DECEMBER 31, 2004)

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

2 IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Company has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The new HKFRSs may result in changes in the future as to how the Company's financial performance and financial position are prepared and presented.

3 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.

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3 SIGNIFICANT ACCOUNTING POLICIES — continued

The financial statements of the overseas operations are translated at the rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange movements on the translation of overseas operations are dealt with through the exchange reserve.

Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4 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.

Turnover is analysed as follows:

	2004	2003
	US\$	US\$
Proceeds from sale of investments	8,538,424	10,053,282
Dividend income	582,735	481,855
Interest income	11,371	5,238
	<u>9,132,530</u>	<u>10,540,375</u>

5 INFORMATION REGARDING DIRECTORS' EMOLUMENTS

	2004	2003
	US\$	US\$
Fees to executive directors	4,375	4,092
Fees to independent non-executive directors	17,500	16,368
Fees to directors	<u>21,875</u>	<u>20,460</u>

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5 INFORMATION REGARDING DIRECTORS' EMOLUMENTS — continued

Fees to the directors were within the following band:

	2004 No. of directors	2003 No. of directors
HK\$nil to HK\$1,000,000	<u>8</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.

Messrs. Andrew Lo, Chaibhondh Osataphan and Pichit Akrathit have agreed to waive their entitlements to directors' fees totalling US\$13,125 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.

6 TAXATION

	2004 US\$	2003 US\$
Thai withholding tax on distributions made by the Fund in Thailand to the Company in Hong Kong	<u>28,235</u>	<u>54,706</u>
Taxation for the year	<u>28,235</u>	<u>54,706</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.

7 SPECIAL DIVIDEND

	2004 US\$	2003 US\$
Declared US\$0.1319 (2003: NIL)	6,639,952	—
Paid NIL (2003: US\$0.0656)	<u>—</u>	<u>3,302,356</u>
	<u>6,639,952</u>	<u>3,302,356</u>

On December 22, 2004, the Company declared the payment of a special dividend of US\$0.1319 per share to all shareholders recorded on the register of member as at the close of business on January 11, 2005.

A special dividend of US\$0.0656 per share was paid to all shareholders recorded on the register of members as at the close of business on October 10, 2003.

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8 (LOSS)/EARNINGS PER SHARE

The calculation was based on the loss after taxation for the year of US\$1,924,697 (2003: profit US\$11,202,562) and 50,340,800 (2003: 50,340,800) ordinary shares in issue during the year.

9 INVESTMENTS IN SECURITIES

Changes in investments during the year were as follows:

	At 1.1.2003	Exchange gain on translation	Purchases	Sales proceeds	Realised gains	Unrealised appreciation	At 12.31.2003
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Listed in Thailand, at fair value	10,910,323	1,315,654	6,753,292	(10,053,282)	1,653,996	9,447,715	20,027,698
Unlisted, at fair value	1	—	—	—	—	—	1
	<u>10,910,324</u>	<u>1,315,654</u>	<u>6,753,292</u>	<u>(10,053,282)</u>	<u>1,653,996</u>	<u>9,447,715</u>	<u>20,027,699</u>

	At 1.1.2004	Exchange gain on translation	Purchases	Sales proceeds	Realised gains	Unrealised depreciation	At 12.31.2004
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Listed in Thailand, at fair value	20,027,698	7,310	2,175,084	(8,538,424)	3,260,837	(5,373,043)	11,559,462
Unlisted, at fair value	1	—	—	—	—	—	1
	<u>20,027,699</u>	<u>7,310</u>	<u>2,175,084</u>	<u>(8,538,424)</u>	<u>3,260,837</u>	<u>(5,373,043)</u>	<u>11,559,463</u>

10 SHARE CAPITAL

2004 & 2003

US\$

Authorised:

100,000,000 shares of US\$0.01 each

1,000,000

Issued and fully paid:

50,340,800 shares of US\$0.01 each

503,408

11 RESERVES

In accordance with the Company's Articles of Association and subject to applicable law and as hereinafter provided, the dividend on the Ordinary Shares of a particular class in respect of any financial year of the Company shall be calculated by the Directors and shall be an amount equal to the proceeds received by the Company from redemptions of its units of the Fund less any sums set aside in accordance with the Articles, or such other amount as the Directors deem advisable, after consulting the Auditors on the sufficiency of working capital. No dividends or distributions shall be paid except out of the realised or unrealised profits of the Company or out of the share premium account or as otherwise permitted by the Statute.

12 NET ASSET VALUE PER SHARE

The calculation of the net asset value (the "NAV") per share is based on the NAV as at December 31, 2004 of US\$11,725,493 (2003: US\$20,288,957) and the 50,340,800 (2003: 50,340,800) ordinary shares in issue at that date.