

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

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 Thai Asset Open-end Fund (formerly named as The Thai Asset Fund) established in Thailand and authorised by the Bank of Thailand, in which the Company is the sole unitholder.

In December 2004, the Company had approved to redeem a total of 1,463,497 Participating Shares* on January 12, 2005. 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\$3.46 per share was paid to all Shareholders recorded on the register of members as at the close of business on January 11, 2005.

The Company will commence its third tranche of unit redemption of the Initial Investment Units* in August 2005, the proceeds of which will return to Shareholders.

* *corresponding to the terms defined in the Announcement of December 22, 2004.*

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 Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention as modified by the revaluation of investments.

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 Institute of Certified Public Accountants. The financial statements 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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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% (2003: 10%), distributions from the Fund to the Company being remittances for payment of unitholder expenses are subject to a withholding tax of 15% (2003: 15%) and capital gains arising from liquidation of the Fund are subject to a withholding tax of 12.5% (2003: 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.

(g) Recently issued accounting standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are 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 December 31, 2004. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

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 redeemable preference shares, equal to 0.60% per annum of the net asset value of the Participating Preference Shares.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

4. FEES (Continued)

(c) Custodian fees and supervisory fees (Continued)

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 redeemable 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

| | 2004 US\$ | 2003 US\$ |
|------------------------------------------|----------------|----------------|
| Dividends income from listed investments | 448,913 | 376,012 |
| Interest income from: | | |
| — bank deposits | 13,623 | 4,189 |
| | <u>462,536</u> | <u>380,201</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

| | 2004 US\$ | 2003 US\$ |
|---------------------------------------------|---------------|---------------|
| Fees to executive directors | 5,000 | 4,634 |
| Fees to independent non-executive directors | 15,000 | 13,902 |
| Fees to non-executive director | 5,000 | 4,634 |
| Fees to directors | <u>25,000</u> | <u>23,170</u> |

The emoluments were paid to the directors as follows:

| Emoluments Band | Number of directors | |
|--------------------------|---------------------|------|
| | 2004 | 2003 |
| HK\$nil to HK\$1,000,000 | 7 | 9 |

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

7. DIRECTORS' EMOLUMENTS (Continued)

Messrs. Andrew Lo and Pichit Akrathit have agreed to waive their entitlement to directors' fees totalling US\$10,000 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

| | 2004 | 2003 |
|-----------------------------------------------------------------------------------------------------|--------|--------|
| | US\$ | US\$ |
| Withholding tax in Thailand on distributions from the Fund: Attributable to retained earnings | 42,353 | 63,529 |

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 AFTER TAXATION PER SHARE

The calculation of net profit after taxation per share is based on the Company's net profit after tax of US\$2,596,630 (2003: profit US\$1,081,878) and 4,052,525 (2003: 4,052,525) shares outstanding during the year.

10. INVESTMENTS

| | 2004 | 2003 |
|---------------------------------------------------------------------------------------|-----------|------------|
| | US\$ | US\$ |
| Listed investments | | |
| Securities of corporations listed on The Stock Exchange of Thailand, at fair value | 8,819,354 | 15,465,466 |
| Unlisted investments | | |
| Securities of corporations in Thailand, at fair value | 6 | 6 |
| | 8,819,360 | 15,465,472 |
| Cost of investments | | |
| — listed on The Stock Exchange of Thailand | 5,097,054 | 7,544,678 |
| — unlisted | 958,835 | 945,771 |
| | 6,055,889 | 8,490,449 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

11. SHARE CAPITAL

| | 2004 | | 2003 | |
|--------------------------------------------------------------------------------|-------------------|----------------|-------------------|----------------|
| | No. of Shares | US\$ | No. of Shares | US\$ |
| (a) Authorised | | | | |
| 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 |
| Unclassified shares of US\$1 cent each | 5,000,000 | 50,000 | 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 | | | | |
| | 2004 | | 2003 | |
| | 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 | 4,052,525 | 40,525 | 5,000,000 | 50,000 |
| Nominal shares of US\$1 cent each | 947,475 | 9,475 | — | — |
| 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> |

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

12. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on net assets of US\$14,052,148 (2003: US\$15,631,942) and 4,052,525 (2003: 4,052,525) issued shares as at December 31, 2004.

13. SUBSEQUENT EVENT

The Company has redeemed a total of 1,463,497 participating redeemable preference shares with redemption price of US\$3.46 per share on January 12, 2005. The amount of redemption was paid to all Shareholders recorded on the register of members as at the close business on January 11, 2005.

14. APPROVAL OF ACCOUNTS

These financial statements were approved by the Board of Directors on April 22, 2005.