

THAI FOCUSED EQUITY FUND LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 1999

THAI FOCUSED EQUITY FUND LIMITED

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THAI FOCUSED EQUITY FUND LIMITED

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**AUDITORS' REPORT TO THE SHAREHOLDERS OF
THAI FOCUSED EQUITY FUND LIMITED**

We have audited the accompanying balance sheet of Thai Focused Equity Fund Limited (the "Fund") as of 31st December 1999 and the related income and cash flow statements for the year then ended. These financial statements, set out on pages 3 to 18, are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as of 31st December 1999 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.



PricewaterhouseCoopers
Cretified Public Accountants

Hong Kong, 16th May 2000

THAI FOCUSED EQUITY FUND LIMITED

**STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31ST DECEMBER 1999**

	Note	1999 US\$	1998 US\$
Income			
Dividends		353,310	181,619
Bank interest		270,288	180,856
Bond interest		1,855	-
Other income		1,717	-
		-----	-----
		627,170	362,475
		-----	-----
Expenses			
Investment management fee	3	280,448	168,508
Incentive fee	3	1,550,937	387,915
Custodian fee	3	19,469	12,597
Administration fee	3	25,581	14,554
Transaction handling fee		29,835	-
Amortisation of formation costs	6	6,360	11,575
Directors' fee	3	1,010	1,350
Auditors' remuneration		44,000	27,900
Legal and professional fees		77,425	57,982
Other operating expenses		27,637	30,648
		-----	-----
		2,062,702	713,029
		-----	-----
Net investment loss		(1,435,532)	(350,554)
		-----	-----
Realised and unrealised gain/(loss) on investments			
Net realised gain/(loss) on investments		5,654,317	(2,866,504)
Change in net unrealised gain on investments		3,539,833	2,023,702
Foreign exchange loss		(70,986)	-
		-----	-----
		9,123,164	(842,802)
		-----	-----
Net income/(loss) for the year/period and carried forward		7,687,632	(1,193,356)
		-----	-----

THAI FOCUSED EQUITY FUND LIMITED

**BALANCE SHEET
AS AT 31ST DECEMBER 1999**

	Note	1999 US\$	1998 US\$
Assets			
Investments	5	28,009,063	18,061,947
Formation costs	6	17,490	23,850
Bank balances		6,764,686	545,488
Amounts receivable from brokers		33,715	10,502,320
Interest receivable		6,191	-
Other receivables		113,748	2,522
		-----	-----
		34,944,893	29,136,127
		-----	-----
Liabilities			
Bank overdrafts		62,294	-
Amounts payable on redemption		246,947	3,326,956
Amounts payable to brokers		1,163,154	430,575
Incentive fee payable		1,425,427	342,342
Investment management fee payable		83,905	65,257
Amounts payable to shareholders		663,368	910,125
Advanced share subscription		-	459,948
Other payables		43,661	34,048
		-----	-----
		3,688,756	5,569,251
		-----	-----
Net assets		31,256,137	23,566,876
		-----	-----
Capital and reserves			
Share capital	7	1,845	1,857
Share premium	8	24,652,006	24,204,766
Equalisation reserves		108,010	553,609
Retained earnings		6,494,276	(1,193,356)
		-----	-----
Shareholders' fund		31,256,137	23,566,876
		-----	-----
Number of shares outstanding	7	184,496.9989	185,670.9794
Net asset value per share	9	169.4127	126.9282
		-----	-----

THAI FOCUSED EQUITY FUND LIMITED

**STATEMENT OF MOVEMENTS IN NET ASSETS
FOR THE YEAR ENDED 31ST DECEMBER 1999**

	* Share Capital US\$	* Share Premium US\$	*Equalisation Reserve US\$	Retained earnings US\$	Total US\$
Balance at 1st January 1999	1,857	24,204,766	553,609	(1,193,356)	23,566,876
Net investment loss for the year	-	-	-	(1,435,532)	(1,435,532)
Net realised gain on sale of investments	-	-	-	5,654,317	5,654,317
Net change in unrealised gain on investments	-	-	-	3,539,833	3,539,833
Foreign exchange loss	-	-	-	(70,986)	(70,986)
Issue of share capital	662	8,609,816	-	-	8,610,478
Proceeds from equalisation factor	-	-	201,414	-	201,414
Redemption of shares	(674)	(8,162,576)	-	-	(8,163,250)
Payment of equalisation factor	-	-	(647,013)	-	(647,013)
	-----	-----	-----	-----	-----
Balance at 31st December 1999	1,845	24,652,006	108,010	6,494,276	31,256,137
	-----	-----	-----	-----	-----
Balance at 21st October 1997	-	-	-	-	-
Net investment loss for the period	-	-	-	(350,554)	(350,554)
Net realised loss on sale of investments	-	-	-	(2,866,504)	(2,866,504)
Net change in unrealised gain on investments	-	-	-	2,023,702	2,023,702
Issue of share capital	2,242	29,080,793	-	-	29,083,035
Proceeds from equalisation factor	-	-	1,672,066	-	1,672,066
Redemption of shares	(385)	(4,876,027)	-	-	(4,876,412)
Payments of equalisation factor	-	-	(1,118,457)	-	(1,118,457)
	-----	-----	-----	-----	-----
Balance at 31st December 1998	1,857	24,204,766	553,609	(1,193,356)	23,566,876
	-----	-----	-----	-----	-----

* Non distributable reserves

THAI FOCUSED EQUITY FUND LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

	Note	1999 US\$	1998 US\$
Operating activities			
Net income		7,687,632	(1,193,356)
Net realised (gain)/loss on investments		(5,654,317)	2,866,504
Change in net realised gain on investments		(3,539,833)	(2,023,702)
Interest income		(272,143)	(180,856)
Dividend income		(353,310)	(181,619)
Amortisation of formation costs		6,360	11,575
Decrease/(increase) in amounts receivable from broker		10,468,605	(10,502,320)
Increase in interest receivables		(6,191)	-
Increase in other receivables		(111,226)	(2,522)
(Decrease)/increase in payables		(1,942,789)	5,569,251
		- - - - -	- - - - -
Net cash inflow/(outflow) from operating activities		6,282,788	(5,637,045)
		-----	-----
Return on investments			
Interest received		272,143	180,856
Dividend received		353,310	181,619
		- - - - -	- - - - -
Net cash inflow from investing activities		625,453	362,475
		-----	-----
Investing activities			
Formation costs paid		-	(35,425)
Purchase of investments		(88,424,162)	(41,197,122)
Sale of investments		87,671,196	22,292,373
		- - - - -	- - - - -
Net cash outflow from investing activities		(752,966)	(18,940,174)
Net cash inflow/(outflow) before financing		6,155,275	(24,214,744)
		-----	-----
Financing activities			
Issue of shares		8,610,478	29,083,035
Proceed from equalisation factor		201,414	1,672,066
Purchase on redemption of share		(8,163,250)	(4,876,412)
Payment of equalisation factor		(647,013)	(1,118,457)
		- - - - -	- - - - -
Net cash inflow from financing		1,629	24,760,232
		-----	-----

THAI FOCUSED EQUITY FUND LIMITED

**CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1999**

Increase in cash and cash equivalents	6,156,904	545,488
Cash and cash equivalents at 1st January/21st October 1997	545,488	-
	-----	-----
Cash and cash equivalents 31st December	6,702,392	545,488
	-----	-----
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	6,764,686	545,488
Bank overdrafts	(62,294)	-
	-----	-----
	6,702,392	545,488
	-----	-----

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General

Thai Focused Equity Fund Limited (the “Fund”) was incorporated in the British Virgin Islands on 5th September 1997 and commenced operations on 21st October 1997. The objective of the Fund is to seek superior long term capital appreciation through investment primarily in corporate equity securities of companies whose principal assets or operations are located in Thailand, or whose income is derived primarily from Thailand. Additionally, the Fund may invest in long or short positions in privately-negotiated (or restricted) common stocks, preferred stocks, stock warrants and rights, sovereign debt, corporate debt, bonds, notes or other debentures or debt participations, convertible securities swaps and other derivative instruments, partnership interests and other securities of a non-publicly traded issuer. The Fund may sell securities short and employ leverage when deemed appropriate. The investment manager of the Fund is Quest Management, Inc. (the “Investment Manager”), a British Virgin Islands corporation. Doug Barnett (the “Principal”) is the principal of the Investment Manager and is responsible for making the investment decisions on behalf of the Investment Manager.

2 Principal accounting policies

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

(a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards. In view of the international nature of the Fund’s operation, the amounts shown in the financial statements are presented in US dollars.

(b) Investments

Listed investments are stated at market value on a security by security basis. Securities that are listed on a stock exchange and are freely transferable are valued at their last sales price on the date of determination on the stock exchange which is the principal exchange for such securities, or, if no sales occurred on such day, at the “bid” price on such exchange at the close of business on such day if held long and at the “asked” price at the close of business on such day if sold short. As of 31st December 1999, substantially all of the Fund’s securities were valued in accordance with these procedures.

If the listed price for any security held by the Fund does not accurately reflect the value of such security, the Fund’s Board of Directors (the “Board”) may, in its sole and absolute discretion, value such security at fair value, which may be greater or less than the quoted market price for such security. In establishing the fair value of the Fund’s investments, the Board evaluates each investment by considering some or all of the following factors: the financial condition and operating results of the company, industry and economic data, the type of investment held, the valuation of comparable private and public companies, and other relevant factors such as actual or pending transactions in the investment held or significant events as defined by the Board. Although the Board uses its best judgement in estimating the fair value of these investments, because of the inherent uncertainty of such valuations, such estimates are not necessarily indicative of the amount which the Fund could realize in a current transaction.

Purchases or sales or investments are accounted for on the trade date basis.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Principal accounting policies (continued)

(b) Investments (continued)

Increase/decrease in the carrying amount of marketable securities are credited/charged to the statement of operations.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is credited or charged to the statement of operations.

(c) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date.

Dividends receivable on equity shares where no-dividend date is quoted are brought into account when the Fund's right to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(d) Expenses

All expenses are accounted for on an accrual basis.

(e) Proceeds and payments on issue and redemption of shares and income equalisation

The net asset value of the fund is computed monthly. Prices for issues is based on the net asset value per investor share as of the close of business on the immediately preceding business day in Thailand. Prices for redemption is based on the net asset value after deduction of the basic management fees and incentive fees attributable to the shares redeemed.

Proceeds and payments for shares issued and redeemed are shown as movements in the statement of movements in the net assets.

(f) Translation of foreign currencies

All monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated into United States dollars at the rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies during the period are translated into United States dollars at the rates of exchange ruling at the transaction dates. Realised and unrealised gains and losses on translations of transactions and balances denominated in foreign currencies are dealt with through the statement of operations.

(g) Financial instruments

Financial instruments are used to manage market risk and meet the Fund's objectives. These instruments can be either executed on an exchange or negotiated in the over-the-counter ("OTC") market.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Principal accounting policies (continued)

(g) Financial instruments (continued)

The Fund may enter into swap agreements to exchange the return generated by one security, instrument or basket of instruments for the return generated by another security, instrument or basket of instruments. During the year, the Fund entered into total return swaps, which involve commitments to pay for a market-linked return based on a notional amount in exchange for interest. To the extent the interest exceeded or falls short of the offsetting equity return of the security, instrument or basket of instruments underlying the transaction, the Fund will receive a payment from or make a payment to the counterparty, respectively. Equity swaps are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as unrealized appreciation or depreciation in the statement of operations. Periodic payments received or made at the end of each measurement period, but prior to termination, are recorded as realized gains or losses in the statement of operations.

Realized gains or losses on maturity or termination of equity swaps are presented in the statement of operations.

Disclosures about the financial instrument to which the Fund is a party are provided in Note 11.

(h) Cash and cash equivalents

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

(i) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparative figures have been adjusted to take into account the different disclosure requirement between International Accounting Standards and generally accepted accounting principles in the United States of America.

3 Fees

(a) Management fee

Under the management agreement entered into between the Investment Manager and the Fund on 5th September 1997, the Investment Manager invests the assets of the Fund and is entitled to receive a basic management fee at an annual rate of 1% of the value of the Fund's net assets as of the last day of each calendar quarter adjusted for subscriptions and redemptions made during the quarter and computed without regard to the basic fee payable or any accrued incentive fee for such year. The Fund, in its sole and absolute discretion, may, in effect, waive or reduce the basic management fee to be paid by certain shareholders that are employees of affiliates of the Investment Manager. Included in management fee payable at 31st December 1999 is US\$8,845 (1998: US\$3,678) which was refunded in shares to certain shareholders on 4th January 2000.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Fees (continued)

(b) Incentive fee

The Investment Manager is entitled to an annual incentive fee equal to twenty percent (20%) of the net profits (including net unrealized gains), if any, during such fiscal year allocable to each common share. Notwithstanding the foregoing, certain shareholders that are employees or affiliates of the Investment Manager may receive an annual rebate in the form of additional common shares or cash payment of the portion of the incentive fee indirectly borne by them but waived by the Fund in its sole discretion. Included in incentive fee payable at 31st December 1999 is US\$170,319 (1998: US\$85,833) which was refunded in shares to certain shareholders in January 2000. If a common share has a loss chargeable to it during any fiscal year and during a subsequent year there is a profit allocable to the common share, there will be no incentive fee payable with respect to the common share until the amount of the loss previously allocated to the common share has been recouped. All or a portion of the incentive fee attributable to a common share may be paid by redemption of a portion of a shareholder's common shares.

The management agreement provides that the Investment Manager is entitled to be paid the incentive fee in the following manner: (i) 90% of the estimated incentive fee within thirty days after the end of the fiscal year and (ii) the balance of the incentive fee upon completion of the Fund's audited financial statements. In the event that the management agreement is terminated prior to the last day of the fiscal year, the incentive fee will be computed as though the termination date was the last day of the fiscal year.

(c) Custodian fees

Bermuda Trust (Far East) Limited (the "custodian") is the custodian of the assets of the Fund pursuant to an agreement entered into between the Fund and the custodian on 24th May 1999. The custodian is entitled to receive a fee, payable quarterly in arrears, at the rate of 0.09% p.a. of the value of the Fund's monthly net assets, subjected to a minimum of US\$10,000 per annum.

Prior to 24th May 1999, Bank of Butterfield Executor & Trustee Company Limited was the custodian of the Fund. Included in the custodian fees is US\$3,125 payable to Bank of Butterfield Executor & Trustee Company Limited.

(d) Administration fee

The Fund entered into an agreement with Bank of Bermuda (Cayman) Limited (the "Administrator") to perform general administrative tasks for the Fund. The fee is payable quarterly in arrears and accrued on a monthly basis calculated on the monthly net asset value of the fund at an annual rate of 0.1% per annum.

(e) Director's fee

The directors are entitled to an annual director fee. Directors fee accruing in the year amounted to US\$1,010 (Period ended 31st December 1998: US\$1,350).

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 Taxation

The Fund is not subject to any income, withholding or capital gains taxes in the British Virgin Islands. As a result, no provision for income taxes has been made in the financial statements.

The Fund has filed with the United States Internal Revenues Service to elect to be treated as a partnership for United States federal income tax purposes.

The Fund's capital gains and interest income from non U.S. securities are generally exempt from foreign income or withholding tax at source.

Dividend income earned by the fund from non-U.S. securities is generally subject to foreign withholding tax at source.

5 Investments

The investments comprise equity securities, bonds, rights and warrants listed on Stock Exchange of Thailand and have an original cost of US\$22,445,528 (1998: US\$16,038,245).

6 Formation cost

Legal, professional and related organisational expenses in respect of the formation of the Fund.

	1999	1998
	US\$	US\$
Balance at 1st January 1999 / 21st October 1997	23,850	35,425
Amount amortised during the year / period	(6,360)	(11,575)
	- - - - -	- - - - -
Balance at 31st December	17,490	23,850
	- - - - -	- - - - -

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 Share capital

The authorised common shares of the Fund consist of two classes of common stock. The investor shares will be subscribed to by investors and the manager shares, which will be held solely by the Investment Manager or an affiliate, are identical to investor shares except that the manager shares are entitled to the Inventive Allocation.

	1999 US\$	1998 US\$
Authorised:		
5,000,000 investor shares of US\$0.01 each	50,000	50,000
10,000 manager shares of US\$0.01 each	100	100
	-----	-----
	50,100	50,100
	-----	-----
Issued and fully paid:		
182,850.6115 (1998: US\$185,670.9794) investor shares	1,829	1,857
1,646.3874 (1998: Nil) manager shares	16	-
	-----	-----
	1,845	1,857
	-----	-----
	1999 Number of shares	1999 Nominal Value US\$
Investor shares		
No. of shares in issue & nominal value at 1st January 1999	185,670.9794	1,857
No. of shares issued & nominal value (including equalisation shares)	64,615.6657	646
No. of shares redeemed & nominal value	(67,436.0336)	(674)
	-----	-----
No. of share in issue & nominal value at 31st December 1999	182,850.6115	1,829
	-----	-----
Manager shares		
No. of shares in issue & nominal value at 1st January 1999	-	-
No. of shares issued & nominal value	1,646.3874	16
	-----	-----
No. of shares in issue & nominal at 31st December 1999	1,646.3874	16
	-----	-----
Total shares and nominal value at 31st December 1999	184,496.9986	1,845
	-----	-----

THAI FOCUSED EQUITY FUND LIMITED**NOTES TO THE FINANCIAL STATEMENTS****7 Share capital (continued)**

	1998 Number of shares	1998 Nominal value US\$
Investor shares		
No. of shares in issue & nominal value at 21st October 1997	-	-
No. of shares issued & nominal value	224,228.0543	2,242
No. of shares redeemed & nominal value	(38,557.0749)	(385)
	-----	-----
No. of share in issue & nominal value at 31st December 1998	185,670.9794	1,857
	-----	-----
Manager shares		
No. of shares in issue & nominal at 31st December 1998	-	-
	-----	-----
Total shares and nominal value at 31st December 1998	185,670.9794	1,857
	-----	-----

Offering of common shares

The Fund offers its Investor Shares to a limit number of sophisticated investors who meet the requirements set forth in the Fund's Subscription Agreement. In general, Investor Shares may be purchased on the first day of each month on such other dates as determined by the Fund.

Investor shares are offered at the net asset value as of the close of business on the immediately preceding day. However, when Investor Shares are subscribed for during the course of a fiscal year, certain adjustments to the amount of money paid for the purchase of Investor Shares are necessary.

This is done so that (i) the incentive fee paid to the Investment Manager is charged on only to those shares which have appreciated in value since their acquisition, (ii) all shareholders will have the same amount per share at risk and (iii) all shares will have the same net asset value. A specific description of the manner in which these adjustments are made is set forth in the Fund's Offering Memorandum.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 Share capital (continued)

Redemptions

Any holder of Investor Shares has the right, in accordance with and subject to the applicable provisions of the Articles of Association of the Fund and the laws of the British Virgin Islands, to have all or a portion of his shares redeemed as of the last day of any month or at other times in the discretion of the Board of Directors.

Investor shares will be redeemed at the Redemption Price (as defined below) as of the close of business on such redemption date (as determined in accordance with the applicable redemption provisions set forth in the Articles of Association). The Redemption Price is computed after deduction of the accrued basic fee and incentive allocation payable or allocable to the Investment Manager attributable to the shares redeemed. The shareholder must request such redemption at least thirty days prior to the redemption date.

At redemption, shareholders will be paid an amount equal to the number of shares redeemed multiplied by the Redemption Price. The Redemption Price is defined as (i) the net asset value per share on the date of redemption, and (ii) all or a portion of the "Equalization Factor" per share (as defined in the Fund's Offering Memorandum) to the extent that the increase in value of the shares that caused the payment of the Equalization Factor has not been lost or has not been paid previously to the redeeming shareholder.

Payment in U.S. dollars of the redemption value will be made as soon as practicable but, except in cases where share certificates and share transfers are not delivered, the shareholder will receive redemption value no later than thirty days following the date of redemption.

Under certain circumstances defined in the Fund's Offering Memorandum, the Fund's Board of Directors may suspend redemptions or redeem all or a part of a shareholder's common shares. Payment of any compulsory redemption will be made in accordance with procedure applicable to stock which is redeemed at the request of the holder.

8 Share premium

	1999 US\$	1998 US\$
Balance at 1st January 1999 / 21st October 1997	24,204,766	-
Proceeds on issue of shares during the year / period	8,610,478	29,083,035
Payment on redemption of shares	(8,163,250)	(4,876,412)
Less: Nominal value of shares issued/redeemed (note 7)	12	(1,857)
	-----	-----
Balance at 31st December	24,652,006	24,204,766
	-----	-----

9 Net asset value per share

The calculation of net asset value per share is based on the assets of US\$31,256,137 (1998: US\$23,566,876) and the number of shares in issued at the year end being 184,496.9989 (1998:185,670.9794).

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 Related party and affiliated transactions

The following is a summary of significant related party transactions in addition to those disclosed in note 3, which were carried out in the normal course of the company's business:

Affiliated transactions

The Investment Manager and certain shareholders received an annual rebate in the form of additional common shares on the portion of incentive and basic management fee indirectly borne by them but waived by the Fund. At 31st December 1999 the Investment Manager was entitled to receive 469.9804 shares (1998: 215.5175 shares) based on the fee waived by the Fund.

Investment by principal

The Principal participates in the performance of the Fund by investing the assets of the Fund as well as via individual investment. The Principal has informed the Fund that at 31st December, 1999, the partners of Quest Fund Management, Inc. hold a total investment in the Fund of approximately US\$2,167,146 (1998: US\$1,400,000).

11 Financial instruments

The Fund has no outstanding swaps as at 31st December 1999, the realised loss on the equity swaps entered during the year amounted to US\$1,003,874 (Period ended 31st December 1998: realised gain US\$1,086,976). The Fund is required to maintain collateral in connection with certain derivatives transactions. At 31st December 1999, the Fund has no balance of such collateral on deposit for swaps with counterparties (1998: US\$2,463,333).

At 31st December 1999, the contractual or notional amounts related to derivative financial instruments outstanding was nil (1998: US\$3,370,176).

12 Concentration of credit risk

The fund's portfolio may not generally be diversified at all times. Accordingly, the investment portfolio of the Fund may be subject to more rapid change in value than would be the case if the Fund were required to maintain a wide diversification among securities, companies, countries or industry groups.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 Concentration of credit risk (Continued)

Non-U.S. Investments

Investment in securities of companies which are generally denominated in non-U.S. currencies, and investment on non-U.S. currencies involve certain consideration comprising both risks and opportunities not typically associated with investing in securities of United States issuers. These considerations include changes in exchange rates and exchange control and other regulations; political and social instability; expropriation; imposition of foreign taxes; less liquid markets and less available information than are generally the case in the United States; higher transaction costs; less government supervision of exchange; brokers and issuers; difficulty in enforcing contractual obligations; lack of uniform accounting and auditing standards volatility.

13 Off-Balance sheet risk

The Fund enters into investment transactions which may represent both off-balance sheet market risks and off-balance sheet credit risks. An off-balance sheet market risk exists when the maximum potential loss on a particular investment is greater than the value of such investment, as reflected on the Fund's balance sheet. Off-balance sheet credit risk exists, among other situations, when the collateral received by the Fund from the counterparty to an agreement with the Fund proves to be insufficient to cover the Fund's losses resulting from a default by the counterparty of its obligation to perform under the terms of the agreement. Transactions in the following instruments represent off-balance sheet market and credit risks associated with the Fund's current and/or future portfolio.

A. Securities sold short

The Fund may sell borrowed securities which are subsequently repurchased and returned to the lender, thereby creating a liability to repurchase the security in the market at prevailing prices. Short selling allows the investor to profit from declines in market prices. The ability for such securities sold short is marked to market based on the current value of the underlying security at the date of valuation. These transactions result in off-balance sheet risk as the Fund's ultimate obligation to satisfy the delivery of securities sold short may exceed the amount which may be reflected on the balance sheet. At 31st December 1999, there is no outstanding short sale position. The net realised loss on short sales in the year amounted to US\$1,964 (1998: Nil).

B. Forward and futures contracts

The Fund may enter into forward and futures contracts which to varying degrees, represent a market risk in excess of the amount reflected on the Fund's balance sheet. The notional amount of the contract represents the extent of the Fund's participation in these financial statements. Market risks associated with forward and futures contracts arise due to the possible movements in foreign exchange rates, indices, and securities values underlying these instruments. Other market and credit risks include the possibility that there may be an illiquid market for the contracts, that the change in the value of the contract may not directly correlate with changes in the value of the underlying currencies, commodities, indices, or securities, or that the counterparty to a forward contract defaults on its obligation to perform under the terms of the contract. The Fund did not enter into forward or futures contracts from the commencement of operations through the period ended 31st December 1999.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 Off-Balance sheet risk (Continued)

C. Option transactions

The Fund may purchase or sell put or call options. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period.

Purchasing options involves the risk that the underlying instrument's price does not change in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received. Over-the-counter options involve counterparty solvency risk. The Fund did not purchase or sell any options from the commencement of operations through the period ended 31st December 1999.

D. Swaps

The Fund may enter into swap agreements to exchange the return generated by one security, instrument or basket of instruments for the return generated by another security, instrument or basket of instruments. See Note 2 (g) for additional information.

14 Approval of financial statements

The financial statements were approved by the directors on 16th May 2000.

THAI FOCUSED EQUITY FUND LIMITED

**SCHEDULE OF INVESTMENTS
AS AT 31ST DECEMBER 1999**

	Holding	Market value USD	% of net assets
Investments			
Listed investments			
Thailand			
<u>Listed shares</u>			
Bank/Securities Companies			
Bangkok Bank (Local)	412,500	670,642	2.15
Bank of Ayudhya (Local)	1,870,000	760,062	2.43
Thai Farmers Bank (Local)	630,000	722,015	2.31
Adkinson Securities (Foreign)	518,900	542,826	1.74
Siam Panich Leasing (Foreign)	2,436,600	2,143,065	6.86
Tisco Finance (Foreign)	198,500	161,361	0.51
Seamico Sec (Foreign)	48,900	59,952	0.19
		-----	-----
Subtotal		5,059,923	16.19
Electronics Manufacturing			
Delta Elec (Foreign)	92,230	1,101,253	3.52
GSS Array Technology (Foreign)	1,752,400	1,786,495	5.72
GSS Array Technology (Local)	20,900	21,307	0.07
Hana Microelectronics (Foreign)	226,500	1,092,657	3.50
KCE Electronics (Foreign)	396,089	1,013,447	3.24
KCE Electronics (Local)	1,104,293	2,545,878	8.15
		-----	-----
Subtotal		7,561,037	24.20
Food			
Surapon Foods (Foreign)	589,100	392,524	1.26
Surapon Foods (Local)	200	133	0.00
Thai Union Frozen Products (Foreign)	458,100	1,745,957	5.59
Pizza Co (Foreign)	142,700	275,740	0.88
Pizza Co (Local)	518,200	952,980	3.05
		-----	-----
Subtotal		3,367,334	10.78
Property Developers			
Sansiri Public Co (Foreign)	5,644,400	2,256,557	7.22
Golden Land (Local)	989,800	362,733	1.16
		-----	-----
Subtotal		2,619,290	8.38

THAI FOCUSED EQUITY FUND LIMITED

**SCHEDULE OF INVESTMENTS
(CONTINUED)
AS AT 31ST DECEMBER 1999**

Energy

Banpu Public Co. Ltd (Local)	2,765,200	2,026,733	6.48
Congeneration Co. (Foreign)	4,357,300	1,800,057	5.76
		-----	-----
Subtotal		3,826,790	12.24

Shipping

Regional Container (Foreign)	2,351,321	3,196,092	10.22
Regional Container (Local)	135,219	155,869	0.50
Thoresen Thai (Local)	794,000	156,599	0.50
		-----	-----
Subtotal		3,508,560	11.22

Miscellaneous

Jalaprathan Cement (Foreign)	377,600	322,047	1.03
Thai Storage Battery Pcl (Foreign)	1,026,000	587,927	1.88
		-----	-----
Subtotal		909,974	2.91

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		26,852,908	85.92
		-----	-----

Bonds

Cogeneration 2.5% 12/02/07	200,000	197,580	0.63
		-----	-----

Warrants

Banpu Pcl (local) 31/01/03	1,168,100	209,523	0.67
Kiatnakin Finance Pcl (Foreign) American Call 30/03/09	659,900	619,975	1.98
Thoresen Thai Agencies Pcl 30/11/04	317,600	29,627	0.09
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		859,125	2.74
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THAI FOCUSED EQUITY FUND LIMITED

**SCHEDULE OF INVESTMENTS
(CONTINUED)
AS AT 31ST DECEMBER 1999**

Rights

KCE Electronics Plc (Foreign) 10/02/00	81,117	99,450	0.32
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Total investments		28,009,063	89.61
Other net assets		3,247,074	10.39
		-----	-----
Total net asset value		31,256,137	100.00
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