

**THAI FOCUSED EQUITY FUND LIMITED  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31ST DECEMBER 2000**

# THAI FOCUSED EQUITY FUND LIMITED

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# **THAI FOCUSED EQUITY FUND LIMITED**

## **ADMINISTRATION**

### **Directors**

Douglas E. Barnett  
Kieron J. O'Rourke  
Paul Smith

### **Investment Manager**

Quest Management, Inc.  
26/9 Soi Prasert Issaram  
Mansion in the Park, 9B  
Samakkee Road, Pakkred  
Nonthaburi 11120  
Thailand

### **Administrator, Registrar and Company Secretary**

Bank of Bermuda (Cayman) Limited  
3rd Floor, 36C Bermuda House  
Dr Roy's Drive  
George Town, Grand Cayman  
Cayman Islands  
British West Indies

### **Legal Advisers**

(United States Law)  
Seward & Kissel LLP  
One Battery Park Plaza  
New York  
New York 10004

(British Virgin Islands Law)  
Harney, Westwood & Riegels  
Craigmuir Chambers  
P.O. Box 71  
Road Town  
Tortola, British Virgin Islands

### **Custodian**

Bermuda Trust (Far East) Limited  
39/F Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

### **Registered Office**

c/o HWR Services Limited  
Craigmuir Chambers  
P.O. Box 71  
Road Town  
Tortola, British Virgin Islands

### **Auditors**

PricewaterhouseCoopers  
22nd Floor  
Prince's Building  
Central  
Hong Kong

羅兵咸永道會計師事務所

PricewaterhouseCoopers  
33rd Floor Cheung Kong Center  
2 Queen's Road Central  
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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 2000 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 directors. 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 directors, 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 2000 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 02 MAY 2001

**THAI FOCUSED EQUITY FUND LIMITED**

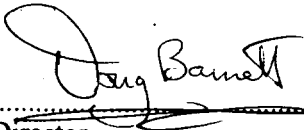
**INCOME STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2000**

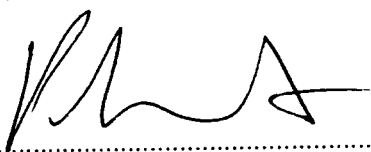
	Note	2000 US\$	1999 US\$
<b>Income</b>			
Dividends (net of withholding tax)		775,540	353,310
Bank interest		381,998	270,288
Bond interest (net of withholding tax)		5,020	1,855
Other income		-	1,717
		<u>1,162,558</u>	<u>627,170</u>
<b>Expenses</b>			
Investment management fee	3(a)	329,307	280,448
Incentive fee	3(b)	49,741	1,550,937
Custodian fee	3(c)	29,041	19,469
Administration fee	3(d)	32,267	25,581
Transactions handling fee		45,915	29,835
Formation costs	6	17,490	6,360
Directors' fee	3(e)	970	1,010
Auditors' remuneration		30,000	44,000
Legal and professional fees		22,313	77,425
Stock borrowing fee		4,355	-
Other operating expenses		17,649	27,637
		<u>579,048</u>	<u>2,062,702</u>
Net investment income/(expense)		<u>583,510</u>	<u>(1,435,532)</u>
<b>Realised and unrealised gains/(losses) on investments</b>			
Net realised gains on investments		1,649,359	5,654,317
Change in net unrealised (losses)/gains on investments		(10,115,095)	3,539,833
Foreign exchange losses		(137,530)	(70,986)
		<u>(8,603,266)</u>	<u>9,123,164</u>
Net (loss)/income for the year		<u>(8,019,756)</u>	<u>7,687,632</u>

# THAI FOCUSED EQUITY FUND LIMITED

## BALANCE SHEET AS AT 31ST DECEMBER 2000

	Note	2000 US\$	1999 US\$
<b>Assets</b>			
Investments	5	25,001,586	28,009,063
Formation costs	6	-	17,490
Deposits with brokers	7	2,305,876	985
Amounts receivable from brokers		473,966	32,730
Interest receivable		10,022	6,191
Other receivables		4,140	113,748
Bank balances		7,653,447	6,764,686
		<u>35,449,037</u>	<u>34,944,893</u>
<b>Liabilities</b>			
Investments sold, but not yet purchased	8	2,048,895	-
Bank overdrafts		-	62,294
Amounts payable on redemption		178,023	246,947
Amounts payable to brokers		282,441	1,163,154
Incentive fee payable		-	1,425,427
Investment management fee payable		83,870	83,905
Amounts payable to shareholders		-	663,368
Other payables		49,326	43,661
		<u>2,642,555</u>	<u>3,688,756</u>
<b>Net assets</b>		<u><u>32,806,482</u></u>	<u><u>31,256,137</u></u>
<b>Capital and reserves</b>			
Share capital	9	2,477	1,845
Share premium	10	34,235,535	24,652,006
Equalisation reserve		93,950	108,010
Retained earnings		(1,525,480)	6,494,276
<b>Shareholders' fund</b>		<u><u>32,806,482</u></u>	<u><u>31,256,137</u></u>
Number of shares outstanding	9	247,653.6417	184,496.9989
Net asset value per share	11	<u><u>132.4692</u></u>	<u><u>169.4127</u></u>

  
Director

  
Director

**THAI FOCUSED EQUITY FUND LIMITED**

**STATEMENT OF MOVEMENTS IN NET ASSETS  
FOR THE YEAR ENDED 31ST DECEMBER 2000**

	* Share capital US\$	* Share premium US\$	*Equalisation reserve US\$	Retained earnings US\$	Total US\$
Balance at 1st January 2000	1,845	24,652,006	108,010	6,494,276	31,256,137
Net loss for the year	-	-	-	(8,019,756)	(8,019,756)
Issue of share capital	1,000	15,668,351	-	-	15,669,351
Proceeds from equalisation factor	-	-	2,454	-	2,454
Redemption of shares	(368)	(6,084,822)	-	-	(6,085,190)
Payment of equalisation factor	-	-	(16,514)	-	(16,514)
	<u>2,477</u>	<u>34,235,535</u>	<u>93,950</u>	<u>(1,525,480)</u>	<u>32,806,482</u>
Balance at 31st December 2000					
Balance at 1st January 1999	1,857	24,204,766	553,609	(1,193,356)	23,566,876
Net income for the year	-	-	-	7,687,632	7,687,632
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)
Payments of equalisation factor	-	-	(647,013)	-	(647,013)
	<u>1,845</u>	<u>24,652,006</u>	<u>108,010</u>	<u>6,494,276</u>	<u>31,256,137</u>
Balance at 31st December 1999					

\* Non-distributable reserves

# THAI FOCUSED EQUITY FUND LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2000

	2000 US\$	1999 US\$
Net (loss)/income for the year	(8,019,756)	7,687,632
Adjustments for:		
Net realised gains on investments	(1,649,359)	(5,654,317)
Change in net realised losses/(gains) on investments	10,115,095	(3,539,833)
Interest income	(387,018)	(272,143)
Dividends income	(775,540)	(353,310)
Formation costs	17,490	6,360
(Increase)/decrease in amounts receivable from broker	(2,304,891)	10,394,984
(Increase)/decrease in deposits with brokers	(441,236)	73,621
Decrease/(increase) in other receivables	109,608	(111,226)
Decrease in payables	(3,032,802)	(1,942,789)
Net cash (outflow)/inflow from operating activities	<u>(6,368,409)</u>	<u>6,288,979</u>
Investing activities		
Purchase of investments	(73,947,685)	(88,424,162)
Sale of investments	70,538,321	87,671,196
Interest received	383,187	265,952
Dividends received	775,540	353,310
Net cash outflow from investing activities	<u>(2,250,637)</u>	<u>(133,704)</u>
Financing activities		
Issue of shares	15,669,352	8,610,478
Proceed from equalisation factor	2,454	201,414
Payment on redemption of shares	(6,085,191)	(8,163,250)
Payment of equalisation factor	(16,514)	(647,013)
Net cash inflow from financing activities	<u>9,570,101</u>	<u>1,629</u>

**THAI FOCUSED EQUITY FUND LIMITED**

**CASH FLOW STATEMENT (CONTINUED)  
FOR THE YEAR ENDED 31ST DECEMBER 2000**

	2000 US\$	1999 US\$
Increase in cash and cash equivalents	951,055	6,156,904
Cash and cash equivalents at 1st January	6,702,392	545,488
Cash and cash equivalents 31st December	<u>7,653,447</u>	<u>6,702,392</u>
Analysis of balances of cash and cash equivalents:		
Bank balances	7,653,447	6,764,686
Bank overdrafts	-	(62,294)
	<u>7,653,447</u>	<u>6,702,392</u>

# 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 debts, corporate debts, 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 company. Douglas E. Barnett (the "Principal"), the principal of the Investment Manager and a director of the Fund, 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. The financial statements are prepared under the historical cost convention as modified by the revaluation of investments, investments sold but not yet purchased and financial instruments. In view of the international nature of the Fund's operation, the amounts shown in the financial statements are presented in United States 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 "ask" price at the close of business on such day if sold short.

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 realise in a current transaction.

As at 31st December 2000, certain stocks were valued at the last traded price of 29th December 2000 (the last trading day of the year) by the Board based on its best judgement as described above. The fair value for these investments amounted to US\$7,303,232 (1999: US\$4,580,681) as at 31st December 2000. Details of the investments are set out below:

The Minor Food Group PCL (Foreign) (formerly known as Pizza Co PCL (Foreign))  
The Minor Food Group PCL (Local) (formerly known as Pizza Co PCL (Local))  
Regional Container Lines PCL (Foreign)  
Regional Container Lines PCL (Local)

## **THAI FOCUSED EQUITY FUND LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **2 Principal accounting policies (continued)**

##### **(b) Investments (continued)**

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

Increase or decrease in the carrying amount of investments are credited or 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 income statement.

##### **(c) Income**

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

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, while income from fixed interest securities is recognised from the date of purchase of the relevant securities on an accruals basis.

Income is accounted for after deduction of withholding tax where applicable.

##### **(d) Expenses**

All expenses are accounted for on an accruals basis.

##### **(e) Proceeds and payments on issue and redemption of shares**

The net asset value of the Fund is computed monthly. Prices for issues of shares are based on the net asset value per investor share as of the close of business on the immediate preceding business day in Thailand. Prices for redemption of shares are 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 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 year 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 income statement.

##### **(g) Financial instruments**

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

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 2 Principal accounting policies (continued)

##### (g) Financial instruments (continued)

All financial instruments are carried at fair value and realized and unrealized gains and losses are recognised in the income statement.

##### (h) Cash and cash equivalents

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

#### 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 the year. The directors, 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 2000 is US\$9,023 (1999: US\$8,845) which was refunded in shares to certain shareholders on 2nd January 2001.

##### (b) Incentive fee

The Investment Manager is entitled to receive an annual incentive fee equal to 20% of the net profits (including net unrealised gains), if any, during such fiscal year allocable to each common share. Notwithstanding the foregoing, certain shareholders who 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. There was no incentive fee refunded in shares (1999: US\$170,319) to the shareholders as at 31st December 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 for the payment of incentive fee to the Investment Manager 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.

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Fees (continued)

##### (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% per annum of the value of the Fund's monthly net assets, subject to a minimum fee of US\$10,000 per annum.

##### (d) Administration fee

The Fund entered into an agreement with Bank of Bermuda (Cayman) Limited (the "Administrator") to perform general administrative services for the Fund. The fee is payable quarterly in arrears and accrued on a monthly basis as calculated based on the monthly net asset value of the Fund at an annual rate of 0.1% per annum, subjected to a minimum of US\$20,000 per annum.

##### (e) Directors' fee

The directors are entitled to an annual director fee. Directors' fee for the year ended 31st December 2000 amounted to US\$970 (1999: US\$1,010).

#### 4 Taxation

The Fund is not subject to any income, withholding or capital gains taxes in the British Virgin Islands. Accordingly, 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.

Dividends income earned by the Fund from non-U.S. securities are generally subject to foreign withholding tax at source.

Overseas withholding tax was charged on certain dividends and bond interest income received during the year.

#### 5 Investments

The investments comprise equity securities, bonds, rights and warrants listed on Stock Exchange of Thailand and have an original cost of US\$28,250,210 (1999: US\$22,445,528).

Investments held by the Fund are charged to a related company of the Custodian, by way of floating charges, for credit facilities of the Fund. At 31st December 2000, no credit facilities were utilised.

# THAI FOCUSED EQUITY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 6 Formation costs

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

	2000 US\$	1999 US\$
Balance at 1st January	17,490	23,850
Amount amortised	-	(6,360)
Amount written off	(17,490)	-
	<u>          </u>	<u>          </u>
Balance at 31st December	<u>          </u> -	<u>          </u> 17,490

### 7 Deposits with brokers

As at 31st December 2000, US\$2,228,361 (1999: Nil) maintained with brokers were, pledged as collateral for securities borrowing.

### 8 Investments sold, but not yet purchased

The investments sold, but not yet purchased comprise equity securities listed on Stock Exchange of Thailand.

### 9 Share capital

The authorised common shares of the Fund consist of two classes of common stocks. The investor shares are subscribed to by investors. The manager shares, are subscribed to solely by the Investment Manager or an affiliate, are identical to investor shares except that the manager shares are entitled to the incentive allocation.

	2000 US\$	1999 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
	<u>          </u>	<u>          </u>
	50,100	50,100
	<u>          </u>	<u>          </u>
Issued and fully paid:		
240,162.1668 (1999: US\$182,850.6115) investor shares	2,402	1,829
7,491.4749 (1999: 1,646.3874) manager shares	75	16
	<u>          </u>	<u>          </u>
	2,477	1,845
	<u>          </u>	<u>          </u>

**THAI FOCUSED EQUITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**9 Share capital (continued)**

	2000 Number of shares	2000 Nominal Value US\$
<b>Investor shares</b>		
No. of shares in issue and nominal value at 1st January 2000	182,850.6115	1,829
No. of shares issued and nominal value (including equalisation shares)	93,857.3602	939
No. of shares redeemed and nominal value	(36,545.8049)	(366)
	<hr/>	<hr/>
No. of share in issue and nominal value at 31st December 2000	240,162.1668	2,402
	<hr/>	<hr/>
<b>Manager shares</b>		
No. of shares in issue and nominal value at 1st January 2000	1,646.3874	16
No. of shares issued and nominal value	6,066.3936	61
No. of shares redeemed and nominal value	(221.3061)	(2)
	<hr/>	<hr/>
No. of shares in issue and nominal value at 31st December 2000	7,491.4749	75
	<hr/>	<hr/>
Total shares and nominal value at 31st December 2000	<u>247,653.6417</u>	<u>2,477</u>
	<hr/>	<hr/>
	1999 Number of shares	1999 Nominal value US\$
<b>Investor shares</b>		
No. of shares in issue and nominal value at 1st January 1999	185,670.9794	1,857
No. of shares issued and nominal value	64,615.6657	646
No. of shares redeemed and nominal value	(67,436.0336)	(674)
	<hr/>	<hr/>
No. of share in issue and nominal value at 31st December 1999	<u>182,850.6115</u>	<u>1,829</u>
	<hr/>	<hr/>
<b>Manager shares</b>		
No. of shares in issue and nominal at 1st January 1999	-	-
No. of shares issued and nominal value	1,646.3874	16
	<hr/>	<hr/>
No. of shares in issue and nominal value at 31st December 1999	<u>1,646.3874</u>	<u>16</u>
	<hr/>	<hr/>
Total shares and nominal value at 31st December 1999	<u>184,496.9989</u>	<u>1,845</u>
	<hr/>	<hr/>

# THAI FOCUSED EQUITY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 9 Share capital (continued)

#### Offering of common shares

The Fund offers its investor shares to a limited 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 and on such other dates as determined by the Board of Directors.

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.

#### Redemptions

Any shareholder 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 "Equalisation 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 Equalisation Factor has not been lost or has not been paid previously to the redeeming shareholder.

Payment in United States 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 procedures applicable to stock which is redeemed at the request of the shareholder.

**THAI FOCUSED EQUITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**10 Share premium**

	2000 US\$	1999 US\$
Balance at 1st January	24,652,006	24,204,766
Proceeds on issue of shares	15,669,351	8,610,478
Payment on redemption of shares	(6,085,190)	(8,163,250)
Less: Nominal value of shares issued/redeemed (note 9)	(632)	12
	<hr/>	<hr/>
Balance at 31st December	<u>34,235,535</u>	<u>24,652,006</u>

**11 Net asset value per share**

The calculation of net asset value per share is based on the assets of US\$32,806,482 (1999: US\$31,256,137) and the number of shares in issue at the year end being 247,653.6417 (1999:184,496.9989).

**12 Related party and affiliated transactions**

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

**Affiliated transactions**

The Investment Manager and certain shareholders who are employees or affiliates of the Investment Manager received an annual rebate in the form of additional common shares on the portion of incentive and basic management fees indirectly borne by them but waived by the Fund. At 31st December 2000 there was no entitlement by the Investment Manager and other shareholders to receive shares (1999: 469.9804 shares) based on the fees 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 investments. The Principal has informed the Fund that at 31st December 2000, the partners of Quest Fund Management, Inc. hold a total investment in the Fund of approximately US\$2,639,208 (1999: US\$2,167,146).

**13 Securities borrowing commitments**

At 31st December 2000, the Fund had the following commitments in respect of its securities borrowing transactions:

	2000 US\$	1999 US\$
Securities borrowing commitments	<u>2,150,590</u>	<u>-</u>

# THAI FOCUSED EQUITY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 14 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.

### Non-U.S. Investments

Investments 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, exchange controls 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 stock exchange, brokers and issuers; difficulty in enforcing contractual obligations; lack of uniform accounting and auditing standards; market volatility.

### 15 Currency risk

A summary of the Fund's net assets by major currency, other than United States dollars, is shown below:

	2000 US\$	1999 US\$
Thai Baht	23,048,085	35,321,323

# THAI FOCUSED EQUITY FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 16 Off-Balance sheet risks

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 2000, the fair value of the outstanding short sale positions amounted to US\$2,048,895 (1999: Nil). The net realised losses on short sales for the year amounted to US\$15,027 (1999: US\$1,964).

#### (b) Forward and futures contracts

The Fund may enter into forward and futures contracts which to varying degrees, represent market risks in excess of the amounts reflected on the Fund's balance sheet. The notional amount of the contract represents the extent of the Fund's participation in the financial instrument. Market risks associated with forward and futures contracts arise due to the possible movements in foreign exchange rates, commodities, 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 years ended 31st December 2000 and 1999.

## **THAI FOCUSED EQUITY FUND LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **16 Off-Balance sheet risks (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 of time.

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 years ended 31st December 2000 and 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. There is no outstanding swaps agreement as at 31st December 2000 and 1999. Realised gains or losses on maturity or termination of swaps are presented in the statement of operations.

#### **17 Fair value**

As at 31st December 2000, the carrying amounts of investments, investment sold but not yet purchased, bank balance, deposit with brokers, amount receivable from or payable to brokers, other receivables and payables approximated their fair values.

#### **18 Approval of financial statements**

The financial statements were approved by the directors on 30 APR 2001

# THAI FOCUSED EQUITY FUND LIMITED

## SCHEDULE OF INVESTMENTS AS AT 31ST DECEMBER 2000

	Holding	Fair value US\$	% of net assets
<b>Investments</b>			
<b>Thailand - listed</b>			
<u>Equities</u>			
Building/Construction Material			
Asian Property Development Public Co. Ltd. (Foreign)	400,500	26,882	0.08
Computer/Software			
Cal-comp Electronics (Thailand) PCL (Foreign)	400,000	277,746	0.85
Electronic			
Compass East Industry (Thai) PCL (Foreign)	55,000	165,490	0.5
Hana Microelectronics PCL (Foreign)	865,200	1,782,266	5.43
KCE Electronics Public Co. Ltd. (Foreign)	1,944,899	3,263,631	9.95
Semiconductor Ventures Intl. PCL (Foreign)	100,000	31,825	0.1
Subtotal		5,243,212	15.98
Entertainment			
BEC World Public Co Ltd. (Foreign)	130,500	664,506	2.03
Finance			
Bangkok Bank Public Co., Ltd. (Local)	1,760,800	1,183,182	3.61
National Securities (Foreign)	2,000,000	254,600	0.78
Siam Panich Leasing PCL (Foreign)	1,432,300	596,723	1.82
Thai Farmers Bank (Foreign)	1,000,000	497,628	1.51
Subtotal		2,532,133	7.72

# THAI FOCUSED EQUITY FUND LIMITED

## SCHEDULE OF INVESTMENTS (CONTINUED) AS AT 31ST DECEMBER 2000

	Holding	Fair value US\$	% of net assets
<b>Foods</b>			
The Minor Food Group PCL (Foreign) *	2,417,100	2,419,618	7.38
(formerly known as Pizza Co PCL (Foreign))			
The Minor Food Group PCL (Local) *	1,218,100	1,212,320	3.70
(formerly known as Pizza Co PCL (Local))			
Surapon Foods Public Co Ltd. (Foreign)	245,600	189,010	0.58
Thai Union Frozen Products PCL (Foreign)	917,000	1,209,791	3.69
		<hr/>	<hr/>
Subtotal		5,030,739	15.35
<b>Mining</b>			
Banpu Public Company Ltd. (Foreign)	7,563,751	3,063,665	9.34
Banpu Public Company Ltd. (Local)	270,086	106,272	0.32
		<hr/>	<hr/>
Subtotal		3,169,937	9.66
<b>Telecommunication</b>			
Advanced Info Service PCL (Foreign)	64,200	624,094	1.90
Advanced Info Service PCL (Local)	284,800	2,373,059	7.23
Shin Satellite Pub. Co Ltd. (Foreign)	582,600	394,423	1.20
		<hr/>	<hr/>
Subtotal		3,391,576	10.33
<b>Transportation</b>			
Regional Container Lines PCL (Foreign) *	5,740,740	3,653,983	11.14
Regional Container Lines PCL (Local) *	27,700	17,311	0.05
Thoresen Thai Agencies Pcl (Local)	639,700	87,356	0.27
		<hr/>	<hr/>
Subtotal		3,758,650	11.46
		<hr/> <hr/>	<hr/> <hr/>
		24,095,381	73.46
		<hr/> <hr/>	<hr/> <hr/>
<b>Bonds</b>			
Cogeneration 2.5% 12/02/07	200,000	230,000	0.70
		<hr/> <hr/>	<hr/> <hr/>

\* At Board of Directors' valuation which was last traded market price as of 29th December 2000

**THAI FOCUSED EQUITY FUND LIMITED**

**SCHEDULE OF INVESTMENTS (CONTINUED)  
AS AT 31ST DECEMBER 2000**

	Holding	Fair value US\$	% of net assets
<b><u>Warrants</u></b>			
<b>Finance</b>			
Siam Panich Leasing Ltd. (Foreign)	650,000	72,214	0.22
<b>Mining</b>			
Banpu PCL (Foreign)	7,488,305	589,289	1.80
<b>Transportation</b>			
Thoresen Thai Agencies PCL (Foreign) 30/11/04	317,600	14,702	0.04
Subtotal		676,205	2.06
		<hr/>	<hr/>
		25,001,586	76.22
		<hr/>	<hr/>
<b>Investments sold, but not yet purchased</b>			
<b>Thailand-listed</b>			
<b><u>Equities</u></b>			
<b>Building</b>			
Land and House Public Co. Ltd.	(110,000)	(35,008)	(0.11)
<b>Finance</b>			
Bangkok Bank Public Co Ltd. (Foreign)	(1,580,000)	(1,261,660)	(3.85)
National Securities (Foreign)	(2,000,000)	(254,600)	(0.77)
Thai Farmer Bank (Foreign)	(1,000,000)	(497,627)	(1.52)
Subtotal		(2,013,887)	(6.14)
		<hr/>	<hr/>
		(2,048,895)	(6.25)
		<hr/>	<hr/>
Total investments		22,952,691	69.97
Other net assets		9,853,791	30.03
Total net asset value		32,806,482	100.00
		<hr/>	<hr/>