

**THAI FOCUSED EQUITY FUND LIMITED**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER 2001**

## THAI FOCUSED EQUITY FUND LIMITED

<b>Contents</b>	<b>Pages</b>
Administration .....	1
Auditors' report .....	2
Income statement .....	3
Balance sheet .....	4
Statement of changes in shareholders' equity .....	5
Cash flow statement .....	6 to 7
Notes to the financial statements .....	8 to 19
Schedule of investments .....	20 to 23

# **THAI FOCUSED EQUITY FUND LIMITED**

## **ADMINISTRATION**

### **Directors**

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

### **Custodian**

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

### **Investment Manager**

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

### **Registered Office**

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

### **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

### **Auditors**

PricewaterhouseCoopers  
22nd Floor  
Prince's Building  
Central  
Hong Kong

### **Legal Advisers**

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

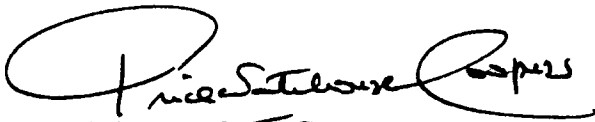
(British Virgin Islands Law)  
Harney, Westwood & Riegels  
Craigmuir Chambers  
P.O. Box 71  
Road Town  
Tortola, British Virgin Islands

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
THAI FOCUSED EQUITY FUND LIMITED**  
(incorporated in the British Virgin Islands with limited liability)

We have audited the accompanying balance sheet of Thai Focused Equity Fund Limited (the "Fund") as of 31st December 2001 and the related income and cash flow statements for the year then ended. These financial statements, set out on pages 3 to 19, 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 2001 and its net income and cash flows for the year then ended in accordance with International Accounting Standards.



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 21 MAY 2002

**THAI FOCUSED EQUITY FUND LIMITED**

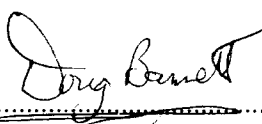
**INCOME STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2001**

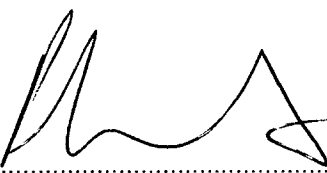
	Note	2001 US\$	2000 US\$
Income			
Dividends (net of withholding tax)		918,347	775,540
Bank interest		284,132	381,998
Bond interest (net of withholding tax)		5,000	5,020
		-----	-----
		1,207,479	1,162,558
		-----	-----
Expenses			
Investment management fee	3(a)	367,826	329,307
Incentive fee	3(b)	-	49,741
Custodian fee	3(c)	33,110	29,041
Administration fee	3(d)	36,788	32,267
Directors' fee	3(e)	3,010	970
Transactions handling fee		63,603	45,915
Auditors' remuneration		30,000	30,000
Legal and professional fees		23,750	22,313
Stock borrowing fee		17,572	4,355
Interest expense		3,643	-
Formation costs		-	17,490
Other operating expenses		19,128	17,649
		-----	-----
		598,430	579,048
		-----	-----
Net operating income		609,049	583,510
		-----	-----
Realised and unrealised gains/(losses) on investments			
Net realised (losses)/gains on investments		(1,373,397)	1,649,359
Net change in unrealised gains/losses on investments		5,148,886	(10,115,095)
Net realised loss on forward foreign exchange contracts		(260,826)	-
Net change in unrealised loss on forward foreign exchange contracts		(240,109)	-
Foreign exchange losses		226,447	(137,530)
		-----	-----
		3,501,001	(8,603,266)
		-----	-----
Net income/(loss) for the year		4,110,050	(8,019,756)
		-----	-----

**THAI FOCUSED EQUITY FUND LIMITED**

**BALANCE SHEET  
AS AT 31ST DECEMBER 2001**

	Note	2001 US\$	2000 US\$
<b>Assets</b>			
Investments, available for sale	5	35,312,419	25,001,586
Deposits with brokers	6	2,565,613	2,305,876
Amounts receivable from brokers		251,838	473,966
Interest receivable		6,555	10,022
Other receivables		255	4,140
Bank balances		3,048,543	7,653,447
		<u>41,185,223</u>	<u>35,449,037</u>
<b>Liabilities</b>			
Net amount payable on forward foreign exchange contracts		240,109	-
Investments sold, but not yet purchased, trading	5	-	2,048,895
Amounts payable on redemption		210,437	178,023
Amounts payable to brokers		351,452	282,441
Investment management fee payable		92,931	83,870
Other payables		65,443	49,326
		<u>960,372</u>	<u>2,642,555</u>
Net assets		<u>40,224,851</u>	<u>32,806,482</u>
<b>Represented by:</b>			
Share capital	7	2,712	2,477
Share premium	8	37,637,569	32,329,485
Retained earnings/(accumulated losses)		2,584,570	(1,525,480)
Shareholders' fund		<u>40,224,851</u>	<u>32,806,482</u>
Number of shares in issue	7	271,154.3805	247,653.6417
Net asset value per share	9	<u>148.3467</u>	<u>132.4692</u>

  
.....  
Director

  
.....  
Director

**THAI FOCUSED EQUITY FUND LIMITED**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER 2000**

	* Share capital US\$	* Share premium US\$	Retained earnings/ (accumulated Losses) US\$	Total  US\$
Balance at 1st January 2001	2,477	34,329,485	(1,525,480)	32,806,482
Net income for the year	-	-	4,110,050	4,110,050
Issue of share capital	702	9,851,908	-	9,852,610
Redemption of shares	(467)	(6,543,824)	-	(6,544,291)
	-----	-----	-----	-----
Balance at 31st December 2001	2,712	37,637,569	2,584,570	40,224,851
	-----	-----	-----	-----
Balance at 1st January 2000	1,845	24,760,016	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)
	-----	-----	-----	-----
Balance at 31st December 2000	2,477	34,329,485	(1,525,480)	32,806,482
	-----	-----	-----	-----

\* Non-distributable reserves

**THAI FOCUSED EQUITY FUND LIMITED**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2001**

	2001 US\$	2000 US\$
Net income/(loss) for the year	4,110,050	(8,019,756)
Adjustments for:		
Net realised (losses)/gains on investments	1,373,397	(1,649,359)
Net change in unrealised (gains)/losses on investments	(5,148,886)	10,115,095
Net change in unrealised loss on forward foreign exchange contract	240,109	-
Interest income	(289,132)	(387,018)
Interest expenses	3,643	-
Dividends income	(918,347)	(775,540)
Formation costs	-	17,490
	-----	-----
	629,166	699,088
	-----	-----
Increase in deposits with brokers	(259,737)	(441,236)
Decrease/(increase) in amounts receivable from broker	222,128	(2,304,891)
Decrease in other receivables	3,885	109,608
Increase in payables	126,603	(3,032,802)
Interest received	292,599	383,187
Interest paid	(3,643)	-
Dividends received	918,347	775,540
	-----	-----
Net cash from/(used in) operating activities	671,016	(5,209,682)
	-----	-----
Cash flows from investing activities		
Purchase of investments	(118,155,352)	(73,947,685)
Sale of investments	109,571,113	70,538,321
	-----	-----
Net cash used in investing activities	(8,584,239)	(3,409,364)
	-----	-----
Cash flows from financing activities		
Issue of shares	9,852,610	15,669,351
Proceed from equalisation factor	-	2,454
Payment on redemption of shares	(6,544,291)	(6,085,190)
Payment of equalisation factor	-	(16,514)
	-----	-----
Net cash inflow from financing activities	3,308,319	9,570,101
	-----	-----

**THAI FOCUSED EQUITY FUND LIMITED**

**CASH FLOW STATEMENT (CONTINUED)  
FOR THE YEAR ENDED 31ST DECEMBER 2001**

	2001 US\$	2000 US\$
(Decrease)/increase in cash and cash equivalents	(4,604,904)	951,055
Cash and cash equivalents at 1st January	7,653,447	6,702,392
	-----	-----
Cash and cash equivalents 31st December	3,048,543	7,653,447
	-----	-----
Analysis of balances of cash and cash equivalents:		
Bank balances	3,048,543	7,653,447
	-----	-----

## **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 fair valuation of investments. The measurement currency of the Fund is United States dollars (“US\$”) reflecting the fact that the investor and manager shares are denominated in US dollars.

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

At 1st January 2001 the Fund adopted International Accounting Standard IAS 39 - Financial instruments: Recognition and Measurement (“IAS 39”) and classified its investment securities into the following two categories: trading and available-for-sale. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchanges rates or equity prices are classified as available-for-sale. All other investments are classified as trading. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Available-for-sale securities, comprising listed equities, warrants and bonds, are initially recognised at cost (which includes transaction costs) and are subsequently re-measured at fair value. Securities that are listed on a stock exchange and are freely transferable are valued at their last traded 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.

## **THAI FOCUSED EQUITY FUND LIMITED**

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

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

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

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.

The directors and the Investment Manager of the Fund have considered the requirements of IAS 39 in determining fair value and believe that the bases as described above are the most appropriate in arriving at the fair value of the Fund's investments as at 31st December 2001.

Purchases or sales of investments are accounted for on a trade date basis. Gains and losses arising from changes in fair values of securities classified as available-for-sale are recognised in the income statement as they arise.

##### **(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**

Interest on borrowings and other expenses are accounted for on an accruals basis.

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

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 changes in shareholders' equity.

## **THAI FOCUSED EQUITY FUND LIMITED**

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

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

##### **(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) Forward foreign exchange contracts**

Forward foreign exchange contracts are initially recognised in the balance sheet at cost and subsequently are re-measured at their fair value representing the difference between the forward rate of exchange as applicable to outstanding term of the contract and the spot exchange rate as at the valuation date. Such contracts are carried in assets when net amounts are receivable by the Fund and in liabilities when net amounts are payable by the Fund.

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

Financial instruments carried on the balance sheet include bank balances, available-for-sale securities, forward foreign exchange contracts, other receivables and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item shown above.

##### **(j) Use of estimates**

The preparation of financial statements in conformity with International Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **3 Fees**

##### **(a) Investment management fee**

Under the investment management agreement entered into between the Investment Manager and the Fund on 5th September 1997, the Investment Manager is entitled to receive a basic management fee at an annual rate of 1% of the Fund's net asset value as of the last day of each calendar month before basic fee and incentive fee accruals. The directors, in their sole and absolute discretion, may, in effect, waive or reduce the basic management fee to be paid by certain shareholders that are employees or affiliates of the Investment Manager. Included in investment management fee payable as at 31st December 2001 is US\$7,191 (2000: US\$9,023) which was refunded in shares to certain shareholders of the Fund on 2nd January 2002.

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Fees (continued)

##### (b) Incentive fee

The Investment Manager is entitled to receive an annual incentive fee equal to 20% of the net income (including net unrealised gains), if any, during such financial 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 to the shareholders as at 31st December 2001 (2000: Nil). If a common share has a loss chargeable to it during any financial 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 investment 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 financial year and (ii) the balance of the incentive fee upon completion of the Fund's audited financial statements. In the event that the investment 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% per annum of the Fund's monthly net asset value, 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, subject to a minimum fee of US\$20,000 per annum.

##### (e) Directors' fee

The directors, other than the Investment Manager or its affiliates, are entitled to compensate for directors' fee with respect to services in their capacity as directors. Directors' fee for the year ended 31st December 2001 amounted to US\$3,010 (2000: US\$970).

#### 4 Taxation

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

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.

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Taxation (continued)

The Fund's capital gains and interest income from non-US securities are generally exempt from foreign income or withholding tax at source. Dividends income earned by the Fund from non-US securities are generally subject to foreign withholding tax at source. Total withholding tax paid and payable for the year amounted to US\$11,982 (2000: US\$37,649).

#### 5 Investments

	2001 US\$	2000 US\$
Fair value		
Equities, available-for-sale	34,824,928	24,095,381
Bonds, available-for-sale	253,000	230,000
Warrants, available-for-sale	234,491	676,205
	-----	-----
	35,312,419	25,001,586
	-----	-----
Cost	34,715,093	28,250,210
	-----	-----
Investments - short positions		
Fair value		
Equities, trading	-	2,048,895
	-----	-----
Proceeds	-	745,959
	-----	-----

As at 31st December 2001 and 2000, the Fund's investments in the following listed equities exceeded 10% of the issued share capital of the underlying investee companies:

	2001		2000	
	Fair value US\$	% of holding in investee company	Fair value US\$	% of holding in investee company
The Minor Food Group PCL (Foreign)	2,517,057	9.82%	2,419,618	16.52%
The Minor Food Group PCL (Local)	-		1,212,320	
Regional Container Lines PCL (Foreign)	5,678,792	11.06%	3,653,983	4.41%
Regional Container Lines PCL (Local)	53,988		17,311	
	-----		-----	
	8,249,837		7,303,232	
	-----		-----	

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 5 Investments (continued)

As at 31st December 2001 and 2000, the directors considered that the last traded prices of the above investments approximated to the fair value per share of the investee companies.

Investments held by the Fund are charged to a related company of the Custodian, by way of floating charges, for credit facilities provided to the Fund. As at 31st December 2001 and 2000, no credit facilities were utilised.

#### 6 Deposits with brokers

As at 31st December 2001, US\$1,771,200 (2000: US\$2,170,800) and US\$697,489 (2000: US\$57,561) maintained with Salomon Brothers International Limited and Tisco Securities Hong Kong Limited respectively were pledged as collateral for securities borrowed.

#### 7 Share capital

The authorised share capital of the Fund consists 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 its affiliates, and are identical to investor shares except that the manager shares are entitled to the incentive allocation as described in note 3(c) to the financial statements.

	2001 US\$	2000 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:		
263,586.5178 (2000: US\$240,162.1668) investor shares	2,636	2,402
7,567.8627 (2000: 7,491.4749) manager shares	76	75
	-----	-----
	2,712	2,477
	-----	-----

**THAI FOCUSED EQUITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**7 Share capital (continued)**

	2001 Number of shares	2001 Nominal value US\$
<u>Investor shares</u>		
Balance at 1st January 2001	240,162.1668	2,402
Shares issued	70,130.1247	701
Shares redeemed	(46,705.7737)	(467)
	-----	-----
Balance at 31st December 2001	263,586.5178	2,636
	-----	-----
<u>Manager shares</u>		
Balance at 1st January 2001	7,491.4749	75
Shares issued	76.3878	1
	-----	-----
Balance at 31st December 2001	7,567.8627	76
	-----	-----
Total at 31st December 2001	271,154.3805	2,712
	-----	-----

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 7 Share capital (continued)

	2000 Number of shares	2000 Nominal value US\$
<u>Investor shares</u>		
Balance at 1st January 2000	182,850.6115	1,829
Shares issued (including equalisation shares)	93,857.3602	939
Shares redeemed	(36,545.8049)	(366)
	-----	-----
Balance at 31st December 2000	240,162.1668	2,402
	-----	-----
<u>Manager shares</u>		
Balance at 1st January 2000	1,646.3874	16
Shares issued	6,066.3936	61
Shares redeemed	(221.3061)	(2)
	-----	-----
Balance at 31st December 2000	7,491.4749	75
	-----	-----
Total at 31st December 2000	247,653.6417	2,477
	-----	-----

#### Offering of investor 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 of each month. 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 of investor shares

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 at 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 management 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 common shares which is redeemed at the request of the shareholder.

#### 8 Share premium

	2001 US\$	2000 US\$
Balance at 1st January	34,329,485	24,760,016
Proceeds on issue of shares	9,852,610	15,671,805
Payment on redemption of shares	(6,544,291)	(6,101,704)
Less: nominal value of shares issued/redeemed (note 7)	(235)	(632)
	-----	-----
Balance at 31st December	37,637,569	34,329,485
	-----	-----

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Net asset value per share

The calculation of net asset value per share is based on the assets of US\$40,224,851 (2000: US\$32,806,482) and the number of shares in issue at the year end being 271,154.3805 (2000: 247,653.6417).

#### 10 Related party and affiliated transactions

The following is a summary of significant related party and affiliated transactions in addition to those disclosed in notes 3 and 5 to the financial statements, 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 2001, the Investment Manager and other shareholders have received 37.6125 shares (2000: Nil shares) based on the fees waived by the Fund.

##### Investment by principal

The Principal participates in the performance of the Fund by investing in the Fund as well as via individual investments. The Principal has informed the Fund that at 31st December 2001, the partners of Quest Fund Management, Inc. hold a total investment in the Fund of approximately US\$2,626,022 (2000: US\$2,639,208).

#### 11 Securities borrowing commitments

As at 31st December 2001, the aggregate value of securities in respect of securities borrowing transactions were:

	2001 US\$	2000 US\$
Aggregate value of securities borrowed at year end	2,341,455	2,150,590
	-----	-----

Certain deposits were placed with brokers as collateral for securities borrowed. Details of such deposits as at 31st December 2001 are included in note 6 to the financial statements.

#### 12 Financial instruments

##### (a) Credit risk

Financial assets which potentially subject the Fund to concentrations of credit risks consist of its investment portfolio, bank balances and deposits and balances with brokers. 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.

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.

**THAI FOCUSED EQUITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**12 Financial instruments (continued)**

**(a) Credit risk (continued)**

Cash at bank and deposits with brokers are placed with reputable financial institutions. Amounts due from brokers are from reputable brokerage houses.

**(b) Currency risk**

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

	2001 US\$	2000 US\$
Thai Baht	35,752,734	23,048,085
	- - - - -	- - - - -

Refer to note (c) below for details of outstanding forward foreign exchange contracts as at 31st December 2001.

**(c) 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.

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 2001, there was no outstanding short sale positions (2000: US\$2,048,895). The net realised gain on short sales for the year amounted to US\$22,835 (2000: US\$15,027).

**THAI FOCUSED EQUITY FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**12 Financial instruments (continued)**

**(c) Off-Balance sheet risks (continued)**

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.

Outstanding forward foreign exchange contracts as at 31st December 2001 (2000: Nil) were as follows:

Contracts to deliver	In exchange for	Settlement date
THB 761,668,000	US\$17,000,000	19th April 2002
- - - - -	- - - - -	

The Fund did not enter into futures contracts through the years ended 31st December 2001 and 2000.

**(d) Fair value**

As at 31st December 2001 and 2000, in the opinion of the directors, 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.

**13 Approval of financial statements**

The financial statements were approved by the directors on

**THAI FOCUSED EQUITY FUND LIMITED**

**SCHEDULE OF INVESTMENTS  
AS AT 31ST DECEMBER 2001**

	Holding	Fair value US\$	% of net assets
<b>Investments</b>			
<b>Thailand - listed</b>			
<u>Equities</u>			
Autos & Trucks			
Thairung Union Car Public Co. Ltd. (Foreign)	474,800	945,731	2.34
		-----	-----
Building/Construction			
Siam City Cement Public Co. Ltd. (Foreign)	173,900	570,745	1.42
Thai Gypsum Products Public Co. Ltd. (Foreign)	9,631,300	418,563	1.04
		- - - - -	- - - - -
Subtotal		989,308	2.46
		-----	-----
Building/Construction Material			
Dynasty Ceramic Public Co. Ltd. (Foreign)	345,000	163,988	0.41
		-----	-----
Computer/Software			
Shin Corporations Public Co. Ltd. (Foreign)	1,016,100	358,786	0.89
		-----	-----
Electronic			
Draco PCB Public Co. Ltd. (Foreign)	803,800	265,629	0.66
		-----	-----
Entertainment			
BEC World Public Co Ltd. (Foreign)	158,800	740,444	1.85
CVD Entertainment Public Co. Ltd. (Foreign)	4,690,700	711,356	1.76
		- - - - -	- - - - -
Subtotal		1,451,800	3.61
		-----	-----
Bank			
Siam Commercial Bank Public Co. Ltd. (Foreign)	702,400	267,096	0.66
Thai Farmers Bank Public Co. Ltd. (Local)	1,781,600	750,062	1.86
		- - - - -	- - - - -
		1,017,158	2.52
		-----	-----

**THAI FOCUSED EQUITY FUND LIMITED**

**SCHEDULE OF INVESTMENTS (CONTINUED)  
AS AT 31ST DECEMBER 2001**

	Holding	Fair value US\$	% of net assets
Finance			
ABN Amro Asia Securities Public Co. Ltd. (Foreign)	527,000	378,729	0.94
ABN Amro Asia Securities Public Co. Ltd. (Local)	231,000	166,009	0.41
Capital Nomura Securities Public Co. Ltd. (Foreign)	2,000	1,403	0.01
Capital Nomura Securities Public Co. Ltd. (Local)	323,000	226,641	0.56
National Finance Public Co. Ltd. (Foreign)	2,827,500	678,395	1.69
National Finance Public Co. Ltd. (Local)	3,140,100	671,660	1.67
Seamico Securities Public Co. Ltd. (Foreign)	127,202	89,254	0.22
Seamico Securities Public Co. Ltd. (Local)	652,798	458,053	1.15
Siam Parich Leasing Public Co. Ltd. (Foreign)	991,300	477,924	1.19
		-----	-----
Subtotal		3,148,068	7.84
		-----	-----
Foods			
The Minor Food Group PCL (Foreign)	3,177,245	2,517,057	6.26
Thai Union Frozen Products PCL (Foreign)	1,040,000	402,535	1.00
		-----	-----
Subtotal		2,919,592	7.26
		-----	-----
Energy			
Banpu Public Company Ltd. (Foreign)	7,669,737	4,470,252	11.12
Banpu Public Company Ltd. (Local)	3,483,400	1,971,141	4.90
PTT Exploration & Production Public Co. Ltd. (Foreign)	532,200	1,349,172	3.35
PTT Exploration & Production Public Co. Ltd. (Local)	202,700	486,333	1.21
		-----	-----
Subtotal		8,276,898	20.58
		-----	-----
Hotel			
Royal Garden Resort Public Co. Ltd. (Foreign)	979,500	281,567	0.70
		-----	-----
Manufacturing			
Compass East Industry (Thai) Public Co. Ltd. (Foreign)	53,800	248,420	0.62
		-----	-----

**THAI FOCUSED EQUITY FUND LIMITED**

**SCHEDULE OF INVESTMENTS (CONTINUED)  
AS AT 31ST DECEMBER 2001**

	Holding	Fair value US\$	% of net assets
<b>Mining</b>			
Padaeng Industry Public Co. Ltd. (Foreign)	1,363,500	373,435	0.93
		-----	-----
<b>Real Estate</b>			
Asian Property Development Public Co. Ltd. (Foreign)	1,244,600	447,921	1.11
Land and House Public Co. Ltd. (Local)	3,230,600	2,851,820	7.09
Quality House Public Co. Ltd. (Foreign)	2,572,500	378,480	0.94
		-----	-----
Subtotal		3,678,221	9.14
		-----	-----
<b>Telecommunication</b>			
Advanced Info Service PCL (Foreign)	2,346,700	2,164,509	5.38
Advanced Info Service PCL (Local)	592,300	546,316	1.36
Shin Satellite Pub. Co Ltd. (Foreign)	1,531,000	883,669	2.20
		-----	-----
Subtotal		3,594,494	8.94
		-----	-----
<b>Transportation</b>			
Regional Container Lines PCL (Foreign)	6,969,140	5,678,792	14.12
Regional Container Lines PCL (Local)	71,200	53,988	0.13
Thoresen Thai Agencies Pcl (Foreign)	2,047,423	662,701	1.65
Thoresen Thai Agencies Pcl (Local)	2,213,177	716,352	1.78
		-----	-----
Subtotal		7,111,833	17.68
		-----	-----
		34,824,928	86.58
		-----	-----
<b><u>Bonds</u></b>			
Cogeneration 2.5% 12/02/07	200,000	253,000	0.63
		-----	-----

**THAI FOCUSED EQUITY FUND LIMITED**

**SCHEDULE OF INVESTMENTS (CONTINUED)  
AS AT 31ST DECEMBER 2001**

	Holding	Fair value US\$	% of net assets
<u>Warrants</u>			
Finance			
Siam Panich Leasing Ltd. (Foreign)	1,678,500	161,087	0.40
		-----	-----
Building/Construction Material			
Asia Property Development Public Co. Ltd. (Foreign)	345,000	73,404	0.18
		-----	-----
Subtotal		234,491	0.58
		-----	-----
Total investments		35,312,419	87.79
Other net assets		4,912,432	12.21
		-----	-----
Total net asset value		40,224,851	100.00
		-----	-----