

THAI FOCUSED EQUITY FUND LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2002

THAI FOCUSED EQUITY FUND LIMITED

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THAI FOCUSED EQUITY FUND LIMITED

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Kieron J. O'Rourke
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Administrator, Registrar and Company Secretary

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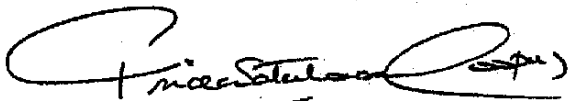
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**AUDITORS' REPORT TO THE SHAREHOLDERS OF
THAI FOCUSED EQUITY FUND LIMITED**
(incorporated in the British Virgin Islands with limited liability)

We have audited the accompanying balance sheet of Thai Focused Equity Fund Limited (the "Fund") as of 31st December 2002 and the related income statement and cash flow statement and statement of changes in shareholders' equity for the year then ended. These financial statements, set out on pages 3 to 20, 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 2002 and its net income, cash flows and change in shareholders' equity for the year then ended in accordance with International Accounting Standards.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, **20 MAR 2003**

THAI FOCUSED EQUITY FUND LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2002**


	Note	2002 US\$	2001 US\$
Income			
Dividends (net of withholding tax)		882,338	918,347
Bank interest		137,115	284,132
Bond interest (net of withholding tax)		2,422	5,000
Other income		426,760	-
		<u>1,448,635</u>	<u>1,207,479</u>
Expenses			
Investment management fee	3(a)	552,417	367,826
Incentive fee	3(b)	1,870,837	-
Custodian fee	3(c)	46,850	33,110
Administration fee	3(d)	55,250	36,788
Directors' fee	3(e)	3,010	3,010
Transactions handling fee		104,314	63,603
Auditors' remuneration		26,000	30,000
Legal and professional fee		23,718	23,750
Stock borrowing fee		57,046	17,572
Interest expenses		7,964	3,643
Other operating expenses		15,971	19,128
		<u>2,763,377</u>	<u>598,430</u>
Net operating (loss)/income		<u>(1,314,742)</u>	<u>609,049</u>
Realized and unrealized gains/(losses) on investments			
Net realized gains/(losses) on investments		7,855,040	(1,373,397)
Net change in unrealized gains on investments		5,268,764	5,148,886
Net realized losses on forward foreign exchange contracts		(579,260)	(260,826)
Net change in unrealized gains/losses on forward foreign exchange contracts		37,119	(240,109)
Foreign exchange (losses)/gains		(190,336)	226,447
		<u>12,391,327</u>	<u>3,501,001</u>
Net income for the year		<u><u>11,076,585</u></u>	<u><u>4,110,050</u></u>

THAI FOCUSED EQUITY FUND LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 2002

	Note	2002 US\$	2001 US\$
Assets			
Investments, available for sale	5	46,254,160	35,312,419
Deposits with brokers	6	4,082,035	2,565,613
Amounts receivable from brokers		1,285,387	251,838
Dividend receivables		2,223	-
Interest receivables		1,436	6,555
Other receivables		-	255
Bank balances		7,036,021	3,048,543
		<u>58,661,262</u>	<u>41,185,223</u>
Liabilities			
Amount payable on forward foreign exchange contracts		202,990	240,109
Investments sold, but not yet purchased, trading	5	869,941	-
Amounts payable on redemption		-	210,437
Amounts payable to brokers		706,960	351,452
Incentive fee payable		1,610,600	-
Investment management fee payable		131,823	92,931
Other payables		75,410	65,443
		<u>3,597,724</u>	<u>960,372</u>
Net assets		<u>55,063,538</u>	<u>40,224,851</u>
Represented by:			
Share capital	7	2,912	2,712
Share premium	8	41,399,471	37,637,569
Retained earnings		13,661,155	2,584,570
Shareholders' fund		<u>55,063,538</u>	<u>40,224,851</u>
Number of shares in issue	7	<u>291,117.6470</u>	<u>271,154.3805</u>
Net asset value per share	9	<u>189.1453</u>	<u>148.3467</u>


 20 Mar 03
 Director


 Director

THAI FOCUSED EQUITY FUND LIMITED

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2002**

	* Share capital US\$	* Share premium US\$	Retained earnings/ (accumulated losses) US\$	Total US\$
Balance at 1st January 2002	2,712	37,637,569	2,584,570	40,224,851
Net income for the year	-	-	11,076,585	11,076,585
Issue of share capital	324	6,057,355	-	6,057,679
Redemption of shares	(124)	(2,295,453)	-	(2,295,577)
	<u>2,912</u>	<u>41,399,471</u>	<u>13,661,155</u>	<u>55,063,538</u>
Balance at 31st December 2002	<u>2,912</u>	<u>41,399,471</u>	<u>13,661,155</u>	<u>55,063,538</u>
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)
	<u>2,172</u>	<u>37,367,569</u>	<u>2,584,570</u>	<u>40,224,851</u>
Balance at 31st December 2001	<u>2,172</u>	<u>37,367,569</u>	<u>2,584,570</u>	<u>40,224,851</u>

* Non-distributable reserves

THAI FOCUSED EQUITY FUND LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2002**

	2002 US\$	2001 US\$
Net income for the year	11,076,585	4,110,050
Adjustments for:		
Net realized (gains)/losses on investments	(7,855,040)	1,373,397
Net change in unrealized gains on investments	(5,268,764)	(5,148,886)
Net change in unrealized gains/losses on forward foreign exchange contracts	(37,119)	240,109
Interest income	(139,537)	(289,132)
Interest expenses	7,964	3,643
Dividends income	(882,338)	(918,347)
	<u>(3,098,249)</u>	<u>(629,166)</u>
	-----	-----
Increase in deposits with brokers	(1,516,422)	(259,737)
(Increase)/decrease in amounts receivable from brokers	(1,033,549)	222,128
Decrease in other receivables	255	3,885
Increase in other payables	1,804,530	126,603
Interest received	138,101	292,599
Interest paid	(7,964)	(3,643)
Dividends received	880,115	918,347
	<u>265,066</u>	<u>671,016</u>
	-----	-----
Net cash inflow from operating activities	265,066	671,016
	-----	-----
Cash flows from investing activities		
Purchase of investments	(108,519,179)	(81,309,497)
Sale of investments	111,577,738	72,725,258
	<u>3,058,559</u>	<u>(8,584,239)</u>
	-----	-----
Net cash inflow/(outflow) from investing activities	3,058,559	(8,584,239)
	-----	-----
Cash flows from financing activities		
Issue of shares	6,057,679	9,852,610
Payment on redemption of shares	(2,295,577)	(6,544,291)
	<u>3,762,102</u>	<u>3,308,319</u>
	-----	-----
Net cash inflow from financing activities	3,762,102	3,308,319
	-----	-----

THAI FOCUSED EQUITY FUND LIMITED

**CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2002**

	2002 US\$	2001 US\$
Increase/(decrease) in cash and cash equivalents	3,987,478	(4,604,904)
Cash and cash equivalents at 1st January	3,048,543	7,653,447
Cash and cash equivalents 31st December	<u>7,036,021</u>	<u>3,048,543</u>
Analysis of balances of cash and cash equivalents:		
Bank balances	<u>7,036,021</u>	<u>3,048,543</u>

Please refer to note 3 and 7 to the financial statements for details of certain non-cash transactions.

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.

The Fund has no employees.

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

The Fund adopted International Accounting Standard No. 39 - Financial Instrument: 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, exchange 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 purchase and re-evaluates such designation on a regular basis.

All securities are initially recognized at cost and are subsequently re-measured at fair value based on the prices quoted on the relevant stock exchanges or over-the-counter markets on which they are traded and translated into United States dollars at the exchange rates ruling at the balance sheet date. Gains and losses arising from changes in the fair value of available-for sale and trading securities are recognized in the income statement as they arise.

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 judgment 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.

All purchases and sales of investment securities that require delivery within the time frame established by regulation or market convention ("regular way" purchase and sales) are recognized at trade date, which is the date on which the Fund commits to purchase or sell the asset. Realized and unrealized gains and losses on investment are recognized in 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 recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable, while income from fixed interest securities is recognized 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 equalization

The net asset value of the Fund is computed on a monthly basis.

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. However, when investor shares are subscribed for during the course of a financial year, certain adjustments to the amount of money paid for the purchase of investor shares is necessary. This is done so that (i) the incentive allocation is charged 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. Such adjustments are usually made at the end of the relevant financial year or at redemptions, whichever is earlier and are usually made by way of adjustment in the number of shares held by the relevant shareholders.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Principal accounting policies (continued)

(e) Proceeds and payments on issue and redemption of shares and equalization (continued)

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. At redemption, shareholders will be paid the net asset value of the shares on the date of redemption with appropriate adjustment to ensure that (i) the incentive allocation is charged 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.

Proceeds and payments for shares issued and redeemed are shown in the statement of changes in shareholders' equity.

(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. Realized and unrealized 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 recognized 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 contracts 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.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 an investment management fee for any financial quarter at a quarterly rate of 0.25% (i.e. 1.0% per annum) of the Fund's net asset value during such quarter, computed without regard to any accrued incentive allocation for such year. The investment management fee is calculated and accrued as of the end of each month and is payable on a quarterly basis.

The Fund may, in its sole discretion, in effect waive or reduce the investment management fee to be paid by certain shareholders affiliated with the Investment Manager or certain large shareholders. Accordingly, for the year ended 31st December 2002, 187.7049 (2001: 215.1379) shares equivalent to US\$35,474 (2001: US\$31,915) representing the shares equivalent of the investment management fee waived by the Fund were issued to the relevant shareholders.

(b) Incentive fee

The Investment Manager is allocated an incentive allocation for each financial year equal to 20% of the net income (including net realised and unrealised gains), if any, during such financial year allocable to each common share.

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 allocation with respect to the common share until the amount of the loss previously allocated to the common share has been recouped.

When new shareholders subscribe at a net asset value higher than the net asset value at which the incentive fee was last calculated (the "high water mark"), units equivalent to the incentive fee which is included in the subscription price as at the entry date (equalization factor) are returned to the relevant shareholders in the form of new shares as of the year end date. Accordingly, for the year ended 31 December 2002, 399.3638 (2001: Nil) shares equivalent to US\$75,475 (2001: Nil) were issued to the relevant shareholders.

When new shareholders subscribe at a net asset value lower than both the high water mark and the net asset value as at the year-end date following investment, such shareholders would be subject to an additional incentive fee calculated by reference to the net asset value at which they subscribed and the lower of the high water mark and the net asset value as at the year-end following investment which is effected through the redemption of shares with respect to the relevant shareholders. Accordingly, for the year ended 31 December 2002, 2,258.1316 (2001: 771.8878) shares equivalent to US\$426,760 (2001: US\$114,507) were redeemed from the relevant shareholders.

The Fund may, in its sole discretion, in effect waive or reduce the incentive allocation for certain shareholders affiliated with the Investment Manager or certain large shareholders. Accordingly, for the year ended 31st December 2002, 898.6915 (2001: Nil) shares equivalent to US\$169,842 (2001: Nil) representing the shares equivalent of the incentive fee waived by the Fund were issued to the relevant shareholders.

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 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 the 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 2002 amounted to US\$3,010 (2001: US\$3,010).

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.

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\$20,186 (2001: US\$11,982).

THAI FOCUSED EQUITY FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5 Investments

	2002 US\$	2001 US\$
Long position		
Equities, available-for-sale	45,532,380	34,824,928
Bonds, available-for-sale	-	253,000
Warrants, available-for-sale	721,780	234,491
	<u>46,254,160</u>	<u>35,312,419</u>
At fair value	<u>46,254,160</u>	<u>35,312,419</u>
At Cost	<u>39,518,129</u>	<u>34,715,093</u>
Short position		
Equities, trading, at fair value	<u>869,941</u>	-
Proceeds	<u>834,062</u>	-

As at 31st December 2002, the Fund's investments in the following listed equities exceeded 10% of the issued share capital of the underlying investee companies:

	2002		2001	
	Fair value US\$	% of holding in investee company	Fair value US\$	% of holding in investee company
Internet Thailand Public Co. Ltd. (Foreign)	384,197	} 16.64%		
Internet Thailand Public Co. Ltd. (NVDR)	3,915,940			
Thoresen Thai Agencies (Foreign)	4,015,408	} 14.73%	662,701	} 10.02%
Thoresen Thai Agencies (Local)	-		716,352	
Thoresen Thai Agencies (NVDR)	1,807,896		-	
	<u>10,123,441</u>		<u>1,379,053</u>	

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 2002 and 31st December 2001, no credit facilities were utilized.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6 Deposits with brokers

Included under deposits with brokers are US\$2,074,170 (2001: Nil) and US\$1,963,711 (2001: Nil) maintained with Goldman Sachs International and KGI Securities (Thailand) Public Company Limited respectively which 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.

Please also refer to note 3 for the details of certain movements in the shareholders' equity in relation to the investment management fee and incentive fee.

	2002 US\$	2001 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>50,100</u>	<u>50,100</u>
Issued and fully paid:		
282,458.0198 (2001: US\$263,586.5178) investor shares	2,825	2,636
8,659.6272 (2001: 7,567.8627) manager shares	87	76
	<u>2,912</u>	<u>2,712</u>
	2002 Number of Shares	2002 Nominal value US\$
<u>Investor shares</u>		
Balance at 1st January 2002	263,586.5182	2,636
Shares issued	31,351.3770	314
Shares redeemed	(12,479.8754)	(125)
Balance at 31st December 2002	<u>282,458.0198</u>	<u>2,825</u>
<u>Manager shares</u>		
Balance at 1st January 2002	7,567.8627	76
Shares issued	1,097.4952	11
Shares redeemed	(5.7307)	-
Balance at 31st December 2002	<u>8,659.6272</u>	<u>87</u>
Total at 31st December 2002	<u>291,117.6470</u>	<u>2,912</u>

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)
	<hr/>	<hr/>
Balance at 31st December 2001	263,586.5178	2,636
	<hr/> <hr/>	<hr/> <hr/>
<u>Manager shares</u>		
Balance at 1st January 2001	7,491.4749	75
Shares issued	76.3878	1
	<hr/>	<hr/>
Balance at 31st December 2001	7,567.8627	76
	<hr/> <hr/>	<hr/> <hr/>
Total at 31st December 2001	271,154.3805	2,712
	<hr/> <hr/>	<hr/> <hr/>

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.

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. However, when investor shares are subscribed for during the course of a financial year, certain adjustments to the amount of money paid for the purchase of investor shares is necessary. This is done so that (i) the incentive allocation is charged 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. Such adjustments are usually made at the end of the relevant financial year or at redemptions, whichever is earlier and are usually made by way of adjustment in the number of shares held by the relevant shareholders.

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.

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. At redemption, shareholders will be paid the net asset value of the shares on the date of redemption with appropriate adjustment to ensure that (i) the incentive allocation is charged 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.

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

	2002 US\$	2001 US\$
Balance at 1st January	37,637,569	34,329,485
Proceeds on issue of shares	6,057,679	9,852,610
Payment on redemption of shares	(2,295,577)	(6,544,291)
Less: nominal value of shares issued/redeemed (note 7)	(200)	(235)
Balance at 31st December	<u>41,399,471</u>	<u>37,637,569</u>

Please also refer to note 3 for the details of certain movements in the shareholders' equity in relation to the investment management fee and incentive fee.

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\$55,063,538 (2001: US\$40,224,851) and the number of shares in issue at the year end being 291,117.6470 (2001: 271,154.3805).

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:

Investment by principal

The Principal participates in the performance of the Fund by investing in the Fund. The Principal has informed the Fund that at 31st December 2002, the partners of Quest Management, Inc. hold a total investment in the Fund of approximately US\$3,630,004 (2001: US\$2,626,022).

11 Securities borrowing

As at 31st December 2002, the aggregate value of securities in respect of securities borrowing transactions were:

	2002 US\$	2001 US\$
Aggregate value of securities borrowed at year end	3,407,395	2,341,455

Certain deposits were placed with brokers as collateral for securities borrowed. Details of such deposits as at 31st December 2002 are included in note 6 to the financial statements.

12 Other commitments

At the balance sheet date, the Fund was committed to purchase 4,219,640 shares of Banpu Public Company Limited at a price of Thai Baht 32.116 for each share. This will increase the total effective exposure of the Fund to Banpu with an additional amount of US\$3,141,353 and the cash holding of the Fund will be lowered by a similar amount.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 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.

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

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. A summary of the Fund's net assets by major currency, other than United States dollars, is shown below:

	2002 US\$	2001 US\$
Thai Baht	47,182,711	35,752,734

The Fund generally enters into forward foreign exchange contracts in order to manage its net exposure to fluctuations in foreign currency exchange rates. The Fund's holding in short position of Thai Baht denominated investments also effectively reduces the Fund's overall currency risk. Please refer to note (c) below for details of outstanding forward foreign exchange contracts and short position of investments as at 31st December 2002.

(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.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 Financial instruments (continued)

(c) Off-balance sheet risks (continued)

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 value of 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. However, the Fund generally shorts local versus foreign shares of the same security as a hedge so that the only amount at risk is the local/foreign spread.

At 31st December 2002, the fair value of the outstanding short sale positions amounted to US\$869,941 (2001: Nil). The net realised loss on short sales for the year amounted to US\$625,872 (2001: net realised gain of US\$22,835).

Forward foreign exchange contracts

The Fund generally enters into forward foreign exchange contracts in order to manage its net exposure to fluctuations in foreign currency exchange rates. The Fund does not use the forward foreign exchange contracts for speculative purposes.

Outstanding forward foreign exchange contracts as at 31st December 2002 were as follows:

Contracts to deliver	In exchange for	Settlement date
THB 914,697,000	US\$21,000,000	21st May 2003

Outstanding forward foreign exchange contracts as at 31st December 2001 were as follows:

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

(d) Fair value

As at 31st December 2002 and 2001, 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.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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 2002**

	Holding	Fair value US\$	% of net assets
Investments, long position			
Singapore – listed			
<u>Equities</u>			
Telecommunication			
Total Access Communication Public Co. Ltd.	1,410,000	782,550	1.42
		-----	-----
Thailand - listed			
<u>Equities</u>			
Building/Construction Material			
Siam Cement Public Co. Ltd. (NVDR)	42,100	1,143,746	2.08
		-----	-----
Computer/Software			
Internet Thailand Public Co. Ltd. (Foreign)	37,877,500	3,915,940	7.11
Internet Thailand Public Co. Ltd. (NVDR)	3,716,200	384,197	0.70
		-----	-----
Subtotal		4,300,137	7.81
		-----	-----
Electronic			
Delta Electronics (Thai) Public Co. Ltd. (NVDR)	165,000	104,225	0.19
Draco PCB Public Co. Ltd. (Foreign)	425,700	192,423	0.35
Draco PCB Public Co. Ltd. (NVDR)	135,300	61,158	0.11
KCE Electronics Public Co. Ltd. (Foreign)	1,206,200	1,349,076	2.45
		-----	-----
		1,706,882	3.10
		-----	-----
Energy			
Banpu Public Co. Ltd. (Foreign) (see note 12)	4,787,537	3,773,210	6.85
		-----	-----

THAI FOCUSED EQUITY FUND LIMITED

SCHEDULE OF INVESTMENTS (CONTINUED) AS AT 31ST DECEMBER 2002

	Holding	Fair value US\$	% of net assets
Entertainment			
BEC World Public Co. Ltd. (Foreign)	212,400	1,004,395	1.82
BEC World Public Co. Ltd. (NVDR)	5,000	23,644	0.04
GMM Grammy Public Co. Ltd (Foreign)	1,432,700	594,467	1.08
GMM Media Public Co. Ltd. (Foreign)	2,927,300	1,781,215	3.24
GMM Media Public Co. Ltd. (NVDR)	444,200	270,289	0.49
Major Cineplex Group Public Co. Ltd (Foreign)	1,031,700	1,937,128	3.52
Subtotal		5,611,138	10.19
Finance			
Adkinson Securities Public Co. Ltd. (Foreign)	868,000	199,193	0.36
Aeon Thana Sinsap (Thailand) Public Co. Ltd (NVDR)	518,100	1,357,100	2.47
Capital Nomura Securities Public Co. Ltd. (NVDR)	420,300	367,787	0.67
National Finance Public Co. Ltd. (Foreign)	60,000	20,584	0.04
Siam Parich Leasing Public Co. Ltd. (Foreign)	1,397,400	1,271,394	2.31
Subtotal		3,216,058	5.85
Foods			
The Minor Food Group Public Co. Ltd. (Foreign)	1,993,445	3,165,298	5.75
The Minor Food Group Public Co. Ltd. (Local)	6,400	9,346	0.02
The Minor Food Group Public Co. Ltd. (NVDR)	189,600	276,885	0.50
Subtotal		3,451,529	6.27
Manufacturing			
Fancy Wood Industries Public Co. Ltd. (NVDR)	87,000	107,893	0.20

THAI FOCUSED EQUITY FUND LIMITED

**SCHEDULE OF INVESTMENTS (CONTINUED)
AS AT 31ST DECEMBER 2002**

	Holding	Fair value US\$	% of net assets
Mining			
Padaeng Industry Public Co. Ltd. (Foreign)	3,600,103	1,001,419	1.82
Padaeng Industry Public Co. Ltd. (NVDR)	2,013,397	560,055	1.02
Subtotal		<u>1,561,474</u>	<u>2.84</u>
Petrochemical			
Aromatics (Thailand) Public Co. Ltd. (Foreign)	2,300,000	277,237	0.50
Aromatics (Thailand) Public Co. Ltd. (NVDR)	3,197,900	385,468	0.70
Subtotal		<u>662,705</u>	<u>1.20</u>
Property			
Asian Property Development Public Co. Ltd. (Foreign)	3,207,000	3,122,935	5.67
Asian Property Development Public Co. Ltd. (NVDR)	107,500	104,659	0.19
Subtotal		<u>3,227,594</u>	<u>5.86</u>
Telecommunication			
Advanced Information Service Public Co. Ltd (Foreign)	5,269,600	4,366,903	7.93
Telecomasia Corporation Public Co. Ltd (Foreign)	100	11	0.00
Subtotal		<u>4,366,914</u>	<u>7.93</u>

THAI FOCUSED EQUITY FUND LIMITED

**SCHEDULE OF INVESTMENTS (CONTINUED)
AS AT 31ST DECEMBER 2002**

	Holding	Fair value US\$	% of net assets
Transportation			
Regional Container Line Public Co. Ltd. (Foreign)	4,094,240	5,409,636	9.83
Regional Container Line Public Co. Ltd. (Local)	5,900	7,248	0.01
Regional Container Line Public Co. Ltd. (NVDR)	309,600	380,362	0.69
Thoresen Thai Agencies Public Co. Ltd. (Foreign)	44,416,590	4,015,408	7.29
Thoresen Thai Agencies Public Co. Ltd. (NVDR)	19,998,110	1,807,896	3.28
		<hr/>	<hr/>
Subtotal		11,620,550	21.10
		<hr/> <hr/>	<hr/> <hr/>
		45,532,380	82.70
		<hr/> <hr/>	<hr/> <hr/>
<u>Warrants</u>			
Energy			
Banpu Public Co. Ltd. (Foreign) (see note 12)	4,000,000	86,231	0.16
		<hr/> <hr/>	<hr/> <hr/>
Property			
Asia Property Development Public Co. Ltd. (Foreign)	856,800	635,549	1.15
		<hr/> <hr/>	<hr/> <hr/>
		721,780	1.31
		<hr/> <hr/>	<hr/> <hr/>
Total investments, long position		46,254,160	84.01
		<hr/> <hr/>	<hr/> <hr/>
Investments, short position			
Thailand-listed			
<u>Equities</u>			
Finance			
Tisco Finance Public Co. Ltd. (Foreign)	270,000	(140,195)	(0.25)
		<hr/> <hr/>	<hr/> <hr/>

THAI FOCUSED EQUITY FUND LIMITED

**SCHEDULE OF INVESTMENTS (CONTINUED)
AS AT 31ST DECEMBER 2002**

	Holding	Fair value US\$	% of net assets
Oil			
PTT Public Co. Ltd. (Foreign)	260,000	(254,636)	(0.46)
PTT Public Co. Ltd. (Local)	65,000	(63,659)	(0.12)
		<u> </u>	<u> </u>
Subtotal		(318,295)	(0.58)
		<u> </u>	<u> </u>
Telecommunication			
Advanced Information Service Public Co. Ltd. (Local)	500,000	(411,451)	(0.75)
		<u> </u>	<u> </u>
Total investment, short position		(869,941)	(1.58)
		<u> </u>	<u> </u>
Total investments		45,384,219	82.43
Other net assets		9,679,319	17.57
		<u> </u>	<u> </u>
Total net asset value		55,063,538	100.00
		<u> </u>	<u> </u>