

**THAI FOCUSED EQUITY FUND LIMITED**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER 2005**

## THAI FOCUSED EQUITY FUND LIMITED

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## **THAI FOCUSED EQUITY FUND LIMITED**

### **ADMINISTRATION**

#### **Directors**

Douglas E. Barnett  
Paul H. Smith  
(resigned on 30th September 2005)  
Lau Chung Wei Wayne

#### **Investment Manager**

Quest Management, Inc.  
c/o Wayne Lau  
255 Arcadia Rd.  
Unit # 14-24  
Singapore

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

Bank of Bermuda (Cayman) Limited  
(prior to 1st January 2006)  
P.O. Box 513 G.T.  
Strathvale House  
North Church Street  
George Town, Grand Cayman  
Cayman Islands

Goldman Sachs Management (Ireland) Limited  
doing business as Goldman Sachs  
Administration Services Co  
(with effect from 1st January 2006)  
Hardwicke House, 2nd Floor,  
Hatch Street  
Dublin 2  
Ireland

#### **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**

HSBC Institutional Trust Services  
(Asia) Limited  
(prior to 1st January 2006)  
1 Queen's Road Central  
Hong Kong SAR

Goldman Sachs International  
(with effect from 1st January 2006)  
Peterborough Court  
133 Fleet Street  
London EC 2A 2BB  
England  
United Kingdom

#### **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

#### **Prime broker**

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London EC2A 2BB  
England  
United Kingdom

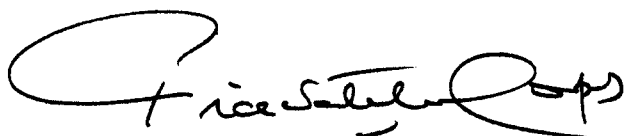
**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
THAI FOCUSED EQUITY FUND LIMITED**  
(incorporated in the British Virgin Islands with limited liability)

We have audited the accompanying balance sheet of Thai Focused Equity Fund Limited (the "Fund") as of 31st December 2005 and the related statements of income, cash flows and changes in net assets attributable to holders of redeemable common shares, for the year then ended. These financial statements, set out on pages 3 to 21, are the responsibility of the directors.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2005, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 2nd May 2006

**THAI FOCUSED EQUITY FUND LIMITED**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2005**

	Note	2005 US\$	2004 US\$
<b>Revenue</b>			
Dividend income		13,618,156	5,266,525
Interest income		1,434,580	422,925
Other income		45,018	-
(Losses)/gains on investments	3	(31,869,756)	2,747,375
		<u>(16,772,002)</u>	<u>8,436,825</u>
<b>Expenses</b>			
Investment management fee	4(a)	2,831,765	2,618,964
Incentive fee	4(b)	799,939	295,693
Custodian fee	4(c)	186,319	142,236
Administration fee	4(d)	197,506	156,599
Directors' fee	4(e)	2,760	990
Transactions handling fee	4(c)	38,427	50,470
Auditors' remuneration			
- current year		34,000	28,502
- prior year under-provision		16,675	-
Legal and professional fee		25,000	52,385
Stock borrowing fee		31,769	104,155
Other operating expenses		20,248	17,720
Dividend paid for stock borrowed		40,707	48,605
		<u>4,225,115</u>	<u>3,516,319</u>
(Loss)/profit before tax		(20,997,117)	4,920,506
Overseas withholding tax	5	(1,265,984)	(475,802)
(Decrease)/increase in net assets attributable to holders of redeemable common shares from operations		<u>(22,263,101)</u>	<u>4,444,704</u>

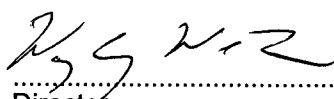
The accompanying notes are an integral part of these financial statements.

**THAI FOCUSED EQUITY FUND LIMITED**

**BALANCE SHEET  
AS AT 31ST DECEMBER 2005**

	Note	2005 US\$	2004 US\$
<b>Assets</b>			
Investments - long positions	6	143,407,488	193,208,952
Amounts receivable from reverse repurchase agreement	7	44,000,000	-
Dividend receivable		-	2,676
Interest receivable		18,165	2,556
Deposits with brokers	8	33,289,467	9,885,253
Bank balances		6,814,908	39,315,180
Total assets		<u>227,530,028</u>	<u>242,414,617</u>
<b>Liabilities</b>			
Investments - short positions	6	1,859,162	-
Net amount payable on forward foreign exchange contracts		17,549	1,911,729
Subscriptions received in advance		1,250,000	1,295,000
Amounts payable on redemption		5,212,965	9,858,488
Amounts payable to brokers		-	2,953,728
Incentive fee payable		787,917	876,575
Investment management fee payable		831,145	804,659
Other payables		112,084	169,703
Liabilities (excluding net assets attributable to holders of redeemable common shares)		<u>10,070,822</u>	<u>17,869,882</u>
Net assets attributable to holders of redeemable common shares		<u>217,459,206</u>	<u>224,544,735</u>
Total liabilities		<u>227,530,028</u>	<u>242,414,617</u>
Number of redeemable common shares in issue	10	<u>506,013.1064</u>	<u>472,801.0948</u>
Net asset value per redeemable common share	11	<u>429.7501</u>	<u>475.1253</u>

  
.....  
Director

  
.....  
Director

The accompanying notes are an integral part of these financial statements.

**THAI FOCUSED EQUITY FUND LIMITED**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF  
REDEEMABLE COMMON SHARES  
FOR THE YEAR ENDED 31ST DECEMBER 2005**

	2005 US\$	2004 US\$
Net assets attributable to holders of redeemable common shares at 1st January	224,544,735	203,621,121
Proceeds from redeemable common shares issued	48,115,056	104,440,144
Redemption of redeemable common share	(32,937,484)	(87,961,234)
	<hr/>	<hr/>
Net increase from share transactions	15,177,572	16,478,910
(Decrease)/increase in net assets attributable to holders of redeemable common shares from operations	(22,263,101)	4,444,704
	<hr/>	<hr/>
Net assets attributable to holders of redeemable common shares at 31st December	<u>217,459,206</u>	<u>224,544,735</u>

The accompanying notes are an integral part of these financial statements.

**THAI FOCUSED EQUITY FUND LIMITED**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2005**

	2005 US\$	2004 US\$
Cash flows from operating activities		
(Decrease)/increase in net assets attributable to holders of redeemable common shares from operations	(22,263,101)	4,444,704
Adjustments for:		
Net realized gains on investments	(5,410,410)	(62,916,608)
Net change in unrealized gains/(losses) on investments	39,643,952	57,677,542
Net change in unrealized losses on forward foreign exchange contracts	(1,894,180)	1,910,654
Overseas withholding tax	1,265,984	475,802
Interest income	(1,434,580)	(422,925)
Dividend income	(13,618,156)	(5,266,525)
	<u>(3,710,491)</u>	<u>(4,097,356)</u>
	-----	-----
Increase in deposits with brokers	(23,404,214)	(5,126,226)
Increase in amounts receivable from reverse repurchase agreement	(44,000,000)	-
Decrease in amounts receivable from brokers	-	3,199,332
(Decrease)/increase in amounts payable to brokers	(2,953,728)	938,044
Decrease in incentive fee payable	(88,658)	(25,079,654)
Increase in investment management fee payable	26,486	259,070
Decrease in other payables	(57,619)	(9,104)
Interest received	1,418,971	421,678
Overseas withholding tax paid	(1,265,984)	(475,802)
Dividends received	13,620,832	5,266,293
	<u>(60,414,405)</u>	<u>(24,703,725)</u>
	-----	-----
Cash flows from investing activities		
Purchase of investments		(188,087,254)
	(154,217,545)	)
Sale of investments	172,047,185	198,922,103
	<u>17,829,640</u>	<u>10,834,849</u>
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The accompanying notes are an integral part of these financial statements.

**THAI FOCUSED EQUITY FUND LIMITED**

**CASH FLOW STATEMENT (CONTINUED)  
FOR THE YEAR ENDED 31ST DECEMBER 2005**

	2005 US\$	2004 US\$
Cash flows from financing activities		
Proceeds from redeemable common shares	48,070,056	103,785,144
Redemption of redeemable common shares	(37,583,007)	(99,171,652)
Net cash inflow from financing activities	<u>10,487,049</u>	<u>4,613,492</u>
Decrease in cash and cash equivalents	(32,097,716)	(9,255,384)
Cash and cash equivalents at 1st January	39,315,180	49,151,601
Exchange losses on cash and cash equivalents	(402,556)	(581,037)
Cash and cash equivalents 31st December	<u><u>6,814,908</u></u>	<u><u>39,315,180</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances	<u><u>6,814,908</u></u>	<u><u>39,315,180</u></u>

Please refer to note 4 and 9 to the financial statements for details of certain non-cash transactions.

The accompanying notes are an integral part of these financial statements.

## **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 International Financial Reporting Standards. The financial statements are prepared under the historical cost convention as modified by the fair valuation of investments. The Fund’s functional currency is United States dollars (“USD”) and has also adopted USD as its presentation currency in the financial statements.

##### **(b) Translation of foreign currencies**

Foreign currency transactions are translated into the functional currency at exchange rates ruling at the transaction dates. All assets and liabilities denominated in foreign currencies are translated into USD at exchange rates ruling at year end. Translation differences arising therefrom and foreign exchange gains / losses resulting from the settlement of such transactions are recognised 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 recognised in the income statement 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.

## **THAI FOCUSED EQUITY FUND LIMITED**

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

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

##### **(d) Securities borrowing and lending**

The cash collateral advanced and received in respect of securities borrowed and securities loaned are included in the current assets and current liabilities respectively. The securities borrowed and securities loaned are treated as off balance sheet items and the underlying commitments are disclosed in the relevant notes to the accounts. Income or expense arising from securities borrowing or loans is recognized in the financial statements.

##### **(e) Investments**

Investments consist of principally listed and unlisted securities and are initially recognised at fair value and subsequently re-measured at fair value.

Fair values for listed investment are based on the prices quoted on the relevant stock exchanges or over-the-counter markets on which they are traded at the close of business in valuation date.

Fair values for unlisted investments are estimated by the Directors taking into account the cost to the Fund, relevant developments since the acquisition of the investments, and other factors pertinent to the valuation of the investments. In determining fair valuation, the Directors rely on financial data of investees and on estimates by the management of the investee companies as to the effect of future developments. Although Directors use their best judgment in estimating the fair value of investments, there are inherent limitations in any estimation technique. The fair value estimates presented herein are not necessarily indicative of an amount the Fund could realise in a current transaction. Please refer to note 6.

Purchases and sales of investments are accounted for on trade dates. Realised and unrealised gains and losses on investments are recognised in the income statement.

Transaction costs on purchases and sales of investments are accounted for in the income statement.

##### **(f) Cash and cash equivalents**

Cash and cash equivalents comprise of bank balances. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

## **THAI FOCUSED EQUITY FUND LIMITED**

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

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

##### **(g) Redeemable common shares**

Redeemable common shares are redeemable at the shareholder's option and are classified as financial liabilities. The common share can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The common share is carried at the redemption amount that would be payable at the balance sheet date if the shareholder exercised its right to put the share back to the Fund.

The net asset value per redeemable common share of the Fund is calculated on a monthly basis, by dividing the net assets included in the balance sheet by the number of shares in issue as at that date.

Prices for issues of redeemable common 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 made. 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.

Prices for redemption of redeemable common 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 redeemable common shares issued and redeemed are shown as movements in the statement of changes in net assets attributable to holders of redeemable common shares.

##### **(h) Expenses**

Expenses are accounted for on an accruals basis. Expenses arising on disposal of investments are deducted from the disposal proceeds. Dividends on securities sold short are accrued on the ex-date and paid to the brokers on the payable date.

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

Forward foreign exchange contracts are recognized at fair value on the date the contracts are entered into 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. Changes in fair values of forward foreign exchange contracts are included in the income statement.

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 2 Principal accounting policies (continued)

##### (j) Reverse repurchase agreements

Reverse repurchase agreements entered into by the Fund are functionally equivalent to collateralized lending which involve a purchase of securities with an agreement to sell the same securities at an agreed upon price and date. The securities covered by the reverse repurchase agreement are de-recognised as the Fund is both entitled and obligated to sell transferred investments on terms that effectively provide the Fund with a return on the amount lent in exchange for the securities.

The contracted sale amount to be received by the Fund under reverse repurchase agreements are recognized as an asset in the balance sheet and the relevant underlying assets are not recognized as an asset in the balance sheet.

The difference between the amounts paid on such purchase and the amounts contracted to receive under reverse repurchase agreements is recognised as interest income on a straight-line basis over the contract period or holding period.

##### (k) Use of estimates

The preparation of financial statements with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### 3 (Losses)/gains on investments

	2005 US\$	2004 US\$
Net realized gains on investments	5,410,410	62,916,608
Net change in unrealized gains/(losses) on investments	(39,643,952)	(57,677,542)
Net realized gains on forward foreign exchange contracts	872,162	-
Net change in unrealized losses on forward foreign exchange contracts	1,894,180	(1,910,654)
Foreign exchange losses	(402,556)	(581,037)
	<u>(31,869,756)</u>	<u>2,747,375</u>

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Fees

##### (a) Investment management fee

Under the investment management agreement entered into between the Investment Manager and the Fund on 5th September 1997, as amended, the Investment Manager is entitled to receive an investment management fee as follows:

Investor shares (Class A)	1.0% per annum
Manager shares (Class B)	1.0% per annum
Investor shares (Class C)	1.5% per annum
Investor shares (Class D)	2.0% per annum

The investment management fee is calculated by reference to the net asset value and accrued as of the end of each month and is payable on a quarterly basis.

The Investment Manager may, in its sole discretion, in effect rebate the investment management fee paid by certain shareholders affiliated with the Investment Manager or certain large shareholders. For the year ended 31st December 2005, investment manager rebated US\$52,490 (2004: US\$69,047) to such shareholders.

##### (b) Incentive fee

Pursuant to the Fund's confidential explanatory memorandum dated December 2005, the Investment Manager will be entitled to receive an incentive fee from the Fund calculated on a share-by-share basis so that each share is charged an incentive fee which equates precisely with that share's performance.

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 redeemable common share. If a redeemable common share has a loss chargeable to it during any financial year and during a subsequent year there is a profit allocable to the redeemable common share, there will be no incentive allocation with respect to the redeemable common share until the amount of the loss previously allocated to the redeemable common share has been recouped.

For operational purposes, the Administrator performs certain equalisation adjustments.

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.

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.

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Fees (continued)

##### (b) Incentive fee (continued)

When shareholders redeem during the year, such shareholders, according to the Fund's Confidential Explanatory Memorandum, Section 5 - Investment Management Agreement, are liable to the payment of incentive allocation fee based on the net asset value achieved on the relevant redemption date. Accordingly the Investment Manager was paid US\$12,022 as incentive fee during the year in respect of shareholders who redeemed during the year (2004: US\$295,693).

According to the Fund's Confidential Explanatory Memorandum, Appendix A, when shareholders purchase shares during the fiscal year at an offer price lower than year end net asset value per share but below the high water mark, defined at the beginning of the fiscal year as the net asset value per share as at the preceding fiscal year end date, an Incentive Allocation is payable by those particular shareholders to the Investment Manager. Such shareholders will have part of their shareholding redeemed to cover the Incentive Allocation payable to the investment manager as at the end of the fiscal year. During the year shares to the value of US\$787,917 (2004: US\$879,024) were transferred from the particular shareholders to the investment manager to cover the Incentive Allocation payable as at that date, who subsequently redeemed the transferred shares.

The Fund Manager 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. For the year ended 31st December 2005, no incentive fee (2004: US\$41,771) was waived by the Fund Manager and accordingly no shares (2004: 87.9148) equivalent to such amount was issued to the relevant shareholders.

##### (c) Custodian fees

HSBC International Trust Services (Asia) Ltd (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, as amended. The Custodian is entitled to receive a fee, payable quarterly in arrears, at the following annual rates of the Fund's monthly net asset value and subject to a minimum fee of US\$10,000 per annum:

- 0.09% per annum for the first US\$100 million of the net asset value
- 0.07% per annum for the next US\$150 million of the net asset value
- 0.06% per annum for the next US\$50 million of the net asset value
- 0.05% per annum for any amount of the net asset value exceeds US\$300 million

The Custodian is also entitled to receive a transaction handling fee which is charged at US\$50 for each investment transaction.

Effective from 1st January 2006, Goldman Sachs International replaced HSBC International Trust Services (Asia) Ltd as the custodian. The fee rate remains unchanged and the fee is payable monthly in arrears.

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 4 Fees (continued)

##### (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 following annual rates of Fund's monthly net asset value and subject to a minimum fee of US\$20,000 per annum:

- 0.10% per annum on the first US\$100 million of the net asset value
- 0.08% per annum on the next US\$50 million of the net asset value
- 0.07% per annum on the next US\$50 million of the net asset value
- 0.06% per annum on the next US\$50 million of the net asset value
- 0.05% per annum on the next US\$250 million of the net asset value

Effective from 1st January 2006, Goldman Sachs Management (Ireland) Limited (doing business as Goldman Sachs Administration Services Co) replaced Bank of Bermuda (Cayman) Limited as the administrator. The fee is payable monthly in arrears and accrued on a monthly basis as calculated based on the monthly net asset value of the Fund at the following annual rates of Fund's monthly net asset value and subject to a minimum fee of US\$50,000 per annum:

- 0.14% per annum on the first US\$100 million of the net asset value
- 0.12% per annum on the next US\$100 million of the net asset value
- 0.10% per annum above US\$200 million of the net asset value

##### (e) Directors' fee

The directors, other than directors related to the Investment Manager or its affiliates, are entitled to receive a fee with respect to services in their capacity as directors. Directors' fee for the year ended 31st December 2005 amounted to US\$2,760 (2004: US\$990).

#### 5 Taxation

The Fund is domiciled in the British Virgin Islands which is an off-shore jurisdiction and the Fund is exempt from paying income or capital gains taxes of that jurisdiction.

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

The directors consider that the fund is unlikely to be subject to income taxes in Thailand.

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 5 Taxation (continued)

Foreign entities such as the fund are generally subject to a 15% withholding tax in Thailand on capital gains. However, the directors consider that under current Thai tax law and tax treaties, the Fund may structure its investments (either through the use of subsidiaries in jurisdictions covered by tax treaties with Thailand, structured products or otherwise) to eliminate or minimize the withholding tax on capital gains. Accordingly, the directors consider that they have structured the fund's investments such that it will not be subject to the 15% withholding tax on capital gains. Nevertheless, it should be recognised that Thai tax laws or applicable tax treaties may change and, even in the absence of such change, the Thai tax authorities may disagree with the conclusion that the withholding tax on capital gains is not applicable to investments structured in the manner implemented by the Fund. Therefore, there is a risk that the Fund will be subject to Thai withholding tax at the rate of 15% on capital gains. The directors consider that they are satisfied, based on advice received, that the fund is not liable to Thai withholding tax and therefore no provision for taxation has been made.

Foreign entities such as the fund are also generally subject to a 10% withholding tax on dividends with respect to investments in companies whose equity securities are publicly traded on the Stock Exchange of Thailand. Dividend income earned by the Fund from equity securities that are publicly traded on the Stock Exchange of Thailand are generally subject to withholding tax.

#### 6 Investments

	2005 US\$	2004 US\$
Long positions		
Listed securities	142,035,558	191,766,739
Unlisted securities	1,371,930	1,442,213
At fair value	<u>143,407,488</u>	<u>193,208,952</u>
Short positions		
Listed securities, at fair value	<u>(1,859,162)</u>	<u>-</u>

Included under unlisted securities are investments totaling US\$1,405,011 for which no quotes were available as at 31 December 2005 and therefore have been valued by the directors following the policy set out in note 2(e).

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 7 Amounts receivable on reverse repurchase agreements

The Fund's contracted amounts receivable on reverse repurchase agreements outstanding as at 31st December 2005 are detailed below:

<u>Counter-party:</u>	2005 US\$	2004 US\$
Bear Stearns & Co. Inc.	44,000,000	-

The reverse repurchase agreements outstanding as at 31st December 2005 generate an interest return at a rate of 3.2% per annum and is collateralized by treasury notes amounting US\$44,881,113.

#### 8 Securities borrowings and deposits with brokers

A prime brokerage agreement and brokerage agreement are in place with Goldman Sachs International Limited ("the Prime Broker") and other brokers respectively, whereby the Prime Broker and other brokers agree to provide the Fund brokerage services in accordance with the terms and conditions described in the brokerage agreements in return for a fee.

Under these brokerage agreements, the Prime Broker and other brokers are entitled to have recourse to certain assets which are being held for the Fund's account by the Prime Broker and other brokers.

As at 31st December 2005, the aggregate value of securities in respect of securities borrowing transactions were:

	2005 US\$	2004 US\$
Aggregate value of securities borrowed at year end	12,337,567	9,373,568

Deposits with the Prime Broker amounted to US\$31,687,713 (2004: US\$9,842,788).

#### 9 Redeemable common shares

Authorised shares of the Fund consists of four classes of redeemable common shares - 5,000,000 investor shares (Class A), manager shares (Class B) and investor shares (Class C) and 5,000,000 investor shares (Class D) of US\$0.01 each for all classes. 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 4(b) to the financial statements (Investor shares (Class A) are subject to an investment management fee at 1% and a redemption notice period of one month). Investor shares (Class C) were issued during the year 2004 and 2005 and are identical to investor shares (Class A) except that the investor shares (Class C) are charged an investment management fee at 1.5% per annum on the monthly net asset value and are subject to a three month notice period with respect to redemptions Investor shares (Class D) were issued during the year and are identical to investor shares (Class A) and (Class C) except that the investor shares (Class D) are charged an investment

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 9 Redeemable common shares (continued)

management fee at 2.0% per annum on the monthly net asset value and are subject to six month notice period with respect to redemptions.

All issued redeemable common shares are fully paid. Holders of redeemable common shares are entitled to dividends and voting powers.

Please also refer to note 4.

##### (a) Special conversion rights

At the end of each fiscal year, if the combined gross assets under management attributable to the investor shares (Class A) and manager shares (Class B) exceeds US\$150 million, investor shares (Class A) equal to each investor (Class A) shareholder's pro rata share of such excess shall be, at the shareholder's option, (i) redeemed pursuant to the terms of redemption set forth above or (ii) reinvested in investor shares (Class C) subject to the Investment Manager's discretion to determine otherwise.

For purposes of determining the final redemption and reinvestment amounts, the Fund shall use the amount of assets under management attributable to the investor shares (Class A) and manager shares (Class B) as of 31st December of such year.

If the total value of the investor shares (Class A) and manager shares (Class B) fall below US\$150 million, investor (Class C) shareholders (regardless of whether such shareholder is also an investor (Class A) shareholder or previously participated in a conversion from investor shares (Class A) to investor shares (Class C)) shall have the right to redeem its investor shares (Class C), equaling the shareholder's pro rata share of the amount falling below US\$150 million, in exchange for investor shares (Class A) as of 31st December of such year.

Further, if the combined gross assets under management attributable to the investor shares (Class A), manager shares (Class B) and investor shares (Class C) exceeds US\$250 million, investor shares (Class C) equal to each investor (Class C) shareholders' pro rata share of such excess shall be, at the shareholder's option (i) redeemed pursuant to the terms of redemption set forth above or (ii) reinvested in investor shares (Class D) subject to the Investment Manager's discretion to determine otherwise.

For purposes of determining the final redemption and reinvestment amounts, the Fund shall use the amount of assets under management attributable to the investor shares (Class C) as of 31st December of such year.

If the total value of the investor shares (Class A), manager shares (Class B) and investor shares (Class C) fall below US\$100 million, investor (Class D) shareholders (regardless of whether such shareholder is also an investor (Class C) shareholder or previously participated in a conversion from investor shares (Class C) to investor shares (Class D)) shall have the right to redeem its investor shares (Class D), equaling the shareholder's pro rata share of the amount falling below US\$100 million, in exchange for investor shares (Class C) as of 31st December of such year.

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 10 Movement in redeemable common shares

	2005 No. of Shares	2004 No. of Shares
Balance at the beginning of the year	472,601.0948	427,708.1416
Issued during the year	102,921.3337	295,972.8999
Redeemed during the year	(69,509.3221)	(250,879.9467)
	<hr/>	<hr/>
Balance at the end of the year	<u>506,013.1064</u>	<u>472,601.0948</u>

#### 11 Net asset value per redeemable common shares

The calculation of net asset value per share is based on the assets of US\$217,459,206 (2004: US\$224,544,735) and the number of shares in issue at the year end being 506,013.1064 (2004: 472,601.0948).

#### 12 Related party and affiliated transactions

In addition to the related party transactions which were carried out in the normal course of the Fund's business, disclosed in note 4 to the financial statements. The Principal has informed the Fund that at 31st December 2005, the partners of Quest Management, Inc. hold a total investment in the Fund of 26,159.1321 shares (2004: 32,118.4908), equivalent to approximately US\$11,282,625 (2004: US\$15,260,308).

#### 13 Financial instruments

The Fund is exposed to market risk, credit risk, currency risk, off-balance sheet risk and interest rate risk. The risk management policies employed by the Fund to manage these risk are discussed below:

##### (a) Market risk

Investing in Asian capital markets, especially emerging Asian markets, involves a number of considerations in addition to the normal risks associated with investments in securities. These include fluctuations in exchange rates, settlement procedures, the potential price volatility and lack of liquidity in the stock exchanges on which some of the Fund's investment may be made, the existence, in some jurisdictions, of restrictions on investment and the repatriation of dividends and the proceeds of sale, the possibility of political instability and/or changes in fiscal and other laws and regulations which may affect the Fund and its investments.

The Fund is exposed to market risk on its investment portfolio. There are no investment restrictions in place which limit the maximum exposure to any security of the same issuer, but it is the Fund's practice to limit exposure to 15% at the time of purchase, of the net asset value of the Fund.

The Fund's market price risk is managed through diversification of the investment portfolio to different industry sectors in Asian markets.

**THAI FOCUSED EQUITY FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**13 Financial instruments (continued)**

**(a) Market risk (continued)**

Analysis of securities by markets and industry sector is as follows:

<b>Thailand</b>	2005 as a % of NAV	2004 as a % of NAV
Listed investments – long positions		
<u>Industry</u>		
Transportation	14.04	24.81
Telecommunication	12.58	12.57
Energy	11.11	11.27
Finance	5.62	8.20
Auto & Trucks	4.81	-
Hotels	2.55	0.97
Entertainment	2.17	1.13
Retailing	2.07	-
Mining	1.99	1.31
Petrochemical	1.55	13.44
Electronics	1.24	4.02
Manufacturing	0.98	1.18
Building Materials	0.57	-
Foods	0.53	0.60
Advertising	0.48	0.71
Computer / software	0.24	2.10
Real Estate	0.18	0.51
Oil & Gas	0.09	2.56
Property	-	1.02
Miscellaneous	-	0.97
Listed investments – short positions	(0.86)	-
Unlisted investments	0.65	0.66
	<hr/>	<hr/>
	62.59	88.03
 <b>Singapore</b>		
Listed investments – long positions		
<u>Industry</u>		
Electronics	2.50	-
	<hr/>	<hr/>
	65.09	88.03
	<hr/> <hr/>	<hr/> <hr/>

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 13 Financial instruments (continued)

##### (b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered to with the Fund.

Financial assets which potentially subject the Fund to concentrations of credit risk consist principally of equities, bank balances, amounts due from brokers and other receivables. The exposure to credit risk in respect of equities is controlled by the limits set by the Fund on its investment holding in a single issuer.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has received payment. On a purchase, payment is made once the securities have been received by the broker. If either party fails to meet their obligation, the trade will fail.

The bank balances and deposits with brokers are placed with reputable financial institutions.

##### (c) 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:

	2005 US\$ equivalent	2004 US\$ equivalent
Net Thai Baht Exposure	137,703,771	190,010,634

##### 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. Investments in companies that conduct US dollar based businesses, such as shipping and energy are not currency hedged, but investments in companies that have baht income and baht expenses typically are hedged back into US dollars.

Outstanding forward foreign exchange contracts as at 31st December 2005 were as follows:

Contracts to deliver	In exchange for	Settlement date
Open contracts:		
<u>THB3,371,840,000</u>	<u>US\$82,000,000</u>	5th July 2006
Closed but not yet settled contracts:		
<u>THB2,462,400,000</u>	<u>US\$60,000,000</u>	15th February 2006

## THAI FOCUSED EQUITY FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 13 Financial instruments (continued)

##### (c) Currency risk (continued)

Outstanding forward foreign exchange contracts as at 31st December 2004 were as follows:

Contracts to deliver	In exchange for	Settlement date
<u>THB1,284,850,000</u>	<u>US\$31,000,000</u>	14th February 2005

##### (d) Interest rate risk

The Fund is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on bank deposits and reverse repurchase agreement entered. The Fund also utilises reverse repurchase agreement to manage its surplus cash.

##### (e) 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.

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.

##### (f) Fair value

As at 31st December 2005 and 2004, in the opinion of the directors, the carrying amounts of investments, bank balance, deposit with brokers, amount receivable from or payable to brokers, other receivables and payables approximated their fair values.

#### 14 Approval of financial statements

The financial statements were approved by the directors on 2nd May 2006.

**THAI FOCUSED EQUITY FUND LIMITED**

**SCHEDULE OF INVESTMENTS (FOR MANAGEMENT INFORMATION)  
AS AT 31ST DECEMBER 2005**

	Holding	Fair value US\$	% of net assets
<b>Investments, long positions</b>			
<b>Equities</b>			
<b>Singapore - listed</b>			
Electronics			
Magnecomp International	8,712,000	5,446,309	2.50
Subtotal		<u>5,446,309</u>	<u>2.50</u>
<b>Thailand - listed</b>			
Advertising			
Master AD Public Co. Ltd. (Foreign)	8,827,300	1,045,338	0.48
Subtotal		<u>1,045,338</u>	<u>0.48</u>
Entertainment			
Major Cineplex Group Public Co. Ltd. (Foreign)	14,283,400	4,559,272	2.10
Major Cineplex Croup Public Co. Ltd. (NVDR)	510,000	162,792	0.07
Subtotal		<u>4,722,064</u>	<u>2.17</u>
Computer/Software			
Internet Thailand Public Co. Ltd. (Foreign)	6,564,400	511,844	0.24
Subtotal		<u>511,844</u>	<u>0.24</u>
Electronics			
Delta Electronics (Foreign)	3,373,100	1,462,992	0.67
KCE Electronics (Foreign)	7,511,600	1,162,248	0.53
Magnecomp Precision Tech Public (Foreign)	703,700	75,445	0.03
KCE Electronics (NVDR)	162,900	25,205	0.01
Subtotal		<u>2,725,890</u>	<u>1.24</u>

**THAI FOCUSED EQUITY FUND LIMITED**

**SCHEDULE OF INVESTMENTS ((FOR MANAGEMENT INFORMATION) (CONTINUED)  
AS AT 31ST DECEMBER 2005**

	Holding	Fair value US\$	% of net assets
<b>Energy</b>			
Banpu Public Co. Ltd. (Foreign)	7,566,377	24,151,934	11.11
Subtotal		<u>24,151,934</u>	<u>11.11</u>
<b>Finance</b>			
Krungthai Card Public Co. Ltd. (Foreign)	13,226,500	6,445,663	2.96
SIAM Panich Leasing Public Co. Ltd. (Foreign)	4,901,900	3,911,726	1.80
Capital Nomura Securities (Foreign)	1,696,000	1,859,649	0.86
Subtotal		<u>12,217,038</u>	<u>5.62</u>
<b>Manufacturing</b>			
Fancy Wood Industries Public Co. Ltd. (Foreign)	16,081,000	1,669,227	0.77
Asian Insulator (Foreign)	1,249,300	334,851	0.15
Chai Watana Tannery Group (Foreign)	719,400	90,276	0.04
Asian Insulator (NVDR)	131,000	35,112	0.02
Subtotal		<u>2,129,466</u>	<u>0.98</u>
<b>Foods</b>			
TIPCO Foods Thailand Public Co. Ltd. (Foreign)	10,285,220	1,152,827	0.53
Subtotal		<u>1,152,827</u>	<u>0.53</u>
<b>Telecommunication</b>			
Advanced Information Service Public Co. Ltd (Foreign)	9,940,600	26,159,474	12.03
Jasmine International (Foreign)	106,324,000	1,191,741	0.55
True Corp Public Co. Ltd. (Foreign)	100	24	0.00
Subtotal		<u>27,351,239</u>	<u>12.58</u>

**THAI FOCUSED EQUITY FUND LIMITED**

**SCHEDULE OF INVESTMENTS (FOR MANAGEMENT INFORMATION) (CONTINUED)  
AS AT 31ST DECEMBER 2005**

	Holding	Fair value US\$	% of net assets
<b>Transportation</b>			
Thoresen Thai Agencies Public Co. Ltd. (Foreign)	41,831,100	25,991,546	11.95
Regional Container Line Public Co. Ltd. (Foreign)	6,830,100	4,535,093	2.09
Subtotal		<u>30,526,639</u>	<u>14.04</u>
<b>Mining</b>			
Padaeng Industry Public Co. Ltd. (NVDR)	7,484,402	3,191,448	1.47
Padaeng Industry Public Co. Ltd. (Foreign)	2,640,798	1,126,071	0.52
Subtotal		<u>4,317,519</u>	<u>1.99</u>
<b>Oil &amp; Gas</b>			
Rayong Purifier PLC (Foreign)	1,067,000	198,893	0.09
Subtotal		<u>198,893</u>	<u>0.09</u>
<b>Real Estate</b>			
L.P.N. Development PLC (Foreign)	4,778,600	395,888	0.18
Subtotal		<u>395,888</u>	<u>0.18</u>
<b>Retailing</b>			
Home Products Center (Foreign)	22,483,582	4,410,157	2.03
IT City (Foreign)	300,000	37,281	0.02
Home Products Center (NVDR)	180,600	35,425	0.02
Subtotal		<u>4,482,863</u>	<u>2.07</u>
<b>Hotels</b>			
Minor International (Foreign)	35,246,400	5,539,456	2.55
Subtotal		<u>5,539,436</u>	<u>2.55</u>

**THAI FOCUSED EQUITY FUND LIMITED**

**SCHEDULE OF INVESTMENTS (FOR MANAGEMENT INFORMATION) (CONTINUED)  
AS AT 31ST DECEMBER 2005**

	Holding	Fair value US\$	% of net assets
<b>Autos &amp; Trucks</b>			
Yarnapund (Foreign)	28,178,100	8,033,230	3.69
Aapico Hitech (NVDR)	2,095,385	1,266,217	0.58
Goodyear (Thailand) PLC (Foreign)	56,300	680,429	0.31
Aapico Hitech (Foreign)	544,115	328,803	0.15
Thai Rung Union Car (Foreign)	1,213,500	165,585	0.08
Subtotal		<u>10,474,264</u>	<u>4.81</u>
<b>Building Materials</b>			
Pre-Built Public Company Limited (Foreign)	22,000,000	1,232,943	0.57
Subtotal		<u>1,232,943</u>	<u>0.57</u>
<b>Petrochemical</b>			
PTT Chemical (Foreign)	1,712,565	3,380,063	1.55
Subtotal		<u>3,380,063</u>	<u>1.55</u>
<b>Thailand - unlisted</b>			
G Steel Public Company Ltd	35,190,000	1,371,930	0.63
Minor International (Foreign) right issue	2,262,760	33,081	0.02
Subtotal		<u>1,405,011</u>	<u>0.65</u>
Total investments, long positions		<u>143,407,488</u>	<u>65.95</u>

**THAI FOCUSED EQUITY FUND LIMITED**

**SCHEDULE OF INVESTMENTS (FOR MANAGEMENT INFORMATION) (CONTINUED)  
AS AT 31ST DECEMBER 2005**

	Holding	Fair value US\$	% of net assets
<b>Investments, short positions</b>			
<b>Equities</b>			
<b>Thailand - listed</b>			
Kasikorn Bank (Foreign)	(400,000)	(730,994)	(0.34)
Bangkok Bank (Foreign)	(200,000)	(560,429)	(0.26)
Krung Thai Bank (Foreign)	(1,000,000)	(268,031)	(0.12)
Ratchaburi Electricity	(200,000)	(199,805)	(0.09)
Ratchaburi Electricity (Foreign)	(100,000)	(99,903)	(0.05)
Total investments, short positions		<u>(1,859,162)</u>	<u>(0.86)</u>
Total investments, net		141,548,326	65.09
Other net assets attributable to holders of redeemable common shares		<u>75,910,880</u>	<u>34.91</u>
Total net asset values attributable to holders of redeemable common shares		<u><u>217,459,206</u></u>	<u><u>100.00</u></u>