

THAI FOCUSED EQUITY FUND LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2006

THAI FOCUSED EQUITY FUND LIMITED

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THAI FOCUSED EQUITY FUND LIMITED

ADMINISTRATION

Directors

Douglas E. Barnett
Lau Chung Wei Wayne

Registered Office

c/o HWR Services Limited
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Tortola, British Virgin Islands

Investment Manager

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c/o Wayne Lau
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Unit # 14-24
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Auditors

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

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

Prime broker (also acting as Custodian)

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

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
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Legal Advisers

(United States Law)
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New York 10004

(British Virgin Islands Law)
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Road Town
Tortola, British Virgin Islands

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF THAI FOCUSED EQUITY FUND LIMITED**
(incorporated in the British Virgin Islands with limited liability)

Report on the Financial Statements

We have audited the accompanying financial statements of Thai Focused Equity Fund Limited (the "Fund") which comprise the Balance Sheet as of 31st December 2006 and the Income Statement, Statement of Changes in Net Assets Attributable to Holders of Redeemable Common Shares and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Director's Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

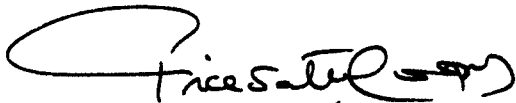
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF THAI FOCUSED EQUITY FUND LIMITED (Continued)**
(incorporated in the British Virgin Islands with limited liability)

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as of 31st December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 April 2007

THAI FOCUSED EQUITY FUND LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

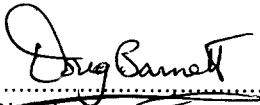
	Note	2006 US\$	2005 US\$
Revenue			
Dividend income		8,935,860	13,618,156
Interest income		1,577,528	1,434,580
Other income		20,499	45,018
Net change in fair value on investments	3	6,309,884	(31,869,756)
		<u>16,843,771</u>	<u>(16,772,002)</u>
Expenses			
Investment management fee	4(a)	2,774,627	2,831,765
Incentive allocation	4(b)	584,587	799,939
Administration fee	4(d)	302,231	197,506
Custodian fee	4(c)	-	186,319
Transactions handling fee	4(d)	55,831	38,427
Stock borrowing fee		52,015	31,769
Dividend paid for stock borrowed		-	40,707
Auditors' remuneration			
- current year		42,000	34,000
- prior year under-provision		-	16,675
Legal and professional fee		97,141	25,000
Directors' fee	4(e)	2,000	2,760
Other operating expenses		58,433	20,248
		<u>3,968,865</u>	<u>4,225,115</u>
Profit/(loss) before tax		12,874,906	(20,997,117)
Overseas withholding tax	5	(753,576)	(1,265,984)
Profit/(loss) after tax		12,121,330	(22,263,101)
Adjustment from bid/asking market prices to last traded market prices	9	1,925,228	-
Increase/(decrease) in net assets attributable to holders of redeemable common shares from operations		<u>14,046,558</u>	<u>(22,263,101)</u>

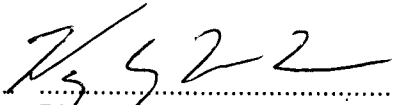
The accompanying notes are an integral part of these financial statements.

THAI FOCUSED EQUITY FUND LIMITED

**BALANCE SHEET
AS AT 31ST DECEMBER 2006**

	Note	2006 US\$	2005 US\$
Assets			
Investments - long positions	6	224,997,770	143,407,488
Amounts receivable on reverse repurchase agreement	7	20,000,000	44,000,000
Interest receivable		13,889	18,165
Deposits with Prime Broker	4(d)	12,201,830	31,687,713
Deposits with other brokers		936,666	1,601,754
Bank balances		-	6,814,908
		<u>258,150,155</u>	<u>227,530,028</u>
Liabilities			
Investments - short positions	6	4,850,588	1,876,711
Subscriptions received in advance		-	1,250,000
Amounts payable on redemption		-	5,212,965
Incentive allocation payable		431,745	787,917
Investment management fee payable		747,715	831,145
Other payables		164,207	112,084
		<u>6,194,255</u>	<u>10,070,822</u>
Liabilities (excluding net assets attributable to holders of redeemable common shares)			
		<u>6,194,255</u>	<u>10,070,822</u>
Net assets attributable to holders of redeemable common shares (at bid/asking market prices)		251,955,900	217,459,206
Adjustment from bid/asking market prices to last traded market prices	9	1,925,228	-
		<u>1,925,228</u>	<u>-</u>
Net assets attributable to holders of redeemable common shares (at last traded market prices)	9	<u>253,881,128</u>	<u>217,459,206</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 2006**

	2006 US\$	2005 US\$
Net assets attributable to holders of redeemable common shares at 1st January	217,459,206	224,544,735
Proceeds from subscription of redeemable common shares	43,528,561	48,115,056
Redemption of redeemable common share	(21,153,197)	(32,937,484)
In specie redemption of redeemable common shares (refer to page 8, note a)	(46,569,377)	-
In specie subscription of redeemable common shares (refer to page 8, note a)	46,569,377	-
Net increase from share transactions	<u>22,375,364</u>	<u>15,177,572</u>
Increase/(decrease) in net assets attributable to holders of redeemable common shares from operations	<u>14,046,558</u>	<u>(22,263,101)</u>
Net assets attributable to holders of redeemable common shares at 31st December	<u><u>253,881,128</u></u>	<u><u>217,459,206</u></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 2006**

	2006 US\$	2005 US\$
Cash flows from operating activities		
Increase/(decrease) in net assets attributable to holders of redeemable common shares from operations	14,046,558	(22,263,101)
Adjustments for:		
Net realized gains on investments	(3,492,977)	(5,410,410)
Net change in unrealized (gains)/losses on investments	(15,097,795)	39,643,952
Net change in unrealized losses on forward foreign exchange contracts	4,784,838	(1,894,180)
Overseas withholding tax	753,576	1,265,984
Interest income	(1,577,528)	(1,434,580)
Dividend income	(8,935,860)	(13,618,156)
Adjustment from bid/asking market prices to last traded market prices	(1,925,228)	-
	<u>(11,444,416)</u>	<u>(3,710,491)</u>
Decrease/(increase) in deposits with brokers	20,150,070	(23,404,214)
Decrease/(increase) in amounts receivable on reverse repurchase agreement	24,000,000	(44,000,000)
Decrease in amounts payable to brokers	-	(2,953,728)
(Decrease) in incentive allocation payable	(356,172)	(88,658)
(Decrease)/increase in investment management fee payable	(83,430)	26,486
Increase/(decrease) in other payables	52,122	(57,619)
Interest received	1,581,804	1,418,971
Overseas withholding tax paid	(753,576)	(1,265,984)
Dividends received	8,935,860	13,620,832
Net cash inflow/(outflow) from operating activities	<u>42,082,262</u>	<u>(60,414,405)</u>
Cash flows from investing activities		
Purchase of investments	(268,560,776)	(154,217,545)
Sale of investments	203,971,377	172,047,185
Net cash (outflow)/inflow from investing activities	<u>(64,589,399)</u>	<u>17,829,640</u>

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 2006**

	2006 US\$	2005 US\$
Cash flows from financing activities		
Proceeds from redeemable common shares	42,278,561	48,070,056
Redemption of redeemable common shares (note a below)	(26,366,161)	(37,583,007)
Net cash inflow from financing activities	<u>15,912,400</u>	<u>10,487,049</u>
Decrease in cash and cash equivalents	(6,594,737)	(32,097,716)
Cash and cash equivalents at 1st January	6,814,908	39,315,180
Exchange losses on cash and cash equivalents	(220,171)	(402,556)
Cash and cash equivalents 31st December	<u><u>-</u></u>	<u><u>6,814,908</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances	<u><u>-</u></u>	<u><u>6,814,908</u></u>

Note a - Non cash transactions

- i) On July 1, 2006, certain shareholders transferred their investment in the Fund to a newly incorporated feeder fund, Thai Focused Equity U.S. Feeder Fund Limited (the "Feeder") via an in specie transfer. Therefore, no cash was paid for those redemptions from the Fund and no cash was received from the simultaneous subscription into the Fund by the Feeder. Both non-cash transactions were in the amount of \$46,569,377.
- ii) Also refer to note 4 and 8 to the financial statements for details of other non-cash transactions.

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

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2006

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 of publicly traded companies, 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 including those of investment companies. 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.

All references to net assets throughout these financial statements refer to net assets attributable to holders of redeemable common shares.

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 the Fund has also adopted USD as its presentation currency in the financial statements.

(a) *Amendment to published standards effective in 2006*

IAS 39 (Amendment), The Fair Value Option is mandatory for the Fund's accounting period beginning on 1st January 2006. It allows entities to designate financial assets and financial liabilities at fair value through profit or loss when not held for trading if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('an accounting mismatch') or if a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis. Adoption of this amendment only impacts the format and extent of disclosures presented in the financial statements.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2006 (CONTINUED)

2 Principal accounting policies (Continued)

(a) Basis of preparation (Continued)

(b) *Standards, amendments and interpretations effective in 2007, not early adopted*

IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (*effective from 1st January 2007*). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risk arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation.

It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosure about the level of an entity's capital and how it manages capital.

The Fund is assessing the impact of this new IFRS but is not yet in a position to state whether this new IFRS would have a significant impact on its results of operations and financial position.

(b) Foreign currency translation

i) Functional and presentation currency

Subscriptions and redemptions of the redeemable common shares are denominated in US\$ and the performance of the Fund is measured and reported to the investors in US\$. The Board of Directors considers US\$ as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in US\$, which is the Fund's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary financial assets and liabilities are recognised in the income statement within the fair value net gain or loss.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2006 (CONTINUED)

2 Principal accounting policies (Continued)

(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 using the effective interest method and includes interest from fixed interest securities.

(d) Securities borrowing and lending

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, unlisted securities and derivatives 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. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"), the quoted market price used for financial assets held by the Fund is the bid price; the appropriate quoted market price for financial liabilities is the asking price. Please refer to note 9 for the basis of valuation under the Fund's Confidential Explanatory Memorandum.

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. At at December 31, 2006, the fund held unlisted investments of \$577,151 (2005: \$1,371,930).

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.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2006 (CONTINUED)

2 Principal accounting policies (Continued)

(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.

(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 issuance and redemption of redeemable common shares are based on the net asset value as of the last business day in Thailand after deduction of the basic management fees and incentive fees attributable to the shares redeemed.

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 31 DECEMBER 2006 (CONTINUED)

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 Net change in fair value on investments

	2006 US\$	2005 US\$
Net realized gains on investments	3,492,977	5,410,410
Net change in unrealized gains/losses on investments	15,097,795	(39,643,952)
Net realized (losses)/gains on forward foreign exchange contracts	(7,789,676)	872,162
Net change in unrealized losses/gain on forward foreign exchange contracts	(4,784,838)	1,894,180
Foreign exchange gain/(losses)	293,626	(402,556)
	<u>6,309,884</u>	<u>(31,869,756)</u>

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2006 (CONTINUED)

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, waive or rebate the investment management fee paid by certain shareholders affiliated with the Investment Manager or certain large shareholders. For the purpose of administering the waiver/rebate, the Administrator maintains a memo sub-division of each class of shares and classifies them as "Fee paying" shares and "Non-fee paying" shares. Refer to note 8.

(b) Incentive allocation

Pursuant to the Fund's Confidential Explanatory Memorandum, the Investment Manager will be entitled to receive an incentive allocation from the Fund calculated on a share-by-share basis so that each share is charged an incentive allocation 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. 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.

When new shareholders subscribe at a net asset value higher than the net asset value at which the incentive allocation was last calculated (the "high water mark"), units equivalent to the incentive allocation 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 allocation 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 31 DECEMBER 2006 (CONTINUED)

4 Fees (Continued)

(b) Incentive allocation (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\$182,783 as incentive allocation during the year in respect of shareholders who redeemed during the year (2005: US\$12,022).

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\$401,804 (2005: US\$787,917) 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 purpose of administering the waiver/rebate, the Administrator maintains a memo sub-division of each class of shares and classifies them as "Fee paying" shares and "Non-fee paying" shares. Refer to note 8.

(c) Custodian fees

The Fund had a custodian agreement with HSBC International Trust Services (Asia) Ltd. up to 31 December 2005. The Fund has not appointed a new custodian and substantially all of the assets of Fund are held by the Prime Broker.

(d) Prime Broker

The Fund has a prime brokerage agreement with Goldman Sachs International Limited ("the Prime Broker"). Fees to the Prime Broker are included under Transactions handling fee and Net change in fair value on investments in the Income Statement.

Under the prime brokerage agreement the Prime Broker is entitled to have recourse to the assets which are being held for the Fund's account by the Prime Broker. Total assets and liabilities held with the Prime Broker amounted to \$237,200,502 and \$4,851,490 respectively (2005: \$173,723,271 and \$1,876,711 respectively).

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2006 (CONTINUED)

4 Fees (Continued)

(e) Administration fee

Effective from 1st January 2006, the Fund entered into an agreement with Goldman Sachs Management (Ireland) Limited (doing business as Goldman Sachs Administration Services Co) (the "Administrator") to perform general administrative services for the Fund. 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

Prior to 1st January, 2006, Bank of Bermuda (Cayman) Limited provided administration services to the Fund. The fee was 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

(f) 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 2006 amounted to US\$2,000 (2005: US\$2,760).

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 elected to be treated as a partnership for United States federal income tax purposes.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2006 (CONTINUED)

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

	2006 US\$	2005 US\$
Long positions		
Equities		
Listed securities	195,959,985	142,035,558
Unlisted securities	577,151	1,371,930
	<hr/>	<hr/>
Total Equities	196,537,136	143,407,488
	<hr/>	<hr/>
Derivatives		
Warrants	28,220,444	-
Options	240,190	-
	<hr/>	<hr/>
Total Derivatives	28,460,634	-
	<hr/>	<hr/>
Total investments – long positions	224,997,770	143,407,488
	<hr/> <hr/>	<hr/> <hr/>
Short positions		
Equities - Listed securities	-	(1,859,162)
	<hr/>	<hr/>
Derivatives – forward foreign exchange contracts	(4,850,588)	(17,549)
	<hr/>	<hr/>
Total investments – short positions	(4,850,588)	(1,876,711)
	<hr/> <hr/>	<hr/> <hr/>

THAI FOCUSED EQUITY FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006 (CONTINUED)**

7 Amounts receivable on reverse repurchase agreements

The Fund's contracted amounts receivable on reverse repurchase agreements outstanding as at 31st December 2006 are detailed below:

<u>Counter-party:</u>	2006 US\$	2005 US\$
Bear Stearns & Co. Inc.	<u>20,000,000</u>	<u>44,000,000</u>

The reverse repurchase agreements outstanding as at 31st December 2006 generate an interest return at a rate of 5% per annum and is collateralized by treasury notes amounting US\$20,402,333 (2005 :US\$44,881,113).

8 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 entitled to the incentive allocation as described in note 4(b) to the financial statements.

All issued redeemable common shares are fully paid, entitle them to dividends and voting powers and are identical except for the differences in investment management basic fee charged and redemption notice periods as follows:

	Investment management basic fee	Redemption notice period
Investor share Class A	1%	1 month
Manager share Class B *	1%	1 month
Investor share Class C	1.5%	3 months
Investor share Class D	2.0%	6 months

* Entitles holders to Incentive Allocation. Please also refer to note 4.

Redeemable common shares in issue are as follows:

	Class A - Fee paying No. of Shares	Class A - Non Fee paying No. of Shares	Class B - Non Fee paying No. of Shares
2006 Balance at 31st December	<u>288,7979.0557</u>	<u>5,957.5840</u>	<u>19,783.5412</u>
	Class C - Fee paying No. of Shares	Class C - Non Fee paying No. of Shares	Class D - Fee paying No. of Shares
2006 Balance at 31st December	<u>224,905.8657</u>	<u>653.9164</u>	<u>14,591.3591</u>

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2006 (CONTINUED)

8 Redeemable common shares (Continued)

	Class A No. of Shares	Class B No. of Shares	Class C No. of Shares
2005			
Balance at 31st December	<u>236,817.3949</u>	<u>19,708.8151</u>	<u>249,486.8964</u>

9 Net Assets Attributable to Holders of Redeemable Common Shares

In accordance with the provisions of the Fund's Confidential Explanatory Memorandum dated June 2006, securities that are listed on an exchange and are freely transferable are stated at the last traded price on the valuation day for the purpose of determining net asset value per redeemable common share for subscriptions and redemptions and for various fee calculations. However, as stated in note 2(e), the accounting policy of the Fund for the purpose of compliance with IAS 39 and for reporting purpose is to value its investments at the relevant bid market prices for financial assets and relevant asking price for financial liabilities on the Balance Sheet date. As at 31st December 2006, the difference between the accounting policy as stated in note 2(e) and the valuation methodology indicated in the Fund's Confidential Explanatory Memorandum, results in a decrease in value of investments by US\$1,925,228.

Net assets attributable to holders of redeemable common shares represent a liability in the balance sheet, carried at the redemption amount that would be payable at the balance sheet date if the shareholder exercised the right to redeem the share to the Fund. Consequently, the difference described above fully adjusts the carrying amount of the net assets attributable to holders of redeemable common shares and the resultant change for the year is included in the Income Statement. The cumulative differences are included as "Adjustment from bid/asking market prices to last traded market prices" on the Balance Sheet.

10 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 2006, the partners of Quest Management, Inc. hold a total investment in the Fund of 26,395.04 shares (2005: 26,159.13), equivalent to approximately US\$12,243,746 (2005: US\$11,282,625).

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2006 (CONTINUED)

11 Financial instruments

The Fund is exposed to market risk, credit risk, currency risk, off-balance sheet risk, liquidity risk and interest rate risk. The risk management policies employed by the Fund to manage these risks 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. The Fund invests primarily in the Thai market and is therefore exposed to factors affecting the Thai economy.

(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, deposits with brokers, 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. As stated in note 4(d), substantially all of the assets and liabilities of the Fund are held with the Prime Broker and the Fund therefore has a significant credit risk exposure to the Prime Broker.

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.

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2006 (CONTINUED)

11 Financial instruments (Continued)

(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:

	2006 US\$ equivalent	2005 US\$ equivalent
Net Thai Baht Exposure	<u>204,830,287</u>	<u>137,703,771</u>

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 2006 were as follows:

Contracts to deliver	In exchange for	Settlement date
Open contracts:		
<u>THB2,842,875,000</u>	<u>US\$75,000,000</u>	8th January 2007

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

(d) Liquidity risk

The Fund invests in the Thai market which is not as liquid as developed markets. To manage this risk, the Fund monitors the liquidity of its portfolio so that most of its investments can be disposed of within the redemption periods set (note 8).

THAI FOCUSED EQUITY FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2006 (CONTINUED)

11 Financial instruments (Continued)

(e) 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.

(f) 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.

(g) Fair value

As at 31st December 2006 and 2005, 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.

12 Approval of financial statements

The financial statements were approved by the directors 27 April 2007.

THAI FOCUSED EQUITY FUND LIMITED

**SCHEDULE OF INVESTMENTS (FOR MANAGEMENT INFORMATION)
AS AT 31ST DECEMBER 2006**

	Holding	Fair value US\$	% of net assets
Investments, long positions			
Equities			
Automotive			
Yarnapund PCL Foreign SH	17,919,800	2,552,750	1.01
Somboon Advance Technology PCL Foreign SH	4,777,000	1,522,710	0.60
Thai Steel Cable PCL Foreign SH	4,231,500	1,098,161	0.43
Goodyear (Thailand) Public Foreign SH	57,400	673,580	0.27
SNC Former Public Company Ltd Foreign SH	2,036,700	416,532	0.16
Subtotal		<u>6,263,733</u>	<u>2.47</u>
		-----	-----
Agriculture			
Sri Trang Agro-Industry Public Foreign SH	160,000	60,480	0.02
Subtotal		<u>60,480</u>	<u>0.02</u>
		-----	-----
Banking and Finance			
Krungthai Card Public Foreign SH	4,443,900	3,447,313	1.36
Subtotal		<u>3,447,313</u>	<u>1.36</u>
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THAI FOCUSED EQUITY FUND LIMITED

**SCHEDULE OF INVESTMENTS (FOR MANAGEMENT INFORMATION) (Continued)
AS AT 31ST DECEMBER 2006**

	Holding	Fair value US\$	% of net assets
Commerce			
Minor Corporation Public Co Limited	548,400	150,056	0.06
Master Ad Public Foreign SH	8,827,300	856,584	0.34
Subtotal		<u>1,006,640</u>	<u>0.40</u>
Telecommunication			
Advanced Info Service Public CForeign SH	10,990,700	23,872,607	9.40
True Corp Public Co Limited	100	17	0.00
Subtotal		<u>23,872,624</u>	<u>9.40</u>
Construction & Material			
M.C.S. Steel Public Foreign SH	21,825,400	2,265,655	0.89
Vanachai Group Public Foreign SH	35,268,300	4,755,500	1.87
G Steel Public Company Limited Foreign SH	75,908,300	1,991,388	0.78
Pre-Built Public Co Limited	16,827,000	882,884	0.35
Subtotal		<u>9,895,427</u>	<u>3.90</u>
Electronics			
Delta Electronics Thailand PForeign SH	19,720,600	9,623,875	3.79
Hana Microelectronics Public CForeign SH	6,805,600	5,327,374	2.10
Magnecomp International Limited (CMN)	45,386,000	21,901,297	8.62
Subtotal		<u>36,852,546</u>	<u>14.51</u>
Energy			
Asian Insulators Public Foreign SH	11,853,300	2,842,117	1.12
Banpu Public Company Limited Foreign SH	8,071,104	41,436,980	16.32
Banpu Public Company Limited CMN	200,000	1,026,798	0.40
Bangchak Petroleum Public CMN Share	6,860,400	1,770,738	0.70
Lanna Resources Public Foreign SH	7,310,000	2,309,506	0.91
Subtotal		<u>49,386,139</u>	<u>19.45</u>
Entertainment			
Major Cineplex Group Public Co Foreign SH	6,209,000	2,872,429	1.13
Subtotal		<u>2,872,429</u>	<u>1.13</u>

THAI FOCUSED EQUITY FUND LIMITED

**SCHEDULE OF INVESTMENTS (FOR MANAGEMENT INFORMATION) (Continued)
AS AT 31ST DECEMBER 2006**

	Holding	Fair value US\$	% of net assets
Home & Product			
Fancy Wood Industries Public Co Foreign SH	16,081,000	961,685	0.38
Subtotal		<u>961,685</u>	<u>0.38</u>
		-----	-----
Mining			
Padaeng Industry Public Foreign SH	2,640,798	2,998,367	1.18
Padaeng Industry Public Co Ltd NVDR CMN	20,930,602	23,764,647	9.36
Subtotal		<u>26,763,014</u>	<u>10.54</u>
		-----	-----
Printing			
TKS Technologies Public Foreign SH	3,885,200	348,517	0.14
Subtotal		<u>348,517</u>	<u>0.14</u>
		-----	-----
Real Estate			
Asian Property Development NVDR CMN	5,383,470	704,635	0.28
Asian Property Development Foreign SH	27,732,930	3,629,924	1.43
LPN Development Public Foreign SH	25,375,900	3,937,023	1.55
Subtotal		<u>8,271,582</u>	<u>3.26</u>
		-----	-----
Transportation			
Thoresen Thai Agencies Public Foreign SH	37,254,100	26,535,007	10.45
Subtotal		<u>26,535,007</u>	<u>10.45</u>
		-----	-----
Total Equities		<u>196,537,136</u>	<u>77.40</u>
		-----	-----
Options			
Put Option on Set 50 Index	1,170,330	240,190	0.09
Total Options		<u>240,190</u>	<u>0.09</u>
		-----	-----

THAI FOCUSED EQUITY FUND LIMITED

**SCHEDULE OF INVESTMENTS (FOR MANAGEMENT INFORMATION) (Continued)
AS AT 31ST DECEMBER 2006**

	Holding	Fair value US\$	% of net assets
Warrants			
Bank of Ayudhya (Foreign) -Warrant	111,302,500	21,193,001	8.35
Bank of Ayudhya (NVDR) -Warrant	32,833,800	6,251,852	2.46
Minor International Public (Foreign)- Warrant	4,909,771	775,591	0.31
Total Warrants		<u>28,220,444</u>	<u>11.11</u>
Total investments, long positions		<u>224,997,770</u>	<u>88.60</u>
Investments, short positions			
Forward foreign exchange contracts			
Forward foreign exchange contract	THB2,842,875,000/ US\$75,000,000	(4,850,588)	(1.91)
Total Forward foreign exchange contracts		<u>(4,850,588)</u>	<u>(1.91)</u>
Total Investments, short positions		<u>(4,850,588)</u>	<u>(1.91)</u>
Total investments, net		220,147,183	86.69
Other net assets attributable to holders of redeemable common shares		<u>33,733,945</u>	<u>13.31</u>
Total net asset values attributable to holders of redeemable common shares		<u>253,881,128</u>	<u>100.00</u>