



# THE THAI ASSET FUND LIMITED

(Incorporated with limited liability in Guernsey)

(Stock Code: 543)

## ANNOUNCEMENT OF 2005 UNAUDITED INTERIM RESULTS

### FINANCIAL RESULTS

The Board of Directors of The Thai Asset Fund Limited (the “Company”) announce that the unaudited results of the Company for the six months ended June 30, 2005 were as follows:

### CONDENSED PROFIT AND LOSS ACCOUNT (UNAUDITED)

	Six months ended June 30,	
	2005	2004
	US\$	US\$
<b>Revenue</b>		
Interest income	5,258	1,388
Dividend income	278,318	316,515
Net (loss)/gain on investments	(59,575)	709,561
<b>Total investment revenue</b>	<b>224,001</b>	<b>1,027,464</b>
<b>Expenses</b>		
Investment management fees	(27,172)	(40,450)
Investment advisory fees	(30,141)	(42,475)
Administration fees	(19,935)	(22,149)
Custodian fees	(9,260)	(9,964)
Supervisory fees	(3,958)	(5,884)
Audit fees	(8,231)	(15,796)
Transaction costs	(2,589)	—
Professional fees for liquidating the Company	(29,401)	—
Other operating expenses	(46,924)	(29,275)
<b>Total operating expenses</b>	<b>(177,611)</b>	<b>(165,993)</b>
Net profit before taxation	46,390	861,471
<b>Taxation</b>	<b>(13,235)</b>	<b>(42,353)</b>
<b>Increase in net assets attributable to shareholders from operations</b>	<b>33,155</b>	<b>819,118</b>
<b>EARNINGS PER SHARE</b>	<b>0.01</b>	<b>0.20</b>

## CONDENSED BALANCE SHEET

	(UNAUDITED) June 30, 2005	(AUDITED) December 31, 2004
	US\$	US\$
<b>Assets</b>		
Bank balances and cash	463,064	5,310,380
Investments	8,358,476	8,819,360
Other receivables	35,894	35,741
	<u>8,857,434</u>	<u>14,165,481</u>
<b>Liabilities</b>		
Other payables	(115,784)	(113,333)
Due to brokers	(49,422)	—
	<u>(165,206)</u>	<u>(113,333)</u>
<b>Liabilities (excluding net assets attributable to shareholders)</b>	<u>(165,206)</u>	<u>(113,333)</u>
<b>NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS</b>	<u>8,692,228</u>	<u>14,052,148</u>
<b>NET ASSET VALUE PER SHARE</b>	<u>3.36</u>	<u>3.47</u>

*Notes:*

### **Basis of preparation and accounting policies**

These unaudited condensed interim accounts have been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual financial statements for the year ended December 31, 2004. In the current period, the Company has applied, for the first time, a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (hereinafter collectively referred to as “new HKFRSs”) issued by HKICPA that are effective for accounting periods beginning on or after January 1, 2005. The changes to the Company’s accounting policies and the effect of adopting these new HKFRS are set out below.

### **Effect of adoption of new/revised accounting standards**

#### *New accounting policies*

The accounting policies used for the condensed financial statements for the six months ended June 30, 2005 are the same as those set out in note 3 to the 2004 annual financial statements except for the following:

#### *(a) Foreign currency translation*

##### *(i) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment (the “functional currency”). This is the Thai Baht, which reflects the Company’s primary activities of investing through the Fund in Thai securities deriving the dividend income in Thai Baht.

The Company has adopted the United States dollars (US\$) as its presentation currency in which investors subscribe to the Company.

##### *(ii) Transactions and balances*

The Company’s results and financial positions are translated from its functional currency to its presentation currency. The balance sheet of the Company is translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences on translation are dealt with as a movement in net asset attributable to shareholders.

(b) *Comparative figures*

Owing to the adoption of new/revised accounting standards during the reporting period, the preparation of certain items and balances in the accounts have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform to the current period's presentation.

**Interest income**

	<u>2005</u>	<u>2004</u>
	<i>US\$</i>	<i>US\$</i>
Cash and short-term funds	<u>5,258</u>	<u>1,388</u>

**Net loss on investments**

	<b>(UNAUDITED)</b>
	<b>January 1, 2005 to June 30, 2005</b>
	<i>US\$</i>
Unrealised gain on investments	
At the beginning of the period	2,763,466
At the end of the period	<u>2,473,769</u>
Change in unrealised loss in value of investments	(289,697)
Realised gain on sale of investments	<u>230,122</u>
	<u>(59,575)</u>

If similar treatment has been adopted retrospectively, the comparative figure for June 30, 2004 would have been (US\$2,342,653).

**Fees**

(a) *Investment management fees*

The Investment Manager receives from the Fund a monthly fee for acting as such, together with a fee for acting as the administrator of the Fund, payable monthly in arrears and calculated by reference to weekly valuations of the Fund, equal to 0.55% per annum and 0.10% per annum respectively of the net asset value ("NAV") of the Fund.

Subsequent to the passing of the Ordinary Resolution at the Extraordinary General Meeting on July 22, 2003, the fee payable to the Investment Manager of 0.55% per annum of the NAV of the Fund is subject to a minimum monthly payment of Thai Baht 150,000.

(b) *Investment advisory fees*

The Investment Adviser is entitled to receive fees from the Company payable monthly in arrears and calculated by reference to weekly valuations of the participating redeemable preference shares, equal to 0.60% per annum of the net asset value of the participating redeemable preference shares.

(c) *Custodian fees and supervisory fees*

The Thai Custodian receives out of the assets of the Fund, a fee equal to 0.1% per annum of the net asset value ("NAV") of the Fund on the last business day of each week, payable monthly in arrears. Effective from December 1, 1998, the Thai Custodian fee has been reduced to 0.08% per annum of the Fund's NAV by way of the Supplementary Agreement to the Thai Custodian Agreement of the Fund.

As at June 22, 2001, the Thai Custodian has changed its role from the Fund's Custodian to the Fund's Supervisor. The supervisory fee remained the same as the previous custodian fee, i.e. 0.08% p.a.

The Guernsey Custodian, for acting as the custodian and the registrar, receives an annual fee from the Company of US\$20,000, payable monthly in arrears, together with permitted out of pocket expenses and transaction charges involved in carrying out its duties.

**(d) Administration fees**

The Administrator is entitled to receive from the Company a fee, equal to 0.12% per annum of the net asset value of the participating redeemable preference shares on the last business day of each week, subject to a minimum of US\$30,000 in any 12 month period, payable monthly in arrears.

**(e) Directors' fees and expenses**

The Directors are entitled to receive from the Company, as remuneration for their services, an aggregate amount of US\$35,000 per annum. They are also entitled to all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings and other business of the Company.

**Segment information**

Since the principal activity of the Company is investing in Thai securities with over 90% of its turnover and contribution to results derived from such activity in Thailand, no separate disclosure of geographical nor business segment information is presented.

**Taxation**

	<b>Six months ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
	<b>US\$</b>	<b>US\$</b>
Withholding tax in Thailand on distributions from Thai Asset Open-end Fund (the "Fund") to the Company	<b>13,235</b>	<b>42,353</b>

Withholding tax is payable in Thailand at the rate of 15% on distributions made by the Fund to the Company being remittances for payment of unitholder expenses. No provision for Hong Kong profits tax has been made as interest, dividend and realised gains on disposal of investments of the Company are excluded from charge to profits tax under either section 14, 26 or 26A of the Hong Kong Inland Revenue Ordinance.

**Earnings per share**

The calculation was based on the increase in net assets attributable to shareholders from operations for the six months of US\$33,155 (June 30, 2004: US\$819,118) and on 2,589,028 (June 30, 2004: 4,052,525) shares outstanding during the six months.

**Net asset value per share**

The calculation of net asset value per share is based on net assets of US\$8,692,228 (December 31, 2004: US\$14,052,148) and 2,589,028 (December 31, 2004: US\$4,052,525) issued shares as at June 30, 2005.

**Subsequent events**

On August 5, 2005, the Board of Directors resolved to redeem the Company's investments with an aim to return the proceeds to shareholders as soon as possible.

Following the redemption and distribution of all the remaining net proceeds of the Fund to shareholders by way of redeeming all of the participating redeemable preference shares, it is proposed that the remaining holders of the founder shares and nominal shares shall resolve to wind up the Company, and at the same time the Company will follow the procedures for withdrawing the listing status of the Company in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**REVIEW OF PERFORMANCE**

During the first half of 2005, the Company recorded a profit after tax of US\$33,155 (compared with a profit of US\$819,118 during the previous corresponding period). The profit was mainly derived from the dividends from investments which were partially set off by net loss on investments.

The net asset value of the Company, as at June 30, 2005, was US\$8,692,228. The net asset value per share was US\$3.36, compared with US\$3.47 as at December 31, 2004, a decrease over the period of 3.17% in US\$ terms. Over the same period, the Stock Exchange of Thailand Index decreased by 4.26% in US\$ terms. The Company, in turn, outperformed the market by 1.09%.

As at June 30, 2005, the Company was 96.16% invested in Thai equities, with the balance being held in the form of bank deposits.

The Company's underlying investments are denominated in Baht and the Company is therefore exposed to fluctuations in Baht/US\$ exchange rates. During the period under review, the Baht depreciated by 5.31% against the US dollar.

## **OUTLOOK OF THE COMPANY**

The Board of the Company passed a resolution on August 5, 2005 to proceed with the following unit redemption of Thai Asset Open-end Fund (the "Fund"):

- 10% of 4,900,000 units redeemed upon the Fund's trading day in August 2005;
- 10% of 4,900,000 units redeemed upon the Fund's trading day in September 2005;
- 10% of 4,900,000 units redeemed upon the Fund's trading day in October 2005;
- 10% of 4,900,000 units redeemed upon the Fund's trading day in November 2005; and
- 10% of 4,900,000 units redeemed upon the Fund's trading day in December 2005.

The unit redemption proceeds will be returned to shareholders by way of share redemption with which the details will be announced in due course.

## **DIVIDEND**

No interim dividend was declared or paid for the six months ended June 30, 2005 (2004: Nil).

## **ARRANGEMENTS TO PURCHASE, SELL OR REDEEM SHARES**

On January 12, 2005, a total of 1,463,497 participating redeemable preference shares ("shares") were redeemed resulting the Company's total issued shares to 2,589,028 as of June 30, 2005.

Save as aforesaid, the Company did not purchase, sell, redeem or cancel any of its shares during the six months ended June 30, 2005.

## **AUDIT COMMITTEE**

The Company has set up the Audit Committee, comprising of three independent non-executive directors, namely Messrs. Heng Kwoo Seng, Thomas Ng Tung Ming and Narong Chulajata. The Audit Committee's principal duties include the review and supervision of the Company's financial reporting process and internal controls.

The Audit Committee of the Company has reviewed the unaudited interim accounts for the six months ended June 30, 2005.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (APPENDIX 10 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED) ("MODEL CODE")**

The Company has adopted the Model Code as its code of conduct regarding Directors' transactions in securities. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended June 30, 2005, and they have all confirmed their respective full compliance with the required standard set out in the Model Code throughout the period under review.

**CODE ON CORPORATE GOVERNANCE PRACTICES (APPENDIX 14 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED) (THE “CODE”)**

The Company has complied with the Code throughout the six months to June 30, 2005, except for the following deviations:

**Code Provision A.2.1**

The Company at present does not stipulate the roles of chairman and chief executive officer.

**Code Provisions A.4.1 & A.4.2**

None of the existing Directors of the Company is appointed for a specific term, but those Directors who are appointed to fill a casual vacancy would be subject to election by shareholders at the first annual general meeting after their appointment, and all Directors of the Company are subject to retirement by rotation at the annual general meetings according to the Company's Articles of Association.

**Code Provision B.1.1**

The Directors' remuneration policy is governed by the Company's Articles of Association to which the establishment of a remuneration committee is no longer necessary.

By order of the Board  
**Jeremy Charles Simpson**  
*Secretary*

Hong Kong, September 23, 2005

As at the date of this announcement, the executive directors of the Company are Messrs. Andrew Lo Tak Shing, Dominic Kwok Chung Kwong and Pichit Akrathit, the independent non-executive directors of the Company are Messrs. Narong Chulajata, Heng Kwo Seng and Thomas Ng Tung Ming and the non-executive director of the Company is Mr. John Yang Chung Hsiung.

Please also refer to the published version of this announcement in The Standard.