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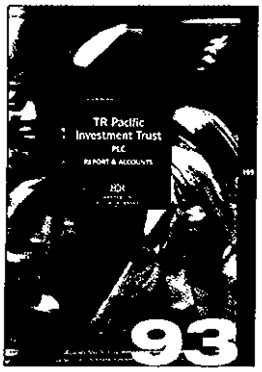
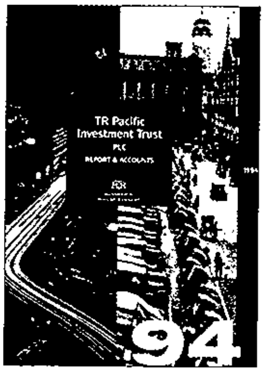
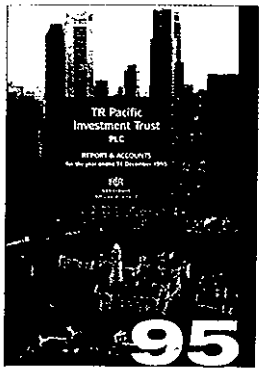
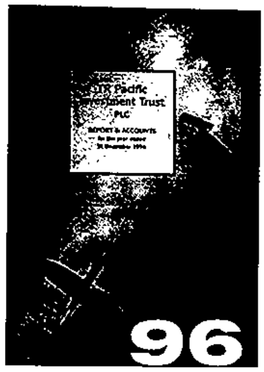


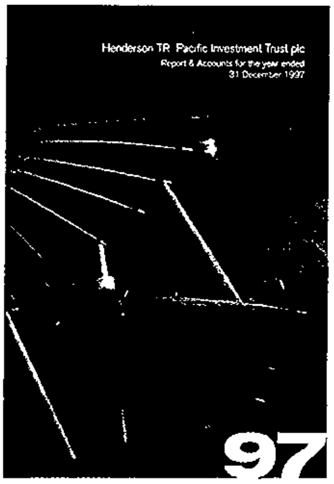






Henderson TR Pacific Investment Trust plc

Henderson TR Pacific Investment Trust plc is a specialist company seeking capital growth from Pacific region stock markets and economies excluding Japan and Australasia.



The company has a ten year track record of above average performance. It has a long term strategic objective of building a core portfolio of quality investments in high growth sectors with an emphasis on young companies and less mature economies.

Results

A region-wide financial crisis in 1997 forced a different portfolio stance as both stock markets and currencies came under attack. Exposure to vulnerable economies and currencies was reduced or removed and at the year end the company held significant investments in cash and bonds. There was nevertheless a sharp setback in the value of net assets per share which fell by 38.0% to 68.1p. The share price also fell by 39.8% to 65.5p and at the year end stood at a discount of 3.8% to the value of assets.

Prospects

Asian economies face a difficult year in 1998 as the economic consequences of the financial crisis are felt. These are adjustments to previous excesses which will work their way through the system. In time we expect a resumption of sustained economic growth.

Contents

Singapore-River and Central Business District

Directors and Management

***Iain Dale OBE**
(Chairman) (age 57) joined the Board in 1990. He is a director of Chevalier International Holdings Ltd (Hong Kong) and Silvermines Group plc. He is also a member of the Foreign and Commonwealth Office Business Panel and an adviser to Mitsui & Co (UK) plc. In November 1997 he was appointed an Ambassador for British Business.

***Peter Berry**
(age 53) was appointed to the Board in 1994. He is Managing Director of The Crown Agents for Oversea Governments and Administrations and has lived and worked in several South East Asian countries. He is also a director of The Scottish Eastern Investment Trust PLC and Kier Group plc.

***Wallace Clapperton, CA**
(age 63) was appointed to the Board in 1992. He is a former Chairman of Scantronic Holdings PLC and a former director of Barclays de Zoete Wedd Securities Limited.

***Sir Kerry St. Johnston**
(age 66) joined the Board in 1987. He is a director of Diehl & St. Johnston Ltd and was formerly Chairman of both P&O Containers Ltd and Straits Steamship Company of Singapore.

Michael Watt, AIIMR
(Manager) (age 51) was appointed to the Board in 1987 and resides in Singapore. He is a director of Henderson Far East Income Trust plc and is a director of Henderson Investors Singapore Limited.

*Independent director and member of the Audit and Management Engagement Committees.

Management
The portfolio is managed by **Michael Watt** who is Head of Far East Investments at Henderson Investors. He is assisted by **Heather Manners** (centre), a director of Henderson Investors Limited. **Siobhan McCausland** (right) acts as Company Secretary and is a director of Henderson Secretarial Services Limited, the corporate secretary to the company.

Dr Frank Chao an influential Hong Kong businessman and President of the Wah Kwong Group serves as local adviser to the company.

Chairman's Statement

Your company is now ten years old although its predecessor, the International Investment Trust, was much older having been formed in 1887. From 1982 it changed its name to TR Pacific Basin Investment Trust, focusing on the Far East including Japan. Then, in 1987 TR Pacific Investment Trust was formed to invest in the rapidly expanding Far East economies other than Japan and Australasia. The company was born at a time of crisis and uncertainty in the world's financial markets towards the end of 1987, and now faces even more severe conditions. In 1987 the crash was limited to financial markets involving a brief and painful adjustment to problems that had arisen outside the region. In 1997 the crisis was home grown and self feeding and hurt not just stock markets, but also currencies, economic prospects and potentially political stability.

Iain Dale

Recent Events

Conditions in the first half year were stable and your company performed relatively well. Indeed this environment lasted well into August when net assets per share reached an all time peak of 130.4p (8 August 1997). As the severity of the crisis deepened, major steps were taken to offset the gearing introduced in the first quarter and reduce exposure to the troubled Korean and ASEAN stock markets. In addition, sectoral and company exposure was rationalised substantially, whilst investments in the vulnerable property and financial sectors were switched to cash and high quality fixed interest bonds denominated in US dollars. The portfolio restructuring is described on pages 7, 8 and 9. Conditions in Far East stock markets are likely to remain difficult over the year ahead and a defensive portfolio strategy has been adopted.

Performance

For the year to 31 December 1997, the group's net assets per share declined from 109.8p at the end of 1996 to 68.1p, a fall of 38.0%. At the year end the ordinary share price stood at 65.5p, a 3.8% discount to the value of assets. For the year as a whole the company's performance was ahead of the benchmark index and also above average within its peer group.

Revenue and Dividend

Group revenue declined due to the fact that last year's revenue included a significant one-off contribution resulting from the acquisition of Thornton Asian Emerging Markets Investment Trust plc ('TAEMIT'). Earnings in the company increased strongly due to income from the unusually high level of liquidity. In these circumstances, the company is required to pay a higher level of dividend and the Board recommends a special dividend of 0.20p per share in addition to a maintained annual dividend of 0.25p per share.

"C" Shares

In 1996, 5,972,285 "C" shares were issued to all shareholders of TAEMIT. These represented TAEMIT's interest in ChinaVest II-A, a venture capital fund specialising in unlisted investments in Greater China. The "C" shares are valued independently of the assets attributable to the company's ordinary shares and the remaining investments will be absorbed into the main portfolio on conversion of the "C" shares. The "C" shares are due to convert into ordinary shares by 22 May 1998.

Change of Name and Offer for Shares of Management Company by AMP

Shareholders voted in favour of a proposal to change the company's name to Henderson TR Pacific Investment Trust plc with effect from 7 October 1997. This was to avoid any uncertainty amongst potential shareholders as to the company's manager and to take advantage of Henderson's higher profile brand name.

On 3 February 1998, an offer was announced by AMP, the leading Australian financial services company, for the shares of the trust's ultimate management company, Henderson plc. As a result, Henderson is expected to become a stronger force within the global fund management industry, although its independence will have been lost.

The Board has been assured by Henderson that if the offer is successful, the level of commitment to investment trusts will be maintained, Henderson's name will continue in the market place and its brand will be further strengthened.

Personal Equity Plan ("PEP")

Due to the Asian financial crisis and the steps taken to mitigate the impact on the company's assets by reducing its exposure to equity investments, I regret that the company is now unable to continue to qualify partially for PEP purposes. Any shares in the company held in a PEP should be sold as soon as is practicable.

Outlook

1998 is expected to be a difficult year throughout the region. Both currencies and stock markets have already discounted most of the problems and there should be scope for re-ratings if current uncertainties can be resolved. The region's superior economic growth is likely to be resumed but this is unlikely to occur in 1998. The crisis may take some time yet to run its course.

I wish to thank my colleagues on the Board and at Henderson who have worked hard in a very challenging environment. It is just a few months since the company received an award from Investment Week magazine, in association with The Express and Bloomberg, for its consistently strong performance against both unit trusts and investment trusts specialising in Far East stock markets. Since then tremendous effort has been expended to adapt to greatly changed circumstances.

Annual General Meeting

The AGM will be held on 6 April 1998 at 12.30pm in Henderson's offices at 3 Finsbury Avenue, London. I warmly invite shareholders to attend.

Iain Dale

Iain Dale OBE
9 March 1998

Stock Market Comparison

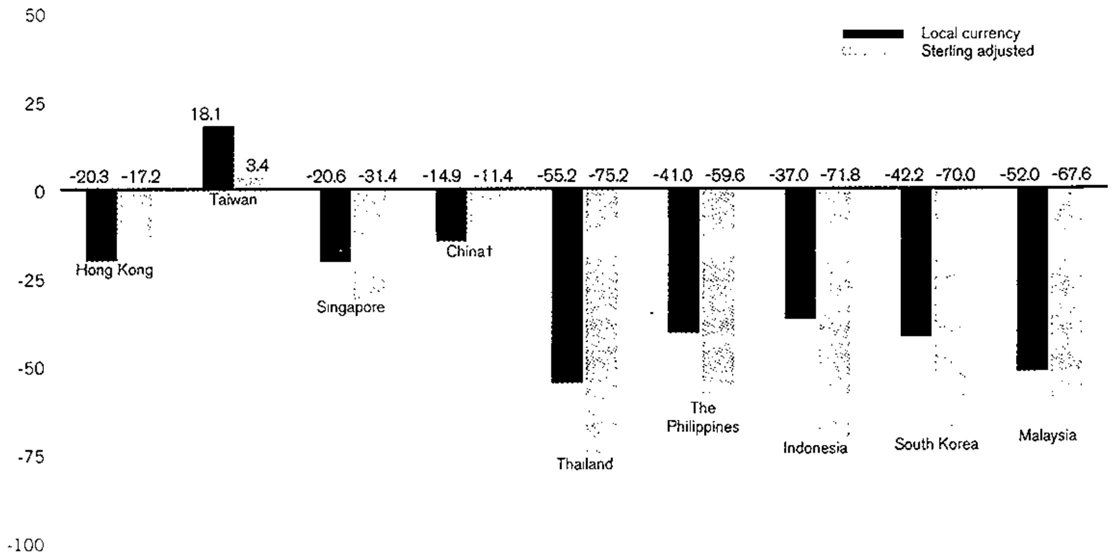
Just one Far East stock market showed positive returns in 1997. Taiwan's Weighted Index advanced by 18.1% and even managed a rise of 3.4% in sterling terms. All remaining stock markets fell sharply and these declines were exacerbated to a sterling-based investor by currency weakness. The Thai and Malaysian stock market indices more than halved, while South Korea's, The Philippines' and Indonesia's were not far behind.

We used to take for granted the fact that the region's currencies were linked either directly or indirectly to the US dollar, but the floating of the Thai baht in July led to attacks on all the region's currencies. With the exception of the South Korean won which declined slightly all of the region's currencies had strengthened against sterling in the first half year. The second half showed some spectacular currency declines with the Indonesian rupiah more than halving in value and the Korean won and Thai baht closely following. The Malaysian ringgit also suffered badly and only the Hong Kong dollar and Chinese renminbi held their levels against the US dollar, which advanced by 4.0% against sterling over the year.

The resulting currency-adjusted stock market returns in sterling terms were deeply negative with falls of 70% or more in Thailand, Indonesia and South Korea. After Taiwan, Hong Kong proved the region's strongest major stock market with a sterling return of -17.2% helped by the fact that the Hong Kong dollar remains pegged to the US dollar.

Stock Market Performance*

% Year to 31 December 1997 (percentage change)



*Henderson TR Pacific also has an investment in The Vietnam Fund, which is listed in Dublin. Vietnam has no stock market at the present time.

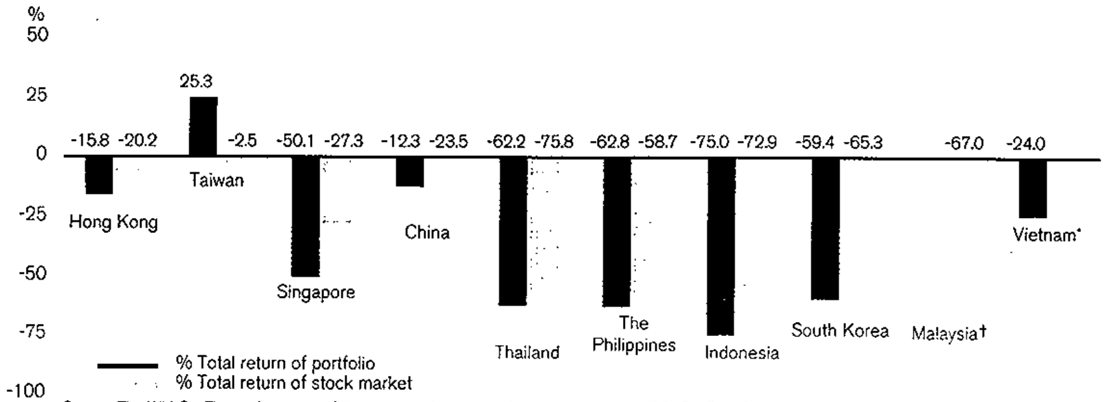
†The local movements on the China B Index have been calculated with reference to a US$ denominated price index.

Portfolio Performance

Peer Group
The performance of the company's assets is compared against a peer group of investment trust competitors selected by the directors. For the year ended 31 December 1997 the company outperformed this benchmark by 5.9% and over the past three years its outperformance has been 3.4% per annum.

MSCI Index
From September 1996 the MSCI AC Far East Free ex-Japan Index was expanded to encompass all the stock markets in which the company invests. This index is also monitored to compare the company's performance. In 1997 the performance of the company's assets exceeded this index by 4.7%.

Total return of portfolio (compared with total return of Stock Market)

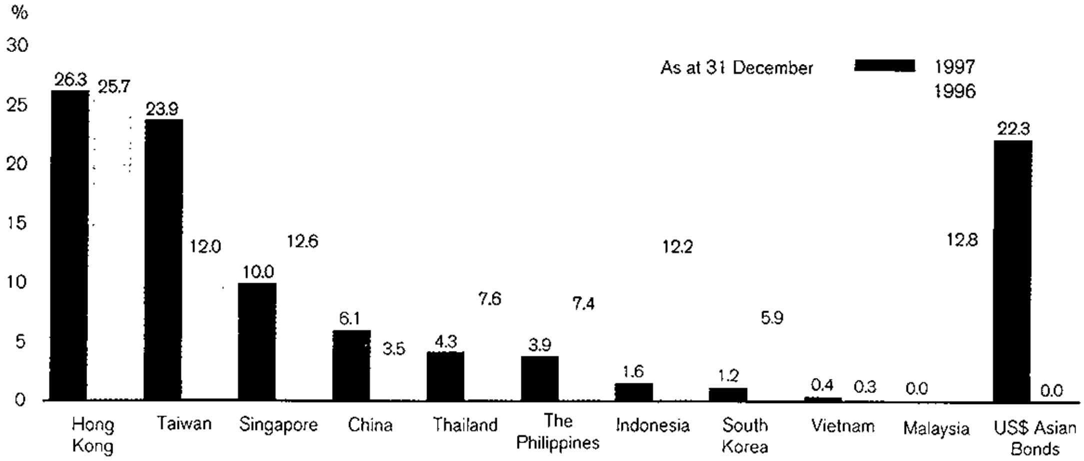


Source: The WM Co. The performance of the company is compared against individual MSCI Far East Country Indices.
† There were no investments in Malaysia at the year end.
* There is no stock market in Vietnam at present.

Portfolio Structure

In accordance with the company's long term strategic objectives set out on page 1 close attention is paid to geographical weightings, sector structure and the size of companies within the portfolio. Last year's financial crisis necessitated significant reassessment.

Geographical Analysis % (excluding "C" share portfolio)

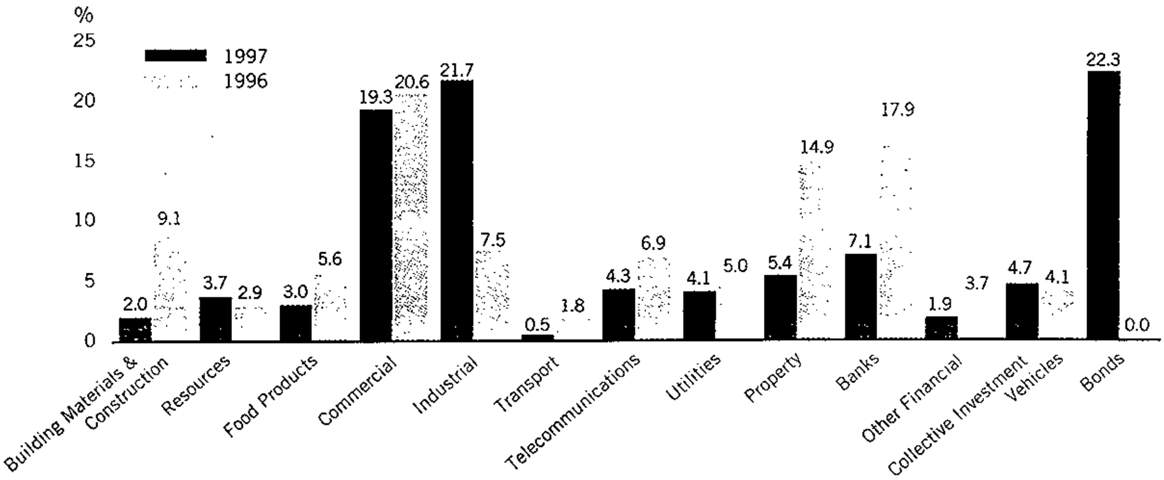


Portfolio Structure

continued

Three areas dominated the portfolio. Hong Kong remained our largest exposure at 26.3% of investments, closely followed by Taiwan at 23.9% of the total and US dollar denominated bonds, issued by high quality Far East entities, at 22.3%. This was the first occasion that fixed interest bonds have been used by the company and they are being accessed as a temporary shelter from the ravages which have hit both equity markets and currencies. Exposure to South Korea, Thailand, the Philippines and Indonesia was drastically reduced while equity investments in Malaysia were sold off altogether.

Sector Analysis % (excluding "C" share portfolio)



The banking and property sectors are obvious casualties of Asia's financial crisis since high interest rates and slow growth can have a serious negative impact. Exposure to these sectors was reduced significantly to 7.1% and 5.4% of investments respectively. On the other hand the weighting in the industrial sector was raised to 21.7% of investments from 7.5% last year. We particularly sought out quality companies exporting into world markets. Our largest sector category was bonds at 22.3% of investments which were favoured over all equity sectors in the crisis environment.

Portfolio Structure
continued

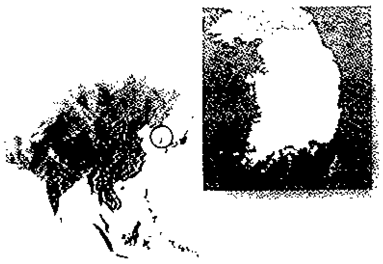
Top Twenty Investments (excluding "C" share portfolio)

The top twenty investments represent 56.3% of total group investments compared with 39.7% in the previous year.

Company	Country	Sector	Value of Investment £'000
Asia Development Bank 6.25% Bonds 2005	International	Bonds	9,213
Asia Development Bank 6.75% Bonds 2007	International	Bonds	7,963
Hutchison Whampoa 6.95% Bonds 2007	International	Bonds	4,336
Petroliam Nasional 7.125% Bonds 2006	International	Bonds	4,313
Asustek Computer	Taiwan	Industrial	3,607
Swire Pacific	Hong Kong	Commercial	3,338
China 7.75% Bonds 2006	International	Bonds	3,162
Qingling Motors	China	Industrial	3,130
Hong Kong Telecom	Hong Kong	Telecommunications	3,128
Compal Electronics	Taiwan	Industrial	3,055
CNPC	Hong Kong	Resources	3,053
Overseas Chinese Banking Corporation	Singapore	Banks	3,039
HSBC Holdings	Hong Kong	Banks	3,000
Cheung Kong	Hong Kong	Property	2,971
Li & Fung	Hong Kong	Commercial	2,828
Huaneng Power Corporation	China	Utilities	2,678
Television Broadcasts	Hong Kong	Commercial	2,647
Far East Textile	Taiwan	Industrial	2,626
Johnson Electric Holdings	Hong Kong	Industrial	2,606
Taiwan Opportunities Fund	Taiwan	Collective Investment Vehicles	2,606
			73,299

The top twenty investments accounted for 56.3% of total group investments compared with 39.7% at the end of 1996. This reflected a general consolidation of the portfolio in response to the uncertainties caused by Asia's financial crisis, which saw the total number of investments shrink from 95 to 66. Just six investments in the top twenty survived intact from the list at the end of 1996. The top twenty is dominated by new holdings in bonds issued by Asian entities but denominated in US dollars.

Bonds contributed the largest sector weighting with the industrial sector also rising strongly to contribute the next most significant exposure. Eight of the top twenty investments were Hong Kong equities while there were five bond investments and four holdings in Taiwan. Two Chinese equity investments appeared within the top twenty holdings but there was no representation from South Korea, Thailand, Malaysia, the Philippines or Indonesia whose stock markets and currencies have faced severe pressure.



South Korea

"South Korea badly needs far reaching economic reforms and these have been promised."

South Korea was a major casualty of the currency and economic crisis in Asia. Its private sector has traditionally been heavily borrowed but in 1997 this became excessively short term and US dollar denominated. Its crisis also came later than that of ASEAN and the impact was more sudden and more damaging than in neighbouring countries. The crisis struck during the presidential election campaign which left the incumbent authorities unable to respond. The stock market declined by 42.2% and the won fell by 48.1% over the year, although the worst of the crisis was seen only in December. To a sterling based investor, the Korean stock market declined by 70.0%. A new government is now in place and with the help of the International Monetary Fund has moved firmly to restore confidence in Korea's economy and the won. South Korea badly needs far reaching economic reforms and these have been promised. Its manufacturing industry is very strong and the newly found currency competitiveness will ultimately work to its great advantage once distortions and uncertainties caused by the crisis have been removed. We expect no economic growth in 1998 after achieving expansion of 5.8% in 1997. Indeed, some economic decline is likely. Our portfolio exposure was cut to just 1.2% at the year end, but we will invest in quality exporters as the environment becomes more settled.

Source: Datastream

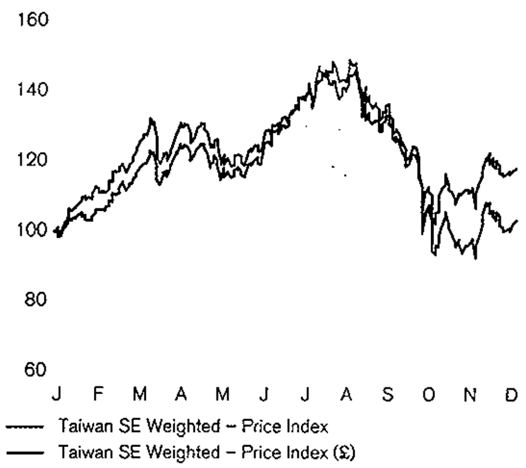
South Korea Investments		%	£'000
Industrial	Samsung Electronics	0.1	110
Telecommunications	SK Telecom	1.1	1,393
Total South Korea Investments		**1.2**	**1,503**

Taiwan

"Exposure to Taiwan doubled . . . to 23.9% at the end of 1997."

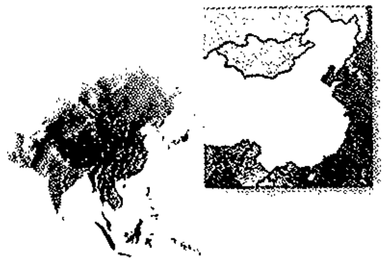
Despite the gloomy regional economic prospects and the currency crisis Taiwan's stock market managed to buck the trend rising 18.1%, or 3.4% in sterling terms to become the best performing market in the region in 1997. Economic growth rebounded to 6.4% from 5.7% in the previous year, led by a robust recovery in the export sector. We expect growth of at least 5% in 1998. Recovery in domestic consumption due to the wealth-effect of a buoyant stock market and a loose monetary policy drove the market to a high point of over 10,000 on the Stock Exchange Index. The company's exposure to Taiwan doubled from 12.0% at the end of 1996 to 23.9% at the end of 1997.

We expect Taiwan's electronics sector to continue to be a major beneficiary from the trend towards outsourcing production by major US and Japanese customers. The export sector is geared towards global economic growth, rather than Asia's. Financial reforms are being implemented together with privatisation to fund the fiscal deficit. Moreover, relations with China appear to be continuing to improve. The outlook remains positive.



Source: Datastream

Taiwan Investments		%	£'000
Building Materials & Construction	BES Engineering	1.6	2,085
Commercial	Synnex Technology International	1.9	2,495
Industrial	Asustek Computer	2.8	3,607
	Compal Electronics	2.3	3,055
	Far East Textile	2.0	2,626
	Siliconware Precision	1.9	2,443
	Kang Na Hsiung Enterprise	1.7	2,153
	Taiwan Semiconductor	1.6	2,093
	D Link	1.5	1,957
	Acer	0.8	1,023
Transport	Evergreen Marine	0.5	628
Banks	Chinatrust Commercial Bank	1.4	1,887
Other Financial	China Development	1.9	2,466
Collective Investment Vehicles	Taiwan Opportunities Fund	2.0	2,606
Total Taiwan Investments		**23.9**	**31,124**



China

"China has promised not to devalue; with huge reserves and a still closed currency market it should be able to fulfil this."

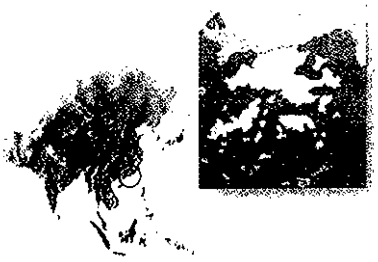
China's economy continued to grow strongly in 1997. Economic expansion at a rate of 8.8% was the region's highest and we expect continued expansion of around 6% in 1998. Problems grew in some areas, however. The domestic economy remained weak. This helped inflation which was very low, but suppressed consumer confidence. Domestic interest rates were cut to stimulate the economy but with little sign of success. Instead growth was fuelled by strong exports and China earned a huge US$40.8 billion trade surplus. The position deteriorated towards the year end however as demand from the rest of Asia fell and the renminbi was no longer cheap relative to other currencies. This poses some concerns for the future as China continues to push forward with reforms to the state and financial sectors, both of which are in a precarious condition. China has promised not to devalue; with huge reserves and a still closed currency market it should be able to fulfil this. Growing pressure on exports may make its commitment increasingly difficult however, particularly if there is little progress elsewhere. Politically, China appears to have come to terms quickly with the death of Deng Xiao Ping and the leadership under Jiang Zhe Min has been able to consolidate and strengthen its position. The stock market is still small and volatile. Many Chinese state and provincial entities have sought liquidity with listings in the Hong Kong market. A large number of offshoots were listed with the promise of further injections of assets and franchises. This fuelled Hong Kong's "Red Chip" boom in the early part of the year, but also fell victim to the crisis in the rest of Asia as stock markets everywhere became cautious. The stock market, as measured by the China 'B' Index, peaked in August after a 40% advance, but then suffered a severe setback to end the year 14.9% lower. In sterling terms, it fell by 11.4% as the renminbi advanced slightly. The company's exposure to China was raised to 6.1% of total investments from 3.5%. Two holdings, Qingling Motors, an affiliate of Japanese truck maker Isuzu, and Huaneng Power Corporation, China's leading power station operator, were both in the top twenty investments.

— CLSA China B – Price Index (US$)
— CLSA China B – Price Index (£)
Source: Datastream

China Investments

		%	£'000
Industrial	Qingling Motors	2.4	3,130
Utilities	Huaneng Power Corporation	2.0	2,678
Collective Investment Vehicles	China Heartland Fund	1.1	1,399
	*SHK Pearl River Delta	0.3	441
	China North Industries	0.3	346
Total China Investments		**6.1**	**7,994**

*Unlisted investment



Hong Kong

"The handover of sovereignty from Britain to China on 30 June was smooth and Hong Kong was left largely unchanged with business as usual almost everywhere."

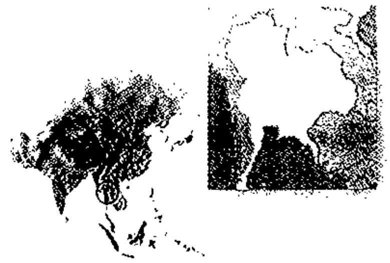
1997 should have been Hong Kong's year. The first half was hopeful, particularly with regard to "Red Chip" investments with strong Chinese links. The handover of sovereignty from Britain to China on 30 June was smooth and Hong Kong was left largely unchanged with business as usual almost everywhere. Stock market euphoria at the time of the handover gave way to sobriety which was then caught up in the Asian currency crisis. Since the Hong Kong dollar is pegged to the US dollar by an automatic mechanism the crisis was not directly reflected in the currency, which remained stable. Instead interest rates bore the brunt and the stock and property markets adjusted sharply to the changed economic environment. Prices in the important housing market fell by some 30% from their peak and the Hang Seng Index was down by 20.3% and by 17.2% in sterling terms.

There are concerns that the currency peg has now become a liability since just the Hong Kong dollar and the Chinese renminbi, which is not freely traded, have not succumbed to the crisis. The authorities maintain that there would be no advantage from a devaluation since Hong Kong is no longer a significant manufacturer, but it is hard to see the current system continuing if China itself is forced to devalue. In the meantime Hong Kong's economy is in an adjustment phase brought on by high interest rates. The outlook for the property and financial sectors remains unfavourable. Economic growth of 5.4% was achieved in 1997 but it is expected to be only 2.0% in 1998. The portfolio weighting of 26.3% continued to place Hong Kong as our most important investment area, but there was an underweight position against the benchmark index.

— Hang Seng – Price Index
— Hang Seng – Price Index (£)
Source: Datastream

Hong Kong Investments		%	£'000
Food Products	China Food Holdings	1.2	1,616
Commercial	Swire Pacific	2.6	3,338
	Li & Fung	2.2	2,828
	Television Broadcasts	2.0	2,647
	South China Morning Post	1.9	2,479
	Citic Pacific	1.5	1,942
Industrial	Johnson Electric Holdings	2.0	2,606
	Founder	1.2	1,502
Resources	CNPC	2.3	3,053
Property	Cheung Kong	2.3	2,971
	New World Development	1.6	2,104
Telecommunications	Hong Kong Telecom	2.4	3,128
Banks	HSBC Holdings	2.3	3,000
	Dao Heng Bank	0.8	991
Collective Investment Vehicles	*Hong Kong Venture Investment Trust	–	63
Total Hong Kong Investments		**26.3**	**34,268**

*Unlisted investment



Thailand

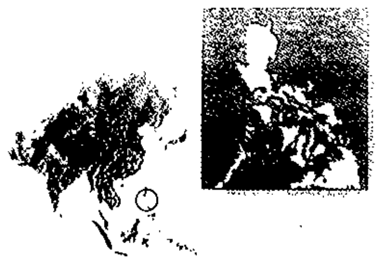
"In the corporate sector it is too early to say which companies will survive and what the impact will be for existing shareholders."

In retrospect, it was way off the mark to have concluded in last year's report that the 42.1% stock market fall in sterling terms had discounted most of the potential negatives. In 1997 the SET Index declined by a further 55.2% and the baht fell by 44.6% which resulted in an overall slide of 75.2%. The demise was triggered by the flotation of the Thai baht in July as the authorities decided the country could no longer survive with an unrealistic exchange rate policy. This action put at risk much of the corporate sector which had previously been encouraged to borrow "cheap" US dollars. We responded by reducing the portfolio exposure to Thailand further to 4.3% from 7.6%. Investments in the heavily borrowed telecommunications sector were removed as were our small investments in the property and finance sectors.

The Chavalit government was not well positioned to act decisively on economic and political reform. Its resignation triggered a new commitment to reform as the popular democratic leader Chuan was able to form a new government. The IMF offered a package worth US$17.2 billion and strenuous efforts have since been made to deliver wide ranging political and economic reforms. Economic growth slowed from 6.4% in 1996 to 0.4% in 1997 and the economy is expected to decline by some 5% in 1998. It is expected to be a very severe economic environment for a country which has been used to average growth of 8.7% per annum over the past decade. The danger of social unrest is mitigated by a strong rural economy and national unity but inflation is expected to rise to 12% due to the impact of currency devaluation. In the corporate sector it is too early to say which companies will survive and what the impact will be for existing shareholders. Our investments are in defensive areas with strong franchises.

Source: Datastream

Thailand Investments		%	£'000
Building Materials & Construction	Siam Cement	0.4	489
Resources	PTTEP	1.4	1,814
Food Products	Pizza Co	0.7	959
Industrial	Hana Microelectronics	1.0	1,306
Utilities	Bangkok Expressway	0.5	672
Banks	Thai Farmers Bank	0.3	388
Total Thailand Investments		**4.3**	**5,628**



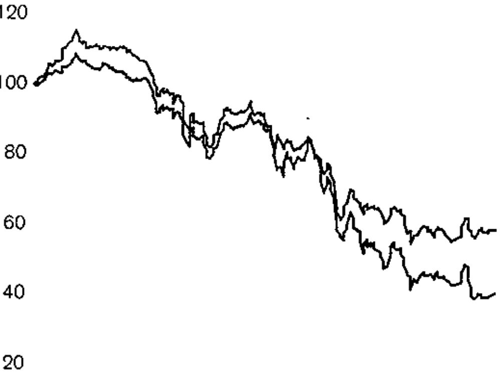
The Philippines

"The Philippines stands a good chance . . . of emerging relatively unscathed from the crisis."

Although both the stock market and the currency fell sharply over 1997 the Philippines was hit less hard than might have been expected. The Manila Composite Index fell by 41.0% and the peso declined by 31.4% leaving the stock market 59.6% lower in sterling terms, but there was not the crisis environment that was evident in some other Asian countries.

The Philippines has been under IMF surveillance for many years and has recently enjoyed a period of strong political leadership and stability. Given that its economy had barely begun to grow strongly there was relatively little of the ingrained complacency or financial excess evident elsewhere. Moreover, the basic utilities adjust smoothly to fluctuations in exchange rates so the economy responds more efficiently than some others to a volatile currency environment.

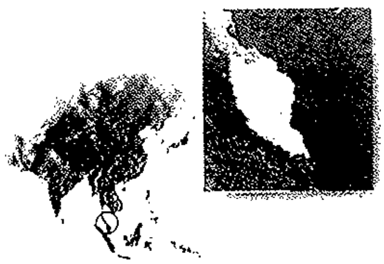
In 1997 the Philippine economy expanded by 5.1%, but there are clear challenges ahead given the reforms now taking place throughout Asia. 1998 is a presidential election year, which does not normally bode well for sound economic management. There are concerns that the next president may not be as energetic and successful as President Ramos. The Philippines must suffer along with the rest of ASEAN and we expect the economic growth rate to fall to around 2%. Nevertheless, the Philippines stands a good chance of continuing to be less badly hit than other countries and of emerging relatively unscathed from the crisis. Our portfolio weighting was reduced to 3.9% from 7.4% and was refocused on larger companies with relatively secure businesses.



Source: Datastream

Philippines Investments		%	£'000
Commercial	Filinvest Cayman	0.7	875
	Ayala Corporation	0.6	762
	Belle Corporation	0.3	428
	Benpres Holdings	0.3	376
Utilities	Manila Electric	1.5	2,034
Collective Investment Vehicles	*Philippine Long Term Equity Fund	0.5	652
Total Philippines Investments		**3.9**	**5,127**

*Unlisted investment



Malaysia

"Malaysia was an early victim of the financial crisis. Policies were slow to change which fuelled the declines in the currency and stock markets."

It was decided to sell out of Malaysia completely. A portfolio weighting of 12.8% of investments at the end of 1996 was reduced to zero by the end of 1997. We had been concerned for some time that a policy of excessive economic growth was being pursued in Malaysia leading to a high current account deficit, a willingness to pour funds into highly ambitious projects and very strong loan growth. Malaysia was therefore an early victim of the financial crisis. Policies were slow to change which fuelled the declines in the currency and stock markets.

Malaysia's currency and share markets have behaved more like those of its less developed neighbours. The Kuala Lumpur Composite Index declined by 52.0% over the year to 594.44. The ringgit slumped by 32.5% so that a stock market setback of 67.6% was suffered in sterling terms. The IMF has pointedly not been asked for help leaving market forces still subject to political influences. There has been a marked absence of large scale bankruptcies despite heavy indebtedness in some areas. A high profile financial deal involving one of our largest holdings last year, United Engineers, raised concerns over the strength of contracts and conflicts of interest throughout corporate Malaysia. An attempt to limit the outflow of currency with emergency regulations which delayed a tide of foreign selling ended in failure.

We expect Malaysia to achieve no economic growth in 1998, down from a growth rate of 7.4% in 1997 and an average of 8.7% per annum over the past decade. Inflation is expected to rise to 6.2% from 2.6%. It is not yet known whether the economy will be resilient enough to avoid the need for external assistance.

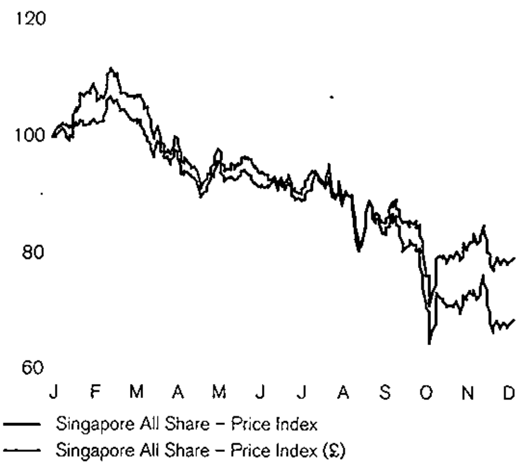
— Kuala Lumpur Composite – Price Index
— Kuala Lumpur Composite – Price Index (£)
Source: Datastream

Singapore

"Singapore's economy will also be adversely affected by the difficulties of its large neighbours, Malaysia and Indonesia."

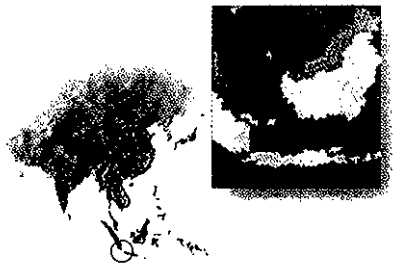
Singapore moved relatively early to cap excess growth. After five years with economic growth averaging 9% per annum expansion slowed in 1996 and 1997 to just over 7%. In part this may be explained by the sluggish environment in manufacturing, which suffered from Asia's strong currency environment until the financial crisis struck from August, but it was also due to curbs in the property market imposed by the government in 1996 after large gains in residential property prices. The authorities responded to the crisis by allowing the currency to find its level within an environment of higher interest rates. Thus its substantial reserves amounting to US$76 billion remained broadly intact. This is expected to benefit the manufacturing sector much of which, like Taiwan's, focuses on exports to global markets. Conditions remain hostile to the financial and property sectors which represent large segments of Singapore's economy. Tourism is also weak with consequent adverse effects on airlines, hotels and retailing. Property prices must find their level within the new environment and further falls are expected. Singapore's economy will also be adversely affected by the difficulties of its large neighbours, Malaysia and Indonesia, and growth is expected to be modest.

Over 1997, the Singapore All Share Index fell by 20.6% and by 31.4% in sterling terms as the Singapore dollar weakened by 13.7%. Our portfolio exposure at the year end was 10.0%, our largest exposure within the ASEAN region, compared with a level of 12.6% at the end of the previous year.



Source: Datastream

Singapore Investments		%	£'000
Food Products	Fraser & Neave	1.0	1,312
Commercial	Datacraft Asia	1.5	1,953
	Electronic Resources	1.4	1,807
	Keppel Corporation	1.0	1,304
	Hotel Properties	0.7	889
Industrial	Advanced Systems Automation	0.5	694
Property	DBS Land	1.2	1,554
	Bukit Sembawang	0.3	402
Banks	Overseas Chinese Banking Corporation	2.4	3,039
Total Singapore Investments		**10.0**	**12,954**



Indonesia

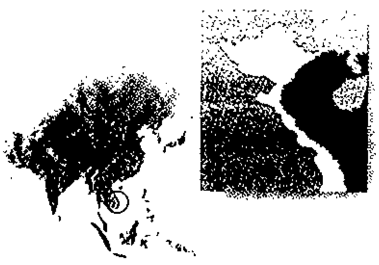
"There are currently serious concerns for the future. President Suharto is now elderly but will run for a further six year term."

The financial crisis in Indonesia came late but struck more deeply perhaps than in any other country. In the first half year the stock market rose by some 14%, in contrast to other ASEAN countries, as interest rates fell and company profits grew strongly. From August the stock market fell in line with other ASEAN markets but the falls in both stock market and currency terms began to reach extreme levels towards the year end. The IMF was called in during October and a rescue package was quickly agreed, but the required reforms were not forthcoming. For the year as a whole the stock market fell by 71.8% to a sterling based investor as a composite index decline was compounded by a 55.3% fall in the rupiah.

Our stance towards Indonesia had been positive. 12.2% of the company's investments were held there at the end of 1996. In 1997 this had been reduced to 1.6% by the year end and the remaining investments have subsequently been sold. There are currently serious concerns for the future. President Suharto is now elderly but will run for a further six year term. His health is open to question and there is no obvious successor. Adding in the crisis overlay of high inflation, economic upheaval and high unemployment, together with the effects of a lingering drought, Indonesia is faced with a potentially highly unstable environment in the current year. The rupiah has declined to a recent low of 12,950 to the US dollar within a volatile market at which point most of corporate Indonesia was technically bankrupt. This compares to its level last June of 4,047. Further initiatives from the IMF and world leaders have not yet triggered the promised actions from the government. With inflation forecast to be 23% and negative economic growth of around 5% expected, the outlook remains serious.

— Jakarta SE Composite – Price Index
— Jakarta SE Composite – Price Index (£)
Source: Datastream

Indonesia Investments		%	£'000
Commercial	Ramayana Lestari Sentosa	0.8	950
	Matahari Putra Prima	–	23
Telecommunications	Telekomunikasi Indonesia	0.8	1,048
Total Indonesia Investments		**1.6**	**2,021**



Vietnam

"More has to happen before Vietnam can take its proper place in ASEAN and maintain its growth momentum."

Vietnam has continued to drag its heels in the face of calls for further economic reforms. Its leaders have struggled to find a role for their ongoing communist principles within a society which continues to develop rapidly. There has been a marked policy vacuum as the top leadership has changed to encompass a younger generation, but there are now hopes that with new leaders, Vietnam has an opportunity to move forward again. Economic growth remained strong in 1997 at 8.9%, which disguised growing problems within the economy. Foreign investment, which has been the driver of economic growth, fell sharply, while the number of projects applying for licenses declined by 70% as frustration mounted over delays and red tape. Bad and doubtful debts within the domestic economy are causing concern leading to pressure on the financial system. The IMF and World Bank are refusing further funding unless a clear reform programme is established for state-owned enterprises and banks. There are serious weaknesses in the legal system, in infrastructure provision and training programmes. Moreover, following the crisis in neighbouring countries, there is a growing recognition that the dong, which does not trade freely, is overvalued and that exports are vulnerable. The new leadership has responded with piecemeal reforms and an ambitious commitment to 9% growth.

More has to happen before Vietnam can take its proper place in ASEAN and maintain its growth momentum. A stock exchange has finally been promised which is expected to be established before the end of the year. Our investment remains a modest one through The Vietnam Fund in which we were a founder shareholder in 1991. The fund is invested mainly in sound projects which are valued at book cost. At the year end the fund's shares traded at a discount of 48% to the latest reported asset value.

Vietnam Investments		%	£'000
Collective Investment Vehicles	The Vietnam Fund	0.4	547
Total Vietnam Investments		**0.4**	**547**

Bonds

In addition to the equity investments listed on the previous pages, the company, at 31 December 1997, also held investments in bonds denominated in US dollars. The objective was to protect the portfolio from the risk of weakness in both equity and currency markets. The issuers are regarded as being of high quality.

International Bond Investments		%	£'000
	Asia Development Bank 6.25% 2005	7.1	9,213
	Asia Development Bank 6.75% 2007	6.1	7,963
	Hutchison Whampoa 6.95% 2007	3.4	4,336
	Petroliam Nasional 7.125% 2006	3.3	4,313
	China 7.75% 2006	2.4	3,162
Total International Bond Investments		**22.3**	**28,987**

"C" Shares – ChinaVest II-A

ChinaVest II-A Limited Partnership ("ChinaVest")
Summary of Net Assets as at 31 December 1997

(Extracted from the audited financial statements of ChinaVest for the year ended 31 December 1997)

	1997 US$'000	1996 US$'000
Investments		
Quoted		
Grande Holdings	–	1,346
Unquoted		
CV Consumer Services Ltd *The holding company of KPS Group, a Hong Kong based home entertainment chain and AFF Group, which holds the master franchise rights for Domino's Pizza in China, Taiwan and other Asian markets.*	**2,392**	4,525
Greater China Distributors Ltd *The holding company of Tait Group, which distributes fast moving consumer products principally in Taiwan and Hong Kong. Clients include Philip Morris, Heineken, Disney and SmithKline Beecham.*	**1,955**	2,116
Flat Gold Ltd *The company provides household goods removal, freight forwarding and logistical support services to corporate clients internationally.*	**1,232**	1,232
Aristocrat Ltd *The developer of a commercial and residential complex in Zhongshan, China.*	**461**	614
Lisgold Holdings Ltd	–	608
Taishoe International	–	267
	6,040	10,708
Net current assets within ChinaVest II-A	**805**	997
Total net assets of ChinaVest	**6,845**	11,705

	£'000	£'000
Net assets attributable to "C" shares		
Investment in ChinaVest*	**4,118**	6,771
Investment in UK listed investment trust companies	**663**	–
Net current assets/(liabilities) attributable to "C" shares	**129**	(122)
Total "C" share net assets	**4,910**	6,649
Net asset value per "C" share	**82.2p**	111.3p

*Being the company's share (99%) of ChinaVest's total net assets at 31 December 1997 and 1996, translated into sterling at that date.

At the end of 1997 the audited net asset value of the "C" shares amounted to 82.2p a decline of 26.1%. This was due to the provisions mentioned on the opposite page and to a poor performance from the investment trusts purchased to match the underlying performance of the ordinary shares. These investments arose as a result of our stated policy of investing any funds received from ChinaVest to reflect the performance of the ordinary shares.

"C" Shares – ChinaVest II-A
continued

5,972,285 "C" shares were issued to all shareholders of Thornton Asian Emerging Markets Trust plc ("TAEMIT") as part of the terms of the acquisition of that company. For each twenty TAEMIT shares one "C" share was issued. Our objective was to satisfy concerns raised about the overall value of TAEMIT as a result of its large shareholding in ChinaVest II-A ("the Fund"), a venture capital fund with unlisted investments in Greater China, managed by ChinaVest Partners ("the Manager"). We understood that it would take the Manager a maximum of two years to realise the assets of the Fund and the "C" shares were therefore given a life span of two years, expiring on 22 May 1998 ("the conversion date").

Since the "C" shares were issued, just over 20% of the Fund's investments have been realised.

It seems unlikely that the Manager will have been able to dispose of the remaining assets by the conversion date, despite this being eighteen months beyond the original termination date for the Fund. Nor is there any certainty that we can expect this to happen within one year, or even two. In the circumstances, your Board has decided to proceed with the conversion of the "C" shares in accordance with the original timetable, rather than to seek an extension. The Board has requested the Manager to proceed with the disposal process wherever possible before the conversion date, provided this is deemed to be in the interests of "C" shareholders. In order to avoid possible conflicts of interest, any remaining assets will be valued independently of ourselves and the resulting valuation will be used as the basis for the valuation of the "C" shares. "C" shareholders will receive new Henderson TR Pacific ordinary shares based on the net asset values of the "C" shares and the ordinary shares on a pre-determined calculation date, after which date any remaining investments in the Fund will be absorbed into the company's investment portfolio.

The Manager provides us with quarterly reports from which the net asset value of the "C" shares is determined. The report on the opposite page shows the audited valuations at 31 December 1997 ascribed by the Manager to the remaining investments of ChinaVest II-A. For comparison purposes the previous year's data is also recorded. The basis of the valuation is book cost, written down where appropriate, or last transacted value. The Manager made provisions against three investments at the end of 1997 to take account of the large falls in general stock market values.

Summary of Group Net Assets
at 31 December 1997

The following table summarises the net assets attributable to both ordinary and "C" shareholders. The company's direct equity exposure amounted to 74.1% of assets attributable to ordinary shareholders. A further 0.7% of net assets was held in the form of convertible bonds and 21.4% of shareholders' funds was held in international bonds. In addition, there were net current assets amounting to 3.8% of the total, reflecting a surplus of cash and deposits, held mainly in US dollars, which offsets the company's US$30 million loan.

Net assets attributable to the "C" shares are recorded on the previous page.

	£'000	£'000	%	%
Attributable to ordinary shares				
Equities	100,291		74.1	
Securities with an equity element	875		0.7	
Bonds	28,987		21.4	
		130,153		96.2
Current assets less other liabilities		5,119		3.8
		135,272		100.0
Attributable to "C" shares				
ChinaVest II-A		4,118		83.9
UK listed investments		663		13.5
Current assets less other liabilities		129		2.6
		4,910		100.0
Total group net assets		140,182		

Report of the Directors

The directors present the audited accounts of the group for the year ended 31 December 1997.

Principal Activities and Business Review

The company is an investment company as defined in Section 266 of the Companies Act 1985 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval of the company's status as an investment trust has been received in respect of the year ended 31 December 1996. The directors are of the opinion that the company has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval. The company has no employees.

A review of the business is given in the Chairman's Statement and the Portfolio Review.

Change of Company Name

Shareholders voted in favour of a proposal to change the company's name to Henderson TR Pacific Investment Trust plc with effect from 7 October 1997.

Assets

At 31 December 1997 total net assets amounted to £140,182,000 consisting of net assets attributable to ordinary shares of £135,272,000 and net assets attributable to "C" shares of £4,910,000. The net asset value per ordinary share was 68.1p, a decrease of 38.0% from the previous year end, and the net asset value per "C" share was 82.2p, representing a decrease of 26.1%.

Revenue and Dividend

Gross revenue of the group for the year declined from £4,444,000 to £4,344,000. Net revenue for the year after taxation was £1,358,000, compared with £1,543,000 in the previous year, a decrease of £185,000.

The directors recommend a final dividend of 0.25p net per ordinary share, together with a special dividend of 0.20p net per ordinary share. Subject to approval at the Annual General Meeting, both dividends will be paid on 17 April 1998 to shareholders on the register at close of business on 27 March 1998.

Creditors' Payment Policy

It is the company's payment policy for the financial year to 31 December 1998 to obtain the best terms for all business and therefore there is no single policy as to the terms used. In general, the company agrees with its suppliers the terms on which business will take place and it is the Board's policy to abide by these terms. There were no trade creditors at the year end.

Donations

During the financial year the company made charitable donations of £10,000. No payments were made during the year for political purposes.

Directors

The directors of the company at the date of this report, all of whom held office throughout the year under review, are as shown on page 3. With the exception of Mr M J Watt, all the directors are independent of the management company. Directors' interests in the ordinary share capital of the company at 31 December 1997 and 1 January 1997 are set out below:-

	31 December 1997	1 January 1997
	Ordinary shares of 5p	
Beneficial interest:		
I L Dale (Chairman)	**17,000**	17,000
P F Berry	**14,000**	10,000
A W F Clapperton	**65,000**	15,000
Sir Kerry St. Johnston	**42,356**	31,790
M J Watt	**70,630**	67,423

Between the year end and 9 February 1998 Sir Kerry St. Johnston and Mr M J Watt increased their beneficial shareholdings to 42,695 and 71,054 ordinary shares respectively by purchases through the Henderson Investors Investment Trust Share Plan in which they save monthly. Mr Dale increased his holding in the ordinary shares of the company to 20,000 on 11 February 1998. There have been no changes in the other directors' interests since the end of the financial year. No director currently holds, nor has held since their creation, any "C" shares.

There were no contracts subsisting during or at the end of the year, in which a director of the company is or was materially interested and which is or was significant in relation to the company's business. No director has a service contract with the company.

Mr M J Watt is an executive of the management company and is remunerated by that company in respect of services provided to Henderson TR Pacific under the management agreement.

The director retiring by rotation at the forthcoming Annual General Meeting is Mr P F Berry who, being eligible, offers himself for re-election.

New Zealand Listing
The company has a listing for its ordinary shares on the New Zealand Stock Exchange. Shareholders in New Zealand are able to trade their shares more easily and will receive dividends in New Zealand dollars. Shares may be transferred to the Auckland branch register by contacting the registrars in New Zealand.

Share Capital
There have been no changes to the authorised or issued share capital of the company during the year.

Management Company
Throughout the year under review investment management, accounting, secretarial and administrative services were provided to the company by Henderson plc and its wholly owned subsidiaries ("Henderson").

The management fee rate is 0.90% per annum on the first £300 million of assets. The fee on assets above £300 million, up to and including £600 million, is payable at a rate of 0.75% per annum and 0.50% per annum on assets above £600 million. In respect of the year ended 31 December 1997 these rates were applied to the aggregate of the average value of assets on the last day of each of the two preceding calendar years.

From 31 October 1996, the date of transfer of ChinaVest II-A to the company, a fee of 0.25% per annum is payable to Henderson on the value of the underlying assets of ChinaVest II-A. When those assets are realised and the proceeds of sale received by the company, the full management fee (as described above) becomes payable. Investments in funds managed by Henderson are wholly excluded from management charges.

The management agreement may be terminated by either party. The notice period under the management agreement was reduced from two years to one year during the year.

Substantial Shareholdings
As at 9 February 1998 the only shareholder who had notified the company of an interest of 3% or more in the ordinary share capital was British Steel Pension Fund which held 10.48%.

Personal Equity Plan ("PEP")
Due to the Asian financial crisis and the steps taken to mitigate the impact on the company's assets by reducing its exposure to equity investments the company is unable to continue to qualify partially for PEP purposes. Any shares in the company held in a PEP should be sold as soon as is practicable.

Authority to Allot Shares and Disapplication of Pre-emption Rights
At last year's Annual General Meeting the directors were empowered, until the conclusion of the 1998 Annual General Meeting, to allot ordinary shares in the company.

The Board believes that this general power to allot shares should be continued. Accordingly, at the forthcoming Annual General Meeting (notice of which is set out on page 41), an ordinary resolution will be proposed to authorise the directors to allot ordinary shares up to an aggregate nominal amount of £3,311,442 (being one third of the existing issued ordinary share capital).
In addition, a special resolution will be proposed to seek authority to allot ordinary shares for cash on a non pre-emptive basis to participants in the Henderson Investors Investment Trust Share Plan up to a maximum aggregate nominal amount of £496,716 (being 9,934,320 ordinary shares or 5% of the company's issued ordinary share capital as at 9 March 1998).

The directors will use this authority only if they believe that to do so would be advantageous to the company's existing shareholders and if the share price is at a premium to net asset value of at least 3%.

These authorities, if approved, will expire at the conclusion of the 1999 Annual General Meeting.

Report of the Directors

continued

Nominee Code

Where shares in the company are held by nominee companies, Henderson TR Pacific undertakes to:

- provide to nominees who have indicated in advance a wish to receive them, copies of shareholder communications for distribution to their customers;
- encourage nominees to advise investors that they will be permitted to attend general meetings and to speak when invited to do so by the Chairman.

Investors in the Henderson Investors Investment Trust Share Plan receive all shareholder communications. A letter of direction is provided to facilitate voting.

Auditors

A resolution for the re-appointment of Coopers & Lybrand as auditors and authorising the directors to determine the auditors' remuneration will be proposed at the Annual General Meeting.

By order of the Board

Siobhan McCausland, ACIS
Henderson Secretarial Services Limited
Secretary
9 March 1998

Analysis of Ordinary Shareholders

as at 31 December 1997*

	Number of shareholders	%	Number of shares held	%	31 Dec 1996 %
†Individuals	7,840	62.8	44,063,184	22.2	24.5
Banks and Nominees	3,953	31.7	118,937,784	59.9	57.6
Other Institutional Holders	693	5.5	35,685,597	17.9	17.9
	12,486	100.0	198,686,565	100.0	100.0

†Includes individuals who have invested through the Henderson Investors Investment Trust Share Plan and holders on the New Zealand branch register. The number of Share Plan shareholders decreased from 3,900 to 3,801 during the financial year. On 31 December 1997 there were 584 holders of ordinary shares on the New Zealand register (1996: 564 holders). In addition there were a further 248 New Zealand shareholders on the London register.

*Source: Bank of Scotland Registrars

Statement of Directors' Responsibilities

in Respect of the Accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the net revenue of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

To the members of Henderson TR Pacific Investment Trust plc

We have audited the accounts on pages 26 to 38.

Respective responsibilities of directors and auditors
As described above the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1997 and of the revenue, total return and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers + Lybrand

Coopers & Lybrand
Chartered Accountants and
Registered Auditors
London
9 March 1998

Group Statement of Total Return (incorporating the revenue account)

for the year ended 31 December 1997

Notes		Year ended 31 December 1997 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 1996 Revenue £'000	Capital £'000	Total £'000
2	Total capital losses from investments	–	(83,910)	(83,910)	–	(6,463)	(6,463)
3	Income from fixed asset investments	3,464	–	3,464	4,068	–	4,068
4	Other interest receivable and similar income	880	–	880	376	–	376
	Gross revenue and capital losses	4,344	(83,910)	(79,566)	4,444	(6,463)	(2,019)
5	Management fee	(1,032)	(1,031)	(2,063)	(910)	(909)	(1,819)
6 & 7	Other administrative expenses	(611)	–	(611)	(548)	–	(548)
	Net return/(loss) on ordinary activities before interest payable and taxation	2,701	(84,941)	(82,240)	2,986	(7,372)	(4,386)
8	Interest payable and similar charges	(274)	(823)	(1,097)	(532)	(511)	(1,043)
	Net return/(loss) on ordinary activities before taxation	2,427	(85,764)	(83,337)	2,454	(7,883)	(5,429)
9	Taxation on net return on ordinary activities	(1,069)	582	(487)	(911)	435	(476)
	Net return/(loss) to ordinary and "C" shareholders	1,358	(85,182)	(83,824)	1,543	(7,448)	(5,905)
	Attributable as follows:						
	Ordinary shares	1,368	(83,453)	(82,085)	1,565	(7,381)	(5,816)
	"C" shares	(10)	(1,729)	(1,739)	(22)	(67)	(89)
	Total return/(loss)	1,358	(85,182)	(83,824)	1,543	(7,448)	(5,905)
	Proposed dividend						
	Final ordinary of 0.25p per share (1996: 0.25p)	(497)	–	(497)	(497)	–	(497)
	Special of 0.20p per share (1996: nil)	(397)	–	(397)	–	–	–
	Transfer to/(from) reserves	464	(85,182)	(84,718)	1,046	(7,448)	(6,402)
10	**Return/(loss) per ordinary share**	0.689p	(42.003p)	(41.314p)	0.896p	(4.228p)	(3.332p)
10	**Loss per "C" share**	(0.167p)	(28.951p)	(29.118p)	(0.368p)	(1.122p)	(1.490p)

The revenue columns of this statement represent the revenue accounts of the group.

The notes on pages 29 to 38 form part of these accounts

Balance Sheets

at 31 December 1997

Notes		Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
11, 12	**Fixed asset investments**				
& 13	Listed at market value – UK	**663**	–	**663**	–
	– abroad	**128,997**	208,701	**128,997**	208,701
	Unlisted – directors' valuation	**5,274**	9,404	**5,274**	9,404
	Investment in subsidiary undertaking	–	–	–	248
		134,934	218,105	**134,934**	218,353
	Current assets				
14	Debtors	**2,272**	1,682	**2,272**	1,587
	Bank balances and short term deposits	**22,922**	7,069	**22,922**	6,783
		25,194	8,751	**25,194**	8,370
15	**Creditors:** amounts falling due within one year	**1,713**	1,956	**1,713**	1,823
	Net current assets	**23,481**	6,795	**23,481**	6,547
	Total assets less current liabilities	**158,415**	224,900	**158,415**	224,900
15	**Creditors:** amounts falling due after more than one year	**18,233**	–	**18,233**	–
	Total net assets	**140,182**	224,900	**140,182**	224,900
	Capital and reserves				
16	Called up share capital	**15,906**	15,906	**15,906**	15,906
17	Share premium account	**100,573**	100,573	**100,573**	100,573
18	Other non-distributable reserves	**20,397**	104,909	**20,397**	105,579
18	Revenue reserve	**3,306**	3,512	**3,306**	2,842
20&21	**Shareholders' funds** (including non-equity interests of £4,910,000 (1996: £6,649,000))	**140,182**	224,900	**140,182**	224,900
22	**Net asset value**				
	per ordinary share	**68.1p**	109.8p	**68.1p**	109.8p
	per "C" share	**82.2p**	111.3p	**82.2p**	111.3p

I L Dale } Directors
M J Watt }

The accounts were approved by the directors on 9 March 1998.

The notes on pages 29 to 38 form part of these accounts

Group Cash Flow Statement

for the year ended 31 December 1997

Notes		1997 £'000	1997 £'000	1996 £'000	1996 £'000
23	**Net cash inflow from operating activities**		**189**		395
	Servicing of finance				
	Interest paid	**(714)**		(1,115)	
	Net cash outflow from servicing of finance		**(714)**		(1,115)
	Taxation				
	UK corporation tax (paid)/recovered (including ACT)	**(79)**		54	
	UK income tax recovered	**479**		407	
	Net tax recovered		**400**		461
	Financial investment				
	Purchase of investments	**(128,267)**		(155,399)	
	Acquisition of subsidiary undertaking	**(253)**		(51,499)	
	Sale of investments	**127,743**		225,863	
	Net cash (outflow)/inflow from financial investment		**(777)**		18,965
	Equity dividends paid		**(497)**		(240)
	Management of liquid resources				
	Cash placed on short term deposits		**(11,757)**		–
	Net cash (outflow)/inflow before financing		**(13,156)**		18,466
24	**Financing**				
	Drawdown/(repayment) of multi-currency loan facility	**18,739**		(16,399)	
	Proceeds from issue of new share capital	**–**		31	
	Net cash inflow/(outflow) from financing		**18,739**		(16,368)
25	**Increase in cash**		**5,583**		2,098

	Reconciliation of net cash flow to movement in net funds		
	Increase in cash as above	**5,583**	2,098
	Cash outflow from management of liquid resources	**11,757**	–
	Cash (inflow)/outflow from debt financing	**(18,739)**	16,399
	Change in net liquid funds resulting from cash flows	**(1,399)**	18,497
	Exchange movements	**(981)**	(1,294)
		(2,380)	17,203
	Net funds/(debt) at 1 January	**7,069**	(10,134)
25	**Net funds at 31 December**	**4,689**	7,069

The notes on pages 29 to 38 form part of these accounts

Notes to the Accounts

1 **Accounting policies**

a) Basis of accounting

The accounts are prepared on the historical cost basis of accounting, modified to include the revaluation of investments, and in accordance with applicable accounting standards and with the Statement of Recommended Practice – "Financial Statements of Investment Trust Companies". All of the group's operations are of a continuing nature.

b) Basis of consolidation

The group accounts consolidate the accounts, on an acquisition accounting basis, of the company and its wholly owned subsidiary undertaking, Thornton Asian Emerging Markets Investment Trust plc ("TAEMIT"), which was acquired on 23 May 1996 (note 13ii).

c) Valuation of fixed asset investments

Listed investments are valued at their middle market prices. Unlisted investments, including ChinaVest II-A Limited Partnership ("ChinaVest"), are valued at directors' current valuation. In the case of certain investments valuations reflect the premium to asset value, or to local market price, which such investments may command. The company's interest in ChinaVest is valued using ChinaVest's audited accounts at the balance sheet date and by reference to the terms of the partnership agreement.

d) Capital gains and losses

Realised and unrealised capital gains and losses together with exchange rate differences arising on the translation of foreign currency assets and liabilities, are dealt with in the non-distributable reserves.

e) Foreign currency

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date.

f) Income

Dividends receivable from equity shares are taken to the revenue account on an ex-dividend basis. Income from fixed interest debt securities and preference shares is recognised on a time apportionment basis and, if material, so as to reflect the effective yield on each such security. Bank interest is accounted for on an accruals basis.

g) Expenses and interest payable

On the basis of the Board's expected long-term split of returns in the form of capital gains and income of 75% and 25% respectively, the company charges 75% of its interest payable and management fee (as far as they relate to the maintenance or enhancement of the value of investments) to capital.

h) Taxation

The tax effect of different items of expenditure is allocated between capital and revenue using the company's effective rate of tax for the year. Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability is considered to be reasonably certain or foreseeable. Deferred taxation is provided for at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. A deferred tax asset or provision is established to the extent that it is probable that an asset or liability will crystallise in the future.

Notes to the Accounts

continued

2	Total capital losses from investments	1997 £'000	1996 £'000
	Realised (losses)/gains based on historical cost or fair values	**(37,855)**	7,105
	Less amounts recognised as unrealised in the previous year	**(7,038)**	(13,729)
	Realised losses based on carrying values at previous balance sheet date	**(44,893)**	(6,624)
	Net movement in unrealised (depreciation)/appreciation	**(38,036)**	1,455
	Net loss on foreign exchange	**(981)**	(1,294)
	Total capital losses from investments	**(83,910)**	(6,463)

3	Income from fixed asset investments	1997 £'000	1996 £'000
	Franked:		
	Dividends from listed overseas equities	**195**	223
	Unfranked:		
	Interest from UK government securities	**–**	393
	Interest from listed overseas convertibles	**97**	181
	Interest from listed overseas bonds	**65**	–
	Dividends from listed overseas equities	**3,018**	3,178
	Dividends from unlisted overseas equities	**89**	93
		3,269	3,845
	Total income from fixed asset investments	**3,464**	4,068

4	Other interest receivable and similar income	1997 £'000	1996 £'000
	Bank interest	**880**	375
	Underwriting commission	**–**	1
		880	376

5	Management fee	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000	1996 Revenue £'000	1996 Capital £'000	1996 Total £'000
	Management fee	**1,025**	**1,025**	**2,050**	906	905	1,811
	Irrecoverable VAT thereon	**7**	**6**	**13**	4	4	8
		1,032	**1,031**	**2,063**	910	909	1,819

A summary of the terms of the management agreement is given in the Report of the Directors on page 23.

Notes to the Accounts

continued

6	**Other administrative expenses** (charged wholly to revenue)	**1997 £'000**	1996 £'000
	Directors' fees (note 7)	**54**	70
	Auditors' remuneration:		
	for audit services (all relating to the parent company)		
	– current year	**13**	14
	– prior year	**8**	–
	for non-audit services	**13**	9
	for the liquidation of TAEMIT	**–**	66
	Other expenses payable to the management company*	**15**	17
	Other expenses	**502**	371
	Irrecoverable VAT	**6**	1
		611	548

*Other expenses payable to the management company relate to share plan administration services.

7 **Directors' emoluments**

Mr M J Watt, a director of the company, is the principal fund manager employed by Henderson plc and its subsidiaries ("Henderson") in the provision of services to Henderson TR Pacific Investment Trust plc. Under the Companies Act 1985, it is necessary to state the proportion of the emoluments he receives from Henderson which relate to the management of the company even though the company does not pay these emoluments and is not involved in their determination. The company has been advised that the applicable proportion of the emoluments paid by Henderson (including performance related bonus) was £93,000 (1996: £111,000). This amount, together with the amounts paid directly by the company to the other non-executive directors, is included in the analysis stated below:

	1997 £'000	1996 £'000
Fees (paid by the company)	**54**	70
Salaries and other benefits (paid by Henderson)	**60**	88
Performance related bonus (paid by Henderson)	**33**	23
Total emoluments paid to directors	**147**	181
Pension contributions	**5**	6

The pension contributions represent those paid by Henderson on behalf of Mr M J Watt to a non-contributory defined benefit pension scheme.

Notes to the Accounts

continued

8	Interest payable on bank overdraft and currency loans repayable	1997 £'000	1996 £'000
	Within one year	**37**	1,043
	Between two and five years	**1,060**	–
	Amount allocated to capital	**(823)**	(511)
	Total allocated to revenue	**274**	532

75% of interest payable has been charged to capital.

9	Taxation on net revenue on ordinary activities	1997 £'000	1996 £'000
	Overseas withholding tax	**265**	390
	Tax credits attributable to franked investment income	**39**	45
	Prior year adjustment	**(1)**	–
	Provision for advance corporation tax	**184**	41
		487	476
	Tax attributable to expenses and interest payable charged to capital	**582**	435
	Tax charged to revenue	**1,069**	911

Deferred taxation arises in respect of short term timing differences on income and expenditure. At 31 December 1997 no deferred tax was provided as the company does not anticipate any tax liability arising.

10 Return/(loss) per share

Revenue returns per share are based on earnings attributable to the ordinary shares of £1,368,000 (1996: £1,565,000) and a loss on the "C" shares of £10,000 (1996: £22,000) and on the weighted average number of shares of each class in issue during the year to 31 December 1997, being 198,686,565 ordinary shares (1996: 174,574,184) and 5,972,285 "C" shares (1996: 5,972,285).

Capital returns per share are based on net capital losses attributable to the ordinary shares of £83,453,000 (1996: £7,381,000) and a capital loss on the "C" shares of £1,729,000 (1996: £67,000) and on the weighted average number of shares of each class in issue during the year, as shown above.

Notes to the Accounts
continued

11 Fixed asset investments	Group Total £'000	Subsidiary Undertaking £'000	Other Investments £'000	Company Total £'000
Changes in investments are as follows:				
Valuation at 1 January 1997	**218,105**	248	218,105	**218,353**
Unrealised (appreciation)/depreciation	**(22,844)**	487	(19,890)	**(19,403)**
Cost at 1 January 1997	**195,261**	735	198,215	**198,950**
Additions at cost	**127,643**	–	127,643	**127,643**
Disposals at cost	**(168,694)**	(735)	(168,694)	**(169,429)**
Cost at 31 December 1997	**154,210**	–	157,164	**157,164**
Unrealised depreciation	**(19,276)**	–	(22,230)	**(22,230)**
Valuation at 31 December 1997	**134,934**	–	134,934	**134,934**

12 Significant interest

The company has a significant interest of 15% in the ordinary share capital of SHK Pearl River Delta Investment Company Limited which is incorporated in Hong Kong.

13 Subsidiary undertakings

The company has interests in two wholly owned subsidiary undertakings, both of which are registered in England and Wales.

i) Interinvestment Finance Company Limited

Interinvestment Finance Company Limited was dormant throughout the year. The aggregate capital and reserves of the company as at 31 December 1997 was £100. This subsidiary has not been consolidated on the grounds that it is insignificant to the results of the company.

ii) Thornton Asian Emerging Markets Investment Trust plc ("TAEMIT")

On 19 April 1996 the company announced an agreed offer to acquire TAEMIT, which was declared unconditional in all respects on 23 May 1996. On 9 July 1996 the company received acceptances for all of TAEMIT's shares and it became a wholly owned subsidiary. On 17 July 1996 TAEMIT was placed in members' voluntary liquidation and shortly thereafter the liquidator distributed substantially all of TAEMIT's assets to the company. In the year to 31 December 1997, the balance of the assets was transferred to the company.

14 Debtors	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Securities sold for future settlement	**848**	706	**848**	706
Advance corporation tax	**98**	117	**98**	117
Taxation recoverable	**581**	497	**581**	495
Accrued dividend and interest income	**608**	166	**608**	165
Other debtors	**93**	190	**93**	98
Prepayments	**44**	6	**44**	6
	2,272	1,682	**2,272**	1,587

Notes to the Accounts

continued

15 Creditors: amounts falling due within one year

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Securities purchased for future settlement	**4**	628	**4**	628
Advance corporation tax payable	**206**	124	**206**	124
Proposed dividend	**894**	497	**894**	497
Other creditors	**34**	373	**34**	373
Accruals	**575**	334	**575**	201
	1,713	1,956	**1,713**	1,823
Creditors: amounts falling due after more than one year				
Currency loan	**18,233**	–	**18,233**	–

The currency loan which is secured by a floating charge over the assets of the company expires on 14 March 2002.

16 Called up share capital

	1997 £'000	1996 £'000
Authorised:		
350,000,000 ordinary shares of 5p each	**17,500**	17,500
10,000,000 "C" shares of £1 each	**10,000**	10,000
	27,500	27,500
Issued, allotted and fully paid:		
198,686,565 ordinary shares of 5p each	**9,934**	9,934
5,972,285 "C" shares of £1 each	**5,972**	5,972
	15,906	15,906

17 Share premium account

	Group and Company £'000
At 1 January 1997 and 31 December 1997	**100,573**

18 Reserves

a **Group**

	Other non-distributable reserves Unrealised £'000	Realised £'000	Total £'000	Revenue reserve £'000
At 1 January 1997	22,844	82,065	104,909	3,512
Transfer on distribution by liquidator of TAEMIT	–	670	670	(670)
Transfer on disposal of assets	(7,038)	7,038	–	–
Net movement on fixed asset investments	(35,082)	(47,847)	(82,929)	–
Net movement on foreign exchange	615	(1,596)	(981)	–
Expenses and interest payable charged to capital	–	(1,854)	(1,854)	–
Tax relief on expenses and interest payable charged to capital	–	582	582	–
Retained revenue for the year	–	–	–	464
At 31 December 1997	**(18,661)**	**39,058**	**20,397**	**3,306**

Unrealised depreciation at 31 December 1997 includes £2,202,000 (1996: unrealised appreciation of £54,000) relating to unlisted investments.

18 **Reserves** (continued)

b Company	Other non-distributable reserves Unrealised £'000	Realised £'000	Total £'000	Revenue reserve £'000
At 1 January 1997	19,403	86,176	105,579	2,842
Transfer on disposal of assets	(7,038)	7,038	–	–
Net movement on fixed asset investments	(34,595)	(48,334)	(82,929)	–
Net movement on foreign exchange	615	(1,596)	(981)	–
Expenses and interest payable charged to capital	–	(1,854)	(1,854)	–
Tax relief on expenses and interest payable charged to capital	–	582	582	–
Retained revenue for the year	–	–	–	464
At 31 December 1997	**(21,615)**	**42,012**	**20,397**	**3,306**

Unrealised depreciation at 31 December 1997 includes £2,202,000 (1996: unrealised appreciation of £54,000) relating to unlisted investments.

19 **Company revenue account**

As permitted by Section 230 of the Companies Act 1985, the company has not presented its own revenue account. The net revenue after taxation of the company dealt with in the accounts of the group was £1,358,000 (1996: £873,000).

20 **Non-equity interests**

Shareholders' funds are analysed between equity and non-equity interests as follows:

	Group 1997 £'000	Group 1996 £'000	**Company 1997 £'000**	Company 1996 £'000
Equity	**135,272**	218,251	**135,272**	218,251
Non-equity	**4,910**	6,649	**4,910**	6,649
	140,182	224,900	**140,182**	224,900

The non-equity interests relate to the "C" shares of £1 each. The holders of the "C" shares are entitled to receive such dividends as the directors may resolve to pay out of the net income derived from the assets attributable to the "C" shares. On a winding up, the capital and assets of the company would first be applied to paying to the "C" shareholders amounts which equal the net assets attributable to the "C" shares. The "C" shares carry no right to attend or vote at any General Meeting of the company except that the consent of the "C" shareholders shall be required for (a) any alteration of the Memorandum and Articles of Association; (b) any change to the authorised or issued share capital, except in limited circumstances; (c) any allotment of securities convertible into share capital; (d) the passing of a resolution to wind up the company; or (e) a change of the accounting reference date of the company.

Notes to the Accounts

continued

21	Group reconciliation of movement in shareholders' funds	1997 £'000	1996 £'000
	Net revenue on ordinary activities after taxation	**1,358**	1,543
	Dividends	**(894)**	(497)
		464	1,046
	Decrease in other non-distributable reserves	**(85,182)**	(7,448)
	Issue of shares (net of expenses)	**–**	83,970
	Net (reduction)/addition to shareholders' funds	**(84,718)**	77,568
	Shareholders' funds at 1 January	**224,900**	147,332
	Shareholders' funds at 31 December	**140,182**	224,900

22 Net asset values

The net asset value per ordinary share is based on net assets attributable to ordinary shares of £135,272,000 (1996: £218,251,000) and on the 198,686,565 (1996: 198,686,565) ordinary shares in issue at 31 December 1997. The net asset value per "C" share is based on net assets attributable to the "C" shares of £4,910,000 (1996: £6,649,000) and on the 5,972,285 (1996: 5,972,285) "C" shares in issue at 31 December 1997.

The movements during the year of the group assets attributable to the ordinary shares were as follows:

	£'000	£'000
Total net assets at 1 January 1997		224,900
Less net assets attributable to "C" shares		(6,649)
Net assets attributable to ordinary shares at 1 January 1997		218,251
Total loss on ordinary activities after taxation	(83,824)	
Less amount attributable to "C" shares	1,739	
		(82,085)
Dividends		(894)
Net assets attributable to ordinary shares at 31 December 1997		135,272
Plus net assets attributable to "C" shares		4,910
Total net assets at 31 December 1997		**140,182**

Notes to the Accounts
continued

23 Reconciliation of operating revenue to net cash inflow

	1997 £'000	1996 £'000
Net revenue before interest payable and taxation	**2,701**	2,986
(Increase)/decrease in accrued income	**(417)**	571
Decrease/(increase) in other debtors	**34**	(14)
Decrease in creditors	**(228)**	(1,317)
Management charge taken to non-distributable reserves	**(1,031)**	(909)
Tax on franked investment income included within income from overseas companies	**(39)**	(45)
UK income tax deducted at source	**(566)**	(487)
Overseas withholding tax suffered	**(265)**	(390)
Net cash inflow from operating activities	**189**	395

24 Analysis of changes in financing during the year

	1997 Share capital including share premium £'000	1997 Currency loan facility £'000	1996 Share capital including share premium £'000	1996 Currency loan facility £'000
At 1 January	**116,479**	**–**	32,509	16,102
Net drawdown/(repayment) during the year	**–**	**18,739**	–	(16,399)
Cash inflow from issue of additional shares	**–**	**–**	31	–
Shares issued for non-cash consideration in respect of acquisition of subsidiary	**–**	**–**	83,980	–
Share issue expenses	**–**	**–**	(41)	–
Net movement on foreign exchange	**–**	**(506)**	–	297
At 31 December	**116,479**	**18,233**	116,479	–

25 Analysis of changes in net funds

	31 December 1996 £'000	Cash Flow £'000	Exchange Movements £'000	31 December 1997 £'000
Net cash:				
Cash at bank and short term deposits	7,069	17,340	(1,487)	**22,922**
Less deposits treated as liquid resources	–	(11,757)	(109)	**(11,866)**
	7,069	5,583	(1,596)	**11,056**
Liquid resources:				
Deposits included in cash	–	11,757	109	**11,866**
Debt:				
Debt falling due between two and five years	–	(18,739)	506	**(18,233)**
Net funds	7,069	(1,399)	(981)	**4,689**

Notes to the Accounts
continued

26 **Contingent liabilities**

The company has indemnified the Liquidator of TAEMIT, the company's subsidiary undertaking, up to the value of funds distributed from TAEMIT to the company prior to the final liquidation. The total value of distributions to 31 December 1997 was £146,985,000 (1996: £146,671,000) and no calls have been made on the indemnity to date.

27 **Related party transactions**

Under the terms of an agreement dated 2 March 1995 and a supplemental agreement dated 18 April 1996 the company has appointed wholly owned subsidiaries of Henderson plc ("Henderson") to provide investment management, accounting, secretarial, administrative and UK custody services. Details of the fee arrangements for these services is given in the Report of the Directors on page 23. The total of the fees paid or payable to Henderson under these agreements in respect of the year ended 31 December 1997 was £2,050,000 (excluding VAT) (1996: £1,811,000), of which £5,000 was outstanding at 31 December 1997 (1996: £58,000). In addition to the above services Henderson has provided the company with share plan administration services. The total fees paid or payable for these services for the year ended 31 December 1997 amounted to £15,000 (1996: £17,000), of which £4,000 (1996: £10,000) was outstanding at 31 December 1997.

Corporate Governance

The directors consider that during the year the company has complied fully with The Code of Best Practice ("the Code") issued by the Cadbury Committee on the Financial Aspects of Corporate Governance.

The Board and Committees

The Board meets regularly throughout the year. A majority of the directors is independent of the company's investment manager. The Board has established audit and management engagement committees, comprising wholly independent directors, with specific terms of reference and details of the membership of these committees are set out on page 3. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the company.

Internal Financial Controls

The directors are responsible for the internal financial control systems of the group and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication, and that the assets of the group are safeguarded. The internal financial controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance. The Board has contractually delegated to external agencies, including the investment manager, the management of the investment portfolio, the custodial services (which includes the safeguarding of the assets), the registration services and the day to day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the financial control systems in operation, in so far as they relate to the affairs of the group. The investment manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal financial controls operated on behalf of its clients. The effectiveness of the internal financial controls is assessed by the investment manager's compliance and internal audit departments on an ongoing basis.

The company's audit committee meets with representatives of the investment manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the group. It reviews the half year and annual accounts and reviews with the external auditor the nature and scope of the statutory audit and the findings therefrom.

These systems of internal financial control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. By the procedures set out above the directors have kept under review the effectiveness of the internal financial controls throughout the period.

Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the group consist mainly of securities which are readily realisable and, accordingly, the group has adequate financial resources to continue in operational existence for the foreseeable future.

Reporting

The auditors have confirmed that, in their opinion, with respect to the directors' statements on internal financial control and going concern above, the directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with information of which they are aware from their audit work on the accounts; and that the directors' other statements above appropriately reflect the company's compliance with the other aspects of the Cadbury Code specified for their review by Listing Rule 12.43(j). They were not required to perform the additional work necessary to, and they did not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

Report by the Auditors to Henderson TR Pacific Investment Trust plc

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 25 and 39 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or its corporate governance procedures nor on the ability of the group to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern on page 39, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 39 appropriately reflects the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43 (j).

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants
1 Embankment Place
London WC2N 6NN
9 March 1998

Notice of Meeting

Notice is hereby given that the eleventh Annual General Meeting of Henderson TR Pacific Investment Trust plc will be held at 3 Finsbury Avenue, London EC2M 2PA on Monday 6 April 1998 at 12.30 pm to consider the following:

Ordinary Business

1 That the Report of the Directors and Accounts for the year ended 31 December 1997 be received.

2 That a final dividend per ordinary share of 0.25p, together with a special dividend of 0.20p, be declared.

3 That Mr P F Berry be re-elected as a director of the company.

4 That Coopers & Lybrand be re-appointed as the registered auditors of the company and the directors be authorised to determine their remuneration.

Special Business

Ordinary Resolution

5 THAT the Board be generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £3,311,442 PROVIDED THAT this authority shall expire upon the renewal of this power or, if earlier, at the conclusion of the next Annual General Meeting of the company after the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolution

6 THAT, subject to the passing of the previous resolution, the Board be empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, PROVIDED THAT this power shall be limited:

(a) to the allotment of equity securities up to an aggregate nominal value of £496,716; and

(b) to the allotment of equity securities at a price per share of not less than 3% above net asset value;

and shall expire upon the renewal of this power or, if earlier, at the conclusion of the next Annual General Meeting of the company save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Siobhán McCausland

Siobhan McCausland, ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
9 March 1998

Notes:

i) An ordinary shareholder entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.

ii) This notice is sent for information only to holders of "C" shares who are not entitled to attend or vote at the meeting.

iii) To be valid the enclosed form of proxy must be completed and deposited at the office of the company's registrar not less than 48 hours before the time appointed for holding the meeting.

iv) The return of the form of proxy duly completed will not preclude a member from attending and voting at the meeting.

v) In accordance with the requirements of the Companies Act 1985, the Register of Directors' Interests will be available for inspection at the meeting.

vi) The company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered on the register of members of the company at 6 pm on 4 April 1998 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6 pm on 4 April 1998 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Capital Gains Tax

Dealings in the company's ordinary shares commenced on 19 November 1987. Those shareholders who acquired shares in the company in exchange for their holding in TR Pacific Basin Investment Trust PLC were not liable to Capital Gains Tax ("CGT") on the transfer, and the base cost of their holding in TR Pacific Basin Investment Trust PLC will be applicable to their holding of shares in the company allotted under the reconstruction. Accordingly, it may be helpfu to shareholders to be aware of the value for CGT purposes of the shares of TR Pacific Basin Investment Trust PLC on 31 March 1982, the start of the indexation allowance for inflation.

	31 March 1982
TR Pacific Basin Investment Trust PLC ordinary shares of 25p *Adjusted for the 1985 capitalisation issue.	48.75p*
Henderson TR Pacific Investment Trust plc ordinary shares of 5p # Apportioned cost and adjusted for the 1994 capitalisation issue.	4.875p#

† Source: Dun & Bradstreet

The adjusted base costs for capital gains purposes for shareholders who acquired their holding as a result of Henderso TR Pacific's acquisition of Thornton Asian Emerging Markets Investment Trust plc ("TAEMIT") are as follows:

Shareholders who elected for the cash alternative:	
Cost of TAEMIT shares disposed of	88.35p
Cost of Henderson TR Pacific "C" shares acquired	71.37p
Shareholders who received Henderson TR Pacific shares:	
Cost of Henderson TR Pacific ordinary shares acquired	91.89p
Cost of Henderson TR Pacific "C" shares acquired	71.60p

The above figures relate to shares acquired at the launch of TAEMIT and are not adjusted for indexation allowance.

For those shareholders who have purchased shares through the Henderson Investors Investment Trust Share Plan ("the Share Plan") on a monthly basis, the Inland Revenue has rules for calculating the CGT (if any) on the sale of such shares. In addition to the normal statutory basis for calculating the CGT liability, an optional basis is available which allows taxpayers to aggregate the cost of the shares purchased monthly through the Share Plan during the company's accounting year and treat them as if they were a single investment made in the seventh month of that year, which in your company's case would be July. In this respect you are advised to keep a separate note of purchases made through the Share Plan since other purchases will not be eligible for the optional basis. Guidance notes prepared by the Association of Investment Trust Companies, which include a question and answer brief, should be read before you make a decision as to whether to opt for the optional basis and these are available free of charge from the Company Secretary at the Registered Office.

Charitable Project

For the past seven years, the company has supported a charitable project in a remote part of North Eastern Thailand. Initially, this involved finance for the construction and operation of a kindergarten in the village of Ban Lao Nok Chum in Khon Kaen Province, one of Thailand's poorest areas.

The project was started by the Duang Prateep Foundation, a charity based in Bangkok's Klong Toey Slum, which operates a network of kindergartens in Bangkok. This charity was keen to extend the concept of kindergartens into other poor areas so as to help preserve local communities and reduce the steady drift of people into Bangkok. The Ban Lao Nok Chum kindergarten was one of the first kindergartens to have been built in Khon Kaen Province.

Since the operations were difficult to manage from Bangkok, which is three hundred miles away, an associated charity, The Foundation for Rural Child Development, was founded in 1992 to take responsibility for the "upcountry" kindergartens. Under this charity, there are now five kindergartens catering for more than 400 children.

Since 1995, the Ban Lao Nok Chum kindergarten has been financed by the State and Henderson TR Pacific's support has been transferred to a similar but larger kindergarten nearby.

The kindergarten is located in the village of Non Than which is close to Khon Kaen, the provincial capital. It caters for 100 children each day with a teaching staff of five. The company pays £10,000 per annum through the Charities Aid Foundation in order to provide this highly valued support to the local community. The kindergarten provides pre-school education and a daily meal for children aged between three and six. Over the years there has been a demonstrable improvement in the health and vitality of the local children as a result of the presence of these kindergartens.

Kindergarten children, February 1998

Directors, Officers and Other Information

Directors
Iain Dale, OBE (Chairman)
Peter Berry
Wallace Clapperton, CA
Sir Kerry St. Johnston
Michael Watt, AIIMR

Adviser
Dr Frank Chao

Investment Manager
Henderson Investors Limited
(a wholly owned subsidiary of Henderson plc)
represented by Michael Watt, AIIMR

Secretary
Henderson Secretarial Services Limited
represented by Siobhan McCausland, ACIS

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Registered as an investment company
in England No. 2153093

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Apex House
9 Haddington Place
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Telephone: 0870 601 5366

New Zealand Registrars
Corporate Registry Services Ltd
P.B. 92119
Auckland 1030
New Zealand
Telephone: (New Zealand) 09 522 0022

Registered Auditors
Coopers & Lybrand
1 Embankment Place
London WC2N 6NN

UK Stockbrokers
SBC Warburg Dillon Read
1 Finsbury Avenue
London EC2M 2PP

New Zealand Stockbrokers
Craig & Co. Limited
Farming House
102-104 Spring Street
P.O. Box 13155
Tauranga, New Zealand

Financial Calendar

Results and Dividend
Half year announced in August
Full year announced in February
Report and Accounts posted in March
Annual General Meeting held in London in April
Final dividend announced February, paid April

Information
The market price of the company's ordinary shares can be found daily in the Financial Times, The Times, The Daily Telegraph, The Independent, The Daily Mail and The Evening Standard.
The Financial Times also provides a quotation for the "C" shares and on a daily basis gives an estimate of the net asset value and of the discount/premium of both the ordinary and the "C" shares.