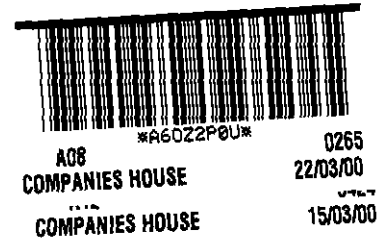


Henderson TR Pacific Investment Trust plc  
Report & Accounts for the year ended  
31 December 1999

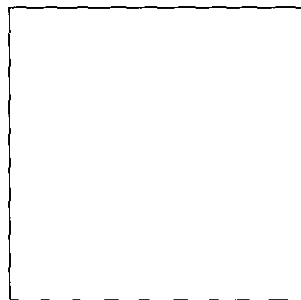


These Report and Accounts contain no imagery or shading as required by Companies House for filing.

Full colour copies are available either from the registered office or on the website [www.henderson.com](http://www.henderson.com).

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



### Objective

*The company has a 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

*Far Eastern economies and stock markets continued to recover strongly from the aftermath of Asia's financial crisis in 1997. As the year progressed your company became wholly invested in equities and long term borrowings were fully utilised. An emphasis on technology oriented investments helped net assets per share to rise by 107% to 125.8p. Performance was better than both the peer group and the benchmark index.*

### Prospects

*We expect the recovery in Far Eastern economies to be sustained, helped by an expected strengthening in global growth. Exports should remain strong and domestic economies are expected to recover. While some countries' prospects are capped by high borrowings we expect a generally favourable stock market environment spurred by further high growth in technology sectors.*

A fact sheet, which is updated regularly, may be accessed on Henderson Investors' web site [www.henderson.com](http://www.henderson.com)

## Financial highlights

Per ordinary share	31 December 1999 in pence	31 December 1998 in pence
Net asset value	<b>125.8</b>	60.9
Earnings	<b>0.36</b>	1.24
Dividends	<b>0.25</b>	1.00

## Dividend

A final dividend of 0.25p net per share (1998: 0.25p and a special dividend of 0.75p) has been recommended, payable on 14 April 2000 to shareholders on the register of members on 17 March 2000. Shares will be quoted ex-dividend on 13 March 2000.

## Performance

to 31 December 1999

Total return per ordinary share	1 Year %	3 Years %	5 Years %	10 years %
Net asset value <sup>(1)</sup>	106.8	18.0	24.6	166.9
Share price <sup>(1)</sup>	132.8	11.0	10.7	146.0
Peer group <sup>(2)</sup>	97.8	6.2	12.5	99.7
Benchmark index <sup>(3)</sup>	67.4	-8.8	0.9	n/a

(1) Source: AITC Services Ltd (gross income reinvested).

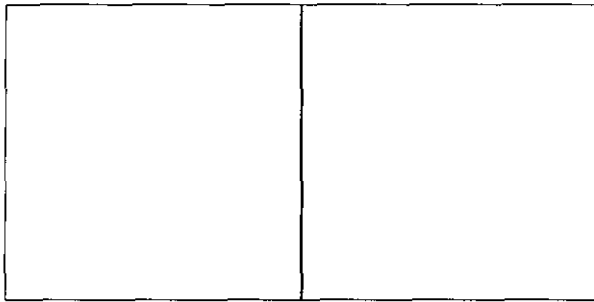
(2) The company's performance is compared against a group of leading investment trust competitors.

(3) MSCI AC Far East Free ex Japan Index; source: Datastream (gross income reinvested). This index was not representative before September 1996.

## Historical record

31 December	Earnings per ordinary share in pence	Equivalent gross dividend in pence	Total net assets in £'000s	Net asset value per ordinary share in pence
<b>1999</b>	<b>0.362</b>	<b>0.278</b>	<b>258,636</b>	<b>125.8</b>
1998	1.239	1.111*	125,226	60.9
1997	0.689	0.563*	140,182	68.1
1996	0.896	0.313	224,900	109.8
1995	0.662	0.219	147,332	107.2
1994	0.344	0.219	140,026	104.5
1993	0.520	0.219	162,392	121.2
1992	0.366	0.234	76,803	57.3
1991	0.519	0.467*	53,546	40.0
1990	0.264	0.167	44,348	33.1
1989	0.262	0.167	66,986	50.0

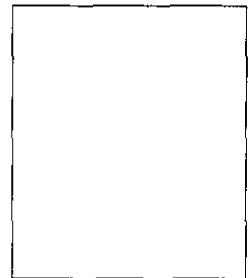
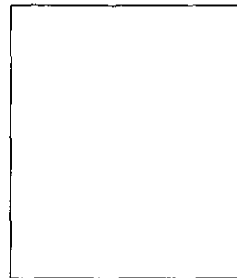
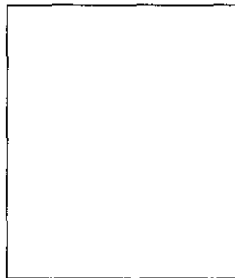
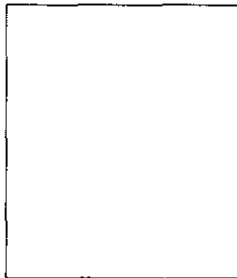
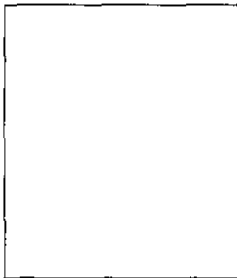
\*Includes special dividends of 0.225p net per ordinary share in 1991, 0.20p in 1997 and 0.75p in 1998.



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## Directors



**\*Iain Dale OBE** (Chairman) (age 59) joined the Board in 1990. He is a director of Chevalier International Holdings Ltd (Hong Kong), Bowman Power Ltd and Visiink plc (formerly 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 CMG** (age 55) was appointed to the Board in 1994. He is Executive Chairman 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 Martin Currie Portfolio Investment Trust plc, Martin Currie Capital Return Investment Trust plc and Kier Group plc.

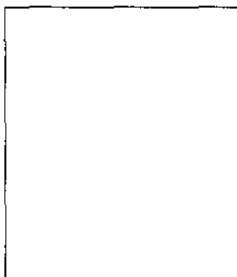
**\*Wallace Clapperton, CA** (age 65) was appointed to the Board in 1992. He is a former Chairman of Scantronic Holdings PLC and a former director of Barclays de Zoete Wedd Securities Limited.

**\*Sir Kerry St. Johnston** (age 68) joined the Board in 1987. He is Chairman of Freightliner Ltd and executive director of Diehl & St. Johnston Ltd. He was formerly Chairman of both P&O Containers Ltd and Straits Steamship Company of Singapore. He was also President of Private Investment Company for Asia (PICA) in Singapore from 1977 to 1982.

**Michael Watt, AII MR** (Manager) (age 53) was appointed to the Board in 1987. He is a director of Henderson Far East Income Trust plc and is Chairman of Henderson Investors Singapore Limited.

\*Independent director and member of the Audit, and Management Engagement & Nominations Committees of which Mr Iain Dale is Chairman.

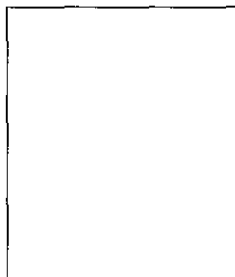
## Management



**Michael Watt**



**Kirsteen Morrison**



**Wendy King**

### Management

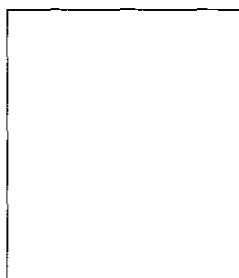
The portfolio is managed by **Michael Watt**. He is assisted by **Kirsteen Morrison**, a director of Henderson Investors Singapore Limited and based in Singapore. **Wendy King** represents Henderson Secretarial Services Limited, the corporate secretary to the company.

**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

1999 saw a strong recovery in Asia's stock markets and economies. Your company's net assets rose by 107% to 125.8p per share, which challenges previous high points. The share price advanced by 128% to 117p as its discount to assets narrowed to 7%.

There was an optimistic end to the year, despite ultimately unfounded concerns over the "millennium bug". Your company's net asset value per share grew by 49.2% in the final two months of 1999.



Iain Dale

### **Stock Markets**

The region's stock markets and currencies advanced in sterling terms over 1999. The major rises occurred in the larger stock markets with Hong Kong, Korea and Singapore achieving strong re-ratings. It was more than usually important to focus on investment themes and sector weightings, particularly as optimism for global technology gathered momentum over the second half year.

### **Performance**

Stronger stock markets were successfully anticipated in most countries and we were well positioned in the telecommunications and technology sectors, which showed notable advances.

Your company achieved a positive total return in net assets per share of 107% reaching 125.8p compared to 60.9p at the end of 1998. The share price advanced by 128% to 117p from an end 1998 level of 51.3p. At the end of 1999 the shares stood at a discount of 7% compared to a discount of 15.8% at the previous year end. The company's performance is measured against a peer group of investment trust competitors and a benchmark index. The 107% advance in net assets may be compared with an equivalent peer group return of 98%. The benchmark index, the MSCI AC Far East Free ex Japan Index, advanced by 67%.

### **Revenue and Earnings**

Revenues fell sharply in 1999 as investment returns reverted to normal for a trust such as ours which seeks capital growth. Bond and cash holdings were replaced by equities and borrowings were invested in equity markets with a consequent sharp decline in yield. Gross revenues amounted to £2.9 million, a decline of 40% over the previous year. Earnings per share fell by 71% to 0.36p.

**Dividend**

As foreshadowed at the interim stage, there is no requirement to pay a special dividend for 1999. Consequently a maintained final dividend of 0.25p net per share in respect of 1999 but no special dividend will be recommended at the forthcoming Annual General Meeting (AGM) in line with the company's underlying policy of seeking to maximise capital growth.

**Share Repurchase Policy**

At last year's AGM shareholders approved proposals to buy back up to 14.9% of the company's shares. This followed the Board's concern at the historically high levels of discount at which the shares had traded, at times reaching more than 20%. Share repurchases make sense if the discount is high in its own right or relative to the company's peer group. A policy and procedure for share buy backs was implemented but no shares were repurchased in 1999. The Board will be seeking approval from shareholders to renew this authority for the year ahead. Purchases will only be made if the Board believes there will be clear benefits to the company and shareholders.

**Promotional Activity**

The Board welcomed the initiative of the Association of Investment Trust Companies (AITC) to promote investment trusts to a wider audience, and has fully supported the "its" campaign at a first year cost to the company of £73,831. The Board also welcomed the decision by Henderson Investors to promote the Henderson brand name. These important initiatives have supplemented the company's own efforts to promote itself both to financial advisors and shareholders. Henderson Investors is offering special terms for acquiring Henderson TR Pacific shares via an ISA. Until the end of April, investments via the Henderson Investors ISA will be free of dealing charges. The enclosed brochure provides full details.

**Management**

While Mr Michael Watt remains the company's Manager, there has been a change at the level of Assistant Manager. Mrs Heather Manners, who has been Assistant Manager since 1993, has been appointed head of Henderson's Far East and Emerging Markets Team, and

will focus in future on Henderson's mainstream products. The Board thanks her for her great contribution. Miss Kirsteen Morrison, who was appointed Assistant Manager in 1998 and is based in Henderson's Singapore office, will continue in this position. The management team regularly visits the countries and companies in which it invests; members of the Board also make such visits periodically. On behalf of shareholders I would like to record my thanks to both Board and Management, for the company's strong recovery in 1999, in what has been a very testing environment.

**Prospects**

1999 saw a welcome upturn in most of the region's economies. Currencies strengthened further and the necessary economic reforms continued to be implemented. We expect the recovery in Far Eastern economies to be sustained, helped by an expected strengthening in global growth. Pacific region exports should remain strong and domestic economies are expected to recover. While some countries' prospects are capped by high borrowings the Board expects a generally favourable stock market environment spurred by further high growth in technology sectors. This should allow the markets in which we invest to move firmly higher.

**Annual General Meeting**

I warmly invite all shareholders to attend our forthcoming AGM which will be held at Henderson Investors' offices at 3 Finsbury Avenue, London EC2 at 12.30 pm on Monday 10 April 2000. Michael Watt will give a presentation after the formal meeting and light refreshments will be available for those who can stay on.



Iain Dale OBE  
22 February 2000

# Stock Market Comparison

The region's stock markets moved firmly upwards in 1999. Once more Korea led the pack with a rise of 82.8% benefiting from a strong recovery in its economy. Indonesia also performed well advancing by 70.1%, but from a low base at the end of the previous year. Both of the region's more mature stock markets Hong Kong and Singapore also performed notably well with rises of 68.8% and 74.8% respectively. Singapore's rise was helped by a robust economic recovery, but signs of an upturn in Hong Kong only emerged towards the end of the year. China, Taiwan and the Philippines lagged other regional stock market performances as their economies had not been greatly impacted by the region's financial crisis. The other laggards, Thailand and Malaysia were damaged by the crisis and the slow progress of reforms helps explain their

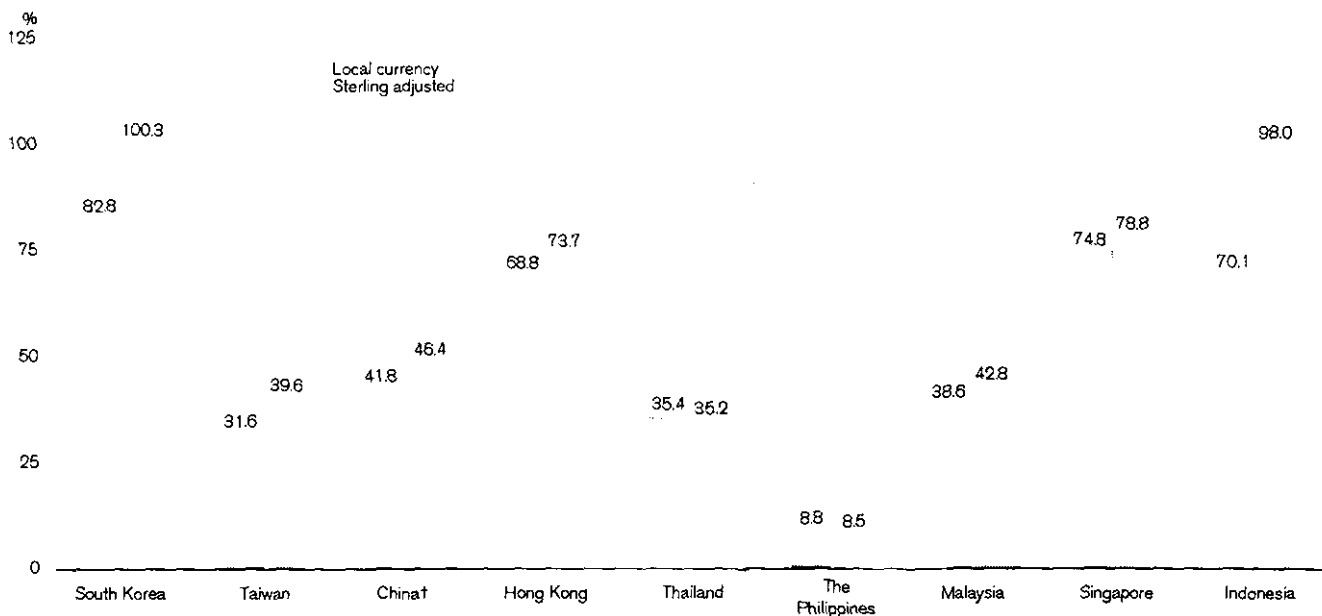
less strong stock market advances of 35.4% and 38.6% respectively. Across the region the best performances came from the technology and telecommunications sectors with the financial and property sectors lagging.

## Currencies

The region's currencies generally performed at least in line with sterling. Most tracked the US dollar which appreciated by 3.2% against the pound in 1999. Two were notably firmer, these being the Indonesian rupiah, with a rise of 16.4% and the Korean won which strengthened by 9.6%. Both can be attributed to higher confidence over their more settled economic environment compared with the uncertainties prevailing at the end of the previous year.

## Stock Market Performance\*

Year to 31 December 1999 (percentage change)



\*The company 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.

Your company achieved a total return in net assets per share of 107% compared to a peer group advance of 98% – both well ahead of the benchmark index. From a longer term perspective the company's total return in net assets over five years was 25% compared with the peer group's 13% and over ten years the returns were 167% and 100% respectively in favour of your company.

## Benchmark Index

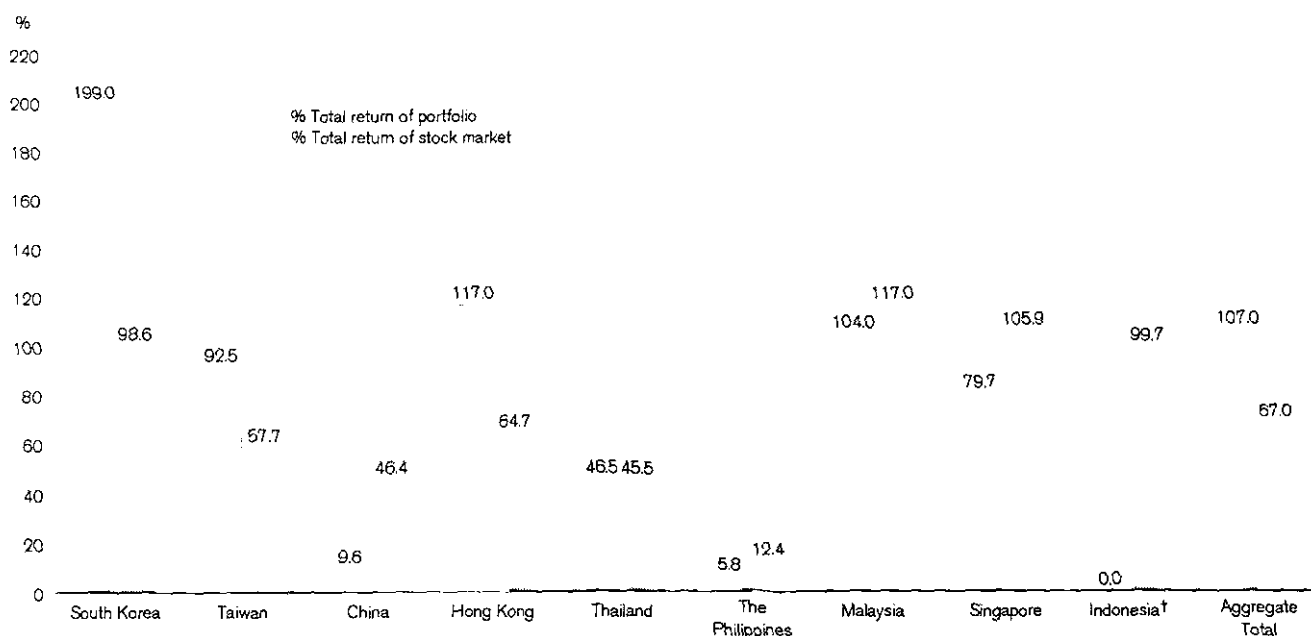
From September 1996 the MSCI AC Far East Free ex Japan Index was expanded to encompass all the stock markets in which the company invests. Prior to that date the benchmark index was not comparable to this company's portfolio. In September 1998 Malaysia was

removed from the index due to the implementation of capital controls and Korea's weighting was doubled to reflect its stock market reforms. There are firm plans to restore Malaysia to the index in the current year and to remove the restriction on Taiwan, which at present is limited to just half its capitalisation. The major outstanding anomaly will then be China which represented just 0.8% of the index at the end of 1999 yet domestically has one of the region's largest stock markets.

In 1999 the MSCI AC Far East Free ex Japan Index achieved a total return of 67% in sterling terms which may be compared with a positive total return in net assets per share of 107% from your company. Over five years your company achieved a total return of 25% compared to 1% for the index.

The table below shows the performance of the company's portfolio in each country relative to the local MSCI Index.

Total return of portfolio against each MSCI stock market index for the year ended 31 December 1999.



Source: The WM Co. The performance of the company is compared against individual MSCI Far East Country Indices.

† There were no investments in Indonesia at the year end.



# Portfolio Structure

continued

## Top Twenty Investments

These twenty holdings represented 51.3% of total investments compared with 53.1% at the end of the previous year. In total there were 72 investments which are listed by country and by sector in the following pages.

Much useful information may be accessed from company websites. We list the internet addresses of the top twenty investments.

Company	Website address	Country	Sector	Value of Investment
				£'000
SK Telecom	www.sktelecom.co.kr	South Korea	Telecommunications	12,532
Dacom	www.dacom.net	South Korea	Telecommunications	11,263
Korea Telecom	www.kt.co.kr	South Korea	Telecommunications	11,006
China Telecom	www.cthk.com	Hong Kong	Telecommunications	9,688
Samsung Electronics	www.sec.co.kr	South Korea	Semiconductors & Electronics	9,333
Johnson Electric Holdings	www.johnsonmotor.com	Hong Kong	Electrical Equipment	7,950
Li & Fung	www.lifung.com	Hong Kong	Transport & Distribution	7,752
Pacific Century Cyberworks	www.pcg-group.com	Hong Kong	Telecommunications	7,194
Taiwan Semiconductor	www.tsmc.com	Taiwan	Semiconductors & Electronics	6,610
JIT Holdings	www.jit.com.sg	Singapore	Semiconductors & Electronics	6,567
Television Broadcasts	www.tvb.com	Hong Kong	Consumption	6,390
Singapore Press	www.sph.com.sg	Singapore	Consumption	6,050
Far Eastern Textile	www.feg.hinet.net	Taiwan	Consumption	5,899
Cheung Kong	www.ckh.com	Hong Kong	Finance & Real Estate	5,889
SK Corporation	www.skcorp.com	South Korea	Resources & Heavy Industrial	5,510
Datacraft Asia	www.datacraft-asia.com	Singapore	Semiconductors & Electronics	5,134
Housing & Commercial Bank	www.hcb.co.kr	South Korea	Finance & Real Estate	4,916
Natsteel Electronic	www.nel.com.sg	Singapore	Computers & Peripherals	4,902
Dialer and Business	www.dbtel.com	Taiwan	Semiconductors & Electronics	4,676
Shin Corporations	www.shinawatra.co.th	Thailand	Software Services	4,610
				143,871

South Korea and Hong Kong dominated this list with six holdings each, reflecting their status as the two largest investment areas. There were four Singapore investments in the top twenty and three from Taiwan. Twelve companies were classed by MSCI as being within technology related areas and there was a clear emphasis

on telecommunications with most of our largest investments in that sector. On the following two pages we review the opportunities for investment in technology within the Pacific region and attempt to rationalise our overweight position in this high growth sector.

# Focus on Technology

Far Eastern countries outside Japan are not well known for their technological capabilities. It is relatively rare to find companies benefiting from a strong portfolio of patents or a globally recognised name. But it would be a great mistake to overlook the region from the technology perspective as there are many exciting investment opportunities in the sector in worldscale manufacturing companies and in the infrastructure for distribution of new technologies to the world's largest population group. The benchmark index categorises 29.5% of the region's stock markets to the telecommunications, electronics and computer sectors. Our own exposure to these sectors was 55.5% and there are a number of investments allocated to other sectors whose prospects are dominated by new technologies.

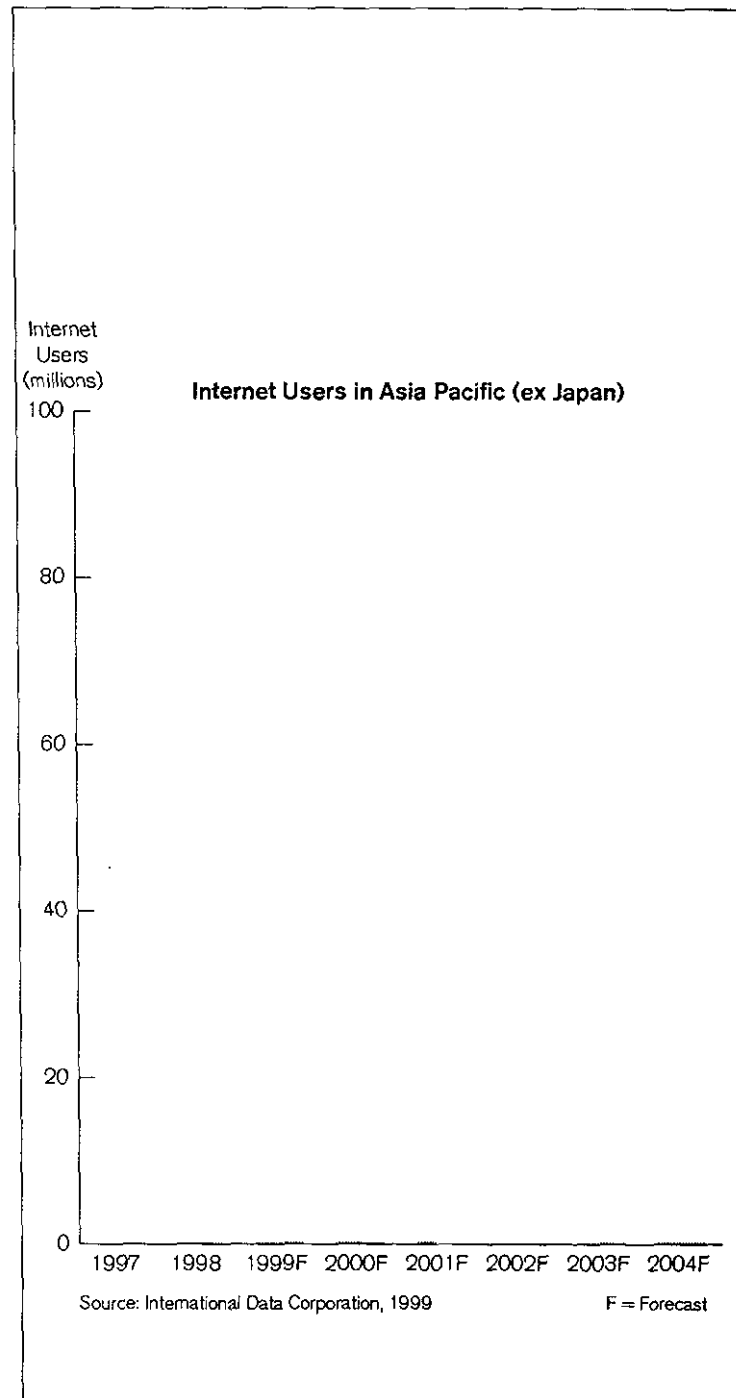
In this section we review three areas: **The Internet**, which will transform many existing industries and create new ones; **Outsourcing**, where Asian companies are increasingly predominant and **Semiconductors** which, while cyclical, are expected to grow strongly.

## The Internet

The internet has captured the imagination of investors in the Far East just as it has in other countries. Internet usage is growing strongly across the region and is already well established in some countries. Investment opportunities have arisen through ambitious new companies like *Pacific Century Cyberworks* in Hong Kong, which aims to deliver its own multi-lingual internet services across the region via satellite and broad-band cable. The telecommunications industry is inextricably linked with the infrastructure and delivery of internet services and many companies in the sector have developed their own internet businesses. A good example is Korea's *Dacom*, which has graduated from a provider of international telecom services to Korea's most broadly based internet company.

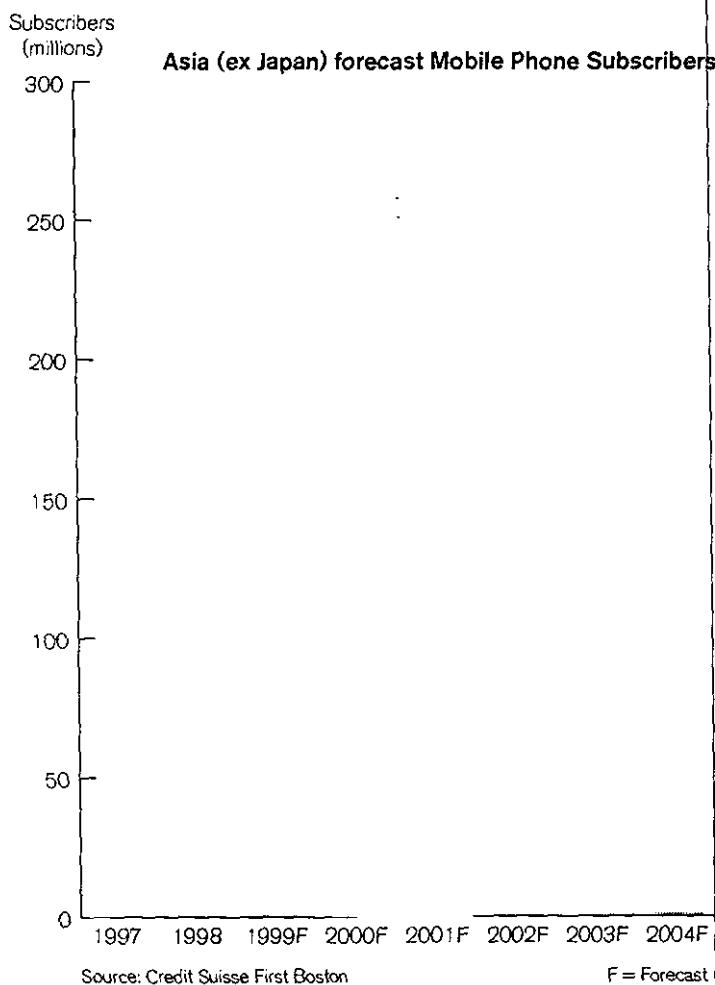
For the future **Mobile Telecommunications** will play an important part in internet services. Two of our largest investments *China Telecom* and *SK Telecom* dominate the Chinese and Korean mobile markets. In Taiwan, the region's third largest economy, this position is held by *Far Eastern Textile*, through its unlisted subsidiary *Far EasTone*.

One of the largest internet opportunities lies in its



**Commercial and Distribution** applications. We have been seeking new investments in these developing businesses. Examples are *Samsung Corporation* in Korea for business to business services, *GES* of Singapore and *Synnex* of Taiwan for electronics distribution to both business and consumers. *President Chain Store* in Taiwan, which holds the Seven Eleven franchise, is developing a range of services and a distribution initiative for consumers.

**Content** is another potentially critical factor in the



development of internet services, as the recent merger of AOL and Time Warner attests. Examples of Asian companies keen to embrace opportunities in this area include Hong Kong's leading television broadcaster, *Television Broadcasts* and *Singapore Press* the pre-eminent media group in Singapore.

### Outsourcing

Asia's other fast growing technology related sector is the manufacture of components, systems and products for the world's major technology companies. Pioneered mainly by Taiwan and more recently Singapore, outsourcing of the manufacturing process offers greater production efficiency, lower costs and reduced inventories. This is not necessarily a high technology theme as shown by *Johnson Electric*, a world leader in the manufacture of micro motors, and *Li & Fung* which facilitates the production and distribution of a wide range of goods to customers on a global scale. Both rank among Hong Kong's most admired companies.

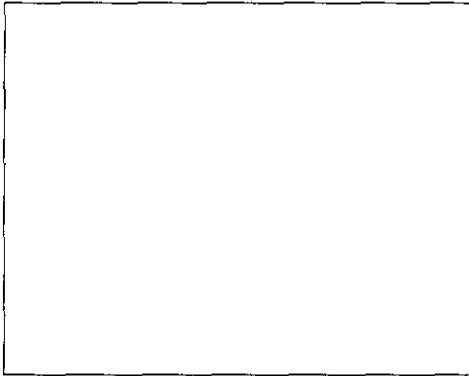
At a higher technology level the contract manufacturers such as Singapore based *Natsteel Electronics* and *JIT Holdings*, Malaysia's *Unisem* and Thailand's *Hana* are able to offer flexible, customised electronic manufacture and assembly for a wide range of customers.

In the high technology area outsourcing has also given many companies access to specialist manufacturing services. Good examples are *Taiwan Semiconductor* in Taiwan and *Chartered Semiconductor* in Singapore, which supply fast growing computer and telecommunication companies with customised semiconductor chips on a highly flexible basis often to companies with no manufacturing capability of their own. These foundry businesses are growing strongly and making inroads into new markets like Japan or new sectors like telecommunications.

### Semiconductors

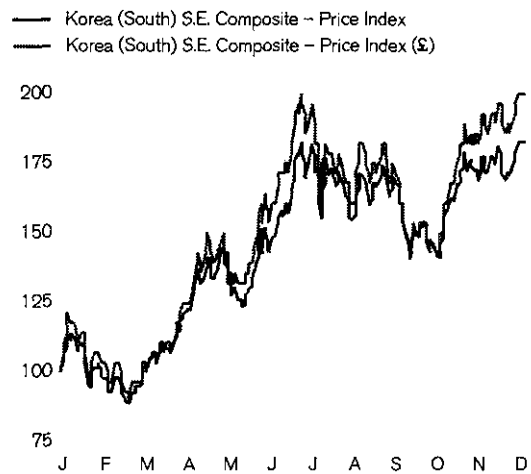
The semiconductor industry has become highly cyclical despite steadily growing demand. The industry's capital intensive structure means that its manufacturers suffer great volatility. The industry bottomed only in 1998 as production from its last investment boom was digested. We now face some years of under-supply and hopefully strong returns from the leading manufacturers. We have three traditional semiconductor manufacturers in the portfolio, the Korean giants *Samsung Electronics* and *Hyundai Electronics* and Taiwan's leader in this sector *Winbond*. Our holding in *Mirae*, Korea's leading semiconductor manufacturing machinery company should also benefit from this cyclical upturn.

# South Korea



Total investments in Korea were raised significantly in 1999, from 7.7% of the portfolio to 27.7% as Korea became this company's most heavily weighted stock market. This compared with a benchmark index weighting of 23.0% at the end of December. The Korean stock market was the region's strongest, with a rise of 82.8% in local currency terms and 100.3% to a sterling based investor as the won advanced by 9.6%.

Korea's economy also strengthened notably as its recovery from the 1997 financial crisis gathered pace. Gross domestic product (GDP) advanced by more than 9% giving Korea the world's strongest growth rate, helped by rebounding exports and a sharp upturn in consumer confidence. The reform programme continued to change the economic and corporate structure with sharp declines in Korean companies' debt obligations. There was a large positive impact on corporate profits, as companies benefited strongly from better demand and lower borrowing costs. The collapse of the Daewoo group with huge outstanding debts amounting to some US\$ 80 billion, while causing serious concerns, proved manageable. Other potentially vulnerable chaebol groups were active in the capital markets to reduce indebtedness and to focus on core businesses.



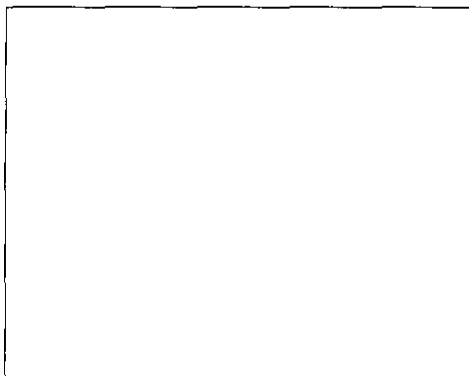
Source: Datastream

Korea's economy is expected to continue to perform well over 2000 but the pace of expansion must slow. Company profits are nevertheless expected to continue to grow this year and stock market valuations, despite two years of strong share price growth, are undemanding. Even at the end of 1999 after two years of exceptional stock market advances, the KOSPI index remained 37.1% below its 1994 high point in sterling terms.

## South Korea Investments

		%	£'000
<b>Telecommunications</b>	Dacom	4.0	11,263
	Korea Telecom	4.0	11,006
	SK Telecom	4.5	12,532
<b>Finance &amp; Real Estate</b>	Housing & Commercial Bank	1.8	4,916
	Kook Min Bank	1.0	2,925
	Shinhan Bank	0.8	2,342
<b>Semiconductors &amp; Electronics</b>	Hyundai Electronics	1.6	4,592
	Mirae	1.3	3,629
	Samsung Corporation	0.7	1,865
	Samsung Electronics	3.3	9,333
<b>Consumption</b>	Hyundai Motor	1.2	3,227
<b>Resources &amp; Heavy Industrial</b>	LG Chemical	0.8	2,356
	Pohang Iron & Steel	0.7	2,093
	SK Corporation	2.0	5,510
<b>Total South Korea Investments</b>		<b>27.7</b>	<b>77,589</b>

# Taiwan



At the year end we held 19.6% of total investments in Taiwan compared with the benchmark index weighting of 19.7%. Taiwan will become a significantly more important constituent of the index from May when a staged upgrading of its weighting begins, which will raise exposure from 50% to 100% of its capitalisation over a year. The index was one of the region's relative laggards, advancing by 31.6% over 1999 and by 39.6% in sterling terms. Technology related stocks outperformed sharply and the company's investments remained heavily weighted to these sectors.

Two important events helped Taiwan to underperform last year. The first was a statement from President Lee that Taiwan should be viewed as a separate state from China, thus fuelling concerns of a Chinese backlash, since it regards Taiwan as a renegade province. To date the Chinese response has been relatively muted but with a new president due to be elected in March the scope for tension on both sides remains. The second event was Taiwan's tragic earthquake in which more than 2,000 people died. Despite widespread disruption export sensitive industries were quickly back at full production and the estimated costs were within 5% of GDP.

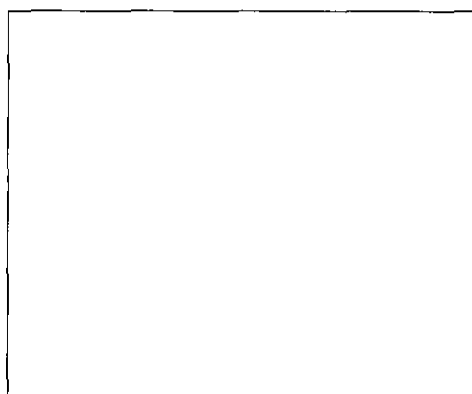


Source: Datastream

The economy now appears to be in good shape with GDP forecast to grow by around 6% this year, inflation at low levels, a healthy trade surplus and more than US\$ 100 billion of foreign reserves. Taiwan has become a major manufacturing powerhouse for the US technology industry. Outsourcing is expected to continue to grow strongly and Japan is becoming an increasingly important customer.

Taiwan Investments		%	£'000
<b>Finance &amp; Real Estate</b>	Bank Sinopac	0.8	2,280
	China Trust	0.9	2,514
<b>Semiconductors &amp; Electronics</b>	Acer Peripherals	1.1	3,081
	Dialer and Business	1.7	4,676
	Siliconware Precision	1.6	4,488
	Taiwan Semiconductor	2.4	6,610
	Winbond Electronic	1.5	4,305
<b>Computers &amp; Peripherals</b>	Asustek Computer	1.2	3,285
	Compal Electronics	1.1	3,103
	Ritek	1.0	2,872
	Synnex Technology	1.5	4,243
<b>Resources &amp; Heavy Industrial</b>	China Steel	1.1	3,207
<b>Consumption</b>	Far Eastern Textile	2.1	5,899
	President Chain Store	1.6	4,359
<b>Total Taiwan Investments</b>		<b>19.6</b>	<b>54,922</b>

# China



Our investments in China amounted to 2.8% of the total portfolio at the year end. This compared to a weighting of 6.0% a year earlier and a benchmark index weight of only 0.8%. Comparisons are complicated because China's domestic stock market is one of the region's largest but is not included in the benchmark index because it is closed to foreigners. Many important Chinese companies are listed in Hong Kong or elsewhere. We understand that there is some consideration being given by MSCI to addressing this anomaly. The Chinese stock market, as measured by the CLSA China-B Share Index, advanced by 46.4% in sterling terms but suffered a weak performance in the second half year. China was a big concern for overseas investors ahead of the year end date change. Moreover, the economic slowdown put pressure on company profits.

China's GDP grew at a published rate of 7.1%, attained only after substantial government efforts to boost the economy through interest rate cuts and high infrastructure spending. Despite this consumer prices fell by 3% and growth in the fourth quarter was at its lowest for the year. Bright spots were exports where a strong upturn was evident as the year progressed and consumer confidence which also improved towards the year end.



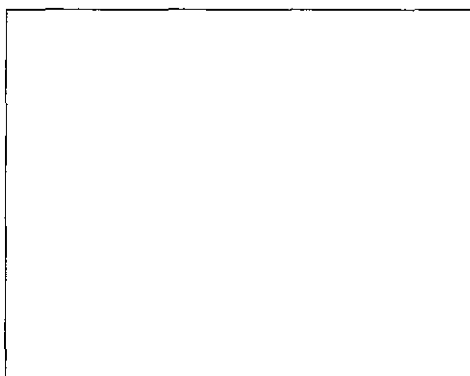
Source: Datastream

China's agreement with the USA on its entry to the World Trade Organisation is a significant positive advance, which will trigger fundamental market driven reforms. We believe that China will start to recover in 2000 helped by further government spending and rising internal and external demand. Valuations of most B Share companies are low reflecting poor investor sentiment but would recover quickly if the economy improves.

China Investments		%	£'000
<b>Collective Investment Vehicles</b>	China Heartland Fund	0.6	1,690
	*SHK Pearl River Delta	0.2	448
<b>Consumption</b>	Guangdong Kelon	0.5	1,413
	Want Want	0.6	1,695
<b>Utilities</b>	Huaneng Power International	0.4	1,245
<b>Transport &amp; Distribution</b>	Zhejiang Expressway	0.5	1,407
<b>Total China Investments</b>		<b>2.8</b>	<b>7,838</b>

\*Unlisted investment

# Hong Kong



Investments in Hong Kong amounted to 23.1% of the portfolio at the end of 1999 compared to 26.3% at the previous year end. The benchmark index allocated 31.7% to Hong Kong, which preserved its status as the region's largest stock market. Our underweight stance was influenced by Hong Kong's ongoing high exposure to the property and financial sectors, which we have reduced in favour of manufacturing and technology. Nevertheless, Hong Kong's stock market performed well rising by 68.8% and by 73.7% in sterling terms. The index rose strongly towards the year end as signs of recovery began to appear both locally and in China.

Hong Kong's economy turned strongly positive in the second half of 1999. In 1998 GDP had fallen by 5.5% but growth in the closing months of 1999 pushed overall GDP growth ahead by some 2%. Prospects are promising for this year, but much depends on events in the USA. Because its currency is pegged to the US dollar Hong Kong's interest rates closely follow those in America. Rising rates will be a burden to both the economy and the



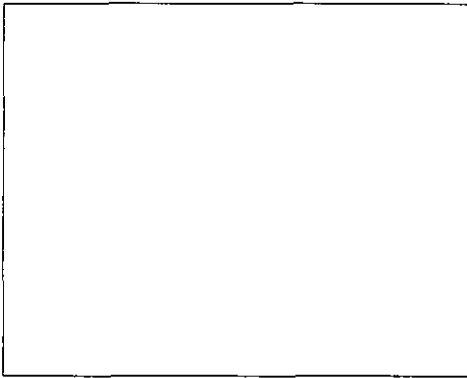
Source: Datastream

stock market. By traditional valuation yardsticks Hong Kong's stock market appears overvalued, but both the economy and stock market are developing rapidly from being dominated by property to being more balanced and knowledge based, with strong growth in new areas.

Hong Kong Investments		%	£'000
Finance & Real Estate	Cheung Kong	2.1	5,889
	Swire Pacific	1.3	3,660
Collective Investment Vehicles	*Chinavest II-A	0.4	1,227
	*Hong Kong Venture Investment Trust	-	53
Telecommunications	China Telecom	3.5	9,688
	Pacific Century Cyberworks	2.6	7,194
Transport & Distribution	Cosco Pacific	1.5	4,134
	Li & Fung	2.8	7,752
Utilities	Hong Kong & China Gas	1.0	2,805
Electrical Equipment	Johnson Electric Holdings	2.8	7,950
Semiconductors & Electronics	Legend Holdings	1.4	4,023
	Varitronix International	1.0	2,865
Consumption	Ng Fung Hong	0.4	1,265
	Television Broadcasts	2.3	6,390
<b>Total Hong Kong Investments</b>		<b>23.1</b>	<b>64,895</b>

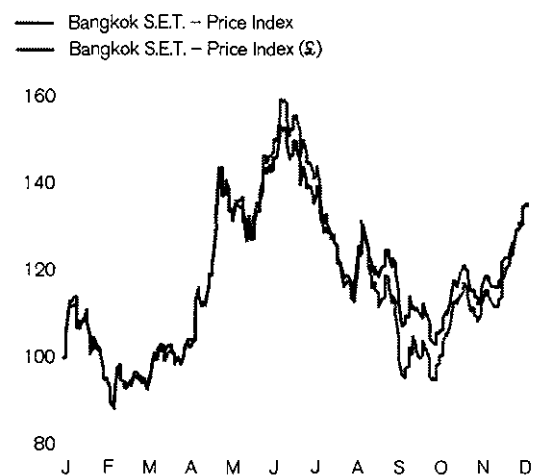
\*Unlisted investments

# Thailand



Investments in Thailand amounted to 6.9% of the total portfolio at the end of 1999 compared to 5.8% at the end of 1998, and a benchmark index weighting of 4.7%. We were happy to be overweight due to Thailand's low valuations and its commitment to reform within a stable economic and political background. The SET Index rose by a relatively sluggish 35.4% and by 35.2% in sterling terms as foreign concern mounted at the slow pace of corporate reforms and possible problems over the year 2000 date change. A strong economic upturn over the second six months allowed Thailand to share in the region's year end rally.

Thailand was one of the main casualties of Asia's economic crisis as GDP fell by 10% in 1998. Major institutional and legislative change was required to commence its reform programme. This delayed corporate restructuring and slowed the rehabilitation of the financial sector, keeping non-performing loans at stubbornly high levels. However, reforms are now bearing fruit and are being accompanied by a firm economic upturn which began with strong exports and is now feeding through to

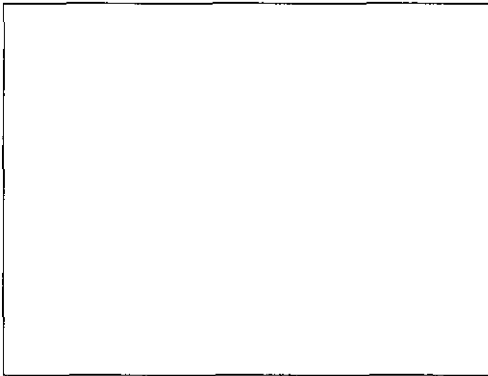


Source: Datastream

consumer demand. The requirements of a broadly-based economic upturn will be an important spur to corporate restructuring. We expect Thailand's economy to do well this year despite the burden of high borrowings, and we are hopeful that this will be reflected in the stock market.

Thailand Investments		%	£'000
Consumption	Grammy Entertainment	0.5	1,485
	Pizza Company	0.4	1,131
Semiconductors & Electronics	Hana Microelectronics	1.5	3,974
Resources & Heavy Industrial	PTTEP	0.5	1,539
	Siam Cement	1.5	4,155
Software Services	Shin Corporations	1.6	4,610
Finance & Real Estate	Siam Commercial Bank	0.9	2,422
<b>Total Thailand Investments</b>		<b>6.9</b>	<b>19,316</b>

# The Philippines



Our investments in the Philippines amounted to just 1.6% of the total compared to a 3.8% weighting at the previous year end and a 2.0% benchmark index weighting. The stock market, as measured by the Manila Stock Exchange Index, advanced by just 8.8% and 8.5% in sterling terms. While both the stock market and the peso strengthened over the first part of the year there was a serious loss of investor confidence as the year progressed. This can be attributed mainly to concerns over the pace and direction of government policy and is reflected in a slide in the approval rating of the presidency from 77% last April to 44% in December.

The Philippines was not a direct victim of the Asian financial crisis, but suffered substantial economic and stock market weakness nonetheless. GDP growth slowed from 5.2% in 1997 to a decline of 0.5% in 1998 and there was only a modest upturn of some 3.0% in 1999. Restructuring is pending in many industries but requires lengthy legislative and approval procedures. There are signs of improvement at least in external demand but no



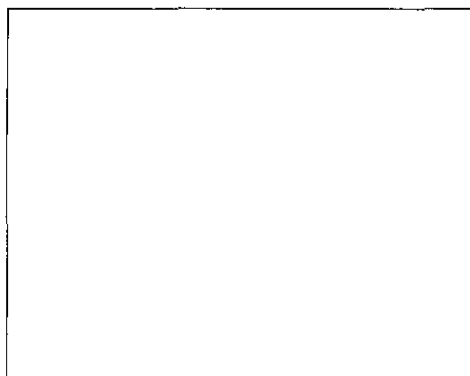
Source: Datastream

strong recovery is yet in evidence for the domestic economy. The Philippines needs include strong leadership, sound corporate governance and fundamental market driven reforms. One hopes for such progress in the coming year.

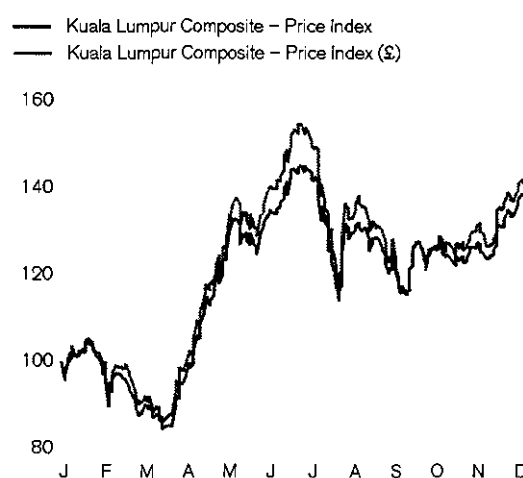
Philippines Investments		%	£'000
Telecommunications	Philippine Long Distance Telephone	1.4	3,853
Collective Investment Vehicles	*Philippine Long Term Equity Fund	0.2	665
<b>Total Philippines Investments</b>		<b>1.6</b>	<b>4,518</b>

\*Unlisted investment

# Malaysia



At the end of 1999 exposure to Malaysia amounted to 3.0% of total investments compared with a zero weighting at the end of 1998. Following the imposition of capital controls in September 1998 Malaysia was removed from the benchmark index and its weighting remained at zero at the end of 1999. A decision by the Malaysian authorities to reduce significantly the penalties on short term capital movements led to a reassessment of Malaysia's weighting with the result that the stock market will be fully represented within the MSCI benchmark from May 2000, contributing some 11% of the enlarged index. Malaysia's fixed exchange rate and closed economy has generated major short term benefits. An artificially low exchange rate has strongly boosted manufacturing exports, two thirds of which are in the fast growing electronics sector. Strong trade surpluses have boosted foreign exchange reserves, domestic liquidity is easy and interest rates are low. While there has been caution within the domestic economy, reflected in lower loan growth and retail sales for most of last year, signs now point to a recovery in the domestic economy too. We expect the economy to strengthen further in 2000 with GDP growth

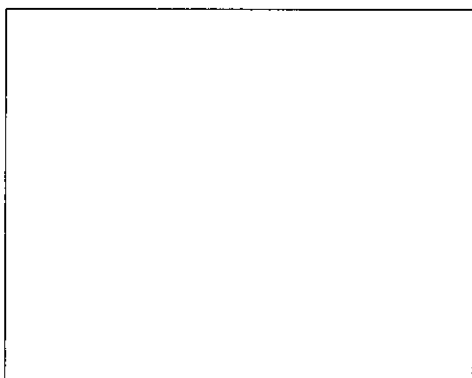


Source: Datastream

of more than 6%, compared with some 5.0% in 1999 and a decline of 7.5% in 1998. We would caution for the longer term that neither economic nor political reforms have been undertaken on the scale seen in other countries. This could hold back foreign investment going forward. Nonetheless the year ahead at least is likely to be a strong one for company profits and economic growth.

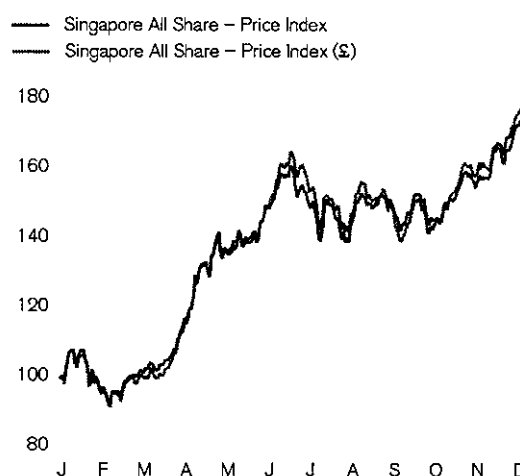
Malaysia Investments		%	£'000
Transport & Distribution	Malaysian International Shipping	0.9	2,400
Consumption	Resorts World	1.0	2,848
Semiconductors & Electronics	Unisem	1.1	3,187
<b>Total Malaysia Investments</b>		<b>3.0</b>	<b>8,435</b>

# Singapore



Singapore investments amounted to 15.2% of the total portfolio, which was the same percentage held there at the end of the previous year. This was in line with the benchmark index weighting of 15.3%. The SES All Share Index advanced by 74.8% and 78.8% in sterling terms. The stock market rose strongly in the first half and after a modest consolidation over the third quarter there was a powerful advance which took it into new high ground in local currency terms during the year-end rally.

Singapore's economy, while damaged by Asia's financial crisis, was not under serious pressure due to its financial strength and a powerful government led response, which included major cost cutting initiatives and accelerated reforms. 1998 GDP growth was just 0.3% but in 1999 the economy expanded by some 6% with strong industrial output thanks to the electronics boom, a favourable trade balance and growing confidence amongst consumers as reflected in better demand for housing and cars. There was also greater attention to corporate governance and shareholder values. Inflation and loan demand remains subdued so there is scope for further growth in the year

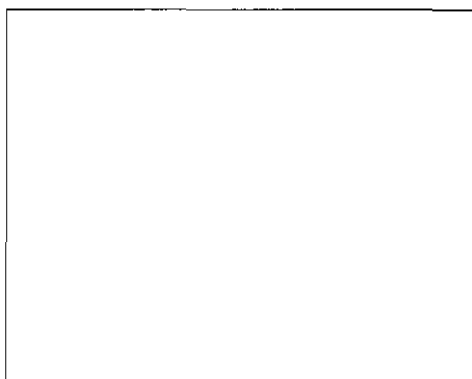


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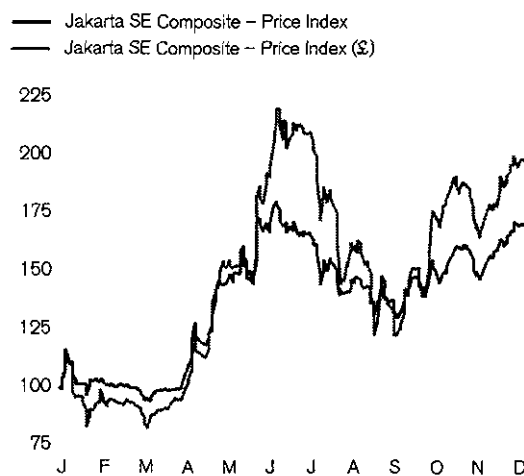
ahead. We expect corporate profits to continue to grow strongly, which will offset historically high valuations. Like Hong Kong, Singapore is rapidly becoming an economy driven by technology and services and this change is reflected in growing stock market opportunities in these sectors.

Singapore Investments		%	£'000
<b>Semiconductors &amp; Electronics</b>	Chartered Semiconductor	1.6	4,529
	Datacraft Asia	1.8	5,134
	Elec & Eitek International	0.4	1,008
	JIT Holdings	2.3	6,567
<b>Finance &amp; Real Estate</b>	City Developments	0.9	2,522
	Keppel Land	0.8	2,183
	Overseas Chinese Banking Corporation	1.5	4,175
<b>Software Services</b>	GES International	0.9	2,659
<b>Computers &amp; Peripherals</b>	Natsteel Electronic	1.8	4,902
<b>Consumption</b>	Parkway	1.0	2,808
	Singapore Press	2.2	6,050
<b>Total Singapore Investments</b>		<b>15.2</b>	<b>42,537</b>

# Indonesia



We were not invested in the Indonesian stock market either at the end of 1999 or at the end of 1998, but the benchmark index had year-end weighting of 2.8% to this market. From a low base for both the currency and the stock market at the end of 1998 there was a strong but volatile advance in 1999. The Jakarta Composite index increased by 70.1% and by 98.0% in sterling terms as the rupiah rose by 16.4% against the pound. Indonesia has been experiencing a very painful transition from the corrupt and intolerant regime headed by the now discredited ex-President Suharto. A general election held in June saw unprecedented support for the democrats, but when the election of a new president finally took place in October it was a moderate Muslim, Abdurrahman Wahid, who emerged pre-eminent. His appointment was broadly welcomed at home and overseas but his task is a difficult one as social and religious unrest continues in many parts of Indonesia and powerful vested interests must be called to account. The economy has been closely supported by the IMF and other agencies, which withheld new money as violence intensified in East Timor, and



Source: Datastream

financial scandals hit the banking sector. While these problems have been addressed and the economy seems to be recovering there are ongoing issues yet to be resolved particularly within the still-powerful army. We are watching events closely but have not yet been tempted to commit shareholders' money to Indonesia.

Indonesia Investments	%	£'000
No Investments	-	-
<b>Total Indonesia Investments</b>	<b>-</b>	<b>-</b>

## Vietnam

The company maintains a small interest in Vietnam, amounting to just 0.1% of the portfolio, through the Vietnam Fund which was launched in 1991. For most of the 1990's there were hopes that Vietnam would reform its economy and become Asia's next "Tiger" economy. With a population of more than 70 million, mainly reliant on subsistence farming, there is much potential. From 1997 the Communist party's concerns over growing foreign influences caused a retreat from reforms. The financial crisis in other Asian economies added to this caution and hit inward investment. In a climate of severe currency

weakness amongst neighbouring countries the Vietnamese dong became increasingly uncompetitive. Financial sector problems and inefficiency caused difficulties in already rudimentary markets. The long awaited establishment of a stock market failed to take place.

Whilst economic growth in 1999 was positive to the extent of around 5% in GDP serious reforms have failed to be undertaken. Within this environment the Vietnam Fund has refunded cash to shareholders and plans no new investments. We remain hopeful of a change of heart within Vietnam but there is as yet no indication of this.

### Vietnam Investments

		%	£'000
<b>Collective Investment Vehicles</b>	The Vietnam Fund	0.1	213
<b>Total Vietnam Investments</b>		<b>0.1</b>	<b>213</b>

## Summary of Net Assets

at 31 December 1999

The following table summarises the net assets attributable to ordinary shareholders. The company's

direct equity exposure amounted to 108.4% of net assets.

	<b>1999</b>	<b>1999</b>	1998	1998
	<b>£'000</b>	<b>%</b>	£'000	%
<b>Attributable to ordinary shares</b>				
Equities	280,263	108.4	108,097	86.3
Bonds	-	-	20,978	16.8
	<u>280,263</u>	<u>108.4</u>	<u>129,075</u>	<u>103.1</u>
Current assets less other liabilities	(21,627)	(8.4)	(3,849)	(3.1)
<b>Total net assets</b>	<b><u>258,636</u></b>	<b><u>100.0</u></b>	<b><u>125,226</u></b>	<b><u>100.0</u></b>

# Report of the Directors

The directors present the audited accounts of the company for the year ended 31 December 1999.

## 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 1998. 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.

## Assets

At 31 December 1999 total net assets amounted to £258,636,000 attributable to ordinary shares. The net asset value per ordinary share was 125.8p, an increase of 106.6% from the previous year end.

## Revenue and Dividend

Gross revenue of the company for the year decreased to £2,867,000 from £4,792,000. Net revenue for the year after taxation was £745,000, compared with £2,547,000 in the previous year, a decrease of £1,802,000.

The directors recommend a final ordinary dividend of 0.25p net per ordinary share (1998: 0.25p ordinary dividend and 0.75p special dividend). Subject to approval at the Annual General Meeting, the dividend will be paid on 14 April 2000 to shareholders on the register at close of business on 17 March 2000.

## Donations

During the financial year the company made charitable donations of £10,500. No payments were made 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 1999 and 1 January 1999 are set out below:-

	31 December 1999	1 January 1999
	Ordinary shares of 5p	
<i>Beneficial interest:</i>		
I L Dale (Chairman)	22,000	22,000
P F Berry	14,000	14,000
A W F Clapperton	80,000	100,000
Sir Kerry St. Johnston	44,397	40,926
M J Watt	80,495	76,218

Between the year end and 22 February 2000 Sir Kerry St. Johnston and Mr M J Watt increased their beneficial shareholdings to 44,589 and 80,735 ordinary shares respectively by purchases through the Henderson Investors Investment Trust Share Plan in which they save monthly. There have been no changes in the other directors' interests since the end of the financial year.

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 directors retiring by rotation at the forthcoming Annual General Meeting (AGM) are Mr I L Dale, Mr A W F Clapperton and Sir Kerry St. Johnston who, being eligible, offer themselves 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 receive dividends in New Zealand dollars. Shares may be transferred to the Auckland branch register by contacting the registrars in New Zealand, Computershare Services PLC.

## Management Company

Throughout the year under review investment management, accounting, secretarial and administrative

# Report of the Directors

continued

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 1999 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.

Investments in funds managed by Henderson are wholly excluded from management charges.

The management agreement may be terminated by either party by giving one years' notice.

## **Substantial Shareholdings**

As at 8 February 2000 the only shareholder that had notified the company of an interest of 3% or more in the ordinary share capital was British Steel Pension Fund which held 10.13%.

## **Personal Equity Plan ("PEP")**

Following 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 had been unable to qualify partially for PEP investment. The company now partially qualifies for PEP purposes. Up to £1,500 may be invested in an existing PEP in each tax year.

## **Individual Savings Account**

An ISA does not have the same investment restrictions as the PEP and the company is fully qualifying. Thus, shareholders may invest up to £7,000 in the company via an ISA in the tax year 1999/2000 and £5,000 per annum thereafter.

## **Authority to Allot Shares and Disapplication of Pre-emption Rights**

At last year's AGM the directors were empowered, until the conclusion of the 2000 AGM, to allot ordinary shares in the company.

The Board believes that this general power to allot shares should be continued. Accordingly, at the forthcoming AGM (notice of which is set out on page 44), an ordinary resolution will be proposed to authorise the directors to allot

ordinary shares up to an aggregate nominal amount of £3,425,672 (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 £513,850 (being 10,277,017 ordinary shares or 5% of the company's issued ordinary share capital as at 22 February 2000).

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%.

This authority, if renewed, will expire at the conclusion of the AGM in 2001.

## **Authority to make Market Purchases of the Company's Own Shares**

The Board has not used the authority granted at the last AGM and is seeking shareholder approval to take authority to purchase on the London Stock Exchange up to 30,625,513 shares (equivalent to 14.9% of the company's issued share capital as at the date of the Annual Report). The authority being sought will create additional potential demand for the company's shares, and because shares will only be purchased at a price below the prevailing net asset value per share, the effect of any such purchases will be to increase the net asset value of the remaining shares as well as helping to control the discount.

Under London Stock Exchange rules, the maximum price to be paid on any exercise of the authority must not exceed 105 per cent. of the average of the middle market quotations for the shares for the five business days immediately preceding the date of purchase. Purchases will be made at the discretion of the Board. The minimum price paid will be 5p per share (being the nominal value).

The purchase of shares will involve a stamp duty cost to the company of approximately 0.5 per cent. of the purchase price.

The company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders.

# Report of the Directors

continued

The authority to purchase shares will last until the AGM of the company in 2001, or until the whole of the 14.9% has been exercised, whichever is the earlier. The authority may be renewed by shareholders at any time.

## **Cancellation of the Share Premium Account**

As authorised by shareholders at the last Annual General Meeting the Share Premium Account was cancelled by order of the Court on 6 May 1999.

## **Payment of Suppliers**

It is the company's payment policy for the financial year to 31 December 2000 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.

## **Nominee Code**

Where shares in the company are held by nominee companies, the company 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, ISA and PEP receive all shareholder communications. A letter of direction is provided to facilitate voting.

## **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 company consist mainly of securities which are readily realisable and, accordingly, it has adequate financial resources to continue in operational existence for the foreseeable future.

## **Year 2000 Statement**

The directors of Henderson TR Pacific Investment Trust plc have been advised by Henderson plc, and its subsidiaries ("Henderson") which provide investment management, UK custodial, accounting, administrative and company secretarial services to the company that the programme initiated by Henderson has been satisfactorily completed and that at the date of this document no material or significant problems affecting the company have arisen from the Year 2000 date change. Costs relating to this project were borne by Henderson.

## **Auditors**

PricewaterhouseCoopers have expressed their willingness to continue in office as the company's registered auditors. A resolution to re-appoint PricewaterhouseCoopers as auditors to the company will be proposed at the AGM.

By order of the Board



Wendy King, FCIS

Henderson Secretarial Services Limited  
Secretary

22 February 2000

# 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 net revenue of the company 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 company 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 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.

## Analysis of Ordinary Shareholders\*

as at 31 December 1999

	Number of shareholders		Number of shares held		31 Dec 1998
		%		%	%
†Individuals	6,398	71.7	34,693,307	16.9	20.4
††Banks and Nominees	1,581	17.7	127,173,063	61.9	62.2
Other Institutional Holders	951	10.6	43,673,989	21.2	17.4
	<u>8,930</u>	<u>100.0</u>	<u>205,540,359</u>	<u>100.0</u>	<u>100.0</u>

† 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 3,643 to 3,577 during the financial year. On 31 December 1999 there were 545 holders of ordinary shares on the New Zealand register (1998: 513 holders). In addition there were a further 411 New Zealand shareholders on the London register.

†† These holdings also include individual holdings through nominee accounts.

\* Source: Lloyds TSB Registrars Scotland

# Statement of Total Return (incorporating the revenue account)

for the year ended 31 December 1999

Notes	Year ended 31 December 1999			Year ended 31 December 1998		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
2	-	134,459	134,459	-	(14,214)	(14,214)
3	2,249	-	2,249	3,643	-	3,643
4	618	-	618	1,149	-	1,149
	<b>2,867</b>	<b>134,459</b>	<b>137,326</b>	<b>4,792</b>	<b>(14,214)</b>	<b>(9,422)</b>
	<b>Gross revenue and capital gains/(losses)</b>					
5	(705)	(705)	(1,410)	(838)	(838)	(1,676)
6 & 7	(474)	-	(474)	(425)	-	(425)
	<b>1,688</b>	<b>133,754</b>	<b>135,442</b>	<b>3,529</b>	<b>(15,052)</b>	<b>(11,523)</b>
	<b>Net return/(loss) on ordinary activities before interest payable and taxation</b>					
8	(343)	(1,028)	(1,371)	(316)	(949)	(1,265)
	<b>1,345</b>	<b>132,726</b>	<b>134,071</b>	<b>3,213</b>	<b>(16,001)</b>	<b>(12,788)</b>
	<b>Net return/(loss) on ordinary activities before taxation</b>					
9	(600)	453	(147)	(666)	554	(112)
	<b>745</b>	<b>133,179</b>	<b>133,924</b>	<b>2,547</b>	<b>(15,447)</b>	<b>(12,900)</b>
	<b>Net return/(loss) on ordinary activities after taxation</b>					
	<b>Proposed dividend</b>					
	(514)	-	(514)	(514)	-	(514)
	-	-	-	(1,542)	-	(1,542)
	<b>(514)</b>	<b>-</b>	<b>(514)</b>	<b>(2,056)</b>	<b>-</b>	<b>(2,056)</b>
	<b>231</b>	<b>133,179</b>	<b>133,410</b>	<b>491</b>	<b>(15,447)</b>	<b>(14,956)</b>
	<b>Transfer to/(from) reserves</b>					
10	<b>0.362p</b>	<b>64.795p</b>	<b>65.157p</b>	<b>1.239p</b>	<b>(7.515p)</b>	<b>(6.276p)</b>
	<b>Return/(loss) per ordinary share</b>					

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

# Balance Sheet

at 31 December 1999

Notes	1999 £'000	1998 £'000
<b>11,12 Fixed asset investments</b>		
& 13 Listed at market value – abroad	<b>277,870</b>	125,558
Unlisted – directors' valuation	<b>2,393</b>	3,517
	<b>280,263</b>	129,075
 <b>Current assets</b>		
14 Debtors	<b>281</b>	2,039
Bank balances and short term deposits	<b>3,708</b>	15,018
	<b>3,989</b>	17,057
15 <b>Creditors:</b> amounts falling due within one year	<b>(7,002)</b>	(2,866)
<b>Net current (liabilities)/assets</b>	<b>(3,013)</b>	14,191
<b>Total assets less current liabilities</b>	<b>277,250</b>	143,266
15 <b>Creditors:</b> amounts falling due after more than one year	<b>(18,614)</b>	(18,031)
17 <b>Provisions for liabilities and charges</b>	<b>-</b>	(9)
<b>Total net assets</b>	<b>258,636</b>	125,226
 <b>Capital and reserves</b>		
18 Called up share capital	<b>10,277</b>	10,277
19 Share premium account	<b>-</b>	100,573
20 Other capital reserves	<b>244,331</b>	10,579
20 Revenue reserve	<b>4,028</b>	3,797
21 <b>Equity shareholders' funds</b>	<b>258,636</b>	125,226
22 <b>Net asset value per ordinary share</b>	<b>125.8p</b>	60.9p

I L Dale

Directors

M J Watt

The accounts were approved by the directors on 22 February 2000.



# 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 fixed asset investments, and in accordance with applicable accounting standards and with the Statement of Recommended Practice – "Financial Statements of Investment Trust Companies". All of the company's operations are of a continuing nature.

### b) 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.

### c) 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 other capital reserves.

### d) 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. In the case of forward exchange contracts entered into to hedge fluctuating exchange rates on foreign currency assets or liabilities, the difference between the value at the contracted forward rate and the forward rate ruling at the balance sheet date is included as a debtor or provided for as a creditor and included within other capital reserves.

### e) 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.

### f) 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 (insofar as they relate to the maintenance or enhancement of the value of investments) to other capital reserves.

### g) 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. 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.

### h) Financial instruments

Derivative instruments utilised by the company include foreign currency hedges. A derivative instrument is considered to be used for hedging purposes when it alters the market risk profile of an existing underlying exposure of the company. The company has taken advantage of the exemption allowed under FRS13 and excluded short-term debtors and creditors from disclosures under financial instruments where allowed.

# Notes to the Accounts

continued

<b>2</b>	<b>Total capital gains/(losses) from investments</b>	<b>1999</b> <b>£'000</b>	<b>1998</b> <b>£'000</b>
	Realised gains/(losses) based on historical cost or fair values	<b>14,332</b>	(32,883)
	Amounts recognised as unrealised in the previous year	<b>5,371</b>	17,712
	Realised gains/(losses) based on carrying values at previous balance sheet date	<b>19,703</b>	(15,171)
	Net movement in unrealised appreciation	<b>115,343</b>	1,884
	Net loss on foreign exchange	<b>(587)</b>	(927)
	<b>Total capital gains/(losses) from investments</b>	<b>134,459</b>	(14,214)
<b>3</b>	<b>Income from fixed asset investments</b>	<b>1999</b> <b>£'000</b>	<b>1998</b> <b>£'000</b>
	Franked:		
	Dividends from listed overseas equities	–	3
	Unfranked:		
	Interest from listed overseas bonds	<b>158</b>	2,201
	Dividends from listed overseas equities	<b>1,922</b>	1,439
	Special dividends from listed overseas equities	<b>169</b>	–
		<b>2,249</b>	3,640
	<b>Total income from fixed asset investments</b>	<b>2,249</b>	3,643
<b>4</b>	<b>Other interest receivable and similar income</b>	<b>1999</b> <b>£'000</b>	<b>1998</b> <b>£'000</b>
	Bank interest	<b>618</b>	1,149

<b>5</b>	<b>Management fee</b>	<b>Year ended 31 December 1999</b>			<b>Year ended 31 December 1998</b>		
		<b>Revenue</b> <b>£'000</b>	<b>Capital</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>	<b>Revenue</b> <b>£'000</b>	<b>Capital</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
	Investment management fee	<b>232</b>	<b>696</b>	<b>928</b>	279	838	1,117
	Accounting, secretarial and administration costs	<b>463</b>	–	<b>463</b>	559	–	559
	Irrecoverable VAT thereon	<b>10</b>	<b>9</b>	<b>19</b>	–	–	–
		<b>705</b>	<b>705</b>	<b>1,410</b>	<b>838</b>	<b>838</b>	<b>1,676</b>

A summary of the terms of the management agreement is given in the Report of the Directors on pages 22 and 23.

# Notes to the Accounts

continued

6 Other administrative expenses (charged wholly to revenue)	1999 £'000	1998 £'000
Directors' fees (note 7)	59	56
Auditors' remuneration:		
for audit services		
– current year	14	14
for non-audit services	10	19
for the liquidation of TAEMIT	–	4
Other expenses payable to the management company*	30	5
AITC "its" campaign	50	–
Other expenses	307	327
Irrecoverable VAT	4	–
	<b>474</b>	<b>425</b>

\*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 £111,000 (1998: £145,000). This amount, together with the amounts paid directly by the company to the other non-executive directors, is included in the analysis stated below:

	1999 £'000	1998 £'000
Fees (paid by the company)	59	56
Salaries and other benefits (paid by Henderson)	64	53
Performance related bonus (paid by Henderson)	47	92
<b>Total emoluments paid to directors</b>	<b>170</b>	<b>201</b>
Pension contributions	<b>8</b>	<b>5</b>

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

The performance related bonus in 1998 included £58,000 in respect of a compulsory purchase of restricted shares in Henderson plc as a result of the takeover by AMP Limited.

The highest paid directors' emoluments totalled £111,000 (1998: £145,000) and his accrued pension amounted to £29,000 per annum as at 31 December 1999 (1998: £26,000). This figure represents the pension that would be payable from normal pensionable age had the director left pensionable service as at 31 December 1999. It excludes allowance for any increase between leaving service and retirement and any amounts attributable to voluntary contributions.

# Notes to the Accounts

continued

<b>8 Interest payable</b>	<b>1999 £'000</b>	<b>1998 £'000</b>
On loans within one year	<b>40</b>	8
On loans between two and five years	<b>1,331</b>	1,257
Amount allocated to capital	<b>(1,028)</b>	(949)
<b>Total allocated to revenue</b>	<b>343</b>	316

75% of interest payable has been charged to capital.

<b>9 Taxation on net revenue on ordinary activities</b>	<b>1999 £'000</b>	<b>1998 £'000</b>
Corporation tax at 30.25% (1998: 31%)	-	159
Less relief for withholding tax	-	(20)
	-	139
Overseas withholding tax	<b>155</b>	85
Under/(over) provision in prior years	<b>1</b>	(4)
Advance corporation tax	-	(117)
	<b>156</b>	103
Deferred tax (see note 17)	<b>(9)</b>	9
Tax attributable to expenses and interest payable charged to capital	<b>453</b>	554
	<b>600</b>	666

## **10 Return/(loss) per ordinary share**

Revenue returns per share are based on earnings attributable to the ordinary shares of £745,000 (1998: £2,547,000) and on the weighted average number of ordinary shares in issue during the year to 31 December 1999, being 205,540,359 (1998: 205,540,359).

Capital returns per share are based on net capital gains attributable to the ordinary shares of £133,179,000 (1998: losses £15,447,000) and on the weighted average number of shares in issue during the year, as shown above.

# Notes to the Accounts

continued

11	<b>Fixed asset investments</b>	<b>Total £'000</b>
Changes in investments are as follows:		
	Valuation at 1 January 1999	129,075
	Unrealised depreciation	2,634
	Cost at 1 January 1999	131,709
	Additions at cost	111,444
	Disposals at cost	(80,970)
	Cost at 31 December 1999	162,183
	Unrealised appreciation	118,080
	<b>Valuation at 31 December 1999</b>	<b>280,263</b>

## 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 undertaking

The company has an investment in the issued ordinary share capital of its wholly owned subsidiary Interinvestment Finance Company Limited. Interinvestment Finance Company Limited, which is registered in England and Wales was dormant throughout the year. The aggregate capital and reserves of the company as at 31 December 1999 was £100. This subsidiary has not been consolidated on the grounds that it is insignificant to the results of the company.

14	<b>Debtors</b>	<b>1999 £'000</b>	<b>1998 £'000</b>
	Securities sold for future settlement	-	736
	Advance corporation tax	-	100
	Taxation recoverable	165	707
	Accrued dividend and interest income	43	403
	Other debtors	62	83
	Prepayments	11	10
		<b>281</b>	<b>2,039</b>

# Notes to the Accounts

continued

	1999 £'000	1998 £'000
<b>15 Creditors: amounts falling due within one year</b>		
Currency loan	4,653	–
Securities purchased for future settlement	1,241	142
Proposed dividend	514	2,056
Unrealised loss on forward exchange contract (Note 16)	–	137
Other creditors	14	14
Accruals	580	517
	<b>7,002</b>	<b>2,866</b>
<b>Creditors: amounts falling due after more than one year</b>		
Currency loan	<b>18,614</b>	<b>18,031</b>

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

## 16 Financial instruments

### (i) Management of risk

The company's financial instruments may comprise:

- Equity and non-equity shares and fixed interest securities that are held in accordance with the company's investment objective as set out on the inside front cover of the report and accounts;
- Term loans and bank overdrafts, the main purpose of which is to raise the finance for the company's operations;
- Cash, liquid resources and short term debtors and creditors that arise directly from the company's operations; and
- Derivative transactions which the company enters into comprising forward exchange contracts, the purpose of which is manage currency risk arising from the company's investment activities.

It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are market price risk, interest rate risk, liquidity risk and foreign currency risk. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained constant throughout the year under review.

#### Market price risk

Market risk arises mainly from uncertainty about the future prices of financial instruments used in the company's operations. It represents the potential loss the company might suffer through holding investments in the face of price movements and movements in exchange rates. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and stock selection are other factors which act to reduce market risk. The investment manager actively monitors market prices throughout the year and reports to the Board, which meets regularly to consider investment strategy.

#### Interest rate risk

The company finances its operations through its equity capital and reserves and its long and short term loans as well as bank overdrafts and any retained revenues arising from its activities. The company borrows in the desired currencies at both fixed and floating rates of interest and the Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

#### Liquidity risk

The company's assets comprise mainly readily realisable securities which can be sold to meet funding requirements if necessary. The maturity profile of the company's existing borrowings are set out in paragraph (iii) on page 35. Short term flexibility is achieved through the use of term borrowings and overdraft facilities.

# Notes to the Accounts

continued

## 16 Financial instruments (continued)

### Foreign currency risk

The company's total return and net assets can be significantly affected by currency translation movements as most of the company's assets and revenue are denominated in currencies other than sterling. The fund manager mitigates the individual currency risks through the international spread of investments. Borrowings in foreign currencies will be limited to levels appropriate to the asset exposure to these currencies, or to a currency which is closely aligned to the underlying asset exposure.

### (ii) Interest rate risk profile of financial assets and financial liabilities

#### Financial assets

The majority of the company's financial assets are equity shares which neither pay interest nor have a stated maturity date.

#### Financial liabilities

The interest rate profile of the company's financial liabilities at 31 December 1999 was:

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Total £'000
US dollar	4,653	18,614	23,267

The interest rate of the US dollar fixed rate liability is 7.0% which is fixed for 2 years.

### (iii) Maturity profile of the company's financial liabilities

The maturity profile of the company's financial liabilities at 31 December 1999 was as follows:

	£'000
In one year or less, or on demand	4,653
In more than two years but not more than five years	18,614
<b>Total</b>	<b>23,267</b>

The company had uncommitted loan facilities of £30,000,000 and uncommitted undrawn overdraft facilities of £5,000,000 as at 31 December 1999. The facilities are subject to regular review by the providers.

### (iv) Currency exposure

A portion of the financial assets and financial liabilities of the company are denominated in currencies other than sterling with the effect that the net assets and total return can be significantly affected by currency movements.

Currency	Investments denominated in overseas currencies £'000	Net monetary (liabilities)/ assets £'000
US dollar	-	(21,230)
Hong Kong dollar	64,895	16
Korean won	77,589	-
Singapore dollar	42,537	9
Thai baht	19,316	-
New Taiwan dollar	54,922	11
Other currencies	21,004	-
<b>Total</b>	<b>280,263</b>	<b>(21,194)</b>

# Notes to the Accounts

continued

## 16 Financial instruments (continued)

### (v) Fair values of financial assets and financial liabilities

All of the financial assets of the company are held at fair value.

Set out below is a comparison of the book values and fair values of the company's fixed rate financial liabilities at 31 December 1999:

Currency	Book value £'000	Fair value £'000
US dollar	<b>18,614</b>	<b>19,518</b>

The fair value has been calculated by discounting expected future cash payments at prevailing interest rates.

## 17 Provision for liabilities and charges

£'000

Deferred taxation on short term timing differences at 1 January 1999	9
Transfer to revenue account at 31 December 1999	(9)

### At 31 December 1999

-

## 18 Called up share capital

1999  
£'000

1998  
£'000

Authorised: 350,000,000 ordinary shares of 5p each	<b>17,500</b>	17,500
Allotted, issued and fully paid: 205,540,359 (1998: 205,540,359) ordinary shares of 5p each	<b>10,277</b>	10,277

## 19 Share premium account

£'000

At 1 January 1999	<b>100,573</b>
Transfer to special reserve as a result of the cancellation of the share premium account (see note 20)	<b>(100,573)</b>

### At 31 December 1999

-

# Notes to the Accounts

continued

## 20 Reserves

	Capital redemption reserve £'000	Other capital reserves			Total £'000	Revenue reserve £'000
		Special reserve £'000	Unrealised reserve £'000	Realised reserve £'000		
At 1 January 1999	5,629	–	(2,027)	6,977	10,579	3,797
Transfer from share premium (see note 19)	–	100,573	–	–	100,573	–
Transfer on disposal of assets	–	–	5,371	(5,371)	–	–
Net movement on fixed asset investments	–	–	115,343	19,703	135,046	–
Net movement on foreign exchange	–	–	(650)	712	62	–
Net movement on forward exchange contracts	–	–	137	(786)	(649)	–
Expenses and interest payable charged to capital	–	–	–	(1,733)	(1,733)	–
Tax relief on expenses and interest payable charged to capital	–	–	–	453	453	–
Retained revenue	–	–	–	–	–	231
<b>At 31 December 1999</b>	<b>5,629</b>	<b>100,573</b>	<b>118,174</b>	<b>19,955</b>	<b>244,331</b>	<b>4,028</b>

Unrealised appreciation at 31 December 1999 includes unrealised depreciation of £4,066,000 (1998: depreciation of £3,058,000) relating to unlisted investments.

21 Reconciliation of movement in shareholders' funds	1999 £'000	1998 £'000
Net revenue on ordinary activities after taxation	745	2,547
Dividends paid	(514)	(2,056)
	<b>231</b>	491
Increase/(decrease) in other capital reserves	<b>133,179</b>	(15,447)
Net addition/(reduction) to shareholders' funds	<b>133,410</b>	(14,956)
Shareholders' funds at 1 January	<b>125,226</b>	140,182
<b>Shareholders' funds at 31 December</b>	<b>258,636</b>	125,226

## 22 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets attributable to ordinary shares of £258,636,000 (1998: £125,226,000) and on the 205,540,359 (1998: 205,540,359) ordinary shares in issue at 31 December 1999.

The movements during the year of the company's assets attributable to the ordinary shares were as follows:

	£'000
Total net assets at 1 January 1999	125,226
Total net return on ordinary activities after taxation	133,924
Dividends	(514)
<b>Total net assets at 31 December 1999</b>	<b>258,636</b>

# Notes to the Accounts

continued

23 Reconciliation of operating revenue to net cash inflow	1999 £'000	1998 £'000
Net revenue before interest payable and taxation	1,688	3,529
Decrease in accrued income	360	205
Decrease in other debtors	20	44
Increase/(decrease) in creditors	34	(76)
Management charge taken to other capital reserves	(705)	(838)
UK income tax deducted at source	(164)	(715)
Overseas withholding tax	(155)	(85)
<b>Net cash inflow from operating activities</b>	<b>1,078</b>	<b>2,064</b>

24 Analysis of changes in net debt	31 December 1998 £'000	Cash flow £'000	Exchange movements £'000	31 December 1999 £'000
Net cash:				
Cash at bank and short term deposits	15,018	(11,850)	540	3,708
Less deposits treated as liquid resources	(5,455)	5,816	(361)	-
	9,563	(6,034)	179	3,708
Liquid resources:				
Deposits included in cash	5,455	(5,816)	361	-
Debt:				
Debt falling due within one year	-	(4,621)	(32)	(4,653)
Debt falling due between two and five years	(18,031)	-	(583)	(18,614)
	(18,031)	(4,621)	(615)	(23,267)
<b>Net debt</b>	<b>(3,013)</b>	<b>(16,471)</b>	<b>(75)</b>	<b>(19,559)</b>

## 25 Capital commitments

At 31 December 1999 the company had no capital commitments in respect of nil paid shares (1998: £91,000).

## 26 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 pages 22 and 23. The total of the fees paid or payable to Henderson under these agreements in respect of the year ended 31 December 1999 was £1,391,000 (excluding VAT) (1998: £1,676,000), of which £nil was outstanding at 31 December 1999 (1998: £nil). 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 1999 amounted to £30,000 (1998: £5,000), of which £13,000 (1998: £1,000) was outstanding at 31 December 1999.

# Corporate Governance

## **Background**

The London Stock Exchange requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code ("the Code").

## **Application of the Code's Principles**

The Board attaches great importance to the matters set out in the Code and observes its principles. It should be noted that, as an investment trust, most of the company's day to day responsibilities are delegated to third parties and the directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the company.

## **The Board and Committees**

The Board currently consists of five non-executive directors, the majority of whom are independent of the company's Manager. Their biographies, on page 3, demonstrate a breadth of investment, industrial, commercial and professional experience, with an international perspective.

The Board meets a minimum of ten times a year and deals with the important aspects of the company's affairs, including the setting and monitoring of investment strategy and the review of investment performance. The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all directors receive in a timely manner all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting enabling directors to probe further on matters of concern or seek clarification on certain issues. 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.

The Chairman is a non-executive director. A senior non-executive director has not been identified as the Board considers that all the directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

When a new director is appointed he or she receives an induction seminar which is held by the Manager. Changes

affecting directors' responsibilities are advised to the Board as they arise.

The Board has established an Audit Committee and a Management Engagement and Nominations Committee. In accordance with the AITC guidelines the Management Engagement and Nominations Committee, which consists of all the independent non-executive directors, has defined terms of reference. Duties have been established to review and discuss the terms of the management contract with the Manager and to recommend any potential new directors to the Board. An annual review of the management contract is carried out. There is also an Audit Committee consisting of all the independent non-executive directors with defined terms of reference and duties. This committee is responsible for the review of the annual accounts and interim report, terms of appointment of the auditors together with their remuneration as well as non-audit services provided by the auditors. It also meets with representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the company.

All non-executive directors are appointed for an initial term of three years, subject to re-election and Companies Act provisions and in accordance with the existing Articles of Association stand for election at the first AGM following their appointment.

In accordance with the Articles of Association, which were amended last year, directors are required to retire every three years. The names of the directors retiring by rotation at this year's AGM are given on page 22.

## **Directors' Remuneration**

The Board as a whole considers directors' remuneration and therefore has not appointed a separate remuneration committee. Since all directors are non-executive, the company is not required to comply with the principles of the Code in respect of executive directors' remuneration. Directors' fees are detailed in note 7 to the Accounts.

## **Internal Controls**

The Board has previously reported on internal financial controls in line with the issued guidelines. New guidelines were issued in September 1999 for the review of internal controls ("the Turnbull guidance"). As permitted by the

# Corporate Governance

continued

London Stock Exchange the company has adopted the transitional approach for reporting on the internal control aspects of the Code.

Whilst the Board has undertaken a full review of all the aspects covered by the Turnbull guidance and believes that there is a robust and dynamic framework substantially in place to meet the requirements of the Code, it is currently finalising all the measures necessary to implement the Turnbull guidance in full. It is the Board's intention to be compliant with the Code in June 2000.

Until full compliance with the Turnbull guidance is achieved the London Stock Exchange has permitted the directors to report on internal financial controls in accordance with the existing guidance for directors on internal control and financial reporting that was issued in December 1994.

The directors are responsible for the internal financial control systems of the company 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 company are safeguarded. The 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 Manager, the management of the investment portfolio, the custodial services (which include 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 company. The Board receives and considers reports regularly from the Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman attends a biannual meeting of all the Chairmen of the investment trusts managed by the Manager, which is a forum to discuss industry matters, and he reports back to the Board. The 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 Manager's compliance and risk management services department and compliance and business risk department on an ongoing basis.

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 year.

The directors' statement of responsibilities in respect of the accounts is on page 25 and a statement of going concern on page 24.

The report of the auditors can be found on page 41.

## **Relations with Shareholders**

The Board is keen that the Annual General Meeting is a participative event which private shareholders are encouraged to attend. The AGM is attended by the Chairman of the Board who is also the Chairman of the Audit and Management Engagement and Nominations committees. Proxy votes are relayed. After the formal meeting the Manager makes a presentation to shareholders. The company has adopted a nominee share code which is set out on page 24.

The Board believes that the company's policy of reporting to shareholders as soon as possible after the company's year end and holding the earliest possible AGM is valuable. Twenty working days' notice of the AGM to shareholders as required under Code Provision C.2.4. has been given this year.

The Notice of Meeting sets out the business of the meeting and the special resolutions are explained more fully in the Directors' Report on pages 22 to 24. Separate resolutions are proposed on each substantive issue.

## **Exercise of Voting Powers**

The company has approved a corporate governance voting policy which accords with current best practice whilst maintaining a primary focus on financial returns.

# Corporate Governance

continued

## Statement of Compliance

The directors consider that during the period the company has complied with all the material provisions set out in the Code. It did not, however, comply with the following provisions as explained above:

- as all directors are non-executive, a remuneration committee has not been established;

- although the Code requires the company to report on internal controls, the company has continued to report only on internal financial controls as permitted by the London Stock Exchange.

## Report of the Auditors

To the members of Henderson TR Pacific Investment Trust plc

We have audited the financial statements on pages 26 to 38.

### Respective responsibilities of directors and auditors

The company's directors are responsible for preparing the Annual Report. As described on page 25 this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 39 to 41 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the

effectiveness of the company's corporate governance procedures or its risk and control procedures.

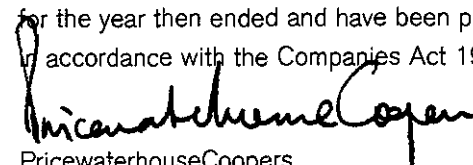
### Basis of audit opinion

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 financial statements 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 financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1999 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

22 February 2000

# 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 helpful 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 48.75p\*

\*Adjusted for the 1985 capitalisation issue.

Henderson TR Pacific Investment Trust plc ordinary shares of 5p 4.875p#

# Apportioned cost and adjusted for the 1994 capitalisation issue.

† Source: Dun & Bradstreet

The adjusted base costs for capital gains purposes for shareholders who acquired their holding as a result of Henderson 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.

The Finance Act 1998 included provisions, which make considerable changes to the way that chargeable gains are calculated for non-corporate shareholders in respect of disposals made on or after 6 April 1998. From that date pooling no longer applies and disposals are matched against shares previously acquired in the following order:

- same date acquisitions;
- acquisitions within the following 30 days;
- previous acquisitions on or after 6 April 1998 (using the 'last in first out' basis);
- any shares held in the pool as at 5 April 1998;
- any shares held in the pool as at 5 April 1982;
- any shares acquired before 6 April 1965; and
- any shares acquired subsequent to the disposal.

For disposals on or after 6 April 1998 indexation is still allowed but only up to April 1998. The Finance Act changes apply a taper relief to the amount of the chargeable gain on these disposals. The taper is 5% for each complete year of ownership after the first two complete years, with a maximum reduction of 40% after ten complete years.

In calculating the tapering relief, assets held before 17 March 1998 qualify for an extra year.

The way that chargeable gains are calculated for companies is currently under review by the Inland Revenue and for the time being pooling remains.

The special rules that previously applied to shareholders disposing of shares who had purchased their shares through the Henderson Investment Trust Share Plan on a monthly basis, were withdrawn by the Inland Revenue for savings commenced on or after 6 April 1998.

When savings commenced before 6 April 1998, the simplified basis will still apply for acquisitions during the investment trust's accounting period ended before 6 April 1999, which in the case of the company is 31 December 1998.

**The calculation of the tax on chargeable gains will depend on personal circumstances. The above information is of a general nature and is not exhaustive. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.**

# Investor Information

## Directors

Iain Dale, OBE (Chairman)  
Peter Berry, CMG  
Wallace Clapperton, CA  
Sir Kerry St. Johnston  
Michael Watt, AII MR

## Adviser

Dr Frank Chao

## Investment Manager

Henderson Investors Limited  
an **AMP** company (regulated by IMRO and the  
Personal Investment Authority) represented by  
Michael Watt, AII MR

## Secretary

Henderson Secretarial Services Limited  
represented by Wendy King, FCIS

## Registered Office

3 Finsbury Avenue  
London EC2M 2PA  
Telephone: 020 7410 4100  
Facsimile: 020 7377 5742

## Registered Number

Registered as an investment company  
in England No. 2153093

## Registered Auditors

PricewaterhouseCoopers  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

## 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

## UK Registrars

Lloyds TSB Registrars Scotland  
117 Dundas Street  
Edinburgh EH3 5ED  
Telephone: 0870 601 5366

## New Zealand Registrars

Computershare Services PLC  
Level 3  
277 Broadway  
Newmarket  
Auckland  
New Zealand  
Telephone: (New Zealand) 09 522 0022

## UK Stockbrokers

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

## Share Price Information

The market price of the company's ordinary shares is quoted daily at **www.henderson.com** and in the Financial Times, The Times, The Daily Telegraph, The Independent, The Daily Mail, The Evening Standard, and the New Zealand Herald. The Financial Times also provides on a daily basis an estimate of the net asset value and of the discount/premium.

## Investing in Henderson TR Pacific

Ordinary shares of Henderson TR Pacific may be bought or sold directly through a stockbroker, accountant, other independent financial adviser or through a number of banks or building societies which provide this service. Alternatively, shares may be bought through the Henderson Investors Investment Trust Share Plan and the Henderson Investors Selection ISA.



The company is a member of The Association of Investment Trust Companies.

# Notice of Meeting

Notice is hereby given that the thirteenth Annual General Meeting of Henderson TR Pacific Investment Trust plc will be held at 3 Finsbury Avenue, London EC2M 2PA on Monday 10 April 2000 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 1999 be received.
- 2 That a final dividend of 0.25p be declared.
- 3 That Mr I L Dale be re-elected as a director of the company.
- 4 That Mr A W F Clapperton be re-elected as a director of the company.
- 5 That Sir Kerry St. Johnston be re-elected as a director of the company.
- 6 To re-appoint PricewaterhouseCoopers as registered auditors to the company and to authorise the directors to determine their remuneration.

## Special Business

- 7 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 £3,425,672 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.

## To consider, and if thought fit, pass the following as special resolutions:


- 8 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 £513,850; 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.

- 9 THAT the company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of ordinary shares of 5p each in the capital of the company ("shares") provided that:

- (a) the maximum number of shares which may be purchased is 30,625,513 shares representing 14.9% of the company's issued ordinary share capital;
- (b) the maximum price (exclusive of expenses) which may be paid for a share shall not exceed 105% of the average of the middle market quotations for the shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase;
- (c) the minimum price (exclusive of expenses) which may be paid for a share shall be 5p, being the nominal value per share; and
- (d) this authority shall expire at the conclusion of the next Annual General Meeting of the company save that the company may, before such expiry, enter into a contract to purchase shares under which such purchases will or may be completed or executed wholly or partly after the expiration of this authority and may make a purchase of shares in pursuance of any such contract.

By order of the Board

  
Wendy King, FOIS  
Secretary

For and on behalf of  
Henderson Secretarial Services Limited  
22 February 2000

Registered Office: 3 Finsbury Avenue, London, EC2M 2PA

# Notice of Meeting

continued

## Notes:

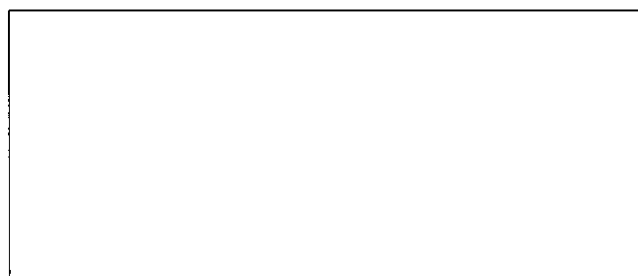
- i) An ordinary shareholder entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.
- ii) To be valid the enclosed form of proxy must be completed and deposited at the office of the company's registrar not less than 48 hours before the time appointed for holding the meeting.
- iii) The return of the form of proxy duly completed will not preclude a member from attending and voting at the meeting.
- iv) In accordance with the requirements of the Companies Act 1985, the Register of Directors' Interests will be available for inspection at the meeting.
- v) 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 8 April 2000 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 8 April 2000 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

## Charitable Projects

The company now supports two charitable projects in Asia.

For the past nine years we have provided financial assistance for the operations of the Foundation for Rural Child Development, in Khon Kaen, Thailand. Our contributions support the operations of the Foundation's kindergarten at the village of Non Than which caters for 100 children each day with a teaching staff of five. The kindergarten provides pre-school education and a daily meal for children aged between three and six. A payment of £6,250 was made to the Foundation in 1999 following a review by the Board, which concluded that we should continue our support, but at a lower level than previously.

Over 1999 the Board has been assessing further charitable projects with a view to giving support to a new project in a different country. We have decided that assistance should be given to a project in the Philippines called Sabakan. Based at Yllana Bay in Southern



Mindanao, one of the poorest areas of the Philippines, Sabakan is a church-based organisation working with abused women and children, and is the only such facility in Mindanao. A first payment of £2,000 has been approved for an extension of the facilities, but it is planned that further funds will be provided in the current year for community training and the costs of a volunteer teacher from Voluntary Service Overseas (VSO).

## Henderson Investors Selection ISA

You can invest directly in **Henderson TR Pacific Investment Trust plc** through the Henderson Investors Selection ISA. The ISA offers the following:

- **Tax free income and tax free growth**
- **Fixed annual management charge of £30 (+VAT)**
- **Regular savings from £100 per month or lump sum investments from £2,000**
- **Quarterly income withdrawal facility**
- **Half yearly valuations, reports and complimentary newsletters**
- **Both Mini and Maxi ISAs available for investment by lump sum or regular savings**

## Henderson Investors Investment Trust Share Plan

The Henderson Investors Investment Trust Share Plan offers a simple and flexible way of investing in **Henderson TR Pacific Investment Trust plc**. The Share Plan offers the following:

- **Regular savings from £50 per month/quarter, or lump sum investments from £500 and additional 'top-up' from £100**
- **A Share Exchange Service whereby you can sell existing UK company shares, unit trusts or gilts and reinvest the proceeds in the company at a cost of £15 per holding (or class of share)**
- **An income reinvestment facility. Alternatively, you can have dividends paid to your bank or building society account**
- **All paperwork and documentation is simplified and reduced to a minimum**
- **Half yearly valuations with consolidated tax certificate and complimentary newsletters**

## Further Information

Please consult our website **www.henderson.com** or write to Henderson Investors, FREEPOST, Newbury RG14 2ZZ. No stamp is required.

*Alternatively, please contact your professional adviser for further information or call our Investor Services Department on freephone **0800 106 106** quoting the reference **REPORT**. Please call 020 7452 1315 if you are telephoning from abroad.*

Please remember that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Tax assumptions may change if the law changes and the value of tax relief will depend upon individual circumstances.

Henderson Investors is the name under which Henderson Investors Limited and Henderson Investment Funds Limited (both regulated by IMRO and the Personal Investment Authority) and Henderson Administration Limited (regulated by IMRO), provide investment products and services.

3 Finsbury Avenue, London EC2M 2PA.

Henderson TR Pacific Investment Trust plc is managed by



[www.henderson.com](http://www.henderson.com)