

MANAGEMENT REPORT FOR 2000

I. CURRENT INVESTMENTS

The Company's principal activity of investing in Thai securities is through a special investment vehicle, the Thai Asset Fund (the "Fund"). The Fund was established in 1989 under the terms of an investment plan authorized by the Bank of Thailand and the Company is the sole unitholder in the Fund. All investments of the Fund are considered as investments held by the Company.

As at December 31, 2000, the ten largest investments held by the Company through its investment in the fund were:—

	Company	Cost US\$	Market value US\$	% of NAV of the Company	% of Investee company owned	% Weighting in SET Index	Dividends received US\$	Dividends cover (times)
1.	Advanced Info Service	492,750	737,282	11.37	0.03	8.15	—	—
2.	Shin Corporations	643,331	630,988	9.73	0.60	3.87	—	—
3.	Siam City Cement	909,791	619,757	9.56	0.09	2.47	—	—
4.	PTT Exploration & Production	960,040	570,082	8.79	0.04	5.47	4,276	2.50
5.	Thai Farmers Bank	759,697	421,239	6.50	0.04	3.85	—	—
6.	Bangkok Bank	869,606	340,944	5.27	0.04	3.14	—	—
7.	BEC World	301,193	299,279	4.61	0.03	3.62	11,658	1.67
8.	Siam Cement	549,352	267,164	4.12	0.03	2.80	—	—
9.	Telecom Asia	411,173	230,338	3.55	0.02	3.36	—	—
10.	National Petrochemical	450,731	214,231	3.30	0.10	0.75	3,142	2.50

Exchange rate as at December 31, 2000 and used in these financial statements: US\$1.00=Baht 42.871

The companies numbered 1, 2, and 9 are in the communication industry; numbered 3 and 8 carry on business in the building sector; the company numbered 7 is in entertainment sector, the companies numbered 5 and 6 are banks; the company numbered 4 is in energy sector and the company numbered 10 is in the chemicals sector.

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An analysis by industry of the equity investments held by the Company, together with a comparison with the composition of the SET, is as follows:—

Industry	No. of Stocks in		Sector Weightings (%)	
	Company	SET	Company	SET Index
1. Agribusiness	0	21	0.00	2.30
2. Banking	4	14	13.91	24.13
3. Building & Furnishing	2	24	13.68	6.80
4. Chemicals & Plastics	1	13	3.30	2.61
5. Commerce	1	12	0.98	3.20
6. Communication	6	10	27.43	18.57
7. Electrical Product & Computer	1	11	0.05	0.82
8. Electronics Components	1	8	2.56	3.26
9. Energy	4	10	13.38	10.42
10. Entertainment	2	7	4.64	4.81
11. Finance & Securities	2	21	2.00	3.47
12. Foods & Beverages	1	22	0.37	1.98
13. Health Care Services	0	11	0.00	0.22
14. Hotel & Travel Services	0	12	0.00	1.79
15. Household Goods	0	7	0.00	0.30
16. Insurance	0	22	0.00	1.46
17. Jewellery & Ornaments	0	2	0.00	0.04
18. Machinery & Equipment	0	4	0.00	0.04
19. Mining	0	1	0.00	0.19
20. Packaging	0	14	0.00	0.39
21. Pharmaceutical Products	0	2	0.00	0.04
22. Printing & Publishing	0	8	0.00	0.51
23. Professional Services	0	2	0.00	0.05
24. Property Development	0	25	0.00	2.54
25. Pulp & Paper	0	5	0.00	2.30
26. Textiles	0	24	0.00	1.31
27. Transportation	2	8	1.46	4.43
28. Vehicles & Parts	0	8	0.00	0.54
29. Warehouse & Silo	0	4	0.00	0.07
30. Others	2	5	1.01	0.38
31. Unit Trusts	0	11	0.00	0.00
32. Warrants	0	31	0.00	0.00
33. Cover Warrant	1	4	1.32	0.00
34. Preferred Shares	1	11	1.39	0.00
35. Co. under Rehabilitation	0	45	0.00	1.03
36. Unlisted Securities	8	0	0.00	0.00
	39	439	87.48	100.00
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II. ACTIVITIES

For the year ended December 31, 2000, total listed investments purchased by the Company amounted to US\$1.72 million, while total sales amounted to US\$2.41 million. The net realised loss for the year amounted to US\$0.58 million.

A summary of purchases and sales by the Company during the year ended December 31, 2000 is as follows:–

Month	(US\$ Millions)		Capital Gains/ (Loss)
	Purchases	Sales	
JANUARY	0.51	0.32	-0.09
FEBRUARY	0.00	0.23	0.09
MARCH	0.50	0.41	-0.07
APRIL	0.00	0.12	0.05
MAY	0.04	0.32	-0.08
JUNE	0.02	0.24	-0.10
JULY	0.00	0.25	-0.26
AUGUST	0.08	0.02	-0.05
SEPTEMBER	0.15	0.08	-0.02
OCTOBER	0.05	0.15	-0.04
NOVEMBER	0.31	0.22	-0.02
DECEMBER	0.06	0.05	0.01
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TOTAL	1.72	2.41	-0.58
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using an exchange rate averaged at the end of each month during 2000: US\$1=Baht 40.326

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III. PERFORMANCE

	DEC 31, 2000	DEC 31, 1999	% CHANGE
NAV / Share (US\$)	1.30	2.58	-49.61%
Baht / US\$ Exchange Rate	42.871	37.482	-12.57%
SET index (Baht)	269.19	481.92	-44.14%
(US\$)	6.28	12.86	-51.17%
Performance to SET index			+1.56%

During the year ended December 31, 2000, the net asset value per share of the Company decreased by 49.61% in US\$ terms. Over the same period the SET index decreased by 51.17% in US\$ terms. The Company outperformed the market by 1.56%.

	DEC 31, 2000	DEC 1, 1989	% CHANGE Since Inception
NAV / Share (US\$)	10.37*	10.00	+3.70%
Baht / US\$ Exchange Rate	42.871	25.765	-39.90%
SET index (Baht)	269.19	769.14	-65.00%
(US\$)	6.28	29.85	-78.96%
Performance to SET index			+82.66%

* After adjusting for dividend of US\$9.07 per share paid to shareholders since inception.

After adjusting for dividend, the net asset value per share of the Company since inception increased by 3.70% in US\$ terms. Over the same period the SET index decreased by 78.96% in US\$ terms. The Company outperformed the market by 82.66%.

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IV. STATEMENT OF CHANGES IN INVESTMENTS

(For the year ended December 31, 2000)

		Number of shares			As at December 31, 2000	
LISTED SECURITIES	Holding at 01/01/00	Purchases	Sales	Holding at 31/12/00	Fair Value US\$	Percentage of Net Assets %
BANKING						
Bangkok Bank	432,200	213,900	72,900	573,200	340,944	5.27
DBS Thai Danu Bank	–	325,000	–	325,000	62,921	0.97
Ind. Finance Corp of Thailand	812,950	–	221,000	591,950	75,942	1.17
Thai Farmers Bank	906,200	202,600	182,700	926,100	421,239	6.50
					901,046	13.91
BUILDING AND FURNISHING						
Siam Cement	60,000	–	18,800	41,200	267,164	4.12
Siam City Cement	225,166	–	–	225,166	619,757	9.56
Tipco Asphalt	122,800	–	122,800	–	–	–
					886,921	13.68
CHEMICALS AND PLASTICS						
Aromatics (Thailand)	259,900	171,600	431,500	–	–	–
National Petrochemical	277,200	39,500	–	316,700	214,231	3.30
					214,231	3.30
COMMERCE						
Big C Supercenter	201,200	–	16,100	185,100	63,685	0.98
COMMUNICATION						
Advanced Info Service	100,000	–	12,200	87,800	737,282	11.37
Jasmine International	26,000	–	13,100	12,900	2,467	0.04
Shinawatra Sattellite	234,025	18,200	11,900	240,325	161,166	2.49
Shin Corporations	250,700	–	78,400	172,300	630,988	9.73
Telecom Asia	422,600	184,600	58,600	548,600	230,338	3.55
United Communication Industry	–	19,800	–	19,800	16,280	0.25
					1,778,521	27.43
ELECTRICAL PRODUCT & COMPUTER						
Singer Thailand	56,900	–	51,000	5,900	2,924	0.05
ELECTRONIC COMPONENTS						
Hana Microelectronics	259,400 ^{*1}	–	178,900	80,500	166,179	2.56
ENERGY						
Banpu	247,700	–	–	247,700	98,223	1.51
Cogeneration	–	124,700	31,629	93,071	28,222	0.44
Electricity Generating	136,400	108,400	–	244,800	171,305	2.64
PTT Exploration & Production	252,200 ^{*1}	35,000	42,800	244,400	570,082	8.79
					867,832	13.38

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		Number of shares			As at December 31, 2000	
LISTED SECURITIES	Holding at 01/01/00	Purchases	Sales	Holding at 31/12/00	Fair Value US\$	Percentage of Net Assets %
ENTERTAINMENT						
BEC World	71,400	—	12,000	59,400	299,279	4.61
United Broadcasting Corporation	—	7,500	—	7,500	1,714	0.03
					<u>300,993</u>	<u>4.64</u>
FINANCE & SECURITIES						
Kiatnakin Finance	216,400	71,000	—	287,400	107,261	1.65
National Finance	—	182,200	—	182,200	22,525	0.35
Seamico Securities	64,000	—	64,000	—	—	—
					<u>129,786</u>	<u>2.00</u>
FOODS & BEVERAGES						
Thai Union Frozen Products	—	20,600	—	20,600	24,026	0.37
TRANSPORTATION						
Bangkok Expressway	644,700	—	—	644,700	90,229	1.39
Thai Airways International	—	7,800	1,300	6,500	4,852	0.07
					<u>95,081</u>	<u>1.46</u>
OTHERS						
Eastern Water Resources Devel. & Mgt	48,100	—	—	48,100	33,098	0.51
General Environment Conservation	—	100,000	—	100,000	32,656	0.50
					<u>65,754</u>	<u>1.01</u>
PREFERRED SHARES						
Siam Commercial Bank - P	180,200	—	—	180,200	90,371	1.39
Siam Commercial Bank - QF	—	163,300	163,300	—	—	—
					<u>90,371</u>	<u>1.39</u>
WARRANTS AND DEBENTURES						
Banpu - WN2	—	172,000 ^{*2}	172,000	—	—	—
Seamico Securities - W2	15,325	—	15,325	—	—	—
					<u>—</u>	<u>—</u>
COVER WARRANTS						
Siam Commercial Bank - C1	300,000	1,738,200	677,200	1,361,000	85,715	1.32
TOTAL LISTED SECURITIES					5,673,065	87.48

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UNLISTED SECURITIES	Holding at 01/01/00	Purchases	Sales	Holding at 31/12/00	Fair Value US\$	Percentage of Net Assets %
ELECTRICAL EQUIPMENT						
SPEC Thai	105,000	—	—	105,000	1	—
HEALTH CARE SERVICES						
Piyavate Hospital	330,000	—	—	330,000	1	—
HOTELS						
Paitoon Hotel & Resort	110,000	—	—	110,000	1	—
United Resort Service	10,000	—	—	10,000	1	—
					2	—
INSURANCE						
Rattanakosin Insurance	50,850	—	—	50,850	1	—
PROPERTY DEVELOPMENT						
Alpine Real Estate	2,055,000	—	—	2,055,000	1	—
WARRANTS						
KFW - TA	—	191,747 ^{*3}	—	191,747	—	—
Kiatnakin - W4-N	—	143,700 ^{*4}	—	143,700	—	—
Banpu - WN	172,000	—	172,000 ^{*2}	—	—	—
					—	—
TOTAL UNLISTED SECURITIES					6	—
TOTAL LISTED AND UNLISTED SECURITIES					5,673,071	87.48
Net current assets					812,256	12.52
TOTAL NET ASSETS					6,485,327	100.00

*1 Hana Microelectronics and PTT Exploration & Production were split from 10 baht to 5 baht per share effective from September 20, 2000.

*2 Banpu - WN was transferred out from its account to Banpu - WN2 when Banpu - WN listed on the SET.

*3 KFW - TA warrants were derived from the right issues of Telecom Asia in April 2000 at no cost.

*4 Kiatnakin - W4-N warrants were derived from the right issues of Kiatnakin in November 2000 at no cost.

V. THE THAI ECONOMY IN 2000 AND OUTLOOK FOR 2001

The latest data released by the Bank of Thailand indicate an on-going slowdown in the Thai economy in the latter part of 2000. The growth rate dropped to 2.6% in the third quarter of 2000 after a satisfactory 6.3% year on year growth in the second quarter. For the year, the Bank of Thailand expects the Thai economy to expand by 4.0-4.5%. This leads to concerns over a continuation of the Thai economic recovery in 2001.

Thailand's manufactured output continued to grow, albeit at a much slower pace, driven by strong external demand particularly in the US. The Manufacturing Production Index (excluding liquor) rose by 9.4% year on year in December 2000 while capacity utilization remained low at 55.1%. For the year, the Manufacturing Production index rose by 3.0% (including liquor) and by 10.7% (excluding liquor) as export-oriented industries grew by 20.8% whereas industries producing for domestic market contracted by 7.1%.

Domestic demand showed signs of declining trends in 2000. Private consumption continued to recover but was losing its momentum. The inflation rate for 2000 was 1.6%, dampened by a 1.1% decline in food prices and recent easing in oil prices. However, consumer confidence declined in the latter half of 2000 amid concerns about the fragile economic recovery. Private consumption and investment were subdued, only capital imports still expanded as most of the new machinery was used to increase production of exports and related products. Construction investment remained sluggish because of the moribund state of the real estate market.

Exports in 2000 amounted to US\$67.942 billion, an increase of 19.6% year-on-year while imports increased by 31.3% year-on-year to US\$62.423 billion, leading to a trade surplus of US\$5.519 billion, and a current account surplus of US\$9.27 billion in 2000. The balance of payments was in a deficit of US\$1.959 billion in 2000 as the private sector repaid their foreign debts, following a surplus of US\$4.6 billion in 1999. International reserves stood at US\$32.7 billion with a net forward position of US\$2.1 billion on December 29, 2000.

Thailand's external debt position has markedly improved as the private sector continues to repay its foreign currency debts. At the end of September 2000 (the latest data available) external debt totalled US\$84 billion, having dropped from US\$95.6 billion at the end of 1999. The trend in terms of maturity also looks encouraging. Short-term external debt as a percentage of the total had fallen to 18% by October 2000 compared with 21% at the end of 1999 and 35% at the onset of the crisis in 1997.

Excess liquidity in the money market remained high while short-term interest rates continued to be low. Commercial banks' outstanding credit, including Bangkok International Banking Facilities ("BIBFs") amounted to Baht 4.714 trillion, a 10.2% reduction from a year earlier in December 2000 and a 9.1% reduction excluding BIBFs as debtors repaid their foreign loans, intensified by a weak Baht. Commercial bank deposits rose by 5.3% year-on-year over the same period, in line with a sluggish Thai stock market. Non performing loans ("NPLs") to total loans declined sharply from 31.24% in August 2000 to 22.7% in November 2000. However, NPLs remain a concern for the health of the Thai financial system, but resumption of credit extensions by Thai financial institutions in 2001 could help the sustainability of the Thai economic recovery.

The Thai economic recovery has been narrow-based and is likely to stay this way in the near-term. Exports, Thailand's only engine of growth in 2000, are expected to slow down in 2001 in the wake of the US economic slowdown. The biggest risks are how deep and how long the US economy will be in the doldrums. The policies of the new government to stimulate domestic consumption may help boost consumer's confidence in the short-term. The sustainability over the long term will hinge on how to transform those policies into actions while public debts are kept at a manageable level.

VI. 2000 THAI STOCK MARKET OVERVIEW AND 2001 OUTLOOK

The year 2000 was a disappointing year for the Thai equity market. On average, investment in Thai listed companies yielded a negative annual return of 44% in local currency. The SET Index slid from 481.92 points on December 30, 1999 to close at 269.19 points on December 29, 2000. The average daily turnover was low at Baht 3.74 billion, a marked decrease from the 1999 average of Baht 6.571 billion.

One of the most negative factors affecting the SET during the first half of 2000 was an automatic weighting reduction of the Thai market in the Morgan Stanley Capital International (MSCI) index after its re-inclusion of the Malaysia market and increased weighting of Taiwan and China markets. In addition, the creation of new Financial Times Stock Exchange indices, which excluded Thailand, Indonesia and the Philippines induced another wave of foreign selling pressure before their effective date on September 18, 2000. In the first half of 2001, MSCI will also introduce the new methodology - the free float adjustment - to their indices. All these have made Thailand, Indonesia and the Philippines less important in the global and regional context. The volatility in the US (especially the NASDAQ) and the regional markets due to tightening US monetary policies had increased risk premiums over investment in emerging markets, including Thailand.

On the domestic front, a weak Baht, continuing high domestic oil prices and news of weak economic indicators also had adverse impact on the Thai stock market. With a high ratio of oil consumption to GDP, Thailand was one of the countries in Asia that were hardest hit by high oil prices. Several economic indicators released confirmed that the economy was slowing. Also, consumer confidence deteriorated as a result of high oil prices and political uncertainty.

Politics dominated the news during the last few months of the year. During the last quarter, the fact that Thailand was on the verge of political change caused investors to remain cautious despite attractive stock valuations. As expected, Parliament was dissolved in November and the general election was held on January 6, 2001. The election results turned out as expected with a Thai Rak Thai (TRT) victory, but the scale of its victory had surpassed expectations. The TRT won approximately halfout of the total 500 seats in the lower House, giving it an unprecedented single party majority in Parliament, the first time ever in Thailand's political history. The TRT's huge majority also implies that Thailand's next coalition government would be quite a stable one. The new cabinet was officially formed by the end of February 2001, with the new coalition government holding more than 300 seats, giving it one of the most stable government in Thailand's political history.

The stock market has responded positively amid widespread optimism that the TRT led-government would be able to boost the economy and return the banking system to health with its national asset management company (AMC) policy to buy out non-performing loans. The post-election rally in January 2001 was also supported by the quicker and deeper than expected interest-rate cuts in the US.

Despite short-term enthusiasm, prospects for the medium-term are more uncertain. A slowdown in the US and the world economy may hamper the rate of Thailand's economic improvement. With exports being the only engine of economic growth in 2000, a slowdown in the world economy could hinder the growth prospects of Thailand's economic activities given that domestic consumption has not yet revived.

The risk that the new government might fail to persevere with structural reforms or keep its campaign promises could not be ruled out as certain policies could finally be discovered/proved as impractical given several constraints such as already-high public debt. Another main source of uncertainty is Thaksin Shinawatra's own position with regard to the pending verdict by the Constitutional Court following the National Counter Corruption Commission's (NCCC) indictment for improper asset declarations. In the event that Thaksin is forced to retire from politics, the TRT's commanding position would allow it to name a successor for a smooth handover without much dissent within the coalition. Hence, the fact that the Constitutional Court could curtail the political career of prime minister to-be Thaksin Shinawatra is an additional risk factor that is likely to cap the market's upside potential.

In summary, in light of US loosening monetary policy, we are cautiously optimistic on the stock market in 2001. Domestic political developments as well as developments in the world economy especially the US are likely to dictate the direction of the SET index for the rest of 2001. The extent of Thai stock market recovery, we believe, remains dependent on the outlook of the financial sector, which accounts for almost 30% of total market capitalization. NPLs need to be handled efficiently and professionally with or without a national AMC and the financial system needs to start a normal course of business before we can expect to see the market stage a powerful and sustainable recovery.