

INVESTMENT REPORT

I. CURRENT INVESTMENTS

The Company's principal activity is investment in Thai securities through a special investment vehicle, the Thai-Asia 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 comprising in the Fund are considered as investments held by the Company.

As at December 31, 2001, the ten largest investments held by the Company through its investments 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\$	Dividend cover (times)
1. Advanced Info Service	583,537	823,836	9.56	0.03	7.95	8,773	5.31
2. Bangkok Bank	1,201,481	792,219	9.19	0.07	3.56	—	—
3. PTT Exploration & Production	1,043,848	764,974	8.88	0.05	4.60	18,303	7.00
4. Shin Corporation	495,385	710,300	8.24	0.07	3.05	—	—
5. Thai Farmers Bank	1,056,181	573,203	6.65	0.06	2.91	—	—
6. Siam City Cement	473,667	445,073	5.17	0.05	2.38	14,216	2.35
7. BEC World	476,943	408,337	4.74	0.04	2.74	18,354	0.76
8. Siam Cement	442,076	396,734	4.60	0.03	3.70	—	—
9. Land & House	237,226	349,560	4.06	0.06	1.62	—	—
10. Electricity Generating	404,169	260,622	3.03	0.06	0.35	22,024	1.93

Exchange rate as at December 31, 2001: US\$1.00 = Baht 44.092

The companies numbered 1 and 4 are in the communications industry, numbered 2 and 5 carry on business in the banking sector, numbered 3 and 10 are in the energy sector, numbered 6 and 8 are in the building sector, numbered 7 is in the entertainment sector and numbered 9 is in the property sector.

INVESTMENT REPORT

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	1	20	0.82	2.64
2. Banking	3	14	17.64	20.76
3. Building & Furnishing	3	23	10.48	7.63
4. Chemicals & Plastics	1	12	1.51	1.71
5. Commerce	1	13	1.43	3.09
6. Communication	5	11	21.53	14.84
7. Electrical Products & Computers	0	10	0.00	0.85
8. Electronics Components	3	8	2.21	3.81
9. Energy	5	10	17.85	15.91
10. Entertainment & Recreation	1	7	4.74	3.50
11. Finance & Securities	5	23	5.60	4.21
12. Food & Beverages	1	22	2.04	2.24
13. Health Care Services	0	10	0.00	0.22
14. Hotel & Travel Services	0	12	0.00	1.67
15. Household Goods	0	6	0.00	0.30
16. Insurance	1	22	1.18	1.51
17. Jewelry & Ornaments	0	2	0.00	0.07
18. Machinery & Equipment	0	3	0.00	0.05
19. Mining	0	1	0.00	0.18
20. Packaging	0	12	0.00	0.32
21. Pharmaceutical Products	0	2	0.00	0.04
22. Printing & Publishing	0	8	0.00	0.49
23. Professional Services	0	2	0.00	0.05
24. Property Development	2	23	5.19	4.63
25. Pulp & Paper	0	4	0.00	2.58
26. Textiles, Clothing & Footwear	0	24	0.00	1.36
27. Transportation	2	8	3.03	2.65
28. Vehicles & Parts	0	8	0.00	0.69
29. Warehouse & Silo	0	4	0.00	0.09
30. Others	2	5	1.32	0.31
31. Unit Trust	0	9	0.00	0.00
32. Warrants	2	42	0.64	0.00
33. Covered Warrants	0	4	0.00	0.00
34. Preferred Shares	1	7	1.11	0.00
35. Co. under Rehabilitation	0	52	0.00	1.60
36. Unlisted Securities	2	0	0.00	0.00
Total	<u>41</u>	<u>443</u>	<u>98.32</u>	<u>100.00</u>

INVESTMENT REPORT

II. TRANSACTIONS

For the year ended December 31, 2001, total listed investments purchased by the Company amounted to US\$3.45 million, while total sales amounted to US\$2.82 million. The net realised loss for the year amounted to US\$0.94 million.

A summary of purchases and sales of listed investments by the Company during the year ended December 31, 2001 is as follows:

Month	(Million US\$)		Realised Losses
	Purchases	Sales	
January	0.34	0.57	-0.02
February	0.17	0.01	0.00
March	0.06	0.23	-0.04
April	0.28	0.07	0.00
May	0.62	0.11	-0.01
June	0.00	0.21	-0.14
July	0.33	0.01	-0.01
August	0.22	0.25	0.00
September	0.52	0.39	-0.14
October	0.01	0.20	-0.32
November	0.51	0.40	0.00
December	0.39	0.37	-0.26
TOTAL	<u>3.45</u>	<u>2.82</u>	<u>-0.94</u>

III. PERFORMANCE

	December 31, 2001	December 31, 2000	% Change
NAV/Share (US\$)	0.17	0.16	6.25%
Baht/US\$ Exchange rate	44.092	42.871	-2.77%
SET Index (Baht)	303.85	269.19	12.88%
(US\$)	6.89	6.28	9.71%
Performance to SET index			-3.46%

During the year ended December 31, 2001, the net asset value per share of the Company increased by 6.25% in US\$ terms. Over the same period the SET index increased by 9.71% in US\$ terms. The Company underperformed the market by 3.46%.

	December 31, 2001	November 15, 1989	% Change since inception
NAV/Share (US\$)	0.97 ^{*1}	1.00 ^{*2}	-3.00%
Baht/US\$ Exchange rate	44.092	25.825	-41.43%
SET Index (Baht)	303.85	746.22	-59.28%
(US\$)	6.89	28.90	-76.16%
Performance to SET index			73.16%

*1 After adjusting for the dividend of US\$0.8 per share paid to the shareholders since inception.

*2 After adjusting for the share capitalization issue on the basis of nine new shares for every one share conducted by the Company in September 1990.

After adjusting for the dividend and the share capitalization issues, the net asset value per share of the Company since inception decreased by 3.00% in US\$ terms. Over the same period the SET index decreased by 76.16% in US\$ terms. The Company has outperformed the market by 73.16% since inception.

INVESTMENT REPORT

IV. STATEMENT OF CHANGES IN INVESTMENTS

(For the year ended December 31, 2001)

LISTED SECURITIES	Number of shares				As at December 31, 2001	
	Holding at 1/1/01	Purchases	Sales	Holding at 31/12/01	Fair Value US\$	Percentage of Net Assets %
AGRIBUSINESS						
Charoen Pokphand Food	—	575,000	—	575,000	71,073	0.82
BANKING						
Bangkok Bank	697,100	376,500	116,600	957,000	792,219	9.19
DBS Thai Danu Bank	398,900	—	398,900	—	—	—
Ind. Finance Corp of Thailand	676,700	583,100	1,259,800	—	—	—
Krung Thai Bank	—	645,700	—	645,700	155,230	1.80
Thai Farmers Bank	1,172,200	296,600	110,000	1,358,800	573,203	6.65
					<u>1,520,652</u>	<u>17.64</u>
BUILDING & FURNISHING						
Asian Property Development	—	170,000	—	170,000	61,304	0.71
Siam Cement	49,600	1,800	13,700	37,700	396,734	4.60
Siam City Cement	280,032	—	142,800	137,232	445,073	5.17
					<u>903,111</u>	<u>10.48</u>
CHEMICALS & PLASTICS						
National Petrochemical	358,300	—	180,000	178,300	130,413	1.51
COMMERCE						
Big C Supercentre	221,700	54,700	—	276,400	122,867	1.43
COMMUNICATION						
Advanced Info Service	1,075,000 ¹	—	183,600	891,400	823,836	9.56
Internet Thailand	—	159,900	159,900	—	—	—
Jasmine International	15,800	240,900	256,700	—	—	—
Shinawatra Satellite	249,393	61,400	32,000	278,793	161,236	1.87
Shin Corporation	2,188,000 ¹	235,000	415,400	2,007,600	710,300	8.24
Shin Corporation F	—	120,000	—	120,000	42,457	0.49
Telecom Asia Corporation	646,800	—	136,300	510,500	118,096	1.37
United Communication Industry	24,300	—	24,300	—	—	—
					<u>1,855,925</u>	<u>21.53</u>
ELECTRONICS COMPONENTS						
Cal-Comp Electronics (Thailand)	—	131,800	—	131,800	83,698	0.97
Delta Electronic	—	13,300	11,500	1,800	1,143	0.01
Hana Microelectronics	99,700	173,300	209,700	63,300	106,237	1.23
					<u>191,078</u>	<u>2.21</u>
ENERGY						
Banpu	203,700	217,700	—	421,400	238,932	2.77
Cogeneration	113,522	—	113,522	—	—	—
Electricity Generating	323,700	—	—	323,700	260,622	3.03
PTT	—	80,800	—	80,800	63,222	0.73
PTT Exploration & Production	269,000	59,600	10,400	318,200	764,974	8.88
Ratchaburi Electricity Generating	—	609,600	—	609,600	210,150	2.44
					<u>1,537,900</u>	<u>17.85</u>
ENTERTAINMENT & RECREATION						
BEC World	107,900	3,300	23,800	87,400	408,337	4.74
United Broadcasting Corp	8,800	—	8,800	—	—	—
					<u>408,337</u>	<u>4.74</u>

INVESTMENT REPORT

LISTED SECURITIES	Number of shares				As at December 31, 2001	
	Holding at 1/1/01	Purchases	Sales	Holding at 31/12/01	Fair Value US\$	Percentage of Net Assets %
FINANCE & SECURITIES						
ABN Amro Asia	—	40,700	—	40,700	29,308	0.34
Kiatnakin Finance	334,680	—	—	334,680	174,581	2.03
National Finance	223,600	1,122,800	847,500	498,900	106,927	1.24
National - F	—	270,000	100,000	170,000	40,869	0.47
Siam Panich Leasing	—	271,400	—	271,400	131,108	1.52
					<u>482,793</u>	<u>5.60</u>
FOOD & BEVERAGES						
Thai Union Frozen Products	127,500 ¹	402,000	69,000	460,500	175,460	2.04
INSURANCE						
Ayudhya Jardine CMG Life Assurance	455,900	—	194,800	261,100	101,853	1.18
PROPERTY DEVELOPMENT						
Amarin Plaza	—	221,500	221,500	—	—	—
Golden Land	—	382,000	—	382,000	97,033	1.13
Land & House	—	395,200	—	395,200	349,560	4.06
					<u>446,593</u>	<u>5.19</u>
TRANSPORTATION						
Bangkok Expressway	755,500	296,100	141,000	910,600	201,360	2.34
Thai Airways International	7,900	126,500	—	134,400	59,439	0.69
					<u>260,799</u>	<u>3.03</u>
OTHERS						
Eastern Water Resources Devel. & Mgt.	58,900	65,600	—	124,500	78,356	0.91
General Environment Conservation	1,300,000 ¹	—	170,000 ¹	1,130,000	35,111	0.41
					<u>113,467</u>	<u>1.32</u>
WARRANTS						
Kiatnakin-W4	—	320,340	227,000	93,340	19,370	0.23
LH-W-N	—	193,050 ²	89,500	103,550	35,462	0.41
Siam Commercial Bank - C1	1,684,200	—	1,684,200	—	—	—
					<u>54,832</u>	<u>0.64</u>
PREFERRED SHARES						
Siam Commercial Bank - P	219,300	64,700	31,400	252,600	95,673	1.11
TOTAL LISTED SECURITIES					<u>8,472,826</u>	<u>98.32</u>
UNLISTED SECURITIES						
HEALTH CARE SERVICES						
Piyavate Hospital	330,000	—	—	330,000	1	—
WARRANTS						
Kiatnakin-W4-N	167,340	—	167,340	—	—	—
KfW - TA	237,821	—	—	237,821	—	—
					<u>—</u>	<u>—</u>
TOTAL UNLISTED SECURITIES					<u>1</u>	<u>—</u>
TOTAL LISTED & UNLISTED SECURITIES					<u>8,472,827</u>	<u>98.32</u>
NET CURRENT ASSETS					<u>145,069</u>	<u>1.68</u>
TOTAL NET ASSETS					<u>8,617,896</u>	<u>100.00</u>

¹ Adjust for per split during the year.

² LH-W-N were derived from the rights issue of Land and House on March 26, 2001 at no cost.

V. THE YEAR 2001 IN REVIEW

Due to the slowdown in the global economy, Thai economic growth for the year 2001 slowed to 1.8%, a decline from 2000's 4.6%. In the wake of declining external demand, the country's engine of growth was driven by domestic demand. Exports shrank 7% from 2000's level while domestic demand grew at 2.6%. The trade balance remained in the black. Coupled with a positive services account, Thailand's current account surplus for the whole of 2001 amounted to US\$6.2 billion, compared to 2000's US\$9.4 billion. The capital account remained in the red as corporate Thailand continued paying down their external debts and the Government replaced its external debts with domestic ones. The country's external debt dropped from US\$80.3 billion at the end of December 2000 to US\$70.5 billion at 2001 year-end. The excess liquidity problem, estimated at Baht400 billion in surplus, remained as slow economic growth stunted demand for loans. Consequently, both savings and lending rates on average dropped by 75 bps. However, broad money supply indicated auspicious signs that things may be picking up. Growth in the 12 month-moving-average of M3 has been rising from a trough of 1.9% in July 2000 to 5.6% in November 2001. On the currency, the Thai Baht has been relatively strong when compared to other currencies in the region, depreciating only 2.8% against the greenback.

The stable political environment has been supportive for the Thai macro economy over the year. On the back of a strong public mandate, the Thaksin administration has been proactive in tackling economic woes; a refreshing contrast to the path taken by the previous administration. The attempts to establish Thailand Asset Management Corporation (TAMC) with strong legal power to resolve non-performing problems in the banking sector started as soon as the new government was formulated. This has positively supported investors' confidence. Fiscal spending programs promised during the election campaign, which include Baht30-per-hospital-visit for all Thai citizens and Baht1 million grant for any village that could come up with a viable business project were carried out. This has provided support for private consumption at the grass-root level.

For the Thai stock market, the year 2001 was not at all a bad year. Despite the decline in global economic activity and the consequently weak equity markets worldwide, the SET Index rose 9.71% in US\$ terms and 12.88% in local currency. Foreign investors were a net seller for the third consecutive year taking Baht6.4 billion out of the Thai stock market, an improvement though compared to the net selling of Baht33 billion in 2000. Average daily turnover rose to Baht6.4 billion, a 72% increase over 2000.

There are four main reasons for the Thai market's outperformance. Firstly, Thailand has achieved high political stability, after a landslide victory of Dr. Thaksin's Thai Rak Thai Party. For the first time in its democratic history, Thailand is governed by one political party with an absolute majority in the Lower House. Secondly, the fact that Thailand has a relatively low proportion of technology constituents in both its economy and the stock market makes the country less vulnerable to a decline in the technology sector. Thirdly, decline in exports was more than compensated for by resilient consumer spending which continued to grow at a real rate of 3% throughout 2001. Fourthly, the Thai stock market's low valuations provided support against further decline.

Over the year 2001, the Fund has increased its equity exposure from 88.51% at the end of 2000 to 98.32% at the end of 2001. While the investment environment for the year 2000 called for a more defensive stance, the year 2001 provided opportunities to look for companies with prospects for earnings recovery. As such there were several changes to the investment strategy over the year. The Fund has reduced exposure in the telecom sector, in view of increased competition and risk of earnings disappointment. Weighting was increased in the finance & securities and property sectors, in expectation of positive earnings momentum. The extent of underweighting in the banking sector was also reduced, in view of a better outlook as banks approach the end of their provisioning cycle.

The above changes in sector allocation proved successful. Major stocks in the communication sector performed in line with the market for 1H01 but underperformed in 2H01. On the other hand, those in the finance & securities and property outperformed the market in 2H01. On stock selection, major holdings that outperformed the market included Bangkok Bank, Siam Cement and Bangkok Expressway. However, as a whole, the Fund underperformed the SET index for the year 2001. During the period, the SET index rose 12.88% while the SET 50 index, which represents big market capitalization stocks, rose only by 5.90%. The Fund, with major exposure in the big market cap stocks, inevitably underperformed the SET index.

VI. OUTLOOK FOR 2002

We view the year 2002 with cautious optimism. Politically, this may become a more difficult year for the Thaksin government. Prolonged economic hardship would make the public more vocal and critical. Government initiatives that do not have clear economic benefits or those mired with vested interests will be difficult to be pushed through. An example is the controversy over the privatization of the telecommunications industry. Having said that, the absolute majority that the Administration enjoys should prevent any significant changes in the government.

On the economic front, the outlook should improve when external demand picks up along with the recovery in the global economy. We do not expect significant change to the established trend, at least not within the first half. Interest rates need to and will likely remain low in order to stimulate the economy. Excess liquidity should remain the fact of life, as demand for money is very low. Inflation should remain a non-concern. The country should continue to enjoy a current account surplus, a large part of which will go towards reducing external debts. We are encouraged by accelerating growth in broad money indicators like M2A and M3, an indicator that the economy is regaining strength.

With regard to equity investment, we expect the SET Index to deliver a satisfactory absolute return in the year 2002. The Thai market's low valuations and improving economic environment should provide support for the market. We also expect a portion of local money that is now held in fixed income instruments to be diverted to equity. A probable large new supply of government bonds, needed to finance budget deficit, and the Thaksin government's efforts to persuade the Government Pension Fund and Social Security Fund, both of which are currently heavily invested in fixed income instruments, to increase their exposure to equities, should favour the equity market.

As we enter the year 2002, we intend to maintain high equity exposure, as the Thai economy should also benefit from the global economic recovery, in addition to resilient domestic consumption. We believe the major theme to drive the stock market will be earnings momentum. We would thus focus on identifying growth stocks at reasonable valuations.