

MANAGEMENT REPORT FOR 2001

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, 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\$	Dividends cover (times)
1.	Advanced Info Service	399,163	676,055	9.79	0.02	7.95	7,176	4.33
2.	Bangkok Bank	964,683	629,801	9.12	0.05	3.56	—	—
3.	PTT Exploration & Production	932,580	601,016	8.70	0.04	4.60	16,629	6.16
4.	Shin Corporations	574,912	559,402	8.10	0.05	3.05	—	—
5.	Thai Farmers Bank	760,888	455,424	6.59	0.05	2.91	—	—
6.	Siam City Cement	431,624	356,319	5.16	0.04	2.38	11,428	2.34
7.	BEC World	355,832	328,912	4.76	0.04	2.74	10,104	1.39
8.	Siam Cement	387,640	314,651	4.56	0.02	3.70	—	—
9.	Land & Houses	191,195	281,895	4.08	0.05	1.62	—	—
10.	Banpu	501,245	202,871	2.94	0.17	0.35	24,968	1.05

Exchange rate as at December 31, 2001 and used in these financial statements : US\$1.00 = Baht 44.092

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

MANAGEMENT REPORT FOR 2001

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	0.65	2.64
2. Banking	3	14	17.49	20.76
3. Building & Furnishing	3	23	10.24	7.63
4. Chemicals & Plastics	1	12	1.48	1.71
5. Commerce	1	13	1.47	3.09
6. Communication	5	11	21.76	14.84
7. Electrical Product & Computer	0	10	0.00	0.85
8. Electronic Components	3	8	2.22	3.81
9. Energy	5	10	17.62	15.91
10. Entertainment	1	7	4.76	3.50
11. Finance & Securities	5	23	5.74	4.21
12. Food & Beverages	1	22	2.06	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	0	22	0.00	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	0	24	0.00	1.36
27. Transportation	2	8	3.17	2.65
28. Vehicles & Parts	0	8	0.00	0.69
29. Warehouse & Silo	0	4	0.00	0.09
30. Others	2	5	1.31	0.31
31. Unit Trust	0	9	0.00	0.00
32. Warrants and Debentures	2	42	0.69	0.00
33. Covered Warrants	0	4	0.00	0.00
34. Preferred Shares	1	7	1.13	0.00
35. Co. under Rehabilitation	0	52	0.00	1.60
36. Unlisted Securities	7	0	0.00	0.00
Total	45	443	96.98	100.00

MANAGEMENT REPORT FOR 2001

II. ACTIVITIES

For the year ended December 31, 2001, total listed investments purchased by the Company amounted to US\$2.71 million, while total sales amounted to US\$2.23 million. The net realized loss for the year amounted to US\$0.76 million.

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

Month	(US\$ Millions)		Capital Gains/ (Losses)
	Purchases	Sales	
JANUARY	0.27	0.46	(0.06)
FEBRUARY	0.17	0.01	0.01
MARCH	0.06	0.18	(0.05)
APRIL	0.21	0.04	—
MAY	0.49	0.09	(0.01)
JUNE	—	0.17	(0.06)
JULY	0.28	0.01	(0.01)
AUGUST	0.14	0.15	(0.07)
SEPTEMBER	0.40	0.32	(0.11)
OCTOBER	0.01	0.16	(0.22)
NOVEMBER	0.38	0.33	(0.01)
DECEMBER	0.30	0.31	(0.17)
TOTAL	2.71 =====	2.23 =====	(0.76) =====

Using an exchange rate averaged at the end of each month during 2001 : US\$1.00 = Baht 44.441

MANAGEMENT REPORT FOR 2001

III. PERFORMANCE

	DEC 31, 2001	DEC 31, 2000	% CHANGE
NAV/Share (US\$)	1.38	1.30	+6.15%
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			-3.56%

During the year ended December 31, 2001, the net asset value per share of the Company increased by 6.15% in US\$ terms. Over the same period, the SET Index increased by 9.71% in US\$ terms. The Company underperformed the market by 3.56%.

	DEC 31, 2001	DEC 1, 1989	% CHANGE Since Inception
NAV/Share (US\$)	10.45*	10.00	+4.50%
Baht/US\$ Exchange Rate	44.092	25.765	-41.57%
SET Index (Baht)	303.85	769.14	-60.49%
(US\$)	6.89	29.85	-76.92%
Performance to SET Index			+81.42%

* 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 4.50% in US\$ terms. Over the same period, the SET Index decreased by 76.92% in US\$ terms. The Company outperformed the market by 81.42% since inception.

MANAGEMENT REPORT FOR 2001

IV. STATEMENT OF CHANGES IN INVESTMENTS

(For the year ended December 31, 2001)

LISTED SECURITIES	Holding at 01/01/01	Number of shares		Holding at 31/12/01	As at December 31, 2001	
		Purchases	Sales		Fair	Percentage of
					Value US\$	Net Assets %
AGRIBUSINESS						
Charoen Pokphand Food	–	365,000	–	365,000	45,116	0.65
BANKING						
Bangkok Bank	573,200	280,900	93,300	760,800	629,801	9.12
DBS Thai Danu Bank	325,000	–	325,000	–	–	–
Ind. Finance Corp of Thailand	591,950	468,900	1,060,850	–	–	–
Krung Thai Bank	–	511,400	–	511,400	122,944	1.78
Thai Farmers Bank	926,100	244,400	90,900	1,079,600	455,424	6.59
					1,208,169	17.49
BUILDING AND FURNISHING						
Asian Property Development	–	100,000	–	100,000	36,061	0.52
Siam Cement	41,200	–	11,300	29,900	314,651	4.56
Siam City Cement	225,166	–	115,300	109,866	356,319	5.16
					707,031	10.24
CHEMICALS AND PLASTICS						
National Petrochemical	316,700	–	176,600	140,100	102,473	1.48
COMMERCE						
Big C Supercenter	185,100	42,900	–	228,000	101,352	1.47
COMMUNICATION						
Advanced Info Service	878,000 ^{*1}	–	146,500	731,500	676,055	9.79
Internet Thailand	–	81,600 ^{*4}	81,600	–	–	–
Jasmine International	12,900	194,300	207,200	–	–	–
Shinawatra Sattellite	240,325	16,300	30,500	226,125	130,776	1.89
Shin Corporations	1,723,000 ^{*1}	190,000	331,900	1,581,100	559,402	8.10
Shin Corporations - F	–	97,000	–	97,000	34,319	0.50
Telecom Asia	548,600	–	105,700	442,900	102,458	1.48
United Communication Industry	19,800	–	19,800	–	–	–
					1,503,010	21.76
ELECTRICAL PRODUCT & COMPUTER						
Singer Thailand	5,900	–	5,900	–	–	–
ELECTRONIC COMPONENTS						
Cal-Comp Electronics Thailand	–	104,400	–	104,400	66,298	0.96
Delta Electronic	–	10,800	9,300	1,500	953	0.01
Hana Microelectronics	80,500	139,300	168,500	51,300	86,097	1.25
					153,348	2.22
ENERGY						
Banpu	247,700	176,300	66,200	357,800	202,871	2.94
Cogeneration	93,071	–	93,071	–	–	–
Electricity Generating	244,800	–	–	244,800	197,097	2.85
PTT	–	63,000	–	63,000	49,295	0.71
PTT Exploration & Production	244,400	19,000	13,400	250,000	601,016	8.70
Ratchaburi Electricity Generating	–	485,600	–	485,600	167,403	2.42
					1,217,682	17.62

MANAGEMENT REPORT FOR 2001

LISTED SECURITIES	Holding at 01/01/01	Number of shares		Holding at 31/12/01	As at December 31, 2001	
		Purchases	Sales		Fair Value	Percentage of
					US\$	Net Assets
ENTERTAINMENT						
BEC World	59,400	18,000	7,000	70,400	328,912	4.76
United Broadcasting Corporation	7,500	—	7,500	—	—	—
					328,912	4.76
FINANCE & SECURITIES						
ABN AMRO Asia Securities	—	32,200	—	32,200	23,187	0.34
Kiatnakin Finance	287,400	—	—	287,400	149,918	2.17
National Finance	182,200	903,000	677,400	407,800	87,402	1.27
National Finance - F	—	216,000	80,000	136,000	32,695	0.47
Siam Panich Leasing	—	213,100	—	213,100	102,945	1.49
					396,147	5.74
FOOD & BEVERAGES						
Thai Union Frozen Products	103,000*2	325,000	55,000	373,000	142,121	2.06
PROPERTY DEVELOPMENT						
Amarin Plaza	—	181,600	181,600	—	—	—
Golden Land Property	—	302,700	—	302,700	76,890	1.11
Land and House	—	318,700	—	318,700	281,895	4.08
					358,785	5.19
TRANSPORTATION						
Bangkok Expressway	644,700	239,100	113,500	770,300	170,335	2.47
Thai Airways International	6,500	102,400	—	108,900	48,162	0.70
					218,497	3.17
OTHERS						
Eastern Water Resources Devel. & Mgt	48,100	52,400	—	100,500	63,250	0.92
General Environment Conservation	1,000,000*3	—	130,000	870,000	27,031	0.39
					90,281	1.31
PREFERRED SHARES						
Siam Commercial Bank - P	180,200	52,200	26,100	206,300	78,136	1.13
WARRANTS AND DEBENTURES						
Kiatnakin - W4	—	265,200*5	177,500	87,700	18,200	0.27
LH - W2	—	154,100*6	69,500	84,600	28,973	0.42
					47,173	0.69
COVER WARRANTS						
Siam Commercial Bank - C1	1,361,000	—	1,361,000	—	—	—
TOTAL LISTED SECURITIES					6,698,233	96.98

MANAGEMENT REPORT FOR 2001

UNLISTED SECURITIES	Holding at 01/01/01	Number of Shares		Holding at 31/12/01	As at December 31, 2001	
		Purchases	Sales		Fair Value	Percentage of Net Assets
					US\$	%
COMMERCE						
Internet Thailand-N	–	81,600	81,600 ^{*4}	–	–	
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	–	–	191,747	–	–
Kiatnakin - W4-N	143,700	–	143,700 ^{*5}	–	–	–
LH-W-N	–	43,600 ^{*7}	43,600 ^{*6}	–	–	–
					–	–
TOTAL UNLISTED SECURITIES					6	–
TOTAL LISTED AND UNLISTED SECURITIES					6,698,239	96.98
Net current assets					208,301	3.02
TOTAL NET ASSETS					6,906,540	100.00

*1 Advanced Info Service and Shin Corporations were split from 10 baht to 1 baht per share effective from August 20, 2001.

*2 Thai Union Forzen Products was split from 5 baht to 1 baht per share effective from October 8, 2001.

*3 General Environment Conservation was split from 10 baht to 1 bath per share effective from September 20, 2001.

*4 Internet Thailand-N was transferred out from its account to Internet Thailand when Internet Thailand-N listed on the SET.

*5 Kiatnakin - W4-N was transferred out from its account to Kiatnakin - W4 when Kiatnakin - W4-N listed on the SET.

*6 LH-W-N was transferred out from its account to LH-W2 when LH-W-N listed on the SET.

*7 LH-W-N warrants were derived from the rights issue of Land and House in May 2001 at no cost.

V. THE THAI ECONOMY AND STOCK MARKET OVERVIEW IN 2001 AND OUTLOOK FOR 2002

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 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 Baht 400 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 Baht 30-per-hospital-visit for all Thai citizens and Baht 1 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 dollar terms and 12.88% in local currency. Foreign investors were a net seller for the third consecutive year taking Baht 6.4 billion out of the Thai stock market, an improvement though compared to the net selling of Baht 33 billion in 2000. Average daily turnover rose to Baht 6.4 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.

MANAGEMENT REPORT FOR 2001

Over the year 2001, the Fund has increased its equity exposure from 87.48% at the end of 2000 to 96.98% 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 earning 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 communications 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.

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 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.