

INVESTMENT REPORT

I. CURRENT INVESTMENTS

The Company's principal activity of investing in Thai securities is 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 of the Fund are considered as investments held by the Company.

As at December 31, 2002, 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. Siam Cement	561,342	1,061,268	9.62	0.03	7.55	6,951	11.58
2. PTT Exploration & Production	977,198	959,343	8.70	0.04	4.97	44,386	2.35
3. Bangkok Bank	1,059,529	947,444	8.59	0.06	3.90	—	—
4. Thai Farmers Bank	1,191,455	917,018	8.32	0.06	3.28	—	—
5. Land & Houses	228,588	686,619	6.22	0.06	2.69	6,431	8.51
6. Siam City Cement	467,140	644,598	5.84	0.05	2.82	22,333	1.24
7. Advance Info Services	491,150	578,132	5.24	0.02	5.59	8,289	5.57
8. PTT	409,232	480,315	4.35	0.02	6.35	14,803	6.88
9. BEC World	475,471	403,125	3.65	0.04	2.19	16,255	1.00
10. Shin Corporation	384,214	356,672	3.23	0.05	1.59	—	—

Exchange rate as at December 31, 2002 and used in these financial statements: US\$1.00 = Baht 43.014

The companies numbered 1 and 6 are in the Building & Furnishing sector, numbered 2 and 8 are in the Energy sector, numbered 3 and 4 are in the Banking sector, numbered 5 is in the Property Development sector, numbered 7 and 10 are in the Communication sector, and numbered 9 is in the Entertainment 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 Stock Exchange of Thailand ("SET"), is as follows:—

Industry	No. of Stocks in		Sector Weightings (%)	
	Company	SET	Company	SET Index
1. Agribusiness	0	20	0.00	2.13
2. Banking	5	14	19.61	17.19
3. Building & Furnishing	3	19	16.06	12.76
4. Chemicals & Plastics	1	12	1.77	2.39
5. Commerce	1	14	0.96	2.64
6. Communication	4	12	9.37	9.20
7. Electrical Products & Computers	0	10	0.00	1.01
8. Electronics Components	3	8	1.77	3.03
9. Energy	5	9	19.32	14.52
10. Entertainment & Recreation	2	10	4.44	4.44
11. Finance & Securities	8	26	10.62	4.90
12. Food & Beverages	1	22	0.79	2.30
13. Health Care Services	0	10	0.00	0.35
14. Hotel & Travel Services	0	10	0.00	1.50
15. Household Goods	0	7	0.00	0.53
16. Insurance	0	21	0.00	1.41
17. Jewelry & Ornaments	0	2	0.00	0.07
18. Machinery & Equipment	0	3	0.00	0.08
19. Mining	0	1	0.00	0.15
20. Packaging	0	13	0.00	0.51
21. Pharmaceutical Products	0	2	0.00	0.04
22. Printing & Publishing	0	8	0.00	0.47
23. Professional Services	0	2	0.00	0.05
24. Property Development	6	29	10.83	7.44
25. Pulp & Paper	0	4	0.00	2.48
26. Textiles, Clothing & Footwear	0	24	0.00	1.34
27. Transportation	1	8	2.20	3.47
28. Vehicles & Parts	0	9	0.00	0.92
29. Warehouse & Silo	0	4	0.00	0.08
30. Others	2	5	1.15	0.27
31. Companies under Rehabilitation	0	51	0.00	2.33
32. Unlisted Securities	2	0	0.00	0.00
33. Debentures & Convertibles	0	0	0.00	0.00
	44	389	98.89	100.00

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II. TRANSACTIONS

For the year ended December 31, 2002, total listed investments purchased by the Company amounted to US\$2.61 million, while total sales amounted to US\$2.67 million. The net realized loss for the year amounted to US\$0.69 million.

A summary of purchases and sales of listed investments by the Company during the year ended December 31, 2002 is as follows:—

(US\$ Millions)			
Month	Purchases	Sales	Capital Gains/ (Losses)
January	0.27	0.65	(0.27)
February	0.18	0.08	(0.09)
March	0.30	0.22	(0.01)
April	0.09	0.02	(0.05)
May	0.19	0.15	(0.21)
June	0.52	0.38	0.03
July	0.00	0.00	0.00
August	0.10	0.09	0.02
September	0.41	0.38	0.03
October	0.16	0.41	(0.05)
November	0.26	0.16	(0.07)
December	0.13	0.13	(0.02)
Total	2.61	2.67	(0.69)

Using an exchange rate average at the end of each month during 2002: US\$1.00 = Baht 42.967

III. PERFORMANCE

	December 31, 2002	December 31, 2001	% Change
NAV/Share (US\$)	0.22	0.17	29.41%
Baht/US\$ Exchange Rate	43.014	44.092	2.51%
SET Index (Baht)	356.48	303.85	17.32%
(US\$)	8.29	6.89	20.32%
Performance to SET Index			9.09%

During the year ended December 31, 2002, the net asset value per share of the Company increased by 29.41% in US\$ terms. Over the same period, the SET Index increased by 20.32% in US\$ terms. The Company outperformed the market by 9.09%.

	December 31, 2002	November 15, 1989	% Change since inception
NAV/Share (US\$)	1.02^{*1}	1.00^{*2}	2.00%
Baht/US\$ Exchange Rate	43.014	25.825	-39.96%
SET Index (Baht)	356.48	746.22	-52.23%
(US\$)	8.29	28.90	-71.31%
Performance to SET Index			73.31%

^{*1} After adjusting for the dividend of US\$0.80 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 issue, the net asset value per share of the Company since inception increased by 2.00% in US\$ terms. Over the same period, the SET Index decreased by 71.31% in US\$ terms. The Company outperformed the market by 73.31% since inception.

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IV. STATEMENT OF CHANGES IN INVESTMENTS

(For the year ended December 31, 2002)

LISTED SECURITIES	Number of shares				As at December 31, 2002	
	Holding at 1/1/02	Purchases	Sales	Holding at 31/12/02	Fair Value US\$	Percentage of Net Assets %
AGRIBUSINESS						
Charoen Pokphand Food	575,000	—	575,000	—	—	—
BANKING						
Bangkok Bank	957,000	—	133,700	823,300	947,444	8.59
Krung Thai Bank	645,700	61,400	706,000	1,100	171	—
Siam Commercial Bank	—	367,700	—	367,700	241,492	2.19
Thai Farmers Bank	1,358,800	158,300	—	1,517,100	917,018	8.32
Thai Farmers Bank - F	—	81,000	—	81,000	56,493	0.51
					2,162,618	19.61
BUILDING & FURNISHING						
Siam Cement	37,700	9,050	7,800	38,950	1,061,268	9.62
Siam City Cement	137,232	—	5,200	132,032	644,598	5.84
Tipco Asphalt	—	119,900	—	119,900	66,342	0.60
					1,772,208	16.06
CHEMICALS & PLASTICS						
National Petrochemical	178,300	—	—	178,300	194,823	1.77
COMMERCE						
Big C Supercentre	276,400	—	—	276,400	106,026	0.96
COMMUNICATION						
Advanced Info Service	891,400	85,200	276,100	700,500	578,132	5.24
Shin Satellite	278,793	—	23,300	255,493	99,194	0.90
Shin Corporation	2,007,600	—	488,600	1,519,000	356,672	3.23
Shin Corporation - F	120,000	—	120,000	—	—	—
Telecom Asia Corporation	510,500	—	508,300	2,200	235	—
					1,034,233	9.37
ELECTRONIC COMPONENTS						
Cal - Comp Electronics (Thailand)	131,800	35,000	—	166,800	127,968	1.16
Delta Electronic	1,800	—	—	1,800	1,140	0.01
Hana Microelectronics	63,300	—	20,000	43,300	66,439	0.60
					195,547	1.77

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LISTED SECURITIES	Number of shares				As at December 31, 2002	
	Holding at 1/1/02	Purchases	Sales	Holding at 31/12/02	Fair Value US\$	Percentage of Net Assets %
ENERGY						
Banpu	421,400	—	155,300	266,100	204,150	1.85
Electricity Generating	323,700	—	—	323,700	280,323	2.54
PTT	80,800	408,200	—	489,000	480,315	4.35
PTT Exploration and Production	318,200	—	27,600	290,600	959,343	8.70
Ratchaburi Electricity Generating	609,600	—	117,700	491,900	206,988	1.88
					2,131,119	19.32
ENTERTAINMENT & RECREATION						
BEC World	87,400	—	2,400	85,000	403,125	3.65
Major Cineplex Group	—	46,000	—	46,000	86,623	0.79
					489,748	4.44
FINANCE & SECURITIES						
ABN Amro Asia	40,700	68,700	23,600	85,800	76,297	0.69
Capital Nomura	—	61,600	—	61,600	54,061	0.49
Kiatnakin Finance	334,680	69,717	168,600	235,797	178,161	1.61
Krungthai Card	—	176,200	—	176,200	53,662	0.49
National Finance	498,900	172,000	—	670,900	207,443	1.88
National Finance - F	170,000	—	170,000	—	—	—
Siam Sanwa Industrial Credit	—	1,215,800	50,200	1,165,600	178,848	1.62
Siam Panich Leasing	271,400	—	55,700	215,700	196,825	1.78
Tisco Finance	—	436,200	—	436,200	227,156	2.06
					1,172,453	10.62
FOODS & BEVERAGES						
Thai Union Frozen Products	460,500	—	240,600	219,900	86,909	0.79
INSURANCE						
Ayudhya Jardine CMG Life Assurance	261,100	—	261,100	—	—	—
PROPERTY DEVELOPMENT						
Amata Corp.	—	356,000	—	356,000	157,251	1.43
Asian Property Development* ¹	170,000	—	—	170,000	165,993	1.50
Central Patana	—	24,000	—	24,000	30,130	0.27
Golden Land	382,000	174,000	556,000	—	—	—
Land and Houses	395,200	—	23,700	371,500	686,619	6.22
Noble Development	—	188,800	—	188,800	39,503	0.36
Quality Houses	—	712,700	—	712,700	115,983	1.05
Ticon Industrial Connection	—	14,400	14,400	—	—	—
					1,195,479	10.83
TRANSPORTATION						
Bangkok Expressway	910,600	—	209,700	700,900	242,790	2.20
Thai Airways International	134,400	—	134,400	—	—	—
					242,790	2.20

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LISTED SECURITIES	Number of shares				As at December 31, 2002	
	Holding at 1/1/02	Purchases	Sales	Holding at 31/12/02	Fair Value US\$	Percentage of Net Assets %
OTHERS						
Eastern Water Resources Devel. & Mgt.	124,500	—	124,500	—	—	—
General Environment Conservation	1,130,000	—	1,130,000	—	—	—
					—	—
WARRANTS						
Asian Property Development - W1	—	36,000	—	36,000	23,852	0.22
Kiatnakin - W4	93,340	195,500	288,840	—	—	—
LH - W2	103,550	—	11,200	92,350	102,518	0.93
Ticon Industrial Connection - W1	—	3,600	3,600	—	—	—
					126,370	1.15
PREFERRED SHARES						
Siam Commercial Bank - P	252,600	—	252,600	—	—	—
TOTAL LISTED SECURITIES					10,910,323	98.89
UNLISTED SECURITIES						
HEALTH CARE SERVICES						
Piyavate Hospital	330,000	—	—	330,000	1	—
WARRANTS						
KfW - TA	237,821	—	—	237,821	—	—
TOTAL UNLISTED SECURITIES					1	—
TOTAL LISTED & UNLISTED SECURITIES					10,910,324	98.89
NET CURRENT ASSETS					122,886	1.11
TOTAL NET ASSETS					11,033,210	100.00

*1 Asian Property Development was reclassified from Building and Furnishing Sector to Property Development Section on 25 February 2002 by SET Index.

V. THE YEAR 2002 IN REVIEW

The Thai economy expanded satisfactorily in 2002, driven by strong domestic demand. Low interest rates and the availability of consumer credit played important roles in strong consumer spending. Private consumption grew 3.7% for the year. Private investment also showed significant growth, rising 23.4% during the year against 0.2% in 2001. As well as a notable contribution from commercial vehicle sales, cement sales were also strong due to brisk demand in the residential property sector. With regard to external demand, exports returned to positive growth of 3.4% in the second quarter of 2002 and seemed to gain momentum, growing at 11.3% and 15.1% for the third and the fourth quarter of 2002 respectively. Consequently, the manufacturing production index grew 10.6% in the second half, against 6.1% growth for the first half in 2002. After recording 3.9% and 5.1% year-on-year growth in the first quarter and the second quarter of 2002 respectively, the Thai economy showed 5.8% year-on-year growth for the third quarter of 2002. These quarterly GDP reports consistently came out better than expectation. We have subsequently seen several forecast upgrades, including the National Economic and Social Development Board (NESDB), which twice revised up its GDP forecast for 2002 from 2.0-3.0% to 4.0-4.5%. Inflation remained low at only 0.6% in 2002.

The Thai stock market recorded a gain of 17.32% (in Thai Baht terms) for 2002, despite the dull equity investment environment globally. However, the SET index witnessed rather a different movement between the first half and the second half of the year.

From the beginning of the year, the SET index outperformed the regional bourses with impressive rallies. The index rose from 303.85 points at the end of 2001 to reach a year-to-date high of 426.45 on June 13, a 40.35% gain.

The sharp run-up in the first half of 2002 was supported by the following:—

- (1) Improved market sentiment towards equity investment due to signs of a faster and stronger economy in the United States.
- (2) High excess liquidity both domestically and overseas.
- (3) Low interest rate policy, as witnessed by the Bank of Thailand lowering the repurchase rate by 50 basis points within a span of 30 days.
- (4) Favorably low market valuations in both absolute and relative terms.

Another important supporting factor was the marked improvement in the first half results of listed companies as well as the upward revision of the 2002 GDP forecast after the better-than-expected first quarter 2002 GDP figure announcement.

In the second half of 2002, the Thai stock market also followed negative movements in global equity markets, given rising tension in the Middle East, a series of negative news from US corporates as well as fear of another terrorist attack. Domestically, the plan for Financial Institutions Development Fund's bond issuance dampened expectations for another interest rate cut and negative market sentiment set in. As we entered the third quarter, despite a series of positive domestic fundamental news, i.e. ongoing strong economic figures, better-than-expected corporate results and the ratings upgrade for Thailand by Standard & Poors, the market remained heavily influenced by negative external developments. The SET index drifted to a low of 323.86 on October 14, immediately after the tragic bomb blast in Bali.

The market then took a turn, following the strong rebound in the US market amidst expectation of an interest rate cut by the Federal Reserve. Domestic developments remained positive, including a credit rating upgrade by Fitch Rating Agency, continued favorable corporate earnings momentum and another upward revision of the GDP forecast due to a series of strong economic figures. Local interest rate cuts by commercial banks also yielded support. As year-end approached, the positives of the extension of tax incentives for the property sector and a better-than-expected 2002 third quarter GDP figure were weighed down by the rising uncertainty of the US-Iraq situation. The SET index finished the year at 356.48.

With regard to the Company, at the end of this reporting period equity exposure was 98.89%, largely unchanged from 98.32% at the end of 2001. Some changes in sector allocation were implemented to position the Fund for a domestic demand driven economic recovery. Exposures in the finance & securities sector and the property sector were increased. To fund those increases, exposure in the telecommunication sector was reduced due to uncertainties over the industry's liberalization, as well as expectation for increased competition within the industry. Exposure in the banking sector was slightly increased. The Fund accumulated Siam Commercial Bank. The bank's decision to bring its provision coverage to the same level as other major banks would result in the narrowing of the valuation gap. Some holdings of Bangkok Bank and Krung Thai Bank were reduced in favor of Thai Farmers Bank. Thai Farmers Bank was preferred for its pro-active management track record as well as less concern regarding the need for capital raising.

Over the period, net asset value per share, in US\$ terms, rose 29.41%. This performance compared positively to the benchmark SET index which rose 20.32%, in US\$ terms, during the same period. The aforementioned sector allocation, in favor of beneficiaries of domestic demand recovery, contributed positively.

VI. OUTLOOK FOR 2003

Looking into 2003, we are cautiously optimistic for continued recovery. The low interest rate environment, which has been the underlying driver of the Thai economy, is likely to remain. Inflation remains low and liquidity in the banking system remains abundant. We are seeing a forecast for 4 to 4.5% GDP growth for Thailand in 2003.

For the stock market, we are optimistic for favorable returns for the year. In addition to growth in corporate earnings, Thai companies are also showing a better capability to generate returns for shareholders, as indicated by a rising trend in return on equity. The market is also trading at the lower end of its own historical range. Risk factors would be external developments, including the geopolitical uncertainties due to the US-Iraq conflict. Besides negative investment sentiment, high oil prices resulting from this tension will be negative for the current weak global growth.

Regarding portfolio allocation, while we are currently overweight both the defensive energy sector and the high beta finance and property sectors, we foresee a downward shift in exposure to the defensive energy sector, barring a scenario of a prolonged Middle East war. Once the geopolitical uncertainty is settled, a significant gain in the Thai market can be expected, given the strong domestic economy, improving corporate profits and attractive valuations as aforementioned. To benefit best from such a market environment, we plan to reduce exposure in the defensive segment. Increased exposure is likely in the banking sector, namely major private banks (vs. state-owned banks). We have seen Thai banks ending the period of huge provisions. As a result, we expect earnings of Thai banks to be able to show normal operational cycles. We are seeing Thai banks recording growth in their lending again after the financial crisis, although still to a small degree. The overweighting towards domestic plays, finance, property and building materials, is likely to continue.