

DIRECTORS' REPORT

In respect of the year ended December 31, 2002 the Directors of The Thai Asset Fund Limited submit the following report:

DIRECTORS

The Honourable Michael D'Arcy Benson

Narong Chulajata*

Dominic Kwok Chung Kwong

Andrew Lo Tak Shing

John Yang Chung Hsiung†

Heng Kwo Seng*

Chesada Loha-unchit (resigned on January 15, 2003)

Thomas Ng Tung Ming*

Pichit Akrathit (appointed on January 15, 2003)

* Independent non-executive directors

† Non-executive director

In accordance with the Company's Articles of Association, The Honourable Michael D'Arcy Benson, Messrs. Heng Kwo Seng, Thomas Ng Tung Ming and Pichit Akrathit retire this year and being eligible offer themselves for re-election.

The terms of office of all directors of the Company are subject to retirement by rotation as required by the Company's Articles of Association.

PRINCIPAL OBJECTIVE AND ACTIVITY

The principal investment objective of the Company during the year was long term capital appreciation through investment mainly in equity securities in Thailand. These investments are made through a Bank of Thailand authorised investment fund called The Thai Asset Fund, in which the Company is the sole unitholder.

RESULTS

The Company recorded an operating loss after taxation of US\$571,721 (2001: loss US\$859,247).

DIVIDENDS

The Directors of the Company do not recommend the payment of a final dividend for the year ended December 31, 2002 (2001: Nil).

FINANCIAL SUMMARY

A five year summary of the results and of the assets and liabilities of the Company is set out on page 29 of the annual report.

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DIRECTORS' INTERESTS

- (a) As at December 31, 2002, only one Director of the Company, Mr John Yang Chung Hsiung, was beneficially interested in 270,000 shares in the Company (130,000 shares being personal interests, 40,000 shares being family interest and 100,000 shares being corporate interests), as required to be disclosed in the register kept under Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (“SDI Ordinance[#]”).

[#] The SDI Ordinance was repealed by the Securities and Futures Ordinance (“SFO”) as of 1 April 2003. All the aforesaid interests are currently recorded under the Register of directors’ and chief executives’ interests and short positions pursuant to Section 352 of the SFO.

Save as disclosed herein, no other Director of the Company had any interests in the equity or debt securities of the Company or any associated corporation.

- (b) At no time during the year was the Company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or warrants or debentures of, the Company or any other body corporate and none of the directors, or their spouse and children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such right.
- (c) Mr. Benson and Mr. Lo are directors of INVESCO Asia Limited, the Company’s Investment Adviser, to which fees are payable by the Company for acting in that capacity in accordance with the Investment Contract.

Dr. Chesada Loha-unchit was and Mr. Pichit Akkrathit is a director of MFC Asset Management Public Company Limited (“MFC”) the Fund’s Investment Manager, to which fees are payable by the Fund for acting in that capacity described in the Investment Contract.

- (d) None of the Directors has a service contract with the Company.

Save as mentioned herein, there has been no contract of significance subsisting during or at the end of the year in which a Director of the Company is or was materially interested either directly or indirectly.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at December 31, 2002, Mr. Heung Chit Kau and Mdm. Chan Wan Han were both interested in the same 3,735,000 shares of the Company. This interest arises by virtue of their holdings in Tai Tsuen Enterprises Limited and Ince Assets Limited which held 2,184,900 and 1,550,100 shares in the Company respectively according to the register kept under Section 16(1) of the SDI Ordinance*.

* The SDI Ordinance was repealed by the Securities and Futures Ordinance (“SFO”) as of 1 April 2003. All the aforesaid interests are currently recorded under the Register of interests in shares and short positions of substantial shareholders pursuant to Section 336 of the SFO.

ARRANGEMENTS TO PURCHASE, SELL OR REDEEM SHARES

The Company did not purchase, sell, redeem or cancel any of its shares during the year ended December 31, 2002.

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MANAGEMENT CONTRACTS

There exist various agreements for investment management, investment advisory, custodian and administration services provided to the Company. The terms of such agreements are set out in Note 4 to the financial statements and the corporate information of the parties providing such services are set out on page 30 to the Annual Report.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Guernsey, the place of incorporation of the Company.

AUDITORS

A resolution to re-appoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period and which are in accordance with applicable laws. In preparing those financial statements 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Guernsey) Laws, 1994. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDIT COMMITTEE

Pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, an audit committee, comprising of two independent non-executive directors, namely Messrs. Heng Kwo Seng and Thomas Ng Tung Ming, was established on June 28, 1999. By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, a written terms of reference which describes the authority and duties of this audit committee was prepared and adopted by the Board of the Company ("the Board") on the same date.

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This audit committee's principal duties include the review and supervision of the Company's financial reporting process and internal controls. The audit committee members had reviewed the annual report for the year ended December 31, 2002 before the same was put forward to the Board for approval.

CODE OF BEST PRACTICE

With the exception that the non-executive director and independent non-executive directors are not appointed for a fixed term as they are subject to retirement in accordance with the Company's Articles of Association, the Company has complied throughout the year with all of the relevant requirements of the Code of Best Practice as set out in Appendix 14 of The Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

For and on behalf of the Board

Pichit Akkrathit

Director

Andrew Lo Tak Shing

Director

April 11, 2003