

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.

* The Fund was renamed as Thai-Asia Open-end Fund following Thai SEC's formal approval to the open ending of the investment plan on June 9, 2003.

As at December 31, 2003, 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	797,695	2,545,779	12.54	0.03	6.68	70,949.19	1.92
2. PTT	462,078	2,107,205	10.38	0.02	11.35	53,361.86	3.07
3. Bangkok Bank	1,059,808	1,933,675	9.53	0.04	4.42	—	—
4. Kasikorn Bank	956,085	1,871,461	9.22	0.05	3.35	—	—
5. Advanced Info Service	562,463	1,479,980	7.29	0.02	5.48	73,245.96	1.29
6. Siam Commercial Bank	693,209	1,233,607	6.08	0.03	1.67	—	—
7. Shin Corporation	290,080	1,016,061	5.01	0.04	2.50	43,786.02	1.99
8. PTT Exploration & Production	369,651	674,681	3.33	0.02	3.78	30,866.41	2.06
9. Krung Thai Bank	448,893	644,293	3.17	0.02	2.99	—	—
10. Land and Houses	188,291	633,064	3.12	0.03	1.89	53,330.13	0.87

Exchange rate as at December 31, 2003 and used in these financial statements: US\$1.00 = Baht 39.560.

The company numbered 1 is in the Building & Furnishing sector, numbered 2 and 8 are in the Energy sector, numbered 3, 4, 6, and 9 are in the Banking sector, numbered 5 and 7 are in the Communication sector, and numbered 10 is in the Property 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	1.14
2. Banking	5	14	30.62	16.93
3. Building & Furnishing	5	17	15.67	10.86
4. Chemicals & Plastics	2	11	4.77	4.77
5. Commerce	1	14	0.65	2.31
6. Communication	3	12	12.30	10.22
7. Electrical Products & Computer	0	11	0.00	1.06
8. Electronic Components	1	8	0.96	1.58
9. Energy	4	9	15.87	19.17
10. Entertainment	1	13	1.05	3.07
11. Finance & Securities	3	27	3.00	4.21
12. Food & Beverages	0	23	0.00	1.55
13. Health Care Services	0	10	0.00	0.37
14. Hotel & Travel Services	0	10	0.00	0.78
15. Household Goods	0	7	0.00	0.28
16. Insurance	0	21	0.00	0.82
17. Jewellery & Ornaments	0	2	0.00	0.05
18. Machinery & Equipment	0	2	0.00	0.04
19. Mining	0	1	0.00	0.08
20. Packaging	0	13	0.00	0.28
21. Pharmaceutical Products	0	2	0.00	0.03
22. Printing & Publishing	0	8	0.00	0.29
23. Professional Services	0	2	0.00	0.03
24. Property Development	8	29	11.61	8.25
25. Pulp & Paper	0	4	0.00	0.73
26. Textiles	0	24	0.00	0.84
27. Transportation	2	8	2.21	3.38
28. Vehicles & Parts	0	9	0.00	1.01
29. Warehouse & Silo	0	4	0.00	0.10
30. Others*	0	5	0.00	0.20
31. Companies under Rehabilitation	0	54	0.00	5.57
32. Unlisted Securities	2	0	0.00	0.00
33. Debentures & Convertibles	0	0	0.00	0.00
	37	394	98.71	100.00

Note:

* Stocks not classified under sectors listed above.

** Warrants, covered warrants and preferred shares are included in relevant sectors.

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II. TRANSACTIONS

For the year ended December 31, 2003, total listed investments purchased by the Company amounted to US\$6.75 million, while total sales amounted to US\$10.05 million. The net realized gains for the year amounted to US\$1.65 million.

A summary of purchases and sales by the Company during the year ended December 31, 2003 is as follows:—

Month	(US\$ Millions)		Capital Gains/ (Losses)
	Purchases	Sales	
January	0.76	0.91	0.02
February	0.88	0.84	(0.41)
March	0.54	0.66	(0.05)
April	0.88	1.04	0.14
May	0.28	0.29	0.07
June	0.10	0.28	0.00
July	0.27	0.27	0.07
August	0.21	1.57	0.37
September	0.00	1.81	0.49
October	0.94	0.66	0.31
November	0.97	1.01	0.40
December	0.92	0.71	0.24
Total	6.75	10.05	1.65

Using an exchange rate average at the end of each month during 2003: US\$1.00 = Baht 41.401.

III. PERFORMANCE

	December 31, 2003	December 31, 2002	% Change
NAV/Share (US\$)	0.47*	0.22	+111.64%
Baht/US\$ Exchange Rate	39.560	43.014	+8.73%
SET Index (Baht)	772.15	356.48	+116.60%
(US\$)	19.52	8.29	+135.46%
Performance to SET Index			-23.82%

* After adjusting for the dividend of US\$0.0656 per share paid to the shareholders recorded on the register of members as at the close of business on October 10, 2003.

During the year ended December 31, 2003, the net asset value per share of the Company increased by 111.64% in US\$ terms. Over the same period, the SET Index increased by 135.46% in US\$ terms. The Company underperformed the market by 23.82%.

	December 31, 2003	November 15, 1989	% Change since inception
NAV/Share (US\$)	1.27*¹	1.00*²	+26.56%
Baht/US\$ Exchange Rate	39.56	25.825	-34.72%
SET Index (Baht)	772.15	746.22	+3.47%
(US\$)	19.52	28.90	-32.46%
Performance to SET Index			+59.02%

*¹ After adjusting for the dividend of US\$0.8656 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 26.56% in US\$ terms. Over the same period, the SET Index decreased by 32.46% in US\$ terms. The Company outperformed the market by 59.02% since inception.

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IV. STATEMENT OF CHANGES IN INVESTMENTS

(For the year ended December 31, 2003)

LISTED SECURITIES	Number of shares				As at December 31, 2003	
	Holding at 1/1/03	Purchases	Sales	Holding at 31/12/03	Fair Value US\$	Percentage of Net Assets %
BANKING						
Bank of Ayudhya	—	1,930,900	442,000	1,488,900	530,675	2.62
Bangkok Bank	823,300	270,700	392,200	701,800	1,933,675	9.53
Kasikorn Bank	1,517,100	211,600	589,700	1,139,000	1,871,461	9.22
Kasikorn Bank — F	81,000	43,400	124,400	—	—	—
Krung Thai Bank	1,100	2,432,500	344,400	2,089,200	644,293	3.17
Siam Commercial Bank	367,700	773,000	253,400	887,300	1,233,607	6.08
					6,213,711	30.62
BUILDING AND FURNISHING						
Dynasty Ceramic	—	382,900	136,500	246,400	143,256	0.71
Siam Cement	389,500	157,900	150,900	396,500	2,545,779	12.54
Siam City Cement	132,032	—	92,700	39,332	226,686	1.12
Tycoons Worldwide Group	—	197,900	—	197,900	95,548	0.47
Tipco Asphalt	119,900	—	119,900	—	—	—
Thai Gypsum Product	—	1,072,900	1,072,900	—	—	—
Vanachai Group	—	522,200	—	522,200	167,643	0.83
					3,178,912	15.67
CHEMICALS AND PLASTICS						
Aromatics (Thailand)	—	393,000	393,000	—	—	—
National Petrochemical	178,300	19,100	41,100	156,300	561,036	2.77
Thai Olefins	—	220,300	—	220,300	406,519	2.00
					967,555	4.77
COMMERCE						
Big C Supercenter	276,400	—	276,400	—	—	—
Berli Jucker	—	71,000	—	71,000	131,016	0.65
					131,016	0.65
COMMUNICATION						
Advanced Info Service — F	—	173,900	173,900	—	—	—
Advanced Info Service	700,500	173,900	185,600	688,800	1,479,980	7.29
Shin Satellite	255,493	—	255,493	—	—	—
Shin Corporation	1,519,000	137,400	619,100	1,037,300	1,016,061	5.01
Telecom Asia Corporation	2,200	—	—	2,200	406	—
					2,496,447	12.30
ELECTRONIC COMPONENTS						
Cal-Comp Electronics (Thailand)	166,800	—	166,800	—	—	—
Delta Electronics	1,800	163,100	164,900	—	—	—
Hana Microelectronics	43,300	—	43,300	—	—	—
KCE Electronics	—	684,000	76,500	607,500	195,027	0.96
					195,027	0.96

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LISTED SECURITIES	Number of shares				As at December 31, 2003	
	Holding at 1/1/03	Purchases	Sales	Holding at 31/12/03	Fair Value US\$	Percentage of Net Assets %
ENERGY						
Banpu	266,100	—	266,100	—	—	—
Electricity Generating	323,700	48,200	258,900	113,000	257,078	1.27
PTT	489,000	321,200	359,600	450,600	2,107,205	10.38
PTT Exploration & Production	290,600	—	189,500	101,100	674,681	3.33
Ratchaburi Electricity Generating	491,900	—	345,900	146,000	180,839	0.89
					<u>3,219,803</u>	<u>15.87</u>
ENTERTAINMENT						
BEC World	85,000	—	47,800	37,200	212,518	1.05
Major Cineplex Group	230,000	—	230,000	—	—	—
					<u>212,518</u>	<u>1.05</u>
FINANCE & SECURITIES						
ABN AMRO Asia	85,800	76,800	85,800	76,800	172,781	0.85
Capital Nomura	61,600	—	61,600	—	—	—
Kiatnakin Finance	235,797	226,400	462,197	—	—	—
Krungthai Card	176,200	—	176,200	—	—	—
National Finance	670,900	451,500	492,000	630,400	266,119	1.31
Siam Sanwa Industrial Credit	1,165,600	—	1,165,600	—	—	—
Siam Panich Leasing	215,700	—	215,700	—	—	—
Tisco Finance	436,200	95,900	327,400	204,700	169,462	0.84
					<u>608,362</u>	<u>3.00</u>
FOOD & BEVERAGES						
Thai Union Frozen Products	219,900	—	219,900	—	—	—
					<u>—</u>	<u>—</u>
PROPERTY DEVELOPMENT						
Amata Corporation	1,780,000	—	968,600	811,400	305,608	1.51
Asian Property Development	1,700,000	—	250,000	1,450,000	210,756	1.04
Central Pattana	48,000	—	48,000	—	—	—
Italian-Thai Development	—	66,300	—	66,300	231,279	1.14
Land and Houses	3,715,000	836,800	2,515,700	2,036,100	633,064	3.12
L.P.N. Development	—	293,700	47,500	246,200	261,385	1.29
Noble Development	188,800	—	188,800	—	—	—
Powerline Engineering	—	430,400	—	430,400	195,834	0.96
Quality Houses	712,700	1,300	714,000	—	—	—
Supalai	—	2,329,400	—	2,329,400	261,439	1.29
Sino-Thai Engineering	—	692,100	199,800	492,300	256,355	1.26
					<u>2,355,720</u>	<u>11.61</u>
TRANSPORTATION						
Bangkok Expressway	700,900	—	348,700	352,200	222,573	1.10
Thoresen Thai Agencies	—	229,300	—	229,300	226,054	1.11
					<u>448,627</u>	<u>2.21</u>

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LISTED SECURITIES	Number of shares				As at December 31, 2003	
	Holding at 1/1/03	Purchases	Sales	Holding at 31/12/03	Fair Value US\$	Percentage of Net Assets %
WARRANTS						
Asian Property Development — W1	360,000	—	360,000	—	—	—
Land and Houses — W2	923,500	—	923,500	—	—	—
					—	—
TOTAL LISTED SECURITIES					<u>20,027,698</u>	<u>98.71</u>
UNLISTED SECURITIES						
HEALTH CARE SERVICES						
Piyavate Hospital	330,000	—	—	330,000	1	—
WARRANTS						
KfW-TA	237,821	—	—	237,821	—	—
TOTAL UNLISTED SECURITIES					<u>1</u>	<u>—</u>
TOTAL LISTED AND UNLISTED SECURITIES					<u>20,027,699</u>	<u>98.71</u>
NET CURRENT ASSETS					261,258	1.29
TOTAL NET ASSETS					<u>20,288,957</u>	<u>100.00</u>

V. THE YEAR 2003 IN REVIEW

For the year 2003, the Thai economy is poised to record one of the fastest growths in Asia. Up until the third quarter of 2003, the Thai economy showed a 6.3% growth from the same period last year. Private consumption and export remained an important driver of growth. Private consumption recorded a 5.8% growth for the first nine months compared to that same period a year ago. Export, which grew 12% for the year 2002, showed a 6.5% growth. Investment showed an increasing role as economic growth driver. The year-on-year growths of investment were 7.5%, 9.1% and 10.8% for the first, second and third quarter of 2003 respectively. All in all, investment grew 9.2% for the first nine months of the year. The National Economic and Social Development Board forecasted 2003 GDP growth of 6.3% and raised its 2004 GDP forecast from 6.5% - 8.5% to 7.0% - 8.0%. (Source: National Economic and Social Development Board) The country's external stability has also notably improved. Foreign reserve has risen to above US\$40 billion by the end of the third quarter of 2003, while total external debt has declined to US\$52 billion from above US\$100 billion during the financial crisis. (Source: The Bank of Thailand) Subsequently, during the year, Moody's Investor Services has raised Thailand's foreign currency ratings by two notches from Baa3 to Baa1.

Domestic interest rate edged down during the year, though most of the cut was in the first half of the year. The Bank of Thailand (BoT) has cut its policy interest rate (14-day repurchase rate) by a bold 50 basis points to 1.25% on June 27. This was an attempt to narrow the US and Thai interest rate differential which would lead to sharp strengthening of the baht and adding downward pressure on already low core inflation growth. Thai commercial banks subsequently cut both lending and deposit rates, claiming the large amount of excess liquidity.

For the stock market, the Thai market became the world's best performer with the SET index rising 116.60% for the year 2003. The SET index reached a 7-year high of 772.15 points at the end of 2003 versus the 356.48 points at the end of 2002.

In the first quarter, the SET index moved within the 350 and 380 range. The sustainable domestic economic expansions remained the influential positive factor supporting buying interests. These include: (1) announcement of favorable GDP growth and (2) improved exports and strong consumer confidence. Negative influences are externally driven, which included: (1) the geopolitical jitters over U.S.- Iraq war and looming North Korea tensions; (2) high oil prices and (3) ongoing unfavorable global stock market performances.

In the second and third quarter, The SET index performed very well rising 26.68% and 25.37% respectively. Early in the second quarter, positives from the prospect for the US-Iraq war ending in a short time period was dragged by the spread of SARS epidemic. Later on, strong results from both financial and non-financial companies buoyed market sentiment. Also, quarterly GDP growth for both the first and second quarter were better than market expectation, and the stock market reacted positively. Foreign capital inflow was also seen due to outlook for stronger Baht against US dollar. Domestically, low interest rate also caused the investors to seek better return prospect from investment in equity market. Few corrections were seen during the period, when negative news, such as warning from regulators against speculative activities in the market, encouraged profit taking.

In the last quarter of the year, the SET index recorded another 33.36% gain. While foreign investors continued to unload Thai shares, local institutional investors were major buyers. Most of the gain in the fourth quarter occurred in the month of December, when the market rallied by 19.52% due to significant gain in prices of major constituents of the index. Announcement of Thailand third quarter GDP triggered upward revision of both 2003 and 2004 GDP growth. In addition, the successful capital raising of the country's biggest commercial bank, Bangkok Bank, lent support to the market. Also, earning announcement and expectation for positive development from the Financial Master Plan attracted investors' interest to the banking sector. The energy sector surged after the Power Development Plan, which is drawn up by the Electricity Generating Authority of Thailand (EGAT), included upward revision of its forecast for the country's energy consumption.

With regards to the Company, major shift in the portfolio has been the reduction in energy sector in favor of banking sector. Ending their period of huge provision for non-performing loan, banks are expected to benefit from economic recovery. Other changes included the reduction of exposure in the finance sector, in view of their uncertain position upon the implementation of the new Financial Master Plan. We also have reduced exposure in residential property developers in favor of construction contractors. Looking forward, the former may be negatively affected by rising interest rate, while the latter should benefit from government infrastructure spending plan. Our sector shift did not yield positive result as major energy stocks outperformed the benchmark SET index with much larger extent than banks. Elsewhere the Fund benefited from strong performance of smaller holdings in the building materials and communication sectors.

VI. OUTLOOK FOR 2004

We remain positive for the case for investment in Thai equity. Economic expansion seems to be on track. Interest rate is likely to remain low, given low inflation and still abundant liquidity in the financial system. While consumer confidence remains at high level, private consumption should remain well supported. Rising capacity utilization in the manufacturing sector, together with rising corporate profits and strong financial position of Thai companies, bode well for future private investment. We are seeing consensus forecast for 6.6% GDP growth for the year 2004, after the above 6% growth in 2003.

With regards to the Thai stock market, while we do not anticipate gains as spectacular as in 2003, we expect a satisfactory absolute return for the SET index. Listed companies are expected to post 20% earning growth in 2004, following the very strong 2003. On valuation front, relative valuation of the Thai market, vis-à-vis others in the region, is not as compelling as last year. We expect earning growth, as opposed to both earning growth and valuation re-rating for the year 2003, to be a key driver for the Thai stock market for the year ahead. Risk factor includes an upturn of interest rate. Other rather unpredictable risk is terrorism. For the portfolio, we do not foresee significant shift in allocation. We favor banking sector to ride on the investment-led economic recovery. We favor building material and construction contractors for infrastructure spending plan. Other stock selection will be driven by earning growth outlook.