

MANAGEMENT REPORT FOR 2003

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.

* The Fund was renamed as Thai Asset 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 | 636,945 | 1,963,428 | 12.56 | 0.03 | 6.68 | 55,390.55 | 2.45 |
| 2. PTT | 356,317 | 1,625,063 | 10.40 | 0.02 | 11.35 | 41,705.38 | 3.92 |
| 3. Bangkok Bank | 822,528 | 1,491,448 | 9.54 | 0.04 | 4.42 | — | — |
| 4. Kasikorn Bank | 682,027 | 1,443,276 | 9.23 | 0.05 | 3.35 | — | — |
| 5. Advanced Info Service | 384,539 | 1,141,355 | 7.30 | 0.02 | 5.48 | 57,273.13 | 1.65 |
| 6. Siam Commercial Bank | 538,488 | 958,468 | 6.13 | 0.03 | 1.67 | — | — |
| 7. Shin Corporation | 319,722 | 783,620 | 5.01 | 0.04 | 2.50 | 34,399.65 | 2.53 |
| 8. PTT Exploration & Production | 326,377 | 523,863 | 3.35 | 0.02 | 3.78 | 24,177.83 | 2.63 |
| 9. Krung Thai Bank | 347,997 | 496,882 | 3.18 | 0.02 | 2.99 | — | — |
| 10. Land and Houses | 139,059 | 488,269 | 3.11 | 0.03 | 1.89 | 41,486.98 | 1.12 |

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.

MANAGEMENT REPORT FOR 2003

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 | 30.70 | 16.93 |
| 3. Building & Furnishing | 5 | 17 | 15.69 | 10.86 |
| 4. Chemicals & Plastics | 2 | 11 | 4.80 | 4.77 |
| 5. Commerce | 1 | 14 | 0.65 | 2.31 |
| 6. Communication | 3 | 12 | 12.31 | 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 | 15.92 | 19.17 |
| 10. Entertainment | 1 | 13 | 1.06 | 3.07 |
| 11. Finance & Securities | 3 | 27 | 3.01 | 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 | 11.62 | 8.25 |
| 25. Pulp & Paper | 0 | 4 | 0.00 | 0.73 |
| 26. Textiles | 0 | 24 | 0.00 | 0.84 |
| 27. Transportation | 2 | 8 | 2.22 | 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 | 7 | 0 | 0.00 | 0.00 |
| 33. Debentures & Convertibles | 0 | 0 | 0.00 | 0.00 |
| | 42 | 394 | 98.94 | 100.00 |
| | ===== | ===== | ===== | ===== |

Note: * Stocks not classified under sectors listed above.

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

MANAGEMENT REPORT FOR 2003

II. ACTIVITIES

For the year ended December 31, 2003, total listed investments purchased by the Company amounted to US\$5.21 million, while total sales amounted to US\$7.97 million. The net realized gains for the year amounted to US\$1.29 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 | 0.58 | 0.75 | 0.02 |
| February | 0.69 | 0.66 | (0.27) |
| March | 0.42 | 0.52 | (0.05) |
| April | 0.68 | 0.83 | 0.08 |
| May | 0.22 | 0.24 | 0.06 |
| June | 0.07 | 0.23 | 0.01 |
| July | 0.22 | 0.21 | 0.05 |
| August | 0.17 | 1.23 | 0.27 |
| September | 0.00 | 1.42 | 0.36 |
| October | 0.71 | 0.55 | 0.25 |
| November | 0.74 | 0.78 | 0.31 |
| December | 0.71 | 0.55 | 0.20 |
| Total | 5.21 ===== | 7.97 ===== | 1.29 ===== |

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

MANAGEMENT REPORT FOR 2003

III. PERFORMANCE

| | DEC 31, 2003 | DEC 31, 2002 | % CHANGE |
|--------------------------|--------------|--------------|----------|
| NAV/Share (US\$) | 3.86 | 1.75 | +120.57% |
| 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 | | | -14.89% |

During the year ended December 31, 2003, the net asset value per share of the Company increased by 120.57% in US\$ terms. Over the same period, the SET Index increased by 135.46% in US\$ terms. The Company underperformed the market by 14.89%.

| | DEC 31, 2003 | DEC 1, 1989 | % CHANGE Since Inception |
|--------------------------|--------------|-------------|-----------------------------|
| NAV/Share (US\$) | 12.93* | 10.00 | +29.30% |
| Baht/US\$ Exchange Rate | 39.560 | 25.765 | -34.87% |
| SET Index (Baht) | 772.15 | 769.14 | +0.39% |
| (US\$) | 19.52 | 29.85 | -34.61% |
| Performance to SET Index | | | +63.91% |

* After adjusting for dividend of US\$9.07 per share paid to shareholders since inception.

After adjusting for the dividend, the net asset value per share of the Company since inception increased by 29.30% in US\$ terms. Over the same period, the SET Index decreased by 34.61% in US\$ terms. The Company outperformed the market by 63.91%.

MANAGEMENT REPORT FOR 2003

IV. STATEMENT OF CHANGES IN INVESTMENTS

(For the year ended December 31, 2003)

| LISTED SECURITIES | Holding at 01/01/03 | Number of shares | | Holding at 31/12/03 | As at December 31, 2003 | |
|--------------------------------|------------------------|------------------|---------|------------------------|-------------------------|-----------------|
| | | Purchase | Sales | | Fair | Percentage of |
| | | | | | Value US\$ | Net Assets % |
| BANKING | | | | | | |
| Bank of Ayudhya | — | 1,500,300 | 352,100 | 1,148,200 | 409,242 | 2.62 |
| Bangkok Bank | 646,000 | 206,800 | 311,500 | 541,300 | 1,491,448 | 9.54 |
| Kasikorn Bank | 1,204,800 | 161,500 | 487,900 | 878,400 | 1,443,276 | 9.23 |
| Kasikorn Bank — F | 64,000 | 33,900 | 97,900 | — | — | — |
| Krung Thai Bank | 900 | 1,838,200 | 227,900 | 1,611,200 | 496,882 | 3.18 |
| Siam Commercial Bank | 286,600 | 599,900 | 197,100 | 689,400 | 958,468 | 6.13 |
| | | | | | <u>4,799,316</u> | <u>30.70</u> |
| BUILDING AND FURNISHING | | | | | | |
| Dynasty Ceramic | — | 299,200 | 109,200 | 190,000 | 110,465 | 0.71 |
| Siam Cement | 305,500 | 123,600 | 123,300 | 305,800 | 1,963,428 | 12.56 |
| Siam City Cement | 105,266 | — | 74,900 | 30,366 | 175,011 | 1.12 |
| Tycoons Worldwide Group | — | 152,600 | — | 152,600 | 73,677 | 0.47 |
| Tipco Asphalt | 94,800 | — | 94,800 | — | — | — |
| Thai Gypsum Product | — | 838,700 | 838,700 | — | — | — |
| Vanachai Group | — | 402,700 | — | 402,700 | 129,279 | 0.83 |
| | | | | | <u>2,451,860</u> | <u>15.69</u> |
| CHEMICALS AND PLASTICS | | | | | | |
| Aromatics (Thailand) | — | 307,100 | 307,100 | — | — | — |
| National Petrochemical | 140,100 | 14,400 | 33,100 | 121,400 | 435,764 | 2.79 |
| Thai Olefins | — | 169,900 | — | 169,900 | 313,516 | 2.01 |
| | | | | | <u>749,280</u> | <u>4.80</u> |
| COMMERCE | | | | | | |
| Big C Supercenter | 228,000 | — | 228,000 | — | — | — |
| Berli Jucker | — | 54,800 | — | 54,800 | 101,122 | 0.65 |
| | | | | | <u>101,122</u> | <u>0.65</u> |
| COMMUNICATION | | | | | | |
| Advanced Info Service — F | — | 135,900 | 135,900 | — | — | — |
| Advanced Info Service | 554,200 | 135,900 | 158,900 | 531,200 | 1,141,355 | 7.30 |
| Shin Satellite | 202,425 | — | 202,425 | — | — | — |
| Shin Corporation | 1,200,100 | 98,200 | 498,300 | 800,000 | 783,620 | 5.01 |
| Telecom Asia Corporation | 1,800 | — | — | 1,800 | 332 | — |
| | | | | | <u>1,925,307</u> | <u>12.31</u> |

MANAGEMENT REPORT FOR 2003

| LISTED SECURITIES | Holding at 01/01/03 | Number of shares | | Holding at 31/12/03 | As at December 31, 2003 | |
|-----------------------------------|------------------------|------------------|-----------|------------------------|-------------------------|-----------------|
| | | Purchase | Sales | | Fair Value | Percentage of |
| | | | | | US\$ | Net Assets % |
| ELECTRONIC COMPONENTS | | | | | | |
| Cal-Comp Electronics (Thailand) | 132,400 | — | 132,400 | — | — | — |
| Delta Electronics | 1,500 | 127,400 | 128,900 | — | — | — |
| Hana Microelectronics | 34,300 | — | 34,300 | — | — | — |
| KCE Electronics | — | 523,000 | 57,200 | 465,800 | 149,536 | 0.96 |
| | | | | | <u>149,536</u> | <u>0.96</u> |
| ENERGY | | | | | | |
| Banpu | 208,400 | — | 208,400 | — | — | — |
| Electricity Generating | 244,800 | 37,100 | 194,700 | 87,200 | 198,382 | 1.27 |
| PTT | 386,500 | 246,700 | 285,700 | 347,500 | 1,625,063 | 10.40 |
| PTT Exploration & Production | 228,400 | — | 149,900 | 78,500 | 523,863 | 3.35 |
| Ratchaburi Electricity Generating | 383,900 | — | 270,200 | 113,700 | 140,832 | 0.90 |
| | | | | | <u>2,488,140</u> | <u>15.92</u> |
| ENTERTAINMENT | | | | | | |
| BEC World | 66,400 | — | 37,500 | 28,900 | 165,101 | 1.06 |
| Major Cineplex Group | 182,000 | — | 182,000 | — | — | — |
| | | | | | <u>165,101</u> | <u>1.06</u> |
| FINANCE & SECURITIES | | | | | | |
| ABN Amro Asia | 67,600 | 59,300 | 67,600 | 59,300 | 133,410 | 0.85 |
| Capital Nomura | 48,700 | — | 48,700 | — | — | — |
| Kiatnakin Finance | 181,280 | 177,600 | 358,880 | — | — | — |
| Krungthai Card | 139,200 | — | 139,200 | — | — | — |
| National Finance | 517,500 | 359,900 | 387,600 | 489,800 | 206,766 | 1.32 |
| Siam Sanwa Industrial Credit | 925,600 | — | 925,600 | — | — | — |
| Siam Panich Leasing | 168,500 | — | 168,500 | — | — | — |
| Tisco Finance | 341,000 | 75,000 | 257,000 | 159,000 | 131,629 | 0.84 |
| | | | | | <u>471,805</u> | <u>3.01</u> |
| FOOD & BEVERAGES | | | | | | |
| Thai Union Frozen Products | 173,800 | — | 173,800 | — | — | — |
| | | | | | <u>—</u> | <u>—</u> |
| PROPERTY DEVELOPMENT | | | | | | |
| Amata Corporation | 1,406,500 | — | 776,100 | 630,400 | 237,436 | 1.52 |
| Asian Property Development | 1,000,000 | 106,000 | — | 1,106,000 | 160,756 | 1.03 |
| Central Pattana | 38,000 | — | 38,000 | — | — | — |
| Italian-Thai Development | — | 51,100 | — | 51,100 | 178,256 | 1.14 |
| Land and Houses | 2,998,000 | 560,000 | 1,987,600 | 1,570,400 | 488,269 | 3.11 |
| L.P.N. Development | — | 228,100 | 36,900 | 191,200 | 202,993 | 1.30 |
| Noble Development | 149,200 | — | 149,200 | — | — | — |
| Powerline Engineering | — | 331,900 | — | 331,900 | 151,016 | 0.97 |
| Quality Houses | 573,700 | — | 573,700 | — | — | — |
| Supalai | — | 1,796,400 | — | 1,796,400 | 201,618 | 1.29 |
| Sino-Thai Engineering | — | 538,900 | 159,200 | 379,700 | 197,720 | 1.26 |
| | | | | | <u>1,818,064</u> | <u>11.62</u> |

MANAGEMENT REPORT FOR 2003

| LISTED SECURITIES | Holding at 01/01/03 | Number of shares | | Holding at 31/12/03 | As at December 31, 2003 | |
|---|------------------------|------------------|---------|------------------------|-------------------------|----------------------------------|
| | | Purchase | Sales | | Fair Value US\$ | Percentage of Net Assets % |
| TRANSPORTATION | | | | | | |
| Bangkok Expressway | 554,700 | — | 283,100 | 271,600 | 171,638 | 1.10 |
| Thoresen Thai Agencies | — | 176,800 | — | 176,800 | 174,297 | 1.12 |
| | | | | | <u>345,935</u> | <u>2.22</u> |
| WARRANTS | | | | | | |
| Asian Property Development — W1 | 510,000 | — | 510,000 | — | — | — |
| Land and Houses — W2 | 730,000 | — | 730,000 | — | — | — |
| | | | | | <u>—</u> | <u>—</u> |
| TOTAL LISTED SECURITIES | | | | | <u>15,465,466</u> | <u>98.94</u> |
| UNLISTED SECURITIES | | | | | | |
| 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 | — |
| 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 | — | — |
| TOTAL UNLISTED SECURITIES | | | | | <u>6</u> | <u>—</u> |
| TOTAL LISTED AND UNLISTED SECURITIES | | | | | <u>15,465,472</u> | <u>98.94</u> |
| Net Current assets | | | | | <u>166,470</u> | <u>1.06</u> |
| TOTAL NET ASSETS | | | | | <u>15,631,942</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-a-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.