

## ***DIRECTORS' REPORT***

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In respect of the year ended December 31, 2003 the Directors of The Thai Asset Fund Limited submit the following report:

### **DIRECTORS**

Narong Chulajata\*

Dominic Kwok Chung Kwong

Andrew Lo Tak Shing

John Yang Chung Hsiung†

Heng Kwo Seng\*

Thomas Ng Tung Ming\*

Pichit Akrathit (appointed on January 15, 2003)

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

The Honourable Michael D'Arcy Benson (resigned on July 22, 2003)

\* Independent non-executive directors

† Non-executive director

In accordance with the Company's Articles of Association, Messrs. Dominic Kwok Chung Kwong, Narong Chulajata and John Yang Chung Hsiung 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 (the "Fund"), in which the Company is the sole unitholder.

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.

### **RESULTS**

The Company recorded an operating profit after taxation of US\$1,081,878 (2002: loss US\$571,721).

### **DIVIDENDS**

The Directors of the Company do not recommend the payment of a final dividend for the year ended December 31, 2003 (2002: 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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### ARRANGEMENTS AFFECTING DIRECTORS

- (a) The Honourable Michael D'Arcy Benson was and Mr. Andrew Lo is a director 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 Akrathit is a director of MFC Asset Management Public Company Limited, the Fund's Investment Manager, to which fees are payable by the Fund for acting in that capacity described in the Investment Contract.

- (b) 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.

### DISCLOSURE OF INTERESTS

#### (a) Interests of the Directors

As at December 31, 2003, the interests and short positions of the directors, including the chief executive of the Company, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

*Interests in shares in the Company (excluding interests in underlying shares held through debentures)*

Name of Director	Number of Shares		
	Personal interest	Family interest	Corporate interest
John Yang Chung Hsiung	105,365	32,420	81,050

*Note:*

John Yang Chung Hsiung is deemed to be interested in a total of 218,835 shares representing approximately 5.4% of the issued share capital of the Company, of which 81,050 shares are held through his 100% beneficial interest in Hsing Ta Cement Co. Ltd. and 32,420 shares through Ming Wang (the spouse of John Yang Chung Hsiung) as family interest.

Save as disclosed above, as at December 31, 2003, none of the directors of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

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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.

### (b) Substantial Shareholders

As at December 31, 2003, the following interests in shares were recorded in the register of interests and short positions required to be kept by the Company pursuant to section 336 of the SFO:

<u>Name</u>	<u>Personal interest</u>	<u>Family interest</u>	<u>Corporate interest</u>	<u>Total interest</u>	<u>% of issued Share Capital</u>
Heung Chit Kau (deceased)	—	—	3,735,000	3,735,000	74.70
Chan Wan Han	—	1,550,100	2,184,900	3,735,000	74.70
City of London Investment Management Company Limited	—	—	306,600	306,600	6.13
John Yang Chung Hsiung	130,000	40,000	100,000	270,000	5.40

#### Notes:

- (i) Heung Chit Kau (deceased) is deemed to be interested in a total of 3,735,000 shares, representing approximately 74.70% of the issued share capital of the Company, of which 2,184,900 shares and 1,550,100 shares are held through his 50% beneficial interest in Tai Tsuen Enterprises Limited and his 100% beneficial interest in Ince Assets Limited respectively.
- (ii) Chan Wan Han (the spouse of Heung Chit Kau (deceased)) is deemed to be interested in the same 3,735,000 shares as Heung Chit Kau (deceased), of which 2,184,900 shares are held through her 50% beneficial interest in Tai Tsuen Enterprises Limited and 1,550,100 shares through Heung Chit Kau (deceased) as family interest.
- (iii) As a result of the redemption of the Company's Participating Shares described on page 2 of this report, the personal interest/family interest/corporate interest of each of the abovenamed persons was/were reduced to the following numbers although their respective percentages of shareholdings remained substantially the same:

<u>Name</u>	<u>Personal interest</u>	<u>Family interest</u>	<u>Corporate interest</u>	<u>Total interest</u>	<u>% of issued Share Capital</u>
Heung Chit Kau (deceased)	—	—	3,027,212	3,027,212	74.70
Chan Wan Han	—	1,256,354	1,770,858	3,027,212	74.70
City of London Investment Management Company Limited	—	—	252,746	252,746	6.24
John Yang Chung Hsiung	105,365	32,420	81,050	218,835	5.40

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According to the register of interests in shares and short positions kept by the Company under section 336 of the SFO and so far as was known to the directors, other than the interests disclosed above, there were no persons who, as at December 31, 2003, had notified to the Company any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or in any options in respect of such capital.

### **ARRANGEMENTS TO PURCHASE, SELL OR REDEEM SHARES**

Further to the reporting in the Company's 2003 Interim Report and the Announcement of September 19, 2003 in relation to the redemption of the Company's Participating Shares, a total of 947,475 Participating Shares with an aggregate price of US\$2,567,657.25 were redeemed on October 10, 2003. Relevant details are set out in Notes 1 and 11 to the financial statements.

As a result of such redemption, the total issued Participating Shares of the Company as at December 31, 2003 was 4,052,525.

Save as mentioned above, the Company did not purchase, sell, redeem or cancel any of its shares during the year ended December 31, 2003.

### **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 year 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;

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- 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) Law, 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.

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, 2003 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.

### **CHANGE OF SECRETARY**

Following the approval by the Board on July 23, 2003, Mr. Jeremy Simpson was appointed as the Company Secretary in place of Mr. Anton Allen effective July 23, 2003.

For and on behalf of the Board

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**Pichit Akrathit**

*Director*

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**Andrew Lo Tak Shing**

*Director*

April 8, 2004