

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, 2004, 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. PTT	538,733	1,610,694	13.74	0.01	11.10	53,704	2.61
2. Siam Cement	462,996	1,419,441	12.11	0.02	6.72	77,912	—
3. Advanced Info Service	356,395	1,180,480	10.07	0.01	7.23	71,374	0.77
4. Bangkok Bank	592,033	1,030,645	8.79	0.02	4.55	12,097	—
5. Kasikorn Bank	422,438	667,871	5.69	0.02	2.85	—	—
6. Shin Corporation	182,213	654,707	5.58	0.02	2.69	48,381	0.95
7. PTT Exploration and Production	319,769	589,349	5.02	0.01	4.35	18,008	—
8. Siam Commercial Bank	360,778	571,987	4.88	0.01	1.91	28,308	—
9. Banpu	238,077	271,895	2.32	0.03	0.95	10,581	1.79
10. Krung Thai Bank	234,713	248,520	2.12	0.01	2.31	25,164	1.21

Exchange rate as at December 31, 2004 and used in these financial statements: US\$1.00 = Baht 39.021

The companies numbered 1, 7 and 9 are in the Energy sector, numbered 2 is in the Building and Furnishing sector, numbered 3 and 6 are in the Communication sector, numbered 4, 5, 8 and 10 are in the Banking 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	1.09
2. Banking	4	12	21.48	15.78
3. Building & Furnishing	4	29	15.67	11.42
4. Chemicals & Plastics	3	13	4.93	4.30
5. Commerce	1	13	0.50	2.30
6. Communication	3	17	15.87	12.78
7. Electrical Products & Computer	0	17	0.00	0.80
8. Electronic Components	1	10	0.92	1.20
9. Energy	6	15	25.84	22.15
10. Entertainment	0	15	0.00	2.60
11. Finance & Securities	3	33	3.37	3.75
12. Food & Beverages	0	23	0.00	1.43
13. Health Care Services	0	12	0.00	0.73
14. Hotel & Travel Services	0	12	0.00	0.87
15. Household Goods	0	8	0.00	0.23
16. Insurance	0	20	0.00	0.82
17. Jewellery & Ornaments	0	2	0.00	0.05
18. Machinery & Equipment	0	2	0.00	0.03
19. Mining	0	1	0.00	0.08
20. Packaging	0	15	0.00	0.47
21. Pharmaceutical Products	0	4	0.00	0.09
22. Printing & Publishing	0	8	0.00	0.27
23. Professional Services	0	4	0.00	0.09
24. Property Development	6	40	6.20	6.57
25. Pulp & Paper	0	4	0.00	0.68
26. Textiles	0	25	0.00	0.77
27. Transportation	3	8	3.80	5.49
28. Vehicles & Parts	0	12	0.00	0.82
29. Warehouse & Silo	0	5	0.00	0.10
30. Others*	0	0	0.00	0.00
31. Companies under Rehabilitation	0	38	0.00	2.24
32. Unlisted Securities	2	0	0.00	0.00
33. Debentures & Convertibles	0	0	0.00	0.00
	36	437	98.58	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, 2004, total listed investments purchased by the Company amounted to US\$2.18 million, while total sales amounted to US\$8.54 million. The net realized gains for the year amounted to US\$3.26 million.

A summary of purchases and sales by the Company during the year ended December 31, 2004 is as follows:—

(US\$ Millions)			
Month	Purchases	Sales	Capital Gains/ (Losses)
January	1.17	1.43	0.72
February	0.13	0.32	0.13
March	0.00	—	—
April	0.03	0.19	0.03
May	0.10	0.16	0.03
June	0.12	0.06	0.01
July	0.17	0.08	0.05
August	0.06	0.21	0.09
September	0.03	0.06	(0.01)
October	0.10	1.60	0.37
November	0.13	2.16	0.83
December	0.14	2.27	1.01
Total	2.18	8.54	3.26

Using an exchange rate average at the end of each month during 2004: US\$1.00 = Baht 40.261.

III. PERFORMANCE

	December 31, 2004	December 31, 2003	% Change
NAV/Share (US\$)	0.36^{*1}	0.47^{*2}	-22.68%
Baht/US\$ Exchange Rate	39.021	39.560	+1.38%
SET Index (Baht)	668.10	772.15	-13.48%
(US\$)	17.12	19.52	-12.30%
Performance to SET Index			-10.38%

^{*1} After adjusting for the dividend of US\$0.1319 per share declared and approved to be paid to the shareholder recorded on the register of members as at the close of business on January 11, 2005.

^{*2} 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, 2004, the net asset value per share of the Company decreased by 22.68% in US\$ terms. Over the same period, the SET Index decreased by 12.30% in US\$ terms. The Company underperformed the market by 10.38%.

	December 31, 2004	November 15, 1989	% Change since inception
NAV/Share (US\$)	1.23^{*1}	1.00^{*2}	+22.56%
Baht/US\$ Exchange Rate	39.021	25.825	-33.82%
SET Index (Baht)	668.10	746.22	-10.47%
(US\$)	17.12	28.90	-40.76%
Performance to SET Index			+63.32%

^{*1} After adjusting for the dividend of US\$0.9975 per share declared or 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 22.56% in US\$ terms. Over the same period, the SET Index decreased by 40.76% in US\$ terms. The Company outperformed the market by 63.32% since inception.

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IV. STATEMENT OF CHANGES IN INVESTMENTS

(For the year ended December 31, 2004)

LISTED SECURITIES	Number of shares				As at December 31, 2004	
	Holding at 1/1/04	Purchases	Sales	Holding at 31/12/04	Fair Value US\$	Percentage of Net Assets %
BANKING						
Bank of Ayudhya	1,488,900	286,200	1,775,100	—	—	—
Bangkok Bank	701,800	—	315,100	386,700	1,030,645	8.79
Kasikorn Bank	1,139,000	—	642,600	496,400	667,871	5.69
Krung Thai Bank	2,089,200	—	1,011,700	1,077,500	248,520	2.12
Siam Commercial Bank	887,300	—	431,800	455,500	571,987	4.88
					<u>2,519,023</u>	<u>21.48</u>
BUILDING AND FURNISHING						
Dynasty Ceramic	246,400	63,100	—	309,500	124,527	1.06
Pacific Pipe	—	3,900	3,900	—	—	—
Siam Cement	396,500	—	169,500	227,000	1,419,441	12.11
Siam City Cement	39,332	—	9,600	29,732	185,915	1.58
Tycoons Worldwide Group	197,900	—	197,900	—	—	—
Vanachai Group	522,200	—	—	522,200	107,729	0.92
					<u>1,837,612</u>	<u>15.67</u>
CHEMICALS AND PLASTICS						
Aromatics (Thailand)	—	224,700	85,300	139,400	223,277	1.90
National Petrochemical	156,300	—	109,400	46,900	128,605	1.10
Thai Olefins	220,300	—	88,700	131,600	225,960	1.93
					<u>577,842</u>	<u>4.93</u>
COMMERCE						
Berli Jucker	71,000	—	36,000	35,000	59,199	0.50
					<u>59,199</u>	<u>0.50</u>
COMMUNICATION						
Advanced Info Service	688,800	—	258,300	430,500	1,180,480	10.07
Shin Corporation	1,037,300	—	394,600	642,700	654,707	5.58
True Corporation ¹	2,200	—	2,200	—	—	—
CS Loxinfo	—	19,600	19,600	—	—	—
United Communication	—	14,400	—	14,400	25,648	0.22
					<u>1,860,835</u>	<u>15.87</u>
ELECTRONIC COMPONENTS						
KCE Electronics	607,500	—	51,600	555,900	107,559	0.92
					<u>107,559</u>	<u>0.92</u>

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LISTED SECURITIES	Number of shares				As at December 31, 2004	
	Holding at 1/1/04	Purchases	Sales	Holding at 31/12/04	Fair Value US\$	Percentage of Net Assets %
ENERGY						
Banpu	—	99,500	29,700	69,800	271,895	2.32
Electricity Generating	113,000	30,600	18,500	125,100	237,241	2.02
PTT	450,600	73,300	160,600	363,300	1,610,694	13.74
PTT Exploration & Production	101,100	13,500	35,300	79,300	589,349	5.02
Ratchaburi Electricity Generating	146,000	—	6,100	139,900	136,239	1.16
Thai Oil	—	141,500	—	141,500	184,939	1.58
					<u>3,030,357</u>	<u>25.84</u>
ENTERTAINMENT						
BEC World ^{*2}	372,000	—	372,000	—	—	—
MCOT	—	50,500	50,500	—	—	—
					<u>—</u>	<u>—</u>
FINANCE & SECURITIES						
Asia Plus Securities ^{*3}	76,800	23,200	37,000	63,000	115,438	0.98
National Finance	630,400	—	193,700	436,700	152,203	1.30
Tisco Finance	204,700	—	—	204,700	127,475	1.09
					<u>395,116</u>	<u>3.37</u>
FOOD & BEVERAGES						
Oishi Group	—	12,600	12,600	—	—	—
					<u>—</u>	<u>—</u>
PROPERTY DEVELOPMENT						
Amata Corporation	811,400	—	558,700	252,700	61,198	0.52
Asian Property Development	1,450,000	—	655,100	794,900	74,558	0.64
Italian-Thai Development ^{*4}	663,000	497,400	424,400	736,000	181,072	1.54
Land & Houses	2,036,100	328,800	1,433,200	931,700	241,157	2.06
L.P.N. Development ^{*5}	2,462,000	615,500 ^{*6}	3,077,500	—	—	—
Powerline Engineering	430,400	—	218,900	211,500	78,592	0.67
Seafco	—	11,100	11,100	—	—	—
Supalai	2,329,400	—	2,329,400	—	—	—
Sino-Thai Engineering	492,300	53,000	130,000	415,300	89,933	0.77
					<u>726,510</u>	<u>6.20</u>
TRANSPORTATION						
Bangkok Expressway	352,200	—	176,300	175,900	118,331	1.01
Thai Airways International	—	147,900	—	147,900	183,828	1.57
Thoresen Thai Agencies	229,300	46,600	121,700	154,200	143,250	1.22
					<u>445,409</u>	<u>3.80</u>
TOTAL LISTED SECURITIES					<u><u>11,559,462</u></u>	<u><u>98.58</u></u>

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UNLISTED SECURITIES	Number of shares				As at December 31, 2004	
	Holding at 1/1/04	Purchases	Sales	Holding at 31/12/04	Fair Value US\$	Percentage of Net Assets %
BUILDING AND FURNISHING						
Pacific Pipe — N	—	3,900	3,900	—	—	—
COMMUNICATION						
CS Loxinfo — N	—	19,600	19,600	—	—	—
MCOT — N	—	50,500	50,500	—	—	—
ENERGY						
Thai Oil — N	—	48,200	48,200	—	—	—
FOOD & BEVERAGES						
Oishi Group — N	—	12,600	12,600	—	—	—
HEALTH CARE SERVICES						
Piyavate Hospital	330,000	—	—	330,000	1	—
PROPERTY DEVELOPMENT						
Seafco — N	—	11,100	11,100	—	—	—
WARRANTS						
KfW-TA	237,821	—	—	237,821	—	—
TOTAL UNLISTED SECURITIES					<u>1</u>	<u>—</u>
TOTAL LISTED AND UNLISTED SECURITIES					<u>11,559,463</u>	<u>98.58</u>
NET CURRENT ASSETS					166,030	1.42
TOTAL NET ASSETS					<u>11,725,493</u>	<u>100.00</u>

*1 Telecom Asia Corporation has changed it's name to True Corporation during the year.

*2 BEC World — par value changed from 10 baht to 1 baht effective form January 6, 2004.

*3 ABN AMRO Asia has merged with Asset Plus Securities to form a corporation namely Asia Plus Securities during the year.

*4 Italian — Thai Development — par value changed from 10 baht to 1 baht effective from April 19, 2004.

*5 L.P.N. Development — par value changed from 10 baht to 1 baht effective from April 20, 2004.

*6 L.P.N. Development — capital increase right 4 news: 1 old @ 2 baht.

V. THE YEAR 2004 IN REVIEW

For the year 2004, the Thai economy expanded moderately with a slowdown in the second half of the year, mainly from high oil prices as well as softer consumer and investor confidence due to uncertainties such as the avian influenza epidemic, the on-going unrest in the South, and the December 26 tsunami disaster.

Despite a number of risks, the economy was able to register the growth rate of 6.4% in the first three quarters of 2004. Domestic consumption and private investments were the key drivers of the economy. Even though exports growth was strong, imports of capital and raw materials goods grew faster and curbed down the economic growth. Government spending was muted. Several unexpected negative factors caused economists to revise down Thailand's 2004 GDP growth forecasts twice in 2004. The Bank of Thailand's GDP forecast declined to 5.5-6.5% from 6.3-7.3%. The baht was also weakened to hit the lowest of the year at Baht41.78/US dollar, before recovered to close the year almost unchanged from that in 2003. Interest rates were on the rise to curb down inflation and in line with the upward adjustments of the Fed funds rate. The policy rate rose 0.50% to 2%, a 0.25% in October and another 0.25% in December 2004. In January 2004, the Government decided to subsidize gasoline and diesel prices. The subsidy of diesel will last until end of winter in March 2005, while the gasoline prices were reverted to float in October 2004. Since November 2004, there were signs of economic recovery after the decline in oil prices.

Unfortunately, on December 26, 2004, the tsunami devastated numerous Asian countries along the coastline of the Indian Ocean with close to 220,000 victims. Some of Thailand's prime tourist attractions were severely damaged, in particular in and around Phuket Province, which accounted for approximately 30% of tourist arrivals and contributed to 25% of travel receipts. Economists think its effect on the Thai GDP in 2005 to be around 0.3-0.5% cut in their GDP forecasts.

The near-term economic fallout from the tsunami incident should be compensated by campaign-related spending ahead of February 6, 2005 general elections as the term of the government led by the Thai Rak Thai (TRT) Party officially ends on January 5, 2005. For the longer term, reconstruction activity in the affected areas and diversions of tourists to other non-affected areas in the country should lessen the negative impacts from the tourist slump.

For the stock market, after rising about 116% last year, the Thai stock market plunged 13.48% in the year 2004. Negative factors came in a series, dragged the SET index down to test a low at 580 points in June 2004 before recovered to close the year end at 668.10 points. Even though foreign investors were net-buyers of Baht5.6 billion in 2004, they were the major net sellers during the first eight months. Stocks in the communications sector out-performed the most for the year 2004, surging 14.69%.

The SET index did a good start for 2004, continued its upward momentum and surged from 772.15 points at the end of 2003 to 794 points within the first few trading days of 2004. However, the rest of the year was not as rosy. Avian influenza, Thailand southern unrests only turned out to be excuses for investors to take profits.

The worst was not over for the second quarter of 2004. In May 2004, selling pressures accelerated across the Asian markets, including Thailand. China announced the plan to cool down its overheated economy while the US Federal Reserve poised to hike its policy interest rate to curb inflation. Oil prices also became another threat when they rallied over \$40/barrel in May 2004. These factors had pressured the Thai stock market during the second and third quarter of 2004.

The market started to recover, especially when oil prices began to decline in November. Foreign investors returned to participate more in Asian stock markets, including Thai, triggered by expectation of stronger Asian currencies against US dollar. The strengthening of the Baht continued to fuel foreigners' appetite for Thai stocks in December 2004. Unfortunately, the rally was capped by concerns over the impacts from tsunami, which devastated Thailand's southern west coast and other areas of Asia on December 26, 2004.

The equity holding has increased substantially from 93.97% at the end of June 2004 to 98.58%. However the portfolio structure has changed slightly since its last report period. The Company reduced stocks proportionately at the second phase redemptions in fourth quarter of 2004. The listing of Thai Oil, one of Thailand's largest refinery complexes, made energy the largest sector of the Company. The investment also focused on the utility stock, EGCOMP, and Thai Oil, based on its compelling valuation and bright business outlook of the oil refinery business, respectively.

Banking was the second largest holding of the Company. In July, news of increased non-performing loans at Krung Thai Bank, the largest state-owned bank, and concerns that the Bank of Thailand might tighten loan loss reserves policy. These factors had spread concerns over other banks' earnings. On the positive front, loan growth continued to accelerate in line with improving investment. For the building materials sector, the overweight in Siam Cement is remaining as the high revenue growth from its petrochemical business. Meanwhile the cement business continued to do well, with demand growth of 13% YoY during the first 11 months of 2004. Government infrastructure projects should help sustain its growth rate in the coming years.

The National Telecommunication Committee (NTC) was finally set up in August 2004, the biggest move in telecom liberalization. This helped push up the telecom stock prices. We are foreseeing more developments in this sector in 2005, which in turn, should benefit the private operators in the telecommunication sector. Advance Info Service remained the Company's biggest holding in this sector with a strong balance sheet and high dividends yield although the industry entered the mature stage.

VI. OUTLOOK FOR 2005

The Thai economy growth rate for 2004 was 6.1% with high exports from the US and China, cushioned by increasing government spending as those by the private sector continue to decelerate well into 2005 in line with global slowdown. On March 23, 2005, the government raised the diesel price by 3.00 baht/liter to 18.19 baht. This is the second raise; the first one was 0.60 baht/liter on February 22, 2005. Uncertainty and volatility in world oil prices for the period, are likely to continue and it will directly impact on the Thai economy with higher inflation. The Ministry of Commerce revised upward its inflation forecast to 3.0-3.75% for 2005 from 2.5-3.5%. The economic growth in the first quarter would fall below 4% because of higher oil prices, the tsunami disaster, and drought. However, strengthening in the US and China economies together with government infrastructure projects should allow the Thai economic engine to resume its growth in the second half of 2005. The economy growth rate is expected to be 4.55-5.26% for 2005.

However, The Thai stock market's valuation is still attractive, trading at 2005 PER of 9.21 times, compared with the regional average of 11.79 times. Furthermore, the Thai corporate earnings growth is forecasted to be around 10.88% for 2005, higher than the regional average of 8.59%. Although the lifting of diesel subsidies in March 2005 will be a threat for the market, it has already been discounted in the market. Dividend yield is also attractive at 4.6% as many corporates have been raising their payout ratio as a result of improving balance sheet.