

MANAGEMENT REPORT FOR 2004

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, 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	411,015	1,228,526	8.74	0.01	11.10	41,424	10.15
2. Siam Cement	365,527	1,082,402	7.70	0.01	6.72	60,106	—
3. Advanced Info Service	240,941	900,236	6.41	0.01	7.23	54,759	3.99
4. Bangkok Bank	454,303	785,977	5.59	0.02	4.55	9,289	—
5. Kasikorn Bank	297,943	509,245	3.63	0.02	2.85	—	—
6. Shin Corporation	198,575	499,256	3.55	0.02	2.69	37,313	1.85
7. PTT Exploration & Production	268,909	449,630	3.20	0.01	4.35	13,925	—
8. Siam Commercial Bank	275,022	436,116	3.10	0.01	1.91	21,832	—
9. Banpu	181,393	206,842	1.47	0.02	0.95	8,117	1.56
10. Krung Thai Bank	179,949	189,544	1.35	0.01	2.31	19,407	4.72

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	13.67	15.78
3. Building & Furnishing	4	29	9.98	11.42
4. Chemicals & Plastics	3	13	3.14	4.30
5. Commerce	1	13	0.32	2.30
6. Communication	3	17	10.10	12.78
7. Electrical Products & Computer	0	17	0.00	0.80
8. Electronic Components	1	10	0.59	1.20
9. Energy	6	15	16.44	22.15
10. Entertainment	0	15	0.00	2.60
11. Finance & Securities	3	33	2.16	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	3.94	6.57
25. Pulp & Paper	0	4	0.00	0.68
26. Textiles	0	25	0.00	0.77
27. Transportation	3	8	2.42	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	7	0	0.00	0.00
33. Debentures & Convertibles	0	0	0.00	0.00
	41	437	62.76	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. ACTIVITIES

For the year ended December 31, 2004, total listed investments purchased by the Company amounted to US\$1.72 million, while total sales amounted to US\$6.73 million. The net realized gains for the year amounted to US\$2.54 million.

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

Month	(US\$ Millions)		Capital Gains
	Purchases	Sales	
January	0.91	1.11	0.55
February	0.10	0.25	0.10
March	0.00	—	—
April	0.03	0.15	0.01
May	0.07	0.13	0.03
June	0.09	0.05	0.01
July	0.13	0.07	0.05
August	0.05	0.18	0.08
September	0.02	0.05	0.00
October	0.10	1.32	0.31
November	0.12	1.69	0.62
December	0.10	1.73	0.78
Total	1.72 =====	6.73 =====	2.54 =====

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

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III. PERFORMANCE

	DEC 31, 2004	DEC 31, 2003	% CHANGE
NAV/Share (US\$)	3.47	3.86	-10.10%
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			+2.20%

During the year ended December 31, 2004, the net asset value per share of the Company decreased by 10.10% in US\$ terms. Over the same period, the SET Index decreased by 12.30% in US\$ terms. The Company outperformed the market by 2.20%.

	DEC 31, 2004	DEC 1, 1989	% CHANGE Since Inception
NAV/Share (US\$)	12.54*	10.00	+25.40%
Baht/US\$ Exchange Rate	39.021	25.765	-33.97%
SET Index (Baht)	668.10	769.14	-13.14%
(US\$)	17.12	29.85	-42.65%
Performance to SET Index			+68.05%

* 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 25.40% in US\$ terms. Over the same period, the SET Index decreased by 42.65% in US\$ terms. The Company outperformed the market by 68.05%.

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IV. STATEMENT OF CHANGES IN INVESTMENTS

(For the year ended December 31, 2004)

LISTED SECURITIES	Holding at 01/1/04	Number of shares		Holding at 31/12/04	As at December 31, 2004	
		Purchases	Sales		Fair Value US\$	Percentage of Net Assets %
BANKING						
Bank of Ayudhya	1,148,200	221,000	1,369,200	—	—	—
Bangkok Bank	541,300	—	246,400	294,900	785,977	5.59
Krung Thai Bank	1,611,200	—	789,400	821,800	189,544	1.35
Siam Commercial Bank	689,400	—	342,100	347,300	436,116	3.10
Kasikorn Bank	878,400	—	499,900	378,500	509,245	3.63
					<u>1,920,882</u>	<u>13.67</u>
BUILDING AND FURNISHING						
Dynasty Ceramic	190,000	48,700	—	238,700	96,040	0.68
Pacific Pipe Plc	—	3,000	3,000	—	—	—
Siam Cement	305,800	—	132,700	173,100	1,082,402	7.70
Siam City Cement	30,366	—	7,700	22,666	141,731	1.01
Tycoons Worldwide Group	152,600	—	152,600	—	—	—
Vanachai Group	402,700	—	—	402,700	83,077	0.59
					<u>1,403,250</u>	<u>9.98</u>
CHEMICALS AND PLASTICS						
Aromatics (Thailand)	—	173,300	67,000	106,300	170,261	1.21
National Petrochemical	121,400	—	85,700	35,700	97,893	0.70
Thai Olefins	169,900	—	69,600	100,300	172,217	1.23
					<u>440,371</u>	<u>3.14</u>
COMMERCE						
Berli Jucker	54,800	—	27,800	27,000	45,668	0.32
					<u>45,668</u>	<u>0.32</u>
COMMUNICATION						
Advanced Info Service	531,200	—	202,900	328,300	900,236	6.41
CS Loxinfo	—	15,100	15,100	—	—	—
Shin Corporation	800,000	—	309,900	490,100	499,256	3.55
True Corporation ^{*1}	1,800	—	1,800	—	—	—
United Communication	—	10,900	—	10,900	19,414	0.14
					<u>1,418,906</u>	<u>10.10</u>
ELECTRONIC COMPONENTS						
KCE Electronics	465,800	—	39,500	426,300	82,483	0.59
					<u>82,483</u>	<u>0.59</u>

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LISTED SECURITIES	Holding at 01/1/04	Number of shares		Holding at 31/12/04	As at December 31, 2004	
		Purchases	Sales		Fair Value US\$	Percentage of Net Assets %
ENERGY						
Banpu	—	76,000	22,900	53,100	206,842	1.47
Electricity Generating	87,200	22,300	14,100	95,400	180,918	1.29
PTT	347,500	56,600	127,000	277,100	1,228,526	8.74
PTT Exploration & Production	78,500	8,900	26,900	60,500	449,630	3.20
Ratchaburi Electricity Generating	113,700	106,700	113,700	106,700	103,908	0.74
Thai Oil	—	107,900	—	107,900	141,024	1.00
					2,310,848	16.44
ENTERTAINMENT						
BEC World*2	289,000	—	289,000	—	—	—
MCOT	—	38,500	38,500	—	—	—
					—	—
FINANCE & SECURITIES						
Asia Plus Securities*3	59,300	17,800	29,100	48,000	87,953	0.63
National Finance	489,800	—	156,600	333,200	116,130	0.83
Tisco Finance	159,000	—	—	159,000	99,016	0.70
					303,099	2.16
FOODS & BEVERAGES						
Oishi Group	—	9,600	9,600	—	—	—
PROPERTY DEVELOPMENT						
Amata Corporation	630,400	—	437,600	192,800	46,692	0.33
Asian Property Development	1,106,000	—	499,900	606,100	56,849	0.41
Italian-Thai Development*4	511,000	374,600	324,300	561,300	138,092	0.98
Land and Houses	1,570,400	253,500	1,113,000	710,900	184,006	1.30
L.P.N. Development*5	1,912,000	478,000*6	2,390,000	—	—	—
Powerline Engineering	331,900	—	170,600	161,300	59,938	0.43
Seafco	—	8,400	8,400	—	—	—
Supalai	1,796,400	—	1,796,400	—	—	—
Sino-Thai Engineering	379,700	40,800	103,100	317,400	68,733	0.49
					554,310	3.94
TRANSPORTATION						
Bangkok Expressway	271,600	—	137,500	134,100	90,211	0.64
Thai Airways International	—	112,700	—	112,700	140,077	1.00
Thoresen Thai Agencies	176,800	33,600	92,800	117,600	109,249	0.78
					339,537	2.42
TOTAL LISTED SECURITIES					8,819,354	62.76

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		Number of shares			As at December 31, 2004	
UNLISTED SECURITIES	Holding at 01/1/04	Purchases	Sales	Holding at 31/12/04	Fair Value US\$	Percentage of Net Assets %
CONSTRUCTION						
Pacific Pipe - N	—	3,000	3,000	—	—	—
COMMUNICATION						
CS Loxinfo - N	—	15,100	15,100	—	—	—
MCOT - N	—	38,500	38,500	—	—	—
					—	—
ELECTRICAL EQUIPMENT						
SPEC Thai	105,000	—	—	105,000	1	—
ENERGY						
Thai Oil - N	—	36,700	36,700	—	—	—
FOODS & BEVERAGES						
Oishi Group - N	—	9,600	9,600	—	—	—
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	—
					2	—
INSURANCE						
Rattanakosin Insurance	50,850	—	—	50,850	1	—
PROPERTY DEVELOPMENT						
Alpine Real Estate	2,055,000	—	—	2,055,000	1	—
Seafo - N	—	8,400	8,400	—	—	—
					1	—
WARRANTS						
KfW - TA	191,747	—	—	191,747	—	—
TOTAL UNLISTED SECURITIES					6	—
TOTAL LISTED AND UNLISTED SECURITIES					8,819,360	62.76
Net current assets					5,232,788	37.24
TOTAL NET ASSETS					14,052,148	100.00

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

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

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

*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 Baht 41.78/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 Baht 5.6 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 decreased substantially from 94.17% at the end of June 2004 to 62.76%. 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.