

DIRECTORS' REPORT

In respect of the year ended December 31, 2004 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

* Independent non-executive directors

† Non-executive director

In accordance with the Company's Articles of Association, Messrs. Andrew Lo Tak Shing, Thomas Ng Tung Ming and Pichit Akrathit 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 Thai Asset Open-end Fund (formerly named as The Thai Asset Fund) (the "Fund"), in which the Company is the sole unitholder.

RESULTS

The Company recorded net profit after taxation of US\$2,596,630 (2003: profit US\$1,081,878).

DIVIDENDS

The Directors of the Company do not recommend the payment of a final dividend for the year ended December 31, 2004 (2003: 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.

DIRECTORS' REPORT

ARRANGEMENTS AFFECTING DIRECTORS

- (a) 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.

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, 2004, the interests of the directors of the Company in the shares of the Company disclosed pursuant to section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

<u>Name of Director</u>	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.

Other than as disclosed above, none of the directors had any interests or short positions in the shares of the Company which were required to be recorded in the register pursuant to section 352 of the SFO.

DIRECTORS' REPORT

(b) Substantial Shareholders

As at December 31, 2004, 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 on October 10, 2003, 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

ARRANGEMENTS TO PURCHASE, SELL OR REDEEM SHARES

The Company did not purchase, sell, redeem or cancel any of its shares during the year ended December 31, 2004.

DIRECTORS' REPORT

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;
- 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.

DIRECTORS' REPORT

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 Kwoo Seng and Thomas Ng Tung Ming, was established on June 28, 1999. Following the approval by the Board on September 20, 2004, Mr. Narong Chulajata was appointed as an additional audit committee member in order to comply with the requirements of new Hong Kong Main Board Listing Rules.

By reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public 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”).

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, 2004 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.

For and on behalf of the Board

Pichit Akrathit

Director

Andrew Lo Tak Shing

Director

April 22, 2005