

# THAILAND CONNECTS TO AEC

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**W**hen Yingluck Shinawatra became Thailand's first ever female Prime Minister following her landslide victory in the August 2011 elections, the businesswoman-turned-politician's relatively youthful age of 45 made her the country's youngest leader for more than 60 years, immediately resulting in an injection of fresh new life and promise into the nation and its governance.

Through her sincere campaign for "national reconciliation" – a direct reaction to the prolonged political turmoil which increasingly spiralled in the years following a military coup that ousted her brother Thaksin's administration – Mrs Shinawatra has successfully begun to win back the trust of the Thai people, maintaining social and economic stability and now the revitalisation of bilateral relations with the United Kingdom.

Good dealings between the countries, however, are not an entirely new affair. Well before Mrs Shinawatra made her first official visit as PM to British shores in November 2012, there had already existed a special, long-standing relationship that has embodied the two nations' robust ties for over 50 years. King Bhumibol of Thailand and the UK's own Queen Elizabeth II share not only the position of heading the world's two longest reigning monarchies, but a lifelong friendship to go with it, dating back to King Bhumibol's visit to the UK in 1960 when both sovereigns affirmed their mutual respect and admiration for each other's cultures, vowing to bind them closer.

It appears that now, in taking heed of the continued royal amity and their non-forgotten pledge, the nations' current political leaders are intent on pursuing an entirely different relationship of their own. As a result of Mrs Shinawatra's mission to Westminster last winter, an unprecedented agreement was made with the Cameron administration over the establishment of a Strategic Dialogue that will act as a "high-level, consultative forum to set and monitor the future of bilateral cooperation in all areas".

The new mechanism for communication is expected to bring a regular platform for both countries to exchange views on various matters of mutual interest, aimed at intensifying the already healthy relations and sparking a number of new socioeconomic initiatives and projects in the areas of trade and investment, tourism, education and defence, as well as serve as a vital arena in the exchange of innovative knowledge.

Economically speaking, there has long been a strong and active presence of the British private sector in Thailand, which in turn has resulted in significant contributions to its GDP growth, and seen the UK become one of its largest international trading partners and a top foreign investor. Now with Thai companies also expressing their wish to expand their investments in Britain, the inaugural bilateral Strategic Dia-

logue has already witnessed immediate positive developments. While optimistic negotiations over the proposed Thailand-EU Free Trade Area were made, both governments also outlined an ambitious target of doubling two-way trade by 2018, indicating a productive and exciting time ahead.

Thailand is certainly a formidable partner in these troubled economic times. Amid Europe's sovereign debt crisis and a faltering global economy, Thailand's GDP grew at an all time high of 18.9 per cent year-on-year in the final quarter of 2012. Overall the Thai economy expanded by 6.3 per cent last year, a figure rendered all the more impressive considering 2011's feeble increase of just 0.1 per cent, when the worst floods in almost 70 years swamped most of the country.

In the past few years, Thailand has witnessed marked progress in its socio-economic development, and despite the political challenges it has suffered in recent times, the country has become a real success story of emerging nations, sustaining economic growth and large poverty reduction to go with it.

Indeed, there seems to be a certain steely nature behind the country cheerfully known as the "Land of Smiles", with the place certainly no stranger to making remarkable recoveries. Having been one of the world's fastest growing economies during the early 1990s, the Asian financial crisis hit in 1997, only for the nation to grit its teeth and grow steadily once again following the turn of the millennium.

In its latest resurgence – bouncing back not only from the continued after-effects of the recent global financial meltdown and the devastating 2011 floods, but also the political turmoil that severely hampered national progress late last decade – Thailand has really drawn attention to the quite astonishing robustness of its economy.

Now, under the leadership of Mrs Shinawatra, the Thai government is boosting spending to support growth, opening up the economy to greater foreign investment and seeking to develop deeper links with the rest of the developed world, not only in trade, but in the sharing of innovation, technology and design. And Thailand's location at the heart of the upcoming ASEAN Economic Community (AEC), which will be inaugurated in 2015, makes it the ideal springboard to the new union's market of more than 600 million people.

Prime Minister of Thailand Yingluck Shinawatra met with UK Prime Minister David Cameron at 10 Downing Street on November 14, 2012



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## A BUSINESS-FRIENDLY NATION

Internationally, Thailand is most strongly associated with tourism, and rightly so. According to the Tourism Council of Thailand, last year was a "golden year" for the industry, with visitor arrivals hitting a record number of nearly 22 million, pumping £19.2 billion into the economy.

With such breathtaking scenery, fabulously delectable cuisine and a genuinely hospitable people, Thailand has long been a favourite tourist destination for global travellers.

In recent years, however, Thailand is taking a slightly different stance on its brand building. Prime Minister Yingluck Shinawatra's numerous official international visits are a sign of how she wants to revamp Thailand's image from a welcoming nation to an inviting one, taking a more active rather than passive role at forming international collaborations. Thailand's government is also positioning itself to segue from an export-based economy to a knowledge-based one.

In its revised Investment Promotion Privileges and Strategies, the Thailand Board of Investment (BOI) underscores the need for greater competitiveness and value creation within the industrial sector, as well as greater development of the green industry so as to create a more balanced and sustainable growth.

The BOI also plans to grant investment promotion privileges to incentivise research and development, environmental protection and the concentration of new investment in industrial clusters scattered throughout the different regions.

An added measure in the new strategy will be the removal of certain activities from the privilege eligibility list, including those that have low technology, low value-added output, labour-intensive production, and high energy consumption. Nevertheless, companies that currently enjoy incentives will not be affected by the revised strategy, whose full implementation will come in January 2015, thus allowing for a generous transition period.

It is not merely tourists to Thailand that seek beautiful and comfortable surroundings;



Panot Sirivadhanabhakdi, Senior Executive Vice President, Strategic Planning TCC Holding

investors and entrepreneurs also head to the Southeast Asian country for the remarkable quality of life. TCC Group, one of Thailand's largest holdings whose companies include ThaiBev, TCC Technology and TCC Land, is certainly an "inviting" firm. Its property development arm, TCC Land attracts major international firms to its fully equipped offices in Bangkok, ideal their for regional headquarters.

Panot Sirivadhanabhakdi, Senior Executive Vice President, Strategic Planning TCC Holding, underscores Thailand's realistic potential as a home base for multinationals: "We can be a good supporter of the major economies in Asia like China or India. We are not trying to be the centre of everything, but knowing ourselves and our own strengths would be the key to progress."

"TCC facilitates for major companies to build their HQ here with the necessary luxury, access and other services required. This is the path we follow because we believe that the core development of Thailand depends on Asia's immense potential," he adds.

## THE DITP PROMOTES 'THAI-NESS' IN ITS EXPORTS

According to Srirat Rastapana, Director General of the Department of International Trade Promotion (DITP), roughly 95 per cent of Thailand's economy is comprised of small and medium-sized enterprises (SMEs). "They are the backbone," she says, adding that the DITP is reviewing its strategies and directions to better assist not only SMEs, but also villages (called *tambons*).

A government policy to help develop and promote OTOP ("One Tambon, One Product") products for greater provincial economic development relies on DITP for assistance in marketing and a bit of research and development (R&D).

"There are lots of people producing OTOP products and we can help them in terms of providing knowledge to improve their products," says Ms Rastapana.

Beyond handicrafts, local strengths include cosmetics and wellness goods, owing to the

traditional knowledge of herbs and the excellent spa products Thais have long produced.

"We have good potential to build up our exports in the wellness industry," states the DG.

In line with wellness are Thailand's organic foods. It is only natural that a country with such worldwide fame for its cuisine produces wonderful fresh fruits and vegetables, many of which are still unknown beyond the region of Southeast Asia.

"We are promoting Thailand as 'the Kitchen of the World'," remarks Ms Rastapana. "We can use Thai traditional knowledge and culture, the 'Thainess', to build our products; and while there are a lot of things that we have to consider, we have to be very focused."

Due to the global economic situation, the DITP has had to revise its export strategy. While 2011 saw a year-on-year rise of 14 per cent in exports, 2012 didn't fare so well, registering a mere 3.12 per

## BARON POINT'S INVESTORS ON RIGHT TRACK

Prime Minister Yingluck Shinawatra's political touches are finally bringing together all the necessary approvals for a grand rail project that has been discussed for years as part of a push to boost connectivity at the strategic heart of Southeast Asia. The government has unveiled a \$66bn (£42.5bn) infrastructure development plan, focused primarily on improving road and rail networks within the country, and ultimately with its rapidly developing Asian neighbours and even China, which is keen to increase its investment and connections in Thailand.

Work has already begun on 10 new urban rail lines and four high-speed rail corridors are planned to connect Bangkok with provincial capitals. Mrs Shinawatra insists the 'Railroad Revolution' will increase Thailand's competitiveness and contribute to the nation's development. It will create 500,000 jobs and boost GDP by as much as 7 per cent over its seven-year timeframe. Greater connectivity will also have a huge impact on logistics costs, which currently make up 15.2 per cent of GDP and are expected to drop to 13.2 per cent, making the country more competitive with Singapore, where logistics costs are 9 per cent, and Malaysia, at 13 per cent.

The implications of such moves for greater trade and economic activity have not gone unnoticed by international investors. Foreign holdings of Thai bonds hit an all time high at the end of 2012, according to the Thai Bond Market Association. In 2012, net foreign holdings of Thai government and corporate bonds rose by \$10 billion to a record \$24 billion, representing 8.3 per cent of the total fixed income market size of over \$280 billion, which was up from 5.9 per cent at the end of 2011.

Foreign interest in Thai bonds is to rise even further this year, typifying investor confidence in the Thai economy, the second largest and fastest growing in Southeast Asia. "The credit markets in Thailand are exceedingly liquid and growing fast to support the region. I believe strongly that healthy and deep debt capital markets are a key ingredi-

ent to growth in the Southeast Asian region as it continues to grow and mature, and that Thailand will play a pivotal role in supporting this expansion," says Bunditbhan Bhandhukravi, Founder and Director of Baron Point Financial, a New York and Bangkok-based specialist investment advisory team that averages more than 26 years in alternative investments, structured finance, fixed income and investment banking.

"Baron Point is the first ever company to issue globally registered and traded Thai corporate bonds in the international market," adds Baron Point Director James Philip Coppola III, a renowned risk management and investment expert. *Morningstar* has ranked his long-term investment track record in the top 25 per cent for over a decade.

Mentored by Ed Seykota, Mr Coppola is also credited for the invention of the portfolio accounting and risk-based management system in the US. Baron Point can offer potential investors investment-grade debt producing real positive fixed yields higher than Thai government bonds. The Baron Bonds are rated one notch higher than sovereign debt and the Baron Bonds are developed by a team of Wall Street professionals in partnership with global banks and local partners with deep business and government relationships.



Baron Point tracks initiatives such as the 'Railroad Revolution' to ensure higher yields from its bonds



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# Ensuring Thai energy security

Global expansion has driven PTT, the state-owned and SET-listed oil and gas company, into the Fortune Global 100 eight years ahead of target

Thailand is growing fast, and like any rapidly developing economy, so too is its demand for energy. Unfortunately for Thailand, it is not well endowed with natural resources such as oil and gas and is a net energy importer. With few domestic resources and dwindling prospects in nearby waters, it is necessary for the Southeast Asian country to explore ever further to ensure that its growing demand for energy is met.

For the country's largest company, PTT, energy security in Thailand is its raison d'être. Its objective is to supply 50 per cent of Thailand's energy demand by 2020; it currently provides the country with about 15 per cent of its energy needs.

Over the past few years, with regional oil and gas resources unable to meet the Thai demand for power, PTT has travelled to the four corners of the earth and has been engaged in a number of high-profile mergers and acquisitions, investing billions of dollars to increase its foothold in the global energy market. It now has operations in Australia, the Middle East, the ASEAN region, Africa and North America and is active in the oil, gas, coal, bio-fuel and renewable sectors.

The company has grown from strength to strength and is taking on some of the big international players in energy. Last year, the company battled it out in a bidding war with Royal Dutch Shell to take control of British firm Cove Energy. In this David versus Goliath clash, it was David that came out on top; at a cost of around £1.29 billion, PTT took control of Cove, whose prize asset and main draw was its 8.5 per cent stake in Mozambique's Rovuma Area 1, thought to be one of the world's richest natural gas discoveries.

Another high-profile takeover last year was PTT's buyout of Singapore coal giant, Sakari. The Thai conglomerate, which already had a 45 per cent stake in the coal firm, paid around £640 million for the remaining 55 per cent.

This aggressive acquisition strategy has certainly paid off. In 2012, the company's total assets grew 16 per cent and subsidiary PTT Exploration & Production posted a net profit surge of 28 per cent. PTT ranked 95<sup>th</sup> on the Fortune Global 100 in 2012, a goal the company itself did not expect to reach until 2020. In 2011 it ranked 128<sup>th</sup> on the Global 500 – an improvement of 27 places on its position the year prior – and remains the only Thai company to make the prestigious list of the top 500 global companies.

The Thai oil company has recently put two other feathers in its hat, as well. In 2011 and 2012, PTT was listed on the Dow Jones Sustainability Indexes (DJSI) and is today the sole Thai company ranked among the world's 15 leading oil and gas producing corporations.

PTT plans to invest a further £8.3 billion over the next five years, half of which will be shared out among downstream activities: in oil refining, oil trading services, coal and plantation, petrochemicals and renewables.

When it comes to renewables, PTT and the Thai government share a similar vision. The latter wants to see close to 30 per cent of energy needs being met by renewables by 2030, from both domestic sources and imports. PTT will be central to this goal, and the company is already investing large sums in innovation and research in clean energy technologies. PTT CEO Dr Pailin Chuchottaworn wants the firm to become a so-called TAGNOC, a technologically advanced green national oil company.

PTT's investments in innovation, technology and alternative energies so far this year have included: £26.9 million in an industrial eco-estate in the Rayong province which will develop bio-petrochemicals and bio-fuels; £221 million in the Rayong Institute of Science and Technology and Rayong Science academy; and a joint venture with Thai Solar Energy Company to develop 10 solar farm projects in Kanchanaburi and Suphan Buri at a cost of £30.7 million.

Last year, due to its commitment to develop innovations in product quality and services, PTT secured a number of accolades: the Best State Enterprise (Best of the Best) Award; Outstanding Innovation Award, presented by the Ministry of Finance; HM the King's Best National Innovation Award; and an STI Award 2012 on Green Innovation, presented by Thailand's National Science Technology and Innovation Policy Office.



PTT has increased its foothold in the global energy market and is investing heavily to become a TAGNOC, a technologically advanced and green national oil company

## WELL CONNECTED, THAILAND IS A CENTRE OF GROWTH

PTT is Thailand's largest company and its only enterprise to be listed on the Fortune Global 500. In an interview with Upper Reach, PTT CEO Dr Pailin Chuchottaworn talks about Thailand's solid position at the centre of the rising ASEAN region, and the soon to be inaugurated ASEAN Economic Community (AEC), as well as his own company's goal to become a so-called TAGNOC, a technologically advanced and green national oil company.

**How can Asian countries and economies adopt and restore confidence within today's economic climate and help to stabilise the international market?**

This is the only growing region in the world. I think we are well-positioned near China and India as the next centre of growth. Most of the companies in the Fortune 500 are companies from the US and Europe, but last year was the first year that Asia surpassed Europe and the US. ASEAN companies are already surpassing the US and Europe for the first time. Japan is also declining, whilst Chinese and Korean companies are on the up. We are becoming very strong.

**Where would you place Thailand in the ASEAN region regarding this growth?**

I always divide the ASEAN into continental ASEAN and island ASEAN. Continental ASEAN consists of five land-connected countries and the rest are mostly islands. If you look at Thailand today, we are connected on land. We are connected to China and India. The potential for growth is great. We are one of the leading five continental ASEAN countries, and we are becoming the gateway between China and India.

I believe that Thailand is the centre of growth within ASEAN. If we can resolve the

landing issue in Bangkok and the land transportation issue from China to India, then this area will become a hub. Lots of these areas are emerging with natural resources, but whether we can pull the world out of the recession is another question. Europe is suffering from a deep recession, and it has been left unresolved for too long. If you compare the ASEAN crisis in 1997 with the crisis in Europe, four years after that, most countries were getting back on their feet; they said goodbye to the IMF and evolved stronger. But today, four years after the crisis in Europe, people are still struggling.

**PTT is the number one company here. How do you think PTT embodies the values and principles of the Thai people and how does it contribute towards the international image of Thailand as a whole?**

We have become a leading company in Thailand and we are trying to show Thais that if you work hard, you can become a global player like PTT. We are not saying that we have the best management system or we are the best company in Thailand, but we want to show that if any company in Thailand works hard and they are dedicated and committed to its success, it can get there.



**“ We need to move a little away from a resource base to a technology and knowledge-based company. ”**

**DR PAILIN CHUCHOTTAWORN, CEO of PTT**

**How are you going to make PTT a technologically advanced and green national oil company?**

We have been doing very good business on the resource base for the past 34 years; but what if there are no more resources? Look at France with Total, which has become a very big international oil company.

There was no gas or oil in France.

We need to move a little away from a resource base to a technology and knowledge-based company. PTT is the biggest culprit of climate change in Thailand as we use fossil fuels. PTT cannot escape the blame, so now is the time for PTT to take on the challenge to turn this country into a green country.



# ThaiBev is thinking ahead

The brewer of Thailand's best-selling Chang beer is evolving from a single-country consumer business to a significant regional multinational. Having expanded its drinks and property empire after an epic battle to control the venerable Singapore conglomerate Fraser and Neave, the family-run company is entering a tougher and more sophisticated era with global reach

Just 10 years ago, a new group burst onto the scene in Thailand, effectively gathering several market-leading alcoholic beverage companies into one truly powerful holding: Thai Beverage Public Company Limited. Soon afterwards, the group expanded to the non-alcohol and food businesses, thus diversifying its product portfolio and strengthening its hold on the sector.

Today, ThaiBev is the absolute leading beverage producer in Thailand and ranks among the largest in Asia as well.

However, ThaiBev's reach extends well beyond Asia, and one could argue that its most popular product, Chang Beer, actually serves as a Thai ambassador to the world. A green curry, a Pad Thai or a tom yum soup simply aren't complete without an elephant-adorned bottle of what has been voted Asia's best lager.

"Chang shows two white elephants of the Siam country, which is one of Thailand's most representative symbols," explains Thapana Sirivadhanabhakdi, ThaiBev's President and CEO.

"The two elephants face each other and come towards the fountain that represents prosperity. The brand distinguishes itself from the rest, as Chang translates into 'elephant', which is also a great tool to communicate a Thai word to the international community. It is true that Chang promotes the 'Thainess' as people easily relate the brand to Thailand."

Chang is also showing up in the football world, having become the first Thai brand to be placed on an English Premier League shirt (Everton) and more recently, sponsoring Spanish rivals Real Madrid and FC Barcelona.

The group produces single malt whisky (including the award-winning Old Pulteney brand), rum, soya drinks, flavoured soda water, sweet fizzy drinks,



*"We have the ambition to become the regional powerhouse in the beverage business."*

**THAPANA SIRIVADHANABHAKDI,  
President and CEO, Thai Beverage PLC**

electrolyte beverages and green teas, among others – in short, a product portfolio that fits the varying tastes and preferences of the different Asian markets.

Moreover, organic expansion combined with a few recent mergers and acquisitions is indeed allowing ThaiBev to better penetrate these varied neighbouring markets.

In 2011, the group bought PepsiCo's 41.5 per

cent stake in Thai company Sermsuk. Then, earlier this year, in a move that turned not a few heads in the business world, Charoen Sirivadhanabhakdi (ThaiBev owner) via ThaiBev and TCC Assets Ltd (TCCA) – also owned by the Sirivadhanabhakdi family – boldly bought out the Singapore-based drinks and property conglomerate Fraser and Neave Ltd (F&N). The total deal by ThaiBev and TCCA

increases the value of F&N to a staggering \$11.2 billion (£7.2 billion).

Those familiar with the Sirivadhanabhakdi modus operandi, however, know that this extravagant move falls in line with ThaiBev's focus on a long-term outlook.

"For us, it is not only about maximising the value, but also about creating value through long-term partnerships, which is much more meaningful," says President and CEO Thapana, Charoen's third-oldest son and winner of Asia's Best CEO for Investor Relations at the 2012 Asian Excellence Recognition Awards.

Investment firm CIMB has also pointed out that ThaiBev's forward-thinking strategy in the face of the group's now increased debt level is a firm step towards expansion: "ThaiBev is laying the groundwork for dominance of the beverage sector in Singapore, Malaysia and Thailand. This makes the business more valuable in spite of balance sheet strain."

Despite this growth, Mr Sirivadhanabhakdi maintains that ThaiBev is a local leader. He says that the group looks forward to more participation in the region and that the greater the collaboration, "the greater the synergies on a wider scale, which will not only benefit the companies, but also the general public and consumers."

This, of course, does not only apply to ThaiBev but to all companies in the region that aspire to grow beyond their own country's borders. And Thailand, asserts the President and CEO, is set to play an important role for the development of neighbouring countries, such as Myanmar, Cambodia, Vietnam, Laos, Malaysia and Singapore.

"Thailand has the unique advantage of our geographic location, which provides accessibility to many ASEAN countries," he says, adding that to seize the opportunities within the ASEAN region, "collaboration and connectivity will be important, because we see that each of our own economies will not enjoy the vast potential the AEC offers unless we work as one."

## FULL-BODIED. REFRESHING. AND THAI



The Thai beverage conglomerate has broadened its product portfolio to satisfy new customers in an ever-expanding market

"Energetic, forward-looking and ready for the new world consumers!" is how ThaiBev's President and CEO Thapana Sirivadhanabhakdi describes the state of the company this year.

The Thai beverage conglomerate has broadened its product portfolio to satisfy new customers in an ever-expanding market. "We are going into diversified international markets. If you look at ThaiBev from a distance, we are getting more engaged in the region," adds Mr Sirivadhanabhakdi.

"With new world consumers, we are looking at these up and coming younger generations, which will represent around 4.5 billion people in years to come. So I believe that the new world consumers will be expecting something more fun, more lively, more creative, in accordance with the things they enjoy the most in life."

Yet in spite of its impressive growth over the past few years – due to both organic and inorganic growth – ThaiBev management believes in sustainability, competition and collaboration among the private sector to help exploit the vast potential the ASEAN region offers, whilst facilitating growth among small and medium-sized enterprises (SMEs).

Already, the company is taking an active role in a new project (set to be up and running later this year) that aims to boost business across the board.

"Together with our colleagues, ThaiBev has started to establish an initiative that we call the 'C ASEAN', which is an initiative to increase communication within the business sector," explains the President and CEO.

"Apart from the government-to-government and country-to-country communication, the private sector also has to contribute to one another, not only between sizeable corporations, because larger companies can also help SMEs to progress.

"Today, we are trying to create a connection among private companies; I believe a strong and deep relationship is needed. In order to collaborate and join hands, we need to work together and try to make this market grow all together.

"We already sent out information and we're establishing a way to interact and liaise to the related parties through this 'C ASEAN' centre. Via this unit, best practice, knowledge and data can be shared within business communities across the region."

## THAIBEV FOCUSES ON INCREASING INVESTMENT BEHIND ALL THE BRANDS OF ITS PORTFOLIO



ThaiBev's sponsorship of top European football teams is creating better brand awareness in new markets

Although ThaiBev's most internationally famous and popular beverage is Chang beer, the company is broadening its reach and garnering new customers thanks to its other products.

"We are growing our product portfolio, and now increasingly concentrating on our non-alcoholic beverage portfolio," says President and CEO Thapana Sirivadhanabhakdi. "We are creating typically Asian drinks, like the green tea. Under the Oishi brand, we have a drink called Amino Plus that comes from the amino extract and articulates the functional benefit of the beverage."

These new beverages, along with ThaiBev's other classic products, are designed to gain

market share in new markets. So far, the company has entered Myanmar via its acquisition of F&N and is working jointly with a local sister company in Vietnam to see how ThaiBev can best distribute its products in its neighbour to the east.

When asked if ThaiBev is a local-to-local or more of an emerging international player, Mr Sirivadhanabhakdi responds, saying: "Obviously, we have the ambition to become the regional powerhouse in the beverage business. Our aim is to always offer a quality beverage product to cater to the needs of the end-consumers and adapt to the lifestyle of the consumers in each of the segmented markets."



# The Name behind the Flavour...



## Thai Beverage PLC

is Thailand's largest beverage producer and distributor, and one of the leading brewers and distillers in Southeast Asia. Its products include various brands of beer and spirits as well as branded non-alcoholic beverages such as green tea, water and soda. Its signature beer, Chang Beer, is one of the most famous beers in Thailand and its recognized spirits brands include Ruang Khao, SangSom, Mekhong, Hong Thong and Blend 285. For non-alcoholic beverages, ThaiBev's flagship, Oishi Green tea, is the best selling product in Thailand's RTD green tea market.

Other than its domestic focus, ThaiBev also engages in international operations such as beer export and overseas distilleries. The Group owns three state-of-the-art breweries with a total installed annual production capacity of approximately 1,550 million litres, eighteen well-equipped distilleries in Thailand with a total installed annual production capacity of approximately 819 million liters, as well as five production facilities in Scotland and one in China. In addition, ten production facilities of non-alcoholic beverages are under ThaiBev's umbrella.

## Corporate Strategies

- Continued product premiumization
- Expand the non-alcohol beverage segment
- Defend leading position in domestic market
- Expand our distribution network
- Expand our international business

## Investment Highlights

- One of the largest beverage players in Asia
- Strong free cash flow – Baht 14,904 M (2012)
- Ranked among top 20 largest companies by market cap in Singapore Exchange (SGX) – S\$ 15.3 B (March 31, 2013)





# Unparalleled opportunities

Among Thailand's many strengths are its diversity of opportunities for investment and its proven economic and commercial resilience, which it intends to further bolster with a push for increased research and development

One of Thailand's many strengths is its diversity. A highly regarded tourism destination, some people's idea of the country comes from their travels and experience of "Smiling Siam's" renowned hospitality, culture and cuisine, while others who have industrial or commercial connections in Thailand understand first hand the business potential and opportunities it holds. For example, it is a major rice, rubber and tapioca exporter and has also established itself as a prime supplier of parts for the auto industry.

"Throughout history Thailand has been committed to freedom in terms of trade and allowing the private sector to flourish. Even in modern times, the growth strategy has been based on open markets, allowing private sector dynamism to drive the economy, rather than it being government-led and planned," says Abhisit Vejjajiva, Leader of Thailand's Democratic Party.

"Because of that openness, we have been able to absorb trends, values and cultures from abroad, and make them our own. Walking around you can see many things that are uniquely Thai, but made up of Chinese, Indian and Western influences. That is the kind of society that we have, and is then able to be very adaptable and flexible, which is what you need in times of rapid change."

Such characteristics have also been noted in the country's economy and business community over the years, having shown hardiness and pliancy during times of natural and political adversity.

"Thailand is a very interesting place because it has gone through some tumultuous times and proven resilient," says Nandor von der Luehe, Chairman of the Joint Foreign Chambers of Commerce (JFCCT), which consists of 28 foreign chambers representing more than 8,000 companies. Billed as a link between the private sector and



Nandor von der Luehe,  
Chairman of the Joint Foreign  
Chambers of Commerce



the government, it is an umbrella organisation for the foreign business community in Thailand and works with the Thai government and various government agencies such as the Board of Trade, Board of Investment (BOI) and the Federation of Thai Industries.

Mr von der Luehe believes the business services and transportation and logistics sectors are ripe for development. "The service sector should be looked at as the new locomotive to generate growth and to pull the economy, as it can bring innovation, productivity enhancements and greater national wealth," he says.

With the integration of the ASEAN Economic Community (AEC) in 2015, Thailand is striving to im-

prove its standing as a knowledge-based economy. As such, the BOI is pushing for a greater emphasis on research and development (R&D). At the moment, only around 0.25 per cent of Thailand's GDP is spent on R&D, compared to an average of 2 per cent in OECD countries and around 3.7 per cent in Japan and Korea. Neighbouring Malaysia spends three times as much as Thailand on R&D.

In Thailand there are about 12,000 medium-sized companies and about 2.8 million small companies. "Small companies do not have the resources to spend on R&D and access to finance is one of the key reasons why they were not spending enough [on it], so it is a vicious circle. The second reason is that there are not enough talented people," says Mr von der Luehe.

The new five-year strategy from the BOI for investment promotion – labelled Unparalleled Opportunities – includes numerous tax incentives for investors, particularly for activities that enhance R&D and Thai skills, whether through in-house training programmes, in cooperation with an educational or research institution, or via a donation to the Technology and Human Resources Development Fund.

"You have to think about what you have on hand. What is your strong point? As far as Thailand goes, we are the leader of agricultural production like rice, tapioca, sugar, etc. In addition, we have a strong level of tourism with a great reputation for culture and hospitality," says entrepreneur, former politician and Chairman of the Lawn Tennis Association Suwat Liptapanlop. "With new technology and R&D, we have been able to turn agricultural products like sugar cane, tapioca, and palm oil into energy sector products, such as ethanol and biodiesel. So now you see the price of the agricultural products are rising thanks to their energy value. In the past five years, agricultural production in Thailand has gone up about 200 per cent."

## A new venture to boost Thai competitiveness

SMEs are about to receive a helping kick-start, thanks to the Thai government's new policies and to entrepreneurs like Bee Taechaubol, who are putting up and attracting private equity to get the economy moving in the right direction

As member of the Association of Southeast Asian Nations (ASEAN), one of the world's up-and-coming economic communities, Thailand is poised for sustained growth. Nevertheless, this alliance alone will not be the sole impetus; Thailand's strong entrepreneurial spirit will also drive economic expansion.

For foreign investors, this is a winning combination and Bee Taechaubol – local entrepreneur, investment guru and board member of various successful enterprises – stresses that Thailand is optimal, especially as a base from which to move into other ASEAN markets. However, a foreign player may not be able to do it without local help.

"I think investors should look for strong partners that can help navigate the local business scene. If you want to use this as a springboard to other countries, it is possible. I do believe that Thailand can become the hub for this region. Geographically, it is in the right place," says Mr Taechaubol.

The government has implemented many policies to encourage the growth of SMEs and innovation, such as the Entrepreneurship Development Programme, yet one thing that has been holding back Thailand's entrepreneurs is access to credit. And that is something Mr Taechaubol intends to address personally; through a special platform for international investors and foreign funds, he wants to attract venture capital and private equity firms to help kick-

start some of the promising and fledgling SMEs in his native Thailand.

Having lived in both Australia and Thailand, Mr Taechaubol is comfortable in both Eastern and Western business settings, yet his personal motto is "think fast, act fast". Add this to his list of connections and contacts, and the Thai is a formidable business partner.

Mr Taechaubol isn't the only one with aspirations to get venture capital up and running; the Ministry of Finance has also set up a venture capital-fund to help boost the competitiveness of the country's SMEs.

The end goal is to ultimately produce more entrepreneur success stories, similar to that of Mr Taechaubol. Having lived in Australia since the age of one, he studied civil engineering before returning to his birthplace to study an MBA. "Doing business in Thailand is about connections, so I was advised to go to business school here," he says.

Following university, Mr Taechaubol made his first investment in online real estate advertising, which he later sold with the business listed on the Australian Stock Exchange.

He then spent a few years amalgamating the largest digital advertising network and subsequently merged it with a listed media company. That media business grew to include Channel V, four cable channels and a movie distribution business as well. There

was also an investment into a mobile handset retail and wholesale business, which he managed to increase its market share from 6 per cent to 30 per cent in two years before selling the business.

The enterprising young Thai then found himself in stockbroking, where he turned around a loss-making small brokerage into a profit making business with the second highest market share, the largest retail client base in Thailand and added to that the third largest fund management business (with £7.7 billion under management) all in just over two years. "We almost became number one in terms of market share," he recalls. "We had 10 per cent of the stockbrokers in Thailand."

**“If you want to do business here, you need strong partners. If you want to use this as a springboard to other countries, it is possible.”**

**BEE TAECHAUBOL**

After the brokerage business he went into equal partnership with Ayupun Karnasutra. Its first investment was into a listed construction and engineering firm KTech, which proved to be a lucrative decision for the prudent businessman. The company was on the brink of bankruptcy when he bought it, but he managed to turn the company around.

Things are looking good for K-Tech and the chairman expects to see a lot of growth this year, particularly given the construction sector's promising outlook. Indeed, the Thai government is pushing through a THB2.2 trillion (£46 billion) infrastructure project aimed at making Thailand a true logistics hub and that will facilitate connectivity among the regions.

Mr Taechaubol is proving to possess the Midas touch, and he hopes to apply this to his private equity investments venture. And as he did with his previous pursuits, he's got his sights set on success, regardless of the sector. "For me it is not about which sector; it is more about opportunities. Every time we do something, we are very hands-on. It isn't like I have THB10 billion of cash lying around, but I know where to get it."

This could present SMEs with just the chance they need to get off their feet running. Having started from the bottom himself, Mr Taechaubol certainly respects those who "have the hunger to try to make something" and "do it right".



# A new paradigm for society and governance

The King's philosophy for a Sufficiency Economy is an approach to life and conduct applicable at every level

A series of unsustainable economic bubbles that had been developing across Asia in the 90s, inflated by excessive levels of extravagant consumer and business spending and debt accumulation, finally popped in 1997, causing an Asian economic crisis that hit Thailand hard. Businesses went bankrupt, semi-constructed mega-structures left abandoned. In the aftermath of the crash, the indomitable, proudly never-colonised Thai nation took stock of the situation and heeded the call from their revered King Bhumibol Adulyadej to rebuild the country on foundations of self-reliance and sufficiency. Sixteen years later, Thailand has become the second largest economy in Southeast Asia and established itself as a lynchpin of the upcoming ASEAN Economic Community. "Resilient is the term I often use when I describe this country," says Asif Anwar Ahmad, the former British Ambassador to Thailand.

Although King Bhumibol has promoted sustainability and self-reliance since the 1950s, it is widely accepted that his idea of a 'Sufficiency Economy' gained recognition and influence during the 70s. In a royal statement on December 4 1974, he expressed his concern that modern development which solely emphasised economic expansion may eventually lead Thailand into crisis, saying: "I ask all of you to aim for moderation and peace, and work to achieve this goal. We do not have to be extremely prosperous... If we can maintain this moderation, then we can be excellent..."

The King proposed that the stability of the basic economy should be firmly established by first ensuring that the majority of rural people have enough to subsist. In this way, the country would have a more solid, even foundation on which to pursue a higher level of development.

King Bhumibol's Sufficiency Economy is based on three grounding principles: moderation, reasonableness and risk management. It asks that people try to produce or consume within the limits of their existing income or resources first, thereby decreasing dependence on external sources and reducing the risk of overspending beyond one's means. "The Sufficiency Economy is about moderation," explains Anand Panyarachun, Chairman of the Board at Siam Commercial Bank. "We all aspire to be more. The philosophy maintains that there should be a limit to what we desire and want. This adherence to the middle path is grounded in Buddhist teachings. The philosophy is more deeply rooted now in Thailand, particularly in rural areas."

The 1997 economic crisis highlighted the potential consequences of pursuing policies of excess and returned the monarch's back-to-basics concept to the spotlight. During his speech on December 4 1998, the eve of his birthday, King Bhumibol stated: "I may add that full sufficiency is impossible. If a family or even a village wants to employ a full sufficiency economy, it would be like

returning to the Stone Age... This sufficiency means to have enough to live on. Sufficiency means to lead a reasonably comfortable life, without excess, or overindulgence in luxury, but enough. Some things may seem to be extravagant, but if it brings happiness, it is permissible as long as it is within the means of the individual..."

The King asked for such virtues to be applied across the board, at all levels of society, including the government and private sector activities in areas such as commerce, industry and finance.

"The King of Thailand has been very attentive to the people of Thailand's needs," says Arsa Sarasin, the King's former Principal Private Secretary. "He has introduced so many things, like forestry and irrigation projects, so that people can live and strive for their livelihoods. Research and development centres have been set up throughout

the country, where people can come and learn, and take away the knowledge to help make a living outside of that centre."

The King's hands-on approach has "tangible" effects, according to MR Disnadda Diskul, Secretary General of the Mae Fah Luang Foundation. "We always ask what people get out of [what we do]. We look at the outcome. You want to measure it in terms of the environment, socially and economically, and last but not least, in terms of happiness."

The importance of agriculture as a key sector for Thailand's sustainable socioeconomic growth was highlighted by the 1997 crisis. "Because of the rapid industrial growth that led up to the crisis, which then turned into a financial and later economic crisis, we suffered a retraction of about 10 percent in 1998," says Abhisit Vejjajiva, Leader of Thailand's Democratic Party. "That usually comes with unemployment and unrest. But because we are still a

strong agricultural economy, a lot of that labour can get be absorbed, and reduce the tensions that would have otherwise risen from the economic impact."

The fifth biggest sugar producer in the world, Mitr Phol is helping boost the agriculture sector through its R&D centre and training farmers how to most effectively manage their farms, develop new varieties, irrigate and fertilise their crops, and handle their finances. "The partnership with the farmers is based on technical and knowledge assistance as well as management assistance," says President and CEO Krisda Monthienvichienchai.

The Government Savings Bank (GSB) also strives to educate people how to save and pay back loans. "We set up the People's Bank, which lends to people who have no opportunity to borrow from the banking sector. In the past those people would have to borrow from the black market, paying back as much as 50-70 per cent interest per month. But the GSB will only charge them 1 per cent from the very beginning," says Panee Sathavarodom, former Chairwoman of the GSB.



**“ Sufficiency means to have enough to live on, to lead a reasonably comfortable life, without excess, or overindulgence.**

**King Bhumibol Adulyadej**

## KPN, PASSIONATE ABOUT BUSINESS

Nowadays, it seems that most countries have some kind of televised talent contest. Although they are not a new phenomenon, those enjoyed by millions of viewers in the UK, such as The X Factor, which launched in 2004, have only been around for a few years.

However in Thailand, the country's favourite and most famous competition dates all the way back to 1983. What was initially called the "Thailand Singing Contest" is now "KPN Award", yet the family name behind the initiative remains the same: the Narongdejs.

Khunying Phornthip Narongdej is a businesswoman who initially rose to prominence as CEO of Siam Motors Group, the first company to import Japanese cars and heavy machinery. Together with her husband, Dr Kasem Narongdej, she formed KPN Group, which today is a conglomerate with holdings in investments, property and music and education.

The Music & Education Group, which stemmed from Khunying Phornthip's love of music, develops educational software not only for the KPN Music Academy, but also for government schools. In addition, the business is doing wonders at promoting Thailand's image in a positive way abroad.

"We have over 150,000 students, being the fastest growing music academy in the country," says group Chairman Kris Narongdej of the KPN Music Academy, established in 1966. "Whether you promote Thailand through music or through sports, this enhances our image and hopefully in a few years we can become like South Korea, which has been able to promote their entertainers and export their culture."

So popular is KPN's singing contest that in 1990 King Bhumibol Adulyadej began bestowing a King's Cup to the winner. Henceforth, the song contest has also been called "The King's Trophy".

"It is a motive of pride and joy to have been granted this trophy by His Majesty," says Mr Narongdej, whose brother, Korn Narongdej, manages the KPN Award and also serves as Chief Marketing Officer of KPN Group.

In fact, the Narongdej name comes up quite frequently in the list of KPN Group's management as the conglomerate remains a true family-run business. And for Kris, this has been vital in allowing for better flexibility.

"Being a family-run company means that we are able to make decisions quite swiftly. Also, whatever we do is an extension of my family, so we make sure that the family name is not tarnished. We are very careful with that," he says.

KPN, which is an acronym for the names of the group's founders, has built up a reputation for quality in everything it does.

"We have a good reputation in this country, so whatever sector we are in, we always try to



KPN Group has the country's fastest growing music academy and stages a popular Thai singing contest

project that reputation. Our brand has a heritage that backs it up," says the Chairman.

In its property arm, this reputation certainly bore fruit; when it launched the brand The Capital in 2009, KPN was able to set historically high prices.

"We did all the research before we launched the product, and we knew what we had to do," says Kris, whose other brother Nop Narongdej (group CEO), evaluated the extensive but underutilised land banks in KPN's portfolio. "We were able to achieve an average of THB130,000 (£2,683) per square metre, which is the highest price in history in the New Petchburi Road area. They were selling at half price just 100 metres away."

Of course, the high selling price was backed by top-notch amenities, such as a gym and a 40-metre swimming pool – a trend that the competition is keen to follow.

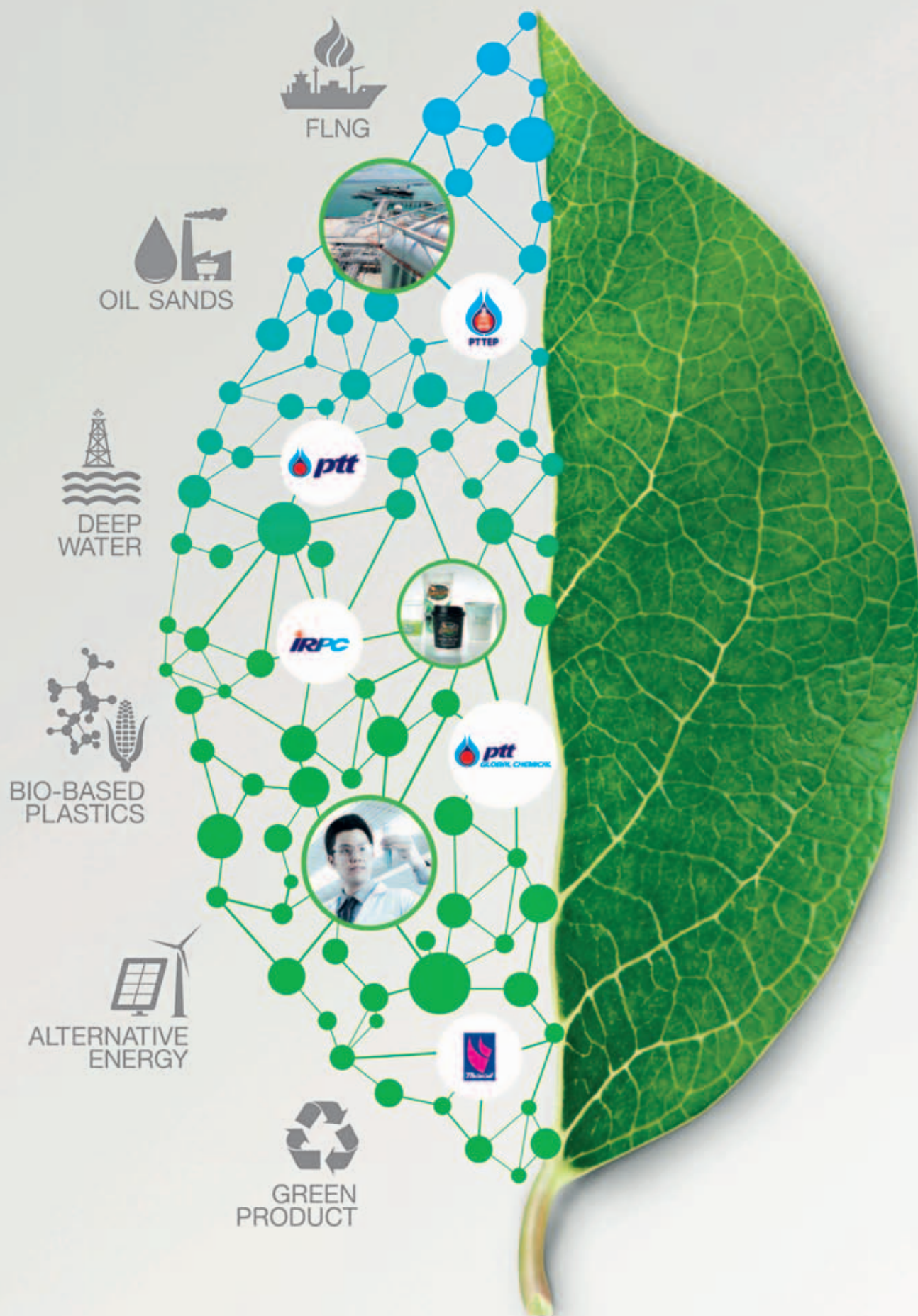
KPN Group is fairly new at the property business, having gradually diversified and shifted its focus from the automotive sector to other, more pertinent areas.

"Several years ago, we decided to focus on something where Thailand is competitive, and at that moment I believed that in the long term, Thailand would not be able to remain competitive in the manufacturing sector," says Kris. "We managed to secure a good amount of money and we used that revenue to invest in the industries that we believed had a future."

On moving into new business areas, he says, "We only concentrate on things that we love. I believe that if you do something you love, you put all your passion, energy and thinking into it, and you dream about it. You need passion in what you are doing."







## HUMAN INGENUITY + LEADING EDGE TECHNOLOGY + GREEN MINDSET = POWER FOR SUSTAINABLE FUTURE

Thanks to our broadening knowledge base, PTT GROUP is unwaveringly determined to create and develop innovative and green technologies for a sustainable future to benefit every life.