

SPECIAL REPORT: INDUSTRIAL SECTOR - THAILAND



Thailand offers a wealth of opportunities.

Kingdom well-placed to build strong relationship with China

On August 8, the Association of Southeast Asian Nations (Asean) will celebrate 45 years. The Asean Declaration, signed in the Thai capital Bangkok in 1967, aims to accelerate economic growth, social progress and cultural development in the region.

A single regional common market of the 10 Asean member states will be created by the launch of the Asean Economic Community in 2015. Thailand is well-positioned to build on its economic strengths as a leading industrialised nation while developing its close ties with China.

"Thai companies are recognising that they must compete on quality rather than price," says Ampanwon Pichalai, director of trade information resources and e-business at the Royal Thai government's department of international trade promotion. "There is recognition that we must compete internationally, and



Thailand is taking the necessary steps to ensure we remain a competitive place to do business. We enjoy strong cultural and historical ties to China and we are committed to working closely with our Chinese counterparts. Thailand's geographical location also makes us a strategic land transport corridor from China to the rest of the Asia-Pacific."

Thailand's major industries include electrical appliances, components, computer parts and cars. Its export-driven economy ranks as the second-largest in Southeast Asia after Indonesia. Exports include rice, textiles and footwear, fishery

products, rubber, cars, computers and electrical appliances. As the economy grows, the Thai government is taking steps to ensure it is easier for companies to operate as the country continues its efforts to become more business-friendly.

"Thailand is learning from Hong Kong regarding the implementation of anticorruption measures," says Andrew Wong, president of the Thai-Hong Kong Trade Association. "Last year, the Thai government invited the commissioner of the Independent Commission Against Corruption to deliver a talk on how to combat corruption in Bangkok.

Increasingly, Thai businessmen are entering the Chinese market through Hong Kong as their partners and advisers there are able to point them in the right direction."

Bernard Chan, chairman of the Hong Kong-Thailand Business Council, is confident that the Sino-Thai relationship will remain a catalyst for growth throughout the region.

"Obviously, last year's floods affected a lot of business between Thailand and Hong Kong and the rest of Greater China. But the overall trend is very positive, with the previous five years showing bilateral trade between the two economies averaging nearly 10 per cent growth per year. Thailand is currently Hong Kong's 12th-largest export market and 10th-largest source of imports. The trade relationship dates back more than a century to when Thailand first started supplying rice to Hong Kong," he says.

"Looking to the future, the business communities in Hong Kong and Thailand are looking forward to the continued expansion of trade and investment opportunities. Thailand has already signed free-trade agreements with a number of countries throughout the region and, while it may be a while before Asean nations become fully open, there are good signs that tariffs between Asean and China will continue to be reduced.

"This region is still emerging and many countries still have lower-income or middle-income populations. However, business between Hong Kong and Thailand represents a classic example of where the opportunities are for growth."

www.ditp.go.th
www.thaitrade.com
www.tita.or.th
www.hk-thai.com
www.icac.org.hk

Thaioil aims to develop its niche as an industry leader

With a strong foundation built on more than 50 years of experience, Thai Oil (Thaioil) has developed into an industrial leader in Thailand. Its core oil refinery business has enabled Thaioil to become a recognised leader in the industry. As it looks towards the future, Thaioil is set to develop its legacy as a trusted company with a driven management team.

Thaioil operates a comprehensive refinery that uses advanced and efficient processing technologies to produce 275,000 barrels per day.

Its products are primarily for domestic distribution.

Expansion into petrochemical, lube base businesses, power generation and the marine transport of petroleum and petrochemical products has enabled Thaioil to strengthen its core business while continuing to benefit from its refinery's strategic location.

Thaioil's CEO Veerasak Kositpaisal says: "Bangkok and the surrounding

regions account for 70 per cent of demand and our refinery is strategically located only 120 kilometres from Bangkok. This gives us the advantage of being in close proximity to our customer base and enables us to supply the domestic market efficiently and deliver products on time."

Thaioil achieved Level B with its recent sustainability report published in partnership with the Global Reporting Initiative, a non-profit organisation that promotes economic, environmental and social sustainability.

"As a leading production company, safety, efficiency and environmental awareness are part of our DNA," Kositpaisal says. "In Thailand, we contribute to the country's development by creating partnerships with local people in the areas in which we operate. We are committed to continually working alongside local authorities and communities by providing employment opportunities and building community

centres and dental clinics to ensure we help improve the quality of people's lives in communities."

Kositpaisal sees huge opportunities within the Asia-Pacific region. "There are 600 million people in Asean and demand for products and services is expected to increase with the establishment of the Asean Economic Community in 2015. Asean economies will grow in line with the increase of free movement of capital, skilled labour and services, and Thaioil is in a strong position to benefit from these opportunities. We have established an international footprint and we expect this to increase across the region."

China's continued economic engagement with Asean countries continues to be a significant catalyst for growth within the region. Since the earliest traders, Thailand and China have enjoyed a mutually beneficial relationship.

"Thaioil already has customers in China who purchase our chemical



Veerasak Kositpaisal, CEO, Thai Oil

products for use in the important Chinese textile industry, and business opportunities between our two countries will continue to present themselves," Kositpaisal says. "As we look towards the future, we want to be seen as one of the most competitive players in the industry and, through the work of our talented staff, we are on track to achieve our goal. As we build on the legacy of the last 50 years, we will ensure Thaioil is seen as a responsible business group with a strong desire to achieve our growth expectations."

www.thaioilgroup.com

Thaitex leads the way

With more than 80 per cent of its natural rubber and rubber products exported to overseas markets, Thailand is the world's largest rubber exporter. While competition from Malaysia and Indonesia, and climatic conditions, affect the rubber industry in Thailand, one Thai company is leading the industry into the future.

In 1967, in Songkhla province in southern Thailand, Klong Ngae Rubber was established. Following alliances with Orient Rubber Latex and Thai Rubber and Latex, Thai Rubber Latex Corporation (Thaitex) was founded in 1990. The company has since developed into the world's largest natural concentrated latex producer and supplier recording more than 150,000 tons of natural concentrated latex annually. The company has eight latex plants in the east, south and northeast of Thailand.

As demand for natural rubber grows, Thaitex bases its success on experience, expertise and strategic planning. Listed on the Stock Exchange of Thailand, Thaitex CEO Vorathep Wongsasutikul is confident about the future.

"We have a recognised responsibility as the biggest supplier for latex in the world," Vorathep says. "We have a high quality product at a good price and pride ourselves on our service and strong relationships with our customers. My personal motivation to continue in this business and grow the company is based on the fact that I believe rubber is an important product for human development.



W. Vorathep, CEO, Thai Rubber Latex

Every aspect of our modern daily lives involves rubber products and Thaitex will continue to deliver high quality products."

Thaitex has gained a solid reputation as a leading manufacturer and exporter of latex concentrate, disposable rubber glove, extruded rubber thread, talcum-coated rubber thread and various other rubber products. The company focuses on consistency of supply, high-quality products and customer service. In the past decade Thaitex has diversified its business into upstream operations, including an investment in rubber plantations across the country. This will ensure that there is abundant supply of high quality latex to its factories all year round.

The Chinese market remains important

to Thaitex. "China's economy is experiencing continued growth and with the industrial and automotive sectors continuing to expand, there is huge demand for rubber products throughout the country," Vorathep says.

"We are seeing rising demand in China for rubber usage in the textile industry and surgical rubber glove manufacturing sectors. Fifty per cent of our products remain in the domestic market. China accounts for 50 per cent of our total overseas sales volume and we look forward to continuing to develop strong relations with our customers in China."

www.thaitex.com

Sustained Growth Through Energy Converting

Specialty products

Ethanol

Power

Lube base oil

Aromatics

Petroleum

Flexibility + Efficiency + Reliability

With 50 years' sustained growth, Thaioil has achieved proven excellence in its business and its products, both of which have given us a leading edge in Thailand and throughout Asia Pacific. Established in 1961, Thaioil began with a petroleum refinery that had a capacity of just 35,000 barrels per day. Now, that capacity has grown to 275,000 barrels per day, making us Thailand's largest refinery. Today, we base our business direction on market demand, and have given added value to our existing value chain by converting commodity products, such as petroleum, into specialty products through three key drives - Flexibility, Efficiency and Reliability. These, together with a combination of innovative energy technologies and creativity in global environmental concerns, will lead us to ever greater sustained growth in the future.



Refining Our Future
www.thaioilgroup.com



Commitment, hard work keys to success

Kulthorn Kirby Public Company (KKC) is celebrating its 30th anniversary this year. As Asean's leading independent manufacturer of compressors for refrigerators, air conditioners and condensing units, KKC is recognised as one of Thailand's outstanding companies.

Through strong commitment and hard work, the company has focused on producing a high-quality product range which has continued to develop over the years. The company is today building on its legacy and stepping into the future with confidence.

In the late 1970s, the Thai government wanted to develop a compressor manufacturing plant that would supply domestic refrigerator manufacturers. This initiative led to the establishment of KKC as a joint venture between the Kulthorn Group (Thailand) and James N. Kirby of Australia.

The new company's strong technical backing came from United States-based Tecumseh, a leading company in the design and manufacturing of compressors.

In January 1982, KKC celebrated the grand opening of its first production plant. Within the industry, compressors are divided into five categories, which differ by size, functionality, performance and



Production with quality and safety remains key at Kulthorn Kirby's facilities.

utilisation: reciprocating, rotary, scroll, screw and centrifugal.

KKC's highly efficient manufacturing operations today include steel coil slitting, the component machining, deep drawing of steel components, aluminium die-casting and electric motor manufacturing for its own compressors and other local manufacturers.

By employing a vertical integrated business model, KKC benefits from a more competitive cost structure and air conditioning models and commercial refrigeration compressors remain key components of KKC's product portfolio.

KKC is now able to offer increasingly larger compressors following investments made in its manufacturing operations.

The continuing dedication of the company's 2,100 employees also ensures customer satisfaction is a priority for KKC.

With almost 70 per cent of the company's compressor units being exported to key markets including Asia, New Zealand, Australia, the Middle East, the US and Europe, KKC has developed into a truly global player.

After 30 years of operations, KKC remains focused on providing customers with quality products and continuous support. The company's policy of "Production with Quality and Safety" remains as true today as it did 30 years ago.

www.kulthorn.com

Recovery ignites property price growth

The Thai economy continues its recovery to post growth in the industrial and manufacturing sectors.

On the real estate side, property prices are gradually increasing with a level of stability. Property prices in Thailand and Bangkok, in particular, still compare favourably in comparison with surrounding major regional centres.

With the incoming Asean Economic Community in 2015, the country is expected to continue this growth and expansion.

Bangkok will become an important hub for commerce and tourism, and property prices, particularly in prime locations, will continue to climb as demand from local and international markets increase.

Magnolia Quality Development Corporation, one of the DT Group of Companies (DTGO), was established in 1994. With offices in Bangkok and Shanghai, the group employs more than 300 staff. DTGO has undertaken projects in Thailand and the mainland, ranging from residential, commercial, retail and hospitality developments. The group's core businesses (real estate, design and consulting) are strengthened by a strong



MAGNOLIA
 QUALITY DEVELOPMENT CORPORATION LIMITED



Thanawan Chaivatana, managing director, Magnolia Quality Development

support system and complementary businesses such as property management, sourcing, procurement, trading, research and development and project management.

Managing director Thanawan Chaivatana says: "We are in full gear this year, starting with our Magnolias Ratchadamri Boulevard, a mixed-use development in Ratchadamri, the prime location at the heart of Bangkok incorporating super luxury residential condominiums and introducing the first Waldorf Astoria hotel in Southeast Asia.

"Managed by Hilton Worldwide Hotels and Resorts, the Waldorf name is synonymous with timeless luxury and sophistication.

"Also, Magnolia Quality Development Corporation, in partnership with Siam Pivat and the CP Group has announced a new development that promises to unlock the beauty of the iconic Chao Phraya river and position Bangkok as one of the region's most desirable destinations."

www.magnolia.co.th