

The Amata Times

News from the World's Leading Industrial City Developer – Q1 / 2016



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ASEAN's star performer Vietnam set for sustained growth

Good news is hard to come by in today's world, but Vietnam has more than its fair share of achievement, and appears on track for more of the same. While politically hardly living up to the West's ideal pattern for representative democracy, Vietnam somehow manages to side-step the criticisms heaped upon other recalcitrant democracies. Vietnam does things its own way, and the rest of the world, along with its own citizens, has learned to accept that style. The Communist Party Secretary General, Nguyen Phu Trong, who prevailed over his reformist rival, Nguyen Tan Dung, at the recent Party Congress, will adopt a more conservative approach to reform. However, foreign investors and resident business people feel confident that the new administration will continue the essentials of reform, including even more liberal investment rules, implementation of the Trans Pacific Partnership agreement and continuation of state-owned enterprise divestment.

A spate of merger and acquisition deals in 2015, valued at US\$5.2 billion, has significantly changed the corporate landscape. These include investment of US\$108 million by ANA Holdings of Japan in Vietnam Airlines, a US\$1.1 billion buy-in by Thailand's Singha Group in Vietnam's beer producer the Masan Group, to be followed by further

deals involving the Airports Corporation, major dairy producer Vinamilk, mobile phone producer Mobiphone, and oil refinery Binh Son Refinery and Petrochemical Corporation.

Acquisition of Germany's METRO GROUP's Cash & Carry in Vietnam for US\$712 million by TCC Group of Thailand is likely to be followed by acquisition of Big C Vietnam by an associate company of TCC, Berli Jucker. This company is already owner of the former Family Mart business in Vietnam, now called B's mart. These acquisitions will have a big impact on the sophistication of Vietnam's retail industry.

Overall Vietnam's foreign investment enjoyed a record year in 2015, with over 2,000 new projects with total capital of US\$15.6 billion and with 800 expansion projects with US\$7.2 billion in additional investment. With ever-greater liberalization of investment conditions and facilitation of foreign worker regulations, Vietnam is now becoming one of the region's most attractive investment destinations.

GDP growth remains strong and stable, with an upsurge in exports arising from recently mobilized new industries, along with inflows of foreign in-



vestment for further export and domestic industries already under construction.

In addition to export earnings, growth is being fuelled by strong and rising consumer spending and growth of a well-established middle class of Vietnamese professionals and entrepreneurs.

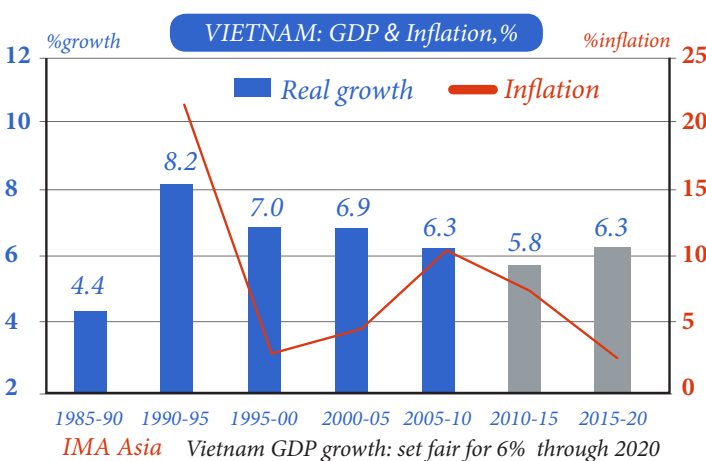
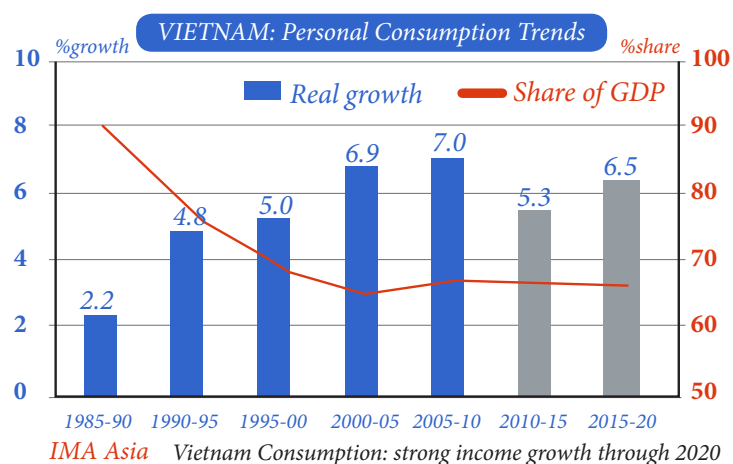
Vietnam has achieved truly dramatic progress over the past decade, but the best years are yet to come. Between now and 2020, the economy is forecast to grow at 6.4 per cent per year, matched by equal consumption growth. While other countries are struggling with falling export performance, Vietnam has, and will continue to achieve, double-digit export growth. Per capita GDP, which doubled over the past decade, will exceed US\$3,000 within five years. The population, now already 94 million, will exceed 97 million by 2020, with 60 per cent of that population currently under the age of 35. The labor force, with participation by both genders, is among the highest throughout the East Asian region.

However, yet brighter prospects lie ahead for Viet-

nam. According to the World Bank, Vietnam can reach upper middle-income status within twenty years, by 2035, having already achieved over the past thirty years what the World Bank calls one of the world's greatest development success stories. Such a goal will, however, require great determination, and a continuation of the reform process already underway.

Along with so bright a future, there are evident downside risks. Internally, Vietnam will have to maintain the political, economic, and social discipline for which it has long been renowned. In addition, great emphasis will need to be placed on infrastructure development, in electricity, water, and transport. Education and health will need to be given even greater emphasis towards higher quality standards. Beyond these controllable factors, two major risks prevail. The first is the dispute with China in what Vietnam calls the East Sea, what the rest of the world calls the South China Sea. In Vietnam's hands, the South China Sea can offer a great wealth of natural resources. In China's hands, there are severe risks of conflict with dramatic downside consequences, both to peace and security and to investment and economic development.

The second risk is the impact of climate change, which could prejudice Vietnam's agricultural base and, most seriously, cause severe erosion and salination of the Mekong Delta, the major rice bowl and seafood source of the country. Accordingly, despite the brightest prospects in Vietnam's history, not all will be plain sailing. But the Vietnamese people have the discipline and determination to conquer adversity, as they have always done in the past. It is therefore not surprising that investors region-wide are flocking into Vietnam to gain a share of its forthcoming prosperity.



Amata eyes further expansion in Vietnam

In 1994, Amata City was established in Bien Hoa, near Ho Chi Minh City. Looking back at twenty years of doing business in the country, Amata confidently foresees successful future investment in Vietnam with plans on the table for two new major developments.

Amata's Long Thanh project will happen in Vietnam's Southern Economic Region, the country's manufacturing powerhouse nestled around economic capital Ho Chi Minh City, where 60% of the country's industrial production takes place. And in addition, Amata is exploring for further expansion in the Northern Economic Region, where the capital Hanoi is located, close to seaports, airports, and major routes connecting the capital and nearby China.

The Long Thanh project enjoys a strategic location within Long Thanh district, which is part of Dong Nai Province. Adjacent to the Dong Nai River, and right on the new highway just 10 kilometers from the future Long Thanh International Airport, the development will stretch over 1,285 hectares and will consist of three elements: a Hi-Tech Park, a Mixed-use Development, and a Service Zone.

The investment certificate of Phase 1 for the construction of a Hi-Tech Industrial Park has been issued under Amata City Long Thanh Joint Stock Company.

The US\$300 million project, which will cover 410 hectares, is expected to transform the local area into a modern, international level industrial

park. It falls superbly in line with the provincial priority of developing supporting industries. Once completed, the park is expected to produce value-added products and create employment for 20,000 people, making it an invaluable contribution to the socio-economic development of the local area, and to Vietnam as a whole.

Dong Nai province has attracted over US\$1 billion FDI annually, mainly concentrating on high technology and supporting industries. Besides the generous support and attention provided by local authorities, this achievement is attributable to the completion of a supporting infrastructure in and outside of industrial zones, such as highways and, most importantly in the near future, construction of the Long Thanh

International Airport, which will create the country's largest international airport with a projected ultimate capacity of 100 million passengers a year.

If you are interested to learn more about the opportunities and possibilities of Amata in Vietnam, please contact us at marketing@amata.com.



Surakij Kiatthanakorn, CEO Amata Long Thanh JSC receives the license from Mr. Cao Tien Sy, Chairman of DIZA (Dong Nai Industrial Zones Authority)



The world we live in

AEC: A new era begins

On Friday, January 1, 2016, the ten members of the Association of Southeast Asian Nations (ASEAN) embarked on a project that has its origins almost fifty years ago. The ASEAN Economic Community (AEC), the region's first economic integration bloc, launched as a single market and production base.

With a combined population of more than 600 million, and a total gross domestic product (GDP) of USD2.4 trillion, the AEC is an ambitious undertaking for an extremely diverse group of neighboring countries. ASEAN has the world's third largest workforce and is the seventh largest single market in the world, making it bigger than the European Union and all of North America. With China's economy slowing, and amid projections that the AEC's GDP will reach USD4.7 trillion by 2020, ASEAN is expected to be the world's economic engine for many years to come.

Despite the impressive potential of this economic community, many analysts and even some government officials in the region have expressed concerns about a number of challenges facing the fledgling single market. In fact, it's quite common for them to describe the AEC as "an ongoing project" or a "work-in-progress".

The most important accomplishment of the AEC so far, but at the same time, one of the biggest challenges is the removal of tariffs from intra-regional trade. To date, more than 70 percent of goods produced in ASEAN countries now have zero tariffs, a situation that is meant to bring down the costs of raw materials and production across the region.

But many non-tariff barriers to intra-regional trade still exist, from lengthy customs processing for agricultural products, to language issues for professionals hoping to practice in a neighboring country, as licensing exams are still conducted in the native language. Protective measures remain in place in many ASEAN nations as a way to protect domestic industries. And since ASEAN does not have the power to force member nations to implement changes or agreed-upon policies, eliminating these non-tariff trade barriers will be difficult.

Economic disparities are another major challenge. The GDP of Singapore, for instance, is thirty times higher than that of Laos, and fifty times higher than Cambodia. In the long-term, the members of the AEC will hope that through cooperation and by working together to develop systems, people and economies throughout the region, these ineq-

uities will be reduced.

In Thailand, as in many countries, there is a general lack of awareness or understanding of what the AEC means, especially for small and medium enterprise (SME) business owners, who wonder what opportunities exist for SMEs. For those who know about the AEC, there is some sense that it will benefit the major economic players, but not small businesses or laborers. And many Thais, especially in the service sector, fear losing their jobs to an influx of foreigners.

Other challenges include the lingering security issues, especially territorial disputes with China in the South China Sea, which, if left unresolved, threaten to undermine the unity of the group. Dealing with the threat of terrorism, both home-grown and imported from abroad, also looms large over the region, and could be a future point of contention.

On the positive side, automotive manufacturing in the region, the bulk of which is based in Thailand, is an area of significant potential growth. ASEAN will soon be the fifth largest automotive manufacturing base in the world. And the rising middle class in the region means more potential car buyers. But while Thailand exports fifty percent of the vehicles it produces, exports from the rest of ASEAN are minuscule, so building the capacity to develop automotive exports according to global standards in these other nations will take time.

Since the AEC took effect on January 1st, there haven't been any dramatic changes to life in Southeast Asia. As *The Economist* magazine noted earlier this year, "...2015 should be seen not as a deadline, but a milestone—as always in ASEAN, as part of a process, not a finishing line."

But as the "work-in-progress" continues past the 2015 "milestone" into 2016 and beyond, expectations for the AEC will change, and success will not be judged by the establishment of new milestones. An editorial in *Nikkei Asian Review* summed it up well: "The time for espousing comforting remarks about building a 'community' has passed. What ASEAN needs to do now is to deliver results."

If the 10-member nations of the ASEAN community can overcome the challenges and "deliver results", they have a tremendous opportunity to move beyond the disagreements of the past, and forge a new era of cooperation and unity for the region.



Vikrom's Vision

By Vikrom Kromadit

Water

Water is a key factor of industrial estates management, which is not only about selling land, but also about providing customers with basic utilities like power, water, and infrastructure, consistently and efficiently. For 2016, Thailand's Meteorological Department predicted dramatically changing weather patterns and severe drought in Thailand, as a result from the changes of climate and global warming.

Amata has given priority to water since day one, because water is indispensable to manufacturers. Therefore, we established our own subsidiary, Amata Water, to manage water and wastewater and to support customers' water needs.

Amata strictly follows a policy on reserved water contained in reservoirs in and outside of the industrial estates: Water stores must be at least 150% greater than consumption demand, and as a result, we have never faced a water shortage situation at Amata's industrial estates over the last nearly 30 years. In 2005, the eastern part of Thailand suffered its severest drought ever, which affected many manufacturers located in the Eastern Seaboard, but Amata still had enough water reserves for four to five months of consumption.

Besides the well-managed water

supply, Amata is efficiently utilizing purification systems that turn wastewater into recycled water at maximum capability. Nearly the entire amount of wastewater is treated, using different degrees of treatment, to produce a defined quality of water that will be fit for different intended purposes. Several grades of recycled water are used for cooling power plants, or for using in the factories, for watering of green areas, and for other uses. Almost no water is lost in our system without utilization.

For 2016, we estimated our approximately 1,000 factories will consume 31.7 million cubic meters of raw water; water reserves at reservoirs in and outside of the industrial estates accumulate to 52 million cubic meters. Therefore, Amata's water resources, *without any rainfall considered*, would last until December of this year.

With careful consideration, foresight, and vision, Amata promises that we will never let our clients suffer from water shortage. Meanwhile, if clients concur with us on appropriate and efficient water consumption and look after their water-consuming equipment carefully, it will strengthen and secure Amata industrial estates' long-lasting water supplies even more and keep water available for current and future demands.

CSR at Amata



Strengthening the bodies and minds of future leaders

Ever conscious that the future of the Kingdom lies in the hands of its youth, Amata City Industrial Estate actively seeks to find healthy and challenging ways for young people to develop their bodies and minds.

In December, the Estate sponsored a two-week sporting event called *Amata Junior Lead #7*. Students from 17 schools surrounding Amata joined the competition, which is aimed at encouraging

personal health while instilling among participants the benefits of teamwork and collaborative effort. These qualities are essential to the foundation of an engaged, productive citizenry capable of cooperating for a shared objective.

Under this regularly recurring program, students from these 17 area schools compete for awards in four diverse team sports: football; volleyball; *takraw*; and *petanque*, or boules. The competition lasts a grueling two weeks, exposing students to both the pressures and the rewards of combining efforts to achieve worthwhile goals.

The winners take home much more than mere medals and trophies. They come away charged with renewed self-confidence and focused ambitions, more ready to assume the responsibilities of adult life.

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Amata gives back in Vietnam

Amata (Vietnam) JSC organized a charity fundraiser at the company's recent 20th-year anniversary celebration. A part of the funds raised, VND40 million (~US\$1,800), was recently donated to

Dong Nai Handicapped Orphan Care Center and was complemented with cakes and milk sponsored by Amata's customers.

The Care Center provides a home to 50 disabled orphans and supports another 46 disabled children for medical treatment and care.



Nyoman Mahardika's career at Mead Johnson Nutrition seems to have been willed by fate. He recalls a particular moment after the birth of his daughter, when a nurse at the hospital gave her a special brand of infant formula that she immediately liked. It seemed to be a perfect and necessary product, but when he searched the shops and markets all around the city, it was nowhere to be found.

He remembers thinking: "This company needs to improve its supply chain. If its ideal customers want to buy it, but can't even find the product on the shelves, the company is losing business. If I had a job with them, I'd show them what to do!"

Soon afterwards, Mr. Mahardika got a call from a company looking to hire a supply chain director. By pure coincidence, the company was Mead Johnson, maker of the infant formula he'd tried in vain to find for his daughter. He remembers telling that story to the interviewer and being hired on the spot.

That was the auspicious beginning of Nyoman Mahardika's relationship with Mead Johnson, a world leader in providing baby and infant formula under the Enfamil brand, among others. With much of the corporate world interested in mergers and diversification, Mead Johnson focuses itself on one mission only: to be the world's leading nutrition company for babies and children. With its products now available in fifty countries and annual net sales totaling more than US\$4 billion, the company is an excellent example of the wisdom in doing one thing and doing it well.

Previously a part of the biopharma giant Bristol Myers-Squibb, the two companies split in 2009, at which time Mead Johnson needed to build and develop its own separate corporate identity both inside and outside the company. Reinvention of a multinational company is a significant challenge, but Mr. Mahardika's background helped prepare him for his role in the process.

Customers in Profile

Nyoman Mahardika, Director (South Asia Supply Chain) Mead Johnson Nutrition



A self-described "global citizen", Nyoman Mahardika is indeed a man with connections across many cultures. Originally from Bali, raised in Makassar (Sulawesi) and educated in Jakarta, he has spent the past twenty years with Mead Johnson, during which time he has been placed in seven different countries in Asia, Europe, and North America.

Over that period, one lesson has stuck in Mr. Mahardika's mind about how effective management can work across borders. "The key idea is: you need to understand the culture." It was a sentiment he encountered earlier in life as well, when learning about situational awareness from a mentor at a previous company.

"We are all intelligent enough to do the work," Mr. Mahardika says. "That's why we got the job. But what the old management books don't teach you is emotional intelligence and maturity. Like knowing when to be patient. When to be aggressive. When to listen. How to write to people."

Mr. Mahardika has settled into his leadership role well, and devotes much of his free time to public speaking so that others can benefit from his professional experience. As a certified professional in risk management, he regularly speaks to audiences in Thailand and Bali about business issues in the region, particularly those related to management and the nutrition/pharmaceutical industry.

Mead Johnson also reaches out to the surrounding community by taking the initiative on corporate social responsibility projects both within Thailand and elsewhere. From providing support in flood recovery efforts to their funding for conservation of marine life, Mead Johnson's vision for a healthy future transcends economics, and is part of the reason why it recently received Thailand's Green Level 2 Award for environmental responsibility.

"A good leader motivates, and is visible when needed by the people – but invisible when they

are achieving the objective," Mr. Mahardika says. By encouraging innovation and creative ideas from within the company, Mead Johnson's structure and philosophy help bring its mission – the maximization of potential – to its employees, its community, and with its constantly-improving infant formula, to the next generation of citizens as well.

Mead Johnson is the only global company that focuses exclusively on pediatric nutrition and is recognized as a world leader in that category.

- Employees: 8,000 worldwide
- Revenue: \$4.071 billion in 2015
- Product line: 70+ nutritional formula and special care products for infants and children
- Market reach: 50 countries in Asia, Europe and the Americas
- Flagship brand: Enfamil
- Corporate office: Glenview, Illinois. Listed on the NYSE (Ticker: MJN)
- Regional locations: Thailand, Vietnam, Malaysia, Singapore, Indonesia, Philippines, Hong Kong, Taiwan, India
- New R&D investment: The company has recently built four Pediatric Nutrition Institute Regional Technology Centers, located in the US, Mexico, China and Singapore
- Listed by Forbes as one of "the world's most innovative companies" in 2015
- Mead Johnson believes strongly in corporate social responsibility, and focuses its efforts in 3 areas: Serving the marketplace through quality and integrity, protecting the environment through sustainable business, and nurturing communities for health and prosperity.

JV Spotlight: Sodexo Amata Services



Amata believes it is important to always be attuned to its customers needs. A good example of this is that Amata's Facilities Services, the group responsible for taking care of the common grounds of Amata Nakorn and Amata City outside of tenants' spaces, recognized a way for customers to become more efficient in utilizing services within their workspaces. Where a customer might hire different service providers for, say, security or facility maintenance or landscaping for their factory, Amata thought, "What if we could help by providing a flexible one-stop service that could comprehensively solve a company's many service challenges, thus saving time, money, and hassles for our customers?"

This idea is a bold undertaking on a large scale, so a search was made to find a good partner, a company who had similar experience in providing a wide range of quality services to big facilities. Amata was successful in finding this partner in Sodexo, a global facilities and food management multinational company originated fifty years ago in France. Sodexo has had a presence in Thailand for over a decade, servicing large entities, such as the UN facility, Impact Muang Thong Thani; hospital groups, including Bangkok Hospital Group, Samitivej, Bumrungrad, and Siriraj; universities and schools; hotels, such as Holiday Inn Express; and other multinationals, such as Unilever and Procter & Gamble.

Aukkarees Choochouy, Managing Director of Amata Facilities Services, a subsidiary of Amata Corp. notes, "Amata has been working with Sodexo for about one year (in Amata Nakorn) and found that this company would be the most successful in providing this kind of service on a very large scale."

Amata and Sodexo entered a Joint Venture agreement in May to July 2015 called Sodexo Amata Services Ltd. Working together, this JV offers the ability to custom-tailored services at an international standard, such as total integrated facility management, like security, cleaning, preventative and remedial infrastructure maintenance (think electrical, plumbing, air-conditioning, fire systems, generators, pumps), energy management, project management (extensions and refurbishing), landscaping, reception, and catering; all with a standby 24-hour call center and response readiness with the ability to dispatch from the estate and arrive to a facility within 10-15 minutes for emergency or security concerns.

Arnaud Bialecki, Country President for Sodexo Thailand says this about the outlook of this meeting of minds: "Sodexo and Amata both share a long-term vision of a sustainable business. With our partnership we want to help Amata customers achieve success and long-term sustainability into their own business. We are confident in the great potential of our team to deliver best-value solutions for Amata's industrial estates."

Tee Time!



Hiroo Nishimura, Executive Advisor, Relationship Management Department, is inviting Amata's customers to participate in friendship golf games. Designed for executives from companies at our industrial estates, the golf events are taking place regularly; having started February, the upcoming next games will be on March 18 and April 22, held at Amata Spring Country Club. As Hiroo Nishimura says, "I believe the game is not only a lot of fun, but it also provides a chance for participants to make new contacts with executive counterparts from other businesses, and to meet and interact with Amata team." Players take care of green fees, and Amata provides good food and drinks after the game. Space for each game is limited to about six groups, so please register early.

Invitations are sent via email. Please get in touch with the Relationship Management Department in case you have not received an email, or for further questions, email to Nishimura@amata.com or phone to 038-939-007, ext. 343 or 344.

Amata 40th Anniversary Celebration

On behalf of AMATA Group, we wish to express our sincere appreciation for the kindness, joy, and happiness shared at the 40th anniversary celebration party on Friday, January 29, 2016.

As many of you know, we started the Company as a small business in 1975 and continued to grow year by year without stopping. Now, we have businesses not only in Thailand, but also in Vietnam. Moreover, we plan to expand our businesses in other countries in this region as well.

We have accomplished a lot with the support of many during the past 40 years, and we will continue to grow together. Thank you very much to all for helping make Amata a fantastic and sustainable company that will continue to grow for many decades to come.



Vikrom Kromadit
Group CEO
Amata Group of Companies



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