

JOURNAL *Swiss-Asian Chamber of Commerce*



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Steering through rough Waters



Contents

Potential Opportunities for Swiss Companies in the World Economic Crisis

Patrick H. Kriesemer, MBA, Member of Executive Board and Chairman, Malaysia and Brunei Committee

Malaysia Emerging as Leading Biotech Knowledge Economy Hub

Patrick H. Kriesemer, MBA, Member of Executive Board and Chairman, Malaysia and Brunei Committee Together with **Sharifah Hanifah Syed Abd Aziz** and **Mohamad Azam Ali**, Malaysian Biotechnology Corporation Sdn Bhd

Developing & Sharing in Thailand Paradise & Business

Manfred Peters, Sagelsdorff GmbH

Vietnam's Premier Dung Outlines Plan to Cope with Global Economic Crisis

Cambodian Premier Hun Sen urges LCDs to Stay United in Trade Talks

Nguon Sovan and **May Kunmakara**

Cambodia in Talks for \$3bn Farm Investment from Asia, Middle East

Raphael Minder in Hong Kong

Lao Urges US to Restore Investors' Confidence in Financial Markets

Hon. Viengthong Siphandone, Governor of the Bank for the Lao People's Democratic Republic

Pakistan Taking Steps to Stabilize Economy & Make it Investor-Friendly

Ayesha Riyaz, Ambassador, Embassy of Pakistan, Bern, Switzerland

Perception Survey on Investment in Pakistan Receives Positive Response

Martin Bienz, Consul General, Consulate General of Switzerland Karachi, Pakistan

The Philippines - A Promising Destination for Swiss Travellers

Marie Venus Q. Tan, Director, Philippine Department of Tourism, Western, Central & Eastern Europe, Frankfurt, Germany

Korea Feels Wall Street Heat, Initiates Steps to Contain Financial Crisis

Greg Scarlatou, Director of Public Affairs and Business Issues, Korea Economic Institute, Washington, USA

Korea's Shipbuilding Industry Bracing to Weather the Storm

Greg Scarlatou, Director of Public Affairs and Business Issues, Korea Economic Institute, Washington, USA

Swiss Firms on Fact-Finding Mission to Thailand

Martin Schneider, Chairman, Thailand Committee, Swiss-Asian Chamber of Commerce

Indonesian Economy Stable, Offers Plenty of Investment Avenues

Lucia Helwinda Rustam, Ambassador of the Republic of Indonesia, Indonesian Embassy, Bern

Singapore: After Recession, It's Slow Growth for Years to Come

Asian Growth Will Slow Down, But Not Slump

Pam Woodall, Journalist and Asia Economics Editor, Economist, Hong Kong

Subprime Crisis and Financial Meltdown: Lesson from the US

Nov 28, 2008 - The Straits Times

Understanding Cultures for Successful Business Co-operation

Doris Bichouna, Learning Centre Business Processes

Ambassador's Golf Cup - A great networking platform

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Fairs & Exhibitions

Membership and SACC Journal Subscription

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Dear Reader,

An extremely turbulent and volatile year comes to an end and the global outlook for 2009 is rather pessimistic with some heavy clouds on the not too distant horizon. So far the economy of Switzerland has been surprisingly resistant. However, the latest forecast of the National Bank and industry indicators point clearly in the direction of a recession and we too need to be prepared to face strong headwinds in the coming year. That is why we have chosen "Steering through rough Waters" as our main theme for this issue of the Journal.

We all know that a crisis also opens the way for opportunities. But did you know that the Chinese word for crisis "Wei Chi" has a dual-meaning "sudden danger" and "hidden opportunity"? The fact that the same characters are used in Japanese tells us that Asia probably sees a crisis somewhat less negative and looks more beyond the short-term.

Several of the articles in this issue deal with the current global financial and economic crisis and its impact on Asia. The different authors highlight lessons to be learnt, outline measures that can be initiated and identify business opportunities.

The Asian emerging economies have long been one of the constant global growth drivers. However, the region has not been spared from the impact of this global crisis. Even so the forecast for next year still shows good growth, though on a more moderate level and in a lower inflation environment. The article by the Hong Kong based journalist and editor of the Economist, Mrs Pam Woodall, gives an excellent analysis and outlook on Asia in 2009.

More on the home front, the Board of our Chamber decided in the second half of 2008 to intensify its presence and activities in the Suisse Romande. As a result of this, I was asked to take on the Chairmanship of the Chamber's Suisse Romande Chapter which I accepted with great pleasure.

Our base in the French speaking part of Switzerland is still small despite the significant economic weight the large, medium and small enterprises have in this region. One of our goals for 2009 is to increase the membership base through a number of high quality events and activities and by offering the comprehensive services of our Chamber to all existing and new members. We are looking forward to an active new "Chamber-Year" in the Romandie.

In the name of the Board of the Swiss-Asian Chamber of Commerce I would like to thank all members and readers for their support and for their participation in our activities. We extend our best wishes to you and your families for the coming Festive Season and for the New Year.



Thomas Schelling

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Potential Opportunities for Swiss Companies in the World Economic Crisis



By **Patrick H. Kriesemer**, MBA,
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The US financial crisis has spawned speculation that it could push emerging economies like Malaysia on a downturn, but we assume otherwise.

According to Kishore Mahbubani, the Dean of the Lee Kuan Yew School of Public Policy in Singapore, the turmoil in the West could be a source of optimism for Asians.

"Actually, the effect of the crisis in the United States could be the opposite. The crisis could in fact lead to a change in the mindset of foreign investors in favor of emerging economies," he told in an interview.

Hundreds of billions of dollars have been taken out of the U.S. commercial papers over the past three weeks, starting right after Lehman Brothers filed for bankruptcy, sparking a flight to the safest possible investment.

But the financial panic and collapse of foreign trust in the American financial system has so adversely affected foreign investors' risk appetite that even what were previously classified as the safest investment instruments, such as short-term U.S. Treasury debts, also came under doubt.

Certainly, the global credit crunch means there will be less money coming into emerging markets, including Malaysia, as foreign companies willing to consider such investments overseas are also likely to be far more risk averse than before.

However, the U.S. financial crisis and its contagion to Europe and the rest of the world could also create new opportunities for Malaysia in terms of foreign direct investment (FDI) in natural resources and the development of basic infrastructure.

Opportunity for Swiss Firms

offering Financial Services

The shift of large amounts of capital to developing countries, notably major oil exporters such as Saudi Arabia, Kuwait and the Arab Emirates, over the past two decades has accumulated hundreds of billions of dollars in their foreign reserves.

As the U.S. financial crisis has now spread to Europe, these oil-rich countries are reviewing their holdings or investment vehicles, looking for more diversified investments overseas (outside the United States and Europe), especially in view of the weaker dollar and the steadily falling returns in dollar assets.

Recent newspaper reports estimated the three above mentioned countries alone had built up almost US\$1,500 billion in sovereign funds.

Given the unfavorable political developments in the region over the past few months, Malaysia, with its largely Muslim population, could become one of their favorite places for FDI if the conditions are right and the legal and market infrastructure is conducive for Islamic financial instruments.

Malaysia's basic infrastructure and natural resource development projects could now become much more attractive for sovereign funds from the Middle East to be used as major sources of long-term, stable revenues.

The Malaysian government has improved the legal framework with the recent enactment of laws on sharia banking and sukuk (Islamic) bonds. The long-term nature of Islamic bonds could make them the most suitable investment instrument for Malaysia because of the country's need for huge funds for infrastructure development, as these bonds grant an

investor a share in an asset along with the cash flows and risks commensurate with such ownership.

The Malaysian government has also stepped up investment promotion in the Middle East under a special mission. The investor-targeting strategy conducted in the Arab countries could prove more effective in wooing investment because, instead of trying to attract investment in general, the government focused promotional efforts on wooing a defined set of capital flows from that region with its special sharia rules in financial services.

This kind of investor-targeting strategy allows the government to choose the FDI it desires and direct that investment to support its objectives related to employment and other development goals.

But the government is well advised to realize that when it comes to FDI and the prerequisites for a conducive investment climate, Arab investors and those from other emerging markets are not much different from those in the developed world.

In this context, the government still has a lot of homework to do in improving the regulatory framework. Good, sensible

regulations with high compliance will help the market to function properly and the economy to grow. In Malaysia neither Banks are structured adequately trained nor IT systems are able to scope with the need in Islamic Banking. This could be an opportunity for Swiss Financial Service companies, having built an excellent reputation in professional services over the years in Europe and the Middle East to offer in Malaysia, either through partnership or alone, services to the Islamic Banking community.

Opportunity for Swiss Manufacturing and Service companies

Swiss companies have established a diverse and quickly-growing manufacturing sector that plays an increasing role in the Malaysian economy. Swiss manufacturers include Nestle, Novartis, Haco, Huber & Suhner, Swatch, Unisto etc. All of them are not pulling out of Malaysia due to the financial crisis, even more, some of them are improving and enlarging their manufacturing plant today - why? The quality of the manufactured goods are excellent, the logistic infrastructure components (airports, harbors, roads etc.) are one of the

best in the region and the cost of manufacturing is approximately one third of the cost in Europe.

Malaysia built up its manufacturing sector mainly in the 1970s and 1980s, utilizing its long-established industrial centers on the island of Penang, the Kelang Valley and Iskandar (Johor).

Manufacturing contributes about 29 percent of the GDP, providing employment to 2.3 million people or 27 percent of the workforce. From the late 1970s, the proportion of GDP provided by the manufacturing sector in Malaysia grew from 20.2 percent in 1979 to around 29 percent in 2008. The United States was until today one of the largest foreign investor in Malaysia's manufacturing sector. Since the United States has been hit the most by the financial crisis it can be assumed that the flow of American foreign investments and orders will decrease in the forthcoming months. Based on this, Swiss manufacturing companies have now the opportunity to partner with these manufacturing companies, who were focused on the U.S. market.

It is just in these times that Swiss investors can benefit from favorable financial conditions, such as purchase of raw materials (i.e. rubber) land and properties as well as renting office space. Furthermore, due this difficult time, we are convinced that the Malaysian Government (MIDA) will attract Swiss companies, who want to set up manufacturing plants, regional headquarters or service companies now in Malaysia, with key benefits such as tax incentives, pragmatic approval processes, and support in coordination tasks all of these making the decision to invest in Malaysia very attractive.

To benefit on this window of opportunities we do recommend visiting Malaysia in the forthcoming months, together with a representative of our chamber, and evaluate together the opportunities and threats for your companies. Please contact our chamber today to fix an appointment.



Malaysia Emerging as Leading Biotech Knowledge Economy Hub

Within the three short years since the launch of the National Biotechnology Policy in 2005, followed by the establishment of Malaysian Biotechnology Corporation (BiotechCorp) in the same year almost everyone in the world share the same grave problems: Climate, Food, Fuel - and the toll on natural resources as well as the health and well-being of the world's citizens.

As populations grow and people's expectations of their health and well being increase, the world will be even more in need of the kind of solutions that biotechnology can offer. Healthcare biotechnology can deliver better, more effective medicines. Agriculture biotechnology can improve food production. Industrial biotechnology can help to clean up our environment.

The mapping out of the human genome is only beginning to reveal the power of genetic medicine - one that promises a revolution in healthcare to shift from diagnose and treat, to detect and prevent. Disease and illness will be with us, especially with the very young and the old, but the future of healthcare biotechnology is such that we will be able to tackle diseases even before they have a chance to manifest themselves.

In this respect, the effort led by BiotechCorp in partnership with Nanobiotix of France and Universiti Sains Malaysia is off to an excellent start with an initial focus on developing point-of-care diagnostics and drug delivery systems for tropical diseases. On behalf of the Malaysian biotechnology industry, BiotechCorp acquired an exclusive, global license to a nanotechnology platform for non-cancer purposes in 2007. As part of the collaboration, three Malaysian

scientists from Universiti Sains Malaysia will undergo the technology transfer training this year.

For the future, the BiotechCorp-Nanobiotix collaboration is expected to yield 14 applications in healthcare, five in environmental and agricultural applications and four in food and cosmetic applications that could be developed based on Nanobiotix's technology platform for the Malaysian biotechnology industry.

In May this year, the world is recognizing the effort of a BiotechCorp's Bio Nexus company, Asiatic Centre for Genome Technology (ACGT). ACGT has completed the first draft assembly and annotation of the oil palm genome in collaboration with Dr Craig Venter, a key figure in the mapping of the human genome. The ultimate goal of the mapping of the oil palm genome is to improve yields, produce renewable fuels, biofertilizers and disease control solutions. Yet another significant result not only for Malaysia but for our global partners in the oil palm industry is healthier, more productive crops, efficient land use with higher agriculture yield and more sustainable development of the plantation environment.

The two examples mentioned are part of many, exciting and significant projects that are being undertaken right now between Malaysian scientists and bio entrepreneurs in collaboration with leading international biotech talent. These are the results of the formalization of the National Biotechnology Policy in 2005 mentioned earlier. It is BiotechCorp's continuing commitment to sharpen Malaysia's biotechnology edge as one of the key drivers of the country's development. This

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Together with
Sharifah Hanifah Syed Abd Aziz and
Mohamad Azam Ali, Malaysian
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is important not only to achieve improvement in the quality of life for all Malaysians but also to escalate the creation of knowledge and innovation in the country.

In the Malaysian National Budget 2008, RM236 million was allocated to provide infrastructure and technology facility for biotechnology including for acquisition of technology, biodiversity research and biotechnology commercialization. This allocation is shared by various Ministries including related government agencies with a biotechnology component.

Meanwhile, in the recent National Budget 2009 under the 3rd Strategy of Strengthening The Nation's Resilience the government continue to recognize biotechnology as providing significant growth opportunities despite the expected moderation in global economies. Malaysia is further seen as having demonstrated

competitiveness in biotechnology, underpinned by the strength of our professionals in this sector, in-country and globally.

To sharpen this edge by expanding training and upskilling existing professionals fiscal incentives in the form of double deductions are extended for employers sponsoring employees to pursue postgraduate studies in biotechnology and life sciences, whilst non-resident experts providing technical training in these areas will be given withholding tax exemption.

The RM13.7 billion allocation in Budget 2009 to enhance healthcare - which includes increasing the supply of medicines, intensifying research and enforcement activities further strengthens the growth of healthcare biotechnology in Malaysia.

Additionally, the commitment to obtain RSPO certification (Roundtable For Sustainable Palm Oil) for Malaysian oil palm plantations and the RM50 million allocation to implement conservation programmes to enhance biodiversity in plantations and the commitment to formulate a comprehensive National Energy Plan to develop viable alternative energy sources including biofuels as contained in the National Budget 2009 provide a significant way forward for agriculture and industrial biotechnology.

The initiatives under the National Biotechnology Policy are implemented within the time frame of the Biotechnology Master Plan from 2005 to 2020. Within this plan the period between start of the policy in 2005 until 2010 is for capacity building in the Malaysian biotechnology industry. Key targets 2010 include shoring up private sector and government investment in biotechnology to RM6



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billion, developing 25 biotechnology companies and ensuring biotechnology contributes 2.5 percent to GDP.

Meanwhile, total approved investment in biotech companies nurtured by BiotechCorp under the BioNexus status is at RM1.3 billion. There are 80 BioNexus companies to date in agriculture, healthcare and industrial biotechnology with activities spanning plant genomics, animal health, breeding and reproduction, tissue culture, nutraceuticals, medical diagnostics and devices, molecular and stemcell engineering, enzymes and catalysts, bioremediation, microbe technology and biofuels. International partners of Malaysian BioNexus companies are from leading biotech markets in US, France, Italy, Korea, Taiwan and India.

Parallel to building the business of biotech, key initiatives continued to be emphasized in developing a conducive environment that enhances Malaysia's competitive edge in biotechnology. These efforts include enhancing biotech talent and skills, reinforcing the legal and regulatory environment, acquiring platform technologies and promoting Malaysia's commitment in its ambition to become a global biotech hub.

Biotechnology is the next wave of the knowledge economy and Malaysia is aiming to become its leading hub. With the country's strong science base, its growing capital market and venture capital industry, the large number of skilled scientists and managers in biotech Malaysia needs to expand its lead.

Whilst Malaysia continued to be considered as one of the most attractive markets offering competitive cost for contract research organizations, contract manufacturing organizations and clinical trials results are not happening fast enough because the pool of Malaysian knowledge workers may not be expanding fast enough. The present work by public and private universities to develop qualified life science and biotech graduates need to make quantum leaps in

order to support the escalation in the demand for knowledge workers in this field.

Post graduation, development agencies like BiotechCorp has achieved success through its industry training programme. The Biotechnology Entrepreneurship Special Training (BeST) provides an intensive and structured talent development programmed combining classroom training, laboratory work and industry internship. Experiential training through (BeST) equips graduates for entry level positions into the Malaysian biotechnology industry. Meanwhile, the industry internship provides hosting companies with direct oversight and assessment of participant's capabilities and talent fit for possible placements.

To date, 75 percent of BeST graduates obtained placements which includes attachments at BioNexus companies, MNCs, local conglomerates and government Research Institutes. Meanwhile, 25 percent of the trainees obtained employment at the completion of the training.

BiotechCorp is also in a five-year partnership with the California Institute for Quantitative Biomedical Research (qb3) to collaborate in research, human capital and bio-entrepreneurship development. The partnership enables collaborations on research projects and masterclass training-equipping Malaysian scientific talent with the latest multi-disciplinary and biotechnology entrepreneurship skills. Under the qb3 partnership, a Global Bio Entrepreneurship Course was conducted for senior talent from Malaysian universities offering a content rich training covering life sciences, entrepreneurship and venture financing conducted by leading biotechnology experts from around the world.

At Bio Malaysia 2008 held in October this year, BiotechCorp has also launched one of the most significant public-private sector partnership programme which will contribute further to the pool of knowledge workers supporting the

biotechnology industry. Called the BioNexus Partner Programme public universities and research institutes will offer the wealth of talent and infrastructure resource in their labs and facilities to BioNexus and Malaysian life sciences companies. In return, Bio Nexus and life sciences companies will provide industry input across business, regulatory and market practice requirements to the teams in public universities and research institutes. This would be a beginning of a major effort to close the knowledge worker gap, whilst ramping up support to intensify biotech growth in Malaysian biotechnology.

Business continuity, and the conduct of a fair and orderly industry are key to generating sustainable returns whilst ensuring further progress and growth in the industry. In this respect, reinforcing the legal and regulatory environment for Malaysian biotechnology is an effort that could not be emphasized enough. Malaysia continues to strengthen its IP and patent laws and regulations. The objective is not only to broaden IP protection, but to deepen competency in IP and intellectual asset management that is conducive to proper valuation. This is critical to the growth in intellectual property intensive business involving biotechnology companies with patents or market differentiated brands.

Given the collective commitment and effort by the Malaysian Government, related ministries, agencies and the private sector biotechnology is set to become even more significant in contributing to the socio-economic well being for Malaysia. BiotechCorp is committed to achieve even greater results for the biotechnology industry in Malaysia as it work towards realizing the national ambition of making Malaysia a global biotech hub.

For inquiries please contact our Chamber, Mr. Patrick Kriesemer, SACC, Chairman Malaysia Committee c/o Kriesemer and Partners, Falkenstrasse 12, 8008 Zurich. email pkriesemer@kriesemer.com Tel + 41 44 383 67 10. ■

Developing & Sharing in Thailand Paradise & Business

How a Swiss lawyer-banker found Thai paradise development to be the most enriching experience of them all after he started sharing it with others.

The archipelago of Phang Nga Bay in southern Thailand is one of the most romantic and secretive places on earth. Its mythical island silhouettes with spectacular craggy limestone formations were more or less unknown to the outside world until they were used as a back drop for the 1974 James Bond reel, "The Man with the Golden Gun".

When Dr. Markus A. Frey, a renowned Zürich lawyer and banker, visited the area some years ago, he just happened to be invited by the French consul to a barbecue on an island he didn't even know existed.

The island was Koh Yao Noi, the biggest island in the archipelago. Although already used to the finest views of St. Moritz and Key Biscayne, this was beyond

anything Frey had ever experienced. He was more than surprised to find a total absence of mass tourism despite this magical view and all the ingredients of a true tropical paradise.

The island, roughly nine kilometres long and two kilometres wide, is unique since it has managed to go unspoiled through the Thai boom which, rather brutally, transformed the nearby Phuket, a half an hour boat ride away.

With some governmental assistance the predominantly Muslim inhabitants have managed to keep out cheap tourism while getting by quite well on fishing and rubber plantations. Furthermore, the island simply is too small for mass tourism.

But there were more surprises installed for Frey: That very day, his host had decided to step back from his ownership of the only spot available to foreign development on the island - the longest beach on the island directly facing the hundreds of islands in the bay.

By **Manfred Peters**, Sagelsdorff GmbH



View from the Six Senses Hideaway Yao Noi



Dr. Markus A. Frey & Jean-Michel Germing on the first trading day of their Fund on the Stock Exchange of Bangkok

"I have not decided faster on anything else in my entire life", Frey recalls. "I had already fallen in love with the view and the total virginity of the place and then life just gave me this wonderful gift."

It didn't take long for him to feel that he wanted to share the beauty of this place with others, but in a way that would respect its uniqueness. He decided to build a small resort that would truly live up to the "eco" epithet.

The Nitty Gritty of Beachfront Luxury

In general, Thailand is an excellent region for owning land and building on it. But here, a dream can easily turn into a nightmare. The acquisition of land, due diligence procedures, negotiations, legal permits and authorizations, was just the beginning of a long process.

Frey realized he was slowly sinking into a quagmire. Unknown and constantly changing local rules and conditions had

crucial impact on every aspect of the timing, project management, delivery times, quality certification and customs procedures.

But just when things looked their worst, he got lucky again. He met Jean-Michel Germing, a Swiss of Dutch heritage, who had early abandoned his traditional career as a Management Consultant to become a hospitality entrepreneur working from Thailand.

The two partners now went to work under the name Germing Frey, Hotels & Resorts PCC with the aim to build a tropical hideaway with a bare minimum of negative impact on the environment and the local community (www.germingfrey.com).

This meant building upward and without substantial digging, using no heavy machinery to avoid excessive wear and tear on the surface. To find the optimal building style for the environment the architect had to research local village styles and traditions from all over Thailand.

Wooden buildings on stilts with elements of the Andaman Sea gypsy culture was the result. Materials with a traditional background were used while still maintaining modern standards. Mangrove palm leaf roofs that breathe and do not



Koyao Island Resort and its views

store heat made air conditioners redundant, and the wood for the resort was renewable hardwood from regional plantations.

The end product was the now famous Koyao Island Resort with 15 luxury villas equipped with every modern comfort and with private tropical gardens facing the beach, blending graciously into a coconut palm setting (www.koyao.com).

Profiting by Sharing Wealth

Today, Markus A. Frey and Jean-Michel Germing have expanded and refined the business concept to encompass further resorts. They combine responsible tourism and intelligent luxury together with local partners both on Koh Yao Noi, where the Six Senses Hideaway Yao Noi is making world headlines, and elsewhere in South East Asia.

But the biggest change is that Germing Frey now also offers private villas complete with tailor made ownership and usage rights models that make them very popular hideaways. Instead of paying for separate nights in a room, high net worth guests to the resorts can choose to invest in what really amounts to a hotel project.

They buy a residence with the option to have the villa be managed by the nearby resort which also deals with all legal and tax matters and makes sure that the house

is well maintained. If then, one has invited too many guests they can stay in the hotel rooms at the resort. And, if the owner is away, he can choose to have the resort let the house for him to receive income.

Markus A. Frey and Jean-Michel Germing consider their involvement in Thailand to be "Lifestyle business", which, notwithstanding a handsome profit, does not include aiming for short term profit maximizing.

They tell Investors, whether they are potential partners for a new Six Senses resort or buyers of a private residence (cost range 2,5 to 6,5 million CHF per house), that there are more profitable places to put their money, but hardly a more meaningful one. The profit lies in the pleasure of having been a part of building a unique and sustainable destination in one of the most beautiful places in the world. The whole thing should simply be regarded as a fun and lifestyle investment.

Buying a private residence allows a European investor to dive into another culture, which opens up new horizons and brings new friends and business partners, and Germing Frey has placed a lot of value on the selection of investors in order to create a community feeling.

For the new Six Senses Residences Yao Noi which are now under development

there are a number of different financing and design options. Owners can lower the operating costs by joining the rental pool with one's residence.

Markus A. Frey is open about the pros and cons of Thai investments and also why he feels an antipathy towards the Real Estate industry: "The big problem in the Real Estate industry is that everyone thinks they have the full picture, although it's a damn hard business. You have to look at hundreds of locations and have thousands of discussions until you find the real thing."

Frey's chosen concept of transparency and openness has worked out well. Germing Frey is today considered to be one of the most innovative real estate developers in South East Asia with a focus on unique locations in unspoiled nature, contemporary tropical architecture connected with modern technology and Swiss dependability.

Going Public to Look for More

Through a holding company, their resort Six Senses Hideaway Yao Noi (Phuket) have now been incorporated into the Luxury Real Estate Fund which went public on the Thai Stock Exchange under the ticker LUXF on the 9th of June, becoming the first Thai freehold real estate fund. "We have replaced the banks with



"James Bond Islands" close to Koh Yao Noi



Master Bedroom with a View

shareholders”, says Jean-Michel Germing. This increases the value of the real estate development company even further and creates a financial base for new projects.

Together with the Six Senses group which is managing the resort on Yao Noi, the two partners will now open the Soneva Kiri & Six Senses Spa on the island of Ko Kood in the east of the country in March next year.

“We admire the style and the ways in which Six Senses are handling the location and nature at hand”, says Germing. “Also, we are profiting from their strong brand”. “There is a faithful Six Senses following that is helping us to get to the market fast”.

Ko Kood, located close to the border of Cambodia, is three quarters covered with tropical rainforest and surrounded by

crystal clear waters and lovely beaches. The private villas on the Kood Island will outshine everything seen so far.

Frey and Germing have indeed found paradise several times already, but they don't want to keep it to themselves, but rather share it with others and continue looking. ■

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