

(Translation)

DRAFT PROSPECTUS



THAI BEVERAGE PUBLIC COMPANY LIMITED

Offering to the Public

By Siriwana Company Limited
of 80,000,000 existing ordinary shares
with a par value of Baht 1 per share, offering price of Baht [●] per share

Subscription Period

For General Subscribers and Patrons : [●] to [●] 2008
For Institutional Investors: [●] to [●] 2008

Financial Advisors

SCB Securities Company Limited Phatra Securities Public Company Limited

Lead Underwriters

SCB Securities Company Limited Phatra Securities Public Company Limited

Date of filing of the registration statement and draft prospectus : October 22, 2008

Period of distribution of draft prospectus : from [●] 2008
until the date on which the registration statement and draft prospectus have become effective

Effective date of the registration statement and draft prospectus : [●], 2008

This document is not the prospectus. It is prepared with the purpose to disseminating information about the securities to be sold before the proposed selling date so that prospective investors have sufficient time to study such information before making their investment decision. Information contained in this document is not materially different from the draft prospectus which has been submitted to the Office of the Securities and Exchange Commission and which is not yet legally effective. Accordingly, the information contained in this document is subject to change.

The sale of securities may proceed only if the registration statement and the draft prospectus submitted to the Office of the Securities and Exchange Commission have become effective and have been sent or distributed to prospective investors.

Warning

Prior to making an investment decision, investors should exercise their own judgment when considering detailed information relating to the issuing company of the securities and the conditions of securities, including the suitability for investment and the relevant risk exposure. The effectiveness of this prospectus does not represent that the Securities and Exchange Commission or the Office of the Securities and Exchange Commission have suggested investment in the offered securities; nor contain any assurance in relation to the value or returns on the offered securities; nor shall they certify the accuracy and completeness of information contained in the draft prospectus. The liability for certification of the accuracy and completeness of information contained in the draft prospectus is vested in the securities offeror.

If the draft prospectus contains any false statements or omits to state any material information which should have been disclosed, the securities holders shall be entitled to claim damages from the issuing company or the securities owners pursuant to section 82 of the Securities and Exchange Act B.E. 2535 (1992) within one year from the date of effectiveness of this registration statement and draft prospectus.

Any person may examine or request a copy of the registration statement and draft prospectus submitted to the Office of the Securities and Exchange Commission at the Information Center, Office of the Securities and Exchange Commission, 15th Floor, GPF Witthayu Towers, 93/1 Wireless Road, Lumpini Sub-District, Patumwan District, Bangkok during its working days and hours from 9.00 a.m. – 12.00 p.m. and 1.00 p.m. – 4.00 p.m. or via its website at <http://www.sec.or.th>.

Warning: Investment involves risks. Investors should understand the type of each securities and study information before making an investment decision.

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Definitions

Unless otherwise stated in this document, the following wordings shall have the following meanings:

[Name] Co.	means	[Name] Company Limited
[Name] Plc.	means	[Name] Public Company Limited
Alcoholic Control Act	means	Alcoholic Control Act B.E. 2551, as amended
BeerThai Plc.	means	Beer Thai (1991) Public Company Limited
BeerThip Co.	means	BeerThip Brewery (1991) Company Limited
BOI	means	The Board of Investment or the Office of the Board of Investment, as the case may be
Boon Rawd Brewery Co.	means	Boon Rawd Brewery Company Limited and its affiliates
Canadean	means	Canadean, a marketing research company who gathers information of global beverage industry, which such research and information of beer, spirits, wine and other types of beverages are published, and with the head office located in England.
CDP	means	The Central Depository (Pte) Limited
Cosmos Co.	means	Cosmos Brewery (Thailand) Company Limited
Everton	means	Everton Football Club
IBHL	means	International Beverage Holdings Limited
Office of the SEC	means	The Office of the Securities and Exchange Commission
Pan International Co.	means	Pan International (Thailand) Company Limited
Principal Shareholders	means	The Sirivadhanabhakdi family (namely, Mr. Charoen Sirivadhanabhakdi, Khunying Wanna Sirivadhanabhakdi, Ms. Atinant Bijananda, Mr. Thapana Sirivadhanabhakdi, Ms. Thapanee Techajareonvikul, Ms. Wallapa Traisorat and Mr. Panote Sirivadhanabhakdi)
Red Bull Co.	means	Red Bull Distillery (1998) Company Limited
SEC	means	The Securities and Exchange Commission
SEC Act	means	The Securities and Exchange Act B.E. 2535, as amended
SET	means	The Stock Exchange of Thailand
Subsidiary or Subsidiaries		has the meaning ascribed in the notification of the SEC No. GorJor. 32/2549 re: Submission and exemption for submission of the registration statement dated November 15, 2006 (as amended)

ThaiBev	means	Thai Beverage Public Company Limited
The Company	means	ThaiBev and its Subsidiaries
TSD	means	Thai Securities Depository Company Limited
U.W.D. Co.	means	U.W.D. Marketing Company Limited
United Winery Co.	means	United Winery and Distillery Company Limited

THAI BEVERAGE PUBLIC COMPANY LIMITED

PART 1

EXECUTIVE SUMMARY

PART 1

Executive Summary

ThaiBev was established on October 29, 2003, with initial registered capital in the amount of Baht 20,000 million (increased paid-up capital to Baht 22,000 million in December 2003, Baht 24,444.5 million in May 2006 and Baht 25,110 million in July 2006). Its objective is carrying out the business of production and sale of alcoholic beverages and non-alcoholic beverages and by-products as well as other related business through its Subsidiaries, which are under the control of ThaiBev. (please see details of shareholding in Subsidiaries in section 2 - Nature of Business). As of September 11, 2008, the Principal Shareholders and their associates directly and indirectly hold approximately 65.55% of all paid-up shares of ThaiBev. (please see details of shareholding in ThaiBev in Section 8 - Capital Structure.)

As of September 30, 2008, ThaiBev holds, directly and indirectly, shares in 86 Subsidiaries and 3 associates, which could be classified as follows:

1. Brewery Group The Company carries out the business of production and sale of beer, drinking water, soda and by-products through BeerThai Plc., BeerThip Co. and Cosmos Co. These companies own and operate one brewery in Kamphaengphet province and two breweries in Ayudhya province, respectively. The total production capacity of these breweries is approximately 1,550.0 million liters per annum. BeerThai Plc., BeerThip Co. and Cosmos Co. are producers of drinking water and soda water under the trademark of “Chang” and beer under the trademarks of “Chang”, “Chang Light”, “Chang Draught”, “Archa” and “Federbräu”. The brewery group had a market share of approximately 46.7% of the total beer market in Thailand in 2007. The Company also carries out the business of production and sale of beer abroad through IBHL and IBHL’s subsidiaries.

The brewery group had revenue (before intersegment eliminations) in the amount of Baht 42,277.0 million (before the restatement of the financial statements) or 44.5% of the Company’s total revenue from sales for the fiscal year ended December 31, 2005, Baht 46,103.2 million or 47.1% of the Company’s total revenue from sales for the fiscal year ended December 31, 2006, Baht 47,557.3 million or 47.3% of the Company’s total revenue from sales for the fiscal year ended December 31, 2007 and Baht 21,272.0 million or 41.6% of the Company’s total revenue from sales for the six-month period ended June 30, 2008.

In the first quarter of 2008, the Company had a reclassification of its business segments whereby the operating results of drinking water and soda water have been separated from the brewery group and reclassified into the non-alcoholic beverage group. However, the Company did not restate the first half of 2007 financials to be comparable to the first half of 2008 since the sales volume of drinking water and soda were not material.

2. Distillery Group The Company carries out the business of production and sale of white spirits, compounded spirits (Chinese herb spirits), fermented spirits and brown spirits including by-products and materials. The Company has 18 local distilleries owned and managed by 18 Subsidiaries, which has a total production capacity of approximately 819.0 million liters per annum. There are many famous trademarks, such as Ruang Khao and Pai-Thong for white spirits, Chiang-Chun, Chu Sib Neaw and Sua Dum for Chinese herb spirits and Sangsom, Mekhong, Mungkorn Thong, Crown 99, Hong Thong and Blend 285 for brown spirits. In 2005, the distillery group had a market share of approximately 74.0% of the total spirits market in Thailand (the Company does not have the data for its domestic market share of spirits in 2006 and 2007, however, the Company believes that the domestic market share in years 2006 and 2007 are not significantly different from year 2005). The Company also carries out the business of production and sale of spirits abroad through IBHL and IBHL’s Subsidiaries.

The distillery group had revenue (before intersegment eliminations) in the amount of Baht 52,811.0 million (before the restatement of the financial statements) or 55.6% of the Company's total revenue from sales for the fiscal year ended December 31, 2005, Baht 51,576.1 million or 52.7% of the Company's total revenue from sales for the fiscal year ended December 31, 2006, Baht 52,940.2 million or 52.7% of the Company's total revenue from sales for the fiscal year ended December 31, 2007, and Baht 28,718.5 million or 56.2% of the Company's total revenue from sales for of the six-month period ended June 30, 2008.

3. Non-Alcoholic Beverages Group In the first quarter of 2008, the Company reclassified its business segments, whereby the Company added its non-alcoholic beverages as another business segment. Products in this group are energy drinks, ready-to-drink coffee, soda water and drinking water as well as food, Japanese restaurants and other non-alcoholic beverages. The said change affected the operating result of soda water and drinking water, which had previously been classified in the brewery group, to be transferred to the non-alcoholic beverage group. The non-alcoholic beverages group had revenue from sales before intersegment elimination in the amount of Baht 364.9 million or 0.7% of the Company's total revenue from sales for the six-months period ended June 30, 2008. The Company has expanded its business to non-alcoholic beverages by acquiring assets of a company in Thailand, who carries out the business of production and sale of energy drinks and ready-to-drink coffee, and acquiring shares of S.P.M. Foods and Beverages Co. and Oishi Group Plc.

4. Related Business and Others Group ThaiBev also holds shares of companies, who carry out related businesses, such as purchasing of molasses, purchasing of spare parts, distribution of animal feed, production of bricks and floor-tiles and bio-fertilizer. Before the restatement of the financial statements, the related business and others group had revenue in the amount of Baht 6,633.0 million or 7.0% of the Company's total revenue from sales for the fiscal year ended December 31, 2005 and Baht 7,155.1 million or 7.3% of the Company's total revenue from sales for the fiscal year ended December 31, 2006. However, since the third quarter of 2007, the Company has reclassified its business segments, whereby the related business, the transactions of which are mainly those within the group, will not be shown as a separated segment, but its operating result will be allocated into other main business groups.

On September 30, 2008, ThaiBev acquired 43.9% of the issued shares of Oishi Group Plc. and ThaiBev is in the process of making a tender offer for all shares of Oishi Group Plc. Currently, Oishi Group Plc. holds 99.9% of all shares in Oishi Ramen Co. and Oishi Trading Co. The main businesses of Oishi group are Japanese restaurants and the production of food and beverages. For the fiscal year ended December 31, 2007, Oishi group had revenue in the amount of Baht 4,676.2 million, net profit in the amount of Baht 558.4 million, current assets in the amount of Baht 1,237.7 million, total assets in the amount of Baht 2,883.2 million, current liabilities in the amount of Baht 706.3 million, total liabilities in the amount of Baht 741.4 million and shareholders' equity in the amount of Baht 2,141.8 million.

In addition, ThaiBev also sold all shares in Thai Alcohol Plc. on September 30, 2008. Thai Alcohol Plc. held 99.9% shares in Banglen Agriculture Co. and Sint Ek Panich Co. The main business of Thai Alcohol Plc. is the production and sale of alcohol (95 degree), pure alcohol, ethanol, acetic acid and ethyl acetate. For the fiscal year ended on December 31, 2007, Thai Alcohol Plc. had revenue in the amount of Baht 966.0 million, loss after deducting tax in the amount of Baht 126.7 million and net tangible asset in the amount of Baht 1,226.4 million as of December 31, 2007.

The Company had total assets in the amount of Baht 87,137.0 million, total liabilities in the amount of Baht 55,422.5 million (comprising short-term loan in the amount of Baht 45,260.6 million), shareholders' equity in the amount of Baht 31,714.5 million, revenue from sales in the amount of Baht 94,903.4 million and net profit in the amount of Baht 10,337.3 million for the fiscal year ended December 31, 2005 (before the restatement of the financial statement). For the fiscal year ended December 31, 2006, the Company had total assets in the amount of Baht 85,579.5 million, total

liabilities in the amount of Baht 33,026.0 million (comprising short-term loan in the amount of Baht 17,368.5 million), shareholders' equity in the amount of Baht 52,553.6 million, revenue from sales in the amount of Baht 97,797.9 million and net profit in the amount of Baht 10,054.8 million.

For the fiscal year ended December 31, 2007, the Company had total assets in the amount of Baht 79,526.9 million, total liabilities in the amount of Baht 24,574.1 million (comprising short-term loan in the amount of Baht 10,760.2 million), shareholders' equity in the amount of Baht 54,952.8 million, revenue from sales in the amount of Baht 100,540.9 million and net profit in the amount of Baht 10,383.1 million. For the six month period ended June 30, 2008, the Company had total assets in the amount of Baht 79,527.0 million, total liabilities in the amount of Baht 24,195.6 million (comprising short-term loan in the amount of Baht 13,064.6 million), shareholders' equity in the amount of Baht 55,636.4 million, revenue from sales in the amount of Baht 51,082.9 million and net profit in the amount of Baht 5,019.0 million. ThaiBev's consolidated balance sheet for the year 2005 was prepared to illustrate assets and liabilities as if the business restructuring has been completed since the beginning of the year 2005. Additionally, the consolidated statement of income and the statement of cash-flow for the year 2005 included the result of operation and cash flow as if such business and its operation were transferred in the beginning of the year 2005 (please see more details regarding the Company's liabilities in section 12 – Financial Condition and Results of Operations, item 12.2 - Liabilities). Unless specified otherwise, the financial number from year 2006 is the number after the restatement of the financial statements.

In May 2006, ThaiBev listed all ordinary shares on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). After this public offering, ThaiBev will list all ordinary shares on the SET. Due to this dual listing, the Company will be subject to the regulations of both markets. Therefore, the management costs and expenses will increase both in terms of timing for staff to operate and legal and accounting opinion to process under these regulations. In this regard, the Company will comply with the regulations of both markets, depending on which regulation is more stringent in order to avoid any breach of such regulations.

Information contained in this draft prospectus was obtained from the Company and outside sources such as Canadean, a marketing research company who collects information on global beverages industries by which such research and information of beer, spirits, wine and other types of beverage are published. Canadean has its head office located in England. Additionally unless specified otherwise in this draft prospectus, information appeared in this draft prospectus relating to market share derives from or is calculated based on Canadean's information. Please note that Canadean has a market share information for spirits market in Thailand only up to year 2005.

Summary of offered securities

The ordinary shares to be offered to the public in this offering consist of existing ordinary shares in the amount of 80 million shares at the par value of Baht 1 per share, approximately 0.3% of the Company's total paid-up capital. The offering price per share is Baht [●] and the subscription period will be from [●] to [●] 2008 for general investors and Patrons and from [●] to [●] for institutional investors. Additionally, ThaiBev will list all of its ordinary shares on the SET.

(Please carefully read the information in section 2 and section 3 before making a decision to subscribe for the securities.)

THAI BEVERAGE PUBLIC COMPANY LIMITED

**PART 2
ISSUING COMPANY**

PART 2
Issuing Company

Name of issuing company	Thai Beverage Public Company Limited
Type of business	The Company engages in the production and sale of alcoholic and non-alcoholic beverage, and other by-products as well as other related business through its Subsidiaries whereby ThaiBev is the center for management and support as well as overseeing the overall operation overview of the Company.
Head office	14 Vibhavadi Rangsit Road, Chomphon, Chatuchak, Bangkok 10900 Thailand
Company registration No.	0107546000342
Homepage	www.thaibev.com
Telephone	(662) 127-5555
Facsimile	(662) 272-2328
Use of proceeds	Siriwana Co., as the selling shareholder, will receive all of the proceeds from this offering.

1. RISK FACTORS

An investment in shares of ThaiBev involves risks. The investor should carefully consider all of the information in this draft prospectus and, in particular, the risks described below before deciding to invest in shares of ThaiBev.

The following describes some of the significant risks that could adversely affect the Company and the value of ThaiBev's shares. In addition to the risk factors described in this draft prospectus, there may be some risks currently unknown to the Company and other risks currently believed by the Company to be immaterial which could turn out to be material in the future. These risks could materially adversely affect the business, revenue, profit, assets, liquidity or sources of fund of the Company. Forward-looking statements described in this draft prospectus, for example "believe that", "expect that", "plan to", "intend to" or "estimate that", financial forecast, future project, business forecast, operational result, business expansion plan, change of applicable law governing the business operation of the Company, government policy, etc. which are forecasts made by the Company at present do not represent or warrant the operating result or occurrence in the future. Actual outcome may be materially different from such forecasts. Information in this section which refers to, or is relevant to, the government or overall economy of the country is derived from the information disclosed in, or extracted from, the government's published documents or other sources, the correctness of which are not verified or certified by the Company.

1.1 Risks Relating to Business Operation of the Company

1.1.1 Changes in consumer demand for beer and spirits products and fluctuations in consumer demand due to seasonal changes and preference changes could adversely affect the business, financial condition, results of operations and prospects of the Company

Revenue and profitability of the Company are substantially dependent upon sales of its core products — beer and spirits. Consumer demand for these products depends on demographic factors and consumer preferences and trends, as well as factors relating to discretionary consumer spending, the general condition of the economy, level of consumer confidence and seasonal factors such as weather and festivities. The Company believes that consumer preference has changed consumption behavior, in particular among some urban consumers, towards beer with lower alcohol content. As a result, consumer demand for the economy Chang Beer which contains higher alcohol content than those of its competitors has decreased, reducing the Company's beer segment revenue. The said income for the six-month period ended June 30, 2008 (before intersegment eliminations) decreased 6.4% compared with the same period in 2007.

Seasonal consumption cycles and changes in weather conditions could affect operating results of the Company. The demand for products of the Company generally increases during major holidays and festivals. The consumption of products significantly increases from the end of Buddhist lent (mid-October) to April and decreases from May to September due to the rainy season and observance of Buddhist lent. As a result, a prolonged rainy season could adversely affect sales volume and the results of operations of the Company for a particular year.

The decrease in consumer demand for the products as a result of these or other factors could adversely affect the business, financial condition, results of operations and prospects of the Company.

1.1.2 The Company is engaged in a highly competitive business. Adverse actions by competitors or other changes in the competitive environment in which the Company operates could have a material adverse effect on its business, financial condition, results of operations and prospects.

The alcoholic beverages business in Thailand is highly competitive. The Company competes mainly on the basis of brand image, price, customer service, distribution network and product quality. The Company has to compete primarily with producers and distributors of other brands of alcoholic beverages.

Beer products of the Company have to compete primarily with the portfolio of beer brands produced by Boon Rawd Brewery Co., in particular with its Leo Beer brand, which is also an economy beer and which competes with Chang Beer of the Company. As for spirits products, the Company has to compete with potential new producers of white spirits and brown spirits, local producers and illegal producers as well as imported brands of international producers such as 100 Pipers.

In 2007, beer products of the Company had approximately 46.7% market share of the overall domestic beer market. The Company believes that its beer market share decreased slightly in 2007 compared to 2006 due to a decrease in the sales of Chang Beer, which has higher alcohol content than those of competitors. In 2005, the Company's spirits products had approximately 74.0% market share of the overall domestic spirits market. Although the Company has no information on the domestic market share of spirits products in 2006 and 2007, the Company believes that its spirits market share has not materially changed from 2005.

A change in the number of competitors, the level of marketing or investment undertaken by competitors, competitors' pricing policies, an increase in the volume of cheap competing products imported into Thailand, the introduction of new competitive products or brands to the market, or other changes in the competitive environment in markets could cause a reduction in the consumption of products of the Company and in its market share, and could lead to a decline in its revenue and an increase in its marketing or investment expenditures, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

1.1.3 An increase in taxes or a change in the tax calculation method may affect the demand for products of the Company and could adversely affect its business, financial condition, results of operations and prospects.

The Company must pay excise taxes for the alcoholic beverages (Spirits Tax), municipal taxes, contributions to Health Promotion Fund, contributions to the Thai Public Broadcasting Service ("Thai PBS") and excise tax for soda water products. These payments had been recorded as the cost of sells in the amount of Baht 47,065.0 million in 2005, Baht 49,143.0 million in 2006, Baht 50,558.1 million in 2007 and Baht 25,565.3 million in the six-month period ended June 30, 2008, representing 72.2%, 70.9%, 71.3% and 68.9% of the Company's cost of sells, respectively. The excise taxes for beer and spirits are calculated based on the greater of (A) a Baht per liter of pure alcohol quantity; and (B) a percentage of the greater of the ex-factory price announced by the Excise Department and the actual ex-factory price for the product. An increase in taxes rate or a change in the tax calculation method may cause the Company to increase the price of the products, resulting in lower volume of consumption and, therefore, lower revenue from sales. In addition, the Company may have to wholly or partly bear the cost arising from the increased taxes. Each of these scenarios could adversely affect the business, financial condition, results of operations and prospects of the Company.

Changes of the tax rates of spirits to support the government's policy to control spirits consumption according to the resolution of the Thai cabinet on August 28, 2008 are as follows:

<u>Type of spirits</u>	<u>Previous tax rates</u>	<u>New tax rates</u>
White Spirits	25% of price	50% of price
	Baht 70 per liter of pure alcohol quantity	Baht 110 per liter of pure alcohol quantity
Compounded Spirits	50% of price	50% of price
	Baht 240 per liter of pure alcohol quantity	Baht 280 per liter of pure alcohol quantity
Brandy	40% of price	45% of price
	Baht 400 per liter of pure alcohol quantity	Baht 400 per liter of pure alcohol quantity

Additionally, on January 14, 2008, the Thai Government increased the spirits tax rate by 1.5 % for all types of alcoholic beverages to support the Thai PBS.

Such increase of the aforesaid tax rate will increase the Company's cost for certain products, such as Ruang Khao, Niyomthai, Pai Tong and White Tiger white spirits, Chiang-Chun, Chu Sib Neaw and Sua Dum Chinese herb spirits and Hong Thong, Mungkorn Thong and Blend 285 brown spirits. As a result, the Company must recover such increased taxes from its consumers by an increase of the sale prices, which may result in the lower volume of consumption and changes of consumer behavior from drinking a large bottle of spirits to a small bottle or from drinking high-priced white spirits to lower-priced spirits. Therefore, the foregoing factor may adversely affect the business, financial condition, results of operations and prospects of the Company.

1.1.4 Principal Shareholders play a significant role in the business operation of ThaiBev and may have conflict of interests with investors.

As of September 11, 2008, the Principal Shareholders of ThaiBev and their related persons directly and indirectly hold approximately 65.55% of the total issued shares of ThaiBev. Accordingly, the Principal Shareholders play a significant role in determining the business policies and affairs, including the appointment of the board of directors and management of the Company.

In addition, the Principal Shareholders play a significant role in voting on any matter requiring the approval from the meeting of shareholders, such as the election of directors, the amendments of the articles of association or the approval of a merger or sale of all or substantially all of assets of the Company. This concentration of shareholding by the Principal Shareholders could delay, defer or prevent a change in control of ThaiBev and could make some transactions more difficult or impossible to proceed without the support of the Principal Shareholders even if a transaction of that sort would be beneficial to other shareholders or to the Company's interest.

1.1.5 The Principal Shareholders and certain directors and officers may have conflicts of interest because the Principal Shareholders hold interest in, and certain directors and officers are also directors and/or officers of, companies from which the Company purchases, or to which the Company sells goods or services, or companies established in foreign countries which engage in businesses similar to those of the Company.

The Company purchases goods and services from, and sell goods and services to, companies in which the Principal Shareholders are major shareholders or which have certain directors and officers who are also directors of ThaiBev or one or more of its Subsidiaries. These situations may create conflicts of interest. These companies do not have to inform the Company of a business opportunity that may be presented to them, and therefore may pursue any opportunity presented to them, or may direct the opportunity to another person, or company outside the Company's consolidated group that may compete with the Company, without being liable to shareholders of the Company or to the Company.

The Company conducts business with companies controlled by the Principal Shareholders or other related persons. the Company's revenue derived from transactions with related persons were approximately Baht 443.7 million in 2005, Baht 196.8 million in 2006, Baht 261.6 million in 2007 and Baht 86.5 million in the six-month period ended June 30, 2008. Our expenses attributable to transactions with related persons were approximately Baht 4,918.2 million in 2005, Baht 5,625.5 million in 2006, Baht 5,677.8 million in 2007 and Baht 3,045.2 million in the six-month period ended June 30, 2008. Such expenses included those from the purchase of various raw materials and packaging materials from related persons which amounts to approximately Baht 4,067.7 million or 6.2% of cost of sales in 2005, Baht 4,800.3 million or 6.9% of cost of sales in 2006, Baht 4,826.5 million or 6.8% of cost of sales in 2007 and Baht 2,598.2 million or 7.0% of cost of sales in the six-month period ended June 30, 2008 (or 22.4% , 23.8%, 23.8% and 22.6% of cost of sales, respectively, excluding spirits taxes, municipal taxes, contributions to the Health Promotion Fund and contributions to Thai PBS).

Transactions entered into by the Company and entities controlled by the Principal Shareholders and other related persons include, but not limited to, transactions with its directors, including Mr. Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi and their related persons or companies or funds in which Mr. Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi and their related persons are the Principal Shareholders or the principal beneficiaries.

In conducting businesses, the Company will continue to enter into the related transactions in the future. Although such related transactions must be subject to the rules and regulations of the SET and the SGX-ST, the Company cannot assure you that it will enter into these transactions in the manner similar to those entered into with a third party.

The interests of the Principal Shareholders may conflict with the investor's interests and the Principal Shareholders may favor these other companies which are controlled by the Principal Shareholders, in their dealings with the Company. The Company enters into the transactions with related persons at prices based on market prices or at contractually agreed prices where no market price exists. In the latter situations, the Company cannot assure the investor that the Company would not have been able to get more favorable pricing if it had engaged in such transactions with other third parties. After shares of ThaiBev are listed on the SET, the related transactions shall be subject to the rules and regulations of the SET and the SGX-ST. Generally, these transactions must be reviewed by the Audit Committee and the Board of Directors and in some cases must be approved by the meeting of shareholders, and a shareholder who has a special interest cannot vote on such resolution.

1.1.6 Brand recognition is important for business of the Company and any failure to protect the intellectual property rights of the Company or to defend claims that the Company is infringing on the rights of others could materially harm its business, financial condition, results of operations and prospects.

Brand recognition is critical to attracting new consumers to products of the Company and maintaining the loyalty of existing customers. The Company's success depends, in part, on an ability to protect its current and future products and to defend its intellectual property rights, such as trademarks of the Company's brands, including Chang, Mekhong and Sangsom. The Company has registered numerous trademarks covering its products and has filed, and expects to continue to file, trademark registration applications seeking to protect newly-developed products and to renew current trademarks. The Company cannot assure you that the Company will be successful in registering any of pending trademark registrations. For any existing trademark or new trademark which will be registered in the future, the Company may not be granted approval for registration or extension or it may be challenged, invalidated or infringed by competitors of the Company. The Company's failure to protect the intellectual property rights from infringement or misappropriation could undermine the competitive position of its products and could lead to a significant decrease in its sales volumes of its products, which would have an adverse effect on the business, financial condition, results of operations and prospects of the Company.

The Company also relies on trade secrets, such as the formulae for its beer and brown spirits products and proprietary know-how not protected by patents or trademarks, and continuing technological innovation that the Company seeks to protect, in part by confidentiality agreements with suppliers, employees and consultants. The Company cannot assure you that trade secrets and proprietary know-how of the Company will not be compromised as a result of breaches of confidentiality agreements or otherwise become known or be independently developed by its competitors or that the Company will not be able to maintain the confidentiality of information relating to new products arising from its research.

The Company may be required to defend against charges of infringement of trademark or proprietary rights of third parties. These defenses could require the Company to incur substantial expenses and to divert significant effort of its technical and management personnel, and could result in its loss of the rights to develop or produce certain products or require the Company to pay monetary damages or royalties to obtain proprietary rights from third parties. An adverse outcome of any dispute with respect to trademarks or other proprietary rights could adversely affect the Company's competitive position and its business, financial condition, results of operations and prospects.

1.1.7 The Company's growth prospects may be harmed if the Company is unable to expand into the higher-priced segments of the beer and spirits markets.

A key element of the Company's strategy is to broaden its portfolio of brands by launching new brands to penetrate the higher-priced segments of the market in order to increase its revenue. The Company believes that the higher-priced market segments in Thailand for both beer and spirits offer significant growth potential and that there has been a shift of consumer behavior from economy segment beers and spirits to these segments. Expanding the Company's presence into these highly competitive segments will require it to invest significantly in consumer marketing, brand promotion and sales and distribution development. The Company has limited experience in these segments. The Company launched Blue whisky in October 2005 and Blend 285 in October 2006, which are spirits in the higher-priced market segments than the current portfolio of the Company's products. The Company also imported Drummer Whisky from Scotland in June 2008, launched Chang Light, a higher price beer than economy beer in March 2006 and launched Federbräu, a premium beer, in April 2008.

The Company also faces substantial competition in these segments from international producers who may have more resources than the Company does. Any failure or inability on the Company's part to successfully develop, promote and sell new beer or spirits brands for the higher-priced market segments than its current portfolio of its products in Thailand may affect its prospects for growth, particularly if demand for these products increases and continues to erode the demand for the current portfolio of products of the Company, and could adversely affect its business, financial condition, results of operations and prospects.

1.1.8 The Company depends on sales of a few key products, and any reduction in sales of these products could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Company's revenue and profitability remain substantially dependent upon sales of its beer and spirits products and in particular, sales from eight key products: Chang Beer, Archa Beer, white spirits, Chinese herb spirits, Sangsom, Hong Thong, Mekhong and Blend 285, which accounted for approximately 95.6% and 96.0% of the Company's sales volume of its beer and spirits segment in 2006 and 2007, respectively. Accordingly, any factor adversely affecting the sale of these key products, individually or collectively, would have a material adverse effect on the business, financial condition, results of operations and prospects of the Company. For example, as a result of recent change in consumer preference towards beer with lower alcohol content, in recent years the Company has experienced a decline in sales volumes and sales revenue of its high alcohol content Chang Beer compared to certain products of its competitors. This change has adversely affected revenue from beer product, which decreased 6.4% in the six-month period ended June 30, 2008, compared with the same period in 2007. In addition, production and sales of each of these key products could be rendered uneconomical by regulatory or competitive changes. Sales of these key products could also be adversely affected by other factors, including increases in spirits taxes, inability to procure raw material supply, interruptions in production or distribution, marketing or pricing strategies of one or more of the Company's competitors, changes in consumer preferences or other factors.

1.1.9 The Company may not be able to sell the additional beer that the Company produces as a result of its increase in capacity.

After the completion of its expansion project at its Kamphaengphet brewery in 2007, the Company has capacity of the beer production of approximately 1,550.0 million liters per annum. One of the Company's business strategies is to sell beer produced from its capacity increase in export markets, principally in Cambodia, Australia, England, USA and other countries. The Company does not, however, have experiences of sustained sales of large volumes of beer outside Thailand and the Company cannot assure you that the Company will be successful in increasing the sale volumes of beer in foreign countries.

In 2006 and 2007, the Company only produced 994.4 million liters and 1,055.6 million liters, respectively. The Company cannot assure you that the Company will be able to sell the additional beer it produces as a result of its capacity expansion. The Company's fixed costs has increased significantly as a result of this expansion and the Company cannot assure you that the Company will be able to sell its beer products at prices that will provide the Company with commercially acceptable margins or that will not cause the Company to incur a loss. If the Company is unable to sell additional beer from increased capacity on a commercially acceptable basis, it may have to reduce its beer production, which would adversely affect the utilization of its breweries and may lower its margins. Any failure or inability on the Company's part to sell the additional beer it produces would adversely affect its business, financial condition, results of operations and prospects.

1.1.10 Increases in price and shortages of raw materials, packaging materials and energy required for production process could increase production costs of the Company and disrupt its business.

The Company purchases most of its raw materials, the packaging materials and energy necessary for production and sale of its products from third party suppliers. Although the Company seeks to purchase certain of these raw materials, packaging materials and energy once a year in advance of production, the Company cannot assure you that these suppliers will be able to meet the requirements of the Company. As a result, the Company's results of operations may be affected by the shortage and pricing of raw materials, packaging materials and energy required for production process, including molasses, malt, hops, electricity, glass bottles, labels, caps, fuel oils and other packaging products. Some of these materials are priced in currencies other than in Baht. Changes in global supply and demand may substantially affect the price of these materials and may also, along with weather conditions, government controls, exchange rates, currency controls and other factors, affect the Company's cost of raw materials, packaging materials and energy necessary for the production. A substantial increase in the prices of these materials would increase the Company's production costs, which would reduce its profit margins if the Company is unable to recover these additional production costs from its customers. In addition, a sustained interruption in the supply of these materials could lead to a significant increase in their prices or could impede the Company's production process if the Company is unable to find suitable substitutes. The occurrence of any of these factors could increase the Company's production costs, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

1.1.11 Water is critical to operations of the Company and the Company may not be able to source sufficient quantities for production or may face increases in water costs in the future.

The Company sources its water requirements for its beer breweries and 4 distilleries from deep wells located around its facilities. In September 2004, the Government announced that in addition to the standard fees for the use of deep well water, it would impose a conservation fee of Baht 8.5 per cubic meter in various provinces, including Ayudhya, Nakornpathom, Samutsakorn and Pathumthani where the Company's Bang Ban, Cosmos breweries and distilleries of Sangsom Co., Red Bull Co., Sura Bangyikhan Co. and United Products Co. are located. The Company paid the said fee of Baht 17.8 million, Baht 31.2 million and Baht 26.3 million in 2005, 2006 and 2007, respectively. In 2005, 2006 and 2007, the Company's breweries and distilleries in the affected areas used a total of approximately 5.2 million, 5.7 million and 4.6 million cubic meters of deep well water, respectively. Further price increases of deep well water or any restrictions on the use of deep well water could adversely affect the Company's operating costs, which would reduce its profit margins if the Company is unable to reduce its operating cost or recover these additional operating costs from its customers. In addition, such Government action may cause the Company to consider alternative sources of water to produce its beer, drinking water, soda and spirits, such as tap water, river water or water collected in reservoirs. In addition, prolong drought conditions in the country may cause an increase in the water fee and this could adversely affect business, financial condition, results of operations and prospects of the Company.

1.1.12 The Company's operations are subject to extensive regulations. Regulatory changes may cause the Company to incur additional costs or limit its business activities.

As a producer of beverage products, the Company is subject to production, packaging, quality, labeling and distribution standards in Thailand. The Company is also subject to regulations in countries to which the Company exports its products, in particular regulations relating to packaging, quality, labeling and distribution. The operations of the Company's production and distribution facilities are regulated under various Government environmental laws and workplace regulations, including laws and regulations enacted by the Ministry of Public Health, Ministry of Commerce and Ministry of Finance. Compliance with, or any violation of, current and future laws or regulations

could require or cost material expenditures by the Company or otherwise have a material adverse effect on its business, financial condition, results of operations and prospects.

Additionally, the Company is subject to the regulations relating to the control of alcoholic beverage advertisement. These regulations and more stringent regulations in the future could affect the Company's capacity to market its products at present and in the future. The regulations of the Government which limit the time and place of the retail sale of alcoholic beverages or other restrictions which may be imposed on and apply to such retail sale may have an adverse effect on the sales of the Company's products and may adversely affect its business, financial condition, results of operations and prospects.

The Alcoholic Control Act, which became effective on February 14, 2008, has various major restrictions, including the banning of the sale and consumption of alcoholic beverages in various places, such as temples, educational institutions and gas stations, prohibition on the sale of alcoholic beverages to any person under 20 years old or any person who is drunk in the stage of loss of control of his/her consciousness, and prohibition on the sale of alcoholic beverages in many manners, such as discount, given as free gift, offer for free when buying other products, offer rights to see a contest, show or offer a chance to enter a lucky draw or any other rights in consideration. The Alcoholic Control Act also contains the restriction on advertisements of alcoholic beverages in various media. These restrictions could materially adversely affect the business, financial condition, results of operations and prospects of the Company (please see the details of the Alcoholic Control Act in Section 3.3- Regulations).

1.1.13 Compliance with, or failure to comply with, environmental laws and regulations applicable to the Company may have a material adverse effect on its business, financial condition, results of operations and prospects.

The Company is subject to extensive and stringent environmental, health and safety laws and regulations governing air pollutant emissions, discharge of treated wastewater and other aspects of its operations. In addition, some of these laws and regulations require the Company's production facilities to operate under permits that are subject to renewal or modifications. Typically, these laws provide for criminal and civil sanctions for violation. Violation of these laws could also result in permit revocation and facility shutdown. Several of these laws and regulations also impose extensive requirements relating to investigation and clean-up of contamination, and the Company may be required to bear some or all of these costs regardless of fault.

The Company has incurred, and expects to continue to incur, costs to comply with environmental, health and safety laws and regulations and other regulations. In addition, new stricter laws and regulations, more stringent changes to existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require the Company to incur additional costs in the future. These may require the Company to incur material costs and expenses beyond those currently anticipated.

Any of the foregoing factors could materially adversely affect the business, financial condition, results of operations and prospects of the Company.

1.1.14 The Company faces risks associated with contamination of its products.

The contamination or deterioration of the Company's products, whether actual or alleged, deliberate or accidental, could harm its reputation and business. A risk of contamination or deterioration exists during each stage of the production cycle, including during the production and delivery of raw materials, the bottling and packaging of its products, the stocking and delivery of its products to retailers and wholesalers and the storage and shelving of its products at the final points of sale. Any such contamination or deterioration could result in a recall of its products and/or criminal or

civil liability and restrict the Company's ability to sell its products which, in turn, could have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, from time to time, the Company may be subject to false allegations of contamination which could create negative publicity that could adversely affect its reputation and product sales, which could adversely affect its business, financial condition, results of operations and prospects.

1.1.15 The Company's business and investment plans are capital intensive and subject to a number of risks and uncertainties.

The Company's business is in the industry that is capital intensive. The Company's ability to introduce new products and maintain its production capability depends on continued capital spending, including constructing its new facilities and maintaining and upgrading its existing facilities. In addition, the Company continually monitors developments in the beverage markets in Thailand and Southeast Asia for opportunities to expand into new businesses. The Company's capital expenditures were Baht 7,302.0 million, Baht 4,038.5 million and Baht 1,696.7 million from 2005 to 2007, respectively. The Company has budgeted capital expenditures and investments of Baht 2,000.0 million in 2008, Baht 2,700.0 million in 2009 and Baht 2,100.0 million in 2010 for constructing of its new facilities and maintaining and upgrading of its existing facilities.

Historically, the Company has relied on external debt financing, equity financing and internally generated cash flows for its capital investments. The Company expects to finance any future expansions of its business or improvements of its brewery and distillery plants through additional external debt financing and internally generated cash flows. If the Company is unable to obtain additional debt financing when needed on commercially acceptable terms, it may require additional equity financing, which could be dilutive to the Company's existing shareholders. In addition, the Company's inability to secure necessary financing for capital expenditures necessary to maintain or expand its facilities could adversely affect its business, financial condition, results of operations and prospects.

1.1.16 The Company must depend on some of its executives and personnel, and if the Company is unable to retain these executives and personnel or attract suitable replacements, its business could be negatively impacted.

The Company is currently managed by a group of executive officers and employees, many of whom have many years of experience at its operating Subsidiaries and in the beverage industry and who would be difficult to replace. As a result, the loss of these personnel, or the Company's inability to recruit sufficiently qualified personnel, could materially adversely affect its business.

The Company believes that its continued growth and success largely depends on its ability to retain skilled, qualified and experienced managerial, sales, marketing and production personnel and to train its staff to produce and to sell successfully its products. If the Company is unable to attract, retain and motivate highly skilled, qualified and experienced personnel, it could lose customers and suffer reduced profitability. Even if the Company is successful in attracting and retaining such personnel, competition for such personnel may significantly increase its compensation costs and adversely affect its business, financial condition, results of operations and prospects.

1.1.17 The Company's facilities could be affected by operating hazards and natural disasters.

The Company's beer and spirits operations are subject to operating and other risks typically associated with alcoholic beverage production, and its industrial alcohol operations are subject to operating and other risks typically associated with the production, storage and transportation of highly flammable products. Incidents of fire, mechanical failure, leaks of storage tank of hazardous substances, discharge or release of hazardous substances and other environmental risks, and inclement

weather and natural disasters could adversely affect the Company's productivity, profitability and operations as a whole. On September 30, 2008, ThaiBev sold all shares in Thai Alcohol Plc., a producer of industrial alcohol.

Any disruption to the operation of the Company's existing production facilities due to any of the foregoing risks could adversely affect its business, financial condition, results of operations and prospects. In addition, many of these operating and other risks may cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of the Company's operations and the imposition of civil or criminal penalties.

Losses incurred or payments required to be made by the Company as a result of these or other factors may exceed the Company's insurance coverage, which could adversely affect its business, financial condition, results of operations and prospects.

1.1.18 The public opposition to the listing of shares in ThaiBev shares on the SET may cause protest against, legal filing or boycott of its products, which may affect its business, financial condition, results of operations and prospect.

The listing of ThaiBev on the SET brings about a degree of public opposition since some people conceive that the Company's products may affect children, cause driving accidents and affect Thai culture and society as a whole. For example, some protests against the listing of ThaiBev shares on the SET accusing the Company's business of being contrary to Thai morality, culture and society. These protests adversely affect the Company and its products, and such public opinion may affect the Company's operation and development in the future. Additionally, further protests may occur in the future relating to ThaiBev's products. The Company may be sued on the grounds of its products are the cause of ill-health or there may be a boycott of its products, which may adversely affect its business, financial condition, results of operations and prospectus.

1.1.19 Anti-monopoly legislation enacted by Thailand in 1999 may adversely affect the Company's business, financial condition, results of operations and prospects.

The Thai Trade Competition Act of 1999 (the "TCA") prohibits various anti-competitive practices and empowers the Thai Trade Competition Commission (the "TTCC") to order a company that dominates a market and has market share of more than 75.0% to suspend, cease, or vary its market share. In addition, under the TCA, the TTCC has the power to issue written orders to require a company that has engaged in unfair business practices to suspend, cease, rectify or vary its business practices. On January 18, 2007, the TTCC issued an announcement setting two criteria to determine a monopoly, which are 1) such person must have a market share of any particular product or service of 50.0% or more and have a sale volume of such product or service of Baht one billion or more in the previous fiscal year or 2) such person must be one of the top three operators in any particular product or service market who has a market share of 75.0% or more and one of the top three operators must have a sale volume of such particular product or service of Baht one billion or more in the previous fiscal year. If a monopoly acts unfairly, such as fixing an unfair price or determining an unfair condition, the TTCC has the power under the TCA to order such monopoly to suspend, cease or vary such action. Because the Company is one of the largest beer and spirits producers in Thailand and has a high market share in Thailand for many of its products, the Company may, from time to time, be subject to litigation from competitors and others for alleged violations of these provisions. Consequently, the TCA and any regulations promulgated under it could have an adverse effect on the business, financial condition, results of operations and prospects of the Company.

1.1.20 Thai Beverage is a holding company and will depend on dividend distributions from its principal operating Subsidiaries to enable it to meet its financial obligations.

The Company is a holding company with limited operations and limited assets other than its interests in its Subsidiaries. The Company will be dependent on dividend distributions from its principal operating Subsidiaries to meet its obligations, including the payment of principal and interest on its indebtedness (please see the details of the dividend policy in Section 8.3 - Dividend Policy).

1.2 Risk Relating to Holding of shares in the Company

1.2.1 On-line system for trading securities across the SET and the SGX-ST is unavailable.

As the on-line system for trading securities across the SET and the SGX-ST is unavailable, shareholders of ThaiBev are unable to promptly trade its shares deposited with the TSD on the SGX-ST by on-line system and to promptly trade their shares deposited with CDP on the SET by the online-system.

In the case that the investor would like to trade their shares deposited with CDP on the SET, the investor must withdraw the shares from CDP in the form of share certificate and subsequently deposit them with the TSD. This process takes approximately 10-12 business days. Therefore, there might be risks of fluctuations of share prices in the market and of fluctuations in the exchange rate between Singapore Dollar and Thai Baht to such investor in the interim.

Similarly, if the investor would like to trade their shares deposited with the TSD on the SGX-ST, the investor must withdraw their shares from the TSD in the form of share certificate and subsequently deposit them in an account opened with CDP. The Company estimates that the withdrawal may take approximately 10-15 days. Therefore, there might be risks of fluctuations of share prices in the market and of fluctuations in the exchange rate between Singapore Dollar and Thai Baht to such investor in the interim.

1.2.2 Dual listing on the SET and the SGX-ST subjects the Company to both laws and regulations governing companies listed in Thailand and in Singapore.

Although the Company has been subject to the rules and regulations governing companies listed on the SGX-ST since its initial public offering in May 2006, it has not been subject to the rules and regulations governing companies listed on the SET. Therefore, dual listing on the SET and the SGX-ST will subject the Company to the rules and regulations of both securities exchanges, which will consequently increase its management expenses in terms of its personnel's working hours and procurement of legal and accounting advices in order to comply with the laws and regulations. The Company aims to comply with any stricter regulations between the two securities exchanges in order to avoid any breach of applicable regulations of the two securities exchanges.

1.2.3 Future sale of shares by the Principal Shareholders and the availability of a large numbers of ThaiBev shares for sale may depress the share price.

After this offering, the Principal Shareholders and their related persons will still hold in aggregate 16,380,139,000 shares or 65.23% of paid up capital, costs of acquisition of which are lower than the current offered price to public. Therefore, the investor may be affected if the share price decreases as a result of the aforementioned shareholders selling their shares.

In addition, the sale of significant numbers of shares by the Principal Shareholders or an expectation of sale of significant numbers of shares may affect the share price of ThaiBev. ThaiBev is unable to predict what effect (if any) on the sale price the future sale of shares or the availability of shares for sale in the future would cause. The sale of a large number of shares on the SET after listing the shares on the SET or the expectation of such sale may adversely affect the market price of ThaiBev shares.

1.2.4 Change of the price of shares on the SGX-ST

While the offered shares are still unavailable to trade on the SET, not until the first trading day will the investor who purchases the offered shares be able to trade such shares on the SET. This may cause the sale price of ThaiBev shares currently traded on the SGX-ST to be lower than this subscription price. This may adversely affect the sale price of ThaiBev shares, which may be lower than the investor's subscription price.

2. Nature of Business

2.1 History and Significant Developments

2.1.1 History

ThaiBev was incorporated as a public company in Thailand on October 29, 2003, under the name “Thai Beverage Public Company Limited” with initial registered capital of Baht 20,000.0 million (and later increased its paid-up capital to Baht 22,000.0 million, Baht 24,444.5 million and Baht 25,110.0 million in December 2003, May 2006 and July 2006, respectively). Its objective is to engage in businesses in relation to the production and distribution of alcoholic and non-alcoholic beverages and other by-products as well as any other related businesses through its Subsidiaries. ThaiBev acts as the center for management and support as well as overseeing the overall operation of the Company. In May 2006, ThaiBev conducted a public offering of shares to investors outside Thailand and domestic institutional investors and listed all of its shares on the SGX-ST. As of June 30, 2008, ThaiBev had the registered capital equaling Baht 29,000.0 million with paid-up capital of Baht 25,110.0 million.

In 2006, the Company also purchased shares and acquired businesses of 20 companies, namely, Pacific Spirits (UK) Limited (having 15 Subsidiaries and 3 associated companies) and Best Spirits Company Limited from existing shareholders of the said companies which were under common control. This has supported foreign businesses of the Company under the supervision of IBHL. In addition, according to the expansion plan to cover non-alcoholic beverage business, ThaiBev acquired the business of S.P.M. Foods and Beverages Co. (engaging in the production and distribution of drinking water, electrolyte beverage, juices and seasoning sauce) in November 2007. Subsequently in 2008, the Company established Thai Drinks Co. to support the improvement and expansion of drinking water business. In January 2008, the Company purchased assets used for the operation of production and sale of energy drink and ready-to-drink coffee from Wrangyer Beverage Co. In addition, in September 2008, ThaiBev purchased shares of Oishi Group Plc. (engaging in the operation of Japanese restaurants and production and distribution of food and beverages) in the amount of 43.9% of Oishi Group Plc.’s paid-up shares. Currently, ThaiBev is in the process of making a tender offer to purchase all securities of Oishi Group Plc. In September 2008, ThaiBev sold all shares of Thai Alcohol Plc. As of September 30, 2008, ThaiBev had direct and indirect shareholdings in 86 Subsidiaries and 3 associated companies.

On September 11, 2008, the major shareholders of ThaiBev, as appeared in the shareholder’s register book, were Good Show Holdings Limited, Risen Mark Enterprise Ltd., Mr. Charoen Sirivadhanabhakdi, Khunying Wanna Sirivadhanabhakdi and Siriwana Co., having shareholdings of 13.91%, 12.72%, 12.57%, 12.57% and 8.75% of the total paid-up shares of ThaiBev, respectively.

Following its establishment, ThaiBev has restructured its business as set out below.

Business restructuring

ThaiBev was established in 2003 to combine beverage-related businesses of the Principal Shareholders and their business associates, who operate 89 companies that have separate operations, into a single group of companies. Of these 89 companies, 65 companies were consolidated during 2003 and 2004, 4 companies were consolidated during 2005 and 20 companies were consolidated during 2006. Prior to the business restructuring, these businesses were under the common control of the Principal Shareholders and their business associates of ThaiBev.

As the Principal Shareholders who are controlling persons of ThaiBev have a controlling power over the businesses and operations of companies being consolidated to ThaiBev, both before and after the business restructuring, the consolidated financial statements have been prepared on the basis of a business combination involving entities and businesses under the common control. Accordingly, the transfer of businesses and operations has been accounted for in a manner similar to the pooling of

interest method. Those assets, liabilities and contingent liabilities have been accounted for at book value of the transferred businesses.

In preparing the consolidated financial statements, assets, liabilities, revenue and expenses, which could be clearly identified as being related to the business and operation of the combined companies, will be incorporated in the consolidated financial statements at its book value recorded by those companies after the adjustment of related party transaction with the major shareholders who control those companies. As for the unidentifiable expenses, they will be allocated according to the percentage of sales volume. The management believes that such expense allocating criteria is appropriate.

In 2005, the Company acquired the businesses which were under the common control, i.e. Cosmos Co., T.C.C. International Ltd., Beer Chang Co. and Archa Beer Co. from the Principal Shareholders who have controlling power over the businesses and operations of the 4 companies that were consolidated to the Company, both before and after the business consolidation. Thus, the consolidation of businesses and operations has been accounted for in a manner similar to the pooling of interest method as implemented in the business restructuring in 2003. ThaiBev has prepared the consolidated financial statements as if the business has been combined since the beginning of period.

In the aforementioned acquisitions, there has been an increased difference from business restructuring of Baht 6,326.7 million, which was the difference between the remuneration paid by ThaiBev to the Principal Shareholders equaling Baht 9,646.0 million and the net book value of the identifiable assets of the 4 companies as at the transfer date in an amount of Baht 3,319.4 million.

Later in 2006, the Company acquired 20 companies which were under the common control, namely, Pacific Spirits (UK) Limited (having 15 Subsidiaries and 3 associated companies) and Best Spirits Company Limited. In such acquisitions, there has been an increased difference from business restructuring of Baht 1,162.1 million, which was the difference between the remuneration paid by the Company to the Principal Shareholders equaling Baht 1,505.2 million and the net book value of the identifiable assets of the 4 companies as at the transfer date in an amount of Baht 343.1 million.

In 2006 and 2005, prior to the business consolidation, some companies which are now subsidiaries of ThaiBev had increased their registered capitals in the amount of Baht 27.0 million and Baht 46.6 million, respectively. Further, there was a reserve from the conversion of financial statements of the said Subsidiaries equaling Baht 8.5 million and Baht 17.7 million, respectively, as well as profit (loss) of various businesses transferred to ThaiBev before the business restructuring in an amount of Baht (23.9) million and Baht 204.5 million, respectively.

2.1.2 Significant Developments

Significant developments of ThaiBev are set out below:

October 1977	The Principal Shareholders acquired Sangsom Co. for the production of Sangsom rum.
May 1983	The Principal Shareholders successfully won the bidding for concessions offered by the Government to build and operate 12 distilleries in Thailand.
April 1986	The Principal Shareholders merged their spirits business with the Sura Maharasadorn Group, a licensee of the Government-owned Mekhong brand.
July 1988	The Principal Shareholders acquired Red Bull Co.
May 1994	The Bang Ban brewery commenced its operation.

March 1995	A joint venture between Carlsberg A/S and the Principal Shareholders introduced Chang Beer in Thailand.
July 1998	The Principal Shareholders acquired United Winery Co.
December 1998	Chang Beer became a market leader with a market share of approximately 54.0% of the total beer production in Thailand, according to Canadean.
July 1999	The Principal Shareholders acquired the Bang Ban brewery from their joint venture with Carlsberg A/S.
January 2000	After the expiry of Government concessions, the Principal Shareholders purchased 12 distilleries from the Government, including the distillery that produced the Mekhong brand.
October 2001	The Kamphaengphet brewery commenced its operation.
August 2002	The Principal Shareholders acquired Thai Alcohol Plc.
October 2003	The Principal Shareholders established ThaiBev as a holding company to consolidate all subsidiaries into a single group.
June 2004	The Company commenced the expansion of production capacity of the Kamphaengphet brewery.
October 2005	The Company purchased all shares of Beer Chang Co., Archa Beer Co., T.C.C. International Ltd. and Cosmos Co.
January 2006	The Office of the SEC approved a public offering of newly issued shares of ThaiBev to investors outside Thailand and domestic institutional investors.
May 2006	The Company made a public offering of increased shares to investors outside Thailand and domestic institutional investors and listed those securities on the SGX-ST.
October 2006	The Company purchased all assets of Sinsurang Co. including 1 distillery.
October 2006	The Company purchased all shares of Pacific Spirits (UK) Limited and Best Spirits Company Limited.
September 2007	The Company purchased almost all shares of United Products Co.
October 2007	The Company expanded the production capacity of the Kamphaengphet brewery to 900.0 million liters per annum.
November 2007	The Company purchased almost all shares of S.P.M. Foods and Beverages Co.
January 2008	The Company purchased assets used for the operation of production and distribution of energy drink and ready-to-drink coffee from Wrangyer Beverage Co.
September 2008	The Company sold all shares of Thai Alcohol Plc. and purchased shares of Oishi Group Plc. in the amount of 43.9% of the total paid-up shares of Oishi Group Plc. Currently, ThaiBev is in the process of making a tender offer to purchase all securities of Oishi Group Plc.

2.2 Business Overview

ThaiBev's principal businesses are the production and sale of alcoholic and non-alcoholic beverages and other by-products as well as any other related businesses through its Subsidiaries and associated companies. ThaiBev's businesses can be categorized into 9 domestic departments and/or groups and overseas businesses. Each department and/or group has a clear operational duty. ThaiBev acts as the center for management and support as well as overseeing the overall operation of the Company.

The nature of business of each department and/or group and the shareholding ratio (both direct and indirect) are as follows:

(1) Brewery Group

Subsidiaries	Nature of Business	Shareholding Percentage
BeerThai Plc.	Beer, drinking water and soda water	100.0
BeerThip Co.	Beer, drinking water and soda water	100.0
Cosmos Co.	Beer, drinking water and soda water	100.0

(2) Distillery Group

Subsidiaries	Nature of Business	Shareholding Percentage
Sangsom Co.	Distillery	100.0
Red Bull Co.	Distillery	100.0
United Winery Co.	Distillery	100.0
Sura Bangyikhan Co.	Distillery	100.0
Fuengfuanant Co.	Distillery	100.0
Athimart Co.	Distillery	100.0
S.S. Karnsura Co.	Distillery	100.0
Kankwan Co.	Distillery	100.0
Theparunothai Co.	Distillery	100.0
Thanapakdi Co.	Distillery	100.0
Mongkolsamai Co.	Distillery	100.0
Simathurakij Co.	Distillery	100.0
Kanchanasingkorn Co.	Distillery	100.0
Luckchai Liquor Trading Co.	Distillery	100.0
Nateechai Co.	Distillery	100.0
Sura Piset Thipparat Co.	Distillery	100.0

Subsidiaries	Nature of Business	Shareholding Percentage
Sura Piset Phatra Lanna Co.	Holding Company	100.0
United Products Co.	Distillery	98.0 ⁽¹⁾

(3) Non-Alcoholic Beverage Business

Subsidiaries	Nature of Business	Shareholding Percentage
Wrangyer Beverage (2008) Co.*	Production and distribution of energy drinks and ready-to-drink coffee	100.0
S.P.M. Foods and Beverages Co.	Production and distribution of drinking water, electrolyte beverages, juices and seasoning sauces	83.2 ⁽²⁾
Thai Drinks Co.**	Distribution of drinking water and soda water	100.0
Oishi Group Plc.	Operation of Japanese restaurants Production and distribution of food and beverages	43.9 ⁽³⁾
Oishi Ramen Co.	Operation of Japanese restaurants	100.0 ⁽⁴⁾
Oishi Trading Co.	Production and distribution of beverages	100.0 ⁽⁵⁾

* Renamed from Maharaj Agriculture Co. on February 19, 2008

** Established in July 15, 2008

(4) Trademark Group

Subsidiaries	Nature of Business	Shareholding Percentage
Beer Chang Co.	Production of beer concentrate and trademark owner	100.0
Archa Beer Co.	Production of beer concentrate and trademark owner	100.0
Thai Beverage Brands Co. *	Trademark owner	100.0

* Renamed from T.C.C. International Ltd. on March 25, 2008.

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- (1) The shares of United Products Co. are held by Sura Piset Phatra Lanna Co.
- (2) The shares of S.P.M. Foods and Beverages Co. are held by Sura Piset Phatra Lanna Co.
- (3) ThaiBev is in the process of making a tender offer to purchase all securities of Oishi Group Plc.
- (4) The shares of Oishi Ramen Co. are held by Oishi Group Plc.
- (5) The shares of Oishi Trading Co. are held by Oishi Group Plc.

(5) Distribution Agent Group⁽⁶⁾

Subsidiaries	Nature of Business	Shareholding Percentage
Thipchalothorn Co.	Distribution of beer, drinking water, soda water and spirits	100.0
Krittayabun Co.	Distribution of beer, drinking water, soda water and spirits	100.0
Surathip Co.	Distribution of beer, drinking water, soda water and spirits	100.0
Sunthronpirom Co.	Distribution of spirits	100.0
Piromsurang Co.	Distribution of spirits	100.0

(6) Sales Group**(6.1) Distributors of Beer, Drinking Water and Soda Water Group⁽⁷⁾**

Subsidiaries	Nature of Business	Shareholding Percentage
Group 1		
Pomthip Co.	Distributor of beer, drinking water and soda water	100.0
Pomkit Co.	Distributor of beer, drinking water and soda water	100.0
Pomkung Co.	Distributor of beer, drinking water and soda water	100.0
Group 2		
Pomchok Co.	Distributor of beer, drinking water and soda water	100.0
Pomcharoen Co.	Distributor of beer, drinking water and soda water	100.0
Pomburapa Co.	Distributor of beer, drinking water and soda water	100.0

⁽⁶⁾ Responsible for (i) direct purchases of beer, drinking water, soda water and spirits from the Distributor of beer, drinking water and soda water Group and Distillery Group; (ii) distribution of these products to the Beer Marketing Group and Spirits Marketing Group; and (iii) overseeing the marketing overview, advertising and marketing data collection.

⁽⁷⁾ Responsible for purchases of beer, drinking water, and soda water from the Distribution Agent Group and resell them to external customers such as distributing agents, retail stores and modern retail stores within their responsible areas.

(6.2) Liquor Distribution Group⁽⁸⁾

Subsidiaries	Nature of Business	Shareholding Percentage
Group 1		
Num Yuk Co.	Spirits distributor	100.0
Num Thurakij Co.	Spirits distributor	100.0
Group 2		
Num Muang Co.	Spirits distributor	100.0
Num Nakorn Co.	Spirits distributor	100.0
Group 3		
Num Palang Co.	Spirits distributor	100.0
Num Kijjakarn Co.	Spirits distributor	100.0

(7) Marketing Group

Subsidiaries	Nature of Business	Shareholding Percentage
Thai Beverage Marketing Co.	Domestic marketing	100.0

(8) Business Development Group

Subsidiaries	Nature of Business	Shareholding Percentage
Thai Beverage Logistics Co.*	Transportation service	100.0
Pan International Co.	Import and trading agent of equipments	100.0
Feed Addition Co. **	Trading of feeds	100.0
Charun Business 52 Co.	Production of bricks/tiles	100.0
Thai Beverage Energy Co.***	Production and sale of fertilizer and biogas	100.0
Thai Molasses Co.	Trading of molasses	99.7
Thai Cooperage Co.	Oak barrel producer	100.0
Dhanasindhi Co.	Construction	100.0
Thai Beverage Recycle Co.****	Trading of bottles	100.0
Dhospaak Co.	Advertising	100.0

* Renamed from Sahatip Transportation Co. on January 30, 2007.

** Renamed its English name from Additive Food Co. on October 1, 2008.

*** Renamed from Bionic Humus Co. on October 17, 2008.

**** Renamed from Bang-Na Logistic Co. on October 1, 2008.

⁽⁸⁾ Responsible for purchases of spirits from the group of distributing agencies and resell them to the external customers such as distributing agents, retail stores and modern retail stores within their responsible areas.

(9) Others Group

Subsidiaries	Nature of Business	Shareholding Percentage
Vitayathan Co.	Environmental preservation promotion	100.0 ⁽⁹⁾
Pan Alcohol Co.	Production/distribution of vinegar (ceased to operate)	100.0 ⁽¹⁰⁾
Muangkij Co.	Import of oak woods (ceased to operate)	100.0 ⁽¹¹⁾
Sura Piset Sahasan Co.	Production of spirits (ceased to operate)	100.0 ⁽¹²⁾
Thai Thum Distillery Co.	Distribution of spirits (ceased to operate)	99.9 ⁽¹³⁾
Sura Piset Sampan Co.	Production of spirits (ceased to operate)	100.0 ⁽¹⁴⁾

(10) Overseas Businesses Group

Subsidiaries	Nature of Business	Shareholding Percentage
International Beverage Holdings Limited	Foreign holding company	100.0
InterBev (Singapore) Limited	Distribution of alcoholic beverages	100.0 ⁽¹⁵⁾
InterBev Malaysia Sdn. Bhd.	Distribution of alcoholic beverages	100.0 ⁽¹⁵⁾
InterBev (Cambodia) Co., Ltd.	Distribution of alcoholic beverages	100.0 ⁽¹⁵⁾
Internatinal Beverage Holdings Limited USA Inc.*	Distribution of alcoholic beverages	100.0 ⁽¹⁵⁾
Best Spirits Company Limited	Distribution of alcoholic beverages	100.0 ⁽¹⁵⁾
International Beverage Holdings (UK) Limited**	Foreign holding company	100.0 ⁽¹⁵⁾
Blairmhor Limited	Production and distribution of spirits	100.0 ⁽¹⁶⁾
Inver House Distillers Limited	Production and distribution of spirits	100.0 ⁽¹⁷⁾

⁽⁹⁾ The shares of Vitayathan Co. are held by Beer Thai Plc. and other Subsidiaries of ThaiBev in the amount equaling 100.0%

⁽¹⁰⁾ The shares of Pan Alcohol Co. are held by Red Bull Co. and other Subsidiaries of ThaiBev in the amount equaling 100.0%

⁽¹¹⁾ The shares of Muangkij Co. are held by Pan International Co. and other Subsidiaries of ThaiBev in the amount equaling 100.0%

⁽¹²⁾ The shares of Sura Piset Sahasan Co. are held by Sura Piset Phatra Lanna Co. and other Subsidiaries of ThaiBev in the amount equaling 100.0%

⁽¹³⁾ The shares of Thai Thum Distillery Co. are held by Thai Cooperage Co. and other Subsidiaries of ThaiBev in the amount equaling 99.9%

⁽¹⁴⁾ The shares of Sura Piset Sampan Co. are held by Thai Cooperage Co. and other Subsidiaries of ThaiBev in the amount equaling 100.0%

⁽¹⁵⁾ The shares of these companies are held by IBHL.

⁽¹⁶⁾ The shares of this company are held by International Beverage Holdings (UK) Limited.

Subsidiaries	Nature of Business	Shareholding Percentage
Blairmhor Distillers Limited	Distillery (ceased to operate)	100.0 ⁽¹⁷⁾
Wee Beastie Limited	Distribution of alcohol beverage	100.0 ⁽¹⁷⁾
Moffat & Towers Limited	Dormant	100.0 ⁽¹⁷⁾
Liquorland Limited	Holding license to sell alcoholic beverage	49.5 ⁽¹⁷⁾
Inver House Distribution SA	Dormant	50.0 ⁽¹⁷⁾
Inver House Polska Limited	Distribution of alcoholic beverages	44.0 ⁽¹⁷⁾
The Balblair Distillery Company Limited	Dormant	100.0 ⁽¹⁷⁾
Speyburn-Glenlivet Distillery Company Limited	Dormant	100.0 ⁽¹⁸⁾
The Knockdhu Distillery Company Limited	Dormant	100.0 ⁽¹⁸⁾
The Pulteney Distillery Company Limited	Dormant	100.0 ⁽¹⁸⁾
Glen Calder Blenders Limited	Dormant	100.0 ⁽¹⁹⁾
Hankey Bannister Limited	Dormant	100.0 ⁽¹⁹⁾
R. Carmichael & Sons Limited	Dormant	100.0 ⁽¹⁹⁾
J MacArthur Junior & Company Limited	Dormant	100.0 ⁽¹⁹⁾
Mason & Summers Limited	Dormant	100.0 ⁽¹⁹⁾
James Catto & Company Limited	Dormant	100.0 ⁽¹⁹⁾

* Renamed from InterBev USA Inc. on February 7, 2007.

** Renamed from Pacific Spirits (UK) Limited on December 2, 2007.

Businesses in Thailand

1. Brewery Group The Company engages in the production and distribution of beer, drinking water, soda water and by-products. In this segment, BeerThai Plc., BeerThip Co. and Cosmos Co. are operators of 1 brewery located at Kamphaengphet Province and 2 breweries at Ayudhaya Province, respectively, with the total production capacity of about 1,550.0 million liters per year. BeerThai Plc., BeerThip Co. and Cosmos Co. are producers of drinking water and soda water under the trademark “Chang” and beer under the trademarks “Chang”, “Chang Light”, “Chang Draught”, “Archa” and “Federation”. In 2007, the brewery group had an aggregate market share of approximately 46.7% of the total domestic beer market. In addition, the Company also engages in the brewery and distribution of beer in foreign countries through IBHL and IBHL’s Subsidiaries.

⁽¹⁷⁾ The shares of this company are held by Blairmhor Limited.

⁽¹⁸⁾ The shares of this company are held by Blairmhor Distillers Limited.

⁽¹⁹⁾ The shares of this company are held by Inver House Distillers Limited.

As for the financial year ended December 31, 2005 to 2007 and the six-month period ended June 30, 2008, the brewery group had their sales revenue before intersegment elimination in the amount of Baht 42,277.0 million (before the restatement of financial statements), Baht 46,103.2 million, Baht 47,557.3 million and Baht 21,272.0 million, representing 44.5%, 47.1%, 47.3% and 41.6% of the total sales revenue of the Company, respectively.

The introduction of Chang beer to the Thai market in 1995 by the Company was considered as an increase of options for consumers in the beer market, where the choices of products were limited at that time. Archa beer was launched in 2004 with lower degrees of alcohol than Chang beer, followed by Chang Light and Chang Draught for consumers who prefer beer with lower degrees of alcohol. As a result, the sales volume of beer of the Company was increased to 956.8 million liters in 2007, 30.9% of which was Archa beer compared to the total sales of all brands of beer of the Company. With the determination to continuously maintain its quality, Archa beer was awarded the Gold Medal at the Australian International Beer Awards in 2007 in the category of European Style Lager – Large International Brewery Section where Chang beer was awarded the Gold Medal from the same competition in 1998 in the category of International Beer regardless of degrees.

In order to maintain the market leader position and the continuity of beer production to feed the market in the future, the Company has expanded its beer brewery capacity in Kamphaengphet Province, which was completed in October 2007. This increased the brewing capacity of Kamphaengphet brewery to 900.0 million liters per year. Such capacity makes Kamphaengphet brewery one of the largest breweries in South East Asia region. When combined with the Bang Ban and Cosmos breweries in Ayudhaya Province, the Company will have the total brewery capacity of 1,550.0 million liters per year.

The Company is determined to uphold such success by introducing new beer products into the market during suitable periods by launching high-level products in order to be consistent with the product development policy of "Premiumization". In April 2008, the Company launched a premium product under the name "Federbräu" with the purpose of competing with Heineken beer in the premium beer market, which was not considered as a large market but attracted consumers with high level of purchasing power. The Company aimed for target groups within the markets of Bangkok and other major provinces in Thailand. Federbräu has been guaranteed by two famous brewery technology institutions of Germany, which are (1) TUM-Forschungszentrum Weihenstephan; and (2) Technical University Berlin, VLB in respect of the brewery process of Federbräu that it is in accordance with the German Purity Laws standard ("Brewed According to German Purity Law 1516").

In the first quarter of 2008, the Company had a reclassification of its business segments whereby the operating results of drinking water and soda water have been separated from the brewery group and reclassified into the non-alcoholic beverage group. However, the Company did not restate the first half of 2007 financials to be comparable to the first half of 2008 since the sales volume of drinking water and soda were not material.

2. Distillery Group The Company operates the business of distillery and distribution of white spirits, compounded spirits (Chinese herb spirits), fermented spirits and brown spirits as well as by products and raw materials. There are 18 domestic distilleries with the production capacity of 819.0 million liters per year. The Company has many well-known trademarks such as white spirits named "Ruang Khao" and "Pai-Thong", Chinese herb spirits named "Chiang-Chun", "Chu Sib Neaw" and "Sua Dum" and brown spirits named "Sangsom", "Mekhong", "Mungkorn Thong", "Crown 99", "Hong Thong" and "Blend 285". In 2005, the distillery group had an aggregate market share of approximately 74.0% of the total domestic spirits market (the Company does not have the data for its domestic market share of spirits in 2006 and 2007, however, the Company believes that the domestic market share in years 2006 and 2007 are not significantly different from year 2005). Furthermore, the Company also engages in the distillery and distribution of spirits in foreign countries through IBHL and IBHL's subsidiaries.

As for the financial year ended December 31, 2005 to 2007 and the six-month period ended June 30, 2008, the distillery group had sales revenue before intersegment elimination in the amount of Baht 52,811.0 million (before the restatement of financial statements), Baht 51,576.1 million, Baht 52,940.2 million and Baht 28,718.5 million, representing 55.6%, 52.7%, 52.7% and 56.2% of the total sales revenue of the Company, respectively.

In October 2006, the Company launched a product of brown spirits branded “Blend 285” into the market, targeting to customers who sought higher quality products with affordable price. The premiumization of products was expressed in many forms such as special gift box, non refillable cap and modern packaging design in western style. Blend 285 was very popular achieving the sales volume of 14.8 million liters in 2007. This success reflects the strength of the Company’s distribution network, which resulted in its ability to effectively penetrate the market within a short period of time.

In September 2007, the Company purchased the business of United Products Co., which engaged in the businesses of distillery and distribution of spirits as well as providing distillery service to outside parties. Major products of United Products Co. are white spirits branded “Mhee Khao” and “Mungskorn Thajeen”. United Products Co. has a distillery located in Nakhonpathom Province with the distillery capacity of 11.0 million liters per year. Moreover, United Products Co. has also been hired to produce spirits named Bacardi Breezer under the name “Bacardi”. The Company has agreed to renew the contract with Bacardi for another year and is in the process of arranging for an extension of contract term.

3. Non-Alcoholic Beverage Group In the first quarter of 2008, the Company reclassified its business segments, whereby the Company added its non-alcoholic beverages as another business segment. The products of this group include energy drinks, ready-to-drink coffee, soda water, drinking water and other non-alcoholic beverages as well as food and Japanese restaurant business. As a result, such reclassification will include the operating performance of soda water and drinking water, which was formerly included in brewery group, in non-alcoholic beverage group. The Company has expanded its business to cover non-alcoholic beverage business by acquiring assets of domestic companies which engage in the production and distribution of energy drinks and ready-to-drink coffee, and purchasing shares of S.P.M. Foods and Beverages Co. In September 2008, ThaiBev purchased shares of Oishi Group Plc. in the amount of 43.9% of the total paid-up shares of Oishi Group Plc. Currently, ThaiBev is in the process of making a tender offer to purchase all securities of Oishi Group Plc.

Currently, the non-alcoholic beverage group is relatively small, compared to other business segments of the Company. However, the Company expects an increased growth of this segment in the future. The sales revenue of the non-alcoholic beverage group in the second quarter of 2008 is Baht 220.8 million, which was increased from Baht 144.1 million in the first quarter of 2008.

As for the six-month period ended June 30, 2008, the non-alcoholic beverage group had sales revenue before intersegment elimination in the amount of Baht 364.9 million, representing approximately 0.7% of the total sales revenue of the Company.

4. Related and Other Businesses Group Apart from the above business segments, ThaiBev also holds shares of various companies engaging in other related businesses such as purchasing of molasses, purchasing of equipments, sale of feeds, brick and tile production and fertilizer production. As for the financial year ended December 31, 2005 and 2006 (before the restatement of financial statements), the other businesses segment had sales revenue before intersegment elimination in the amount of Baht 6,633 million and Baht 7,155.1 million, representing approximately 7.0% and 7.3% of the total sales revenue of the Company.

Since the third quarter of 2007, the Company has prepared the information according to the reclassification of business segments in order to make the operating performance reporting clearer.

Most entries of related business segments arisen within the Company will not be separately displayed but will be allocated into the main business segments.

Overseas businesses

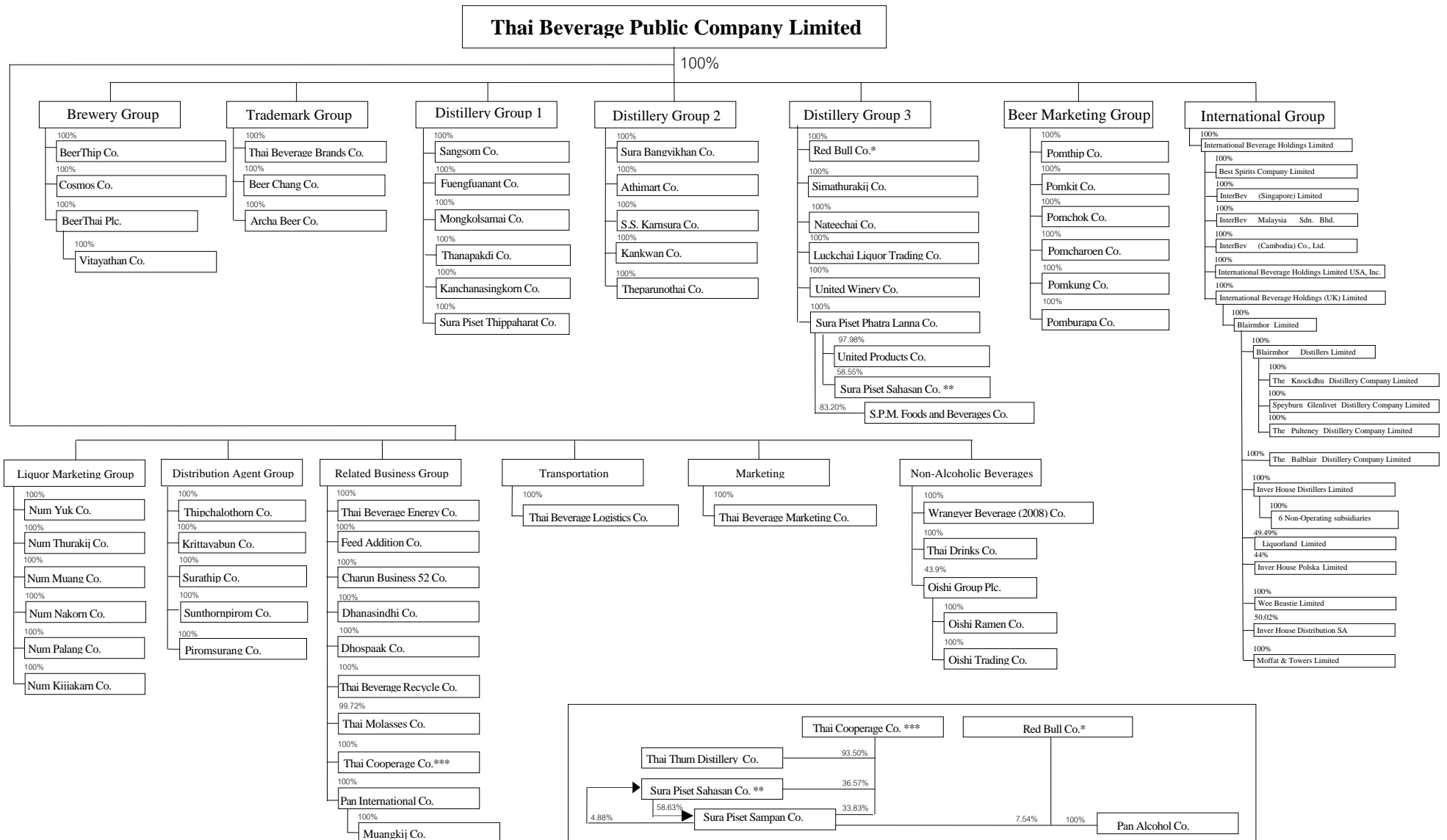
The overseas businesses are undertaken by IBHL. The administration is implemented by 4 regional offices in Hong Kong, Singapore, the United States and the United Kingdom. IBHL's operation includes the management of Scotch Whisky business of 5 distilleries in Scotland.

IBHL is a registered company in Hong Kong, which owned by ThaiBev. Up to the present, IBHL holds shares of various Subsidiaries in 6 countries as follows:

1. InterBev (Singapore) Limited
2. InterBev Malaysia Sdn. Bhd.
3. InterBev (Cambodia) Co., Ltd.
4. International Beverage Holdings Limited USA, Inc.
5. International Beverage Holdings (UK) Limited and associated companies including Inver House Distillers Limited
6. Best Spirits Company Limited which is located in Hong Kong

IBHL is responsible for overseeing the Company's overseas businesses covering production, marketing and distribution of alcoholic beverages distilled in Thailand, Scotch Whisky, Whisky and fermented spirits from China.

Shareholding structure of ThaiBev as of September 30, 2008 is shown in the diagram below.



2.3 Revenue structure

Since the third quarter of 2007, the Company has prepared the operating performance reporting according to the reclassification of business segments in order to make the reporting clearer. Most entries of related business segments arisen within the Company will not be separately displayed but will be allocated into the operating performance of main business segments comprising segment of beer, soda water and drinking water, segment of spirits, segment of non-alcoholic beverages and segment of industrial alcohol (ThaiBev has sold all shares in Thai Alcohol Plc. which operated the business of production and distribution of industrial alcohol in September 2008). The information classified according to business segments of the same period in 2006 has been adjusted for comparison with 2007.

In addition, in the first quarter of 2008, the Company adjusted the operating performance reporting by adding non-alcoholic beverage segment which currently includes energy drinks, ready-to-drink coffee, soda water, drinking water and other non-alcoholic beverages as well as food and Japanese restaurant business. As a result, such business segment will include the operating performance of soda water and drinking water, which was formerly included in brewery business segment. However, the Company did not make any adjustment of the same period in 2007 for comparison with 2008 due to the insignificant sales volume of soda water and drinking water. Currently, the Company's main business segments are beer, spirits and non-alcoholic beverage businesses.

As ThaiBev operates its business as a holding company, the main revenue of ThaiBev is generated from profit sharing of the companies in which ThaiBev has invested. The sales revenue structure that is the main revenue of ThaiBev according to the consolidated financial statements ended December 31, 2005, 2006 and 2007 and the six-month period ended June 30, 2008, are shown below:

Business segments	2005		2006 (before restatement)		2006 (after restated)		2007		Six-month period ended June 30, 2008	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
1. Beer ⁽¹⁾	42,277.0	44.5	46,641.0	47.7	46,103.2	47.1	47,557.3	47.3	21,272.0	41.6
2. Spirits ⁽²⁾	52,811.0	55.6	51,428.3	52.6	51,576.1	52.7	52,940.2	52.7	28,718.5	56.2
3. Non-alcoholic beverages ⁽³⁾	-	-	-	-	-	-	-	-	364.9	0.7
4. Industrial alcohol ⁽⁴⁾	869.2	0.9	1,205.0	1.2	1,205.0	1.2	966.0	1.0	756.8	1.5
5. Related businesses ⁽⁵⁾	6,633.0	7.0	7,155.1	7.3	-	-	-	-	-	-
6. Elimination	(7,686.8)	(8.1)	(8,631.6)	(8.8)	(1,086.4)	(1.1)	(922.5)	(0.9)	(29.3)	(0.1)
Total revenue from sales	<u>94,903.4</u>	<u>100.0</u>	<u>97,797.9</u>	<u>100.0</u>	<u>97,797.9</u>	<u>100.0</u>	<u>100,540.9</u>	<u>100.0</u>	<u>51,082.9</u>	<u>100.0</u>

2.4 Competitive Strengths

The Company believes that the Company has the following competitive strengths:

Leading producer and distributor

According to Canadean, the Company is one of the leading brewer and distiller in Thailand (based on sales and production volumes). In 2007, the Company's beer products had an aggregate domestic market share of 46.7% of the total sales volumes of beer. The Company believes that the Company is one of the largest distillers in Thailand. The Company also believes that the Company is one of the largest distillers and brewer in Southeast Asia based on the sales volume. The Company's leading market position in both the beer and spirits markets has enabled the Company to establish an extensive distribution network throughout Thailand and has enhanced its ability to obtain favorable terms from its customers and suppliers.

⁽¹⁾ Operated by BeerThai Plc., BeerThip Co., Cosmos Co., Thipchalothorn Co., Krittayabun Co., Surathip Co., Pomthip Co., Pomkit Co., Pomkung Co., Pomchok Co., Pomcharoen Co., Pomburapa Co., Feed Addition Co. and IBHL Group.

⁽²⁾ Operated by Sangsom Co., Red Bull Co., United Winery Co., Sura Bangyikhan Co., Fuengfuanant Co., Athimart Co., S.S. Karnsura Co., Kankwan Co., Theparunothai Co., Thanapakdi Co., Mongkolsamai Co., Simathurakij Co., Kanchanasingkorn Co., Luckchai Liquor Trading Co., Nateechai Co., Thipchalothorn Co., Krittayabun Co., Surathip Co., Sunthronpirom Co., Piromsurang Co., Num Yuk Co., Num Kijjakarn Co., Num Palang Co., Num Muang Co., Num Nakorn Co., Num Thurakij Co., Thai Molasses Co., Bionic Humus Co., Thai Cooperage Co., Sura Piset Thipparat Co., United Products Co. and IBHL Group.

⁽³⁾ Operated by Wrangyer Beverage (2008) Co., S.P.M. Foods and Beverages Co. and Thai Drinks Co.

⁽⁴⁾ Operated by Thai Alcohol Plc. The Company has sold all shares of Thai Alcohol Plc. since September 2008.

⁽⁵⁾ Operated by Pan International (Thailand) Co., Dhospaak Co., Thai Beverage Recycle Co., Sahatipkarnkonsong Co., Thai Beverage Marketing Co., Dhanasindhi Co., Charun Business 52 Co., Sura Piset Phatra Lanna Co., Vitayathan Co., Banglen Agriculture Co., Sint Ek Panich Co., Pan Alcohol Co., Sura Piset Thipparat Co., Muangkij Co., Sura Piset Sahasan Co., Sura Piset Sampan Co., Thai Thum Distillery Co., IBHL, InterBev (Cambodia) Co., Ltd., InterBev Malaysia Sdn. Bhd. and InterBev (Singapore) Limited.

Attractive growth prospects in existing markets

The Company believes that its markets for beer and spirits are growing and that the Company is well-placed to capture this market growth as well as growth in related markets. According to Canadean, the Thai beer market grew at the compounded annual growth rate (CAGR) of 9.3% per annum from 1999 to 2007 in terms of sales volume. The Company expects such market will continue growing due to an expanding customer base and an increasing consumption per capita trend. In addition, the Thai spirits market is also growing. The sales volumes of its brown spirits have grown rapidly in recent years, which offset the declining demand for lower-priced Chinese herb spirits. The Company is well positioned in the spirits market as the Company is one of the leaders in both white and brown spirits in terms of sales volume. The Company expects that it will have an increase in market share of drinking water and soda water markets. Currently, the actual utilization of its production capacity is lower than that of the designed production capacity.

Strong brand recognition

The Company believes that many of its products are well-known in Thailand, with a reputation for quality, taste and “Thai” character. Chang Beer product is one of the highest consumed beer in Thailand. The Company’s portfolio of popular local spirits, including traditional white spirits, Chinese herb spirits and brown spirits are consumed widely by Thai people. Sangsom is the Company’s flagship spirits brand and is well recognized in Thailand for its international quality. Mekhong is a traditional rum with a long heritage in Thailand. The Company’s production processes gives its leading brands a unique flavor, which differentiates its products from those of its competitors. In addition, the Company continuously increases its brand recognition in Thailand and abroad with strategic marketing investments in various aspects, including a sponsorship of leading sports teams such as Everton.

Extensive distribution network and well-established relationships with distributors

The Company has more than 900 salespersons, over 4,000 vehicles and approximately 400 warehouses, which enable the Company to distribute its products of various brands through an extensive distribution network of approximately 400,000 points throughout Thailand. In addition, the Company has long-standing relationships with its agents and distributors. The Company believes its distribution system is one of the most established and far-reaching networks in Thailand. The Company has integrated distribution network for beer and spirits and it sees significant potential to further leverage its distribution platform to sell other products, such as non-alcoholic beverages, to the marketplace. Although the Company currently does not distribute a significant quantity of third party products through its network, the Company possesses a capability to do such activity if attractive business prospects arise. In addition, the Company has a team responsible for its premium beverages in order to establish relationship with various distribution channels, namely hotels, restaurants, bars and foreign liquor stores in order to prepare them for its new products launched in the future, especially the products that are priced higher than those the Company currently sells. Such team will be responsible for developing relationships with various distribution channels to promote its products.

High quality production facilities

The Company’s breweries have state-of-the-art production technology in terms of quality, efficiency and environmental management. The Company has expanded the production capacity of its Kamphaengphet brewery, which was completed in 2007. The said brewery is one of the largest and most modern breweries in Asia. The Company’s breweries aim to produce beer with the highest quality that meets international standards and its facilities are sufficiently flexible to support a variety of brands with minimal additional investment. In addition, the Company’s distilleries are well-established throughout Thailand and have a long history of producing high quality spirits. The Company’s 18 domestic distilleries were recently refurbished and are operated by an experienced

management team with substantial production know-how. In both its beer and spirits businesses, the Company is confident in its ability to produce new products to meet market demands.

Experienced and proven management team

The Company's management team possesses a proven ability to develop and build brand recognition and deliver growth and profitability. The Company's management team has a proven track record and leadership in these businesses as evidenced by the introduction of Chang Beer in 1995, which became the market leader in 1998. The Company believes that its management team has the skill and proficiency to deal with any changes in the marketplace. The Company's continuous efforts in recruiting executives from international premium beverage businesses place the Company in a strong position to meet challenges that lie ahead. On the production side, its management team possesses extensive brewing and distilling as well as non-alcoholic beverage production experience and technical know-how gained at the Company and elsewhere. The Company's brewery production staff includes the "master brewer" qualified technicians, who have been trained at international brewing institutions in Europe which are professionally accredited for all aspects of knowledge relating to beer and soft drink production, including raw materials, production processes as well as machinery and equipments. Further, the Company has conducted an analysis on the consumers to understand the current market demand. This will allow the Company to be able to produce new products, both alcoholic and non-alcoholic beverages, to precisely meet the demands of consumers.

2.5 Corporate Vision and Mission

Corporate Vision

"We will strive to become a leading global beverage company with focus on commercial excellence, continued premiumization of our products, and professionalism."

Mission: Production and distribution of quality products to consumers

The Company will seek "partnerships" among its key stakeholders through six guiding values:

- Offer quality products for every customer segment
- Satisfy distributors' needs by offering professional services
- Provide first quartile returns to its shareholders with consistent high revenue growth and profitability
- Become a role model in terms of professionalism, transparency, and good corporate governance
- Trust, empower and reward its staff to make them accountable
- Contribute to the public and local communities

2.6 Operation Strategy

2.6.1 Corporate Development Strategy

The Company's corporate development strategy will emphasize on premiumization, internationalization and professionalisation. The professional development of the Company's management and other human resources has played an increasing role in the success of the Company over time. Part of the impetus has been the conversion of the Company from a private company to a

public company, and there are ongoing measures to allow its management to embrace accountability and create an organization that is more efficient and focused on operational excellence. Professionalism is linked to good corporate governance, which will ensure the Company is well-run on behalf of shareholders. The Company has commenced the introduction of international-standard metrics that will assist management monitor their performance and thus helps improve its operation over time.

2.6.2 Domestic Business Strategy

The Company's strategy for the domestic market focuses on the protection of the core businesses of beer and spirits. The Company intends to continue growing its portfolio and become a leader in all alcoholic beverage segments. The Company strongly believes that the Thai market has a potential to grow further as there is still a limited number of brands available and the narrow segmentation of brands. Thai people aspire to move towards higher quality drinks, whether alcoholic or non-alcoholic and the Company will have products ready to meet such consumer demand.

At present, the Company is one of the leaders in the economy segment of its beer and spirits businesses. In the future, the Company will introduce standard and premium products that will extend its portfolio upwards. This will provide the Company with higher margins and greater profitability over time. The Company has noted that the spirits market will move toward brown spirits over the long term and a more balanced portfolio will allow the Company to diversify risks of relying on one type of product or another over time.

The Company also intends to continue to premiumize its current portfolio. For instance, the Company has already introduced gift boxes for several spirits products such as Sangsom rum in 2007. The Company re-launched Hong Thong in 2006 with new packaging that led to a good response from consumers. These steps will raise the market perception of its products and lead to more sustained growth in the future.

In order to diversify the portfolio further, the Company will expand further into the non-alcoholic drinks market to offer a complete range of beverages. The Company has already acquired all the energy drinks and ready-to-drink coffee assets of Wrangyer Beverage (2008) Co. in January 2008. The energy drinks market is growing at approximately 3.0% per annum making it an attractive entry point into non-alcoholic beverages for the Company. In September 2008, ThaiBev acquired shares of Oishi Group Plc. in an amount of 43.9% of the total paid-up shares of Oishi Group Plc. Currently, Oishi Group Plc. holds 99.9% of shares in Oishi Ramen Co. and Oishi Trading Co. The Oishi Group's core business is the operation of Japanese restaurants as well as production of food and beverages.

In addition, since the Company owns one of the largest distribution networks in Thailand, the Company has a plan to make more strategic use of this network over time by offering it to outside organizations. First, the Company needs to make it more efficient in, and more capable of, handling a wider range of products. To achieve this, the Company introduced a logistics project in the fourth quarter of 2008. One of the objectives is to introduce five large distribution centers around Thailand that would allow the Company to store more products and distribute them to surrounding regions more efficiently.

2.6.3 Overseas Business Strategy

The Company strongly believes that it must adopt an appropriate route to enter foreign markets, either through wholly owned or with strategic partners, depending on its determination to penetrate into that market and market circumstances. The Company actively seeks out distribution partners. Should its beverages begin to gain traction in a country, the Company would then consider either contracting local partners for brewing or purchasing a local brewery. As for the markets where the Company wants to strengthen its presence, the Company is actively considering additional

investment in existing businesses or start-up companies. In any investment, the Company will consider a suitable rate of return and potential synergy over investment cost.

Initially, IBHL is focusing on flagship brands such as Chang beer and Mekhong rum (branded overseas with the legend: “the Spirit of Thailand”), including single malt whiskies e.g. Balblair, Old Pulteney, Speyburn and anCnoc and blended scotch whiskies such as Hankey Bannister. IBHL has identified key focus markets for each brand and is directing its efforts and resources at these ‘brand market units’. IBHL intends to be a global player with a comprehensive portfolio of products.

The Company also believes that local partners and management in each country are important as they pave ways for the Company to move into new markets without a steep learning curve. Key international executives are internationally sourced, and chosen for their long experience in the business. The Company is also assembling a strong talent pool in the areas of sales and marketing from candidates with wide-ranging experience across both beer and spirits industries. The Company is doing this by recruitment and through the integration of the commercial team of Inver House Distribution SA. The Company is at the same time building a strong platform of marketing expertise.

By employing high-quality and experienced management, IBHL intends to expand faster than it would otherwise be able to do. In some markets, strong local partners will be sought to assist the Company to work with local distribution networks and overcome indigent cultural and business practice hurdles.

3. Overview of Business Operations

3.1 Nature of Operations

3.1.1 The Company's Products

The Company produces beer, spirits, non-alcoholic beverages and by-products from the brewing and distilling process. In 2007, the Company's aggregate beer and spirits sales volumes accounted for almost all of the Company's revenue from sales.

The following table sets forth the breakdown of revenue by segments for beer, spirits, non-alcoholic beverages, industrial alcohol, related businesses and the intersegment eliminations for intersegment as a percentage of the Company's revenue from sales for the periods indicated:

Unit: Percentage of revenue from sales

	Year Ended December 31,			Six-Month Period Ended June 30,	
	2005	2006 (before restated)	2006 (after restated)	2007	2008
Beer:					
Beer	42.6	46.1	46.1	46.5	41.6
Drinking water.....	0.2	0.2	0.2	0.2	-
Soda water	0.2	0.2	0.2	0.1	-
Others ⁽¹⁾	1.5	1.3	0.7	0.5	0.1
Total beer.....	44.5	47.7	47.1	47.3	41.6
Spirits:					
White spirits.....	30.7	30.1	30.1	27.6	28.9
Brown spirits	24.7	21.5	21.5	24.0	26.0
Others	0.3	1.0	1.2	1.0	1.4
Total spirits.....	55.6	52.6	52.7	52.7	56.2
Non-alcoholic beverages:					
Energy drinks.....	-	-	-	-	0.3
Drinking water.....	-	-	-	-	0.2
Soda water.....	-	-	-	-	0.1
Others.....	-	-	-	-	0.1
Total non-alcoholic beverages....	-	-	-	-	0.7
Industrial alcohol ⁽²⁾	0.9	1.2	1.2	1.0	1.5
Related businesses	7.0	7.3	-	-	-
Intersegment eliminations.....	(8.1)	(8.8)	(1.1)	(0.9)	(0.1)
Total.....	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

(1) Others include sales of used bottles, which the Company purchases from its distributors and sell them to third parties and related businesses.

(2) In September 2008, ThaiBev sold all the shares of Thai Alcohol Plc., a producer of industrial alcohol.

The following table sets forth the Company's production volumes of beer, spirits and non-alcoholic beverages for the periods indicated:

	Unit: Million liters			
	<u>Year Ended December 31,</u>			<u>Six-Month Period</u>
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Ended June 30,</u>
				<u>2008</u>
Beer:	914.7	994.4	1,055.6	455.9
Spirits:				
White spirits ⁽¹⁾	363.7	401.6	322.5	156.0
Brown spirits ⁽²⁾	92.5	75.5	91.6	62.6
Non-alcoholic beverages:				
Energy drinks	-	-	-	4.9
Ready-to-drink coffee	-	-	-	1.2
Drinking water	46.9	47.2	50.4	27.1
Soda water.....	19.9	15.9	12.0	7.0

(1) Includes white spirits, Chinese herb spirits and fermented spirits.

(2) Includes other spirits such as Cooler Club and Thai Sherry which have small production volumes. Since May 2, 2006, the Company has ceased the production of Cooler Club.

The following table sets forth the Company's sales volumes of beer, spirits and non-alcoholic beverages for the periods indicated:

	Unit: Million liters			
	<u>Year Ended December 31,</u>			<u>Six-Month Period</u>
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>Ended June 30,</u>
				<u>2006</u>
Beer:	824.2	923.0	956.8	431.1
Spirits:				
White spirits ⁽¹⁾	372.5	367.4	329.5	150.4
Brown spirits ⁽²⁾	133.6	108.1	116.9	61.9
Non-alcoholic beverages:				
Energy drinks	-	-	-	2.9
Ready-to-drink coffee	-	-	-	0.2
Drinking water	43.2	42.6	43.8	23.5
Soda water.....	15.4	12.6	10.6	5.6

(1) Includes white spirits, Chinese herb spirits and fermented spirits.

(2) Includes other spirits such as Cooler Club and Thai Sherry which have small sales volumes. Since May 2, 2006, the Company has ceased the production of Cooler Club.

Beer

According to Canadean, the Company is one of the leading beer producers in Thailand by revenue from sales and production volume. The Company produces, distributes and sells beer in Thailand under the Chang Beer, Chang Light, Chang Draught, Archa Beer and Federbräu brands and also exports beer to more than 18 countries. In 2007, the Company's revenue from sales of beer was Baht 46,783.3 million, representing 46.5% of the Company's revenue from sales. During 2007, the Company sold approximately 956.8 million liters of beer. During 2007, the Company's beer sales outside Thailand represented less than 0.5% of the Company's revenue from sales of beer. The Company distributes and sells Chang Beer, Archa Beer and Federbräu through its extensive nationwide distribution network, its distribution agents, direct sales and modern trade channels in order to reach its customers.



Chang Beer is an economy segment beer in Thailand, which the Company targets at mass market consumers. Chang Beer is a low-priced, full-bodied beer with a 6.4% alcohol content. The suggested retail price is Baht 36-38 per 640 milliliter bottle. The Company introduced Chang Beer in Thailand in 1995, and subsequently in December 1998, it had captured over 50% market share of the total beer sales in Thailand based on sales volume. In 1998, Chang Beer won the Gold Medal at the Australian International Beer Awards. In 2007, Chang Beer had a market share of approximately 31.6% of the total beer sold in Thailand by sales volume. Chang Beer accounted for 66.6% and 73.3% of the Company's total beer segment sales volume in 2007 and the six-month period ended June 30, 2008, respectively.



Archa Beer is an economy segment beer which the Company targets at social drinkers. Archa Beer is a lighter beer than that of Chang Beer, with a 5.4% alcohol content, and is formulated to capture the growth in the lower alcohol beer segment. The Company introduced Archa Beer in Thailand in July 2004, and its target group was set for those who are beginners. The suggested retail price is Baht 30-33 per 640 milliliter bottle. In 2007, Archa Beer was awarded the Gold Medal from Australian International Beer Awards. Archa Beer accounted for 30.9% and 23.7% of the Company's total beer segment sales volume in 2007 and the six-month period ended June 30, 2008, respectively.



Chang Beer Export is distributed through the Company's international distributors. Chang Beer Export is a full-bodied beer with a 5.0% alcohol content, except for Cambodia which has 6.4% alcohol content. The Company introduced Chang Beer Export in 1996. The market positioning of Chang Beer Export is determined by the marketing strategy of the Company's international distributors, but generally it is positioned as a premium segment beer. Chang Beer Export accounted for 0.7% and 1.4% of the Company's total beer segment sales volume in 2007 and the six-month period ended June 30, 2008, respectively.



Chang Draught has a 5.0% alcohol content and is sold at on-premise establishments. Draught beer is often consumed during festivals and sporting events. The Company re-introduced Chang Draught in March 2004 after a one-year absence from the market. In 2007 and in the six-month period ended June 30, 2008, Chang Draught accounted for 1.4% and 1.3% respectively, of the Company's total beer segment sales volume. In March 2006, the Company launched Chang Draught in bottles. The suggested retail price is Baht 36-38 per 640 milliliter bottle.



In March 2006, the Company launched Chang Light, a 4.2% alcohol content beer formulated to capture the growth in the lower alcohol beer segment. The Company distributes Chang Light in green bottles, which is a characteristic of premium beer. The suggested retail price is Baht 39-40 per 640 milliliter bottle. The Company distributes and sells Chang Light through its distribution network, primarily in urban areas. In 2007 and the six-month period ended June 30, 2008, Chang Light accounted for 0.3% and 0.3% of the Company's total beer segment sales volume respectively.



In April 2008, the Company launched Federbräu which is a premium beer with 4.7% alcohol content and its target group is high purchasing power consumers. Federbräu has been guaranteed by two reputable brewery institutions, TUM-Forschungszentrum Weihenstephan and Technical University Berlin, VLB, that its brewery process is in accordance with German Purity Laws "Brewed According to German Purity Law 1516". The suggested retail price is Baht 59-62 per 640 milliliter. The Company distributes and sells Federbräu through the Company's distribution network, primarily in Bangkok and some major provinces.

The following table sets forth the Company's sales volumes of Chang Beer, Archa Beer, Chang Beer Export, Chang Draught, Chang Light and Federbräu for the periods indicated:

	<u>Year Ended December 31,</u>			<u>Unit: Million liters</u>
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Six-Month Period</u> <u>Ended June 30,</u> <u>2008</u>
Chang Beer.....	806.9	814.4	637.1	315.9
Archa Beer	4.4	85.0	295.7	102.2
Chang Beer Export...	5.9	6.8	7.0	6.1
Chang Draught	7.0	14.1	13.5	5.5
Chang Light.....	-	2.8	3.3	1.2
Federbräu.....	-	-	-	0.1
Total	<u>824.2</u>	<u>923.0</u>	<u>956.8</u>	<u>431.1</u>

Beer Packaging. The Company sells the majority of its beer in 640 milliliter glass bottles due to the consumer preference in Thailand for large bottles, as they are perceived as the best value for money and are most suitable for consumption at home. Smaller bottles of 330 milliliter are popular in on-premise establishments, especially among urban consumers. Cans are particularly popular with supermarket vendors, primarily because cans require less shelf space than an equal volume of bottles. The Company analyzes sales data on a regular basis in an effort to develop a mix of product presentations that best satisfies its consumers.

The following table sets forth the sales volume for each type of packaging for the Company's beer products for the periods indicated:

	Unit: Percentage of sales volume			
	<u>Year Ended December 31,</u>			<u>Six-Month Period</u>
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Ended June 30,</u>
				<u>2008</u>
640 ml glass bottles....	82.9	83.3	83.3	80.6
330 ml glass bottles....	0.8	0.8	0.8	1.1
330 ml cans	15.4	15.0	15.1	17.5
Kegs (draught beer)....	0.8	0.9	0.8	0.8
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Spirits

The Company believes that it is one of the leading spirits producer in Thailand. The Company produces, distributes and sells white spirits, Chinese herb spirits, fermented spirits and brown spirits (rum and whisky) in Thailand and also exports its spirits to more than 20 countries. Most of the Company's brown spirits are technically a type of rum because they are made from molasses, but Thai consumers often associate rum with whisky and *vice versa*. In 2007 and the six-months period ended June 30, 2008, the Company's revenue from sales from spirits was Baht 52,940.2 million and Baht 28,718.5 million, representing 52.7% and 56.2% of the Company's revenue from sales, respectively. During 2007 and the six-months period ended June 30, 2008, the Company sold spirits of approximately 446.4 million liters and 212.2 million liters, respectively. During the said period, the Company's spirits sales volume outside Thailand represented less than 6.3% and 5.3% of the Company's revenue from sales, respectively. The Company distributes and sells its spirits through its distribution network, which utilizes its distribution agents, direct sales and modern trade channels to reach the customers.

White Spirits, Chinese Herb Spirits and Fermented Spirits. The Company major products consist predominantly of white spirits and Chinese herb spirits (Compounded spirits). Moreover, the Company also produces fermented spirits. In 2007 and the six-month period ended June 30, 2008, the Company's revenue from sales of white spirits, Chinese herb spirits and fermented spirits was Baht 27,769.5 million and Baht 14,739.7 million, representing 52.5% and 51.4% of the Company's total revenue from sales of spirits products respectively. During the said period, the Company sold approximately 329.5 million liters and 150.4 million liters respectively, of white spirits, Chinese herb spirits and fermented spirits. The Company produces six main brands of white spirits, three main brands of Chinese herb spirits and one main brand of fermented spirits. White spirits, Chinese herb spirits and fermented spirits are low-priced economy segment spirits. The consumer base for the white spirits, Chinese herb spirits and fermented spirits is predominantly people living in rural areas. The white spirits are distilled liquors without any mixture or color, which the Company produces in four different degrees of alcohol: 28, 30, 35 and 40 degrees. The Chinese herb spirits are distilled liquors made from blended ethyl alcohol (or white spirits), Chinese herbs, sugar and caramel, which the Company produces in three different degrees of alcohol: 28, 30 and 35 degrees. The Company's Shinobu sake is a local fermented spirits with a lower alcohol level than white spirits. The Company suggested retail price for a 625 milliliter bottle of its white spirits and Chinese herb spirits is ranging from Baht 50 to Baht 80, depending on the degree of alcohol.



Ruang Khao white spirits had a market share of approximately 51.3 of the total spirits sold in Thailand in 2005, based on sales volume, and accounted for 66.0% and 62.2% of the Company's spirits sales volume in 2007 and the six-month period ended June 30, 2008 respectively.



Pai-Thong white spirits had a market share of approximately 3.8% of the total spirits sales in Thailand in 2005, based on sales volume.



Niyomthai white spirits had a market share of approximately 1.6% of the total spirits sales in Thailand in 2005, based on sales volume.



Chiang-Chun and other brands of Chinese herb spirits had a market share of approximately 2.4% of the total spirits sales in Thailand in 2005, based on sales volume.



The Company produces and sells small amounts of Shinobu sake locally.

Note: Canadean has prepared the market share data for spirits market in Thailand until 2005 only.

Brown Spirits. The Company's brown spirits sales consist predominantly of whisky and rum distilled from molasses and rice blended with sugar, spirits concentrate, caramel and demineralized water. In 2007 and the six months ended June 30, 2008, the Company's sales of brown spirits were Baht 24,169.5 million and Baht 13,284.8 million, or 45.7% and 46.3% of the Company's revenue from sales of spirits, respectively. The Company sold approximately 116.9 million liters and 61.8 million liters of brown spirits for the said period, respectively.

The Company sells various brands of rum and whisky. The following is a description of the Company's main brands:



Sangsom rum is the Company's flagship brown spirits brand and a leading brown spirits brand in Thailand. The Sangsom portfolio includes Sangsom Golden Medal, Sangsom Superior, Sangsom Premium and Sangsom Similan. Sangsom is positioned as an international quality Thai alternative to leading imported admix products (spirits blended from aged-malt and neutral spirits). Sangsom is a 40% alcohol content rum blended from quality ethyl alcohol and five-year aged spirits contained in oak barrels. Sangsom won Gold Medals at the Spain International Quality to Alcohol Beverages in 1982 and 1983 and won the Gold Medal at the Germany International Quality to Alcohol Beverages in 1983. The Company's suggested retail price for a 700 milliliter bottle is Baht 205-215. Sangsom spirits had a market share of approximately 11.8% of the total spirits sales in Thailand in 2005, based on sales volume, and represented 6.0% and 5.1% of the Company's total spirits sales volume in 2007 and the six-month period ended June 30, 2008, respectively.



Mekhong rum is Thailand's third best-selling brown spirits brand and is well-known for its image as a traditional Thai rum. Mekhong is a blended spirits of 35% alcohol content rum blended from quality ethyl alcohol. The Company's suggested retail price for a 750 milliliter bottle is Baht 138-150. Mekhong rum had a market share of approximately 2.0% of the total spirits sales in Thailand in 2005, based on sales volume, and represented 1.6% and 1.5% of the Company's total spirits sales volume in 2007 and the six-month period ended June 30, 2008, respectively.



Mungkorn Thong (or "Golden Dragon") rum is a 35% alcohol content rum blended from quality ethyl alcohol. The Company's suggested retail price for a 750 milliliter bottle is Baht 125-135. Mungkorn Thong rum had a market share of approximately 2.6% of the total spirits sales in Thailand in 2005, based on sales volume, and represented 1.5% and 1.1% of the Company's total spirits sales volume in 2007 and the six-month period ended June 30, 2008, respectively.



Hong Thong rum is a blended spirits of 35% alcohol content rum blended from quality ethyl alcohol. The Company's suggested retail price for a 700 milliliter bottle is Baht 160-175. In March 2006, the Company reintroduced Hong Thong to the marketplace. The sales volume of Hong Thong represented 9.3% and 11.8% of the Company's total spirits sales in 2007 and the six-months period ended June 30, 2008, respectively.



Blend 285 is a blended spirits of 35% alcohol content rum blended from quality ethyl alcohol. The suggested retail price for a 700 milliliter bottle is Baht 189-195. The sales volume of Blend 285 represented 3.3% and 5.7% of the Company's total spirits sales of the total sales volume in 2007 and the six-months period ended June 30, 2008, respectively.

Note: Canadean has prepared the market share data for the spirits market in Thailand until 2005 only.

In addition to the main brown spirits brands, the Company also sells other brands, such as Sing Thong rum, Crown 99 (admix whisky), V.O. (admix whisky), Blue (admix whisky), Drummer (Scotch whisky and Thai Sherry). These products had a sales volume represented 4.5% and 4.0% of the Company's total spirits sales by volume in 2007 and the six-month period ended June 30, 2008 respectively. In the said period, Crown 99, an admix whisky, which the Company re-launched in 2003 with a suggested retail price of Baht 189 per 700 milliliter bottle and its sales contributed to the majority of the sales volumes of brown spirits.

The Company believes that there are significant growth opportunities in higher priced segments of whisky, rum or admix whisky markets and the Company intends to expand its product portfolio to such segments. In October 2005 and October 2006, the Company introduced Blue whisky and Blend 285 to penetrate these higher-priced segments. In addition, the Company is determined to continuously uphold premium product quality. In 2007, the Company launched various spirits in new packaging design such as Sangsom in the "Gift Box" and re-launched Hong Thong spirits in 2006 in new packaging design which was well received by the consumers.

The following table sets forth the Company's sales volumes of white spirits, Chinese herb spirits, fermented spirits and brown spirits brands for the periods indicated:

Unit: million liters

	<u>Year Ended December 31,</u>			<u>Six-Month Period Ended June 30,</u>
	<u>2004</u>	<u>2005</u>	<u>2007</u>	<u>2008</u>
White Spirits:				
Ruang Khao.....	336.9	330.2	294.5	132.0
Pai-Thong.....	24.7	24.0	16.3	6.8
Chinese herb spirits ⁽¹⁾	10.9	12.7	13.2	7.7
Other white spirits ⁽²⁾	0.1	0.6	5.5	3.9
Total white spirits.....	<u>372.5</u>	<u>367.5</u>	<u>329.5</u>	<u>150.4</u>
Brown Spirits:				
Sangsom.....	78.0	40.8	26.9	10.9
Mekhong.....	13.7	14.3	7.3	3.1
Mungskorn Thong.....	15.1	12.7	6.6	2.4
Hong Thong.....	-	14.7	41.3	25.0
Blend 285.....	-	1.7	14.8	12.0
Other brown spirits ⁽³⁾	26.7	23.9	20.0	8.4
Total brown spirits.....	<u>133.5</u>	<u>108.0</u>	<u>116.9</u>	<u>61.8</u>
Other spirits ⁽⁴⁾	0.1	0.1	0.0	0.0
Total spirits.....	<u>506.1</u>	<u>475.6</u>	<u>446.4</u>	<u>212.2</u>

(1) Chinese herb spirits include Chiang-Chun, Chu Sib Neaw and Sua Dum.

(2) Other white spirits include Shinobu sake, which is fermented spirits.

(3) Other brown spirits include Black Thai, Sing Thong, Black Cat, V.O., Crown 99 and Blue. Since May 2, 2006, the Company has ceased the production of Black Thai and Black Cat.

(4) Other spirits include Thai Sherry and Cooler Club. Since May 2, 2006, the Company has ceased the production of Cooler Club.

Spirits Packaging. The Company sells its spirits in glass bottles in various sizes ranging from 187.5 milliliters to 750 milliliters. The most popular packagings are the 330 and 625 milliliter glass bottles for white spirits and Chinese herb spirits and 350 and 700 milliliter glass bottles for brown spirits. However, the Company's smaller presentations are popular among low-income consumers.

In 2007, the Company sold Ruang Khao white spirits in glass bottles of 625 and 330 milliliters and Pai-Thong white spirits in 625 milliliter glass bottles, and Chinese herb spirits of Chiang-Chun, Chu Sib Neaw and Sua Dum in glass bottles of 625 milliliters and 330 milliliters. In 2007, the most popular presentation for white spirits and Chinese herb spirits was the 625 milliliter glass bottle, which represented approximately 66.5% of the unit sales volumes of the Company's white spirits and Chinese herb spirits.

In 2007, the Company sold its brown spirits, including Mekhong, Sangsom (Golden Medal, Superior, Premium and Similan), Black Thai, Mungskorn Thong, Blend 285, Hong Thong and Black Cat whisky in glass bottles of both a large size of 750 milliliters or 700 milliliters and a medium size of either 300 milliliters, 330 milliliters, 350 milliliters or 375 milliliters. In addition, the Company also sold Sangsom Golden Medal in 700 milliliter glass bottles and Mungskorn Thong in 187.5 milliliter glass bottles. In 2007, the most popular presentation for brown spirits was the 700 milliliter glass bottles, which represented approximately 53.1% of the unit sales volumes of the Company's brown spirits.

Non-alcoholic beverages

Drinking water and soda water. The Company produces, distributes and sells drinking water and soda water in Thailand under Chang brand. In 2007 and the six-month period ended June 30, 2008, the Company sold drinking water in the amount of 43.8 million liters and 23.5 million liters and soda water in the amount of 10.6 million liters and 5.6 million liters, respectively. In 2007 and the six-

month period ended June 30, 2008, the Company's sales volume of drinking water was Baht 154.1 million and Baht 82.8 million which represented 0.2% and 0.2% of the Company's total revenue from sales in that period respectively. In that same periods, the Company's sales volume of soda water was Baht 128.8 million and Baht 70.0 million which represented 0.1% and 0.1% of the Company's total revenue from sales in that period respectively.

The Company sells its drinking water in glass bottles of 500 milliliters, PET bottles of 500 milliliters and Polycarbonate gallons of 18.9 liters. The Company also sells soda water in glass bottles of 400 and 325 milliliters.

Energy drinks and ready-to-drink coffee. In January 2008, the Company purchased assets used in the production of energy drinks and ready-to-drink coffee from Wrangyer Beverage Co. Currently, the Company produces and sells energy drinks under Wrangyer brand and ready-to-drink coffee under Black Up brand. In the six-month period ended June 30, 2008, the Company's sales volume of energy drinks was in the amount of Baht 147.3 million, representing 0.3% of the Company's total revenue from sales of the said period. In that same period, the Company's sales volume of ready-to-drink coffee was in the amount of Baht 10.7 million, representing 0.1% of the Company's total revenue from sales of the said period.

The Company sells energy drinks in glass bottles of 150 milliliters and its ready-to-drink coffee in cans of 180 milliliters.

The following table sets forth the Company's sales volume of non-alcoholic beverages for the periods indicated.

Products	Unit: Million liters			
	Year Ended December 31,			Six-Month Period Ended
	2005	2006	2007	June 30, 2008
Drinking water.....	43.2	42.6	43.8	23.5
Soda water.....	15.4	12.6	10.6	5.6
Energy drinks.....	-	-	-	2.9
Ready-to-drink coffee.....	-	-	-	0.2
Total.....	58.6	55.2	54.4	32.2

By-products

The Company processed a portion of the waste products from its breweries and distilleries into commercial products available for sale, including animal feed, bricks and bio-fertilizers. The Company sells these products in Thailand and abroad. The by-product business has reduced the annual amount of pure waste that the Company's breweries and distilleries have to treat and dispose, which leads to a cost saving on treatment and disposal. In addition, the reduction of pure waste reduces the environmental impact of the Company's business.

3.1.2 Marketing, Sales and Distribution

The Company markets, sells and distributes its products principally in Thailand. The Company also markets, sells and distributes beer and spirits to more than 18 countries. In 2007 and the six-month period ended June 30, 2008, the Company's domestic sales were Baht 96,656.5 million and Baht 49,027.7 million, representing 96.1% and 96.0% of the Company's revenue from sales respectively, while the Company's international sales were Baht 3,884.3 million and Baht 2,055.2 million, representing 3.9% and 4.0% of the Company's revenue from sales for the said period respectively.

Domestic Market

According to Canadean, Thailand is one of Southeast Asia's fastest growing beer markets, and the Company believes that Thailand is one of the world's largest spirits markets. The economy segment of the market dominates over the standard and premium segments. This is a core strength of the Company and its marketing effort continues to target primarily at the economy segment of the market.

Marketing and Advertising. The Company attributes its success in the domestic market to the successful brand-building through targeted advertising and marketing, and the effective transition from a portfolio sales strategy to a strategy focusing on individual brand marketing. The Company spent Baht 3,920.0 million on advertising and marketing in 2007, representing 28.6% of the Company's general and administrative expenses, compared with Baht 3,756.6 million in 2006, representing 29.6% of the Company's general and administrative expenses. The Company generally budgets its advertising and marketing based on a fixed percentage of the Company's estimated beer and spirits sales. However, the Company may increase this percentage when the Company launches new products or when it has to compete with its competitors.

Brand Building. Branding is a critical factor in a consumer's choice of beverage. Brand promotion and advertising are essential tools to build image and market share, and establish consumers' brand loyalty. The Company strives to increase the Company's market share by marketing and advertising the Company's brands distinctly and consistently. The Company's main marketing objective is to devise a clear, unique and enduring strategy to promote each of its products as a dynamic and modern brand with an overall theme of "Thai appeal."

Through the Company's marketing, the Company attaches values to its brands for consumers including social status, patriotism, generosity and fashion sense. Brand cycles in the alcoholic beverage industry tend to be long and brands are built over the course of many years. In the past, the Company has marketed its brands extensively throughout Thailand through a broad range of marketing channels, including, among others, television, billboard and radio advertising. The Company has also sponsored high profile sports, Thai festivals and other special events thereby giving broad exposure to its brands. The Company intends to continue to invest heavily to enhance the position of its brands.

To maximize its penetration into new market segments, the Company has established a marketing team with long-standing experience in building brand equity, especially in the standard and premium segments. The Company has recruited many senior executives, who are well experienced in the both alcoholic and non-alcoholic beverages industries, to assist the Company to enhance its branding and marketing effectiveness.

Targeted Advertising. In the past, the Company advertised the products on television, radio and other media advertising campaigns, including billboards, and event sponsorship. Prior to 2003, the Company invested more heavily in media advertising. However, in 2008, the Government enacted the Alcoholic Control Act that regulates advertising and promotions of alcoholic beverages. The Company believes these restrictions will serve as barriers to entry for potential new market entrants. The Company also believes that these restrictions could, to some extent, represent an obstacle for incumbent participants, including the Company, to launch new products. However, the Company believes that these new restrictions are unlikely to significantly affect the brand recognition of its existing brands.

Event-based marketing. The Company's Subsidiary, Dhospaak Co. ("**Dhospaak**"), is an event-based marketing company that purchases the rights to broadcast events in Thailand, mainly sporting events, and then sells the advertising time and sponsorships to companies in Thailand and foreign countries. The Company sponsors a number of sporting activities, such as soccer, through sponsorship arrangements entered into by Dhospaak. The Company's sponsorship of the live Thai

broadcasts of the 2002 FIFA World Cup, staged in Japan and Korea in 2002, provided new opportunities to communicate with the consumers in Thailand. The Company also sponsored the live Thai broadcasts of the 2006 FIFA World Cup. The Company's association with the FIFA World Cup campaign enables the Company to engage in one of the largest and most prestigious sporting events in the world and realize significant benefits from the unique marketing opportunities that it provides.

The Company considers various factors, including brand and market positioning of the Company's products, prior to sponsoring events and activities. In 2004, the Company entered into a sponsorship agreement and advertising services agreement with Everton for the main sponsorship of Everton. The Company is the only Thai company who is an official sponsor of an English Premiership football team. Everton is a part of the English Premiership Football League, a widely watched sport in Thailand and, as part of these sponsorship agreements, the Chang logo is displayed prominently on Everton players' shirts, in its stadium and on other team souvenirs. In addition, the Company could send Thai football players or coaches to be trained with Everton or even request Everton to send their coaches to train Thai football players or coaches in Thailand. The Company extended Everton sponsorship in June 2005 for another three years until the 2010-2011 season.

In addition to the sponsorship of Everton, the Company sponsors other activities through other brands. For example, the Company sponsors contemporary events including snooker and volleyball through Sangsom brand and also sponsors Thai traditional activities, including kite and Thai boat games through Mekhong brand.

The Company's sponsorship activities extend beyond sports. The Company also sponsors the activities in relation to art, culture, education and public health as well as various socially beneficial events such as renovation of Wat Poh's mural painting, educational scholarships, Chang clinic at Kamphaengphet province, "ThaiBev...Thai Talent" project, "Drunk Don't Drive" campaign and "Donation of Blankets in Winter" campaign.

Transition from portfolio sales strategy to individual brand marketing strategy. In the past, the Company used a portfolio marketing approach in which the Company encouraged its agents to purchase the entire product portfolio through its distribution network. This approach was successful in establishing its lower-priced, economy segment beverages. By leveraging off its strong market position in the spirits segment and its extensive distribution network, the Company was able to introduce Chang Beer in 1995 and capture over 50.0% of Thailand's beer market by December 1998. In 2004, the Company changed its marketing policy whereby agents purchase its products individually rather than purchase the entire portfolio. The Company believes that this marketing policy will enable it to introduce products in the standard and premium segments of the market and capture value from consumers who prefer higher-priced brands.

In addition, in order to uphold premium product quality, the Company has launched various spirits in new packaging such as Hong Thong in 2006 and Sangsom and Mekhong in the "Gift Box" in 2007 which was well received by the consumers.

Ensuring Customer Loyalty. The Company's marketing of its beer and spirits is principally aimed at the population aged from 20 to 40. The Company focuses on this particular demographic group because the Company believes that people within this age range consume more beer and spirits per capita than other age groups and are more likely to remain loyal to a brand. The Company believes that beer and spirits brands have longer product life cycles than brands in many other consumer product sectors and the strength of beer and spirits brands tends to last over a long period of time, especially if the Company is successful in creating the brand loyalty for its customers.

Sales and Distribution. The Company believes that its sales and distribution network, as of June 30, 2008, which comprised over 2,600 agents, approximately 400 warehouses and a fleet of over 4,000 vehicles, is one of the largest networks for consumer products in Thailand. The Company's distribution network is integrated for beer, drinking water, soda water and spirits. Through the

established distribution relationships, the Company sells and distributes its products through approximately 400,000 points of sale in Thailand.

Distribution. The Company's distribution network is divided into 8 distribution regions. As of June 30, 2008, the Company's distribution network included 93 branch offices. Each branch office includes distribution and sales personnel and a branch manager who are responsible for the sales, distribution and marketing within its territory. The sales representatives in the branch offices work closely with the sales agents and direct sales teams to support product deliveries, coordinate with officers from the Excise Department, follow-up on orders and manage inventory levels in the territory. The Company's branch offices also serve as a payment center for the agents to make payment for the products they purchase and distribute.

The Company typically delivers its products from its production plants to the warehouses by truck. Sales agents can either arrange their own transportation to pick up products at the warehouses or have the Company delivered products to their locations. As of June 30, 2008, the Company owned a fleet of over 4,000 vehicles. From time to time, typically during the Thai New Year and various Thai festivals, the Company uses the services of contract trucking companies to supplement its transportation operations.

In 2007, the Company's products were sold through approximately 400,000 outlets throughout Thailand. The Company sells its beverage products throughout Thailand, directly and indirectly, to:

- hotels, restaurants, bars and small and medium-sized retail outlets, for on-premise consumption;
- general vendors; and
- modern trade channels, such as hypermarket and supermarket chains, for off-premise consumption.

The Company uses three channels of distribution to reach these points of sales which are agents, direct sales and modern trade channels.

Agents. The Company has over 2,600 agents to distribute the products throughout Thailand. On average, the Company has a long established relationship with its agents for more than 10 years. The Company determines the optimal number of agents within an area by considering, among other things, market demand, number of retail establishments, the capacity of the agents and geographic features.

The relationships with customers and the agents have been key factors in the growth of the Company's beer and spirits brands. The Company has built strong relationships with its agents through its 93 branch managers and eight regional managers. The Company's managers motivate the agents by setting sales volume targets with target prices that correspond to the demand in the sales area that the agent covers and that are aligned with the Company's profit targets.

Direct Sales. In addition to the agent distribution network, the Company operates a direct sales network to distribute its products directly to points of sale, including both on-premise and off-premise consumption. As of June 30, 2008, the Company's direct sales distribution network consisted of over 900 direct sales employees who generally operate outside of the Company's branch offices. The primary objective of the direct sales employees is to market the Company's products and to ensure that the Company's products are available for sale and are properly displayed at the retail stores. The Company's direct sales employees visit approximately 250,000 retail outlets on a monthly basis to monitor prices and quality of the Company's brands, coordinate marketing activities that the Company sponsors and provides customer service to store owners. The Company's direct sales employees operate in the same areas as the Company's agents and introduce and sell the Company's

products directly to the retail store owners only when the agents have not done so previously. This interaction with store owners helps the Company's direct sales employees develop strong relationships with the Company's retail channels.

Modern Trade. The Company also sells its products directly to hypermarkets, supermarkets and convenience stores, which the Company refers to as modern trade customers. These large stores usually have central purchasing departments, which generally require the Company to provide credit terms of seven days. The Company has a key account management team to focus on developing relationships with the Company's modern trade customers. The responsibility of the key account management team is to establish relationships with each modern trade outlet and ensure that the Company is providing quality service and meeting or exceeding their expectations.

Hospitality Channels. The Company formed premium beverage teams to focus on developing its relationships with hospitality channels, including hotels, restaurants, bars and import spirits vendors, in preparation for future product launches in higher-priced segments. The responsibility of the premium beverage team is to establish relationships with hospitality channels to market its products.

Pricing Strategy. When determining the pricing strategy for its products, the Company considers many factors, each of which varies in importance from time to time, including general economic conditions, the rate of excise taxes, municipal taxes, contributions to the Health Promotion Fund and the Thai PBS, the prices of the competitors' products, the effects of inflation and costs. The Company also establishes suggested retail prices for its products, which may vary based on location, type of distribution channel and other factors. The Government does not regulate wholesale or retail beer or spirits prices in Thailand, but requires sellers of beer or spirits to obtain a license from the Excise Department.

As for the beer market, the Company has limited flexibility to increase prices as the Company faces competitive pressures to maintain its current price at low level. The Company has not raised or lowered the price of Chang Beer since it was introduced in 1995.

Unlike beer market, the Company does not face the same level of competition in the spirits market, specially for white spirits. The Company may, therefore, increase prices on a number of white spirits products and the latest price increase was in May 2008. These price increases were an important factor that contributed to the increase in the Company's revenue from sales of Baht 52,940.2 million in 2007, compared to Baht 51,576.1 million in 2006.

International Market

In 2007 and the six-month period ended June 30, 2008, the Company's international sales were small, representing less than 4.0% of the Company's total sales. Although the Company's international sales are currently small in comparison to the Company's sales in Thailand, the Company believes that there is significant potential to increase the international sales and the international presence. Since March 2006, the Company's subsidiary, IBHL, has been responsible for the international sales and marketing efforts. In June 2005, the Company recruited a president for IBHL with more than 20 years of experience in the spirits industry to build a team capable of developing and implementing the Company's international expansion strategy. The Company is in the process of filling the remaining vacancies for a team of international alcohol beverage professionals in various regions around the world. In October 2006, the Principal Shareholders transferred to IBHL the shares of companies that own five distilleries in Scotland and one distribution company in Hong Kong. These transfers and acquisitions are the initial steps in the Company's strategy to increase the sales in international markets and diversify the Company's production outside Thailand. The Company believes that China represents under-developed market with attractive growth potential and the Company will continue to consider further investments in this or other markets in the future. The Company currently sells beer and spirits to more than 18 countries, primarily in Southeast Asia.

The following table sets forth the Company's aggregate sales in foreign countries by product and the percentage of the Company's revenue from sales in foreign countries of each period as indicated:

Unit: Baht million except for percentage

Products	Year Ended December 31,						Six-Month Period Ended June 30, 2008	
	2005		2006		2007		2008	
	Sales Volume	%	Sales Volume	%	Sales Volume	%	Sales Volume	%
Beer	183.8	5.2	201.9	7.0	228.0	5.9	190.5	9.3
Spirits	2,890.3	82.8	2,678.4	93.0	3,333.4	85.8	1,514.3	73.7
Industrial alcohol	418.0	12.0	-	-	322.9	8.3	350.1	17.0
Non-alcoholic beverages	-	-	-	-	-	-	0.3	0.0
Total	<u>3,492.1</u>	<u>100.0</u>	<u>2,880.3</u>	<u>100.0</u>	<u>3,884.3</u>	<u>100.0</u>	<u>2,055.2</u>	<u>100.0</u>

The Company's beer and spirits sales in foreign countries were Baht 3,561.4 million and Baht 1,704.9 million for the year ended December 31, 2007, and the six-month period ended June 30, 2008, respectively, representing 91.7% and 83.0% of the Company's total sales in foreign countries, respectively. In 2007, the top three countries for the Company's beer and spirits sales were the United Kingdom, the United States and France.

The following table sets forth the Company's total beer and spirits sales in foreign countries by country for the periods indicated:

Unit: Baht million

Countries	Year Ended December 31,			Six-Month Period Ended June 30,
	2005	2006	2007	2008
The United Kingdom	946.2	856.8	1,444.7	463.2
The United States.....	238.8	234.1	270.5	124.6
France	325.7	373.7	258.4	160.2
Australia	171.0	138.5	214.0	112.7
Other ⁽¹⁾	1,392.2	1,277.2	1,373.8	844.1
Total sales in foreign countries	<u>3,074.1</u>	<u>2,880.3</u>	<u>3,561.4</u>	<u>1,704.9</u>

(1) Including Hong Kong, Japan, the Netherlands, Singapore, Belgium, Bhutan, Finland, Ireland, Switzerland, Sweden, Korea, New Zealand, Vietnam, Norway, Germany and others.

The ASEAN Free Trade Agreement, or AFTA, was signed by 10 countries including Thailand, Brunei, Indonesia, Malaysia, Philippines, Singapore, Laos, Myanmar, Cambodia and Vietnam. AFTA has not significantly affected the Company's international sales due to the limited number of countries that have reduced their custom duties in response to AFTA. Thailand, Vietnam and the Philippines have reduced their custom duties to 5% of the CIF value of the goods imported and Singapore has reduced its custom duty to zero. In addition, under the conditions for eligibility to the reduced rate of custom of AFTA, at least 40.0% of the finished goods produced in countries that signed AFTA must contain local content. Most of the Company's products use local content above the specified requirements.

The current focus of the Company's export sales of beer and spirits is to place its products into Thai restaurants and modern-trade channels, such as retail stores. Typically, the Company sells its products to beer and spirits distributors outside Thailand on an order-by-order basis. The Company does not enter into sole distribution agreements for particular countries. As of June 30, 2008, the Company had more than 40 distributors of its beer and spirits products located in over 75 countries.

The Company intends to establish trading and distribution companies in various countries that the Company sells its products to increase sales volume and to promote brands in these countries.

Competition

Beer. The Company competes for market share with other brewers, primarily Boon Rawd Brewery Co., through brand preference, distribution, product availability, pricing, packaging, and customer service. The Company introduced Chang Beer in 1995, and in 2007, the Company's beer portfolio had a market share of 46.7% of the aggregate beer market in Thailand.

Boon Rawd Brewery Co. launched its Leo brand in 1998, which was targeted at the same segment as Chang Beer, but was a low-priced alternative to its flagship Singha brand. In 2004, Leo brand captured more market share due to changes in consumer preference towards lower alcohol content beer and, as a result, the volume of beer the Company sold in 2004 decreased compared to that in 2003. The Company subsequently launched its Archa Beer brand in July 2004 to compete directly against Leo and maintained its Chang Beer as the market leader in the economy segment. Competition in the economy segment of the beer market between the Company and Boon Rawd Brewery Co. has stimulated volume growth in the market. Such competition leads to the emergence of new brands, more competitive marketing strategy and greater packaging diversity.

The entry into the beer market by new competitors or the expansion of the existing competitors' product variety could reduce the Company's market share, or affect the Company's success in expanding its existing and future products into higher-priced segments of the market. However, the Company believes that there are significant entry barriers to domestic market. Such barriers include the significant investment required to build a brewery, limited access to established distribution channels and limited access to television and radio advertising due to the Government's regulations.

Spirits. Similar to beer market, spirits producers compete for market share with other spirits brands, primarily imported brands, through brand preference, distribution, product availability, pricing, product packaging and customer service.

The Company's primary competitors in the white spirits and Chinese herb spirits segment are illegal producers and local "homemade" producers of community white spirits. Community spirits are white spirits with alcohol content between 15 and 40 degrees, usually produced from rice, flour, fruit, or other agricultural products. The Company generally does not regard these community spirits producers as a threat to the Company's market share due to their limited size and distribution ability, inconsistent quality and lack of brand awareness in their respective market.

Furthermore, the Company may have to compete with new spirits producers such as Hao Dong and Hao Fai white spirits, which are produced by Thai Ginebra Trading Co. The Company primary competitors in the brown spirits segment are low-priced imported spirits brands, including 100 Pipers (produced by Pernod Ricard) and Benmore (produced by Diageo Plc.). These rival brands are primarily blended Scotch whiskies or admix whiskies. Such spirits are blended from aged malt whisky stored in the oak barrels and pure alcohol. These spirits have been introduced to Thailand by the international spirits companies to compete in the low-priced brown spirits. The Company has its own range of admix whisky brands, including the most recent "Crown 99". The Company also imports "Drummer" to compete directly with the imported products.

The Company's current portfolio of brands does not compete directly with imported premium spirits. However, the Company recognizes that the standard segment of the market is growing in response to Thai consumers' either switching from locally produced brands or from higher-priced imported products to such segment. Consequently, the Company's strategy is to upgrade its portfolio of spirits brands progressively to compete in this market segment.

The entry barriers to the spirits industry in Thailand are lower than those of beer, partly because of the longer shelf-life of spirits, which makes spirits imports more viable compared to the beer market. However, the Company believes there are still significant entry barriers to the spirits industry, such as the Company's leading market position in the economy segment, limited access to established distribution channels and limited access to television and radio advertising due to the Government's regulations. These would limit the entry of new competitors into the Thai spirits market.

3.1.3 Facilities and Capacity

The Company's production facilities are located in Thailand and Scotland. As of September 30, 2008, the Company owns and operates 30 production facilities, including 3 breweries, 23 distilleries and 4 non-alcoholic beverage plants.

The table below sets forth information regarding the identity, location, designed capacity, volume produced in 2007 and products of the Company's operating production facilities as of and for the year ended September 30, 2008:

Plant Name	Location	Commenced Commercial Operation	Designed Capacity ⁽¹⁾	Volume Produced in 2007	Products
			Million Liters	Million Liters	
Breweries:					
Bang Ban.....	Ayudhya	1994	530.0	492.2	Chang Beer, Chang Draught and Archa Beer
Kamphaengphet.....	Kamphaengphet	2001	900.0 ⁽²⁾	443.0	Chang Beer, Chang Draught and Archa Beer
Cosmos.....	Ayudhya	1990	<u>120.0</u>	<u>120.4</u>	Chang Beer, Chang Light, Chang Beer Export, Chang Draught and Federbräu
Total:			<u>1,550.0</u>	<u>1,055.6</u>	
Domestic distilleries:					
Sangsom ⁽³⁾	Nakornpathom	1973	100.0	26.0	Sangsom and Mungkorn Thong
	Kanchanaburi	1982	-	-	
Sura Bangyikhan	Pathumthani	1981	85.0	64.2	Ruang Khao, Niyomthai, Chiang-Chun, Sua Dum, Mekhong and Hong Thong
Red Bull	Samutsakorn	1983	85.0	33.7	Ruang Khao, Mungkorn Thong, Crown 99, Shinobu, Blue, Blend 285, and Niyomthai
Kanchanasingorn.....	Kanchanaburi	1985	50.0	15.2	Ruang Khao, Chiang-Chun, Chu Sib Neaw and Niyomthai
Fuengfuanant.....	Prachinburi	1985	45.0	30.8	Ruang Khao and Chiang-Chun
Mongkolsamai.....	Uttaradit	1985	45.0	12.4	Ruang Khao, Niyomthai and Chiang-Chun
Thanapakdi.....	Chiang Mai	1985	45.0	13.8	Ruang Khao, Chiang-Chun and Niyomthai
Athimart	Buriram	1985	45.0	27.8	Ruang Khao and Chiang-Chun
S.S. Karnsura.....	Ubonratchathani	1985	45.0	31.7	Ruang Khao and Chiang-Chun
Kankwan	Khonkaen	1985	45.0	36.2	Ruang Khao and Chiang-Chun
Theparunothai	Nongkai	1985	45.0	28.7	Ruang Khao and Chiang-Chun
Simathurakij	Nakornsawan	1985	45.0	21.3	Ruang Khao, Chiang-Chun and Niyomthai
Nateechai.....	Suratthani	1985	45.0	28.3	Ruang Khao, Chiang-Chun and Niyomthai

<u>Plant Name</u>	<u>Location</u>	<u>Commenced Commercial Operation</u>	<u>Designed Capacity⁽¹⁾</u>	<u>Volume Produced in 2007</u>	<u>Products</u>
			<u>Million Liters</u>	<u>Million Liters</u>	
Luckchai Liquor Trading	Ratchaburi	1985	45.0	13.2	Ruang Khao, Chiang-Chun and Niyomthai
United Winery	Nakornpathom	1986	20.0	15.3	Pai-Thong, Sing Thong, V.O. and Thai Sherry
Sura Piset Thipparat United Products ⁽⁴⁾	Kanchanaburi Nakornpathom	2005 1955	18.0 11.0	6.6 2.0	Sua Khao Mee Khao and Mungkorn Thajeen
Total			<u>819.0</u>	<u>407.2</u>	
Foreign distilleries :					
Balblair	Scotland	1790	1.4 ⁽⁵⁾	1.2	Balblair Scotch whisky
Balmenach	Scotland	1822	2.3 ⁽⁵⁾	1.8	Scotch whisky
Knockdhu	Scotland	1894	1.3 ⁽⁵⁾	1.2	anCnoc Scotch whisky
Pulteney	Scotland	1826	1.3 ⁽⁵⁾	1.2	Old Pulteney Scotch whisky
Speyburn	Scotland	1897	1.8 ⁽⁵⁾	1.5	Speyburn Scotch whisky
Total			<u>8.1</u>	<u>6.9</u>	
Water and Soda Production Facilities:					
Bang Ban	Ayudhya	1994	300.0	33.1	Chang Drinking and Soda Water
Kamphaengphet	Kamphaengphet	2001	300.0	17.4	Chang Drinking and Soda Water
Cosmos	Ayudhya	1990	100.0	11.9	Chang Drinking and Soda Water
Total			<u>700.0</u>	<u>62.4</u>	
Non-Alcoholic Beverage Facilities:					
Wrangyer Beverage (2008) Co.	Nakornpathom	1998	18.0	-	Wrangyer
Oishi Trading Co.	Pathumthani	2003	156.0	75.2	Green Tea, Fruit drinks and soft drinks
	Chonburi	2006	69.0	35.9	Green Tea, Fruit drinks and soft drinks
S.P.M. Foods and Beverages Co. ⁽⁷⁾	Nakornpathom	1992	20.4	4.2	Drinking water
			4.2	0.1	Fruit Nette
			0.5	-	Sesta Sauce
			0.7	0.2	SOS9 Sauce / XO Sauce
Total			<u>268.8</u>	<u>115.4</u>	

- (1) Designed capacity refers to production capacity based upon the capacity guaranteed by equipment suppliers. Such designed capacity is calculated based on operating the brew house 24 hours per day and operating packaging lines 300 days per year, 16 hours per day for two eight hour shifts. The designed capacity of the Company's distilleries is calculated based on operating the distillation columns 24 hours per day and operating the packaging lines 300 days per year for one eight hour shift.
- (2) The Company has expanded its Kamphaengphet brewery to 900.0 million liters per year. The expansion was completed in October 2007
- (3) The total aggregate designed capacity of the Nakornpathom distillery and the Kanchanaburi distillery is 100.0 million liters. The Kanchanaburi distillery produces semi-finished goods which are subsequently finished at the Nakornpathom distillery.
- (4) The Company acquired United Products Co. in September 2007.
- (5) Million liters of alcohol.
- (6) The Company purchased the assets used in the production and distribution of energy drinks and ready-to-drink coffee from Wrangyer Beverage Co. in January 2008.
- (7) The Company acquired S.P.M. Foods and Beverages Co. in November 2007.

Breweries

The Company's breweries have state-of-the-art production technology, which utilizes modern equipment supplied by European manufacturers. The Company's brew houses were manufactured by Anton Steinecker Maschinenfabrik GmbH, the Company's bottling and packaging equipment, which can bottle and package in the range of 40,000 to 45,000 bottles per hour per line, were manufactured by Kronen AG and the Company's water treatment facilities and wastewater treatment facilities were manufactured by Degrémont A/S and Krüger A/S, respectively. The Company's drinking water and soda water plants are located at each of the breweries house. Each brewery obtains a license issued by the Ministry of Finance, Ministry of Public Health, and respective sub-district administrative organizations, which allow them to produce and sell beer, drinking water and soda water products.

The Company obtains its electricity for its breweries from the Provincial Electricity Authority of Thailand (the "PEA") under one-year power purchase agreements, which automatically renew until terminated by either party. The Company has an electricity substation at each brewery to stabilize the voltage delivered by the PEA. In addition, the Company has installed electricity generators at all of its breweries to provide back-up power to the Company's breweries approximately one-third of the Company's total electricity demand, in order to operate critical systems such as cooling systems of fermented tanks in case of electricity disruption.

The Company produces Chang Beer and Archa Beer at both its Bang Ban and Kamphaengphet breweries to reduce transportation costs of distributing the finished goods to the Company's customers. Because of the relatively short shelf-life of beer, the Company's production volumes are based on rolling forecasts of beer sales provided by its marketing team. This primarily accounts for the fluctuations in production volumes in the Company's breweries over the last three years. The Company produces Chang Light, Chang Draught, Chang Beer Export and Federbräu at Cosmos brewery as the ordered quantities for these products are relatively small and require frequent start-up and shutdown of production lines to accommodate small orders. The Company plans to continue to produce Chang Light, Chang Draught, Chang Beer Export and Federbräu at Cosmos brewery facility.

Kamphaengphet, Bang Ban and Cosmos brewery facilities commenced their commercial operations in 2001, 1994 and 1990, respectively.

The following table sets forth production details of these breweries for the periods indicated:

	<u>Year Ended December 31,</u>			<u>Six-Month Period</u>
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Ended June 30,</u>
				<u>2008</u>
Bang Ban Brewery:				
Production (million liters)	445.7	451.2	492.2	233.4
Designed Capacity (million liters) ⁽¹⁾	530.0	530.0	530.0	265.0
Capacity utilization (%)	84.1	85.1	92.9	88.1
Planned shut-down (in days) ⁽²⁾	2.0	2.0	2.0	0.0
Unplanned shut-down (in days)	0.0	0.0	0.0	0.0
Production per employee (million liters).....	0.6	0.6	0.7	0.3
Water required to produce one liter of beer and water (in liters)	5.3	5.2	5.4	5.1
Kamphaengphet Brewery:				
Production (million liters)	348.4	426.1	443.0	169.4
Designed Capacity (million liters) ⁽¹⁾	440.0	440.0	555.0	450.0
Capacity utilization (%)	79.2	96.8	79.8	37.6
Planned shut-down (in days) ⁽²⁾	2.0	0.0	0.0	0.0
Unplanned shut-down (in days)	0.0	0.0	0.0	0.0
Production per employee (million liters).....	0.7	0.7	0.7	0.3
Water required to produce one liter of beer and water (in liters)	5.4	6.2	5.3	4.8
Cosmos Brewery:				
Production (million liters)	120.6	117.1	120.4	53.2
Designed Capacity ((million liters) ⁽¹⁾	120.0	120.0	120.0	60.0

	<u>Year Ended December 31,</u>			<u>Six-Month Period</u>
				<u>Ended June 30,</u>
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Capacity utilization (%)	100.5	97.6	100.3	88.6
Planned shut-down (in days)	0.0	0.0	0.0	0.0
Unplanned shut-down (in days)	0.0	0.0	0.0	0.0
Production per employee (<i>million liters</i>).....	0.4	0.4	0.3	0.2
Water required to produce one liter of beer and water (<i>in liters</i>)	6.3	5.7	7.5	9.1

- (1) The designed capacity of the Company's breweries is based on operating the brew house 24 hours per day and operating packaging lines 300 days per year, 16 hours per day for two eight hour shifts. However, the company can operate beyond its designed capacity by operating up to 24 hours per day seven days a week for extended period of time to meet market demand.
- (2) In 2003, the Company instituted a total preventative maintenance program that includes weekly and annual maintenance. The Company's total preventative maintenance program has reduced its annual shutdown for the breweries from approximately three days to approximately two days. The Company has not incurred any unplanned shutdowns in the past two years.

Utilization and Efficiency. In 2007, the utilization rates of the Bang Ban, Kamphaengphet and Cosmos breweries were approximately 92.9%, 79.8% and 100.3% respectively, while in 2006, such utilization rates are 85.1%, 96.8% and 97.6% respectively. These were in accordance with the increase in the Company's capacity and sales volume in comparison with the Company's capacity of brewery in 2005 approximately 84.1%, 79.2% and 100.5% respectively.

In 2007, the utilization rates of the Bang Ban, Kamphaengphet and Cosmos drinking water and soda water facilities were approximately 11.0%, 5.8% and 20.9% respectively, while in 2006, such utilization rates are 11.7%, 5.1% and 22.1% respectively, and approximately 12.3%, 4.8% and 27.4% respectively, in 2005. The Company's utilization rates for the drinking and soda water facilities have been low historically as the Company has not focused on selling these products individually.

The Kamphaengphet brewery is more efficient than the Bang Ban and Cosmos breweries, primarily because it was constructed in 2001, seven years after the Bang Ban brewery and 11 years after the Cosmos Brewery, and is equipped with newer machines and equipment.

Distilleries

As of September 30, 2008, the Company owns and operates 23 distilleries (18 in Thailand and 5 in foreign countries). Each domestic distillery obtains a license issued by the Ministry of Finance, which permits the distillery to produce and sell spirits. Most of the Company's distilleries use equipment primarily supplied by European, Japanese and Canadian manufacturers. The Company three major distilleries are Sangsom, Sura Bangyikan and Red Bull.

Sangsom. Sangsom facility, which is located in Nakornpathom province, commenced commercial operations in 1973. As of June 30, 2008, Sangsom Nakornpathom facility had a designed capacity of approximately 100.0 million liters of spirits per annum. Sangsom Nakornpathom facility produces the Sangsom and Mungkorn Thong brands. In 2007, Sangsom Nakornpathom facility produced approximately 24.9 million liters of Sangsom and 1.0 million liters of Mungkorn Thong.

Sura Bangyikhan. Sura Bangyikhan facility commenced commercial operations in 1981. As of June 30, 2008, Sura Bangyikhan facility had a designed capacity of approximately 85.0 million liters of spirits per annum. Sura Bangyikhan facility produces Ruang Khao, Chiang-Chun, Sua Dum, Mekhong, Niyomthai and Hong Thong brands. In 2007, Sura Bangyikhan facility produced approximately 10.8 million liters of Ruang Khao, 1.5 million liters of Chiang-Chun, 8.0 million liters of Sua Dum, 0.2 million liters of Mekhong, 2.2 million liters of Niyomthai and 41.6 million liters of Hong Thong.

Red Bull. Red Bull facility commenced commercial operation in 1983. As of June 30, 2008, Red Bull facility had a designed capacity of approximately 85.0 million liters of spirits per annum. Red Bull facility produces Ruang Khao, Mung Korn Thong, Crown 99, Blend 285 and Shinobu sake brands. In 2007, Red Bull facility produced approximately 17.8 million liters of Ruang Khao, 1.3 million liters of Crown 99, 14.4 million liters of Blend 285 and 0.1 million liters of Shinobu sake.

The following table sets forth the total average plant utilization rates, planned and unplanned maintenance and production per employee for the Company's distilleries (excluding those located outside Thailand) for the periods indicated:

	<u>Year Ended December 31,</u>			<u>Six-Month Period</u>
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Ended June 30,</u>
				<u>2008</u>
Production (<i>million liters</i>).....	448.9	469.3	407.2	215.0
Designed capacity (<i>million liters</i>) ⁽¹⁾	790.0	794.5 ⁽²⁾	809.8 ⁽³⁾	409.5
Capacity utilization (%).....	56.8	59.1	50.3	52.5
Planned shut-down (<i>in days</i>).....	10.5	4.4	1.8	1.3
Unplanned shut-down (<i>in days</i>).....	0.0	3.5	1.8	0.8
Production per employee (<i>million liters</i>)	0.07	0.08	0.07	0.04

(1) The designed capacity of the Company's distilleries is calculated based on operating the distillation columns 24 hours per day and operating the packaging lines 300 days per year for one eight hour shift.

(2) Including the capacity of Sura Piset Thipparat, which the Company bought its operational assets from Sinsurang Karnasura Co., Ltd. in October 2006.

(3) Including the capacity of United Products Co., which the Company acquired in September 2007.

Utilization and Efficiency. In 2007, the average utilization rate of the Company's distilleries was approximately 50.3%, compared to approximately 59.1% in 2006. The Company utilization rates have been low during 2007 and six-month period ended June 30, 2008 due to its ongoing sales of excess inventories that the Company produced at the end of the concession period in 1999 and the decrease in sales volume of white spirits.

Prior to 2000, excise tax for spirits was an annual lump sum payment, regardless of the volume of spirits produced up to a maximum volume of spirits as set by the Government. If the volume of spirits produced exceeded the maximum volume, then an additional excise tax was applied in accordance with the volume produced above the maximum volume. In 2000, the excise tax on spirits changed from the rate under the concession agreement to a rate based on the greater of a Baht per liter calculation or a percentage of the minimum ex-factory price announced by the Excise Department. Prior to the new excise tax regime on spirits in 2000, the Company produced the maximum volume of spirits allowed under the lump sum payment to fully utilize its excise tax payments. As a result, the Company operated the distilleries at high capacities during this period of excess production. Since 2000, however, the Company has operated its distilleries at lower rates of utilization as the Company still has inventories produced in the earlier periods for sale. The Company produced 407.2 million liters of spirits in 2007, 469.3 million liters of spirits in 2006 and 448.9 million liters of spirits in 2005. As of June 30, 2008, the Company no longer had finished goods inventory of white spirits. However, the Company still has brown spirits inventory of approximately 30.8 million liters produced during such period (primarily Mekhong and Mung Korn Thong).

The Company continues to operate under-utilized facilities as they provide the Company with a presence in each of the regions in Thailand and allow the Company to maintain its market share in these areas. In addition, the Company's white spirits are regional products and generally purchased by customers based on the location of production.

3.1.4 Production Process

The Brewing Process

Beer production involves several raw materials and production stages. The main ingredient in beer is malt, which the Company purchases from international malt suppliers. The Company also uses high quality broken rice as a source of carbohydrates, which the Company sources locally. At the brewery, malt and rice is ground by milling, and mixed with warm water. This mixture, or “mash,” is heated and stirred in the mash tun, allowing the simple carbohydrates and proteins to be converted into fermentable sugars. Naturally occurring enzymes help facilitate this process. The mash is then strained, which filters out the spent grain, and rinsed in the lauter tun to produce a residual liquid, high in fermentable sugars, called “wort.” The wort then flows into a brew kettle to be boiled, concentrated and clarified. Hops and the concentrate are added during the boil to impart bitterness, balance and aroma. The specific mixture of hops, the concentrate and the brewing time and temperature further affect the flavor of the beer. After the boil, the wort is whirlpooled and cooled before it is moved to a fermentation cellar, where specially cultured yeast is added to induce fermentation. During fermentation, the yeast cells, producing carbon dioxide and alcohol, metabolize the wort’s sugars. Some of the carbon dioxide is recaptured and absorbed back into the beer, providing a natural source of carbonation. The fermentation process is about seven days.

During the maturation process, which lasts about 14 days, the beer is cooled while it is clarified and its full flavor develops. The Company filters its beer with diatomites, which removes unwanted sediment. At this point, the beer is in its peak condition and ready for bottling, canning or keg racking. The entire brewing process, from mashing through filtration, is typically completed in approximately 21 days.

The Company’s beer concentrate production department, which is led by the Company’s Senior Master Brewer, Dr. Pisanu Vichiensanth, is responsible for the production process of Chang Beer and Archa Beer and for creating, inventing, breeding and fermenting yeast. The Company’s employees in its beer concentrate production department work in units and share knowledge and expertise on a regular basis and are able to replace each other within the unit.

Although no individual employee has access to, or knowledge of, the entire production formula and process, except for Dr. Pisanu Vichiensanth, each unit has the knowledge and capability to perform its specific task and, together with the other units, can complete the production process without interruption. The Company intends to maintain the confidentiality of its beer production formula and process.

The Distilling Process

Spirits production involves several raw materials and production stages. The main raw material in the Company’s spirits is molasses. Molasses is a by-product of the manufacture of raw sugar from sugar cane. As is the case with all distilled spirits, the Company’s spirits are crystal clear when first distilled. Amber and dark brown spirits obtain their color from the extractives from the oak barrel during aging and from caramel, a natural coloring agent.

The first step in the Company’s process is fermentation. Fermentation is the process by which the sugar in molasses and/or rice is converted into ethyl alcohol by the action of yeast. The Company develops its yeast cultures in the Company’s laboratory and propagate the yeast in a yeast propagation tank. The yeast, molasses diluted by water, steamed rice that has been sprayed with mold (to create sugar) and incubated for four days, and water are added into a fermenter and the mixture is allowed to ferment for approximately 72 hours. The liquid that is left at the end of the fermentation process is known as “fermented mash.”

The second step in the process is distillation in the distilling column and a pot still, which is a large copper or stainless steel kettle. The process of distilling involves boiling the “fermented mash” and condensing its vapor to produce the spirits or alcohol, which is removed to a spirits receiver. The spent sludge remaining in the pot still is then removed to a spent sludge tank to be processed through the Company’s slops evaporation and incineration plant or biogas system. The Company’s white spirits are then diluted with demineralized water to the desirable alcohol content in a white spirits blending tank and sent to be packaged and bottled after filtering.

For brown spirits, high quality alcohol is diluted with demineralized water to the desirable alcohol content and then aged in oak barrels for three to eight years depending on the types of spirits. The aged alcohol is then further diluted with demineralized water. In addition, liquor concentrate alcohol and caramel are added. The brown spirits is passed through filters and then bottled and packaged. The Chinese herb spirits, such as Chiang-Chun are produced by blending alcohol, white spirits, sugar, caramel and Chinese herbs, and then further diluting the mixture with demineralized water to the desirable alcohol content.

The Company’s spirits concentrate production department, which is led by Mrs. Prachuabsuk Kanchanalakshana and Mr. Dechapongsa Kanchanalakshana, is responsible for the production process and mixing of the Company’s brown spirits and ensuring that the liquor concentrate is available in sufficient quantities to meet the sale and distribution requirements of brown spirits. Mrs. Prachuabsuk Kanchanalakshana and Mr. Dechapongsa Kanchanalakshana have agreed, under their employment contracts, to share and transfer their knowledge on liquor concentration and the mixture process to the Company’s designated employees. The Company’s employees in the spirits concentrate production department work in units and share knowledge and expertise on a regular basis and are able to replace each other within the unit. Although no individual employee has access to, or knowledge of, the entire production formula and process, except for Mrs. Prachuabsuk Kanchanalakshana and Mr. Dechapongsa Kanchanalakshana, each unit has the knowledge and capability to perform its specific task and, together with the other units, can complete the production process without interruption.

3.1.5 Raw Materials and Packaging Materials for Beer, Drinking Water and Soda Water and Spirits

Raw Materials

Prior to its reorganization in May 2004, the purchasing of raw materials was decentralized. As a result of the reorganization, the Company’s Subsidiaries, Pan International Co., acts as the centralized purchasing and servicing company for the entire group. Pan International Co. is responsible for purchasing all the raw materials and packaging materials, except for the Company’s requirements for malt, hops, labels, molasses and glass bottles for the Company’s production facilities.

The Company believes it is not dependent upon any particular supplier that cannot be readily replaced as the Company believes these raw materials are available from various suppliers and manufacturers located in various jurisdictions. In recent years, the Company has not experienced any material difficulties in obtaining adequate supplies of raw materials at satisfactory prices. In addition, the Company seeks to minimize the effect of fluctuation in raw material prices denominated in non-Baht currencies by entering into forward contracts for these products.

The principal raw materials used in the Company’s beer, spirits and industrial alcohol production are malt, hops, molasses, rice, yeast, concentrate, diatomite and water. In 2007, the cost of raw materials for the Company’s beer and water production was approximately 7.1% of the total cost of beer and water and the cost of raw materials for the Company’s spirits production was approximately 8.0% of the total cost of spirits (in each case not including intersegment eliminations). In 2007, the Company sourced most of its raw materials for the beer production from outside of Thailand, and most of the raw materials for spirits locally.

Malt and Hops. The Company purchasing committee for raw material, consisting of 7 members, which has been appointed by the Executive Committee of ThaiBev is responsible for purchasing the malt and hops requirements for its breweries.

In January 2005, Australia and Thailand entered into a free trade agreement which reduced import duties applicable to imports of malt from Baht 2.75/kilogram to zero. As a result, in 2007, the Company purchased more of its malt from Australian suppliers to take advantage of the free trade agreement. As a result, in 2006 the Company purchased approximately 155,000 tons of malt for its brewery production in 2007 and the first quarter of 2008, and approximately 35.4%, 58.1% and 6.5% of which the Company purchased from Europe, Australia and Canada respectively. The Company normally entered into long-term malt purchasing agreement for 3-4 year term. Due to the difference in the growth cycle of crops, the Company sources its supplies from suppliers from both Northern and Southern hemispheres in order to ensure the constant supply of malt for the Company's production. Because of the significant growth of beer industry, there is insufficient supply of malt. The Company, therefore, entered into 4 years forward contracts to purchase malt with companies in Europe and Australia for amount of 65.0% of the Company's total demanded malt for brewery until year 2012.

In the past, the Company has entered into fixed price forward purchase commitments for the supply of hops and the Company intends to continue this practice. In 2007, the Company purchased approximately 556,440.0 kilograms alpha acid of hops under four-year contracts with the U.S. and Germany suppliers, in order to meet its production demands between 2009 and 2013.

Molasses. The Company uses molasses to produce spirits. Molasses is a by-product from the manufacture of raw sugar from sugar cane. The Company's subsidiary, Thai Molasses Co. ("**Thai Molasses**"), is responsible for the procurement of molasses. As of June 30, 2008, there were 47 sugar mills in Thailand that produced molasses. Companies controlled by the Principal Shareholders operate 4 of the small sugar mills in Thailand. Major suppliers of molasses include Mitrapol Co., KT Inter Molasses Co., Thai Rung Ruang Co. and Mitsui Group. In 2007, domestic producers produced approximately 3 million tons of molasses and the Company purchased approximately 911,200 tons of molasses for its spirits production, of which the Company purchased approximately 54,000 tons or approximately 9.3% of the Company's total molasses requirements from the 4 companies controlled by the Principal Shareholders. The Company generally enters into a forward contract to purchase next year's molasses in the last quarter of the year.

The Company completed the construction of an additional molasses storage tank with a capacity of approximately 210,000 tons in May 2005, which increased its molasses storage capacity to approximately 780,000 tons. The Company believes that the increase of its molasses storage capacity allows it greater flexibility in its purchasing and helps to mitigate price volatility.

Rice. The Company uses rice in both the production of beer and spirits. The Company purchases its rice requirements in Thailand from qualified suppliers. In 2005, the Company purchased approximately 58,020.0 tons of rice for its beer production from two suppliers and approximately 1,347.0 tons of rice for its spirits production from two suppliers. In 2006, the Company purchased approximately 61,460.6 tons of rice for its beer production from two suppliers and approximately 405.9 tons of rice for its spirits production from two suppliers. In 2007, the Company purchased approximately 62,610.6 tons of rice for its beer production from two suppliers and approximately 418.3 tons of rice for its spirits production from two suppliers.

Yeast. The Company cultivates its own yeast supply at its yeast culture center and maintains additional supplies at its breweries and distilleries.

Concentrate. The Company add concentrate formula produced from Thai herbs to its Chang Beer and Archa Beer. The Company produces beer concentrate in an amount that is sufficient for its annual production.

Water. Water is an important input in the production, although it represents a small portion of the Company's raw material costs. Water must be treated both before its use in the production process and before disposal. The Company obtains the water supply from several sources, such as deep wells located in its breweries and distilleries, rivers adjoining the Company's plants, lakes and reservoirs and public utility companies. The Company monitors the quality, taste and composition of the water it uses, and treats it to remove impurities and to comply with its own quality standards and applicable regulations. Advances in technology have reduced its water consumption per liter produced. All of the Company's facilities have water treatment facilities and a conservation/productivity program. The water collection in the Company's production facilities complies with the prevailing local laws for the management of hydro resources. In 2007, the Company used approximately 14,142.6 million liters of water at its breweries and distilleries, 32.7% of which the Company sourced from deep wells and 67.3% of which the Company sourced from rivers, lakes and reservoirs. In 2007, the Company used approximately 6,196.3 million liters of water at its breweries to produce 1,055.6 million liters of beer, 12.0 million liters of soda water and 50.4 million liters of drinking water, and approximately 7,946.3 million liters of water at its distilleries to produce 407.2 million liters of spirits.

In September 2004, the Government announced that in addition to the standard prices for deep well water, in various provinces, including Ayudhya, Nakornpathom, Samutakorn and Pathumthani where Cosmos and Bang Ban breweries and Sangsom, Red Bull, Sura Bangyikhan and United Products' distilleries are located, it would impose a conservation fee of Baht 8.5 per cubic meter. In 2006 and 2007, the Company paid water conservation fees in the amount of Baht 31.3 million and Baht 26.3 million respectively. Further price increases of deep well water or restrictions on the use of deep well water may cause the Company to consider alternative sources of water to produce its beer, spirits, water and soda water, such as the use of river water. This alternative source of water would require substantial investment and time necessary to implement and install additional water treatment facilities, but would give the Company the ability to use additional water sources for beer, spirits, water and soda water production and allow the Company to choose the proper types of water for different operations.

Fuel oil. The Company uses fuel oil as a fuel source for its boilers at its breweries and distilleries. The Company purchases fuel oil on a spot basis. In 2007, the Company purchased approximately 72.5 million liters of fuel oil for its breweries and distilleries.

Packaging Materials

The principal packaging materials used in the Company's beer and water and spirits production are glass bottles, PET bottles, caps, cans, labels, cartons, trays and inserts. In 2007, the cost of packaging materials for the Company's beer production was approximately 13.8% of the total cost of beer and water and the cost of packaging materials for its spirits production was approximately 9.6% of the total cost of spirits. In 2007, the Company sourced most of its packaging materials locally and purchased approximately 56.6% of the total cost of packaging materials from related parties. The Company has 4 recycling centers at or near each of its breweries and distilleries.

3.1.6 Taxation

Excise Tax

The Excise Department of the Ministry of Finance administers excise taxes on beer and spirits (spirits tax) in Thailand and sets the excise taxes for each type of beer and spirits periodically. The Company pay excise tax on beer in advance based upon production volumes (for beer) and bottled volume (for spirits). For spirits that the Company sells in Thailand, the Company affixes a stamp on each bottle, which indicates that the excise tax has been paid. For the products that the Company exports, the Company label the bottles or mark the cans "for export only." The excise taxes applied to alcoholic beverages are determined by the following basis, whichever is higher: (a) a Baht per liter of pure alcohol calculation or (b) the greater of a percentage of the minimum ex-factory price announced

by the Excise Department or the sales price of the product. For example, the Company pay excise tax on its white spirits, Chinese herb spirits and a majority of brown spirits based on pure alcohol volume, but the Company pay excise tax on the Company's beer based on a percentage of the minimum ex-factory price announced by the Excise Department. As of June 30, 2008, the Company paid an excise tax of Baht 14.96 per 640 milliliter bottle of beer produced (55.0%, the minimum ex-factory price as announced by the Excise Department per 640 milliliter bottle of Chang Beer produced, which was Baht 27.20 at that time).

The following table sets forth the excise tax based on pure alcohol volume and a percentage of the greater of the minimum ex-factory prices announced by the Excise Department or the actual ex-factory price for each product that the Company sells as of June 30, 2008:

<u>Products</u>	<u>Excise Tax Based on Alcohol Volume (Baht per Liter of Pure Alcohol)</u>	<u>Excise Tax Based on Percentage of the Greater of the Announced Minimum Ex-Factory Price or Actual Ex-Factory Price</u>
Beer	100	55% ⁽¹⁾
White spirits	110 ⁽¹⁾	50%
Brown spirits	280-400 ⁽¹⁾	50%
Chinese spirits	280 ⁽¹⁾	50%

(1) Represents the applicable excise tax rates on each of the Company's products.

Municipal Tax

In 1984, the Government introduced a municipal tax equal to 10.0% of spirits taxes paid. The Company paid a total of Baht 4,444.3 million in municipal taxes in 2007.

Health Promotion Fund Contributions

In 2001, the Government introduced Health Promotion Fund contributions equal to 2.0% of excise taxes paid. The Company paid a total of Baht 888.2 million in Health Promotion Fund contributions in 2007.

In 2007, the Company paid for excise tax, municipal tax and Health Promotion Fund contributions in the total amount of Baht 47,775.1 million.

Thai Public Broadcasting Service Contributions

In 2008, the Government introduced a Thai PBS contribution equal to 1.5% of spirits taxes paid.

3.1.7 Quality Assurance

The Company believes that producing high quality products is critical to the success of the Company's business. The Company is fully committed to maintaining the highest standards with respect to the purity of water, the quality of the Company's raw materials and ingredients and the integrity of the Company's packaging. In 2007, the Company employed 318 employees in the quality assurance unit in the domestic breweries and distilleries.

The Company continuously monitors its production processes, both manually and electronically, for compliance with its internal standards and applicable regulations. During the production process, the Company relies upon computerized systems and skilled quality assurance personnel to ensure high quality and safety with respect to its products at every step of the production process. The Company monitors the functioning of these computerized control systems on a regular

basis. When the production process is complete, its quality assurance personnel perform thorough analyses on finished product samples before proceeding with shipment.

The Company has a quality control laboratory for raw materials testing and a product testing and analysis laboratory, which have been by certified the laboratory standard "ISO/IEC 17025:2005", and a central laboratory for packaging testing, which is in the process of applying for the same certification.

The Company also conducts production tests and commercial test for raw materials and packaging materials obtained from potential suppliers prior to approving them as the Company's suppliers. Moreover, the Company also has an equipment testing laboratory, which has been certified by the laboratory standard "ISO/IEC 17025:2005" for the testing of the Subsidiaries' devices and equipments as well as their process control.

In addition, the Company regularly undertakes quality audits in its distribution channels to check compliance with package and product specifications. This process involves taking regular random samples of beverages from the various channels and testing them against established quality criteria.

The Bang Ban facility and Cosmos Brewery first obtained ISO9002:1994 quality management certification in 2000, which they both updated to ISO9001:2000 quality management certification in 2001. The Kamphaengphet facility first obtained ISO9001:2000 certification in 2002. In addition, the Company's distilleries operated by the Company's subsidiaries United Winery and Co. and Red Bull Co. first obtained ISO 9001:2000 quality management certification in 1999, and other 14 distilleries in Thailand (except the distilleries of United Products Co. and Sura Piset Thipparat Co.) received ISO 9001:2000 certification in 2005.

The Kamphaengphet facility, Bang Ban facility and Cosmos Brewery were first awarded Good Manufacturing Practice ("GMP") certification and Hazard Analysis Critical Control Point ("HACCP") certification in 2002, 2003 and 2003, respectively. In 2008, Kamphaengphet facility is in the process of applying for ISO 22000:2005 food safety management system. Bang Ban and Cosmos breweries will apply for this certificate in 2009. In addition, in 2004, 14 of the Company's distilleries in Thailand were awarded GMP and HACCP certification. The distilleries of United Winery Co. and Red Bull Co. were awarded such certificates in 2006.

3.1.8 Intellectual Property

As of June 30, 2008, the Company owns 445 trademarks registered with the Intellectual Property Department of Thailand. The Company most important trademarks include brand names, such as Chang, Sangsom and Mekhong. As of June 30, 2008, all of the Company's material trademarks have been registered in Thailand.

The Company primary mark for its beer, drinking water and soda water products is a design of two elephants with a fountain, which has been registered in Thailand and many other countries globally (as shown in item 13.1.3). Carlsberg A/S ("**Carlsberg**") also registered a trademark of this similar elephant design ("**Elephant Beer Trademark**") (as shown in item 13.1.3). Consequently, on August 31, 2005, the Company's Subsidiary, Beer Chang Co. entered into an agreement with Carlsberg, under which both parties agreed to terms and conditions for the use of their respective marks of "Elephant" (for more information, please see item 13 – Related information).

In Thailand, a trademark registration is valid for 10 years, after which it can be renewed for an additional 10-year period. The Intellectual Property Department may refuse to renew registration of a trademark if, upon application of a third party, it determines that the trademark has lapsed due to lack of use during the previous three years.

The Company plan to apply for renewal of registration of all of the Company's material trademarks prior to their expiration. The Company believes that the Company's significant trademarks are protected in all material respects in the markets in which the Company currently operates.

As of June 30, 2008, the Company have registered the Company's principal trademarks or initiated trademark registration processes in approximately 50 countries outside of Thailand, including Cambodia, Japan, Laos, Myanmar, the Philippines, Malaysia, Singapore and the United Kingdom, in order to ensure protection of the names and logos in markets outside Thailand. The Company has registered 44 trademarks outside Thailand.

3.1.9 Information Technology

Information technology systems are important to the Company's ability to manage the Company's business. The Company information technology systems enable the Company to coordinate the Company's operations, from order processing, production planning and raw material ordering to customer delivery and invoicing.

In 2001, the Company began the implementation of the SAP system, an integrated system of software applications providing a common framework for accounting, production planning, inventory management, procurement, sale and distribution, plant maintenance, human resources management and cost management activities for the Company's breweries. The Company expects to complete the development and implementation of the SAP applications by 2008 for each part of the Company's business.

3.1.10 Environment and Safety

The Company is subject to Thai laws and regulations relating to the protection of the environment. The Ministry of Natural Resources and Environment regulates and enforces environmental laws in Thailand. The principal environmental law in Thailand is the Enhancement and Conservation of National Environmental Quality Act of 1992. In addition, the Factory Act of 1992, Hazardous Substance Act of 1992 and the Public Health Act of 1992 regulate environmental hazards. The Ministry of Industry, the Ministry of Natural Resources and Environment and the Ministry of Public Health have promulgated rules regulating water pollution, air pollution, noise pollution, and hazardous substances and have authority to enforce the environmental laws and are empowered to bring administrative and criminal proceedings, such as to shut down non-complying factories against those who violate environmental laws.

Thai environmental regulations have become increasingly stringent over the last decade and the Company believes that this trend is likely to continue. Wastewater is the major environmental issue for breweries and liquor distilleries. The Company treats wastewater from fermentation and distillation through a non-aeration process and aeration process until the concentration of pollutants are reduced to meet standards specified by the Government for disposal into public waterways. From this process, the Company is able to collect bio-gases which the Company can use to fuel the Company's boilers. Natural fertilizer is also a by-product of this wastewater treatment process. The Company also treats the wastewater by other processes, such as cooling towers and bottle cleaning, by an aeration process until the pollutants are reduced to an appropriate level before the Company drains the water into the public waterways. The Company by-product business has reduced the annual amount of pure waste that the Company's breweries and distilleries have to treat and dispose, which correlates to a cost saving on treatment and disposal. In addition, the reduction of pure waste reduces the impact of the Company's business on the environment.

The disposal of wastewater from the Company's production facilities is examined and monitored on a periodic basis by Governmental entities and/or by the Company's own controllers who are registered with the Government as environmental officers. The Company believes that all of factories, both breweries and distilleries, have complied with the Government's standard with respect

to the waste water and air pollution treatment since the environmental inspection result of the Company complies with such standard. The Company installed an online monitoring system to monitor wastewater and air pollution at its three breweries and Bangyikhan distillery. This monitoring system is linked to a computer system at the Provincial Industry Office, which is connected to the Department of Industry.

Bang Ban brewery, Cosmos brewery and Kamphaengphet brewery first obtained ISO 14001 environmental safety management systems certification in 2001, 2001 and 2002, respectively, and later upgraded to ISO 14001:2004. The Company brewery facilities are audited semi-annually by an independent certification body and have been found to be in full compliance with the regulations. Moreover, the Company also has a central environmental laboratory which conducts test with regard to the air quality and working environment. The purpose of this laboratory is to promote safety and good working environment of the Subsidiaries. This laboratory has been registered with the Department of Industrial Factory. The Company's 16 distilleries in Thailand (except the distilleries of United Products Co. and Sura Piset Thipparat Co.) obtained ISO 14001 environmental safety management systems certification in 2008.

The Thai Labor Standard (MorRorTor. 8001-2546) of those 3 breweries has been certified by the Department of Labor Protection and Welfare. In 2008, the Bang Ban Brewery is in the process of applying for a standard certification of its Occupational Health and Safety Management System (OHSAS 18001:1999).

The Company also complies with various safety and quality standards set by Thai governmental agencies. For example, the Company's drinking water and soda water products are subject to periodic quality audits by the Thai Food and Drug Administration. The Company also complies with standards set by the Thai Industrial Standards Institute, Thai Ministry of Industry, with which the Company are required to comply by the Excise Department. In addition, the Excise Department requires the alcohol content of each of the Company's products to be within an established range of the alcohol content the Company declare for that product. The Company believes that the Company's current operations are in substantial compliance with applicable environmental and safety laws and regulations.

3.1.11 Insurance

The Company has insurance coverage against damage to the Company's plants, equipments and vehicles with renowned insurers. The Company maintains insurance coverage in amounts that the Company believes are consistent with market practices for beverage companies and provide prudent levels of coverage for risks associated with the Company's operations.

In addition, the Company has the insurance against damage and loss to the Company's inventory as a result of fire and robbery with renowned insurers. The said insurance covers approximately 100.0% of the inventory value.

3.1.12 Employees

The Company employed 22,385 employees as of June 30, 2008, including 1,698 employees and 5,824 employees at the Company's breweries and distilleries, respectively. None of the Company's employees are members of labor unions, and the Company has not experienced a strike or other material labor disturbance.

The Company classifies its employees into four principal categories. The table below sets forth the number of employees by category and location as of the periods indicated.

	Unit : persons			
	For the year ended as of December 31,			For the six-month Period ended June 30,
	2005	2006	2007	2008
Production ⁽¹⁾	7,737	7,720	7,929	8,063
Marketing	9,566	10,963	10,853	10,779
Related businesses	993	1,529	1,541	1,600
General administration	1,667	1,994	2,062	1,730
Overseas personnel.....	171	206	205	213
Total ⁽²⁾	20,134	22,412	22,590	22,385

(1) Production includes technical personnel and research and development personnel.

(2) The Company total numbers of employees include contract workers, which the Company hires from time to time. In 2005, 2006, 2007 and the six-month period ended June 30, 2008, the Company employed 1,909, 1,473, 1,329 and 333 contract workers, of which 450, 504, 338 and 261 were hired for the Company's distilleries and breweries, respectively.

The Company believes that the Company has a well-trained and experienced workforce. The Company regularly evaluates the performance of the Company's employees and has succession plans in place to provide successors for key employees at each level. The Company invests significant resources in training and education programs, such as modern management and marketing techniques, strategic management and corporate governance. The Company also provides in-house training on brewing techniques provided by experienced and skillful employees and employees whom the Company sent to study in Brew Master Course from reputable institutions such as Scandinavian Brewing School, Heriot-Watt University or Technical University Berlin, VLB. In addition, the Company's breweries, since inception, have sent more than 20 employees to study abroad, to become qualified brew masters. The Company also provides training for the Company's distribution agents, including in-house training and certain courses at universities throughout Thailand.

The total remuneration to the Company's employees includes a base salary, bonuses and allowances. The Company employees are also eligible to participate in the group health, life and accident insurance programs. For certain of the Company's Subsidiaries, the Company contributes an amount equal to 2 - 3% of an employee's salary to a provident fund, depending on the number of years of service, to which employees are required to contribute an equal percentage of their salaries.

3.2 The Industry

Below is the information about the alcoholic beverage industry, Thailand economy and other statistics, including information of the Company and the Company's competitors' relative positions in the Thai alcoholic beverage industry. Such information is based on industry publications, published sources or other publicly available information or the good faith belief of the Company's management. All of the data presented in this section, including sales volumes and market share data, has been provided by Canadean, a global beverage research company. Except as otherwise indicated, the Company believes that the sources used are reliable. However, the Company cannot ensure the accuracy of the information, and neither the Company, the selling shareholder nor the underwriters or any of their affiliates or advisors, have independently verified this information. This information may not be consistent with other information compiled within or outside Thailand and is subject to revision by Canadean at any time.

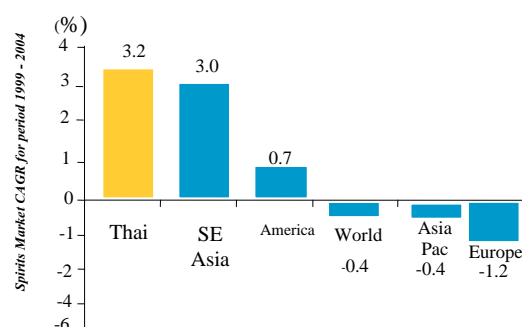
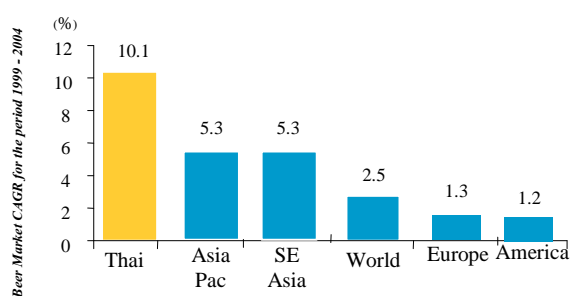
The information on beer market came from Canadean and has been updated to the year 2007. However, information on spirits market in Thailand has been updated until 2005 only.

The Alcoholic Beverage Industry in Thailand

3.2.1 Overview

According to Canadean, the beer market in Thailand grew at a compound annual growth rate ("CAGR") of 9.3% from 1999 to 2007, on sales volume basis. The Company believes that the beer market will continue to grow due to the expansion of consumer base and increase in beer consumption per capita. In addition, the spirits market in Thailand is also growing, with the Company's brown spirits sales volume increasing rapidly in the past few years, offsetting the decrease in demand of lower priced Chinese herb spirits.

For the period between 1999 and 2004, worldwide beer and spirits sales volumes grew at CAGR of 2.5% and (0.4)%, respectively. During this period, Thailand has been one of the fastest growing markets globally for beer and spirits with a CAGR of 10.1% and 3.2%, respectively. The comparison of the growth rate of Thai beer and Thai spirits sales volumes and markets in Asia Pacific, Europe and the Americas is set forth below:



Source: Canadean

The Thai beer and spirits markets are among the six largest alcoholic beverage markets in Southeast Asia (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam), by sales volume. In 2004, 2005, 2006 and 2007, sales volume for beer were approximately 1,619.1 million liters, 1,728.6 million liters, 2,027.7 million liters, and 2,079.2 million liters, respectively, while sales

volume for spirits for the year 2004 and 2005 were approximately 648.6 million liters and 661.9 million liters respectively.

The following table sets forth, beer and spirits sales volumes in 2004 for various countries in Southeast Asia:

Country	Beer		Spirits	
	Sales Volume 2004 (Million Liters)	CAGR 1999 – 2004	Sales Volume 2004 (Million Liters)	CAGR 1999 - 2004
Indonesia	171.5	10.4%	32.1	5.9%
Malaysia	147.4	1.7%	3.4	5.4%
Philippines	1,268.5	0.7%	473.8	1.9%
Singapore	88.5	2.2%	2.1	(0.3)%
Thailand.....	1,619.1	10.1%	648.6	3.2%
Vietnam	878.5	5.0%	9.8	9.3%
Others ⁽¹⁾	130.3	8.0%	N/A	N/A
Total.....	4,303.8	5.3%	1,169.8	2.8%

(1) Others include Brunei, Myanmar, Cambodia, and Laos.
Source: Canadean

The beer market in Thailand still has room for growth since beer consumption per capita is still significantly lower than that of the top 20 countries by beer consumption per capita. Between 1999 and 2007, Thailand's beer sales volume per capita grew from approximately 16.8 liters per capita to 31.9 liters per capita, representing a CAGR of approximately 8.3%. Also, during 1999 to 2005, the spirits sales volume per capita increased from 9.6 liters per capita to 10.3 liters per capita, representing a CAGR of approximately 1.2%.

The following tables set forth the 20 largest beer and spirits markets ranked by per capita sales volume in 2004.

Consumption for Top 20 Markets by Volume in 2004

(ranked by per capita sales volume)

	Beer			Spirits	
	Volume (Million Liters)	Per Capita Sales Volume (Liters)		Volume (Million Liters)	Per Capita Sales Volume (Liters)
China	30,252.9	23.4	China	5,090.7	3.9
United States	23,550.0	83.4	India.....	3,095.7	2.9
Germany.....	9,638.0	116.5	Brazil	1,565.1	9.2
Brazil.....	8,750.0	51.4	United States.....	1,506.8	5.3
United Kingdom.....	5,820.0	99.5	Russia	1,341.5	9.3
Japan	5,642.0	43.7	Japan	1,255.2	9.7
Mexico	5,450.0	50.5	South Korea	1,080.6	22.2
Russia.....	5,415.2	37.6	Thailand	648.6	10.2
South Africa.....	2,883.5	57.3	Philippines	473.8	5.7
Spain	2,813.5	70.8	Germany	400.2	4.8
Poland	2,766.8	71.0	Ukraine	359.3	7.2
France.....	2,150.0	36.1	France.....	336.9	5.7
Canada.....	2,078.8	65.6	Spain.....	291.1	7.3
Venezuela.....	1,830.0	70.9	United Kingdom	265.1	4.5
Colombia.....	1,825.0	39.5	Poland.....	245.7	6.3
Australia.....	1,750.0	89.1	Mexico.....	173.3	1.6

	Beer			Spirits	
	Volume (Million Liters)	Per Capita Sales Volume (Liters)		Volume (Million Liters)	Per Capita Sales Volume (Liters)
Thailand	1,619.1	25.3	Italy.....	153.4	2.7
Italy	1,570.0	27.6	Romania.....	151.0	6.8
South Korea.....	1,555.5	31.9	Canada.....	146.6	4.6
Czech Republic	1,500.5	148.0	Colombia	112.9	2.4

Source: Canadean

Development of Thailand Per Capita Sales Volume (Liters)

	Beer	Spirits)
1999	16.8	9.6
2000	17.4	9.0
2001	18.9	9.3
2002	20.3	9.6
2003	25.0	9.9
2004	25.4	10.2
2005	26.9	10.3
2006	31.3	N/A
2007	31.9	N/A

Source: Canadean

3.2.2 Product Segmentation

Beer

The beer market in Thailand can be broken down into three segments: (i) economy brands, (ii) standard brands and (iii) premium and super-premium brands, principally differentiated by pricing. Brands from all three segments are heavily advertised and marketed and can be generally differentiated by marketing policy and packaging.

Economy brands. Economy brands are low-priced mainstream products, which are brewed locally, account for approximately 85.4% of sales volume in Thailand in 2007. Economy brands are widely available to the mass market through a range of different outlets and are distributed in a variety of different packaging, including bottles, cans and kegs. Given that economy brands account for the majority of the market, established brewers are able to leverage their scale advantage and distribute their products on a national basis. Consumers in this segment are particularly price-sensitive and include many people who have changed their beverage preferences from low-priced white spirits. The typical retail selling price of a 640 milliliter bottle is between Baht 30 and Baht 40. Economy brands in Thailand include Chang Beer, Archa Beer, Chang Draught, Leo and Thai Beer.

Standard brands. Standard brands are primarily brewed locally and represented approximately 9.8% of the beer market by sales volume in 2007. The brands in this segment are targeted at consumers, mainly in urban areas, with a purchasing power greater than the mass market. The brands within this segment are generally priced above economy brands, but below premium

brands, with the typical retail selling price of a 640 milliliter bottle between Baht 41 and Baht 50. Standard brands have found themselves competing for market share with both economy brands and imported premium brands. The most popular standard brand in Thailand is Singha.

Premium and super-premium brands. This segment represented the remaining 4.8% of the beer market by sales volume in Thailand in 2007, and comprises mainly international brands. Premium brands are primarily brewed locally but super-premium brands are primarily imported into Thailand. The brands in this segment are targeted at urban consumers with relatively high purchasing power and tourists. In highly populated areas, a large number of premium and super-premium brands are widely available, particularly in hotels, restaurants and bars. Premium brands are significantly more expensive than economy and standard brands and use more sophisticated packaging designed to appeal to urban consumers. The typical retail price of a 640 milliliter bottle is approximately Baht 51 upwards. Heineken is the most popular premium brand in Thailand and is brewed locally.

Spirits

The spirits market in Thailand can be broken down into three segments: (i) white spirits and Chinese herb spirits; (ii) brown spirits, admix whisky and blended/standard Scotch whisky; and (iii) imported premium spirits.

White spirits and Chinese herb spirits. White spirits are distilled from molasses, and Chinese herb spirits are produced from alcohol or white spirits compounded with Chinese herbs. White spirits and Chinese herb spirits are the most popular and lowest priced type of spirits in Thailand and represented approximately 69.3% of the spirits market by sales volume in 2005. They are consumed widely in rural regions and are perceived to be one of the most affordable kinds of alcoholic beverage. The main types of spirits in this segment are Ruang Khao, Pai-Thong and Chiang-Chun. Branding is not an important factor in this segment, although many consumers take into account the origin of the spirits, which is usually identified on the packaging. The typical retail selling price of a 625 milliliter bottle is between Baht 50 and Baht 85 for white spirits and between Baht 75 and Baht 95 for Chinese herb spirits. The price range for a given packaging format is driven by the variety of alcoholic content available, with higher alcoholic content spirits being more expensive than lower alcoholic content spirits.

Brown spirits, admix whisky and blended/standard Scotch whisky. This segment represented approximately 30.0% of the spirits market by sales volume in 2005. Brown spirits are primarily local varieties of whisky and rum, distilled from either molasses or glutinous rice. Brown spirits are consumed nationwide, although there are regional preferences. Branding is an important factor in this segment, which includes Sangsom, Mekhong, Hong Thong and 100 Pipers. Increasingly, the international spirits companies are targeting this market segment with affordable imported admix whiskies, which are blends of imported aged malt and neutral spirits as well as with imported blended/standard Scotch whisky. The most popular admix whisky is Crown 99 produced by the Company and the best selling blended Scotch whisky is 100 Pipers, produced by Pernod Ricard. The popular blended/standard Scotch whisky is Johnnie Walker Red Label, an international brand produced by Diageo Plc. The typical retail selling price for a 700 milliliter bottle is between Baht 115 and Baht 210 for locally distilled brown spirits, between Baht 185 and Baht 195 for admix whisky, between Baht 345 and Baht 430 for blended Scotch whisky and up to Baht 580-620 for standard Scotch whisky.

Imported premium spirits. Imported premium spirits include all international spirits brands including imported white spirits (such as vodka, tequila and gin) and imported brown spirits (such as premium malt whisky, rum and brandy). In this segment, a highly fragmented, large number of international brands are widely available, particularly in hotels, restaurants and bars. Imported premium spirits are a relatively niche market in Thailand as they are significantly more expensive than locally distilled spirits and are therefore not affordable for the majority of Thai consumers. The market share by sales volume of imported premium spirits was approximately 0.7% of the spirits

market by sales volume in 2005. Popular brands in Thailand include Johnnie Walker Black Label (produced by Diageo Plc.), Chivas Regal (produced by Pernod Ricard) and VSOP (produced by Regency). The typical retail selling price of a 700 milliliter bottle of imported premium spirits is Baht 800 upward depending upon the quality of product.

3.2.3 Key Industry Trends

Beer

Growth of economy brands. Sales volumes of economy beer grew at significantly faster rates than the beer market as a whole from the period of 1997 to 2007. This growth has been driven by stimulation of the market from competition between the Company and Boon Rawd Brewery Co., increased advertising and marketing, a shift in consumer demand away from low-priced white spirits to economy beer, growth in off-premise establishments and modern supermarkets and the introduction of new products into this segment such as Archa Beer and Chang Draught (produce by the Company), Leo, Esarn Beer and Thai Beer (produced by Boon Rawd Brewery Co.), and Cheers Beer (produced by Thai-Asia Pacific Brewery Plc.).

Increasing preference for lower alcohol beer. Similar to other markets, Thailand is experiencing a shift in consumers' preferences towards lower alcohol beer. Historically, Thai consumers, primarily men, have preferred the strong taste and alcohol content of normal economy beer but this trend is evolving as a new demographic group of younger consumers, including women, become first time beer drinkers. The trend towards lighter, beer with lower alcohol content, is gradual but has recently led to the introduction of new brands, such as Federbräu, Archa Beer, Chang Light, Chang Draught, Leo and Singha Light, to capture this new segment of the market.

Urbanization facilitating beer consumption. Thailand has a large rural economy but in recent years a key trend has been the increasing urbanization of the Thai population to metropolitan areas such as Bangkok. This process, through increased purchasing power, has caused a gradual shift in consumers' preferences from low-priced white spirits to beer, which is perceived by Thai consumers as more upmarket.

Spirits

Low-priced local spirits face increasing substitution to other products. The ongoing growth of economy beer has impacted the sales performance of local spirits, particularly white spirits. The emergence of low-priced beer, has stimulated the interest of traditional consumers of low-priced spirits, rural people with low income, who are changing their beverage preference from low-priced spirits to economy beer.

International players are targeting the middle ground between local brown spirits and imported premium spirits. As a result of growing consumer preference for quality brands at affordable prices (for off-premise consumption), international players are introducing products such as blended Scotch whisky to capture the increasing demand for relatively affordable products containing aged malt.

Changing lifestyles leading to growth in on-premise consumption. Changing lifestyles and increasing purchasing power of Thai consumers are leading to growth in on-premise sales of imported spirits. Many urban consumers, particularly those between the ages of 20 and 35, socialize in pubs, restaurants and bars, and consequently drink more imported spirits. The main beneficiaries of this trend are vodka, gin, white rum, tequila, admix whisky and standard Scotch whisky, which are often used as a base for mixed drinks and cocktails.

3.2.4 Competition

Beer

The beer market in Thailand is highly competitive, in particular between Chang Beer and Archa Beer produced by the Company and the portfolio of beer brands produced by the Boon Rawd Brewery Co., primarily its Leo and Singha brands. This competition, which has been characterized by intensive advertising and marketing campaigns, has stimulated the beer market and is partly responsible for the overall market growth in recent years.

At December 31, 2007, the Boon Rawd Brewery Co. portfolio of beer brands i.e. Singha, Thai Beer, Leo and Esarn Beer. Thai Beer, Leo and Esarn Beer are economy brands, which compete directly with Chang Beer and Archa Beer, whereas Singha is positioned in the higher-priced standard segment. Boon Rawd Brewery Co. also produces several brands under licensing agreements, such as Asahi and Kloster.

Other local breweries include Thai Asia Pacific Brewery Co., which produces Heineken, Tiger and Cheers brands and San Miguel Co., which produces Blue Ice and Red Horse brands.

Sales of imported beer are not significant in Thailand due to the high costs of shipping beer to Thailand, the relatively short shelf-life of beer and an import tariff of 60% of the import price including excise tax, municipal tax, contributions to the Health Promotion Fund, and contributions to Thai PBS. In 2007, sales of imported beers accounted for less than 1.0% of total sales volume. Imported beers from countries that are part of AFTA may increase in the future as AFTA has reduced import tariffs on beer.

The following table sets forth the sales volumes and market shares of economy, standard and premium beer brands sold in Thailand during the periods indicated:

(Unit: Million liters except percentage data)	Key Brands	Year Ended December 31,					
		2005		2006		2007	
		Sales Volume	Share %	Sales Volume	Share %	Sales Volume	Share %
Economy brands:							
The Company	Chang, Archa	915.4	52.7	990.4	48.9	971.1	46.8
Boon Rawd Brewery Co.....	Leo, Thai Beer	500.4	28.8	712.4	35.1	792.8	38.2
Other.....	Cheers, Red Horse	9.4	0.5	8.0	0.4	7.4	0.4
Sub-total		<u>1,425.2</u>	<u>82.0</u>	<u>1,710.8</u>	<u>84.4</u>	<u>1,771.2</u>	<u>85.3</u>
Standard brand:							
Boon Rawd Brewery Co.....	Singha	163.9	9.4	186.1	9.2	195.4	9.4
Others	Blue Ice, Tiger	8.4	0.5	7.8	0.4	8.9	0.4
Sub-total		<u>172.3</u>	<u>9.9</u>	<u>193.9</u>	<u>9.6</u>	<u>204.3</u>	<u>9.8</u>
Premium brand:							
Thai Asia Pacific Brewery Co. ..	Heineken	91.3	5.3	89.2	4.4	90.2	4.3
Carlsberg Co.	Carlsberg	0.0	0.0	0.0	0.0	0.0	0.0
Imported / Others		39.8	2.3	33.8	1.7	10.6	0.5
Sub-total		<u>140.8</u>	<u>8.1</u>	<u>122.4</u>	<u>6.0</u>	<u>100.8</u>	<u>4.9</u>
Total		<u>1,738.3</u>	<u>100.0</u>	<u>2,027.1</u>	<u>100.0</u>	<u>2,076.3</u>	<u>100.0</u>

Source: Canadean

Spirits

The Company is the main player in the local spirits market. The primary competition of the Company is from community spirits producers and contraband producers and from imported premium brands produced by the international players. Imported spirits are subject to an import tariff of 60% of the import price including excise tax, municipal tax, contributions to the Health Promotion Fund and contribution to Thai PBS. Since the Government ceased granting concessions to produce spirits in 1999, any company that meets specific qualifications may receive a license from the Government to produce and sell spirits. As a result of this liberalization, over 6,000 additional spirits producers have entered the local market since 1999. In the brown spirits segment, the Company's brands primarily compete with 100 Pipers (produced by Pernod Ricard), among others. Although these rival brands are sold nationwide, their small distribution networks and higher prices limit their presence primarily to Bangkok and other urban centers.

The following table sets forth the sales volumes and market share of local white spirits, local brown spirits and imported spirits sold in Thailand during the period indicated:

(Unit: Million liters except percentage data)	Year Ended December 31,					
	2003		2004		2005	
	Sales Volume	Share %	Sales Volume	Share %	Sales Volume	Share %
Local white spirits:						
The Company ⁽¹⁾	374.8	60.6%	380.5	59.1%	375.1	57.1%
Others ⁽²⁾	52.7	8.5%	69.5	10.8%	83.9	12.8%
Sub-total	427.5	69.1%	450.0	69.9%	459.0	69.9%
Local brown spirits, admix whisky:						
The Company ⁽³⁾	85.2	13.8%	101.9	15.8%	113.9	17.3%
Others ⁽⁴⁾	79.1	12.8%	60.1	9.3%	49.7	7.6%
Sub-total	164.3	26.5%	162.0	25.2%	163.5	24.9%
Blended / standard Scotch whisky ⁽⁵⁾	23.8	3.8%	29.2	4.5%	31.4	4.8%
Premium imported spirits ⁽⁶⁾	3.2	0.5%	2.7	0.4%	2.6	0.4%
Total.....	618.7	100.0%	643.9	100.0%	656.6	100.0%

Source: Canadean

- (1) Key products include Ruang Khao, Pai-Thong and various brands of Chinese herb spirits.
- (2) Key products include community spirits.
- (3) Key brands include Sangsom, Mekhong, Mungkorn Thong and Crown 99.
- (4) Key brand includes Master Blend
- (5) Key brands include 100 Pipers, Johnnie Walker Red Label and Spey Royal.
- (6) Key brands include Johnnie Walker Black Label and Chivas Regal.

3.2.5 Distribution

Off-premise and on-premise distribution of alcoholic beverages are relatively balanced in Thailand in terms of sales volume, although low-priced economy beer and spirits are predominantly sold off-premise. The growth in recent years has been in off-premise distribution as on-premise alcoholic beverage consumption has become strictly controlled and monitored by Government's regulations aimed at preventing drunk driving, under-age consumption as well as late night consumption. However, on-premise sales revenues are higher than off-premise sales revenue because on-premise retail prices are generally at least 50.0% higher than off-premise retail prices.

Off-premise sales volumes of beer and spirits have also been stimulated by the aggressive expansion and increased competition between domestic supermarket chains, such as Tops and Foodland, and international hypermarkets, such as Tesco Lotus, Big C and Carrefour. Thai shoppers have become attracted to the idea of one-stop shopping and the range of products offered in these large outlets.

Strong distribution is a key success factor in the off-premise market as it is important that beer and spirits brands maximize their availability in popular retail outlets such as grocery stores, supermarket chains and hypermarkets. For example, small retail outlets, which are common in rural areas, have limited shelf space and are unwilling to stock unknown brands. Having a strong distribution network is also important to successfully leverage a brand owner's advertising campaign and encourage distributors and retailers to sell its products.

3.3 Regulation

3.3.1 Regulation by the Excise Department, the Ministry of Finance

General

The Thai Government has regulated the alcoholic beverage or liquor industry due to its nature as a stable revenue generating source and also due to health concerns. In the past, the Government issued several laws and regulations to control all processes of the liquor industry including production and import, spirits tax, reproduction, transportation and sale. The Liquor Act B.E. 2493 (1950), as amended (the “**Liquor Act**”), has been the main legislation for controlling all liquor-related activities in Thailand. The Minister of Finance is authorized under the Liquor Act to issue ministerial regulations covering: (1) the types of liquor, the tax rate imposed on liquor, and the characteristics of stamp duty and other fees not exceeding the designated maximum rate; (2) the discount or exemption of fees on the issuance of licenses for the production and sale of liquor or liquor enhancers; (3) the discount or exemption from excise tax for specific types of liquor; and (4) the prescription of rules, conditions and requirement for implementations under the Liquor Act. The Excise Department has been authorized, under the supervision of the Ministry of Finance, as the official entity to regulate and supervise the liquor industry.

The Liquor Act classifies liquor as follows:

- “fermented liquor” means liquor not made by distillation, including fermented liquor mixed with distilled liquor of alcohol content not exceeding 15 degrees; and
- “distilled liquor” means liquor made by distillation, including distilled liquor mixed with fermented liquor of alcohol content exceeding 15 degrees. Sub-classifications of distilled liquor pursuant to the Ministerial Regulation No. 46 (B.E. 2513 (1970)) issued under the Liquor Act categorizes distilled liquor as follows:
 - Ethyl Alcohol (Sura Samthap) means distilled liquor of alcohol content more than 80%;
 - White spirits (Sura Khao) means distilled liquors without any mixture or color with alcohol content less than 80%;
 - Compounded spirits (Sura Pasom) means distilled liquors made from blended ethyl alcohol or white spirits with alcohol content less than 80%;
 - Blended spirits (Sura Prung Piset) means distilled liquors made from blended ethyl alcohol with alcohol content less than 80%; and
 - Special spirits (Sura Piset) means distilled liquors produced by a special process with alcohol content less than 80%, including (i) whisky, brandy, rum, gin or other foreign spirits; and (ii) Gao-Liang, Chiang-Chun or other Chinese herb spirits.

Licensing

Under the Liquor Act, liquor production, or possession of a liquor distiller, is prohibited unless licensed by the Director-General of the Excise Department (the “**Director-General**”). The liberalization of the Thai liquor industry in 1999 allowed qualified persons to apply for a license for the production and sale of liquor, subject to the requirements provided by the relevant regulations. The Ministry of Finance, pursuant to the Notifications of the Ministry of Finance Re: Liquor Administration Methods B.E. 2543 (2000) (No. 1-No. 4) (the “**Notifications**”), prescribes conditions for the license application for the production and sale of each type of liquor, including (i) distilled liquor, (ii) fermented liquor (beer) and fruit spirits, (iii) ethyl alcohol (*Sura Samthap*), (iv) foreign

liquor, (v) liquor to be used in the production of other goods, (vi) liquor enhancer, (vii) local fermented liquor and fermented liquor other than beer and fruit spirits, (viii) products from agricultural produce with alcohol content not more than 15% and (ix) community spirits. The Notifications also specify the qualifications of an applicant and requirements relating to production and quality of liquor; for example, nationality and legal status of the applicant, production capacity, location of the facility, the area of the facility, machinery capacity, number of workers and alcohol content for liquor.

Licensed producers are subject to a number of procedures and conditions with respect to the production and sale of liquor prescribed by the Director-General. In particular, for the production and sale of (i) distilled liquor, (ii) fermented liquor (beer and fruit spirits) and local fermented liquor and (iii) fermented liquor other than beer and fruit spirits, the licensed producers generally are required to enter into an agreement to produce and sell liquor with the Excise Department, submit details of the production process and raw materials to be used in production for approval, submit a sample of liquor before delivery from the facility, maintain the quality of the liquor, submit samples of labels, marks and containers for approval, report the ex-factory price of liquor, submit the liquor inventory account and purchase of raw materials and pay the annual license fee and excise tax.

The licensed producers of distilled liquor and fermented liquor are allowed to fix the wholesale and retail sales prices, provided that they report prices to the Excise Department. The Excise Department official is authorized to investigate the liquor facility or wholesaler's storage facility during working hours.

The Excise Department also supervises the import, sale or display for the purpose of sale and transportation of liquor. The sale or display for the purpose of sale of liquor must be licensed by an Excise Department official. An importer of liquor with volume greater than one liter or a seller of liquor must obtain a license from Excise Department officials. Transportation of liquor from the facility for which proper tax payment has not been made is prohibited unless approved by the Director-General. Transportation of liquor from the facility exceeding 10 liters is prohibited unless a transportation permit is obtained from the Excise Department officials.

Excise Tax and Payment

The Excise Department collects excise tax (spirits tax) for locally produced liquor while the Customs Department collects excise tax, on behalf of the Excise Department, for imported liquors. Licensed liquor producers must pay excise tax for liquor produced before packing. Excise tax paid will be identified by the spirits tax stamps affixed on the liquor containers under the supervision of the Excise Department officials or in another manner as specified by the ministerial notification. Importers of liquor, except for importers of liquor not exceeding one liter with an open container, must pay excise tax by affixing excise tax stamps on the containers before customs clearance. The Director-General, however, may allow payments to be made elsewhere.

The Liquor Act provides for the calculation of the excise tax based on both *ad valorem* and the quantity. The applicable rate will be the one that yields the greater tax revenue to the Government. For *ad valorem* tax payment, the value of the liquor base is as follows:

- (1) for locally produced liquor, the ex-factory price; if there is no ex-factory price or if there are several ex-factory prices, the price announced by the Director-General applies; and
- (2) for imported spirits, the sum of the CIF value, import duty, special fee under the law governing investment promotion and tax and other fees, if any, prescribed by a Royal Decree, but excluding value added tax.

Excise tax imposed on liquor will be calculated based on both *ad valorem* and the quantity pursuant to the Ministerial Regulation relating to the Determination of Type of Spirits and Spirits Tax Rate B.E. 2546 (2003), the Ministerial Regulation relating to Determination of Type of Spirits and Spirits Tax Rate (No. 2) B.E. 2548 (2005) and the Ministerial Regulation relating to Determination of Type of Spirits and Spirits Tax Rate (No.3) B.E. 2550 (2007) (the “**Tax Rate Regulation**”). Exporters of locally produced liquor, however, are entitled to a tax refund. When a facility owner duly pays the excise tax and transports liquor out of the facility, the owner is entitled to a tax refund, provided that he can prove, to the satisfaction of the Director-General, that liquor has been transformed and, hence, will not be able to be consumed.

Tax Rate

According to the Tax Rate Regulation, there are two rates, an *ad valorem* rate and a specific rate, as follows:

Product	Ad Valorem Rate	Specific Rate	
		Unit	Baht/Unit
1. Fermented Liquor:			
1.1 Beer.....	55%	Liter of pure alcohol	100
1.2 Wine and sparkling wine made from grapes.....	60%	Liter of pure alcohol	100
1.3 Local fermented liquor.....	25%	Liter of pure alcohol	70
1.4 Other	25%	Liter of pure alcohol	70
2. Distilled Liquor:			
2.1 White Spirits (Sura Khao).....	50%	Liter of pure alcohol	110
2.2 Compounded spirits (Sura Pasom).....	50%	Liter of pure alcohol	280
2.3 Blended spirits (Sura Prung Piset)	50%	Liter of pure alcohol	400
2.4 Special spirits (Sura Pisit):			
(1) Brandy	45%	Liter of pure alcohol	400
(2) Whisky.....	50%	Liter of pure alcohol	400
(3) Other	50%	Liter of pure alcohol	400
3. Ethyl Alcohol (Sura Samthap)			
(1) To be used in industry or to be processed by methods as specified by the Director-General ...	2%	Liter	1
(2) To be used in medicine, pharmaceuticals and science by methods as specified by the Director-General	0.1%	Liter	0.05
(3) Other	10%	Liter of pure alcohol	6.0

Ex-factory Price

For the purpose of calculation of excise tax rate based on the *ad valorem* basis, the Excise Department has issued the Announcements of the Excise Department Re: Designation of liquor market price for the purpose of excise tax calculation which may be amended from time to time.

Import duties and import restrictions

The Customs Department collects import duties on various types of liquor based on either a specific or an *ad valorem* rate, whichever yields greater tax revenue to the Government, as follows:

Product	Ad Valorem Rate (% of CIF Value)	Specific Rate (Baht per liter)
Sake.....	60.00	10.00
Brandy.....	60.00	120.00
Whisky	60.00	120.00
Rum.....	60.00	120.00
Gin.....	60.00	120.00
Liquor.....	60.00	120.00
Chinese spirits.....	60.00	120.00
Other spirits.....	60.00	120.00

However, the import duty on liquor from members of the World Trade Organization is currently either Baht 63.05 per liter or 58.2% of the CIF value, whichever yields greater tax revenue to the Government.

There are no quantitative restrictions on spirits imports.

3.3.2 Regulation by Other Laws

Alcoholic Control Act

Pursuant to the Alcoholic Control Act, it is prohibited to sell alcoholic beverages in various places such as temples or places for holding religious rites, state's public health service places, government public parks provided for recreational purposes of the general public and oil fuel service stations. Additionally, no one shall sell alcoholic beverages to a person who is under twenty years old or a person who is intoxicated to an extent that he/she cannot control himself/herself. The act also prohibits selling alcoholic beverages by various methods, such as automatic vending machine, rendering, price reduction for the purpose of sale promotion, handing out, giving as free gift, giving away or exchanging with alcoholic beverages or with other goods or services as the case may be.

In addition, the act prohibits advertising an alcoholic beverage or showing the name or the mark of the alcoholic beverage which boasts of its efficacy or induces others to drink such alcoholic beverage, either directly or indirectly. Pursuant to the act, an advertisement or a public relations by the manufacturer of all categories of alcoholic beverages may be made specifically in a description of giving information and social creative knowledge, whereby there shall not be shown any picture of the goods or the container of said alcoholic beverage, except it is a picture of the symbol of the alcoholic beverage or a symbol of the manufacturing company of such alcoholic beverage only. However, the provisions shall not be applied to an advertisement that originates outside the Kingdom.

Licensing and Requirements under Factory Law

Under the Factory Act B.E. 2535 (1992), as amended (the "**Factory Act**"), a license must be obtained from the Ministry of Industry, prior to operation of a brewery, distillery or production facility for drinking water having machinery capacity of more than 50 horse power. The operator must comply with the requirements of the Factory Act, including (i) the location, environment, building structure and interior of the factory, (ii) characteristic or type of machinery and equipment used in the factory, (iii) rules relating to employees, (iv) pollution control, including wastewater treatment and noise control and (v) safety arrangements. The factory license is generally valid for five years from the initial operation. The operator is required to apply for a license renewal within 60 days prior to the expiry of the license. The factory license will then be extended for another five years, provided that

the operator must comply with relevant conditions. Breweries and distilleries must prepare and submit an environmental report on an annual basis to the Ministry of Industry.

Licensing under the Health Act

Under the Health Act B.E. 2535 (1992) (as amended), the production of beverages, including soda water and drinking water, contained in cans, bottles or other containers, is treated as a business harmful to health for which the producer is required to obtain a license from the local government authority prior to its operation. Such license is valid for one year from the date of issuance. The license holder is required to apply for the renewal of the license and pay the relevant fee prior to the expiry date of the license. The renewal will be granted if the license holder complies with the conditions imposed such as having a water treatment system and an outlet for wastewater in their breweries. In case of the revocation of the license, the application for a new license can be made after the lapse of one year from the revocation date.

Community Spirits

Community spirits are white distilled spirits with alcohol content greater than 15 degrees, but less than 40 degrees, usually produced from rice, flour, fruit, or other agricultural product. In 2003, the Government introduced the Notification of Ministry of Finance Re: Liquor Administration Methods B.E. 2546 (No. 4), which permits persons or cooperatives to produce and sell community spirits if the distillery uses not more than a five horsepower generator, employs less than seven employees, utilizes a water treatment system and is located at least 100 meters from a public river. Any person that produces and sells community spirits must obtain an approval to produce and sell community spirits from the Director-General or other authorized persons in the form and conditions specified by the Director-General.

Municipal Tax

Pursuant to the Allocation of Liquor Tax Act B.E. 2527 (1984) (as amended), municipal taxes on spirits are collected by the Excise Department or the Customs Department, as the case may be, on behalf of the Ministry of Interior from those responsible for excise taxes under the Liquor Act. An additional tax of 10% of the spirits tax will be imposed on locally produced spirits or imported spirits, as the case may be.

Health Promotion Fund Contributions

Pursuant to the Health Promotion Fund Act B.E. 2544 (2001), a person responsible for spirits tax under the Liquor Act is obliged to contribute to the Health Promotion Fund at a rate of 2.0% of the spirits tax payable under the Liquor Act concurrently with the payment of spirits tax.

Thai Public Broadcasting Service Contribution

Pursuant to the Thai Public Broadcasting Service Act B.E. 2551 (2008), a person responsible for spirits tax under the Liquor Act is obliged to contribute to the Thai PBS at a rate of 1.5% of the spirits tax payable under the Liquor Act concurrently with the payment of spirits tax.

Value Added Tax

The Revenue Department imposes a value-added tax of 7.0% based on (i) the sum of the ex-factory price, spirits tax and municipal tax for locally produced spirits and (ii) the sum of CIF value, import duty, spirits tax and municipal tax for imported liquors.

Retail Sale of Alcoholic Drinks

The retail sale of alcoholic drinks is regulated under the Finance Ministerial Regulation re: Designation of Time of Retail Sales of Alcoholic Drinks for Type 3 and Type 4 Licenses, under the Liquor Act. The retail sale is the sale of all types of liquors in the amount less than 10 liters at a time. The regulation restricts the retail sale of alcoholic drinks to the hours of 11 a.m. to 2 p.m. and 5 p.m. to midnight.

Operating Hours of Entertainment Venues

Under the Public Entertainment Act B.E. 2509 (1966) and Ministerial Regulation Re: Date and Opening and Closing Hours of Entertainment Venues B.E. 2547, the Government has regulated opening and closing hours of entertainment venues which vary from 11 a.m. to 9 p.m. for opening hours and midnight to 2 a.m. for closing hours. The opening and closing hours depend on the types of entertainment venue and locations.

Labeling of Alcoholic Drinks

The labeling of alcoholic drinks is regulated under the Food Act, B. E. 2522 (1979). The Health Ministerial Notification (No. 275) B.E. 2546 (2003) Re: Liquor (No. 2) requires that the label of alcoholic drinks display the given warning statements, referring to the restriction on sale of alcoholic drinks to any person under the age of 18, incompetence of drunk driving and a warning message that any person under the age of 18 should not drink.

Commercial Advertisement of Alcoholic Drinks

In addition to the Alcoholic Control Act, commercial advertisements of alcoholic drinks in theaters and on billboards are regulated under the Consumer Protection Act, B.E. 2522 (1979), which requires that no solicitation to drink or overstatement, whether direct or indirect, of its usage may be made, and that the warning statements referring to disadvantages from its consumption be displayed or placed. It also promulgates the manner in which the warning statement must be made, including the font-size to ensure that it is noticeable.

Drunk Driving and “Drunk Don’t Drive” Campaign

The Land Traffic Act, B.E. 2522 (1979) prohibits driving under intoxication from alcoholic drinks or other agents. In addition, the Interior Ministerial Regulation, issued under the act requires random road checks by the police to inspect the blood alcohol level of end-users by means of a breath analyzer. Any offender will be subject to either a maximum sentence of one-year imprisonment or Baht 5,000 – 20,000 fine, as well as the probation measures for social services.

The Don’t Drive Drunk Foundation was established on September 6, 2002, to introduce and implement the “Drunk Don’t Drive” campaign with the ultimate goal to stop drunk driving, as well as to increase awareness of the risk and potential harm caused by drunk driving. The foundation was set up to regularly disseminate information about accidents associated with drunk drivers.

4. Research and Development

The Company is aware of the importance of the research and development by focusing on the improvement of the innovations and production techniques and raw material packaging and others, which are material factors of the Company's strategy to decrease production cost, increase efficiency and improve the Company's product quality.

The Company has research and development centers for production of beer, drinking water and soda water at Bang Ban brewery and Kamphaengphet brewery. As of June 30, 2008, the Company had 38 research and development officers for production of beer, drinking water and soda water. The research and development centers for production of beer, drinking water and soda water have objectives as follows:

- Being a center for testing and approving various raw materials and packaging suitable to each brewery and studying alternative sources for changes in the future.
- Being a center for preparing yeast in the process of beer production of each brewery and controlling quality to assure that yeast used in the process of production is pure and is qualified under the same standard.
- Being a center for controlling production process to assure that quality and standard of production of all beer, drinking water and soda water are the same.
- Being a center for testing of working conditions and air disposed from beer, drinking water and soda water facilities for the standard of working conditions control and air disposed from the facilities through an environmental laboratory, consisting of both water and air.
- Monitoring the quality of water resources and technology in the water improvement process to assure that quality and standard of water used in the production are the same, and to prepare for new technology.
- Monitoring techniques of production and packaging to prepare for changes and improvement for cost reduction, increasing of production efficiency and responding to consumers' requirements.
- Improvement of products, both existing and new products.
- Development of staff to increase their capability for production and international operation through brewing school project and the project to improve English proficiency.

Additionally, the Company aims to improve yeast culturing and expects to improve new products from new species of yeast in the near future. For example, the Company introduced Federbräu Beer in April 2008 to compete with standard brands and other premium brands in Thailand. In addition, the Company aims to develop functional drinks.

For production of spirits, the Company has a research and development center, located at Sangsom Building, Phahonyothin Road, Phayathai District, which had similar objectives as the research and development centers for beer, drinking water and soda water. As of June 30, 2008, the Company had 47 research and development staffs for production of spirits.

For the year ended December 31, 2004, 2005, 2006 and the six-month period ended June 30, 2008, the Company has invested for the research and development in the amount of Baht 35.2 million, Baht 31.4 million, Baht 43.0 million and Baht 46.1 million, respectively.

5. Assets Used in Operations

5.1 Fixed Assets of the Company

As of December 31, 2007, and June 30, 2008, the book value of the Company's total fixed assets, net of accumulated depreciation, used in operations as shown in the consolidated financial statements of the Company is Baht 43,215.9 million and Baht 41,682.3 million respectively. These fixed assets are free from any encumbrances. The details are as follows:

Descriptions	Property Rights	Book Value (Net of Accumulated Depreciation) (Baht million)	
		As of December 31, 2007	As of June 30, 2008
1. Land ⁽¹⁾	Owned	12,533.7	12,588.3
2. Land improvement	Owned	741.7	812.1
3. Buildings and improvements	Owned	10,693.4	10,527.5
4. Machinery and equipment	Owned	17,129.0	15,753.3
5. Oak barrels	Owned	1,287.2	1,218.7
6. Furniture, fixtures and office equipment	Owned	227.1	221.6
7. Vehicles	Owned	179.4	176.7
8. Construction in progress	Owned	424.5	384.0
	Total	43,215.9	41,682.3

ThaiBev issued and sold guaranteed bonds totaling Baht 10,000 million with a full co-guaranteed by four Subsidiaries and ThaiBev undertook to procure 17 Subsidiaries to give consent for negative pledge by not selling, transferring, mortgaging, pledging, encumbering or granting any preferential rights in relation to their land, buildings, plants and machinery. Currently, these bonds have been fully redeemed.

In addition, ThaiBev entered into long-term loan agreements with eight financial institutions totaling Baht 26,600 million. These loans were fully co-guaranteed by four Subsidiaries and 17 Subsidiaries gave consent for negative pledge by not selling, transferring, mortgaging, pledging, encumbering or granting any preferential rights in relation to their land, buildings, plants and machinery. ThaiBev gradually repaid long-term loans together with the accrued interest to relevant financial institutions and subsequently fully repaid the remaining balance in March 2008. As a result, the guarantee obligation of four Subsidiaries and negative pledge made by 17 Subsidiaries were terminated in the same month.

(1) The latest appraisal was conducted in 2007 by Tobtavee Appraisal and Service Co., Ltd.

ThaiBev

As of December 31, 2007 and June 30, 2008, the book value of ThaiBev's total fixed assets, net of accumulated depreciation, used in operations as shown in the separate financial statements of ThaiBev are Baht 71.0 million and Baht 66.7 million respectively. These fixed assets are free from any encumbrances. The details are as follows:

Descriptions	Property Rights	Book Value (Net of Accumulated Depreciation) (Baht million)	
		As of December 31, 2007	As of June 30, 2008
1. Furniture, fixtures and office equipment	Owned	58.3	54.8
2. Vehicles	Owned	12.7	11.9
	Total	71.0	66.7

Subsidiaries

As of December 31, 2007 and June 30, 2008, the book value of Subsidiaries' total fixed assets, net of accumulated depreciation, used in operations as shown in the consolidated financial statements of the Company are Baht 43,144.9 million and Baht 41,615.6 million respectively. These fixed assets are free from any encumbrances. The details are as follows:-

Descriptions	Property Rights	Book Value (Net of Accumulated Depreciation) (Baht million)	
		As of December 31, 2007	As of June 30, 2008
1. Land	Owned	12,533.7	12,588.3
2. Land improvement	Owned	741.7	812.1
3. Buildings and improvements	Owned	10,693.4	10,527.5
4. Machinery and equipment	Owned	17,129.0	15,753.3
5. Oak barrels	Owned	1,287.2	1,218.7
6. Furniture, fixtures and office equipment	Owned	168.8	166.8
7. Vehicles	Owned	166.7	164.8
8. Construction in progress	Owned	424.5	384.0
	Total	43,144.9	41,615.6

Long-term lease agreements of the Company

The Company leases land and buildings from third parties to be used as office and warehouses in many locations across Thailand. In most cases, the lease terms are between one to three years.

5.2 Intangible Assets

As of June 30, 2008, the intangible assets, net of accumulated amortization, of the Company as shown in the consolidated financial statements of the Company are Baht 1,014.2 million, consisting of goodwill, trademarks, leasehold and computer software. Among these intangible assets, trademarks are the most crucial parts of the Company's business operation.

Trademarks and Rights to Use Trademarks

As of June 30, 2008, the Company has registered and has been in the process of registering 489 trademarks altogether in Thailand and other countries. Some important domestic registered trademarks and rights to use trademarks are as follows:

Trademark	Product Category	Expiration (Year)	Number of Registered Trademarks	Trademark Owner
"Chang"	Category 1-45	Between 2011 - 2015	13 trademarks in various forms	Beer Chang Co.
"Archa"	Category 32	2012	6 trademarks in various forms	Archa Beer Co.
"Sangsom"	Category 30 , 31 and 33	2018	3 trademarks in various forms	Sangsom Co.
"Hong Thong"	Category 32 and 33	Between 2009 - 2016	3 trademarks in various forms	Simathurakij Co.
"Mekhong"	Category 33	Between 2006 - 2014	10 trademarks in various forms	Sura Bangyikhan Co.
"Sura 28 degree"	Category 33	2009	1 trademark	Sura Bangyikhan Co.
"Sura 30 degree"	Category 33	2010	1 trademark	Sura Bangyikhan Co.
"Sura 35 degree"	Category 33	2010	1 trademark	Sura Bangyikhan Co.
"Sura 40 degree"	Category 33	2010	1 trademark	Sura Bangyikhan Co.
"Chiang-Chun 28 degree"	Category 33	2010	1 trademark	Sura Bangyikhan Co.
"Chiang-Chun 30 degree"	Category 33	2010	1 trademark	Sura Bangyikhan Co.
"Chiang-Chun 35 degree"	Category 33	2010	1 trademark	Sura Bangyikhan Co.
"VO Royal Thai Whisky 43 degree"	Category 33	Between 2006 - 2016	2 trademarks in various forms	United Winery Co.
"Pai-Thong"	Category 33	2008	1 trademark	United Winery Co.
"Mungskorn Thong"	Category 33	2018	2 trademarks in various forms	Thai Beverage Brands Co.
"Crown 99"	Category 33	Between 2007 - 2015	3 trademarks in various forms	Red Bull Co.

Trademark	Product Category	Expiration (Year)	Number of Registered Trademarks	Trademark Owner
“Sua Dum”	Category 33	2014	1 trademark	Sura Bangyikhan Co.
“Sing Thong”	Category 33	Between 2008 - 2010	4 trademarks in various forms	United Winery Co.
“Thai Sherry”	Category 33	2014	1 trademark	United Winery Co.
“Chu Sib Neaw”	Category 33	2012	1 trademark	Karnchanasingkorn Co.
“Federbräu”	Category 32	2016	1 trademark	Thai Beverage Brands Co.
“Blend 285” ⁽²⁾	Category 33	2016	2 trademarks in various forms	United Winery Co.
“Shinobu”	Category 33	Between 2016 - 2018	2 trademarks in various forms	Thai Beverage Brands Co.
“Niyomthai”	Category 33	2015	8 trademarks in various forms	Sura Bangyikhan Co.

Remarks - Products in category 32 are beers, mineral water, carbonated drinks and non-alcoholic beverages, fruit-flavored drinks and juices, sugar syrup or ingredient to be used in the production of drinks

- Products in category 33 are alcoholic beverages (except beers)
- For products in categories other than 32 and 33, please refer to the descriptions in Ministry of Commerce’s Notification as of March 21, 2003 regarding Categorization of Goods and Services

5.3 Policies on Investment in Subsidiaries and Affiliates

ThaiBev has a policy to invest in Subsidiaries and other companies whose businesses are related to the core businesses of ThaiBev or have strong growth potentials and promising returns in order to strengthen the stability of ThaiBev and to reinforce the position of the Company as a whole. For governance of its Subsidiaries, ThaiBev has a policy to supervise and control the conducts of its Subsidiaries to ensure that no actions taken by these companies violate existing and future laws and regulations. ThaiBev, as the shareholder, will appoint its representatives to participate and vote in shareholders meeting in accordance with the guidelines given by the Board of Directors of ThaiBev.

In addition, ThaiBev will nominate its representatives to serve as directors of its Subsidiaries. ThaiBev’s representatives will hold at least one-third of the available board seats of its Subsidiaries. The representatives from ThaiBev may consist of its chairman, president, director, senior management or outside professional whose knowledge and expertise are suitable for the Subsidiaries’ businesses and have no direct conflicts of interest. These representatives will administer the Subsidiaries’ operations in accordance with the principles and guidelines stipulated in the articles of association of ThaiBev and Subsidiaries, as well as related laws and regulations.

ThaiBev has a policy to maintain its core businesses and hold on to the key assets of the Company, including assets that relates to the production, marketing and distribution of beers and spirits, as well as businesses and key assets of other related businesses. ThaiBev will not divest any of its core businesses or assets with an exception that the divestment is for the best interest of ThaiBev and has no material effect on its core businesses. In addition, such divestment cannot be done between ThaiBev and its Principal Shareholders or related parties of such Principal Shareholders (as defined in the Notifications of SET and SEC). The divestment must be approved by ThaiBev’s Audit Committee

(2) One form of Blend 285’s trademarks is in the approval process

and Board of Directors and/or the meeting of shareholders of ThaiBev in accordance to related laws and regulations.

If ThaiBev wishes to expand the Company's core businesses and the production, marketing and distribution of beers and spirits, as well as related businesses, ThaiBev and Subsidiaries will consider and evaluate those new investment opportunities themselves.

In addition, Mr. Charoen Sirivadhanabhakdi also assures that, as long as he, Khunying Wanna Sirivadhanabhakdi and their heirs are collectively the major shareholders (as defined in relevant Notifications of the SEC) of ThaiBev, Mr. Charoen Sirivadhanabhakdi will not hold shares in any other company that operates and competes in the same businesses as the Company.

6. Future Projects

The Company has future projects as follows:

6.1 Waste Treatment System Projects

Thai Beverage Energy Co. is currently constructing the waste treatment system for five distilleries, which are Fuengfuanant Co., Athimart Co., S.S. Karnsura Co., Kankwan Co. and Nateechai Co. in order to turn wastes into biogas to be used as fuel in the steam generating machine. This system aims to reduce fuel expenses of the distilleries. These projects have been started since the second quarter of 2007 and are expected to be completed within the fourth quarter of 2008. The estimated total project cost is approximately Baht 850.0 million, which the Company will use the internal cash flows to finance this project. As of June 30, 2008, the Company has already committed Baht 312.0 million investment into this project. Currently, the construction of waste treatment system of Athimart Co. has been completed and is currently in the process of test run.

6.2 Logistics Project

The Company is currently developing a new logistics system to improve its merchandise distribution system and reduce expenses related to supply chain management. The Company is constructing merchandise hubs in five separate locations, which are located in the southern part of the northeastern region, northern part of the northeastern region, southern region, eastern region, and northern region. The construction of the merchandise hubs, the purchase of vehicles and the improving of new technology have started in southern part of the northeastern region and the southern region since the fourth quarter of 2007. The estimated total project cost is approximately Baht 2,541.0 million which the Company will use the internal cash flows to finance this project. This project is expected to be completed in 2009. As of June 30, 2008, the Company has already committed Baht 115.6 million investment into this project.

6.3 Capacity Expansion for PET Bottle Project

The Company is currently expanding the capacity for the production of PET drinking water bottles of Cosmos brewery from 500 cc to 600 cc bottles, and increase the capability to produce 750 cc and 1,500 cc bottles. The project has started since the first quarter of 2008 and is expected to be completed in the first quarter of 2009. The estimated project cost is approximately Baht 194.0 million, which the Company will use the internal cash flows to finance this project. As of June 30, 2008, the Company has already committed Baht 26.8 million investment into this project.

7. Legal Disputes

As of June 30, 2008, ThaiBev or its Subsidiary had no pending legal disputes in the amount of more than 5.0% of shareholders' equity, or that may have an adverse affect on its assets or those of its Subsidiary, or that may materially affect the business operations of the Company.

8. Capital Structure

8.1 Securities Issued by ThaiBev

(a) Description of ordinary share capital as of June 30, 2008

As of June 30, 2008, ThaiBev's registered capital was Baht 29,000.0 million, of which Baht 25,110.0 million was paid-up capital and divided into 25,110.0 million of ordinary shares with a par value of Baht 1 each. All of ThaiBev's shares are listed on the SGX-ST.

(b) Detail of the Bills of Exchange as of June 30, 2008

As of June 30, 2008, ThaiBev did not have any unpaid bill of exchange outstanding. However, on September 26, 2008, ThaiBev issued short term bills of exchange totaling Baht 5,000 million with tenor of not more than 270 days to institutional investors and high net worth investors only. ThaiBev was rated AA- by TRIS Rating Co. The short term bills of exchange are issued in three tranches:

1. Tranche 1 with an aggregate amount of Baht 2,500 million maturing on March 31, 2009
2. Tranche 2 with an aggregate amount of Baht 1,500 million maturing on April 29, 2009
3. Tranche 3 with an aggregate amount of Baht 1,000 million maturing on June 23, 2009

8.2 Shareholders

Top 10 shareholders, combined with holdings of related persons as defined in Section 258 of the SEC Act, as of September 11, 2008, are as follows:-

8.2.1 List of substantial shareholders and related parties as defined by Section 258

Name of Shareholders	No. of Shares	% ⁽¹⁾
1. Good Show Holdings Limited	3,492,720,000	13.91
2. Risen Mark Enterprise Ltd. ⁽²⁾	3,193,150,000	12.72
3. Mr. Charoen Sirivadhanabhakdi	3,156,500,000	12.57
4. Khunying Wanna Sirivadhanabhakdi	3,156,500,000	12.57
5. Siritwana Company Limited	2,197,200,000	8.75
6. Golden Capital (Singapore) Limited ⁽³⁾	700,000,000	2.79
7. Ms. Atinant Bijananda	107,000,000	0.43
8. Mr. Thapana Sirivadhanabhakdi	107,000,000	0.43
9. Ms. Thapanee Techajareonvikul	107,000,000	0.43
10. Mr. Panote Sirivadhanabhakdi	107,000,000	0.43
11. Ms. Wallapa Traisorat	107,000,000	0.43
12. Maxtop Management Corp. ⁽⁴⁾	29,069,000	0.12
Total	16,460,139,000	65.55

Remarks:-

- (1) Calculated based on issued and paid-up share capital of ThaiBev amounting to 25,110,025,000 shares
- (2) Included shares registered with ThaiBev under the name Risen Mark Enterprise Ltd. and those that are held through CDP
- (3) Included shares registered with ThaiBev under the name Golden Capital (Singapore) Limited and those that are held through CDP
- (4) Shares registered under the name Maxtop Management Corp held through CDP

8.2.2 List of substantial shareholders other than 8.2.1

Name of Shareholders	No. of Shares	% ⁽¹⁾
1. The Central Depository (Pte) Ltd. ⁽²⁾	4,879,735,920	19.43
2. Mr. Suchin Worawongwasu	900,000,000	3.58
3. Ms. Siriluck Maithai	338,519,080	1.35
4. Mr. Vivat Tejapaibul ⁽³⁾	291,541,500	1.16
5. Mr. Paisal Chevasiri ⁽⁴⁾	260,236,750	1.04
6. Ms. Wongchanok Chevasiri	110,236,750	0.44
7. Ms. Somrhudee Sirawongprasert	98,188,000	0.39
8. Ms. Varang Serdpakdee	65,651,500	0.26
9. Mr. Winyu Chaiwan	65,651,500	0.26
10. Others	1,640,125,000	6.53
Total	8,649,886,000	34.45
Total 8.2.1 & 8.2.2	25,110,025,000	100.00

Remarks:-

- (1) Calculated based on issued and paid-up share capital of ThaiBev amounting to 25,110,025,000 shares
- (2) Not include shares held by Risen Mark Enterprise Ltd. Golden Capital (Singapore) Limited and Maxtop Management Corp.
- (3) Include shares held by Ms. Chompunut Tejapaibul amounting to 50,000,000 shares
- (4) Include shares held by Ms. Wantanee Chevasiri amounting to 110,236,750 shares

Risen Mark Enterprise Ltd., Good Show Holdings Limited, Golden Capital (Singapore) Limited, Maxtop Management Corp. and Siritwana Co. are holding companies incorporated in the British Virgin Islands, the Bahamas, Singapore, the British Virgin Islands and Thailand respectively. Mr. Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi are beneficial owners with 50% holding in these companies.

As of September 11, 2008, Mr. Charoen Sirivadhanabhakdi and his related persons as defined in Section 258 of the SEC Act held 65.55% of the total issued and paid-up share capital of ThaiBev.

8.3 Dividend Policy

The Board of Directors of ThaiBev may recommend annual dividends, subject to the approval of ThaiBev's shareholders, at the annual general meeting. From time to time, the Board of Directors of ThaiBev may declare interim dividends when it deems appropriate and must report to the next shareholders meeting accordingly. The current policy of the Board of Directors of ThaiBev is to recommend to shareholders a dividend of not less than 50.0% of net profits after deduction of accumulated loss (if any) and all kinds of legal reserves, subject to investment plans and as the Board of Directors of ThaiBev deems appropriate.

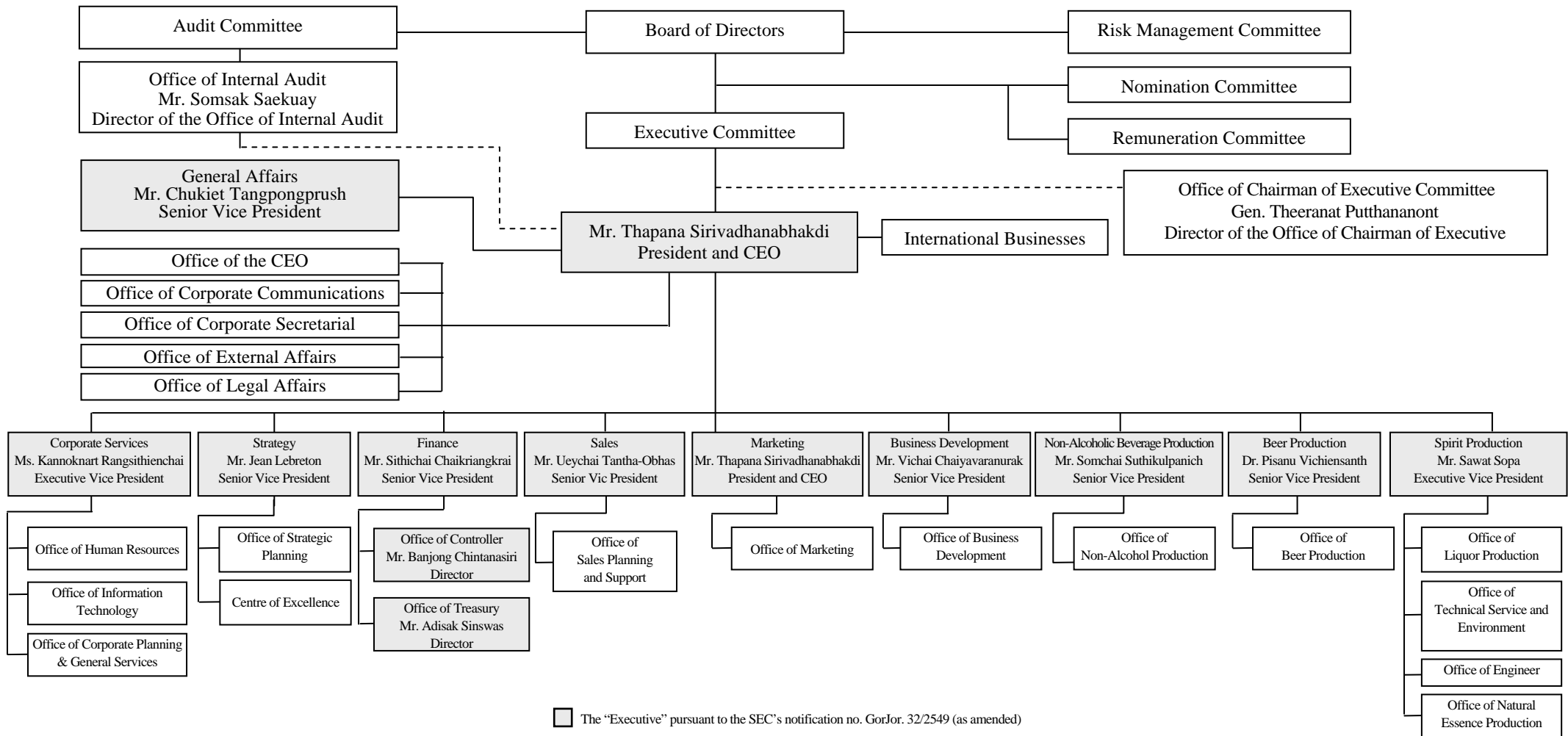
As for the Subsidiaries of ThaiBev, the Board of Directors of each Subsidiary will evaluate and recommend the dividend policy to shareholders at its general meeting. For Oishi Group Plc., the policy is that the subsidiary must pay dividend not less than 40.0% of net profits after taxes are deducted and required reserves are set aside, given that there is no other necessity and the dividend payment will not significantly affect the subsidiary's performance. However, other factors such as operating performance and financial status, liquidity, investment plans and other issues related to management should also be taken into consideration.

The dividend policy regarding other Subsidiaries is that, each subsidiary must pay dividend at a percentage not less than the payout rate of ThaiBev. This is however subject to investment plans, necessity and any other factors that the Board of Directors of each subsidiary may deem appropriate.

9. Management

9.1 Organization structure of ThaiBev as of October 1, 2008

Organization Structure of ThaiBev



9.2 Management structure

Committees of ThaiBev

ThaiBev's management structure consists of six committees, namely Board of Directors of ThaiBev, Executive Committee, Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee.

9.2.1 Board of Directors of ThaiBev

As of October 1, 2008, our Board of Directors consisted of 21 Directors as follows:

Name	Position
1. Mr. Charoen Sirivadhanabhakdi	Chairman
2. Khunying Wanna Sirivadhanabhakdi	Vice Chairman
3. Mr. Narong Srisa-an	Vice Chairman
4. Mr. Komen Tantiwiwatthanaphan	Vice Chairman
5. Mr. Staporn Kavitanon	Audit Committee Chairman and Independent Director
6. Prof. Kanung Luchai	Audit Committee Member and Independent Director
7. Mr. Manu Leopairote	Audit Committee Member and Independent Director
8. Mr. Ng Tat Pun	Audit Committee Member and Independent Director
9. Mr. Michael Lau Hwai Keong	Independent Director
10. Prof. Pornchai Matangkasombut	Independent Director
11. Gen. Dr. Choo-Chat Kambhu Na Ayudhya	Independent Director
12. Mr. Sakthip Krairiksh	Independent Director
13. Mr. Vivat Tejapaibul	Director
14. Mr. Puchchong Chandhanakij	Director
15. Mr. Panote Sirivadhanabhakdi	Director
16. Mr. Thapana Sirivadhanabhakdi	Director
17. Ms. Kanoknart Rangsithienchai	Director
18. Mr. Sithichai Chaikriangkrai	Director
19. Dr. Pisanu Vichiensanth	Director
20. Mr. Ueychai Tantha-Obhas	Director
21. Mr. Chukiet Tangpongprush	Director

Note: Ms. Vaewmanee Soponpinij is the secretary to the Board of Directors of ThaiBev and the company secretary of ThaiBev and Mr. Thidi Suwanarat is the assistant secretary to the Board of Directors of ThaiBev.

Authorized Directors of ThaiBev

Authorized directors who can sign on behalf of ThaiBev are any two directors, except Mr. Staporn Kavitanon, Mr. Manu Leopairote, Prof. Kanung Luchai, Mr. Sakthip Krairiksh, Mr. Ng Tat Pun, Mr. Michael Lau Hwai Keong, Prof. Pornchai Matangkasombut and Gen. Dr. Choo-Chat Kambhu Na Ayudhya, jointly signing together with the Company's seal affixed.

Scope of authorities, duties and responsibilities of the Board of Directors of ThaiBev

According to the articles of association of ThaiBev, the Board of Directors shall perform duties in compliance with laws, the objectives, articles of association, and the resolutions of the shareholders meeting, with loyalty and due care for the interests of ThaiBev.

The Board of Directors shall appoint one director as the chairman of the Board of Directors. The Board of Directors may, as deemed appropriate, appoint one or several directors as vice-chairman. The vice-chairman shall have duties in accordance with the article of association as assigned by the chairman of the Board of Directors. The Board of Directors of ThaiBev shall convene a meeting at least once in every three months.

In any case, the assignment of duties and responsibilities of the Board of Directors of ThaiBev shall not constitute an authorization or sub-authorization which may cause the Board of Directors of ThaiBev or its assignee to be able to approve any transaction that such person or other related party may have a conflict of interest (as defined in the Notification of the SEC) or may benefit in any manner or any other conflict of interest with ThaiBev or its Subsidiaries, except when the approvals of such transactions are consistent with the policy and criteria approved by the shareholders meeting or the Board of Directors meeting.

Composition and appointment of ThaiBev's Board of Directors

The following is the summary of the composition, appointment, removal or retirement from the Board of Directors set forth in the articles of association;

1. The Board of Directors of ThaiBev shall consist of at least five persons. No less than one half of the total number of directors shall reside within the Kingdom of Thailand. The directors shall have qualifications as prescribed by the law regarding public limited companies and the law regarding securities and exchange.
2. The shareholders meeting shall elect the directors in accordance with the criteria and procedures as follows:
 - (1) Each shareholder shall have one vote for each share;
 - (2) A shareholder who wishes to exercise the right of nomination may use all the votes he/she has under item (1) to nominate one or several persons as director; however, he or she may not split his or her votes among any candidates; and
 - (3) The persons who receive the highest votes in ranking order shall be appointed as directors, in the number of directors required or to be appointed on the relevant occasion. In the event that the persons appointed in subsequent order have equal votes but their appointment would exceed number of directors required to be appointed in that meeting, the chairman of the meeting shall have a casting vote.
3. At every annual general shareholders meeting, one-third of the directors shall resign on rotation, should the number of directors to be resigned or rotation cannot be

divided by three, then the number nearest to one-third shall resign from office. The directors to resign during the first and second years following the registration of the company shall be drawn by lots. In subsequent years, the directors who have remained in office for the longest time shall resign. Directors who resign on rotations may be re-appointed.

4. To resign from office, a director shall submit his/her resignation letter to ThaiBev. Such resignation shall become effective on the date of receipt of the said letter by ThaiBev.
5. The shareholders meeting may pass a resolution to remove any director from office prior to his/her term, by a vote of not less than three-fourths of the number of the shareholders attending the meeting and having the right to vote, whose shares represent a total of not less than one half of the number of shares held by the shareholders attending the meeting and having the right to vote.

Qualifications of the Independent Directors and Audit Committee and their appointment criteria

- (a) hold shares of not more than 1% of the total voting rights of ThaiBev, its parent company, Subsidiary, affiliated company or any entity which may have a conflict of interest, including shares held by related persons of such independent director;
- (b) is not or has never been a director engaging in management, employee, staff, or advisor who receives a regular salary or controlling person of ThaiBev, parent company, Subsidiary, affiliated company, Subsidiary at the same level or any entity which may have a conflict of interest, unless such condition has passed for more than two years prior to the appointment date;
- (c) is not a person with a relationship by blood or by registration according to the law as father, mother, spouse, sibling and child, including spouse of a child, executive, major shareholder, controlling person or person(s) to be nominated as executive or controlling person of ThaiBev or its Subsidiaries;
- (d) does not have or has never had business relationship with ThaiBev, its parent company, Subsidiary, affiliated company or any other entity which may have a conflict of interest in which such relationship may obstruct his independent discretion; is not or has never been a major shareholder, non-independent director or executive of any person who has business relationship with ThaiBev, its parent company, Subsidiary, affiliated company or any other entity which may have a conflict of interest, unless such condition has passed for more than two years prior to the appointment date;
- (e) is not or has never been the auditor of ThaiBev, its parent company, Subsidiary, affiliated company or any other entity which may have a conflict of interest and is not or has never been the major shareholder, non-independent director or managing partner of the auditor's office at which the auditor of ThaiBev, its parent company, Subsidiary, affiliated company or any other entity which may have a conflict of interest works, unless such condition has passed for more than two years prior to the appointment date;
- (f) is not or has never been any kind of professional service providers, including legal or financial advisors who obtain professional fee beyond Baht two million per annum from ThaiBev, its parent company, Subsidiary, affiliated company or any other entity which may have a conflict of interest; however, in the case of the professional service

provider is juristic person, it shall include major shareholders, non-independent directors or managing partner of such professional service provider, unless such condition has passed for more than two years prior to the appointment date;

- (g) is not the director appointed as the representative of the director of ThaiBev, major shareholder or the shareholder who is a related person of ThaiBev's major shareholders;
- (h) does not possess any characteristics that may prevent him/her from providing independent view regarding the operation of ThaiBev;

In addition, an independent director serving as an audit committee member shall possess the qualifications as follows:

- (a) is not a director appointed by the board of directors to make any decision in the operation of ThaiBev, parent company, Subsidiary, affiliated company, Subsidiary at the same level or any company which may have a conflict of interest;
- (b) is not a director of parent company, Subsidiary or its equivalents in case where such Subsidiary is a listed company; and
- (c) has sufficient knowledge and experience to perform duties as Audit Committee, provided that at least one of the members of the Audit Committee must have sufficient knowledge and experience to review the reliability of financial statement.

In any case, the appointment of independent directors and Audit Committee members shall be in accordance with the criteria for appointment of Board of Directors of ThaiBev (please see details at item 9.3.1 - Nomination of Directors of ThaiBev).

Meeting of Board of Directors of ThaiBev

The table below sets forth the details of ThaiBev's Board of Directors meetings in 2007 and 2008 (ended October 1, 2008).

Name	Times of attendance/Number of meetings	
	2007	2008 (ended October 1, 2008)
1. Mr. Charoen Sirivadhanabhakdi	9/10	4/4
2. Khunying Wanna Sirivadhanabhakdi	9/10	4/4
3. Mr. Narong Srisa-an	9/10	2/4
4. Mr. Komen Tantiwiwatthanaphan	10/10	3/4
5. Mr. Paisal Chevasiri ⁽¹⁾	1/10	-
6. Mr. Puchchong Chandhanakij	10/10	4/4
7. Mr. Staporn Kavitanon	7/10	4/4
8. Prof. Kanung Luchai	10/10	4/4
9. Mr. Manu Leopairote	9/10	4/4
10. Mr. Ng Tat Pun	6/10	4/4
11. Mr. Michael Lau Hwai Keong	9/10	4/4
12. Prof. Pornchai Matangkasombut	8/10	3/4
13. Gen. Dr. Choo-Chat Kambhu Na Ayudhya	9/10	4/4
14. Mr. Sakthip Krairiksh	7/10	4/4
15. Mr. Vivat Tejapaibul	4/10	3/4
16. Mr. Panote Sirivadhanabhakdi	6/10	4/4
17. Mr. Samut Hatthasing ⁽²⁾	8/10	2/4
18. Mr. Thapana Sirivadhanabhakdi	9/10	4/4
19. Ms. Kanoknart Rangsihienchai	10/10	4/4
20. Mr. Sithichai Chaikriangkrai	10/10	4/4
21. Dr. Pisanu Vichiensanth	8/10	4/4
22. Mr. Ueychai Tantha-Obhas	9/10	4/4
23. Mr. Chukiet Tangpongprush	10/10	4/4

Note: (1) Mr. Paisal Chevasiri resigned from the Board of Directors of ThaiBev on February 26, 2007.

(2) Mr. Samut Hatthasing resigned from the Board of Directors of ThaiBev on May 16, 2008.

9.2.2 Executive Committee

As of October 1, 2008, the Executive Committee consisted of 13 directors as shown below.

Name	Position
1. Mr. Charoen Sirivadhanabhakdi	Chairman of Executive Committee
2. Khunyung Wanna Sirivadhanabhakdi	First Executive Vice Chairman
3. Mr. Narong Srisa-an	Second Executive Vice Chairman
4. Mr. Komen Tantiwiwatthanaphan	Third Executive Vice Chairman
5. Mr. Puchchong Chandhanakij	Fifth Executive Vice Chairman
6. Mr. Thapana Sirivadhanabhakdi	President
7. Ms. Kanoknart Rangsithienchai	Executive Vice President
8. Mr. Sithichai Chaikriangkrai	Senior Vice President
9. Dr. Pisanu Vichiensanth	Senior Vice President
10. Mr. Ueychai Tantha-Obhas	Senior Vice President
11. Mr. Chukiet Tangpongprush	Senior Vice President
12. Mr. Sawat Sopa	Executive Vice President
13. Mr. Jean Lebreton	Senior Vice President

Note: Ms. Vaewmanee Soponpinij is the secretary to the Executive Committee and Mr. Thidi Suwanarat is the assistant secretary to the Executive Committee.

Scope of duties and responsibilities of the Executive Committee

1. Prepare and propose business plans, targets, operational plans, business strategies and annual budgets of ThaiBev and its Subsidiaries to the Board of Directors of ThaiBev;
2. Determine and propose business plans, budgets and management roles and responsibilities of ThaiBev and its Subsidiaries to the Board of Directors of ThaiBev for approval;
3. Monitor the operations of ThaiBev and its Subsidiaries to be in line with business policy, targets, operational plans, business strategies, budgets and management roles and responsibilities as approved by the Board of Directors of ThaiBev for the efficiency of and to facilitate business conditions;
4. Approve payments for investments or operations, borrowing or requesting for any facility from a financial institution, lending, including being a guarantor with respect to the normal business of ThaiBev and its Subsidiaries as stipulated by the Board of Directors;

The Board of Directors of ThaiBev sets out the authorization to approve the entering into transactions and other operations of ThaiBev and its Subsidiaries as follows:

- 4.1 Approve payments for investments, administration and committing any transactions as well as borrowing or requesting for any facility from a financial institution, lending and being a guarantor.

4.2 Approve establishments of Subsidiaries, increase of capital in Subsidiaries and Subsidiaries' entering into transactions and other operations.

4.3 Approve annual budgets of Subsidiaries.

However, in relation to approvals for entering into any transactions constituting obligations on ThaiBev such as borrowing or requesting for facility from a financial institution or being a guarantor, the Executive Committee shall be empowered to approve such transactions, to the extent that it will not cause ThaiBev's Debt to Equity Ratio of the quarter in which the approval is granted to exceed 1:1 or 1 time. In relation to other approvals, apart from those constituting obligations as mentioned, the Executive Committee shall be empowered to approve, in that quarter, within the amount of Baht 5,000,000,000 (Net Baht Five Billion) or equivalents. The Executive Committee shall report all approvals related to the entering into the transactions to the Board of Directors of ThaiBev in the next Board of Directors meeting.

5. Approve the annual budget for increase or adjustment of salary and bonus payment for employees of ThaiBev and its Subsidiaries;
6. Approve payments as determined by Board of Directors of ThaiBev;
7. Propose the efficient organization and management structure of ThaiBev and its Subsidiaries to the Board of Directors of ThaiBev;
8. Recruit, employ, terminate employment, promote, impose disciplinary penalty, transfer, adjust salary level, adjust salary rate, and determine bonus, welfare and other benefits as well as consider all other remunerations for all levels of employees of ThaiBev. The Executive Committee also has the authority to appoint the president or any appointees of ThaiBev to be the authorized representative of ThaiBev to sign related employment contracts within the budget approved by the Board of Directors of ThaiBev;
9. Approve the appointment of ThaiBev's representatives to the Board of Directors and/or the sub-committee of its Subsidiaries in order to supervise all administrative matters as approved by ThaiBev for the efficiency and best interest;
10. Supervise and approve matters relating to the operation of ThaiBev it may appoint or authorize any one or more persons to engage in any act on behalf of the Executive Committee as it deems appropriate such as appointment of the sub-committee to consider salary increase and bonus of executive leveled employees ranking from directors to executive vice president, appointment of any of the sub-committees that have particular knowledge and expertise to manage and monitor before proposing to the Executive Committee, provided that the Executive Committee is entitled to repeal, change or modify the scope of the authorization; and
11. Perform any other act as delegated by the Board of Directors of ThaiBev.

However, the granting of authorities, duties and responsibilities of the Executive Committee shall not grant or sub-grant power that cause the Executive Committee or the authorized representative being able to approve any transaction in which the Executive Committee or authorized representative, or any related person may have any conflict of interest with ThaiBev or its Subsidiaries (as defined in the Notification of the SEC). Such approval must be proposed to the meeting of the Board of Directors of ThaiBev and/or the meeting of shareholders, as the case may be, for the approval, as stipulated in the articles of association of ThaiBev or Subsidiaries, or any applicable laws.

9.2.3 Audit Committee

As of October 1, 2008, the Audit Committee consisted of four members as shown below.

Name	Position
1. Mr. Staporn Kavitanon	Chairman of the Audit Committee
2. Prof. Kanung Luchai	Audit Committee Member
3. Mr. Manu Leopairote	Audit Committee Member
4. Mr. Ng Tat Pun	Audit Committee Member

Note: Mr. Somsak Saekuay is the secretary to the Audit Committee.

Scope of authorities duties and responsibilities of the Audit Committee

1. Ensure the correctness and reliability of the preparation process and information disclosure in the financial reports of ThaiBev and its Subsidiaries by ensuring co-ordination between the internal and external auditors and management, both quarterly and annually;
2. Ensure that ThaiBev and its Subsidiaries have appropriate and effective internal audit systems;
3. Ensure that there is no conflict of interest by reviewing the connected transactions made between ThaiBev or its Subsidiaries and connected persons;
4. Review and ensure that ThaiBev and its Subsidiaries comply with the securities and exchange laws, regulations of the SET and the SGX-ST, and the laws relating to ThaiBev's business;
5. Evaluate and approve the scope of auditing and annual audit plan of the Office of Internal Audit as well as any significant changes in the audit plan;
6. Evaluate audit results and the recommendations made by external auditors and the Office of Internal Audit and follow up the implementation of such recommendations;
7. Propose the appointment of the external auditors of ThaiBev and its Subsidiaries and audit fees to the Board of Directors for approval of the shareholders meeting;
8. Review and ensure the independence of external auditors including other services, other than auditing, rendered by the auditors and relevant remuneration annually;
9. At the end of financial year, prepare the Audit Committee report which will be disclosed in ThaiBev's annual report. The report must be signed by the chairman of the Audit Committee;
10. Be able to invite the executive directors, executives or any related persons to provide useful information, or to participate in meetings. The Audit Committee can also invite any legal counsel, and external auditor or internal auditor to participate the Audit Committee meeting;
11. Review and revise the Charter of and the Audit Committee and the regulations of the Office of Internal Audit every two years; and

12. Perform any other activities as designated by the Board of Directors of ThaiBev.

9.2.4 Risk Management Committee

As of October 1, 2008, the Risk Management Committee consisted of thirteen members as shown below.

Name	Position
1. Mr. Narong Srisa-an	Chairman of the Risk Management Committee
2. Mr. Puchchong Chandhanakij	Risk Management Committee Member
3. Ms. Kanoknart Rangsithienchai	Risk Management Committee Member
4. Mr. Chukiet Tangpongprush	Risk Management Committee Member
5. Mr. Sawat Sopa	Risk Management Committee Member
6. Mr. Thapana Sirivadhanabhakdi	Risk Management Committee Member
7. Mr. Sithichai Chaikriangkrai	Risk Management Committee Member
8. Mr. Ueychai Tantha-Obhas	Risk Management Committee Member
9. Dr. Pisanu Vichiensanth	Risk Management Committee Member
10. Mr. Jean Lebreton	Risk Management Committee Member
11. Mr. Wichai Chaivaranurak	Risk Management Committee Member
12. Mr. Chalerm Pornrutchakit	Risk Management Committee Member
13. Mr. Mahin Kraivixien	Risk Management Committee Member

Note: Mr. Somsak Saekuay is the secretary to the Risk Management Committee.

Scope of authorities, duties and responsibilities of the Risk Management Committee

1. Analyze both internal and external risk factors;
2. Determine the acceptable level of risks for ThaiBev and its Subsidiaries;
3. Determine and review criteria of risk management;
4. Evaluate an emergency plan of each office to ensure that it is practical;
5. Consider and review overall policies and guidelines of risk management of ThaiBev and its Subsidiaries;
6. Consider risks in the operation of ThaiBev and its Subsidiaries;
7. Prepare risk management report, warning system and preventive measures for operational risks, including the risk assessment of ThaiBev and its Subsidiaries.

9.2.5 Nomination Committee

As of October 1, 2008, the Nomination Committee consisted of three members as shown below.

Name	Position
1. Mr. Staporn Kavitanon	Chairman of the Nomination Committee
2. Mr. Manu Leopairote	Nomination Committee Member
3. Khunying Wanna Sirivadhanabhakdi	Nomination Committee Member

Note: Mr. Thidi Suwanarat is the secretary to the Nomination Committee.

Scope of authorities, duties and responsibilities of the Nomination Committee

1. Nominate candidates for directorships and/or executive directorships;
2. Determine guidelines and criteria for nomination for directorships and/or executive directorships in order to uphold transparency;
3. Perform duties according to applicable laws and/or regulations and the SGX-ST Listing Manual as well as any amendments occasionally made thereto and orders given by relevant authorities or regulators to the extent that is relevant to the scope of authorities, duties and responsibilities of the Nomination Committee.

9.2.6 Remuneration Committee

As of October 1, 2008, the Remuneration Committee consisted of three members as shown below.

Name	Position
1. Mr. Staporn Kavitanon	Chairman of the Remuneration Committee
2. Prof. Kanung Luchai	Remuneration Committee Member
3. Mr. Manu Leopairote	Remuneration Committee Member

Note: Mr. Thidi Suwanarat is the secretary to the Remuneration Committee.

Scope of authorities, duties and responsibilities of the Remuneration Committee

1. Determine procedures and rules to set fair and reasonable remunerations of any kind to be granted or awarded to directors and executive directors, as well as review, revise, amend or revoke such procedures and rules for approval by the annual general meeting of the company;
2. Consider and review the remuneration of key executives and propose to the Board of Directors of ThaiBev; and
3. Perform duties according to applicable laws and/or regulations and the SGX-ST Listing Manual as well as any amendments occasionally made thereto and orders given by relevant authorities or regulators to the extent that is relevant to the scope of authorities, duties and responsibilities of the Remuneration Committee.

9.2.7 Executives (pursuant to the definition of “Executive” in the SEC’s notification no. GorJor. 32/2549 (as amended))

As of October 1, 2008, the names of the Executives of ThaiBev are as follows;

Name	Position
1. Mr. Charoen Sirivadhanabhakdi	Chairman of the Board of Directors / Chairman of the Executive Committee
2. Khunying Wanna Sirivadhanabhakdi	Vice Chairman of the Board of Directors / First Executive Vice Chairman
3. Mr. Narong Srisa-an	Vice Chairman of the Board of Directors / Second Executive Vice Chairman
4. Mr. Komen Tantiwiwatthanaphan	Vice Chairman of the Board of Directors / Third Executive Vice Chairman
5. Mr. Puchchong Chandhanakij	Vice Chairman of the Board of Directors / Fifth Executive Vice Chairman
6. Mr. Staporn Kavitanon	Chairman of the Audit Committee and Independent Director
7. Prof. Kanung Luchai	Audit Committee Member and Independent Director
8. Mr. Manu Leopairote	Audit Committee Member and Independent Director
9. Mr. Ng Tat Pun	Audit Committee Member and Independent Director
10. Mr. Michael Lau Hwai Keong	Independent Director
11. Prof.Pornchai Matangkasombut	Independent Director
12. Gen. Dr. Choo-Chat Kambhu Na Ayudhya	Independent Director
13. Mr. Sakthip Krairiksh	Independent Director
14. Mr. Vivat Tejapaibul	Director
15. Mr. Panote Sirivadhanabhakdi	Director
16. Mr. Thapana Sirivadhanabhakdi	Director / President
17. Ms. Kanoknart Rangsihienchai	Director / Executive Vice President
18. Mr. Sithichai Chaikriangkrai	Director / Senior Vice President
19. Dr. Pisanu Vichiensanth	Director / Senior Vice President
20. Mr. Ueychai Tantha-Obhas	Director / Senior Vice President
21. Mr. Chukiet Tangpongprush	Director / Senior Vice President
22. Mr. Sawat Sopa	Executive Vice President
23. Mr. Jean Lebreton	Senior Vice President
24. Mr. Vichai Chaiyavaranuruk	Senior Vice President
25. Mr. Somchai Suthikulpanich	Senior Vice President
26. Mr. Banjong Chintanasiri	Director of the Accounting and Budget Office

Name	Position
27. Mr. Adisak Sinswas	Director of the Treasury Office

Scope of authorities, duties and responsibilities of the President

1. Responsible for the determination of vision, direction and strategy of the company, supervise the business operation and day-to-day management pursuant to the company's policies to meet the target of the Executive Committee and the Board of Directors of ThaiBev;
2. Cooperate with the Office of Internal Audit to ensure that the business operation and risk management of the company are consistent with the company's objectives and articles of association as well as the resolution of shareholders, the resolution of the Board of Directors, and the policies and the principle of good corporate governance;
3. Efficiently administer the company pursuant to the guidelines set forth by the Executive Committee and the Board of Directors of ThaiBev;
4. Supervise and support to achieve efficient human resource management in accordance with the company's business direction as follows:
 - 4.1 Approve and revise policy and guideline regarding human resource management of ThaiBev and its Subsidiaries in accordance with the company's strategy, including labor capacity plan, and rate of employment, determination of compensation and welfare structure, evaluation guidelines, transfer and rotation, personnel development and substitution of personnel of the company;
 - 4.2 Approve the employments of ThaiBev and its Subsidiaries' promotion plan, level adjustment, salary adjustment, disciplinary penalty, retirement and renewal of employment of ThaiBev and its Subsidiaries for employees of, ranging from, office vice-director or any equivalents or lower position. This includes the authority to assign the said power, at their discretion and appropriateness, to any persons positioned in any departments;
 - 4.3 Approve trainings, transfer, exchange and rotation within ThaiBev and its Subsidiaries for employees of, as well as the result of the evaluation of employees ranging from office director or any equivalents or lower position.
5. Consider and approve any expense for the ordinary course of business of the company in the amount not exceeding Baht 20 million or equivalents each time, and be able to make payments of entertainment expenses, charity donation, advertising expenses and beer, spirits and drinking water to publicize the company in the amount not exceeding Baht 500,000 each time. This also includes the authority to authorize any person to take such actions. In the case where there is a payment exceeding the amount mentioned above, the President shall jointly sign to certify with one of the vice-chairmen of the Executive Committee;
6. Participate in the consideration of the budget of ThaiBev and its Subsidiaries with the Board of Directors of ThaiBev and/or the Executive Committee;
7. Supervise any correspondences with relevant government authorities, and negotiate, review the contracts in relation to the company's ordinary course of business, and give recommendation and advice concerning the said matters to the Board of

Directors of ThaiBev and/or Executive Committee and/or any person(s) responsible for such matters for consideration and solution;

8. Assign one or more person(s) to act on their behalves in any matters as deemed appropriate by sub-authorization and/or such authorization shall be within the scope of the power of attorney and/or in accordance with the regulations, stipulations or orders of the Board of Directors of ThaiBev and/or the Executive Committee.
9. Has other authorities pursuant to working regulations including the authority to operate the company's business as assigned by the Board of Directors of ThaiBev and/or the Executive Committee.

However, the abovementioned approvals shall not be given in a way that may cause the President or his authorized representative to be able to approve any transaction in which himself or any related person has or may have a conflict of interest with ThaiBev or its Subsidiaries (as defined in the Notification of the SEC). The approval of such transactions must be proposed to the Executive Committee and/or the Board of Directors of ThaiBev and/or shareholders meeting, as the case maybe, for their consideration and approval according the articles of association of ThaiBev or its Subsidiaries, or any applicable laws.

9.3 Nomination of Directors

9.3.1 Nomination of Directors of ThaiBev

ThaiBev has formed the Nomination Committee to nominate candidates who have appropriate qualifications to be director. At the end of office terms of any director or when it is necessary to appoint more directors, the Nomination Committee will jointly discuss and consider determining the person(s) with appropriate experience, knowledge and ability to benefit ThaiBev to be a director of ThaiBev. The nomination of the aforementioned person(s) will be proposed to the meeting of the Board of Directors of ThaiBev and the meeting of shareholder respectively for further approval.

The resolution of the meeting of shareholders will be based on the majority of votes of the shareholders attending the meeting and having the right to vote.

9.3.2 Internal administration within the Company

At present, the Executive Committee of ThaiBev has appointed its representatives, namely the directors or executives of ThaiBev, to be directors in its Subsidiaries. It is the Company's policy in respect of the board compositions to maintain the ratio of the representatives from ThaiBev acting as directors in its Subsidiaries of not less than one-thirds of the board of directors of each Subsidiary.

In addition, ThaiBev has clearly set out the scope of approval authority of its Subsidiaries, which includes the authorities of directors and/or executives. The approval authority of Subsidiaries shall be in accordance with the relevant criteria of each Subsidiary with necessity and appropriateness taken into account. ThaiBev is the one who determines annual and monthly budgets for each Subsidiary. In case of approval in the ordinary course of business of each Subsidiary, such Subsidiary shall be able to proceed without any further approval from ThaiBev for the benefit of business agility. As for matters that are not within the ordinary course of business such as expansion of business or factory, purchase of shares or business of other entities, co-investment with other companies, incurring debts or long-term encumbrances or any other expenses which are not within ordinary course of business, the Subsidiaries must obtain prior approval from the Executive Committee of ThaiBev.

The Board of Directors of each Subsidiary shall convene a meeting on a monthly basis in order to follow-up on and compare the actual performance with the budget as approved by ThaiBev and with the preceding year's performance. The Executive Committee of ThaiBev will also convene a meeting on a monthly basis to follow up on the performance of its Subsidiaries. Moreover, ThaiBev has arranged its personnel to regularly monitor each of the Subsidiaries' cash inflow and cash outflow. In this regard, the Treasury Office of ThaiBev shall prepare a summary report and submit such report to the directors and/or high-leveled executives of ThaiBev on a monthly basis. There is also a frequent audit of the operations of all Subsidiaries by the Office of Internal Audit of ThaiBev consisting of more than 100 personnel to monitor the operations of ThaiBev and its Subsidiaries. This is to ensure that the Company's businesses are undertaken in accordance with the policy set forth by the Executive Committee of ThaiBev and achieve the Company's targets and objectives. Such duty includes monitoring for compliance with laws and official regulations relevant to the Company's business operations. In order to ensure independent monitoring of the Office of Internal Audit, they will report directly to the Audit Committee of ThaiBev

Apart from the administration above, all of the Subsidiaries have entered into the Back Office Management Contract with ThaiBev for the purpose of expense saving. ThaiBev would act as an administrator of various supporting tasks for its Subsidiaries, including finance, accounting, procurement and personnel.

9.4 Remuneration of the Executives

9.4.1 Financial remuneration

(1) Remuneration of the directors of ThaiBev

For the fiscal year ended December 31, 2007, and the six-month period ended June 30, 2008, ThaiBev paid the remuneration to 23 and 22 directors in the amount of Baht 26.1 million and Baht 13.0 million, respectively. The details are as follows;

Name	Nature of remuneration	Amount of remuneration (in million of Baht)	
		Year ended December 31, 2007	Six-month period ended 30, June, 2008
1. Mr. Charoen Sirivadhanabhakdi	Meeting allowance ⁽¹⁾	2.4	1.2
2. Khunying Wanna Sirivadhanabhakdi	Meeting allowance ⁽¹⁾	1.4	0.7
3. Mr. Narong Srisa-an	Meeting allowance ⁽¹⁾	0.8	0.4
4. Mr. Komen Tantiwiwatthanaphan	Meeting allowance ⁽¹⁾	0.8	0.4
5. Mr. Staporn Kavitanon	Meeting allowance	3.6	1.8
6. Prof. Kanung Luchai	Meeting allowance	1.8	0.9
7. Mr. Manu Leopairote	Meeting allowance	2.2	1.1
8. Mr. Ng Tat Pun	Meeting allowance	1.4	0.7
9. Mr. Michael Lau Hwai Keong	Meeting allowance	0.8	0.4
10. Prof. Pornchai Matangkasombut	Meeting allowance	0.8	0.4
11. Gen. Dr. Choo-Chat Kambhu Na Ayudhya	Meeting allowance	0.7	0.4
12. Mr. Vivat Tejapaibul	Meeting allowance	0.8	0.4
13. Mr. Sakthip Krairiksh	Meeting allowance	0.8	0.4
14. Mr. Puchchong Chandhanakij	Meeting allowance ⁽¹⁾	0.8	0.4
15. Mr. Samut Hatthasing	Meeting allowance ⁽¹⁾	0.8	0.3
16. Ms. Kanoknart Rangsitienchai	Meeting allowance ⁽¹⁾	0.8	0.4
17. Mr. Thapana Sirivadhanabhakdi	Meeting allowance ⁽¹⁾	0.8	0.4
18. Mr. Sithichai Chaikriangkrai	Meeting allowance ⁽¹⁾	0.8	0.4
19. Dr. Pisanu Vichiensanth	Meeting allowance ⁽¹⁾	0.8	0.4
20. Mr. Ueychai Tantha-Obhas	Meeting allowance ⁽¹⁾	0.8	0.4
21. Mr. Chukiet Tangpongprush	Meeting allowance ⁽¹⁾	0.8	0.4
22. Mr. Panote Sirivadhanabhakdi	Meeting allowance ⁽¹⁾	0.7	0.4
23. The Directors resigning during 2007	Meeting allowance	0.1	-
Total		26.1	13.0

Note: (1) Includes the remunerations which are salary and/or bonus received in their directorship during 2007.
(2) Mr. Samut Hatthasing resigned from directorship on May 16, 2008.

(2) Total remuneration of the Executive Directors and the Executives of ThaiBev.

For the fiscal year ended December 31, 2007, and the six-month period ended June 30, 2008, ThaiBev paid the remuneration to 15 and 15 Executive Directors and Executive (specifically for Executive Directors and Executives who received the remuneration in their capacity of being Executive Directors or Executives) in the amount of Baht 245.5 million and Baht 163.2 million respectively. Such remunerations were in forms of salary, bonus and provident fund.

Note: "Executive" means manager(s), first four executives immediately followed the manager and all the fourth executives, excluding accounting or finance manager if the position of such manager is not in the same level as the fourth executive.

9.4.2 Other remunerations

ThaiBev

The Executives of ThaiBev who are members of the provident fund shall receive the contribution at the rate of 3% of the salary rate according to the regulation of the provident fund generally implemented by ThaiBev.

The Company

The executives of the Company who are members of the provident fund shall receive the contribution at the rate of 3% of the salary rate according to the regulation of the provident fund generally implemented by the Company.

9.5 Personnel

9.5.1 Number of employees

As of June 30, 2008, the Company had 22,385 employees, 336 persons of those employees were the employees of ThaiBev which can be divided into the following main offices:

Main Office	Number of employees (person)
1. Office of Corporate Secretarial	12
2. Office of Corporate Planning & General Services	12
3. Office of Human Resources	19
4. Office of Internal Audit	119
5. Office of Legal Affairs	24
6. Office of Controller	16
7. Office of Treasury	9
8. Office of External Affairs	12
9. Office of Information Technology	45
10. Office of Corporate Communications	23
11. Office of Strategic Planning	8
12. Office of Chairman of Executive Committee	7
13. Group of Secretaries	11
14. Vice President	12
15. Office of the CFO	4
16. Center of Excellence	1
17. Other Offices	2
Total	336

9.5.2 Major changes of number of employees during the past three years

ThaiBev

- As of December 31, 2005, there were 281 employees in total.
- As of December 31, 2006, there were 335 employees in total.
- As of December 31, 2007, there were 366 employees in total.

The Company

- As of December 31, 2005, there were 20,134 employees in total.
- As of December 31, 2006, there were 22,412 employees in total.
- As of December 31, 2007, there were 22,590 employees in total.

9.5.3 Major labor disputes during the last three years

ThaiBev

Since the establishment of ThaiBev, there has been no material labor dispute.

The Company

The Company has no material labor dispute during the last three years.

9.6 Personnel Remuneration

9.6.1 Total remuneration of employees

ThaiBev

The employees of ThaiBev shall receive the remunerations in forms of salary, overtime payment, bonus, provident fund and others. Furthermore, the employees of ThaiBev also received other welfares such as life and health insurance.

For the fiscal year end as of December 31, 2007, and the six-month period ended June 30, 2008, the total remuneration of ThaiBev's employees was in the amount of Baht 577.5 million and Baht 351.2 million respectively.

Type of remuneration	Remuneration (million Baht)	
	Year ended December 31, 2007	Six-month period ended June 30, 2008
Total salary	342.4	184.2
Total bonus	170.9	128.4
Contribution to the provident fund	6.2	3.2
Others i.e. overtime payment	58.0	35.4
Total	577.5	351.2

Note: "Executive" means manager(s), first four executives immediately followed the manager and all the fourth executives, excluding accounting or finance manager if the position of such manager is not in the same level as the fourth executive.

The Company

For the fiscal year ended December 31, 2007, and the six-month period ended June 30, 2008, the total remuneration of the Company's employees was in the amount of Baht 5,103.3 million and Baht 2,787.2 million respectively.

9.6.2 Employee Development Policy

ThaiBev sees the development of personnel and considers it as an essential investment. ThaiBev has clear and continuous plans to develop the capacity of its employees, both in the long term and short term. Considering that personnel is important to the future success of business operation, ThaiBev undertakes to develop knowledge, capacity, and skills of its internal personnel by providing them with various trainings and seminars relevant to the business of ThaiBev, as well as management courses in order to enhance its employees' skill, expertise and knowledge in the business of ThaiBev. This will serve as the important base of quality service given to the customers of ThaiBev in the future.

9.7 Corporate Governance

The Board of Directors of ThaiBev has promoted and supported the compliance with the principles of good corporate governance in accordance with the Principles of Good Corporate Governance for Listed Companies of 2006 as prescribed by the SET. The principles of good corporate governance can be divided into five sections as follows:

Section 1 Rights of shareholders

ThaiBev has become aware of and accorded priority to the fundamental rights of the shareholders, by considering the shareholders as investors and owners of ThaiBev. The fundamental rights of the shareholders include receiving profit sharing from ThaiBev, receiving adequate information about ThaiBev, having other rights relating to participation in the shareholders meeting, expressing their opinion, making decisions on important matters of ThaiBev e.g. allocation of the dividend, appointment or removal of directors, appointment of the auditor, approval of important transactions which affect the progress of ThaiBev's business operation, and amendments to the memorandum and articles of association.

ThaiBev has the policy to facilitate the shareholders and arrange sufficient time for shareholders meetings. ThaiBev sends the notice to convene a shareholders meeting, including relevant information on each agenda item, to shareholders at least seven days prior to the meeting date (or such other days as required by the Office of the SEC and the SET). In the case that any shareholder cannot attend a shareholders meeting in person, ThaiBev allows such shareholder to appoint a proxy, either an independent director or any other person, to participate in the meeting on its behalf. The proxy can be appointed by using a proxy form prepared by ThaiBev attached to the notice convening the meeting.

The opinion of the directors will be provided for each agenda item for the shareholders to make a decision to participate and vote in the meeting. The Company treats all shareholders equally in expressing their opinion and raising questions in meetings. Relevant directors and management will participate in the meeting to provide responses to any inquiries and important inquiries will be recorded in the minutes of the meeting in order to be examined by the shareholders.

Not only does ThaiBev make various disclosures via the SGX-ST to communicate with the shareholders, Mr. Richard W. Jones, head of Investor Relations Unit, works closely with the top management of ThaiBev to ensure a timely disclosure. This unit arranges quarterly and annually briefings following the disclosure of interim and full year results, so that investors may question the management about financial, marketing or strategic issues. In each quarter, the unit regularly meets with investors to communicate about the policies and strategies of ThaiBev so that investors have a good understanding of ThaiBev. The Investor Relation Unit also provides timely and detailed information via its corporate website.

Section 2 Equality of shareholders

ThaiBev treats all shareholders equitably and also facilitates shareholders to participate in meetings, express their opinions and raise any questions on each agenda at the meeting, as well as allowing shareholders to receive complete, sufficient and timely information in support of their decision making. In voting, the shareholders have the right to vote on each proposed agenda item.

The meeting is conducted in accordance with the articles of association and follows the order as specified in the meeting agenda. At each meeting, the agenda of the meeting will be clearly specified with the relevant documents delivered to the shareholders. In any agenda item, especially an important matter, the shareholders will need time to study prior to making a decision, of which the shareholders have not been informed in advance, will not be discussed in a meeting. In the case that any shareholder cannot attend a shareholders meeting in person, ThaiBev allows such shareholder to

appoint a proxy, either an independent director or any other person, to participate in the meeting on its behalf. The proxy can be appointed by using a proxy form prepared by ThaiBev attached to the notice convening the meeting.

Section 3 Role of interested parties

ThaiBev has accorded priority to various groups of interested parties (e.g. employees and management of the Company), including external parties (e.g. trading parties, government entities and other relevant authorities). ThaiBev is aware that the support and feedback of interested parties will benefit ThaiBev's operations and the development of ThaiBev's business. For this purpose, ThaiBev complies with the provisions of relevant laws, rules and regulations to take good care of the rights of interested parties. In addition, ThaiBev, has promoted the cooperation between ThaiBev and groups of interested parties in order to secure the stability of the business in accordance with the following methods:

- | | | |
|-----------------------|---|--|
| Shareholders | : | ThaiBev is committed to operate its business to render attractive results of operation for stable growth and to generate the highest returns to the shareholders in the long term, as well as to disclose information to foster transparency and reliability. |
| Employees | : | ThaiBev has accorded priority to its employees by considering them as an valuable human resource of the organization, taking into account the suitability of personnel allocation that suits the nature of responsibility. ThaiBev will treat all employees fairly. ThaiBev is committed to support the potential of its human resources to bring the best benefit to ThaiBev. ThaiBev also encourages its employees to contribute to the organization culture, team work, good and safe atmosphere. |
| Competitors | : | ThaiBev treats its competitors in accordance with the rules of competition, with fairness, ethics and in compliance with the law. |
| Customers | : | ThaiBev is committed to satisfy and ensure its customers and the public that they consume quality products at an appropriate price. |
| Trading Party | : | ThaiBev will treat its trading parties equally and fairly and will use it effort to jointly seek a fair interest with all trading parties. |
| Community and Society | : | ThaiBev is aware of and concerned about the safety in the society, the environment, and the quality of life. ThaiBev also participates regularly in the activities of the community and society while strictly complies with laws and regulations. |

Section 4 Information disclosure and transparency

The Board of Directors of ThaiBev is responsible for the consolidated financial statement of ThaiBev and the financial information stated in the financial statements. Such financial statement is prepared in accordance with the Generally Accepted Accounting Principles (“GAAP”) by using appropriate policy, regular compliance and careful consideration, as well as sufficient disclosure of important information in the note to the financial statement in order to ensure the correctness, completion and adequacy of the record of financial information in order to maintain the assets, recognize problems (if any) and prevent ThaiBev from any misconduct or unusual adverse financial situation. In addition, the Board of Directors of ThaiBev has assigned the Audit Committee,

consisting of four independent directors, to be responsible for the quality of the financial report and the internal control system of ThaiBev.

The Board of Directors of ThaiBev values a sound internal control system. To safeguard shareholders' investments and assets of ThaiBev, the Board of Directors of ThaiBev has appointed the Executive Committee with each member overseeing different departments and business units to ensure the adequacy of financial, operational and compliance controls, including risk management policies. In support of the internal control system in respect of compliance matters, the Board of Directors of ThaiBev has also assigned the Office of the Corporate Secretarial to oversee compliance with the law and the regulations of the SGX-ST.

In addition, ThaiBev has established the Office of Internal Audit to assist the Board of Directors through the Audit Committee in promoting sound risk management and good corporate governance by assessing the adequacy and effectiveness of the internal controls for key businesses and operations in areas described in the audit plan. In this respect, the Audit Committee has appointed the head of the Office of Internal Audit as the secretary to the Audit Committee. Annual audit schedules ensure that the performance of internal audit is acceptable.

Section 5 Responsibility of the Board of Directors

1. Board of Directors' structure

The Board of Directors of ThaiBev, consisting of directors who have knowledge, competence and experience in the business, has the duty to set out policies, visions, strategies, goals, missions, business plans and budgets of ThaiBev, as well as to monitor the Executive Committee and the management team to effectively and efficiently manage the business of ThaiBev in accordance with the stipulated policies under the legal framework, objectives, the articles of association of the Company and the resolutions of the shareholders meeting. Such duties must be performed with loyalty and care under the principles of good corporate governance in order to achieve the best economic value for the business and stability for its shareholders. In addition, ThaiBev accords priority to its internal control system, the internal audit, risk evaluation and management as well as the review system in order to ensure the legal compliance and good governance of its operations for the greatest effectiveness and efficiency of ThaiBev.

The Board of Directors of ThaiBev consists of eight independent directors, who are fully qualified under the relevant regulations of the Capital Market Supervisory Board, the SEC, and the SET. These independent directors have the duty to check and balance the management of ThaiBev's business to ensure accuracy and fairness for the best interest of ThaiBev's shareholders.

2. Sub-committees

In addition to the Board of Directors, ThaiBev has other committees to improve the efficiency and flexibility of the management as follows:

1. Audit Committee
2. Executive Committee
3. Risk Management Committee
4. Nomination Committee
5. Remuneration Committee

In addition, ThaiBev has established a management committee, consisting of high-level executive in various departments, who will be responsible for the monitoring of such departments so that they can jointly manage the business of ThaiBev with more flexibility and efficiency.

In the future, the Board of Directors of ThaiBev may form other committees in order to manage the businesses of ThaiBev (See details of scope of duty and responsibility of each committee in Section 9.2.1 - Management structure of ThaiBev).

3. Roles, Duties and Responsibilities

The Board of Directors of ThaiBev oversees the business and affairs in accordance with shareholder approval and applicable laws. The Board of Directors must exercise good business judgment and act in good faith for the best interests of ThaiBev.

Business ethics

ThaiBev promotes and believes that thoughtful behavior is the guideline to conduct its business. The Board of Directors, executives and employees have joint obligations to perform their duties with honesty, under the laws and within their scope of responsibilities. Consequently, ThaiBev has introduced the Code of Business Ethics of ThaiBev as a guideline for the directors, executives and employees to comply with. In the case that any of those persons behave inappropriately, they will be subject to a disciplinary penalty.

Conflict of interests

ThaiBev has a policy of avoiding conflicts of interest by making decisions prudently, honestly, reasonably, independently and ethically for the best interest of ThaiBev, for transparency and to avoid the seeking of personal benefit. In addition, the engagement in any connected transactions shall be for the best interest of ThaiBev and shall comply with the rules and procedures of the SET. ThaiBev has policies and procedures prohibiting directors, executives and employees from using inside information for their own benefit or for that of others. In addition, any entry into any connected transactions or any transactions which may have conflicts of interest with a Subsidiary shall be reported to and considered for approval by the Audit Committee and the Board of Directors of ThaiBev, including the shareholders meeting (if applicable) in accordance with relevant laws and regulations.

4. The Board of Directors meeting

According to the articles of association of ThaiBev, the Board of Directors shall hold a meeting at least once every three months and additional special meetings as necessary. Notice will be given to directors at least seven days prior to the date of the meeting, unless it is necessary or urgent to preserve the rights or benefits of ThaiBev. At each meeting, the agenda of the meeting will be clearly specified with the relevant documents delivered to the directors in advance so that the directors will have enough time to study such information prior to the meeting. At the meeting, each director is able to openly discuss and express his or her opinion.

ThaiBev is committed to providing the Board of Directors with adequate, complete continuous and timely information before a Board of Directors meeting. The members of the Board of Directors have separate and independent access to the Company Secretary. The Company Secretary, in consultation and cooperation with the Office of Legal Affairs, is responsible for advising the Board of Directors, through the Chairman, on all governance matters. In this respect, ThaiBev has set up a Compliance Unit, having a Compliance Manager responsible for this unit under the supervision of the Company Secretary. This is to ensure compliance with legal and regulatory requirements. The Board of Directors approves the appointment and the removal of the Company Secretary.

5. Remuneration of directors and executives

ThaiBev has authorized the Remuneration Committee to determine the remuneration of directors and executives. However, the remuneration of directors is subject to approval of a shareholders meeting and must comply with the following requirements:

- The remuneration of the directors and executives must be at an appropriate level and attractive enough to maintain the qualified directors and executives.
- The remuneration of the directors and executives must be in line with the average market practice of the same business and operating results of the Company.
- The remuneration is appropriate to the duties and responsibilities of each director and executive.
- The consideration on the remuneration must be transparent.
- The policy and amount of remuneration of the directors and executives shall be disclosed pursuant to the requirements of the SEC.

6. Combination and separation of position

ThaiBev has clearly separated the duties of the Board of Directors, Executive Committee and Chief Executive Officer. In addition, ThaiBev has formed the Audit Committee which consists of four independent directors to oversee the management of ThaiBev. ThaiBev has clearly determined the scope of authorities, duties and responsibilities of the Executive Committee and Chief Executive Officer so as not to have unlimited power and to remain under the supervision of the Board of Director of ThaiBev.

ThaiBev gives priority to the internal control system at both management and staff levels. In this respect, ThaiBev has clearly specified the obligations, duties and authority of the operational officers and executives in writing. ThaiBev supervises the use of ThaiBev's properties for the benefit of ThaiBev. ThaiBev separates the duties of its operational officers while monitors and evaluates its officers in order to provide appropriate checks and balances. ThaiBev formed the Office of the Internal Audit to oversee the operations of ThaiBev. The Office of the Internal Audit also gives advice, checks, assesses and monitors the internal control system, risk management system, and business control. The Office of the Internal Audit reports the result of such internal audit directly to the Audit Committee.

7. Development on directors and executives

All directors of ThaiBev have passed the Directors Accreditation Program (DAP) of the Thai Institute of Directors. Some directors are also accredited with the Directors Certification Program (DCP) of the same institution. ThaiBev also encourages and supports directors to understand Singapore Laws and the Listing Manual applicable to ThaiBev through in-house trainings and information updating sessions.

All directors acknowledge a clear explanation of their roles and responsibilities at the time of their appointment to the Board of Directors.

In addition, ThaiBev complies with the Code of Corporate Governance of the SGX-ST.

9.8 Supervision of usage of inside information

ThaiBev has the policy and procedure to monitor its executives in relation to their usage of inside information for personal interests of ThaiBev and its Subsidiaries as follow:

1. Educate the executives of each department pertaining to their duties to prepare and disclose the report of securities holding and the report of changes in securities holding of ThaiBev to the SEC and SGX-ST, as the case may be, including the applicable penalty in case of breach according to the SEC Act, the regulations of the SET and the listing manual of SGX-ST.
2. Arrange for the executives of ThaiBev to prepare and disclose the report of securities holding and the report of changes in securities holding of ThaiBev to the SEC as set forth in Article 59 of the SEC Act and deliver copies to ThaiBev on the same day, as well as to report to SGX-ST as stipulated by SGX-ST.
3. The executives of ThaiBev and its Subsidiaries that have come to acknowledge material inside information, which may cause changes in securities' price, shall be cautious in trading of ThaiBev's securities. Within one month prior to the disclosure to public of financial statements or such inside information and within 24 hours thereafter. Such persons shall not disclose inside information to anyone until such information has been notified to the SET and/or SGX-ST. In case of penalty measure for any violation to the said regulations, ThaiBev deems as a disciplinary penalty according to the working rules of ThaiBev

The director of the Office of Corporate Secretarial shall be responsible for compliance supervision in order for ThaiBev and its Subsidiaries to comply with the securities and exchange laws and to prevent the unfair act in relation to trading of securities of ThaiBev.

10. Internal Control

According to the Board of Directors meeting of ThaiBev No. 10/2006 held on December 8, 2006 with the attendance of 4 audit committee members, the Board of Directors of ThaiBev assessed the internal control system according to the form prescribed by the SEC. The Board of Directors sought information from the management, the Office of the Internal Audit and relevant departments. Based on an assessment of Thai Beverage's five- aspect internal control system covering (i) organization and environment; (ii) risk management; (iii) operational control of management (iv) information technology and communications systems; and (v) monitoring system, the Board of Directors was of the opinion that such internal control system was adequate and appropriate. This assessment is made to ensure that the operation of ThaiBev will be in accordance with Good Corporate Governance Practice, transparency and fairness and can be audited according to a clear audit guideline. In this regard, the Audit Committee of ThaiBev does not have the different opinion from the Board of Directors meeting. However, the Audit Committee of ThaiBev urges the Board of Directors to strictly comply with Good Corporate Governance Practice in accordance with the SET and SEC regulations so that the operation of ThaiBev will be conducted with transparency and utmost efficiency. In addition, at the Audit Committee of ThaiBev's meeting No. 4/2008 held on October 16, 2008, the Audit Committee of ThaiBev assessed the adequacy of internal control system and was of the opinion that the internal control system of ThaiBev was adequate and appropriate.

In addition, with respect to the internal control of the Subsidiaries, ThaiBev has a team under the supervision of the Office of the Internal Audit which will assign officers from the Office of the Internal Audit to closely and continuously audit the operations of the Subsidiaries as well as constantly providing a report to the Audit Committee of ThaiBev. The Audit Committee of ThaiBev was of the opinion that the internal control of the Subsidiaries was adequate and appropriate. (please see details of the operation of the Subsidiaries in Section 9.3.2 – The Operation of the Subsidiaries).

11. Related Party Transactions

For the year ended December 31, 2007 and six-month period ended June 30, 2008, the Company has conducted its business with related parties and the details of such transactions can be found in the notes to the consolidated financial statements of the Company. The following table summarizes related party transactions (including the detailed discussion of such transaction if it is material)

11.1 Revenue

11.1.1 Revenue from Sales of Products and Services

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
1. Pisetkij Co.	Buying and selling factory remnants, such as glass remnants, scrap paper and other wastes	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Pisetkij Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Mr. Sithichai Chaikriangkrai) are directors of Pisetkij Co. 	21.78	9.93	The main transactions are Thai Beverage Recycle Co.'s sales of glass remnants, factory remnants and scrap paper to Pisetkij Co. Prices charged were consistent with market prices.
2. P.S. Recycle Co.	Buying and selling used materials, such as glass bottles, scrap papers and other wastes	<ul style="list-style-type: none"> A brother of a director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) has a control over the business of P.S. Recycle Co.⁽¹⁾ 	100.53	45.08	Thai Beverage Recycle Co. sold paper boxes to P.S. Recycle Co. Prices charged were consistent with market prices that Thai Beverage Recycle Co. sold to other non-related parties.

⁽¹⁾ Not a person who may have a conflict of interest with ThaiBev according to SEC's definition.

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
3. Oishi Trading Co. ⁽²⁾	Manufacturing and selling beverages	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Oishi Trading Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi, Mr. Sithichai Chaikriangkrai, Mr. Narong Srisa-an, Dr. Pisanu Vichiensanth and Mr. Ueychai Tantha-Obhas) are directors of Oishi Trading Co. 	17.42	9.70	The main transactions are Pan International Co.'s sales of raw material to Oishi Trading Co. Prices charged were consistent with market prices
4. TCC Hotel Collection Co. ⁽³⁾	Hotel & restaurant	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in TCC Hotel Collection Co. Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi and Ms. Wallapa Traisorat) are directors of TCC Hotel Collection Co. 	3.51	1.76	The main transactions are Pomthip Co., Pomkung Co. and other Subsidiaries' sales of beverages to TCC Hotel Collection Co. Prices charged were consistent with market prices.

⁽²⁾ Oishi Trading Co., Ltd. is a subsidiary of Oishi Group Plc. Currently, ThaiBev is making a tender offer to buy all securities of Oishi Group Plc.

⁽³⁾ TCC Hotel Collection Co. changed its name from Queen's Park Hotel Group Co. on December 29, 2006

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
5. The Southeast Insurance Co. ⁽⁴⁾	Non-life insurance	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Southeast Insurance Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Ms. Atinant Bijananda) are directors of The Southeast Insurance Co. 	2.21	0.01	The main transactions are the service fees that The Southeast Insurance Co. engaged Dhospaak Co. to do public relation activities.
6. Plaza Athenee Hotel (Thailand) Co.	Hotel & restaurant	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in Plaza Athenee Hotel (Thailand) Co. Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi and Ms. Wallapa Traisorat) are directors of Plaza Athenee Hotel (Thailand) Co. 	1.20	0.67	Pomthip Co. and other Subsidiaries sold beverages to Plaza Athenee Hotel (Thailand) Co. Prices charged were consistent with market prices.

⁽⁴⁾ The Southeast Insurance Co. changed its name from The Southeast Insurance (2000) Co. on September 1, 2008

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
7. The Chonburi Sugar Co.	Manufacturing and selling processed sugar, raw sugar and molasses	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Chonburi Sugar Co. A director and shareholder of ThaiBev (Mr. Panote Sirivadhanabhakdi) is a director of The Chonburi Sugar Co. 	3.42	0.02	Pan International Co. sold raw material and factory material to The Chonburi Sugar Co. whereby prices charged were consistent with market prices and Dhanasindhi Co. rendered construction services to The Chonburi Sugar Co. whereby prices charged were consistent with market rates.
8. Others			7.61	12.93	
		Total	157.68	80.10	

11.1.2 Other Revenue

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
1. Pisetkij Co.	Buying and selling factory remnants, such as glass remnants, scrap paper and other wastes	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Pisetkij Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Mr. Sithichai Chaikriangkrai) are directors of Pisetkij Co. 	11.37	4.77	BeerThai Plc., BeerThip Co., Cosmos Co., Red Bull Co. and other Subsidiaries sold glass remnants, factory remnants, scrap paper and other materials to Pisetkij Co. Prices charged were consistent with market prices.
2. TCC Hotel Collection Co.	Hotel & restaurant	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in TCC Hotel Collection Co. Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi and Ms. Wallapa Traisorat) are directors of TCC Hotel Collection Co. 	63.91 ⁽⁵⁾	-	ThaiBev sold land, building and construction in progress of ThaiBev Tower Project to TCC Hotel Collection Co. The selling price of the asset was appraised by Thai Appraisal Lynn Phillips Co. on September 6, 2006. ThaiBev recorded gain on sale of this asset amounting to Baht 131.86 million before deducting other related expenses. Net profit from sale of the asset was Baht 63.91 million.

⁽⁵⁾ See details of the Sales of Assets in 11.5

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
3. Liquorland Limited	Holding license to sell alcoholic beverage	<ul style="list-style-type: none"> ThaiBev indirectly holds shares of Liquorland Limited through International Beverage Holdings (UK) Limited⁽⁶⁾ 	22.07	-	International Beverage Holdings (UK) Ltd. received dividends from Liquorland Limited.
4. The Southeast Insurance Co.	Non-life insurance	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Southeast Insurance Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Ms. Atinant Bijananda) are directors of The Southeast Insurance Co. 	1.57	0.39	The main transactions are Sangsom Co. and other Subsidiaries recognize gain from insurance reimbursement from The Southeast Insurance Co.
5. Others			4.95	1.2	
		Total	103.87	6.36	

⁽⁶⁾ International Beverage Holdings (UK) Limited changed its name from Pacific Spirits (UK) Limited on December 2, 2007

11.2 Expenses

11.2.1 Cost of Raw Materials, Direct Labor and Manufacturing Overhead

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
1. P.S. Recycle Co.	Buying and selling used materials, such as glass bottles, scrap papers and other wastes	<ul style="list-style-type: none"> A brother of a director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) has a control over the business of P.S. Recycle Co.⁽⁷⁾ 	1,185.08	538.40	The main transactions are Thai Beverage Recycle Co.'s purchases of glass bottles from P.S. Recycle Co. Prices charged were consistent with market prices that Thai Beverage Recycle Co. purchased from other non-related parties.
2. Thai Beverage Can Co.	Manufacturing beverage cans and aluminum covers	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Thai Beverage Can Co. Some of the directors and/or shareholders of ThaiBev (Mr. Narong Srisa-an and Mr. Sithichai Chaikriangkrai) are directors of Thai Beverage Can Co. 	1,211.76	555.20	BeerThai Plc., BeerThip Co. and Cosmos Co. purchased aluminium cans, to be used as beer containers, from Thai Beverage Can Co. Prices charged were consistent with market prices that BeerThai Plc., BeerThip Co. and Cosmos Co. purchased from other non-related parties.

⁽⁷⁾ Not a person who may have a conflict of interest with ThaiBev according to SEC's definition

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
3. Berli Jucker Plc.	<ul style="list-style-type: none"> Manufacturing, wholesaling and retailing packaging and consumer products Importing and distributing technical & industrial, construction & engineering and IT products and logistics 	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in Berli Jucker Plc. Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi, Mr. Thapana Sirivadhanabhakdi, Mr. Panote Sirivadhanabhakdi, Mr. Staporn Kavitanon, Mr. Sithichai Chaikriangkrai, Ms. Thapanee Techajareonvikul and Ms. Atinant Bijananda) are directors of Berli Jucker Plc. 	2,247.08	1,425.26	The main transactions are Thai Beverage Recycle Co.'s purchases of glass bottles from Berli Jucker Plc. according to the agreement between Thai Beverage Recycle Co. and Berli Jucker Plc. (please see Section 2.13 – Other Relevant Information). Prices charged were consistent with market prices that Thai Beverage Recycle Co. purchased from other non-related parties.
4. Dr. Pisanu Vichiensanth	Beer production expert	<ul style="list-style-type: none"> A director of ThaiBev 	2.36	1.21	Beer Chang Co. paid wage and compensation to the beer production expert as stated in the long-term employment agreement (please see Section 2.13 – Other Relevant Information)

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
5. The Suphanburi Sugar Industry Co.	Manufacturing and selling sugar, raw sugar and molasses	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Suphanburi Sugar Industry Co. A director and shareholder of ThaiBev (Mr. Panote Sirivadhanabhakdi) is a director of The Suphanburi Sugar Industry Co. 	53.60	31.45	The main transactions are Thai Molasses Co.'s purchases of molasses from The Suphanburi Sugar Industry Co. Prices charged were consistent with market prices that Thai Molasses Co. purchased from other non-related parties.
6. The Chonburi Sugar Co.	Manufacturing and selling sugar, raw sugar and molasses	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Chonburi Sugar Co. A director and shareholder of ThaiBev (Mr. Panote Sirivadhanabhakdi) is a director of The Chonburi Sugar Co. 	31.29	-(⁸)	Thai Molasses Co. purchased molasses from The Chonburi Sugar Co. whereby Prices charged were consistent with market prices that Thai Molasses Co. purchased from other non-related parties.
7. The Utaradit Sugar Industry Co.	Manufacturing and selling sugar, raw sugar and molasses	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Utaradit Sugar Industry Co. A director and shareholder of ThaiBev (Mr. Panote Sirivadhanabhakdi) is a 	29.22	14.84	The main transactions are Thai Molasses Co.'s purchases of molasses from The Utaradit Sugar Industry Co. Prices charged were consistent with market prices that

⁽⁸⁾ Thai Molasses Co. had no transaction with The Chonburi Sugar Co. in the first half of 2008 because The Chonburi Sugar Co.'s factory has been temporarily closed for maintenance

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
		director of The Utaradit Sugar Industry Co.			Thai Molasses Co. purchased from other non-related parties.
8. The Maewang Sugar Industry Co.	Manufacturing and selling sugar, raw sugar and molasses	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Maewang Sugar Industry Co. A director and shareholder of ThaiBev (Mr. Panote Sirivadhanabhakdi) is a director of The Maewang Sugar Industry Co. 	21.59	8.68	Thai Molasses Co. purchased molasses from The Maewang Sugar Industry Co. Prices charged were consistent with market prices that Thai Molasses Co. purchased from other non-related parties.
9. Dhipaya Sugar (1999) Co.	Selling sugar	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Dhipaya Sugar (1999) Co. 	15.60	13.23	The main transactions are United Winery Co. and other Subsidiaries' purchases of sugar to be used in the production process. Prices charged were consistent with market prices.

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
10. TCC Hotel Collection Co.	Hotel & restaurant	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in TCC Hotel Collection Co. Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi and Ms. Wallapa Traisorat) are directors of TCC Hotel Collection Co. 	2.88	0.38 ⁽⁹⁾	Thai Beverage Marketing Co., Dhospaak Co. and other Subsidiaries paid TCC Hotel Collection Co. for organizing receptions at market prices with terms and conditions in line with other customers'.
11. Southeast Capital Co.	Car rental and logistic services	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Southeast Capital Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Ms. Atinant Bijananda) are directors of Southeast Capital Co. 	7.61	5.07 ⁽¹⁰⁾	The Subsidiaries rented cars from Southeast Capital Co. to be used in their operations. Rental fees were in line with market rates.
12. T.C.C. Technology Co.	IT consultant and system developer	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in T.C.C. Technology Co. Some of the directors and/or shareholders of ThaiBev (Mr. Staporn Kavitanon, Mr. 	30.92	3.12 ⁽¹¹⁾	BeerThai Plc., BeerThip Co., Cosmos Co. and other Subsidiaries hired T.C.C. Technology Co. as an IT consultant and system developer. The service fees paid by

⁽⁹⁾ See Other Expenses in 11.2.3

⁽¹⁰⁾ See Other Expenses in 11.2.3

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
13. The Southeast Insurance Co.	Non-life insurance	<p>Thapana Sirivadhanabhakdi, Mr. Panote Sirivadhanabhakdi and Ms. Atinant Bijananda) are directors of T.C.C. Technology Co.</p> <ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Southeast Insurance Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Ms. Atinant Bijananda) are directors of The Southeast Insurance Co. 	111.02	62.48 ⁽¹²⁾	<p>BeerThai Plc., BeerThip Co., Cosmos Co. and other Subsidiaries were in line with market rates.</p> <p>The Subsidiaries paid insurance premiums to The Southeast Insurance Co. The premiums were consistent with market rates.</p>
14. Dynamic Assets Property and Loan Fund	Property fund	<ul style="list-style-type: none"> Mr. Charoen Sirivadhanabhakdi, Khunying Wanna Sirivadhanabhakdi and their daughters indirectly hold major investment units of Dynamic Assets Property and Loan Fund⁽¹³⁾ 	44.88 ⁽¹⁴⁾	-	<p>Thai Beverage Recycle Co. paid rental fees to Dynamic Assets Property and Loan Fund for the land rented for sub-leasing to other non-related parties. The rental fees were in line with market rates.</p>
15. New Noble	Property fund	<ul style="list-style-type: none"> Mr. Charoen Sirivadhanabhakdi, 	14.07	6.83	<p>Red Bull Co. paid rental</p>

⁽¹¹⁾ See Other Expenses in 11.2.3

⁽¹²⁾ See Other Expenses in 11.2.3

⁽¹³⁾ Not a person who may have a conflict of interest with ThaiBev according to SEC's definition

⁽¹⁴⁾ See Other Expenses in 11.2.3

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
Property and Loan Fund		Khunying Wanna Sirivadhanabhakdi and their daughters indirectly hold major investment units of New Noble Property and Loan Fund ⁽¹⁵⁾			fees to New Noble Property and Loan Fund for the land rented for factory's waste management and Thai Beverage Recycle Co. paid rental fees to New Noble Property and Loan Fund for the land and warehouse rented to store bottles. The rental fees were in line with market rates.
16. North Park Golf and Sports Club Co.	Sports club	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in North Park Golf and Sports Club Co. Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi, Mr. Sithichai Chaikriangkrai, Ms. Thapanee Techajareonvikul and Ms. Wallapa Traisorat) are directors of North Park Golf and Sports Club Co. 	0.64	2.37 ⁽¹⁶⁾	Thai Beverage Marketing Co. paid North Park Golf and Sports Club Co. for organizing receptions at market prices with terms and conditions in line with other customers'.

⁽¹⁵⁾ Not a person who may have a conflict of interest with ThaiBev according to SEC's definition

⁽¹⁶⁾ See Other Expenses in 11.2.3

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
17. Siam Food Products Plc.	Manufacturing and selling canned fruits concentrated pineapple juice	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Siam Food Products Plc. Some of the directors and/or shareholders of ThaiBev (Mr. Staporn Kavitanon, Mr. Thapana Sirivadhanabhakdi, Mr. Panote Sirivadhanabhakdi, Mr. Sithichai Chaikriangkrai and Ms. Thapanee Techajareonvikul) are directors of Siam Food Products Plc. 	14.98	6.29	United Winery Co. purchased pineapple juice from Siam Food Products Plc. to be used as raw material. Prices charged were consistent with market prices that United Winery Co. purchased from other non-related parties.
18. Others			26.95	8.75	
		Total	5,051.53	2,683.56	

11.2.2 Interest Expenses

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
1. Great Oriole Limited	Holding company and lending business	<ul style="list-style-type: none"> A director and shareholder of ThaiBev (Mr. Thapana Sirivadhanabhakdi) indirectly holds major shares in Great Oriole Limited 	65.93	-	Great Oriole Limited lent to International Beverage Holding (UK) Ltd. In 2007, International Beverage Holdings (UK) Ltd. repaid the principal together with accrued interests to Great Oriole Limited.
2. Others			0.31	0.14	
		Total	66.24	0.14	

11.2.3 Other Expenses

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
1. Southeast Capital Co.	Car rental and logistic services	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Southeast Capital Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Ms. Atinant Bijananda) are directors of Southeast Capital Co. 	109.63	53.52 ⁽¹⁷⁾	The main transactions are the Company's car rental fees paid to Southeast Capital Co. for the cars used in operations. The rental fees were in line with market rates.
2. T.C.C. Technology Co.	IT consultant and system developer	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in T.C.C. Technology Co. Some of the directors and/or shareholders of ThaiBev (Mr. Staporn Kavitanon, Mr. Thapana Sirivadhanabhakdi, Mr. Panote Sirivadhanabhakdi and Ms. Atinant Bijananda) are directors of T.C.C. Technology Co. 	44.97	31.70 ⁽¹⁸⁾	The Company hired T.C.C. Technology Co. as an IT consultant and system developer. The service fees paid by the Company were in line with market rates.
3. Plaza Athenee Hotel (Thailand) Co.	Hotel & restaurant	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in Plaza 	30.71	23.26	The Company paid Plaza Athenee Hotel (Thailand) Co. for organizing receptions at market prices

⁽¹⁷⁾ See Cost of Raw Materials, Direct Labor and Manufacturing Overhead in 11.2.1

⁽¹⁸⁾ See Cost of Raw Materials, Direct Labor and Manufacturing Overhead in 11.2.1

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
		Athenee Hotel (Thailand) Co.			with terms and conditions in line with other customers'.
4. North Park Golf and Sports Club Co.	Sports club	<ul style="list-style-type: none"> Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi and Ms. Wallapa Traisorat) are directors of Plaza Athenee Hotel (Thailand) Co. A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in North Park Golf and Sports Club Co. Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi, Mr. Sithichai Chaikriangkrai, Ms. Thapanee Techajareonvikul and Ms. Wallapa Traisorat) are directors of North Park Golf and Sports Club Co. 	10.58	6.10 ⁽¹⁹⁾	The Company paid North Park Golf and Sports Club Co. for organizing receptions at market prices with terms and conditions in line with other customers'.
5. The Southeast Insurance Co.	Non-life insurance	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Southeast Insurance Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Ms. Atinant Bijananda) are directors of The Southeast Insurance Co. 	30.66	16.50 ⁽²⁰⁾	The Company paid insurance premiums to The Southeast Insurance Co. The premiums were consistent with the market rates with terms and conditions in line with other customers'.

⁽¹⁹⁾ See Cost of Raw Materials, Direct Labor and Manufacturing Overhead in 11.2.1

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
6. TCC Hotel Collection Co.	Hotel & restaurant	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in TCC Hotel Collection Co. Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi and Ms. Wallapa Traisorat) are directors of TCC Hotel Collection Co. 	25.25	8.79 ⁽²¹⁾	The Company paid TCC Hotel Collection Co. for organizing receptions at market prices with terms and conditions in line with other customers'.
7. Dynamic Assets Property and Loan Fund	Property fund	<ul style="list-style-type: none"> Mr. Charoen Sirivadhanabhakdi, Khunying Wanna Sirivadhanabhakdi and their daughters indirectly hold major investment units of Dynamic Assets Property and Loan Fund 	4.14	2.29 ⁽²²⁾	Thai Beverage Recycle Co. paid rental fee to Dynamic Assets Property and Loan Fund for the land and warehouse rented to store bottles, Surathip Co. paid rental fee to Dynamic Assets Property and Loan Fund for the land and warehouse rented to store spirits and Namyuk Co. paid rental fee to Dynamic Assets Property and Loan Fund for the land and building rented to be used as office spaces. The rental fees were in line with market rates.

⁽²⁰⁾ See Cost of Raw Materials, Direct Labor and Manufacturing Overhead in 11.2.1

⁽²¹⁾ See Cost of Raw Materials, Direct Labor and Manufacturing Overhead in 11.2.1

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
8. T.C.C. International Limited	Holding company and lending	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in T.C.C. International Limited 	3.40	10.83	IBHL paid consulting fee through T.C.C. International Limited for its international investment activities. This transaction was only one-off.
9. Best Fortune Property and Loan Fund	Property fund	<ul style="list-style-type: none"> Mr. Charoen Sirivadhanabhakdi, Khunying Wanna Sirivadhanabhakdi and their daughters indirectly hold major investment units of Best Fortune Property and Loan Fund 	-	15.45	Sangsom Co., Kankwan Co. and Luckchai Liquor Trading Co. paid office rental fees to Best Fortune Property and Loan Fund. The rental fees were in line with market rates.
10. Others			36.72	24.58	
		Total	296.06	193.02	

⁽²²⁾ See Cost of Raw Materials, Direct Labor and Manufacturing Overhead in 11.2.1

11.3 Accounts Receivable

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
1. Pisetkij Co.	Buying and selling factory remnants, such as glass remnants, scrap paper and other wastes	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Pisetkij Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Mr. Sithichai Chaikriangkrai) are directors of Pisetkij Co. 	2.57	3.44	The main transactions are accounts receivable arising from Thai Beverage Recycle Co. sold factory remnants, such as glass remnants, scrap paper and other wastes to Pisetkij Co. Terms of payment were in line with market practice.
2. P.S. Recycle Co.	Buying and selling used materials, such as glass bottles, scrap papers and other wastes	<ul style="list-style-type: none"> A brother of a director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) has a control over the business of P.S. Recycle Co.⁽²³⁾ 	3.26	4.32	Accounts receivable arising from Thai Beverage Recycle Co. sold paper boxes to P.S. Recycle Co. Terms of payment were in line with market practice.

⁽²³⁾ Not a person who may have a conflict of interest with ThaiBev according to SEC's definition

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
3. Oishi Trading Co.	Manufacturing and selling beverages	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Oishi Trading Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi, Mr. Sithichai Chaikriangkrai, Mr. Narong Srisa-an, Dr. Pisanu Vichiensanth and Mr. Ueychai Tantha-Obhas) are directors of Oishi Trading Co. 	3.92	3.40	The main transactions are accounts receivable arising from Pan International Co. sold raw materials to Oishi Trading Co. Terms of payment were in line with market practice.
4. The Southeast Insurance Co.	Non-life insurance	<ul style="list-style-type: none"> The director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Southeast Insurance Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Ms. Atinant Bijananda) are directors of The Southeast Insurance Co. 	2.32	-	The main transactions are accounts receivable arising from The Southeast Insurance Co.'s engaging Dhospaak Co. to do public relation activities. Terms of payment were in line with market practice.
5. Others			2.39	4.08	
		Total	14.46	15.24	

11.4 Accounts Payable

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
1. Berli Jucker Plc.	<ul style="list-style-type: none"> Manufacturing, wholesaling and retailing packaging and consumer products Importing and distributing technical & industrial, construction & engineering and IT products and logistics 	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in Berli Jucker Plc. Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi, Mr. Thapana Sirivadhanabhakdi, Mr. Panote Sirivadhanabhakdi, Mr. Staporn Kavitanon, Mr. Sithichai Chaikriangkrai, Ms. Thapanee Techajareonvikul and Ms. Atinant Bijananda) are directors of Berli Jucker Plc. 	471.29	554.20	The main transactions are accounts payable arising from Thai Beverage Recycle Co. bought used bottles from Berli Jucker Plc. according to the agreement between Thai Beverage Recycle Co. and Berli Jucker Plc. (please see Section 2.13 – Other Relevant Information). Terms of payment were in line with market practice.
2. Thai Beverage Can Co.	Manufacturing beverage cans and aluminum covers	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Thai Beverage Can Co. Some of the directors and/or shareholders of ThaiBev (Mr. Narong Srisa-an and Mr. Sithichai Chaikriangkrai) are directors of Thai Beverage Can Co. 	138.94	102.80	Accounts receivable arising from BeerThai Plc., BeerThip Co. and Cosmos Co. bought aluminum cans from Thai Beverage Can Co. Terms of payment were in line with market practice.

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
3. Pisetkij Co.	Buying and selling factory remnants, such as glass remnants, scrap paper and other wastes	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Pisetkij Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Mr. Sithichai Chaikriangkrai) are directors of Pisetkij Co. 	9.82	-	BeerThai Plc. bought beer cartons from Hiang Seng Fibre Container Co. while Hiang Seng Fibre Container Co. bought scrap paper from Pisetkij Co. As a result, in order to reduce repetitive work, Hiang Seng Fibre Container Co. partially transferred the right to collect the accounts receivable to Pisetkij Co.
4. P.S. Recycle Co.	Buying and selling used materials, such as glass bottles, scrap papers and other wastes	<ul style="list-style-type: none"> A brother of a director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) has a control over the business of P.S. Recycle Co.⁽²⁴⁾ 	45.98	35.06	The main transactions are accounts payable arising from Thai Beverage Recycle Co. bought glass bottles from P.S. Recycle Co. Terms of payment were in line with market practice.
5. The Maewang Sugar Industry Co.	Manufacturing and selling sugar, raw sugar and molasses	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Maewang Sugar Industry Co. A director and shareholder of ThaiBev (Mr. Panote 	-	3.40	Accounts payable arising from Thai Molasses Co. bought molasses from The Maewang Sugar Industry Co. Terms of payment were in line with market practice.

⁽²⁴⁾ Not a person who may have a conflict of interest with ThaiBev according to SEC's definition

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
6. The Utaradit Sugar Industry Co.	Manufacturing and selling sugar, raw sugar and molasses	<p>Sirivadhanabhakdi) is a director of The Maewang Sugar Industry Co.</p> <ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Utaradit Sugar Industry Co. A director and shareholder of ThaiBev (Mr. Panote Sirivadhanabhakdi) is a director of The Utaradit Sugar Industry Co. 	-	2.13	Accounts payable arising from Thai Molasses Co. bought molasses from Utaradit Sugar Industry Co. Terms of payment were in line with market practice.
7. Dhipaya Sugar (1999) Co.	Selling sugar	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Dhipaya Sugar (1999) Co. 	3.26	9.21	Accounts payable arising from United Winery Co. bought sugar for its production process. Terms of payment were in line with market practice.
8. Siam Food Products Plc.	Manufacturing and selling canned fruits and concentrated pineapple juice	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Siam Food Products Plc. Some of the directors and/or shareholders of ThaiBev (Mr. Staporn Kavitanon, Mr. Thapana Sirivadhanabhakdi, Mr. Panote Sirivadhanabhakdi, Mr. Sithichai Chaikriangkrai and Ms. Thapanee Techajareonvikul) are directors of Siam Food Products Plc. 	-	3.31	Accounts payable arising from United Winery Co. bought pineapple juice from Siam Food Products Plc. to be used as raw material. Terms of payment were in line with market practice.

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
9. Others			10.26	1.62	
		Total	679.55	711.73	

11.5 Sales of Assets

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
1. TCC Hotel Collection Co.	Hotel & restaurant	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in TCC Hotel Collection Co. Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi and Ms. Wallapa Traisorat) are directors of TCC Hotel Collection Co. 	819.00 ⁽²⁵⁾	-	ThaiBev sold land, building and construction in progress of ThaiBev Tower Project to TCC Hotel Collection Co. The selling price of the asset was appraised by Thai Appraisal Lynn Phillips Co. on September 6, 2007. ThaiBev recorded gain from sale of this asset amounting to Baht 131.86 million before deducting other related expenses. Net profit from sale of the asset was Baht 63.91 million.
2. Others			0.02	4.50	
		Total	819.02	4.50	

⁽²⁵⁾ See Other Revenue in 11.1.2

11.6 Purchases of Assets

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
1. Siam Realty Co.	Real estate	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Siam Realty Co. Some of the directors and/or shareholders of ThaiBev (Ms. Thapanee Techajareonvikul and Ms. Wallapa Traisorat) are directors of Siam Realty Co. 	30.81	-	Num Yuk Co. bought land and building from Siam Realty Co. for office space.
2. Others			1.6	0.62	
Total			32.41	0.62	

11.7 Short-Term Loans to and Amounts Due from Related Parties

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
1. The Suphanburi Sugar Industry Co.	Manufacturing and selling sugar, raw sugar and molasses	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Suphanburi Sugar Industry Co. A director and shareholder of ThaiBev (Mr. Panote Sirivadhanabhakdi) is a director of The Suphanburi Sugar Industry Co. 	-	3.44	Thai Molasses Co. made deposit payments to The Suphanburi Sugar Industry Co. to secure its purchases of molasses.
2. Dynamic Assets Property and Loan Fund	Property fund	<ul style="list-style-type: none"> Mr. Charoen Sirivadhanabhakdi, Khunying Wanna Sirivadhanabhakdi and their daughters indirectly hold major investment units of Dynamic Assets Property and Loan Fund 	1.01	1.02	Thai Beverage Recycle Co. and Surathip Co. paid rentals in advance to Dynamic Assets Property and Loan Fund for land and warehouse.
3. The Utaradit Sugar Industry Co.	Manufacturing and selling sugar, raw sugar and molasses	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Utaradit Sugar Industry Co. A director and shareholder of ThaiBev (Mr. Panote Sirivadhanabhakdi) is a director of The Utaradit Sugar Industry Co. 	-	1.99	Thai Molasses Co. made deposit payments to the Utaradit Sugar Industry Co. to secure its purchases of molasses.
4. The Maewang Sugar Industry Co.	Manufacturing and selling sugar, raw sugar and molasses	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Maewang Sugar 	-	3.18	Thai Molasses Co. made deposit payments to the Maewang Sugar Industry Co. to secure its purchases

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
		Industry Co.			of molasses.
5. Pisetkij Co.	Buying and selling factory remnants, such as glass remnants, scrap paper and other wastes	<ul style="list-style-type: none"> A director and shareholder of ThaiBev (Mr. Panote Sirivadhanabhakdi) is a director of The Maewang Sugar Industry Co. A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Pisetkij Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Mr. Sithichai Chaikriangkrai) are directors of Pisetkij Co. 	2.23	2.07	Pisetkij Co. owed Subsidiaries payments for its purchase of glass remnants, scrap paper and other wastes.
6. T.C.C. Technology Co.	IT consultant and system developer	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in T.C.C. Technology Co. Some of the directors and/or shareholders of ThaiBev (Mr. Staporn Kavitanon, Mr. Thapana Sirivadhanabhakdi, Mr. Panote Sirivadhanabhakdi and Ms. Atinant Bijananda) are directors of T.C.C. Technology Co. 	-	8.23	ThaiBev paid IT consulting and system development fees in advance.
7. North Park Golf and Sports Club Co.	Sports club	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in North Park Golf and Sports Club Co. 	0.10	5.61	ThaiBev and Simathurakij Co. paid the insurance premium against any, in advance, five – year damage on behalf of their

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
		<ul style="list-style-type: none"> Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi, Mr. Sithichai Chaikriangkrai, Ms. Thapanee Techajareonvikul and Ms. Wallapa Traisorat) are directors of North Park Golf and Sports Club Co. 			managements who are members of golf course and sports club.
8. North Park Real Estate Co.	Rental of movable and immovable assets, such as golf course and sports club with restaurant selling food & drinks	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in North Park Real Estate Co. Some of the directors and/or shareholders of ThaiBev (Mr. Sithichai Chaikriangkrai, Mr. Chukiet Tangpongprush and Ms. Wallapa Traisorat) are directors of North Park Real Estate Co. 	-	22.15	Subsidiaries paid, in advance, the insurance premium against any five – year damage on behalf of their managements who are members of golf course and sports club.
9. Best Fortune Property and Loan Fund	Property fund	<ul style="list-style-type: none"> Mr. Charoen Sirivadhanabhakdi, Khunying Wanna Sirivadhanabhakdi and their daughters indirectly hold major investment units of Best Fortune Property and Loan Fund 	-	8.56	Sangsom Co., Kankwan Co. and Luckchai Liquor Trading Co. paid rental in advance to Best Fortune Property and Loan Fund for office building.
10. New Noble Property and Loan Fund	Property fund	<ul style="list-style-type: none"> Mr. Charoen Sirivadhanabhakdi, Khunying Wanna Sirivadhanabhakdi and their daughters indirectly hold major investment units of New Noble Property and Loan Fund 	-	3.94	Red Bull Co. and other Subsidiaries paid rental in advance to New Noble Property and Loan Fund for land.
11.		<ul style="list-style-type: none"> 			

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
12. Others			2.20	6.35	
		Total	5.54	66.54	

11.8 Short-term Loans from and Amounts Due to Related Parties

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
1. Southeast Capital Co.	Car rental and logistic services	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in Southeast Capital Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi Ms. Atinant Bijananda) are directors of Southeast Capital Co. 	13.96	15.80	The Company owed rental fees for vehicles used in its business operations. Terms of payment were in line with market practice.
2. T.C.C. Technology Co.	IT consultant and system developer	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in T.C.C. Technology Co. Some of the directors and/or shareholders of ThaiBev (Mr. Staporn Kavitanon, Mr. Thapana Sirivadhanabhakdi, Mr. Panote Sirivadhanabhakdi and Ms. Atinant Bijananda) are directors of T.C.C. 	10.60	11.07	The Company owed T.C.C. Technology Co. for IT consulting and system development fees. Terms of payment were in line with market practice.

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
		Technology Co.			
3. Plaza Athenee Hotel (Thailand) Co.	Hotel & restaurant	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in Plaza Athenee Hotel (Thailand) Co. Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi and Ms. Wallapa Traisorat) are directors of Plaza Athenee Hotel (Thailand) Co. 	9.76	16.81	The Company owed Plaza Athenee Hotel (Thailand) Co. fees related to organizing receptions. Terms of payment were in line with market practice.
4. The Southeast Insurance Co.	Non-life insurance	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) indirectly holds major shares in The Southeast Insurance Co. Some of the directors and/or shareholders of ThaiBev (Mr. Thapana Sirivadhanabhakdi and Ms. Atinant Bijananda) are directors of The Southeast Insurance Co. 	19.47	122.10	The Company owed insurance premium. Terms of payment were in line with market practice.
5. North Park Golf and Sports Club Co.	Sports club	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in North Park Golf and Sports Club Co. Some of the directors and/or shareholders of ThaiBev (Khunying 	0.74	2.36	The Company owed North Park Golf and Sports Club Co. fees related to organizing receptions. Terms of payment were in line with market practice.

Related Parties	Description of Business	Nature of Relationship with ThaiBev	Transaction Value (in millions of Baht)		Details of the Transactions
			Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008	
		<p>Wanna Sirivadhanabhakdi, Mr. Sithichai Chaikriangkrai, Ms. Thapanee Techajareonvikul and Ms. Wallapa Traisorat) are directors of North Park Golf and Sports Club Co.</p>			
6. TCC Hotel Collection Co.	Hotel & restaurant	<ul style="list-style-type: none"> A director and major shareholder of ThaiBev (Mr. Charoen Sirivadhanabhakdi) is a director and indirectly holds major shares in TCC Hotel Collection Co. Some of the directors and/or shareholders of ThaiBev (Khunying Wanna Sirivadhanabhakdi and Ms. Wallapa Traisorat) are directors of TCC Hotel Collection Co. 	10.55	5.01	The Company owed TCC Hotel Collection fees related to organizing receptions. Terms of payment were in line with market practice.
7. Others			4.33	5.26	
		Total	69.41	178.41	

11.9 Audit Committee's Opinion on Related Party Transactions

The Audit Committee evaluated and expressed its opinion on the above related party transactions to ensure that such transactions were carried out in good faith and for the best interest of the Company. Moreover, the Audit committee will ensure that all terms and conditions of such transactions are in line with normal business practice and there was no potential conflict of interest between the Company and any related parties.

11.10 Review Procedure on Related Party Transactions

In the event that the Company carries out its business with the related party who may have a conflict of interest with the Company, the Audit Committee will express its opinion regarding the necessity of such transactions. The Audit Committee will ensure that terms and conditions of these transactions are consistent with market practice and prices charged for these transactions are evaluated and compared with market prices. In the event that market price is not available, the Audit Committee must ensure that these prices are reasonable and the transactions are carried out for the best interest of the Company and its shareholders. If the Audit Committee is unable to evaluate related party transactions due to lack of expertise in certain areas, the Company will arrange an independent expert to evaluate and give opinion on such transactions. The Board of Directors or Audit Committee or the Company shareholders, as the case may be, will use this opinion from the independent expert as a supplement to form their own conclusion. Those directors who may have conflict of interests with the Company are prohibited from voting on issues regarding related parties transactions. In addition, related party transactions will be disclosed in the notes to the Company's audited or reviewed financial statements. For flexibility, the shareholders have approved, by the Annual General Meeting held on April 28, 2008, the policy on regularly conducting transaction with related party. This policy includes the detailed evaluation processes, approval restrictions, authority and other related policies on related party transactions. This policy is consistent with the rules and regulations of the SET and the SGX-ST. In addition, the Audit Committee will express its opinion regarding the necessity and reasonableness of the actual related party transactions occurred in every quarter. The Board of Directors will use such opinion as a supplement to approve such transactions. Information on such transactions will then be disclosed to the SET and the SGX-ST.

11.11 Policy on Future Related Party Transactions

In the event that the Company engages in related party transactions in the future, the Company will ensure that such transactions are carried out in compliance with the securities law, rules, notifications and regulations of the SET and the SGX-ST. In addition, the Company must also comply with the GAAP on disclosure rules related to related party transactions and other requirements as specified by the The Institute of Certified Accountants of Thailand and the Company's policy.

For related party transactions that are carried out as part of Company's normal course of business and will continue to the future, the Company has established policies and procedures to ensure that the transactions are carried out according to market practice, prices charged, terms and conditions are reasonable and transactions can be verified. Such policies and procedures have been approved by the Audit Committee.

Moreover, when the Company conducts its business with a related party, the Company will seek Audit Committee's opinion on the reasonableness of such transactions. In the event that the Audit Committee is unable to evaluate related party transactions due to lack of expertise in certain areas, the Committee may arrange an independent expert, such as independent appraiser, to evaluate and give opinion on the transactions. The opinion of the Audit Committee or the independent expert will be used by the Company's Board of Directors or shareholders, as the case may be, for making a decision to ensure that these related party transactions are carried out without any conflict of interest and for the best interest of all shareholders.

11.12 Articles of Association of Subsidiaries

As of June 30, 2008, ThaiBev held shares in operating and temporary non-operating Subsidiaries. For the operating Subsidiaries, ThaiBev amended their articles of association to comply with Regulations of SET Re: Listing of Ordinary Shares or Preferred Shares as Listed Securities, 2001 (as amended) with regard to shareholders' approval process concerning the connected transactions and the acquisition and disposition of assets of the listed companies or Subsidiaries. For temporary non-operating Subsidiaries, ThaiBev will amend their articles of association when they resume their operations, except for some foreign subsidiaries where such amendment of the articles of association cannot be done due to legal limitation in such countries.

12. Financial Condition and Results of Operations

You should read the management's discussion and analysis of financial condition and results of operations together with the financial statements and the notes to financial statements, which are located in the appendices of this prospectus. Unless otherwise stated, the Company has based the discussion below upon the consolidated financial results as reported in Thai Baht under Thai GAAP standards. The financial results will be reported for the years ended 2005, 2006, 2007, and for the six-month periods ended June 30, 2007 and 2008. You should also read the information in "Significant accounting policies" section in detail, and also read the notes to financial statements, which contain a summary of significant accounting policies, where the Company may need to make decisions and judgements in reporting certain items based on estimations, in order to be in compliance with generally accepted accounting principles, and these items may materially affect the financials and operational performance of the Company. The management's discussion and analysis of financial condition and results of operations includes forward looking statements which reflect the management view on the future operational performance, where the actual results might be different from managements' views in the forward looking statements, due to various factors stated in "Risk Factors" section and other sections in the prospectus.

12.1 Financial Statements

12.1.1 Reclassification of the Financial Statements

Since the third quarter of 2007, the Company has prepared the operating performance reporting according to the reclassification of business segments in order to make the reporting clearer. Most entries of related business segments arisen within the Company will not be separately displayed, but will be included in the operating performance of main business segments comprising segment of beer, drinking water and soda water, segment of liquor, segment of non-alcoholic beverages and segment of industrial alcohol (ThaiBev has sold all shares of Thai Alcohol Plc. which operated the business of production and distribution of industrial alcohol in September 2008). The information classified according to business segments of the same period in 2006 has been restated for comparison with 2007.

In addition, in the first quarter of 2008, the Company adjusted the operating performance reporting by adding non-alcoholic beverage segment which currently includes energy drinks, ready-to-drink coffee, soda water, drinking water and other non-alcoholic beverages as well as food and Japanese restaurant business. As a result, such adjustment will include the operating performance of soda water and drinking water, which was formerly included in brewery business segment, in the non-alcoholic beverage business segment. However, the Company did not make any adjustment in the same period in 2007 for comparison with 2008 due to the insignificant sales volume of soda water and drinking water. Currently, the Company's main business segments are beer, spirits and non-alcoholic beverage businesses. The Company has expanded its business to cover non-alcoholic beverage business by acquiring assets of domestic companies which engage in the production and distribution of energy drinks and ready-to-drink coffee, and purchasing shares of S.P.M. Foods and Beverages Co. In addition, in September 2008, ThaiBev purchased shares of Oishi Group Plc. in the amount of 43.9% of the total paid-up shares of Oishi Group Plc. However, in September 2008, the Company sold all shares of Thai Alcohol Plc. to Damrongfah Co.⁽¹⁾ in the amount of 160.0 million shares, representing 100% of its total paid-up shares. As a result of the above acquisitions and disposition, the Company currently operates 3 main business segments, which are beer, spirits, and non-alcoholic beverages.

(1) Damrongfah Co. is an investment holding company, where Mr. Charoen Sirivadhanabhakdi and his spouse hold all shares directly and indirectly.

12.1.2 Summary of the Audit Report of Certified Public Accountant

KPMG Phoomchai Audit Ltd. (by Mr. Nirand Lilamethwat, Certified Public Accountant, Registration No. 2316) has audited the financial statements in accordance with Thai GAAP for the balance sheet as of December 31, 2005, 2006, and 2007 and the income statement, the statement of change in shareholders' equity and the statement of cash flows for the year ended December 31 2005, 2006, and 2007 for ThaiBev and its subsidiaries, both for the consolidated and separate financial statements. The auditor has audited the financial statements in accordance with Thai GAAP and has found that the financial statements were presented fairly, in all material respects.

In addition, the auditor (Ms. Nittaya Chetchotiros, Certified Public Accountant, Registration No. 4439) has reviewed the balance sheet as of June 30, 2007 and 2008 and the income statement, the statement of change in shareholders' equity and the statement of cash flows for the six-month periods ended June 30, 2007 and 2008 for ThaiBev and its subsidiaries, both for the consolidated financial statements and separate financial statements. The auditor has reviewed the financial statements in accordance with Thai GAAP and has found that the financial statements were presented fairly, in all material respects.

Selected Consolidated Financial Data for the Past 3 Fiscal Years and for the Six-Month Period Ended June 30, 2008

Balance Sheet

Assets (Unit: Baht million)	As of December 31,						As of June 30,	
	2005	% of Total Assets	2006 (Restated)	% of Total Assets	2007	% of Total Assets	2008	% of Total Assets
Current Assets								
Cash and cash equivalents	3,398.0	3.9	1,919.6	2.2	2,189.0	2.8	1,884.8	2.4
Current investments	10.0	0.0	4.4	0.0	7.7	0.0	9.5	0.0
Trade accounts receivables	1,463.7	1.7	1,317.9	1.5	1,467.0	1.8	954.5	1.2
Short-term loan to and amounts due from related parties	157.7	0.2	51.0	0.1	4.4	0.0	14.5	0.0
Inventories	28,747.0	33.0	28,315.2	33.1	28,056.9	35.3	29,797.4	37.3
Other current assets	2,573.0	3.0	1,914.2	2.2	1,404.0	1.8	2,290.0	2.9
Total current assets	36,349.3	41.7	33,522.2	39.2	33,128.9	41.7	34,950.7	43.8
Non-current assets								
Investments in subsidiaries and associates	128.8	0.1	135.5	0.2	124.5	0.2	123.5	0.2
Other long-term investments	4.5	0.0	3.8	0.0	3.6	0.0	3.6	0.0
Property, plant, and equipment	50,027.8	57.4	49,428.0	57.8	43,215.9	54.3	41,682.3	52.2
Intangible assets	513.7	0.6	354.9	0.4	979.4	1.2	1,014.2	1.3
Other non-current assets	112.9	0.1	2,135.1	2.5	2,074.6	2.6	2,057.7	2.6
Total non-current assets	50,787.7	58.3	52,057.3	60.8	46,398.0	58.3	44,881.3	56.2
Total assets	87,137.0	100.0	85,579.5	100.0	79,527.0	100.0	79,832.0	100.0

Balance Sheet (Cont'd)

Liabilities (Unit: Baht million)	As of December 31,						As of June 30,	
	2005	% of Total Assets	2006 (Restated)	% of Total Assets	2007	% of Total Assets	2008	% of Total Assets
Current liabilities								
Bank overdrafts and short-term loans from financial institutions	40,158.6	46.1	6,753.3	7.9	5,998.2	7.5	10,282.6	12.9
Trade accounts payable	1,691.1	1.9	2,275.7	2.7	2,249.3	2.8	2,451.4	3.1
Short-term guaranteed bonds	-	-	2,200.0	2.6	0.0	0.0	-	-
Current portion of long-term guaranteed bonds	-	-	2,300.0	2.7	3,000.0	3.8	-	-
Current portion of long-term loans	1,086.6	1.2	1,500.0	1.8	1,755.0	2.2	2,775.0	3.5
Short-term loans from and amount due to related parties	4,164.9	4.8	4,837.0	5.7	69.1	0.1	173.5	0.2
Income tax payable	2,529.0	2.9	2,180.9	2.5	2,773.8	3.5	2,212.8	2.8
Other current liabilities	5,598.0	6.4	4,103.3	4.8	3,203.3	4.0	3,552.0	4.4
Total current liabilities	55,228.2	63.4	26,150.2	30.6	19,048.8	24.0	21,447.3	26.9
Non-current liabilities								
Long-term guaranteed bonds	-	-	3,000.0	3.5	0.0	0.0	-	-
Long-term loans from financial institutions	-	-	3,755.0	4.4	5,400.0	6.8	2,625.0	3.3
Other non-current liabilities	194.4	0.2	120.0	0.1	125.3	0.2	123.3	0.2
Total non-current liabilities	194.4	0.2	6,875.0	8.0	5,525.3	6.9	2,748.3	3.4
Total liabilities	55,422.5	63.6	33,026.0	38.6	24,574.1	30.9	24,195.6	30.3

Balance Sheet (Cont'd)

Shareholders' equity (Unit: Baht million)	As of December 31,						As of June 30,	
	2005	% of Total Assets	2006 (Restated)	% of Total Assets	2007	% of Total Assets	2008	% of Total Assets
Equity								
<i>Share capital</i>								
Authorized share capital, Par 1 Baht	29,000.0		29,000.0		29,000.0		29,000.0	
<i>Issued and paid-up share capital</i>								
Common Stock, Par 1 Baht, fully paid-up	22,000.0	25.2	25,110.0	29.3	25,110.0	31.6	25,110.0	31.5
Share premium	-	-	17,215.7	20.1	17,215.7	21.6	17,215.7	21.6
Fair value changes and revaluation surplus	6,584.7	7.6	6,586.3	7.7	4,388.9	5.5	4,388.9	5.5
Currency translation changes	(5.3)	(0.0)	(19.5)	(0.0)	(208.1)	(0.3)	(236.9)	(0.3)
Difference arising from common control transactions	(15,630.8)	(17.9)	(17,141.4)	(20.0)	(17,141.4)	(21.6)	(17,141.4)	(21.5)
Reserves								
Appropriated – Legal reserves	1,110.0	1.3	1,700.0	2.0	2,900.0	3.6	2,900.0	3.6
Unappropriated	17,655.9	20.3	19,102.4	22.3	22,644.7	28.5	23,395.0	29.3
Total equity attributable to equity holders of the Company	31,714.5	36.4	52,553.6	61.4	54,909.9	69.0	55,631.4	69.7
Minority interests	-	-	-	-	42.9	0.1	5.0	0.0
Total equity	31,714.5	36.4	52,553.6	61.4	54,952.8	69.1	55,636.4	69.7
Total liabilities and equity	87,137.0	100.0	85,579.5	100.0	79,527.0	100.0	79,832.0	100.0

Income Statement

Income Statement (Unit: Baht million)	For the Year Ended December 31,						For the Six-Month Period Ended June 30,			
	2005	% of Total Revenue	2006 (Restated)	% of Total Revenue	2007	% of Total Revenue	2007	% of Total Revenue	2008	% of Total Revenue
Revenue										
Revenue from sales	94,903.4	99.7	97,797.9	99.8	100,540.9	99.7	49,107.3	99.6	51,082.9	99.5
Interest income	71.5	0.1	56.5	0.1	40.8	0.0	19.5	0.0	12.3	0.0
Other income	215.3	0.2	101.6	0.1	257.2	0.3	158.7	0.3	226.5	0.4
Total Revenue	95,190.2	100.0	97,956.0	100.0	100,838.9	100.0	49,285.5	100.0	51,321.8	100.0
Expenses										
Cost of sales	65,187.7	68.5	69,325.1	70.8	70,872.6	70.3	34,589.9	70.2	37,083.0	72.3
Selling and administrative expenses	13,180.3	13.8	12,684.6	12.9	13,689.4	13.6	6,215.7	12.6	6,653.0	13.0
Total expenses	78,368.0	82.3	82,009.7	83.7	84,562.0	83.9	40,805.7	82.8	43,736.0	85.2
Earnings before interest and tax	16,822.2	17.7	15,946.3	16.3	16,276.9	16.1	8,479.9	17.2	7,585.8	14.8
Interest expense	1,741.8	1.8	1,568.7	1.6	1,047.3	1.0	556.7	1.1	289.3	0.6
Income tax expense	4,743.2	5.0	4,322.9	4.4	4,846.6	4.8	2,663.1	5.4	2,277.3	4.4
Net profit before minority interests	10,337.3	10.9	10,054.8	10.3	10,383.1	10.3	5,260.0	10.7	5,019.2	9.8
Minority interests	-	-	-	-	-	-	0.1	0.0	0.2	0.0
Net profit	10,337.3	10.9	10,054.8	10.3	10,383.1	10.3	5,260.0	10.7	5,019.0	9.8
Basic earnings per share (Baht)	0.47		0.42		0.41		0.21		0.20	
Weighted average shares outstanding	22,000.0		25,110.0		25,110.0		25,110.0		25,110.0	

Statements of Cash Flows

Statements of Cash Flows (Unit: Baht million)	For the Year Ended December 31,			Six-Month Period Ended June 30,	
	2005	2006 (Restated)	2007	2007	2008
Cash flows from operating activities					
Net income	10,337.3	10,054.8	10,383.1	5,260.0	5,019.2
Adjustments for					
Depreciation and Amortization	4,432.1	4,652.0	4,974.7	2,440.0	2,492.2
Amortization of advance payment to a specialist	70.8	50.0	50.0	25.0	25.0
Reversal of an allowance for obsolete inventories	-	-	-	(18.0)	(212.4)
Allowance for obsolete inventories	179.2	355.0	145.5	-	-
Share of profits from investments accounted for using the equirt method	(22.0)	(23.7)	(28.6)	-	-
Allowance for declining in value in investments	(1.1)	-	-	-	-
(Gain) loss on sale of investment	3.5	0.7	-	-	-
Allowance for impairment loss on equipment	0.9	-	58.8	-	-
(Gain) loss on sales and disposal of property, plant, and equipment and intangible assets	80.0	3.2	(70.1)	(71.7)	(5.8)
Unrealized (Gain) loss on exchange rate	15.9	11.7	5.8	5.6	(6.3)
Doubtful debt expense	-	-	-	0.3	0.2
Interest income	(71.5)	(56.5)	(40.8)	(19.5)	(12.3)
Interest expense	1,741.8	1,568.7	1,047.3	556.7	289.3
Income tax expense	4,743.2	4,322.9	4,846.6	2,663.1	2,277.3
Cash flows from operating activities before changes in operating assets and liabilities	21,510.0	20,938.7	21,372.2	10,841.5	9,866.3

Statements of Cash Flows (Cont'd)

Statements of Cash Flows (Unit: Baht million)	For the Year Ended December 31,			Six-Month Period Ended June 30,	
	2005	2006 (Restated)	2007	2007	2008
Changes in operating assets and liabilities					
(Increase) Decrease in trade accounts receivable	209.7	143.3	(95.3)	285.5	514.4
(Increase) Decrease in amounts due from related parties	5,031.7	36.0	57.8	31.5	2.0
(Increase) Decrease in inventories	4,538.6	76.9	240.3	(1,836.4)	(1,528.1)
(Increase) Decrease in other current assets	963.1	657.2	543.2	(268.0)	(886.1)
Increase (Decrease) in trade accounts payable	(320.1)	583.2	(52.7)	4.7	195.4
Increase (Decrease) in amounts due to related parties	(229.3)	45.3	(152.5)	(133.5)	108.5
Increase (Decrease) in other current liabilities	2,053.4	(1,444.6)	(1,220.7)	(323.0)	568.1
Increase (Decrease) in other non-current liabilities	(25.7)	(2.8)	4.8	5.7	(6.9)
Cash generated from the operations	33,731.5	21,033.4	20,697.1	8,607.9	8,833.6
Advance payments to a specialist	-	(2,000.0)	-	-	-
Income taxes paid	(5,164.8)	(4,671.0)	(4,253.6)	(2,331.4)	(2,838.3)
Net cash provided by (used in) operating activities	28,566.7	14,362.4	16,443.5	6,276.6	5,995.2

Statements of Cash Flows (Cont'd)

Statements of Cash Flows (Unit: Baht million)	For the Year Ended December 31,			Six-Month Period Ended June 30,	
	2005	2006 (Restated)	2007	2007	2008
Cash flows from investing activities					
Interest received	69.5	58.1	40.9	19.8	12.6
Dividend received	23.4	17.0	-	-	-
(Increase) Decrease in current investments	(8.5)	5.6	(3.3)	(35.0)	(1.8)
(Increase) Decrease in short-term loans to related parties	376.8	40.9	-	(14.2)	(50.8)
Investments in subsidiaries and associates	-	-	39.6	36.4	1.0
Purchase of investments in indirect subsidiaries	-	-	(253.9)	(0.0)	(81.1)
Consideration paid to shareholders of subsidiaries for common control transactions	(9,646.0)	(1,505.2)	-	-	-
Decrease in long-term investments	1,111.4	0.0	0.1	0.1	0.1
Increase in share capital in subsidiaries before business restructuring	46.6	27.0	-	-	-
Purchase of property, plant, and equipment	(7,302.0)	(4,231.9)	(1,454.6)	(404.7)	(1,119.6)
Sales of property, plant, and equipment	581.0	51.9	933.3	876.8	37.9
Purchase of intangible assets	(73.6)	(12.5)	(26.9)	(11.3)	(17.0)
Decrease in intangible assets	-	0.0	11.2	5.6	1.6
Decrease (Increase) in other non-current assets	9.6	(24.8)	(1.2)	0.1	42.7
Net Cash provided by (used in) investing activities	(14,811.7)	(5,574.0)	(714.7)	473.5	(1,174.4)

Statements of Cash Flows (Cont'd)

Statements of Cash Flows (Unit: Baht million)	For the Year Ended December 31,			Six-Month Period Ended June 30,	
	2005	2006 (Restated)	2007	2007	2008
Cash flows from financing activities					
Interest paid	(1,741.8)	(1,420.5)	(1,139.4)	(602.4)	(356.9)
Increase (Decrease) in bank overdrafts and short-term loans from financial institutions	(5,224.0)	(33,405.3)	(1,140.9)	266.3	4,284.4
Increase (Decrease) in short-term loans from related parties	(514.8)	629.7	(4,615.2)	(3,081.7)	-
Proceeds from issuance of short-term guaranteed bonds	-	4,700.0	-	-	-
Repayment of short-term guaranteed bonds	-	(2,500.0)	(2,200.0)	(2,200.0)	-
Proceeds from issuance of long-term guaranteed bonds	-	5,300.0	-	-	-
Repayment of long-term guaranteed bonds	-	-	(2,300.0)	-	(3,000.0)
Proceeds from long-term loan from financial institutions	-	26,600.0	5,400.0	4,500.0	-
Repayment of long-term loans from financial institutions	(1,320.0)	(22,431.6)	(3,500.0)	(2,750.0)	(1,755.0)
Proceeds from issuance of shares	-	20,325.8	-	-	-
Dividend paid ⁽¹⁾	(2,640.0)	(8,042.1)	(5,775.3)	(2,762.1)	(4,268.7)
Net cash provided by (used in) financing activities	(11,440.6)	(10,244.1)	(15,270.8)	(6,630.1)	(5,096.2)
Effect of exchange rate changes on balances held in foreign currencies	(23.0)	(22.7)	(188.6)	(56.4)	(28.8)
Net increase (decrease) in cash and cash equivalents	2,291.5	(1,478.4)	269.4	63.5	(304.2)
Cash and cash equivalents at beginning of the period	1,106.6	3,398.0	1,919.6	1,919.6	2,189.0
Cash and cash equivalents at the end of the period	3,398.0	1,919.6	2,189.0	1,983.1	1,884.8

Note: (1) Occurs after the reorganization

Key financial ratios

	Unit	For the Year Ended December 31,			Six-Month Period Ended June 30,
		2005	2006 (Restated)	2007	2008
Liquidity Ratio					
Current ratio	x	0.7	1.3	1.7	1.6
Quick ratio	x	0.1	0.1	0.2	0.1
Operating cash flows ratio	x	0.5	0.4	0.7	0.6
Account receivables turnover	x	82.4	70.3	72.2	84.4
Account receivables days	Days	4.4	5.1	5.0	4.3
Inventory turnover	x	2.2	2.4	2.5	2.6
Inventory days	Days	164.3	148.2	143.2	140.4
Account payable turnover	x	37.4	35.0	31.3	31.6
Account payable days	Days	9.6	10.3	11.5	11.4
Cash Cycle	Days	159.0	143.0	136.7	133.3
Profitability Ratio					
Gross profit margin	%	31.3	29.1	29.5	27.4
Operating profit margin	%	17.4	16.1	15.9	14.4
Othre income margin	%	0.3	0.2	0.3	0.5
Operating cash flows margin	%	172.8	91.0	102.9	81.6
Net profit margin	%	10.9	10.3	10.3	9.8
Return on equity	%	31.8	23.9	19.3	18.2
Efficiency Ratio					
Return on assets	%	11.9	11.6	12.6	12.6
Return on fixed assets	%	30.6	29.2	33.0	35.3
Assets turnover	x	1.1	1.1	1.2	1.3
Financial Policy Ratio					
Debt to equity ratio	x	1.7	0.6	0.4	0.4
Interest coverage ratio (Cash basis)	x	20.4	13.1	20.8	31.5
Fixed-charge coverage ratio (Cash basis)	x	1.7	0.2	0.8	0.6
Dividend payout ratio	%	51.5	54.9	70.1	60.0

12.2 Management's discussion and Analysis of Financial Condition and Results of Operations

Overview

According to Canadean, the Company is one of the leading producers of beer and spirits in Thailand by sales and production volume and is one of the largest brewers and distillers in Southeast Asia. In 2007, according to Canadean, the Company's beer brands had an aggregate market share of approximately 46.7% of Thai beer market based on sales volume. The Company also produces white spirits, Chinese herb spirits and locally-distilled brown spirits, including popular brands such as Sangsom, Hong Thong, Mekhong, and Mungkorn Thong. In 2005, the Company's spirits brands had an aggregate Thai market share of approximately 74.0% based on sales volume, according to Canadean. In 2005, 2006, 2007 and for the six-month period ended June 30, 2008, the Company had total revenues of Baht 95,190.2 million, Baht 97,956.0 million, Baht 100,838.9 million and Baht 51,321.8 million, respectively. In 2005, 2006, 2007 and for the six-month period ended June 30, 2008, the Company had revenue from sales of Baht 94,903.4 million, Baht 97,797.9 million, Baht 100,540.9 million and Baht 51,082.9 million, respectively. The earnings before interest and tax for the respective periods are Baht 16,822.2 million, Baht 15,946.3 million, Baht 16,276.9 million and Baht 7,585.8 million, respectively.

In 2005, 2006, 2007 and for the six-month period ended June 30, 2008, the revenue from sales of beer, drinking and soda water (before intersegment eliminations) was Baht 42,277.0 million, or 44.5% of the revenue from sales, Baht 46,103.2 million, or 47.1% of the revenue from sales, Baht 47,557.3 million, or 47.3% of the revenue from sales, and Baht 21,272.0 million (excluding drinking water and soda water), or 41.6% of the revenue from sales respectively, including revenue from sales of by-products from beer, drinking water and soda water business.

In 2005, 2006, 2007 and for the six-month period ended June 30, 2008, the revenue from sales of spirits (before intersegment eliminations) was Baht 52,811.0 million, or 55.6% of the revenue from sales, Baht 51,576.1 million, or 52.7% of the revenue from sales, Baht 52,940.2 million, or 52.7% of the revenue from sales, and Baht 28,718.5 million, or 56.2% of the revenue from sales, respectively, including revenue from sales of by-products from from the spirits business.

The Company generated substantially all of its revenue from sales of its products in Thailand. In addition to the beer, drinking water and soda water and spirits businesses, the Company generates revenue from the sale of industrial alcohol and from related businesses, the latter of which consists primarily of intersegment sales that the Company eliminated upon consolidation. In 2005, 2006, 2007 and for the six-month period ended June 30, 2008, the revenue from sales of industrial alcohol (before intersegment eliminations) was Baht 869.2 million, or 0.9% of the revenue from sales, and Baht 1,205.0 million, or 1.2% of the revenue from sales, Baht 966.0 million, or 1.0% of the revenue from sales and Baht 756.8 million, or 1.5% of the revenue from sales, respectively. For the six-month period ended June 30, 2008, the newly classified segment, non-alcoholic beverages (before intersegment eliminations) revenue from sales was Baht 364.9 million, or 0.7% of the revenue from sales. In 2005 and 2006, the revenue from sales from related businesses were Baht 6,633.0 million, or 7.0% of the revenue from sales, and Baht 7,155.1 million, or 7.3% of the revenue from sales, respectively.

In 2005, 2006, 2007 and for the six-month period ended June 30, 2008, the Company generated the revenue from domestic sales of 96.3%, 97.1%, 96.1% and 96.0% respectively of the total revenue from sales. The Company also exports its beer, spirits, non-alcoholic beverages and industrial alcohol products to more than 20 other countries.

Recent Developments

On September 30, 2008, ThaiBev sold all ordinary shares of Thai Alcohol Plc. to Damrongfah⁽¹⁾ for the total amount of 160.0 million shares, representing 100.0% of the total issued and paid-up shares of Thai Alcohol Plc. The total amount in consideration paid to ThaiBev was Baht 1,591.0 million.

In addition, on September 30, 2008, ThaiBev purchased ordinary shares of Oishi Group Plc. from Yodkij Business Co.⁽²⁾ for the amount of 82,314,537 shares, which is approximately 43.9% of the total issued and paid-up shares of Oishi Group Plc. at a price of Baht 37.00 per share. The total value of the transaction is approximately Baht 3,045.6 million. ThaiBev has paid for the shares in full amount, where Baht 1,591.0 million came from the sales of Thai Alcohol Plc. shares (as stated above), approximately Baht 1,000 million came from borrowing from financial institutions and the rest is paid with the ThaiBev's internal cash flows. After the purchase of the shares, according to the Notification of the SEC No. GorJor 53/2545 about rules, conditions and procedures for the Acquisition of Securities for Business Takeover (including amendments), regarding the mandatory tender offer, ThaiBev, who has purchased the shares which cause the shareholding to pass 25% of the total number of shares issued by Oishi Group Plc., is obligated to conduct a tender offer for all securities of Oishi Group Plc. On October 9, 2008, ThaiBev has submitted the tender offer form (Form 247-4) to the SEC and shareholders of Oishi Group Plc. to make a tender offer for the remaining shares of Oishi Group Plc., amounting to Baht 3,891.9 million at the tender offer price of Baht 37.00 per share. The tender offer process has commenced on October 10, 2008 and is expected to close on November 14, 2008. The Company will finance the entire tender offer amount from borrowings from financial institutions.

Factors Affecting The Company's Business and Financial Condition

A number of important factors have affected, and the Company expects that it will continue to affect, the business, financial condition, results of operations and prospects. These factors include changes in excise taxes, changes in consumer demand, capacity utilization, increased competition, pricing and increases in raw material and packaging costs.

Excise and Other Taxes

The Company must pay excise taxes for the alcoholic beverages (spirits tax), municipal taxes, contribution to Health Promotion Fund, contribution to the Thai PBS and excise tax for soda water products. These payments had been recorded as cost of sales in the amount of Baht 47,065.0 million in 2005, Baht 49,143.0 million in 2006, Baht 50,558.1 million in 2007 and Baht 25,565.3 million in the six-month period ended June 30, 2008, represented 72.2%, 70.9%, 71.3% and 68.9% of the Company's cost of sales, respectively. The excise taxes for beer and spirits are calculated based on the greater of (A) a Baht per liter of pure alcohol quantity, and (B) a percentage of the greater of the ex-factory price announced by the Excise Department and the actual ex-factory price for the product. An increase in tax rates or a change in the tax calculation methodology may cause the Company to increase the price of its products, which may result in lower volume of consumption and, therefore, lower revenue from sales. In addition, the Company may have to wholly or partly bear the cost arising from the increased taxes. Each of these scenarios could adversely affect the business, financial condition, results of operations and prospects of the Company.

⁽¹⁾ Damrongfah Co. is a holding company, where Mr. Charoen Sirivadhanabhakdi and his spouse hold all shares directly and indirectly.

⁽²⁾ Yodkij Business Co. is a holding company, where Mr. Charoen Sirivadhanabhakdi and his spouse hold all shares directly and indirectly.

Changes of the tax rates of spirits to support the government's policy to control spirits consumption according to the resolution of the Thai cabinet on August 28, 2007 are as follows:

<u>Type of spirits</u>	<u>Previous tax rates</u>	<u>New tax rates</u>
White Spirit	25% of price Baht 70 per liter of pure alcohol quantity	50% of price Baht 110 per liter of pure alcohol quantity
Mixed Spirit	50% of price Baht 240 per liter of pure alcohol quantity	50% of price Baht 280 per liter of pure alcohol quantity
Brandy	40% of price Baht 400 per liter of pure alcohol quantity	45% of price Baht 400 per liter of pure alcohol quantity

In addition, on January 14, 2008, the Thai government increased the spirits tax rate by 1.5% for all the type of alcoholic beverages to support the Thai PBS.

The adjustment on excise tax rate will increase the cost of sales of alcoholic beverages, such as Ruang Khao, NiyomThai, Pai-Thong, White Tiger, Chiang-Chun Chinese Herb Spirits, Chu Sib Neaw, Sua Dum, Hong Thong, Mungkorn Thong, and Blend 285. The Company must pass on this increase in cost of sales to the consumers through increase in prices of those brands. This will likely result in a decline in sales volume and shift in consumer preference from larger bottles to smaller bottles, from the higher price white spirits brand to the lower price ones. In addition, the consumers may change their preferences to the lower degree spirits. The aforementioned reasons may affect the business, financial condition, results of operations and prospects of the Company.

Additionally, in the case of future excise tax increases or the initiation of a new tax, the Company may either pass-through any future tax increases to the consumers by increasing the sales prices or, if necessary, absorb the additional costs. If the Company pass through any increases to consumers, the Company would have to increase the selling prices, which could adversely affect the demand for, and sales of, its products. Alternatively, if the Company do not pass through the tax increases to consumers, the cost of sales would increase, which would adversely affect profitability.

Changes in Consumer Demand for the Alcoholic Beverage Products

The Company's revenue and profitability remain substantially dependent upon the sales of its beer and spirits products and in particular, sales from eight key products: Chang Beer, Archa Beer, white spirits, Chinese herb spirits, Sangsom, Hong Thong, Mekhong and Blend 285, which accounted for approximately 95.6% and 96.0% of the Company's sales volume of its beer and spirits segments in 2006 and 2007, respectively. Accordingly, any factor adversely affecting the sale of these key products, individually or collectively, would have a material adverse effect on the business, financial condition, results of operations and prospects of the Company. For example, as a result of recent change in consumer preference towards beer with lower alcohol content, in recent years the Company has experienced a decline in sales volumes and revenue from sales of its high alcohol content Chang Beer compared to certain products of its competitors. This change has adversely affected revenues from beer products, which decreased 6.4% in the six-month period ended June 30, 2008, compared with the same period in 2007. In addition, production and sales of each of these key products could be rendered uneconomical by regulatory or competitive changes. Sales of these key products could also be adversely affected by other factors, including increases in spirits taxes, inability to procure raw materials supply, interruption of production or distribution, marketing or pricing strategy by one or more of the Company's competitors, changes in consumer preferences or other factors.

In addition, seasonal consumption cycles and changes in weather conditions can affect the results of operations. Major holidays and Thai festivals generally increase demand for the products, while the observance of Buddhist lent and the rainy season generally decrease demand of the products in Thailand. Consumption of the products has historically been strong from mid-October to April and weaker from May to September due to the rainy season and observance of Buddhist lent. A prolonged rainy season could adversely affect the sales volume, and the results of the operations for a particular period. The observance of Buddhist lent, which is from July to October each year, adversely affects the sales of spirits, while the beer sales during this period are generally stable. As a result, the profitability during this period is generally lower compared to the other periods due to lower spirits sales because the margins on sales of beer are lower than the margins on sale of spirits. In the fourth quarter, the sales volumes of beer and spirits generally increase due to the end of the observance of Buddhist lent. In particular, the sales volumes of brown spirits generally increase as brown spirits are a popular gift for end-of-the-year celebrations.

Capacity Utilization

The total designed capacity of the breweries and distilleries of the Company, as specified by the suppliers, is approximately 1,550.0 million litres per year and 819.0 million litres per year, respectively. In 2005, 2006, 2007 and for the six-month period ended June 30, 2008, the Company operated its breweries at approximately 83.9%, 91.2%, 87.6% and 58.8% average capacity utilizations, respectively. For its distilleries, the Company operated at approximately 56.8%, 59.1%, 50.3% and 52.5% average capacity utilizations, respectively.

The capacity utilization has had, and will continue to have, a significant impact on the profitability. Generally, operating the facilities at their maximum designed production capacities favorably affects the profitability because fixed and semi-variable operating costs, such as depreciation and labor costs, are spread over a larger sales base. If the Company continue to operate the distilleries at low utilization rates, the general and administrative expenses will increase as the Company record the costs attributable to the under-utilization as idle cost expense. Idle costs represent the cost, including depreciation, of operating the production facilities at levels below normal capacity. The Company record idle costs separately for each production facility and, therefore, under-utilization of the larger production facilities, such as the Sangsom, Sura Bangyikhan and Red Bull distilleries and Kamphaengphet and Bang Ban breweries, will have a greater impact on the idle costs compared to under-utilization of the smaller production facilities.

Competition

The alcoholic beverage industry in Thailand is highly competitive and the Company competes for market share with other local and international producers and distributors through brand preferences, distribution capability, product availability, pricing, packaging, and customer service. The main competitor in the beer market is Boon Rawd Brewery Co. In the spirits market, the Company primarily compete with local community spirits producers in the white spirits market and with imported brands in the brown spirits market. Increased competition could require the Company to reduce prices, and increase capital and other expenditures, and may cause the Company to lose market share. For example, in response to increased competition in the beer and brown spirits market, the Company has launched several new products since the fourth quarter of 2005, including Blend 285, Blue whisky, Federbräu, Chang Light and Chang Draught in bottles and relaunched the Hong Thong brand. The launch of these new products has increased the marketing and other expenses in 2006 and 2007. Adverse actions by the competitors through their marketing, investment or pricing policies or new competitors entering the market could adversely affect the business, financial condition, results of operations and prospects of the Company. Conversely, the Company has also benefited from decreased competition, for example, in the white spirits market as a result of the withdrawal from the market of several community and regional producers of white spirits in 2005.

According to Canadean, the market share of the Company's beer products (by sale volume) in Thailand decreased from approximately 48.8% in 2006 to 46.7% in 2007. Such decrease results from increased consumption of the competitors' products due to the increase in product offering by the competitors, the more aggressive marketing effort, and the increasing consumer preference for beer with lower alcohol content. The Company believes that the trend toward lower alcohol content beer in Thailand will continue, and the Company also believe that the competition to capture this segment of the beer market in Thailand will intensify in the coming years. Accordingly, the Company launched its own brands of lower alcohol content beer, including Archa Beer, which is an economy segment beer, in July 2004. In March 2006, the Company launched Chang Light, a standard beer with 4.2% alcohol content, and in April 2008, the Company launched Federbräu, which has 4.7% alcohol content and is considered a premium beer.

Pricing

Pricing of the beer and spirits products also affects the results of operations. When determining the selling prices for the products, the Company considers many factors, each of which varies in importance from time to time, including general economic conditions, the level of excise taxes, which includes municipal taxes, Health Promotion Fund contributions and Thai PBS contributions, the prices of the competitors, types of products, the effects of inflation and costs of sales. The price that the Company advises the consumers for the products varies depending on location, type of distribution channel and other factors. Accordingly, changes in any of these factors or in the volumes purchased by different consumers may affect the revenues of the Company.

Packaging Materials and Raw Materials

Packaging material expenses accounted for 11.3%, 11.7%, 11.8% and 11.2% of the cost of sales. In 2005, 2006, 2007 and for the six-month period ended June 30, 2008, respectively. The raw material expenses accounted for 6.2%, 8.7%, 8.7% and 10.2% of the cost of sales in 2005, 2006, 2007 and for the six-month period ended June 30, 2008, respectively.

The Company purchases most of its packaging materials and raw materials, including molasses, malt, hops, electricity, bottles, labels, bottle caps, fuel oil and other packaging materials, from third party suppliers, which the Company seeks to purchase certain of these raw materials and packaging materials once a year in advance of production. However, changes in global supply and demand conditions substantially affect the price of these materials, and may also, along with with weather conditions, government controls, exchange rates, currency controls and other factors, may affect the Company's cost of raw materials and packaging materials. A substantial increase in the prices of these materials would increase the Company's production costs, which would reduce its profit margins if the Company is unable to recover these additional production costs from its consumers. In addition, a sustained interruption in the supply or distribution of these materials to the Company may lead to a significant increase in its prices or may impede the Company's production process if the Company is unable to find suitable substitutes. The occurrence of any of these factors could increase the Company's production costs, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Revenues

The total revenue from sales consists mainly of revenue from sales of beer, spirits, non-alcoholic beverage, industrial alcohol⁽¹⁾, as well as interest income and other income.

The following table set forth the total revenue, and each type of revenue as a percentage of total revenue in the specified periods

	Revenue									
	Unit: Baht million except percentage data									
	For the Year Ended December 31,						For the Six-Month Period Ended June 30,			
	2005	%	2006 (Restated)	%	2007	%	2007	%	2008	%
	(Audited)						(Unaudited)			
Revenue from sales ...	94,903.4	99.7	97,797.9	99.8	100,540.9	99.7	49,107.3	99.6	51,082.9	99.5
Interest income	71.5	0.1	56.5	0.1	40.8	0.0	19.5	0.0	12.3	0.0
Other income	215.3	0.2	101.6	0.1	257.2	0.3	158.7	0.3	226.5	0.4
Total income	95,190.2	100.0	97,956.0	100.0	100,838.9	100.0	49,285.5	100.0	51,321.8	100.0

Revenue from Sales

The revenue from sales for the Company arised from:

- Chang Beer (including Chang Export, Chang Light and Chang Draught), Archa Beer and other beer brands
- White spirits, Chinese herb spirits and fermented spirits; brown spirits, such as Sangsom, Hong Thong, Mekhong and Mungkorn Thong and other spirits brands;
- Non-alcoholic beverages such as energy drink, ready-to-drink coffee, soda water, drinking water and other food products
- Industrial alcohol, such as ethyl alcohol of 95 degrees and ethanol of 99.5 degrees⁽¹⁾;
- By-products from beer, spirits and industrial alcohol operations; and
- A small amount of construction, advertising and media services.

Interest Income

Interest income primarily consists of the interest received from deposits at commercial banks and investments.

Other Income

The other operating income includes revenue relating to the sale of scrap and waste from the beer, spirits and industrial alcohol operations, profit on sale of fixed assets, gain from exchange rate⁽²⁾.

(1) ThaiBev has sold all the shares of Thai Alcohol Pcl. to Damrongfah Co. on September 30, 2008.

(2) The Company records the gain in exchange rate in other income, where the loss in exchange rate is recorded in selling and administrative expense

and net translation gains (losses) resulting from the translation of foreign currency denominated assets or liabilities into Baht for financial statement purposes.

Expenses

The Company's expenses consist of cost of sales and selling and administrative expenses.

The following table sets forth the breakdown of the total cost expenses and each item as a percentage of the expenses for the periods indicated:

Expenses										
Unit: Baht million except percentage data										
For the Year Ended December 31, For Six-Month Period Ended June 30,										
	2005	%	2006 (Restated)	%	2007	%	2007	%	2008	%
	(Audited)						(Unaudited)			
Cost of sales										
Excise tax ⁽¹⁾	47,065.0	60.1	49,143.0	59.9	50,558.1	59.8	24,716.7	60.6	25,565.3	58.5
Packaging materials....	7,364.8	9.4	8,080.4	9.9	8,369.6	9.9	3,924.7	9.6	4,146.1	9.5
Raw materials	4,054.2	5.2	6,034.4	7.4	6,143.4	7.3	2,988.1	7.3	3,781.9	8.6
Others	12,665.8	16.2	7,150.7	8.7	6,864.2	8.1	3,491.7	8.6	3,621.6	8.3
Eliminations	(5,962.1)	(7.6)	(1,083.4)	(1.3)	(1,062.8)	(1.3)	(531.3)	(1.3)	(31.9)	(0.1)
Total cost of sales	65,187.7	83.2	69,325.1	84.5	70,872.6	83.8	34,589.9	84.8	37,083.0	84.8
Selling and administrative expenses.....	13,180.3	16.8	12,684.6	15.5	13,689.4	16.2	6,215.8	15.2	6,653.0	15.2
Total Expenses	78,368.0	100.0	82,009.7	100.0	84,562.0	100.0	40,805.7	100.0	43,736.0	100.0

Note: (1) Includes municipal taxes, Health Promotion fund contributions and Thai PBS contributions.

Cost of Sales

The cost of sales consists of payments for excise taxes, packaging materials, raw materials and other costs, which consist principally of depreciation, direct labor costs and overhead.

Excise Taxes Excise taxes (including municipal taxes, contributions to the Health Promotion fund and Thai PBS contributions) consists of payments to the Excise Department for the production of beer and spirits. The excise taxes applied to alcoholic beverages are determined by the greater of (A) a Baht per liter calculation and (B) a percentage of the greater of the ex-factory price announced by the Excise Department and the actual ex-factory price for the product.

Packaging Materials The principal packaging materials includes glass bottles, polyethylene terephthalate ("PET") bottles, caps, cans, labels, cartons, trays and inserts.

Raw Materials The principal raw materials used in the beer, spirits and industrial alcohol production are malt, hops, molasses, rice, yeast, concentrate, diatomites and water. The Company purchases the raw materials for beer production primarily from foreign suppliers, while the raw materials for spirits production are purchased from domestic suppliers.

Other The cost of sales also includes:

- Depreciation expenses relating principally to the breweries, distilleries, industrial alcohol plant and related equipment. The Company allocate depreciation expenses attributable to

the production facilities between cost of sales and selling and general administrative expenses, based on the ratio of actual production volume to normal capacity.

- Direct labor consisting principally of the labor costs associated with the production of beer, drinking water and soda water, spirits and industrial alcohol products; and
- Overheads consisting principally of the indirect costs associated with the production of beer, drinking water and soda water, spirits and industrial alcohol products.

Selling and Administrative Expenses

Selling and administrative expenses consist principally of marketing and public relations expenses, employee costs for non-production facility personnel, idle costs, depreciation on non-production facility assets, vehicle and travel expenses, and other selling and administrative expenses. Selling and general and administrative expenses include:

- employee costs for non-production facility personnel, such as salaries and bonuses;
- idle costs, which represents the cost (including depreciation) of operating the production facilities at levels below normal capacity.
- depreciation on the non-production facility assets;
- vehicle and travel expenses relating principally to product delivery and sales representatives' travel expenses; and
- other general and administrative expenses including other non-operational expenses.

Segmental Data

Since 2005, the Company operates five business segments, which are beer, spirits, non-alcoholic beverages, industrial alcohol and related business. The Company recorded revenues and associated expenses according to these segments. However, the Company recently reclassified several of its business segments, whereby the related business is no longer a separate business group but its operating results will be allocated to other main business segments instead. In addition, the Company sold all shares in Thai Alcohol Plc., a company that produce and sale industrial alcohol. Such actions will have an impact on the presentation of the Company's operating results in certain business segments.

The following table sets forth the revenue from sales, cost of sales, and selling and administrative expenses by business segment, including appropriate intersegment eliminations for intersegment transactions, and the revenue from sales by geographic region for the periods indicated:

Segment Data

Unit: Baht million

	For the Year Ended December 31,			For the Six-Month Period Ended June 30,		
	2005	2006 (Before Restatement)	2006 (Restated)	2007	2008	
Selected Segment Data						
Revenue from sales						
Beer, drinking water and soda water ⁽¹⁾	42,277.0	46,641.0	46,103.2	47,557.3	23,086.2	21,272.0
Spirits ⁽²⁾	52,811.0	51,428.3	51,576.1	52,940.2	26,162.6	28,718.5
Non-alcoholic beverages ⁽³⁾	-	-	-	-	-	364.9
Industrial Alcohol ⁽⁴⁾	869.2	1,205.0	1,205.0	966.0	349.4	756.8
Related business ⁽⁵⁾	6,633.0	7,155.1	-	-	-	-
Eliminations ⁽⁶⁾	(7,686.8)	(8,631.6)	(1,086.4)	(922.5)	(490.9)	(29.3)
Total	94,903.4	97,797.9	97,797.9	100,540.9	49,107.3	51,082.9
Cost of sales						
Beer, drinking water and soda water ⁽¹⁾	32,548.7	35,609.0	35,943.8	37,040.2	17,864.2	17,095.4
Spirits ⁽²⁾	32,061.5	33,002.2	33,469.5	33,923.4	16,936.4	19,048.0
Non-alcoholic beverages ⁽³⁾	-	-	-	-	-	293.4
Industrial Alcohol ⁽⁴⁾	471.3	995.2	995.2	971.8	320.6	678.1
Related business ⁽⁵⁾	6,068.3	6,365.1	-	-	-	-
Eliminations ⁽⁶⁾	(5,962.1)	(6,646.4)	(1,083.4)	(1,062.8)	(531.3)	(31.9)
Total	65,187.7	69,325.1	69,325.1	70,872.6	34,589.9	37,083.0
Selling and administrative expenses						
Beer, drinking water and soda water ⁽¹⁾	6,983.7	6,932.1	5,767.8	6,456.1	2,911.9	2,876.4
Spirits ⁽²⁾	7,343.5	7,169.7	6,740.1	7,055.4	3,247.8	3,514.9
Non-alcoholic beverages ⁽³⁾	-	-	-	-	-	158.9
Industrial Alcohol ⁽⁴⁾	165.7	177.3	178.5	140.3	63.8	89.4
Related business ⁽⁵⁾	461.6	454.3	-	-	-	-
Eliminations ⁽⁶⁾	(1,774.3)	(2,048.9)	(1.8)	37.6	(7.8)	13.4
Total	13,180.3	12,684.6	12,684.6	13,689.4	6,215.7	6,653.0
Geographic breakdown of revenue						
Domestic.....	91,411.3	94,917.6	94,917.6	96,656.6	47,248.5	49,027.7
International.....	3,492.1	2,880.3	2,880.3	3,884.3	1,858.8	2,055.2
Total	94,903.4	97,797.9	97,797.9	100,540.9	49,107.3	51,082.9

- (1) Includes the sales of by-products to third parties and intersegment sales of bottles. In the first quarter of 2008, the Company has reclassified the segment reporting by separating drinking water and soda water and reclassified them into the non-alcoholic beverage business. Therefore, the reclassification effects the segment report of the first half of 2008 only without reclassifying the first half of 2007 and any previous years.
- (2) Includes sales of by-products to third parties and intersegment sales of molasses to Thai Alcohol Plc.
- (3) Since the first quarter of 2008, the Company has reclassified the segment data and has added the new business segment, the non-alcoholic beverages.
- (4) ThaiBev has sold all the shares of Thai Alcohol Plc. to Damrongfah Co. on September 30, 2008.
- (5) Includes principally intersegment revenues, including sales of new and used bottles, logistic service fees, sales of spare parts and procurement commission, sales of construction services and sales of advertising and media, and related expenses. Since the third quarter of 2007, the

related businesses revenue, which is principally the intersegment revenue, will not be reported as a separate business segment, but will be distributed into the main business segments including the beer, drinking water, soda water, spirits and industrial alcohol business segments. For the purpose of comparison, the Company has restated the financial information of 2006 to be in the same classification as the year 2007.

- (6) Includes eliminations of intersegment sales, which are sales of bottles, spare parts, procurement commissions and logistic services with related businesses.

Critical Accounting Policies and Estimates

The Company has prepared its Financial Statements in accordance with GAAP, and in the absence of any guidance under GAAP, the Company has used the most recent pronouncements of other accounting standard-setting organizations and international practice. Note 3 of Notes to the Financial Statements includes a summary of the significant accounting policies and methods the Company used in preparing these financial statements. The Company periodically evaluate the estimates and judgments the Company make when preparing the financial statements, including those related to inventories, property, plant and equipment and impairment of assets. The Company base the estimates and judgments on historical experience and on various factors the Company believe to be reasonable under the circumstances. However, the actual results may differ from these estimates. The Company believe that the following accounting policies are the most critical in the preparation of the financial statements because they involve the estimates of the effect of matters that are inherently uncertain.

Revenue Recognition

The Company recognizes revenue from sales of products when the significant risks and rewards of ownership are transferred to the buyer and there is no significant uncertainty on recovery of the consideration due, associated costs, the probable return of goods or the continuing management involvement with the goods. The Company records revenue net of value added taxes or other sales taxes and trade discounts.

Inventories

In the ordinary course of the business (in particular the spirits business), the Company hold significant amounts of inventory, which includes finished goods and maturing spirits. As a result, the cost formula the Company use to record the inventory can have a significant impact on the operating results. The Company record the inventory at the lower of cost and net realizable value. The Company determine the cost of the inventory on a weighted average cost basis.

The cost of finished goods and work-in-progress includes a share of overhead costs based on normal operation capacity. The Company record the cost of finished goods based on the weighted average method.

The Company determine the net realizable value of the inventories by estimating the selling price in the ordinary course of business, less the costs of completion and selling expenses. The Company perform periodic assessments to determine the existence of obsolete, slow-moving and non-saleable inventories, such as discontinued products, and make allowances for all deteriorated, damaged, obsolete and slow-moving inventories.

As of June 30, 2008, the carrying value of the total inventory, net of obsolete inventory, was Baht 29,797.4 million and consisted of finished goods, maturing goods, work-in-process, raw materials, packaging materials, and others. Finished goods comprised 45.6%, or Baht 13,580.0 million, maturing goods comprised 29.8%, or Baht 8,874.2 million, work-in-process comprised 12.8%, or Baht 3,822.1 million, raw materials, packaging materials and spare parts comprised 9.2%, or Baht 2,734.2 million, and others comprised 2.6%, or Baht 786.9 million, of total inventories.

The finished goods consist of legacy inventories of brown spirits (principally Mekhong and Mungkorn Thong) produced prior to the end of the concession period and beer, spirits and water products produced in the ordinary course of business. The legacy inventories of brown spirits comprised 21.8%, or Baht 2,965.9 million, of the total finished goods inventory as of June 30, 2008, comparing to Baht 3,614.6 million on December 31, 2007, Baht 5,111.3 million on December 31, 2006, Baht 8,514.3 million on December 31, 2005. The carrying value on the books of these legacy inventories is based on their fair value at the date of purchase. The Company expect to deplete the legacy inventories within the next 1-2 years for the Mekhong brand and 3-4 years for Mungkorn Thong brand.

Property, Plant and Equipment

The net carrying value of the property, plant and equipment as of June 30, 2008 totaled Baht 41,682.3 million. The accounting treatment of property, plant and equipment can have a significant impact on the financial statements because of the magnitude of the property, plant and equipment, associated depreciation charges, revaluation assumptions, and associated borrowing costs and investments.

Revaluation. The policy is to revalue the assets every three to five years, or when there are factors that might materially impact the value of the assets. In 2007, the Company revalued the assets and recognized a decrease of Baht 2,197.3 million from a surplus on property revaluation. Therefore, any significant revaluation of the assets in the future could increase or impair the value of the assets in future periods and impact the shareholders' equity.

Depreciation and Amortization. The choice of depreciation method reflects the judgment of how the Company benefit from a particular asset. The Company typically depreciate the assets, including the plant and equipment, based on the asset's book value (including revaluation if applicable) on a straight line basis over the estimated useful life of the asset.

The useful life is the amount of time the Company expect to productively employ an asset, which may be less than its physical life. The Company determine the estimated useful life based on wear and tear, obsolescence, technical standards and changes in market demand. The Company apply the following useful lives for the plant and equipment:

Plant and Equipment	Years
Land improvements.....	5 – 20
Buildings and structures.....	10 – 40
Building improvements.....	5 – 20
Machinery and equipment.....	4 – 40
Oak barrels.....	10 – 20
Furniture, fixtures and office equipment.....	3 – 10
Vehicles.....	3 – 10

The Company believe the depreciation policy is consistent with industry practice in Thailand and other beverage companies. Changes in the estimated useful lives of depreciable assets could have a significant effect on the reported results of operations.

Subsequent Investments. The Company make judgments as to whether subsequent investments made in respect of an existing item of plant and equipment should be capitalized or expensed. The Company assess the recoverability of the carrying amount of property, plant and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in the business conditions. The policy is to capitalize only those items

that the Company believe enhance the future economic benefits of the asset beyond its originally assessed standard of performance. In cases where an asset has been previously improved, the Company assess the enhancement of the future economic benefits of the asset by reference to the production output of the asset. The Company charge maintenance, repairs and betterments that do not enhance the value of or increase the life of the assets to operations as incurred

Asset Impairment

The Company review the assets for possible impairment at each balance sheet date and whenever events or circumstances indicate the carrying amount of an asset may not be recoverable or is impaired. The Company assess recoverability by estimating the greater of the asset's net selling price and value in use. For example, the Company estimate the recoverable amount of the work-in-progress and maturing goods the Company own in significant quantities and when the actual value differs from the estimates used, the Company may take impairment charges, which would adversely affect the operating results. In assessing value in use, the Company discount the estimated future cash flows to their present value using a pre-tax discount rate based upon historical results and current projections of profit before interest and income taxes. For an asset that does not generate cash flow and is independent of other assets, the Company determine the recoverable amount based on the present value of estimated future cash flows, discounted at the original effective interest rate.

The Company recognize an impairment loss in the statement of income when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The Company reverse an impairment loss when there has been a change in the estimates used to determine the recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the Company had not recognized any impairment loss. The Company recognized impairment losses of approximately Baht 162.9 million, Baht 363.3 million, Baht 153.1 million and Baht 212.2 million in the year 2005, 2006, 2007 and for the six-month period ended June 30, 2008, respectively.

Results of Operations

The following table sets forth the breakdown of the statement of income and their corresponding percentages to the total revenue from sales for the periods indicated:

Selected Segment Data

Unit: Percentage of Total Revenue

	For the Year Ended December 31,				For the Six-Month Period Ended June 30,	
	2005	2006 (Before Restatement)	2006 (Restated)	2007	2007	2008
Profit and Loss Statement						
Total revenue.....	100.0	100.0	100.0	100.0	100.0	100.0
Total revenue from sales.....						
Beer, drinking water and soda water.....	44.4	47.6	47.1	47.2	46.8	41.4
Spirits.....	55.5	52.5	52.7	52.5	53.1	56.0
Non-alcoholic beverages.....	-	-	-	-	-	0.7
Industrial alcohol ⁽¹⁾	0.9	1.2	1.2	1.0	0.7	1.5
Related businesses.....	7.0	7.3	-	-	-	-
Eliminations.....	(8.1)	(8.8)	(1.1)	(0.9)	(1.0)	(0.1)
Total revenue from sales	99.7	99.8	99.8	99.7	99.6	99.5
Interest income.....	0.1	0.1	0.1	0.0	0.0	0.0
Other income.....	0.2	0.1	0.1	0.3	0.3	0.4
Cost of sales.....						
Beer, drinking water and soda water.....	34.2	36.4	36.7	36.7	36.2	33.3
Excise tax.....	23.1	25.1	25.1	25.3	25.1	22.5
Packaging material.....	4.5	5.0	4.9	5.1	4.9	4.7
Raw material.....	2.7	2.7	2.7	2.6	2.6	2.7
Other.....	3.9	3.5	4.0	3.7	3.6	3.4
Spirits.....	33.7	33.7	34.2	33.6	34.4	37.1
Excise tax.....	26.3	24.5	25.0	24.8	25.0	27.3
Packaging material.....	3.3	3.4	3.4	3.2	3.0	3.2
Raw material.....	1.3	2.8	2.8	2.7	2.9	3.6
Other.....	2.8	3.0	3.0	2.9	3.4	3.1
Non-alcoholic beverages.....	-	-	-	-	-	0.6
Industrial alcohol ⁽¹⁾	0.5	1.0	1.0	1.0	0.7	1.3
Related businesses.....	6.4	6.5	-	-	-	-
Eliminations.....	(6.3)	(6.8)	(1.1)	(1.1)	(1.1)	(0.1)
Total cost of sales	68.5	70.8	70.8	70.3	70.2	72.3
Selling and administrative expenses.....	13.8	12.9	12.9	13.6	12.6	13.0
EBIT	17.7	16.3	16.3	16.1	17.2	14.8
Interest expense.....	1.8	1.6	1.6	1.0	1.1	0.6
Income tax.....	5.0	4.4	4.4	4.8	5.4	4.4
Net profit (loss) before minority interests	10.9	10.3	10.3	10.3	10.7	9.8
Minority interests.....	-	-	-	-	0.0	0.0
Net profit (loss)	10.9	10.3	10.3	10.3	10.7	9.8

(1) ThaiBev has sold all the shares in Thai Alcohol Plc. to Damrongfah Co. on September 30, 2008

Management Discussion and Analysis of Financial Condition and Results of Operations for six-month period ended June 30, 2008 and June 30, 2007

The Company

Total revenue The total revenue for the Company increase 4.1% from Baht 49,285.5 million for the six-month period ended June 30, 2007 to Baht 51,321.8 million in the six-month period ended June 30, 2008.

Revenue from sales The revenue from sales for the Company increased 4.0% from Baht 49,107.3 million for the six-month period ended June 30, 2007 to Baht 51,082.9 million for the six-month period ended June 30, 2008, mainly due to the increase of the revenue from sales of spirits business of approximately 9.8%, the increase of the revenue from sales of the non-alcoholic beverages, and the revenue from sales of industrial alcohol. However, these increases were partially offset by the decline in revenue from sales of beer of approximately 7.9%. The domestic sales for the six-month period ended June 30, 2008 and the six-month period ended June 30, 2007 were 96.0% and 96.2%, respectively.

Interest income Interest income for the Company decreased from Baht 19.5 million for the six-month period ended June 30, 2007 to Baht 12.3 million for the six-month period ended June 30, 2008, mainly due to the decrease in deposits for the six-month period ended June 30, 2008.

Other income Other income for the Company increased from Baht 158.7 million for the six-month period ended June 30, 2007 to Baht 226.5 million for the six-month period ended June 30, 2008, mainly due to the reversal of an allowance for obsolete inventory for the six-month period ended June 30, 2008.

Cost of sales Cost of sales for the Company increased 7.2% from Baht 34,589.9 million for the six-month period ended June 30, 2007 to Baht 37,083.0 million for the six-month period ended June 30, 2008

Excise tax Excise tax (including municipal taxes, Health Promotion Fund contributions and contributions to Thai PBS) for the Company increased 3.4% from Baht 24,716.7 million for the six-month period ended June 30, 2007 to Baht 25,565.3 million for the six-month period ended June 30, 2008, mainly due to the increase in excise tax rate levied on spirits products on August 28, 2007 and the increased in tax rate to support the Thai PBS on January 14, 2008.

Packaging materials Packaging materials for the Company increased 5.6% from Baht 3,924.7 million for the six-month period ended June 30, 2007 to Baht 4,146.1 million for the six-month period ended June 30, 2008, mainly due the increase in the costs of boxes and glass bottles.

Raw materials Raw materials costs increased 26.6% from Baht 2,988.1 million for the six-month period ended June 30, 2007 to Baht 3,781.9 million for the six-month period ended June 30, 2008, mainly due to the increase in the raw materials costs, such as malts and rice.

Others Other cost of sales for the Company increased 3.7% from Baht 3,491.7 million for the six-month period ended June 30, 2007 to Baht 3,621.6 million for the six-month period ended June 30, 2008, mainly due to the increase in direct labor and manufacturing overhead expenses in beer business and spirits business

Gross profit Gross profit for the Company decreased 3.6% from Baht 14,517.3 million for the six-month period ended June 30, 2007 to Baht 13,999.9 million for the six-month period ended June 30, 2008, mainly due to the decrease in gross profit from the beer business.

Selling and administrative expenses Selling and administrative expenses for the Company increased 7.0% from Baht 6,215.7 million for the six-month period ended June 30, 2007 to Baht 6,653.0 million for the six-month period ended June 30, 2008, mainly due to the increase in marketing and public relation expenses of 23.9% from Baht 1,544.3 million for the six-month period ended June 30, 2007 to Baht 1,914.1 million for the six-month period ended June 30, 2008. Additionally, employee expense increased 6.6% from Baht 1,803.5 million to Baht 1,922.5 million during the same period and the idle costs increased 24.1% from Baht 874.5 million to Baht 1,084.9 million during the same period.

Earnings before interest and tax (EBIT) Earnings before interest and tax (EBIT) for the Company decreased 10.5% from Baht 8,479.9 million for the six-month period ended June 30, 2007 to Baht 7,585.8 million for the six-month period ended June 30, 2008, mainly due to the decrease in gross profit in the beer business, together with the increase in marketing and public relation expenses and idle costs.

Eliminations Eliminations of revenues between the related businesses decreased 94.0% from Baht 490.9 million for the six-month period ended June 30, 2007 to Baht 29.3 million for the six-month period ended June 30, 2008, mainly due to the decrease in the intersegment revenue from sales, which includes the sale and purchase of raw materials, and the increase in revenue from centralizing logistics, procurement and marketing.

Elimination of expenses between the related businesses decreased 94.0% from Baht 531.3 million for the six-month period ended June 30, 2007 to Baht 31.9 million for the six-month period ended June 30, 2008, mainly due to the decrease intersegment revenue from sales.

Interest expense Interest expense for the Company decreased 48.0% from Baht 556.7 million for the six-month period ended June 30, 2007 to Baht 289.3 million for the six-month period ended June 30, 2008, mainly due to the decrease in borrowing for the six-month period ended June 30, 2008, compared to the six-month period ended June 30, 2007.

Income tax Income tax for the Company decreased 14.5% from Baht 2,663.1 million for the six-month period ended June 30, 2007 to Baht 2,277.3 million for the six-month period ended June 30, 2008, mainly due to the decrease in earnings before interest and tax.

Net profit Net profit for the Company decreased 4.6% from Baht 5,260.0 million for the six-month period ended June 30, 2007 to Baht 5,019.0 million for the six-month period ended June 30, 2008, mainly due to the decrease in the gross profit from the beer business, increase in marketing and public relation expenses and increase in idle costs. This amount was partially offset by a decline in interest expense for the six-month period ended June 30, 2008, compared to the six-month period ended June 30, 2007.

Beer Business

Revenue from sales Total revenue from sales decreased 7.9% from Baht 23,086.2 million for the six-month period ended June 30, 2007 to Baht 21,272.0 million for the six-month period ended June 30, 2008, mainly due to the decrease in beer sales volume by 7.1% from 464.0 million liters for the six-month period ended June 30, 2007 to 431.1 million liters for the six-month period ended June 30, 2008. This decrease was led by the fall of sales volume of low-alcohol content beer by 26.0 million liters, or 19.2%, to 109.1 million liters for the six-month period ended June 30, 2008.

Cost of sales Cost of sales decreased 4.3% from Baht 17,864.2 million for the six-month period ended June 30, 2007 to Baht 17,095.4 million for the six-month period ended June 30, 2008, mainly due to the decrease in beer sales volume.

Excise tax Excise tax expenses (including municipal taxes, Health Promotion Fund contributions and contributions to Thai PBS) for the beer business decreased by 6.8% from Baht 12,390.8 million for the six-month period ended June 30, 2007 to Baht 11,547.7 million for the six-month period ended June 30, 2008, which is in line with the decline in beer sales volume of 7.1% for the six-month period ended June 30, 2008 compared to the six-month period ended June 30, 2007.

Packaging materials Packaging materials expenses slightly decreased from Baht 2,438.3 million for the six-month period ended June 30, 2007 to Baht 2,437.4 million for the six-month period ended June 30, 2008, mainly due to the increase in the costs of packaging materials, although such increase was offset by the decline in sales volume of beer for the six-month period ended June 30, 2008 compared to the six-month period ended June 30, 2007, resulting in the packaging materials expenses to be approximately the same as previous year.

Raw materials Raw materials expenses increased 8.4% from Baht 1,275.2 million for the six-month period ended June 30, 2007 to Baht 1,382.7 million for the six-month period ended June 30, 2008, mainly due to the increase in costs of the main raw materials such as malt and rice, which increased by approximately 27.1% for the six-month period ended June 30, 2008.

Others Other expenses decreased by 1.8% from Baht 1,759.9 million for the six-month period ended June 30, 2007 to Baht 1,727.6 million for the six-month period ended June 30, 2008, mainly due to the decrease in sales volume of beer.

Gross profit Gross profit decreased by 20.0% from Baht 5,222.0 million for the six-month period ended June 30, 2007 to Baht 4,176.6 million for the six-month period ended June 30, 2008, mainly due to the decrease in beer sales volume, together with the increase in raw material costs.

Selling and administrative expenses Selling and administrative expenses decreased 1.2% from Baht 2,911.9 million for the six-month period ended June 30, 2007 to Baht 2,876.4 million for the six-month period ended June 30, 2008, mainly due to a decrease in traveling and depreciation expenses, and the reclassification of soda water and drinking water expenses from beer business to non-alcoholic beverages business. The decrease is partially offset by an increase in the marketing and public relation expenses for the six-month period ended June 30, 2008, compared to the six-month period ended June 30, 2007.

Earnings before interest and tax (EBIT) Earnings before interest and tax (EBIT) decreased 42.6% from Baht 2,371.0 million for the six-month period ended June 30, 2007 to Baht 1,361.2 million for the six-month period ended June 30, 2008, mainly due to the decrease in beer sales volume and the increase in raw material costs.

Net profit Net profit decreased 16.2% from Baht 1,048.7 million for the six-month period ended June 30, 2007 to Baht 879.0 million for the six-month period ended June 30, 2008, mainly due to the decrease in revenue from sales of beer, together with the increase in raw material costs, although partially offset by a decline in interest expense.

Spirits Business

Revenue from sales Revenue from sales increased 9.8% from Baht 26,162.6 million for the six-month period ended June 30, 2007 to Baht 28,718.5 million for the six-month period ended June 30, 2008, mainly due to the increase in price of spirits.

Revenue from sales of brown spirits Revenue from sales of brown spirits increased 9.0% from Baht 12,189.1 million for the six-month period ended June 30, 2007 to Baht 13,284.8 million for the six-month period ended June 30, 2008, mainly due to the increase in price of brown spirits and the increase in brown spirits sales volume by 0.4% from 61.6 million liters for the

six-month period ended June 30, 2007 to 61.8 million liters for the six-month period ended June 30, 2008.

Revenue from sales of white and Chinese herb spirits Revenue from sales of white and Chinese herb spirits increased 9.8% from Baht 13,426.3 million for the six-month period ended June 30, 2007 to Baht 14,739.7 million for the six-month period ended June 30, 2008, mainly due to the increase in the price of white spirits during May 2008, which offset the 11.2% decline in white and herb spirits sales volume from 169.2 million liters for the six-month period ended June 30, 2007 to 150.4 million liters for the six-month period ended June 30, 2008.

Cost of sales Cost of sales decreased 12.5% from Baht 16,936.4 million for the six-month period ended June 30, 2007 to Baht 19,048.0 million for the six-month period ended June 30, 2008

Excise tax Excise tax (including municipal taxes, Health Promotion Fund contributions and contributions to Thai PBS) increased 13.5% from Baht 12,325.9 million for the six-month period ended June 30, 2007 to Baht 13,992.3 million for the six-month period ended June 30, 2008, mainly due to the increase of excise tax rate in August 2007 and the additional taxes collected for contributions to the Thai PBS, which started since January 2008.

Packaging materials Packaging materials expenses increased 9.8% from Baht 1,486.4 million for the six-month period ended June 30, 2007 to Baht 1,632.0 million for the six-month period ended June 30, 2008, mainly due to the increase in the costs of boxes and glass bottles.

Raw materials Raw materials costs increased 27.1% from Baht 1,447.9 million for the six-month period ended June 30, 2007 to Baht 1,840.1 million for the six-month period ended June 30, 2008, mainly due to the increase in the usage of higher price raw materials.

Others Other expenses decreased by 5.5% from Baht 1,676.2 million for the six-month period ended June 30, 2007 to Baht 1,583.6 million for the six-month period ended June 30, 2008, mainly due to the decrease in depreciation expenses.

Gross profit Gross profit increased by 4.8% from Baht 9,226.2 million for the six-month period ended June 30, 2007 to Baht 9,670.5 million for the six-month period ended June 30, 2008, mainly due to the increase in price of spirits and sales volume of brown spirits, eventhough the cost of sales increased.

Selling and administrative expenses Selling and administrative expenses increased 8.2% from Baht 3,247.8 million for the six-month period ended June 30, 2007 to Baht 3,514.9 million for the six-month period ended June 30, 2008, mainly due to an increase in marketing and public relation expenses, an increase in idle costs of the spirits production facilities and an increase in employee expenses.

Earnings before interest and tax (EBIT) Earnings before interest and tax (EBIT) increased 4.4% from Baht 6,092.0 million for the six-month period ended June 30, 2007 to Baht 6,357.8 million for the six-month period ended June 30, 2008, mainly due to the increase in gross profit, although partially offset by an increase in idle costs, marketing and public relation expenses.

Net profit Net profit increased 1.3% from Baht 4,211.4 million for the six-month period ended June 30, 2007 to Baht 4,265.0 million for the six-month period ended June 30, 2008, mainly due to an increase in the price of spirits, an increase in brown spirits sales volume and also a decrease in interest expense for this business segment.

Non-alcoholic Beverages Business

Revenue from sales Due to the addition of a new energy drinks and ready-to-drink coffee business in the first quarter of 2008, the company cannot compare the first six months of 2008 figures for this segment with the same period last year. For this business segment, the total revenue from sales in the first half 2008 was Baht 364.9 million, where the sales volume for energy drink, ready-to-drink coffee, drinking water and soda water were 2.9 million liters, 0.2 million liters, 5.6 million liters and 23.5 million liters respectively.

Cost of sales Cost of sales was Baht 293.4 million for the six-month period ended June 30, 2008, where the major portion of these costs are other expenses (which includes labor expenses, depreciation expenses, and other manufacturing overhead expenses), packaging materials, excise tax and raw materials, which were Baht 183.2 million, Baht 76.7 million, Baht 25.3 million and Baht 8.2 million, representing 62.4%, 26.1%, 8.6% and 2.8% of the total cost of sales, respectively

Gross profit Gross profit was 71.6 million for the six-month period ended June 30, 2008, where the major portion of revenue came from energy drink, ready-to-drink coffee, drinking water and soda water, respectively

Selling and administrative expenses Selling and administrative expenses were Baht 158.9 million for the six-month period ended June 30, 2008, where the major portion of the expenses came from idle costs of the soda and drinking water production facilities.

Earnings before interest and tax (EBIT) This business segment had a loss before interest and tax of Baht 81.9 million for the six-month period ended June 30, 2008.

Net profit This business segment had a net loss of Baht 80.9 million, mainly due to the idle costs of the drinking water and soda water production facilities.

Industrial Alcohol Business

Revenue from sales Revenue from sales increased 116.6% from Baht 349.4 million for the six-month period ended June 30, 2007 to Baht 756.8 million for the six-month period ended June 30, 2008, mainly due to the increase in sales volume of ethanol 99.5 degree by 73.7% from 14.2 million liters for the six-month period ended June 30, 2007 to 24.6 million liters for the six-month period ended June 30, 2008, while the average price decrease from Baht 21.25 per liters in 2007 to Baht 16.12 per liters in 2008. The sales volume of alcohol 95 increased 939.7% from 2.5 million liters for the six-month period ended June 30, 2007 to 25.9 million for the six-month period ended June 30, 2008, where most are exported, and the average price for 2008 was Baht 13.60 per liters, a decrease of 20.9% compared to the same period in 2007.

Cost of sales Cost of sales increased 111.5% from Baht 320.6 million for the six-month period ended June 30, 2007 to Baht 678.1 million for the six-month period ended June 30, 2008, mainly due to the increase in the sales volume of Industrial alcohol.

Gross profit Gross profit increased 173.0% from Baht 28.8 million for the six-month period ended June 30, 2007 to Baht 78.7 million for the six-month period ended June 30, 2008, mainly due to the increase in ethanol 99.5 degree and alcohol 95 sales volume.

Selling and administrative expenses Selling and administrative expenses increased 40.0% from Baht 63.8 million for the six-month period ended June 30, 2007 to Baht 89.4 million for the six-month period ended June 30, 2008, mainly due to the increase in idle costs for the six-month period ended June 30, 2008 compared to the six-month period ended June 30, 2007.

Earnings before interest and tax (EBIT) The loss before interest and tax for this business segment decreased 52.3% from Baht 18.5 million for the six-month period ended June 30, 2007 to Baht 8.8 million for the six-month period ended June 30, 2008, mainly due to the increase in the sales volume of ethanol 99.5 degree and alcohol 95, which is partially offset by the increase in idle costs.

Net profit The net loss for this business segment decreased 47.8% from Baht 39.0 million for the six-month period ended June 30, 2007 to Baht 20.4 million for the six-month period ended June 30, 2008, mainly due to the increase in idle costs, which cannot be fully offset by the increase in sales volume of both ethanol 99.5 degree and alcohol 95.

Management Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2007 and December 31, 2006

The Company has reclassified the business segments in the third quarter of 2007 to increase the clarity of segmental reporting, whereby the “Related Businesses” will not be shown as a separate segment, but its operational results will be distributed into the main functions of beer, drinking water and soda water, spirits, and industrial alcohol businesses. Therefore, the financial statements of the year 2006 is restated in order to be comparable with the year 2007.

The Company

Total revenue The total revenue of the Company increased 2.9% from Baht 97,956.0 million in 2006 to 100,838.9 million in 2007, mainly due to the increase in revenue from sales of beer, drinking water and soda water, and spirits.

Revenue from sales The total revenue from sales increased 2.8% from Baht 97,797.9 million in 2006 to Baht 100,540.9 million in 2007, mainly due to the increase in revenue from sales of beer, drinking water and soda water by 3.2% and an increase in revenue from sales of spirits by 2.6%, which is partially offset by the 19.8% decrease in revenue from sales of the industrial alcohol business. The domestic sales for the year 2007 and 2006 were 96.2% and 97.1% of the total revenue from sales, respectively.

Interest income The interest income for the Company decreased from Baht 56.5 million in 2006 to Baht 40.8 million in 2007, mainly due to the decrease in deposits in the year 2007.

Other income The other income for the Company increased from Baht 101.6 million in 2006 to Baht 257.2 million in 2007, mainly due to the profit from sale of Thai Bev Tower Project, which recorded a profit from sales of Baht 131.9 million before the deduction of operating expenses, or the net profit from sales of Baht 63.9 million.

Cost of sales The cost of sales for the Company increased 2.2% from Baht 69,325.1 in 2006 to Baht 70,872.6 million in 2007.

Excise tax Excise tax (including municipal taxes and Health Promotion Fund contributions) for the Company increased 2.9% from Baht 49,143.0 million in 2006 to Baht 50,588.1 million in 2007, which is in line with the increase in beer sales volume by 3.7% in the year 2007 compared to 2006.

Packaging materials Packaging materials expenses for the Company increased 3.6% from Baht 8,080.4 million in 2006 to Baht 8,369.6 million in 2007, mainly due to the increase in sales volume of beer by 3.7% and the increase in sales volume of spirits by 8.2% in 2007 compared to 2006.

Raw materials Raw materials expenses for the Company increased 1.8% from Baht 6,034.4 million in 2006 to Baht 6,143.4 in 2007, mainly due to the increase in beer sales volume by 3.7% in 2007 compared to 2006.

Others Other expenses for the Company decreased 4.0% from Baht 7,150.7 million in 2006 to Baht 6,864.2 million in 2007 due to the decrease in manufacturing overhead expenses.

Gross profit Gross profit for the Company increased 4.2% from Baht 28,472.8 million in 2006 to Baht 29,668.3 million in 2007, mainly due to the increase in revenue from sales of beer, drinking water and soda water, and spirits.

Selling and administrative expenses Selling and administrative expenses for the Company increased 7.9% from Baht 12,684.6 million in 2006 to Baht 13,689.4 million in 2007, mainly due to the increase in marketing and public relation expenses by 5.3% and the increase in idle costs by 19.2% in 2007 compared to 2006 due to low utilization level of the spirits production facilities. In addition, the employee expenses also increased 13.1% from the previous year.

Earnings before interest and tax (EBIT) Earnings before interest and tax for the Company increased 2.1% from Baht 15,946.3 million in 2006 to Baht 16,276.9 million in 2007, mainly due to the increase in total revenue and the increase in gross profit of the spirits business.

Eliminations Eliminations of revenue between the related businesses decrease 15.1% from Baht 1,086.4 million in 2006 to Baht 922.5 million in 2007, mainly due to the the decrease in the intersegment revenue from sales, which includes the sales and purchase of raw materials and revenue from centralizing logistics, procurement and marketing.

Elimination of expenses between the related businesses decreased 1.9% from Baht 1,083.4 million for the six-month period ended June 30, 2007 to Baht 1,062.8 million for the six-month period ended June 30, 2008, mainly due to the decrease in intersegmental revenue from sales.

Interest expense Interest expense for the Company decreased 33.2% from Baht 1,568.7 million in 2006 to Baht 1,047.3 million in 2007, mainly due to the decrease in borrowing in 2007 compared to 2006.

Income tax Income tax for the Company increased 12.1% from Baht 4,322.9 million in 2006 to Baht 4,846.6 million in 2007, mainly due to the increase in earnings before interest and tax.

Net profit Net profit for the Company increased 3.3% from Baht 10,054.8 million in 2006 to Baht 10,383.1 million in 2007, mainly due to the increase in net profit from spirits by 11.0% from Baht 7,944.7 million in 2006 to Baht 8,814.8 million in 2007.

Beer, Drinking Water and Soda Water Business

Revenue from sales Revenue from sales increased 3.2% from Baht 46,103.2 million in 2006 to Baht 47,557.3 million in 2007, mainly due to the increase in sales volume of beer by 3.7% from 923.0 million liters in 2006 to 956.8 million liters in 2007. The increase was mainly due to the increase in the sales volume of low-alcohol content beer by 206.9% from 101.9 million liters in 2006 to 312.6 million liters in 2007. The sales volume of soda water was at 10.6 million liters in 2007, a decrease of 15.5% and the sales volume for water was 43.8 million liters in 2007, an increase of 2.9%.

Cost of Sales Cost of sales increased 3.1% from Baht 35,943.8 million in 2006 to Baht 37,040.2 million in 2007, mainly due to the increased in sales volume of beer, drinking water and soda water.

Excise Tax Excise tax (including municipal taxes and Health Promotion fund contributions) for beer increased by 3.8% from Baht 24,615.2 million in 2006 to Baht 25,551.0 million in 2007, which is in line with the increase in sales volume of beer by 3.7% in 2007 compared to 2006.

Packaging materials Packaging materials expenses for beer, drinking water and soda water business increased 7.5% from 4,766.8 million in 2006 to Baht 5,124.9 million in 2007, mainly due to the increase in sales volume of beer by 3.7% in 2007 compared to 2006, and the increase in the costs of packaging materials.

Raw materials Raw materials expenses for beer, drinking water and soda water business decreased 1.6% from Baht 2,657.3 million in 2006 to Baht 2,614.4 million in 2007, mainly due to the decrease in the usage of key ingredients, such as malt and hops due to the increase in sales of low-alcohol beer, in 2007 and compared to 2006.

Others Other expenses for the beer water, and soda business decreased 4.0% from Baht 3,904.5 million in 2006 to Baht 3,749.9 million in 2007, mainly due to the decrease in manufacturing overhead by 13.6% from Baht 2,097.0 million in 2006 to Baht 1,812.3 million in 2007.

Gross profit Gross profit for this business segment increased 3.5% from Baht 10,159.4 million in 2006 to Baht 10,517.1 million in 2007, mainly due to the increase in the revenue from sales of beer, drinking water and soda water.

Selling and administrative expenses Selling and administrative expenses for this business segment increased 11.9% from Baht 5,767.8 million in 2006 to Baht 6,456.1 million in 2007, mainly due to the increase in idle costs of the beer production facilities by 142.6%, and the increase in marketing and public relation expense for beer, drinking water and soda water by 5.9% in 2007 compared to 2006. In addition, the employee expenses also increased by 12.9% and the transportation and traveling expenses increased by 10.0%.

Earnings before interest and tax (EBIT) Earnings before interest and tax decreased 6.5% from Baht 4,461.0 million in 2006 to Baht 4,172.2 million in 2007, mainly due to the increase in selling and administrative expenses.

Net profit Net profit for this business segment decreased 21.3% from Baht 2,163.0 million in 2006 to Baht 1,702.1 million in 2007, mainly due to the decrease in earnings before interest and tax, although partially offset by a decrease in interest expense.

Spirits Business

Revenue from sales Revenue from sales increased 2.6% from Baht 51,576.1 million in 2006 to Baht 52,940.2 million in 2007.

Revenue from sales of brown spirits Revenue from sales of brown spirits increased 15.2% from Baht 20,984.8 million in 2006 to Baht 24,169.5 million in 2007, mainly due to the increase in sales volume of brown spirits by 8.2% from 108.0 million liters in 2006 to 116.9 million liters in 2007, coupled with an increase in prices of brown spirits, which adjusted up in May and August 2007.

Revenue from sales of white spirits Revenue from sales of white spirits decreased 5.7% from Baht 29,452.6 million in 2006 to Baht 27,769.5 million in 2007, mainly due to the decrease in the sales volume of white spirits by 10.3% from 367.5 million liters in 2006 to 329.5 million liters in 2007.

Cost of sales Cost of sales increased 1.4% from Baht 33,469.5 million in 2006 to Baht 33,923.4 million in 2007.

Excise tax Excise tax (including municipal taxes and Health Promotion fund contributions) for the spirits business increased 2.0% from Baht 24,527.8 million in 2006 to Baht 25,007.1 million in 2007, mainly due to the increase in excise tax rate in August 2007.

Packaging materials Packaging materials expenses decreased 2.1% from Baht 3,313.6 million in 2006 to Baht 3,244.7 million in 2007, mainly due to the decrease in sales volume of spirits by 6.1% in 2007 compared to 2006.

Raw materials Raw materials expenses decreased 0.9% from Baht 2,726.2 million to Baht 2,701.1 million in 2007, mainly due to the overall decrease in sales volume of spirits and the decrease in molasses price in 2007 compared to 2006.

Others Other expenses for the spirits business increased 2.4% from Baht 2,901.9 million in 2006 to Baht 2,970.5 million in 2007, mainly due to the increase in employee and depreciation expenses.

Gross profit Gross profit for the spirits business increased 5.0% from Baht 18,106.6 million in 2006 to Baht 19,016.8 million in 2007, mainly due to an increase in price of spirits, which led to an increase in the overall gross margin.

Selling and administrative expenses Selling and administrative expenses increased 4.7% from Baht 6,740.1 million in 2006 to Baht 7,055.4 million in 2007, mainly due to the increase in idle costs of the spirits production facilities, where the utilization rate decreased from 59.1% in 2006 to 50.3% in 2007. In addition, the marketing and public relation expenses and the employee expenses increased by 3.1% and 13.6%, respectively.

Earnings before interest and tax (EBIT) Earnings before interest and tax increased 6.3% from Baht 11,472.2 million in 2006 to Baht 12,198.0 million in 2007, mainly due to the increase in revenue from sales and gross profit from spirits, although partially offset by the increase in employee expenses and marketing and public relations expenses.

Net profit Net Profit increased 11.0% from Baht 7,944.7 million in 2006 to Baht 8,814.8 million in 2007 due to the increase in earnings before interest and tax, together with the decrease in interest expense.

Industrial Alcohol Business

Revenue from sales Revenue from sales decreased 19.8% from Baht 1,205.0 million in 2006 to Baht 966.0 million in 2007, mainly due to the decrease in product pricing because of the excess supply in the market. The sales volume of ethanol 99.5 degree decreased 8.5% from 46.6 million liters in 2006 to 42.6 million liters in 2007 where the average price decreased from Baht 24.94 per liter in 2006 to Baht 16.63 per liter in 2007, which offset the increase in sales volume of alcohol 95 by 1,032.7% from 1.5 million liters in 2006 to 16.8 million liters in 2007, where most of the product is exported, while the average price decreased from Baht 24.60 per liter in 2006 to Baht 14.81 per liter in 2007.

Cost of sales Cost of sales for the industrial alcohol business decreased 2.4% from Baht 995.2 million in 2006 to Baht 971.8 million in 2007, mainly due to the decrease in the sales volume of ethanol 99.5 degree in 2007 compared to 2006.

Gross profit Gross loss from the industrial alcohol business was Baht 5.8 million in 2007 compared to the gross profit of Baht 209.8 million in 2006, mainly due to the decrease in sales volume and prices of ethanol, even though the price of molasses have decreased.

Selling and administrative expenses Selling and administrative expenses for this business segment decreased 21.4% from Baht 178.5 million in 2006 to Baht 140.3 million in 2007, mainly due to the decrease in idle costs as a result of high production utilization rate.

Earnings before interest and tax (EBIT) Earnings before interest and tax of this business segment decreased from Baht 38.0 million in 2006 to a loss before interest and tax of 127.3 million in 2007, mainly due to the decrease in gross profit, although partially offset by an increase in other income.

Net profit Net loss for this business segment increased from Baht 32.2 million in 2006 to Baht 168.0 million in 2007, mainly due to the decrease in gross margin, together with the increase in depreciation expenses.

Management Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2006 and December 31, 2005

For comparison purpose, the Company classified the business segments in the year 2006 to be the same as those in 2005, where the related business transactions within the group is still shown as a separate segment under “Related businesses”. Therefore, the business segments include beer, drinking water and soda water business, spirits business, industrial alcohol business and related businesses.

The Company

Total revenue The total revenue of the Company increased 2.9% from Baht 95,190.2 million in 2005 to Baht 97,956.0 million in 2006, mainly due to the increase in revenue from sales of beer, drinking water and soda water, industrial alcohol and related businesses, although partially offset by the decrease in the revenue from sales of spirits.

Revenue from sales Revenue from sales increased 3.0% from Baht 94,903.4 million in 2005 to Baht 97,797.9 million in 2006, mainly due to the increase in revenue from sales of beer, drinking water and soda water, industrial alcohol and related businesses, although partially offset by the decrease in revenue from sales of spirits. The domestic sales for the year 2006 and 2005 were 97.1% and 96.3% of the Company’s total revenue from sales, respectively.

Interest income Interest income for the Company decreased from Baht 71.5 million in 2005 to Baht 56.5 million in 2006, mainly due to the decrease in bank deposit in 2006.

Other income Other income for the Company decreased from Baht 215.3 million in 2005 to Baht 101.6 million in 2006, mainly due to the decrease in gain from exchange rates since the Baht has depreciated against other currencies.

Cost of sales Cost of sales of the Company increased 6.3% from Baht 65,187.7 million in 2005 to Baht 69,325.1 million in 2006.

Excise tax Excise tax (including municipal taxes and Health Promotion Fund contributions) for the Company increased 3.3% from Baht 47,065.0 million in 2005 to Baht 48,632.1 million in 2006, which is in line with the 12.0% increase in sales volume of beer from 2005 to 2006, and the increase in the excise tax rate in September 2005 for all brown spirits, except for the compounded spirits.

Packaging materials Packaging materials expenses for the Company increased 11.6% from Baht 7,364.8 million in 2005 to Baht 8,221.5 million in 2006, mainly due to the increase in sales volume of beer by 12.0%, although partially offset by the decrease in the sales volume of spirits by 6.0% in the year 2006 compared to the year 2005.

Raw materials Raw materials expenses for the Company increased 49.2% from Baht 4,054.2 million in 2005 to Baht 6,047.7 million in 2006, mainly due to the the increase in sales volume of beer by 12.0%, and the increase in the price of molasses in the year 2006 compared to the year 2005.

Others Other cost of sales for the Company increased 3.2% from Baht 12,665.8 million in 2005 to Baht 13,070.2 million in 2006, mainly due to the increase in direct labor, manufacturing overhead, and depreciation expenses.

Gross profit Gross profit for the Company decreased 4.2% from Baht 29,715.7 million in 2005 to Baht 28,472.8 million in 2006, mainly due to the increase in excise tax, packaging materials, and raw materials expenses.

Selling and administrative expenses Selling and administrative expenses decreased 3.8% from Baht 13,180.3 million in 2005 to Baht 12,684.6 million in 2006, mainly due to the decrease in marketing and public relations expenses by 19.3% in the year 2006 compared to the year 2005, where the marketing and public expenses for beer, drinking water and soda water business decreased substantially from Baht 3,863.3 million in 2005 to Baht 3,016.0 million in 2006, whereas the marketing and public relation expenses for the spirits business increased from Baht 389.1 million in 2005 to Baht 508.7 million in 2006. The idle costs for the production facilities declined by 22.4% due to the increase in utilization rate of the industrial alcohol production facilities.

Earnings before interest and tax (EBIT) Earnings before interest and tax decreased 5.2% from baht 16,822.2 million in 2005 to Baht 15,946.3 million in 2006, mainly due to the decrease in sales volume of spirits, especially the Sangsom brand.

Eliminations The eliminations of revenues between the related businesses increased 12.3% from Baht 7,686.8 million in 2005 to Baht 8,631.6 million in 2006, mainly due to the increase in revenues from the related businesses.

The eliminations of expenses from the related businesses increased 11.5% from Baht 5,962.1 million in 2005 to Baht 6,646.4 million in 2006, which is in line with the increase in the eliminations of revenues from the related businesses.

Interest expense Interest expense for the Company decreased 9.9% from Baht 1,741.8 million in 2005 to Baht 1,568.7 million in 2006, mainly due to the decrease in borrowing in the year 2006 compared to the year 2005.

Income tax Income tax for the Company decreased 8.9% from Baht 4,743.2 million in 2005 to Baht 4,322.9 million in 2006, mainly due to the decrease in earnings before interest and tax.

Net profit Net profit for the Company decreased 2.7% from Baht 10,337.3 million in 2005 to Baht 10,054.8 million in 2006, mainly due to the decrease in net profit from spirits.

Beer, Drinking Water and Soda Water Business

Revenue from sales Revenue from sales increased 10.3% from Baht 42,277.0 million in 2005 to Baht 46,641.0 million in 2006, where the sales volume of beer increased 12.0% from 824.2 million liters in 2005 to 923.0 million liters in 2006, mainly due to the higher demand for low alcohol content beer and the change in the Company's marketing strategy.

Cost of sales Cost of sales increased 9.4% from Baht 32,548.7 million in 2005 to Baht 35,609.0 million in 2006.

Excise tax Excise tax (including municipal taxes and Health Promotion Fund contributions) for beer increased 11.8% from Baht 22,014.3 million in 2005 to Baht 24,615.2 million in 2006, which is in line with the increase in sales volume of beer by 12.0% in the year 2006 compared to year 2005.

Packaging materials Packaging materials expenses increased 14.6% from Baht 4,267.5 million in 2005 to Baht 4,891.9 million in 2006, mainly due to the increase in sales volume of beer by 12.0% in 2006 compared to 2005.

Raw materials Raw materials expenses increased 4.0% from Baht 2,554.7 million in 2005 to Baht 2,657.3 million in 2006, mainly due to the increase in beer sales volume by 12.0% in 2006.

Others Other cost of sales decreased 7.2% from Baht 3,712.2 million in 2005 to Baht 3,444.6 million in 2006, mainly due to the transfer of Whisky products to the spirits business segment during 2005, where it was previously recorded in the beer, drinking water and soda water business segment in 2005.

Gross profit Gross profit increased 13.4% from Baht 9,728.3 million in 2005 to Baht 11,032.0 million in 2006, mainly due to the increase in revenue from sales of beer, drinking water and soda water, and the decrease in raw materials costs.

Selling and administrative expenses Selling and administrative expenses decreased 0.7% from Baht 6,983.7 million in 2005 to Baht 6,932.1 million in 2006 mainly due to the decrease in marketing and public relation expenses in the beer, drinking water and soda water business, although partially offset by an increase in logistic and traveling expenses.

Earnings before interest and tax (EBIT) Earnings before interest and tax (EBIT) increased 42.8% from Baht 2,919.5 million in 2005 to Baht 4,168.0 million in 2006, mainly due to the increase in the revenue from sales of beer, drinking water and soda water, and the increase in gross profit.

Net profit Net profit for this business segment increased 63.7% from Baht 1,202.6 million in 2005 to Baht 1,968.4 million in 2006, mainly due to the increase in earnings before interest and tax.

Spirits Business

Revenue from sales Revenue from sales decreased 2.6% from Baht 52,811.0 million in 2005 to Baht 51,428.3 million in 2006.

Revenue from sales of brown spirits Revenue from sales of brown spirits decreased 10.5% from Baht 23,444.5 million in 2005 to Baht 20,984.8 million in 2006, mainly due to the decrease in sales volume of brown spirits by 19.1% in the year 2006 compared to the year 2005. In 2006, the sales volume for Sangsom brand, which is considered the most preferred brand by consumers in the brown spirits segment, decreased 47.7% when compared to the same period in 2005. The decrease in the sales volume of Sangsom brand was mainly due to the impact of the excise tax increase on September 7, 2005 and the price increase of Sangsom brand from Baht 150 per 700 milliliters bottle to Baht 190 per 700 milliliters bottle to be in line with the increase in cost of sales.

Revenue from sales of white spirits Revenue from sales of white spirits increased 1.2% from Baht 29,114.6 million in 2005 to Baht 29,452.6 million in 2006, mainly due to

the increase in the price of white spirits at the rate of Baht 5.5 per 625 milliliters bottle, effective since January 1, 2005. In the year 2005, the sales volume of white spirits in 625 milliliters bottle contributed 69.4% of the total white spirits sales volume. However, the sales volume of white spirits decreased 1.4% from 372.5 million liters in 2005 to Baht 367.4 million liters in 2006, mainly due to the increase in the price of white spirits.

Cost of sales Cost of sales increased 2.9% from Baht 32,061.5 million in 2005 to Baht 33,002.2 million in 2006.

Excise tax Excise tax (including municipal taxes and Health Promotion Fund contributions) decreased 4.1% from Baht 25,050.7 million in 2005 to Baht 24,016.9 million in 2006, mainly due to the decrease in sales volume of spirits in 2006, especially the decrease in the sales volume of brown spirits, which has a much higher excise tax rate than that of the white spirits. The sales volume for the brown spirits decreased 19.1% in the year 2006 compared to the year 2005, and the sales volume for white spirits decreased 1.4% from in the year 2006 compared to the year 2005. The Company previously paid excise tax at the rate of Baht 240 per liter prior to the increase on September 7, 2005, after which the Company must pay excise tax at the rate of Baht 400 per liter. This adjustment is applicable to all brown spirits, except the compounded spirits, such as the Mungkorn Thong brand. The Company is also paying the excise tax for white spirits at the rate of Baht 70 per liter.

Packaging materials Packaging materials expenses increased 7.5% from Baht 3,097.3 million in 2005 to Baht 3,329.6 million in 2006, mainly due to the increase in the use of new bottles, which has a higher cost compared to the used bottles for the white spirits.

Raw materials Raw materials expenses increased 119.4% from Baht 1,248.6 million in 2005 to Baht 2,739.3 million in 2006, mainly due to the significant increase in the price of molasses in the year 2006 compared to the year 2005.

Others Other cost of sales for the spirits business increased 9.4% from Baht 2,664.9 million in 2005 to Baht 2,916.4 million in 2006, mainly due to the increase in employee, depreciation and manufacturing overhead expenses.

Gross profit Gross profit decreased 11.2% from Baht 20,749.5 million in 2005 to Baht 18,426.1 million in 2006, mainly due to the decrease in revenue from sales of spirits and the increase in raw materials costs.

Selling and administrative expenses Selling and administrative expenses decreased 2.4% from Baht 7,343.5 million in 2005 to Baht 7,169.7 million in 2006, mainly due to the decrease in idle costs of the spirits production facilities, where the utilization rate increased from 56.8% in 2005 to 59.1% in 2006, which is partially offset by the increase in marketing and public relation expenses by 30.7% in 2006 compared to 2005.

Earnings before interest and tax (EBIT) Earnings before interest and tax (EBIT) decreased 15.9% from Baht 13,533.9 million in 2005 to Baht 11,380.0 million in 2006, mainly due to the decrease in revenue from sales and gross profit from spirits.

Net profit Net profit for spirits business decreased 11.9% from Baht 8,988.2 million in 2005 to Baht 7,915.8 million in 2006, mainly due to the decrease in earnings before interest and tax.

Industrial Alcohol Business

Revenue from sales Revenue from sales increased 38.6% from Baht 869.2 million in 2005 to Baht 1,205.0 million in 2006, mainly due to the substantial increase in sales volume of ethanol 99.5 degree from 20.8 million liters in 2005 to 46.6 million liters in 2006. In addition, the

price of ethanol 99.5 degree increased continuously during the period between 2005 and 2006. However, the sales volume of alcohol 95 decreased 95.3% from 32.2 million liters in 2005 to 1.5 million liters in 2006

Cost of sales Cost of sales increased 111.1% from Baht 471.3 million in 2005 to Baht 995.2 million in 2006, mainly due to the increase in the raw materials costs, especially the price of molasses which increased substantially in the year 2006 compared to 2005 and the increase in production volume of ethanol 99.5 degree.

Gross profit Gross profit decreased 47.3% from Baht 397.8 million in 2005 to Baht 209.8 million in 2006, mainly due to the increase in production costs, which is substantially caused by the increase in the price of molasses in the year 2006 compared to 2005.

Selling and administrative expenses Selling and administrative expenses increased 7.0% from Baht 165.7 million in 2005 to Baht 177.3 million in 2006 mainly due to the increase in employee expenses.

Earnings before interest and tax (EBIT) Earnings before interest and tax decreased 84.8% from Baht 244.9 million in 2005 to Baht 37.3 million in 2006, mainly due to the decrease in the gross profit and the decrease in the sales volume of alcohol 95.

Net profit Net profit decreased from Baht 151.0 million in 2005 to Baht 21.7 million in 2006, mainly due to the decrease in gross profit, the decrease in the sales volume of alcohol 95 which cannot be fully offset by the increase in the sales volume of ethanol 99.5 degree

Related Businesses

Total revenue from related businesses Total revenue from related businesses increased 7.9% from Baht 6,633.0 million in 2005 to Baht 7,155.1 million in 2006, mainly due to the increase in marketing revenue, such as advertising related to the world cup and partially from the sales of packaging materials.

Cost of sales for related businesses Cost of sales for related businesses increased 4.9% from Baht 6,068.3 million in 2005 to Baht 6,365.1 million in 2006, which is in line with the increase in revenue.

Gross profit Gross profits increased 39.9% from Baht 564.7 million in 2005 to Baht 790.0 million in 2006, mainly due to the increase in the revenue from related businesses in the year 2006 compared to the year 2005.

Earnings before interest and tax (EBIT) Earnings before interest and tax increased 201.2% from Baht 129.0 million in 2005 to Baht 388.4 million in 2006, mainly due to the increase in total revenue from related businesses and the increase in gross profit.

Net profit Net profit increased from a net loss of Baht 1.2 million in the year 2005 to a net profit of Baht 215.9 million in 2006, mainly due to the increase total revenue from sales .

Liquidity and Capital Resources

In the past 3 years, the Company used cash primarily for investments, repayment of borrowing, payment of dividends and business restructuring, where the source of the Company's liquidity comes from operating cash flows and commercial borrowing.

Net Cash Flows

The following table sets forth a condensed summary of the Company statement of cash flows for the periods indicated:

Selected Cash Flows Data					
Unit: Baht million					
	For the Year Ended December 31,			Six-Month Period Ended June 30,	
	2005	2006 (Restated)	2007	2007	2008
	(Audited)			(Unaudited)	
Cash flows from operating activities					
Cash flows from operating activities before changes in operating assets and liabilities	21,510.0	20,938.7	21,372.2	10,841.5	9,866.3
Changes in operating assets and liabilities.....	7,056.7	(6,576.4)	(4,928.6)	(4,564.9)	(3,871.1)
Net cash provided by (used in) operating activities	28,566.7	14,362.4	16,443.5	6,276.6	5,995.2
Cash flows from investing activities					
Consideration paid to shareholders of subsidiaries for common control transactions	(9,646.0)	(1,505.2)	-	-	-
Purchase of property, plant, and equipment	(7,302.0)	(4,231.9)	(1,454.6)	(404.7)	(1,119.6)
Cash provided by (used in) other investing activities.....	2,136.3	163.2	739.8	878.2	(54.8)
Net Cash provided by (used in) investing activities	(14,811.7)	(5,574.0)	(714.7)	473.5	(1,174.4)
Cash flows from financing activities					
Repayment of long-term loans from financial institutions	(1,320.0)	(22,431.6)	(3,500.0)	(2,750.0)	(1,755.0)
Increase (Decrease) in short-term loans from related parties.....	(514.8)	629.7	(4,615.2)	(3,081.7)	-
Increase (Decrease) in bank overdrafts and short-term loans from financial institutions	(5,224.0)	(33,405.3)	(1,140.9)	266.3	4,284.4
Proceeds from issuance of short-term guaranteed bonds...	-	4,700.0	-	-	-
Repayment of short-term guaranteed bonds.....	-	(2,500.0)	(2,200.0)	(2,200.0)	-
Proceeds from issuance of long-term guaranteed bonds	-	5,300.0	-	-	-
Repayment of long-term guaranteed bonds.....	-	-	(2,300.0)	-	(3,000.0)
Proceeds of long-term loans from financial institutions....	-	26,600.0	5,400.0	4,500.0	-
Proceeds from issuance of shares.....	-	20,325.8	-	-	-
Interest paid	(1,741.8)	(1,420.5)	(1,139.4)	(602.4)	(356.9)
Dividend paid.....	(2,640.0)	(8,042.1)	(5,775.3)	(2,762.3)	(4,268.7)
Net cash provided by (used in) financing activities.....	(11,440.6)	(10,244.1)	(15,270.8)	(6,630.1)	(5,096.2)
Effect of exchange rate changes on balances held in foreign currencies	(23.0)	(22.7)	(188.6)	(56.4)	(28.8)
Net increase (decrease) in cash and cash equivalents	2,291.5	(1,478.4)	269.4	63.5	(304.2)
Cash and cash equivalents at the end of the period	3,398.0	1,919.6	2,189.0	1,983.1	1,884.8

Net cash provided by operating activities

Net cash provided by (used in) operating activities includes funds generated from the Company's operating activities and net cash inflows or outflows from changes in operating assets and liabilities. In the year ended December 31, 2007, net cash provided by operating activities was Baht 16,443.5 million, consisting of net cash inflows from operations before changes in operating assets and liabilities of Baht 21,372.2 million, net cash outflows from changes in operating assets and liabilities of Baht 4,928.6 million. Net cash outflows from changes in operating assets and liabilities consisted primarily of decreases in other current liabilities, which is partially offset by the decreases in inventories. In addition, the Company's tax expense was Baht 4,253.6 million in the year 2007.

In the six-month period ended June 30, 2551, the Company's net cash provided by operating activities was Baht 5,995.2 million, consisting of net cash inflows from operations before changes in operating assets and liabilities of Baht 9,866.3 million and net cash inflows from changes in operating assets and liabilities of Baht 3,871.1 million. Net cash outflows from changes in operating assets and liabilities consisted primarily of decreases in accounts payable, increases in inventories which is partially offset by increase in other current liabilities. In addition, the Company's tax expense was Baht 2,838.3 million the six-month period ended June 30, 2551.

Net cash used in investing activities

Net cash used in investing activities includes funds paid for capital expenditures and net cash inflows or outflows from other investments.

In the year 2007, the Company's net cash used in investing activities was Baht 714.7 million, consisting principally of capital expenditures of Baht 1,454.6 million, mainly arising from the investments into the waste treatment system of the distilleries, the logistic projects, the water filtration system of breweries and the improvement of high-speed packaging line for the distilleries, which was partly offset by proceeds from sales of property, plant and equipment of Baht 933.3 million in 2007, mostly arising from the sale of land, building, and construction-in-progress of ThaiBev Tower Project to TCC Hotel Collection Co. amounting to Baht 819.0 million.

For six-month period ended June 30, 2008, the Company's net cash used in investing activities was Baht 1,174.4 million, consisting principally of capital expenditures of Baht 1,119.6 million, which principally included the investment in waste treatment systems at five of the Company's 5 distilleries for Baht 161.8 million and the purchase of property, plant, equipment and vehicle of the non-alcoholic beverages business for Baht 409.9 million.

Net cash provided by (used in) financing activities

Net cash provided by (used in) financing activities includes funds provided in connection with the reorganization, share issuances, and net cash inflows and outflows from borrowings and repayment of borrowings.

In 2007, the net cash used in financing activities was Baht 15,270.8 million, consisting of repayments of short terms loans of Baht 1,140.9 million, the repayment of the long-term loan from financial institution of Baht 3,500.0 million, the repayment of the short-term guaranteed bond of Baht 2,200.0 million, the repayment of long-term guaranteed bond of Baht 2,300.0 million and the dividend payment of Baht 5,775.3 million. These cash outflows were partially offset by the proceeds from long-term loans taken from financial institutions of Baht 5,400.0 million

For six-month period ended June 30, 2008, the Company's net cash used in financing activities was Baht 5,096.2 million, principally consisting of repayment of long-term guaranteed bond of Baht 3,000.0 million, the repayment of the long-term loan from financial institution of Baht 1,755.0 million, the interest expense of Baht 356.9 million and the dividend payment of Baht 4,268.7 million.

Indebtedness

As of June 30, 2008, the Company's total liabilities was Baht 24,195.6 million which primarily consists of bank overdrafts and short-term loans from financial institutions of Baht 10,282.6 million and long-term loans from financial institutions of Baht 5,400.0 million.

The long-term loan and its current portion were borrowing from eight financial institutions totalling Baht 26,600 million. Of this amount, the principal of Baht 23,600 million has a grace period of 2 years and is to be repaid in 36 monthly installments of Baht 654.2 million for each of the first 35 installments and Baht 702.2 million for the last installment. The principal repayment will commence from April 28, 2008 to March 31, 2011 with interest at the fixed rates of 5.75% and 6.00% per annum for the first and the second years, respectively, and MLR-1.5% to MLR-1.75% per annum from the third year onward, payable monthly, commencing in March 2006. The remaining principal of Baht 3,000.0 million is to be repaid in eight quarterly installments of Baht 375.0 million each from June 28, 2006 to March 28, 2007 with a fixed interest rate of 5.70% per annum, payable quarterly, commencing in June 2006.

The borrowings are fully co-guaranteed by 4 subsidiaries with a negative pledge made by 17 subsidiaries whereby these subsidiaries agree not to sell, transfer, mortgage, pledge, encumber or grant any preferential right in relation to their land, buildings, plant and machinery.

In 2006 and 2007, ThaiBev partially repaid long-term loans amounting to Baht 22,220.0 million with accrued interest to seven financial institutions and the interest rate in the second year decrease from 6.00% to 5.00% per annum. Subsequently, in March 2008, ThaiBev fully prepaid the remaining long-term loans of Baht 1,380.0 million with accrued interest to the financial institutions. The fully co-guarantee by four subsidiaries and the negative pledge made by 17 subsidiaries were terminated in March 2008

In 2007, ThaiBev entered into a long-term loan agreement with a financial institution in the amount of Baht 4,500.0 million which is to be repaid monthly in 12 installments, Baht 375.0 million each, commencing in February 2009. Interest is payable monthly at 5.60% per annum for the first year and 5.75% per annum afterwards. Subsequently, the Company has been granted the reduction of interest rate to be 4.50% per annum for the first year and 4.75% per annum afterwards. In addition, the Company entered into a long-term loan agreement with a financial institution in the amount of Baht 900.0 million which is to be repaid in 2009. The interest is payable monthly at 3.9625% per annum.

On September 26, 2008, ThaiBev has issued a short-term bill of exchange with maturity less than 270 days and the notional amount of Baht 5,000 million, to the institutional and high net-worth investors for the purpose of expanding the Company's working capital and to diversify the source of fund to reduce the reliance on commercial banks. ThaiBev has structured the bill of exchange into 3 tranches. The first tranche has the aggregate amount of Baht 2,500 million and is due on March 31, 2009. The second tranche has the aggregate amount of Baht 1,500 million and is due on April 29, 2009. The third tranche has the aggregate amount of Baht 1,000 million and is due on 23 June 2009.

During the process of issuing the bill of exchange, ThaiBev has obtained a rating from TRIS Rating Co., who rated ThaiBev at AA- level on February 18, 2008.

Although the Company has no policy of fixing the debt to equity ratio, however, the Company has targeted the debt to equity ratio to be lower than one. The Company cannot guarantee

that the debt to equity ratio will not exceed the target, or the Company will not change the target ratio in the future.

Financial Resources

As of June 30, 2008, the Company has cash, cash equivalents and short-term investment of Baht 1,894.3 million, comparing to Baht 2,196.7 million as of December 30, 2007.

As of June 30, 2008, the Company has working capital credit line of Baht 28,456.1 million, where the Company still has Baht 18,173.5 million in available credit line.

The Company believes that, after taking into account the present banking facilities and cash flows from the operations, the Company will have sufficient working capital available for the Company's present requirements. Although the Company's intend to fund a portion of the future development from existing cash resources and from cash flows from operations, the Company may seek additional debt funding to finance all or a portion of the planned capital expenditures or for other purposes. In addition, depending on the capital requirements, market conditions and other factors, the Company may raise additional funds through debt or equity offerings or the sale or other disposition of shares or assets.

Capital Expenditures and Investments

The Company generally fund the capital expenditures using internally generated cash flows. The following table summarizes the historical capital expenditures for property, plant and equipment for the periods indicated:

	Historical Capital Expenditure				Unit: Baht million	
	For the Year Ended December 31,				Six-Month Period Ended June 30,	
	2005	2006 (Before restatement)	2006 (Restated)	2007	2007	2008
Beer, drinking water and soda water.....	6,395.4	1,350.5	1,357.5	361.0	121.5	95.8
Spirits	481.5	2,606.0	2,612.3	1,277.1	475.5	429.0
Non-alcoholic beverages.....	-	-	-	-	-	423.2
Industrial alcohol	254.3	67.8	68.7	58.6	28.9	19.2
Related Businesses	170.8	14.2	-	-	-	-
Total.....	7,302.0	4,038.5	4,038.5	1,696.7	625.9	967.2

In the six-month period ended June 30, 2008, the Company made investments totaling Baht 967.2 million, which mainly comprise the purchase of property, plant, and equipment of non-alcoholic beverages business amounting to Baht 409.9 million and the investment in waste treatment system project to produce biogas for Fuengfuanant Co., Athimart Co., S.S. Karnsura Co., Kankwan Co. and Nateechai Co. amounting to Baht 161.8 million. In the year 2007, the Company made investments totaling Baht 1,696.7 million, which primarily comprise installation of a water filtration system at the Company's breweries, improving the packaging line at Sangsom Distillery, the logistic project that aims to improve the merchandise distribution system and supply chain management and the waste treatment system project to produce biogas for distilleries.

The Company may also make investments in other companies to expand the business both within Thailand and outside Thailand. As part of these investments, The Company may purchase shares in companies controlled by the Principal Shareholders. The acquisition of any assets or shares from the Principal Shareholders, or from other parties related to the Company, would be subject to all applicable laws, including the requirements of the SET and the SGX-ST applicable to interested person transactions, which in general would require approval of the Audit Committee and the Board of Directors, and in certain cases, the Shareholders (excluding interested Shareholders).

The actual capital expenditures may differ from the amounts set out above due to various factors, including the future cash flows, results of operations and financial condition, changes in the Thai economy, the availability of other financing on terms acceptable to the Company, technical or other problems in obtaining or installing equipment, changes in the regulatory environment in Thailand, changes in the business plans and strategies and the extent to which the Company decide to enter into new lines of business. The Company may pursue any new expansion plans through internal development, acquisitions of existing operations, investments in other businesses, or joint ventures with third parties.

If the Company is unable to obtain sufficient funding or funding on terms acceptable to us for the planned capital expenditures or to otherwise fund these expenditures through other financing arrangements, including internal cash flows, the Company may have to forego, delay or postpone various planned capital expenditures.

Contractual Obligations and Commitments

The following table summarizes the contractual cash obligations and commitments, excluding the debt repayment obligations, as of June 30, 2008:

	Payment Due by Period				Unit: Baht million ⁽¹⁾
	Total	Between July 1, 2008 to December 31, 2008	Between January 1, 2009 to December 31, 2009	Between January 1, 2010 to December 31, 2011	After January 1, 2012
Construction contracts	247.6	213.3	34.3	-	-
Raw material purchase contracts	4,143.3	2,198.3	965.4	954.2	25.4
Computer installment contracts	35.9	31.3	3.0	1.6	-
Land, building, vehicle and equipment lease contracts	657.8	169.0	236.3	212.8	39.7
Advertisement and sponsor contracts	773.3	124.2	257.4	391.7	-
Spirits concentration contracts	1,548.8	31.1	64.0	137.8	1,315.9
Beer experts consulting contract	29.5	0.7	1.4	2.9	24.5
Forward currency contracts	3,838.7	1,902.0	1,936.7	-	-
Others	455.1	115.4	278.8	60.9	-
Total	11,730.0	4,785.3	3,777.3	1,761.9	1,405.5

(1) In the table above, the figures above were calculated by using the following Baht equivalent exchange rates: US\$1.00: Baht 33.66, Australian dollar 1:Baht 32.52, Euro 1: Baht 57.27, Pound Sterling 1: Baht 67.26 and Singapore Dollar 1: Baht 24.85, which were the average selling rates as quoted by the Bank of Thailand as of June 30, 2008.

The amounts shown in the table above represent contractual obligations as of June 30, 2008 only. The actual expenditures for various items and periods may substantially exceed the amounts shown above due to commitments entered into in future periods and other factors.

Calculation of Earnings Before Interest, Tax, Depreciation and Amortization (“EBITDA”)

The Company calculates the EBITDA by adding to net profit, income taxes, interest expense, depreciation, amortization, and subtracting the interest income. The Company has included information concerning EBITDA because The Company believes that this data is commonly used by investors to evaluate the ability of a company’s earnings from its business operations to satisfy its debt, capital expenditure and working capital requirements. The Company believes that EBITDA, while providing useful information, should not be considered in isolation or as a substitute for net profit as an indicator of operating performance, or as an alternative to cash flow as a measure of liquidity.

Calculation table of earnings before interest, tax, depreciation and amortization (EBITDA)

	Unit: Baht million				
	For the Year Ended December 31,			Six-Month Period Ended June 30,	
	2005	2006 (Restated)	2007	2007	2008
Net Profit.....	10,337.3	10,054.8	10,383.1	5,260.0	5,019.2
Add back:					
Income tax.....	4,743.2	4,322.9	4,846.6	2,663.1	2,277.3
Interest expense.....	1,741.8	1,568.7	1,047.3	556.7	289.3
Depreciation and amortization.....	4,432.1	4,652.0	4,974.7	2,440.0	2,492.2
Subtract:					
Interest income.....	(71.5)	(56.5)	(40.8)	(19.5)	(12.3)
EBITDA	21,182.9	20,541.8	21,210.8	10,900.3	10,065.6
Subtract:					
Depreciation and amortization.....	4,432.1	4,652.0	4,974.7	2,440.0	2,492.2
EBIT	16,750.7	15,889.9	16,236.1	8,460.3	7,573.5

Quantitative and Qualitative Disclosures about Market Risk

The Company’s business activities subject us to risks associated with changes in foreign exchange rates and, to a lesser extent, fluctuations in interest rates. To minimize the exposure to these risks, we, from time to time, enter into financial derivative transactions for periods and in amounts consistent with the underlying exposure to risk. The Company do not enter into derivative transactions for arbitrage or speculative purposes.

Foreign Exchange Risk The Company are exposed to fluctuations in the exchange rates of certain currencies against the Baht, the functional and reporting currency. In addition, while the revenues and operating costs are denominated principally in Baht, the capital expenditures are denominated in Baht and other currencies, principally the Euro, U.S. dollar, Pound Sterling and Australian dollar. The Company also purchase raw materials and packaging materials for the breweries, such as hops, malt, and labels from outside Thailand. The costs for these products are denominated in other currencies, principally the Euro, Pound Sterling, Australian dollar and U.S. dollar.

The Company enter into forward currency contracts in respect of purchases of raw materials and equipment that are denominated in currencies other than the Baht. The Company account for these forward currency contracts in the balance sheet. The Company remeasure the foreign currency denominated assets and liabilities hedged by foreign currency contracts at exchange rates prevailing on the balance sheet date. The Company recognize foreign exchange differences arising on remeasurement in the statement of income. The Company enter into forward currency contracts in order to eliminate the risk of the fluctuation in exchange rate on the 12-months forward purchase order of raw materials denominated in foreign currency.

Interest Rate Risk The Company are exposed to interest rate risk primarily as a result of loans from financial institutions. In particular, the interest rate exposures are mainly due to changes in Baht market interest rates. The Company has borrowing in floating rate of Baht 922.6 million as of June 30, 2008, all of which are from foreign and domestic financial institutions.

Commodity Price Risk The Company are subject to market risks related to the volatility in the price of raw materials such as malt, hops and molasses. The financial results can be affected significantly by fluctuations in these prices, which depend on many factors, including demand for these raw materials, changes in the economy, worldwide production levels, worldwide inventory levels, disruptions in the supply chain and weather conditions.

The Company maintain inventories of malt, hops and molasses, the values of which are subject to wide fluctuations in market prices driven by world economic conditions, regional and global inventory levels and seasonal conditions. As of June 30, 2008, the Company held approximately 32,614.5 tons of malt, 126,275.5 kilogram alpha acid of hops and 163,757.8 tons of molasses.

Inflation

According to the Bank of Thailand, Thailand's annual overall inflation rates as measured by the general consumer price index are approximately 2.3% in 2007, 7.5% – 8.8% in 2008, 5.0% – 7.5% in 2009. In recent years, inflation in Thailand has not had a significant impact on the results of operations.

12.3 Auditor's Compensation

For the six-month period ended June 30, 2008, the Company paid the total compensation to KPMG Phoomchai Audit Ltd. for the total of Baht 26.8 million, consisting of only the audit fee. The Company did not have any other non-audit fee obligations to the auditor, the auditing firm, and any connected person to the auditor and the auditing firm.

13. Relevant Information

13.1 Agreements

Agreements that substantially relate to the Company's businesses, are as follow:

13.1.1 Employment Agreement with Dr. Pisanu Vichiensanth

The Company entered into a long-term employment agreement with Dr. Pisanu Vichiensanth, who is the Managing Director of Beer Thai Plc., and Management Committee and Risk Management Committee of ThaiBev. This employment agreement remains effective until Dr. Pisanu reaches 72 years of age, or as long as he is physically able to work. Dr. Pisanu developed the formulae for Chang Beer and Archa Beer. Under the agreement, Dr. Pisanu has agreed not to:

- work for any person or juristic person whose business is identical to the Company's businesses for an unlimited time following the end of his engagement under the agreement; and
- disclose the production formulae, know-how and any confidential information relating to the work performed under the agreement.

Dr. Pisanu is also the head of beer concentrate production department and is responsible for the production process of Chang Beer and Archa Beer and for producing and fermenting yeast.

13.1.2 Employment Agreements with Mrs. Prachuabsuk Kanchanalakshana and Mr. Dechapongsa Kanchanalakshana

The Company entered into long-term employment agreements with Mrs. Prachuabsuk Kanchanalakshana and Mr. Dechapongsa Kanchanalakshana, for a term of 40 years, which will be expired on July 31, 2044. Under the agreements, Mrs. Prachuabsuk Kanchanalakshana and Mr. Dechapongsa Kanchanalakshana have agreed not to:

- produce and flavor/mix spirits concentrate, brown spirits or any type of spirits for any other person, other than the Company;
- disclose the production formulae, production processes, know-how and any confidential information relating to the work performed under the agreements, except to the designated employees of the Company, for the duration of these agreements and for 10 years following the termination of the agreements; or
- terminate these agreements unless for personal health reasons or force majeure.

Mrs. Prachuabsuk Kanchanalakshana and Mr. Dechapongsa Kanchanalakshana are the heads of the spirits concentrate production department and are responsible for the production and mixing process of brown sprits and the process of ensuring that the quality of spirits is sufficient for distribution.

Under these employment agreements, the Company agreed to procure an aggregate of 80 million shares for Mrs. Prachuabsuk Kanchanalakshana and Mr. Dechapongsa Kanchanalakshana to purchase at par value of Baht 1 each. The Company has also agreed to pay them remuneration on a monthly basis throughout the term of the agreements. (please see additional information in the remarks of the Company's financial statement.)

Pursuant to an amendment to these employment agreements on December 30, 2005, which amended the scope of the original employment agreements to include the production, mixing and

development of compounded spirits, In January 2006, (i) Mrs. Prachuabsuk Kanchanalakshana and Mr. Dechapongsa Kanchanalakshana sold 80 million shares in ThaiBev to other minority shareholders, and (ii) the Company made a prepayment of Baht 2,000.0 million (US\$48.7 million) in aggregate to Mrs. Prachuabsuk Kanchanalakshana and Mr. Dechapongsa Kanchanalakshana for services related to the production, mixing and development of compounded spirits under these agreements. Although Mrs. Prachuabsuk Kanjanaluck and Mr. Dechapongsa Kanchanalakshana are liable for damages of, not exceeding Baht 2,000.0 million for any intentional breach of these employment agreements and their non-performance of their duties under the agreements, the Company may only have a contractual right to claim damages from them and the Company cannot assure that the Company would be able to collect any damages if a breach were to occur.

13.1.3 Carlsberg Trademark Agreement

The primary trade mark for the Company's beer, drinking water and soda is the double elephant design with a fountain ("Double Elephant Trademark"), which was registered in Thailand and various countries (as appears in the picture below in section 13.1.3), whilst Carlsberg A/S registered an elephant design with the English words elephant "Elephant Beer Trademark" On August 31, 2005, Beer Chang Co. entered into an agreement with Carlsberg, under which both parties have agreed to terms and conditions for the use of their respective marks.

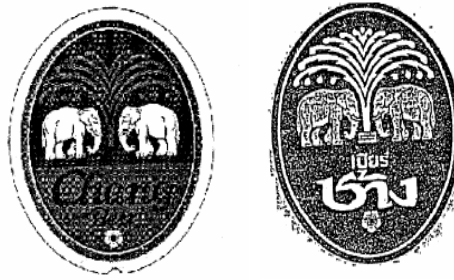
Rights of Beer Chang Co.

- An exclusive right to use and register the Double Elephant Trademark worldwide. However, Beer Chang Co. has agreed not to register the Double Elephant Trademark or use the word "elephant" or any other name or trademark similar to the Double Elephant Trademark in relation to beverage products marketed in Norway, Sweden, Finland and Iceland until August 31, 2010. Under the agreement, Beer Chang Co. has agreed not to register the Double Elephant Trademark or use the word "elephant" or any other name or trademark similar to the double elephant design in relation to beverage products marketed in Denmark indefinitely.
- The right to use the Thai word "Beer Chang" and the English words "Chang" or "Chang Beer," including the English word "Chang" with any local language translation of beer. Under the agreement, Beer Chang Co. has agreed not to use the English word "Elephant" or any local language translation or transliteration of "Elephant," except for in the Chinese language in which it can be translated as "Thai Elephant Beer."

Rights of Carlsberg

- An exclusive right to use and register its Elephant Beer Trademark worldwide.
- The right to use the English word "Elephant" or "Elephant Beer," including local language translation of "Elephant Beer." Under the agreement, Carlsberg has agreed not to use the Thai language word "Chang" or "Beer Chang."

Double Elephant Trademarks



Elephant Beer Trademarks



13.1.4 Glass Bottle Purchase Agreement

Bang-Na Logistic Co. (currently, Thai Beverage Recycle Co.) and Berli Jucker Plc. entered into the glass bottle purchase agreement dated May 24, 2007 (the “Glass Bottle Purchase Agreement”). Bang-Na Logistic Co. agreed to purchase various sizes of glass bottles for beer, drinking water, soda and spirits products. from Berli Jucker Plc. (the Principal Shareholder is the major shareholder) The parties agree to calculate the aggregate daily average weight applicable to the type per annum and at the prices stated in the agreement. The agreement will be expired on December 31, 2009. If Bang-Na Logistic Co. purchases the type of new glass bottle in excess of the aggregate daily average weight applicable to the type of new glass bottles, Berli Jucker Plc. will give a 1% price discount on the aggregate price of all types of new glass bottles purchased exceeding the amount stated in the agreement. In addition, Bang-Na Logistic Co. may purchase glass bottles in any size other than those specified in the agreement. In this regard, Berli Jucker Plc. Shall have the right to calculate the price of those glass bottles in accordance with the specified term.

Bang-Na Logistic Co. and Berli Jucker Plc. determined the purchase prices (and the discount) of the various types of glass bottles at arm’s length basis and commercial terms with reference to, among other things, standard price rates applicable to unrelated third parties for the supply of the same type of new glass bottles at the time of the agreement and at the price directors confirmed that these purchase prices were lower than the purchases prices quoted by unrelated third parties at the time of the Glass Bottle Purchase Agreement.

Under the Glass Bottle Purchase Agreement, the purchase prices of the glass bottles can be adjusted if there are changes in production costs, such as fuel cost, labor cost and exchange rate of Baht

against USD, which has a direct effect on the production costs of glass bottles. Adjustments must be re-negotiated and mutually agreed between Bang-Na Logistic Co. and Berli Jucker Plc. If the price adjustment cannot be made, each party shall have the right to terminate the Glass Bottle Purchase Agreement upon 30 days' written notice.

The agreement shall be terminate in the following case:

- A party is in breach of the agreement (such as, breach of representations or non-agreement on the adjusted price or breach of any provision)
- The parties mutually agree to terminate the agreement.
- A party exercises the right to terminate the agreement due to force majeure

13.2 Details of the Transfer of Shares

All duties, fees and expenses specified herein are subject to changes from time to time.

13.2.1 From SGX-ST to SET

If an investor wishes to switch trading from the SGX-ST to the SET, the investor is required to comply with the procedures set out as follows:

- (a) if the investor holds shares in ThaiBev directly – follow the procedures in paragraphs 13.2.1(1) to 13.2.1(5) below; and
- (b) if the investor holds shares in ThaiBev through a Depository Agent¹ – follow the procedures in paragraphs 13.2.1(6) to 13.2.1(11) below.

It would take approximately 10 business days in Thailand and Singapore to complete the transfer procedures set out in paragraphs 13.2.1(1) to 13.2.1(5), and approximately 12 business days in Thailand and Singapore to complete the transfer procedures set out in paragraphs 13.2.1(6) to 13.2.1(11).

(1) If the investor holds shares in ThaiBev directly and wishes to withdraw shares (in full or in part), the investor will have to go to the CDP to complete a Withdrawal Request Form and a Transfer Deed, each in the form prescribed by CDP, together with the following payments:

- (a) Singapore stamp duty of SGD 10.00 to be stamped on the Transfer Deed; and
- (b) a withdrawal fee of SGD 50.00 (excluding GST²).

(2) CDP will submit the share certificate registered in the name of CDP, together with the duly completed and stamped Transfer Deed, to Lim Associates (Pte) Limited (“LIM”).

(3) LIM will check the documents submitted to it pursuant to paragraph 13.2.1(2) above. Upon satisfaction, LIM will inform TSD of this transfer and request from TSD a serial number for the new share certificate. LIM will then issue a new share certificate in the name of the investor and will cancel the share certificate submitted for registration of the transfer of shares. LIM will contact the investor to arrange for the new share certificate to be handed over to the investor.

(4) If the investor wish to deposit shares in the book entry system of TSD, the investor may wish to instruct a Broker³ or LIM to arrange the deposit with TSD.

(5) TSD will check the documents submitted by the Broker or LIM and verify the authenticity of the share certificate with LIM. Upon satisfaction, TSD will credit the shares indicated in the share certificate in the book entry system of TSD to the account of the Broker.

(6) If the investor holds shares in ThaiBev through a Depository Agent and wishes to withdraw shares (in full or in part), the investor will have to instruct the Depository Agent to do the withdrawal. The Depository Agent will then have to go to CDP to complete a Withdrawal Request Form and a Transfer Deed, each in the form prescribed by CDP, together with the following payments:

- (a) Singapore stamp duty of SGD 10.00 to be stamped on the Transfer Deed; and

¹ “**Depository Agent**” means an approved depository agent in Singapore.

² “**GST**” means Singapore goods and service tax.

³ “**Broker**” means an authorised broker or a custodian in Thailand.

(b) a withdrawal fee of SGD 50.00 (excluding GST).

(7) CDP will then submit the endorsed share certificate registered in the name of CDP, together with the duly completed and stamped Transfer Deed, to LIM.

(8) LIM will check the documents submitted to it pursuant to paragraph 13.2.1(7) above. Upon satisfaction, LIM will inform TSD of this transfer and request from TSD a serial number for the new share certificate. LIM will then issue a new share certificate in the name of the Depository Agent and will cancel the share certificate submitted for registration of the transfer of shares. LIM will contact the Depository Agent to arrange for the new share certificate to be handed over to the Depository Agent.

(9) Should the investor wish to transfer the shares registered in the name of the Depository Agent to the name of the investor, the investor will have to instruct the Depository Agent to process the transfer. The Depository Agent will have to submit to LIM the share certificate registered in the name of the Depository Agent, duly endorsed by the Depository Agent as transferor and the investor as transferee, together with the Transfer Deed and payment of SGD 10.00 stamp duty to be stamped on the Transfer Deed and an administrative fee of SGD 2.00 (excluding GST) payable to LIM.

(10) LIM will check the documents submitted to it pursuant to paragraph 13.2.1(9) above. Upon satisfaction, LIM will inform TSD of this transfer and request from TSD a serial number for the new share certificate. LIM will then issue a new share certificate in the name of the investor and will cancel the share certificate submitted for registration of the transfer of shares. LIM will contact the investor to arrange for the new share certificate to be handed over to the investor.

(11) Should the investor wish to deposit shares in the book entry system of TSD, the investor should follow the procedures set out in paragraphs 13.2.1(4) and 13.2.1(5) above.

13.2.2 From SET to SGX-ST

If the investor wishes to switch trading from the SET to the SGX-ST, the investor is required to comply with the procedures set out as follows:

- (a) if the investor holds shares in ThaiBev through a Broker – follow the procedures in paragraphs 13.2.2(1) to 13.2.2(7) below; and
- (b) if the investor holds shares in ThaiBev directly in certificate form – follow the procedures in paragraphs 13.2.2(4) to 13.2.2(7) below.

It would take approximately 15 business days in Thailand and Singapore to complete the transfer procedures set out in paragraphs 13.2.2(1) to 13.2.2(7), and approximately 10 business days in Thailand and Singapore to complete the transfer procedures set out in paragraphs 13.2.2(4) to 13.2.2(7).

(1) If the investor holds shares in ThaiBev through a Broker in Thailand and wishes to withdraw shares (in full or in part), the investor will need to instruct the Broker to withdraw the shares from the book entry system of TSD.

(2) The Broker will then request that TSD convert the shares held in the book entry system of TSD into a certificate form of share certificate by issuing a new share certificate in the name of the investor. The investor is required to pay a conversion fee of Baht 65 (excluding VAT) and to submit to TSD certain supporting documents, as required by the regulations of TSD.

(3) The Broker will collect the new share certificate issued by TSD and will contact the investor to arrange for the new share certificate to be handed over to the investor.

(4) If the investor wishes to hold shares in ThaiBev directly, the investor will have to endorse the share certificate to, and deposit the same with, CDP. Note that the investor must have an account with CDP. If the investor does not have an account with CDP, the investor will have to open an account with CDP before any deposit can take place. In addition, to deposit shares with CDP, the investor will have to complete the following documents, each in the form prescribed by CDP, and pay the following fees:

- (a) a duly executed Transfer Deed;
- (b) Singapore stamp duty of SGD 10.00 to be stamped on the Transfer Deed; and
- (c) a deposit fee of SGD 50.00 (excluding GST).

If the investor wishes to hold shares in ThaiBev through a Depository Agent, the investor will have to endorse the share certificate to, and deposit the same with, the Depository Agent, together with the execution of a Transfer Deed and payment of Singapore stamp duty of SGD 10.00 to be stamped on the Transfer Deed.

(5) CDP or the Depository Agent, as the case may be, will endorse the investor's share certificate as transferee. CDP or the Depository Agent will then submit the investor's endorsed share certificate, together with the duly completed and stamped Transfer Deed to LIM.

CDP and the Depository Agent are considered non-Thai nationals. Under the articles of association of ThaiBev, at least 51 per cent. of the total shares of ThaiBev must be held by Thai nationals. Therefore, in case where the investor is a Thai national, before the investor transfers shares to CDP or the Depository Agent, the investor should ask LIM to check with TSD the foreign room availability. If there is a foreign room availability, LIM will request TSD to reserve such foreign room in favour of CDP, or the Depository Agent, in the total number of shares which the investor proposes to transfer. Following receipt of the foreign room confirmation from TSD, LIM will inform the investor and will ask CDP or the Depository Agent to endorse the share certificate as transferee. However, if there is no foreign room availability, LIM will inform the investor, CDP, or the Depository Agent accordingly and cancel the proposed transfer of the shares.

(6) LIM will check the documents submitted to it pursuant to paragraph 13.2.2(5) above and may ask TSD to verify the authenticity of the share certificate. Upon satisfaction and receipt of confirmation from TSD of the authenticity of the share certificate and the foreign room availability, LIM will inform TSD of this transfer and request from TSD a serial number for the new share certificate. LIM will then issue a new share certificate in the name of CDP or the Depository Agent, as the case may be, and will cancel the share certificate submitted for registration of the transfer of shares. LIM will contact CDP or the Depository Agent, as the case may be, to arrange for the new share certificate to be handed over to CDP or the Depository Agent.

For the share certificate registered in the name of the Depository Agent, the Depository Agent will be required to endorse the share certificate as transferor and CDP as transferee and to repeat the procedures set out in paragraphs 13.2.2(5) and 13.2.2(6) above (except the checking of foreign room availability).

(7) Upon receipt of the new share certificate by CDP, CDP will credit the shares indicated in the share certificate in the book entry system of CDP to the investor's account, or the account of the Depository Agent, as the case may be, with CDP.

13.3 Reporting Requirement of the Investors

On the basis that CDP merely acts as the clearing house for the shares traded on the SGX-ST and the Depository Agent as a holder of securities accounts maintained with CDP, when CDP or the

Depository Agent acquires or disposes of any multiple of 5% of total issued shares of ThaiBev, it would not be required to file an acquisition or disposition report to the SEC pursuant to Section 246 of the Securities and Exchange Act.

However, if an investor acquires or disposes of any beneficial interest in the shares of ThaiBev through CDP or a Depository Agent, either singly or in combination with his/her existing shares, and if, as a result of such holding, the investor would increase or decrease his/her beneficial interest in the shares of ThaiBev through CDP or the Depository Agent or the aggregate number of shares held by the investor by any multiple of 5% of the total issued shares of ThaiBev, the investor will be required to file an acquisition or disposition report to the SEC on the next 3 business day in Thailand in accordance with the requirement of Section 246 of the Securities and Exchange Act.

In determining when the above reporting requirement is triggered, the investor will be required to aggregate the shares of ThaiBev held by the investor and any beneficial interest in the shares of ThaiBev with those of his/her “related persons” (as such term is defined in Section 258 of the Securities and Exchange Act).

13.4 Tender Offer Requirements

This section will only apply after shares of ThaiBev are listed on the SET. On the basis that CDP merely acts as the clearing house for the shares traded on the SGX-ST and the Depository Agent as a holder of securities accounts maintained with CDP, when CDP or the Depository Agent acquires or holds the shares of ThaiBev in aggregate of 25% , 50%, 75% or more of the total issued shares of ThaiBev, it will not be required to make a tender offer for all of the shares and equity-linked securities of ThaiBev pursuant to Section 247 of the Securities and Exchange Act.

However, if an investor acquires or holds the shares of ThaiBev and/or any beneficial interest in the shares of ThaiBev through CDP or a Depository Agent, and if, as a result of such acquisition or holding, the investor would hold both the shares of ThaiBev and the beneficial interest in the shares of ThaiBev through CDP or the Depository Agent in aggregate 25%, 50%, 75% or more of the total issued shares of ThaiBev, the investor will be required to make a tender offer for all of the shares and equity linked securities of ThaiBev in accordance with the requirement of Section 247 of the Securities and Exchange Act.

In determining when the tender offer requirement is triggered, the investor will be required to aggregate the shares of ThaiBev held the investor and any beneficial interest in the shares of ThaiBev with those of his/her “related persons” (as such term is defined in Section 258 of the Securities and Exchange Act).

13.5 Summary of the rules concerning reporting requirements on acquisition or disposition of securities of ThaiBev and take-over rules under the Securities and Exchange Act and the Singapore Code

The shares of ThaiBev are currently listed on the SGX-ST and ThaiBev intends to list its shares on the SET following this public offering. To provide additional information to investors in making decisions to invest in shares of ThaiBev and for further compliance by investors, tThaiBev set out below a summary of the rules concerning the report requirements on the acquisition or disposition of the shares of ThaiBev and take-over rules under the Securities and Exchange Act and the laws of Singapore (the “Singapore Code”). However, this summary is not and shall not be relied on as a legal advice or any other advice to investors an/or shareholders of tThaiBev. In addition, certain requirements under the take-over rules under the Securities and Exchange Act are more stringent in certain aspects than the equivalent requirements under the Singapore Code, e.g. the trigger point to make a mandatory tender offer, and investors would be required to comply with the take-over rules under the Securities and Exchange Act which are more stringent.

13.5.1 Reporting requirements on acquisition or disposition of securities of ThaiBev

The reporting requirements on the acquisition or disposition of shares under the Singapore Code apply to companies incorporated under the laws of Singapore only. Since ThaiBev was incorporated under the laws of Thailand, investors and the shareholders of ThaiBev, other than the directors of ThaiBev, would not be subject to the reporting requirements on the acquisition or disposition of shares under the Singapore Code.

13.5.2 Take-over Rules

(1) Trigger points

If (a) a person (and any persons acting in concert) (such person and the persons acting in concert herein referred to as the “concert parties”) purchases or, by any other action, acquires 30% or more of the total voting shares of ThaiBev, or (b) where the concert parties hold between 30% and 50% of the voting shares of ThaiBev, the concert parties acquire additional shares carrying more than 1% of the voting rights in ThaiBev within any particular 6-month period, such person is obliged to make a mandatory offer to acquire all the shares of ThaiBev, unless a waiver from the Securities Industry Council is obtained. Under the Singapore Code, a parent company, subsidiary company and affiliate company of the person acquiring the shares of ThaiBev will be presumed to be the concert parties with such person.

(2) Offering condition

If a person is obliged to make a mandatory offer, the offer can be made subject to the condition that he and his concert parties own or control more than 50% of the issued shares of ThaiBev after the tender offer period, otherwise he shall be entitled to revoke the tender offer.

(3) Squeeze out

If an offer, whether mandatory or voluntary, is accepted by 90% or more of the shares which are the subject of the offer, then the offeror is entitled to compulsorily acquire the remaining shares of ThaiBev at the same price. In addition, if the offeror has acquired 90% or more of the issued share of ThaiBev, the remaining shareholders of ThaiBev will be entitled to require the offeror to acquire the shares of ThaiBev held by them.

(4) Partial tender offer

The Securities Industry Council’s consent is required for any partial offer. The Securities Industry Council will normally grant a consent to a partial offer for not more than 30% of the voting rights of ThaiBev. Where a partial offer is for more than 30% of the voting rights of ThaiBev, the Securities Industry Council will normally not grant a consent to such partial tender offer.

13.6 Voting CDP shareholders

Although CDP is the named holder of the shares of ThaiBev in the shareholders’ register of ThaiBev, the shareholders who invest in the shares of ThaiBev through CDP are entitled to vote at the meeting of shareholders of ThaiBev through CDP. In this regard, CDP will distribute a depositors voting instruction form, which contains the agenda of the relevant meeting, to all CDP shareholders. CDP shareholders are required to fill out the depositors voting instruction form, including their votes for each of the agenda of the meeting, and return such form to the CDP within the time and date prior to the meeting as specified by CDP. CDP shall vote at the meeting on behalf of the CDP shareholders who have returned the completed depositors voting instruction form to CDP.

Since CDP is the named holder of the shares of ThaiBev in the shareholders' register of ThaiBev, CDP shareholders can still sell and buy the shares of ThaiBev held through CDP after the shareholders' register of ThaiBev is closed. In this regard, CDP shareholders who acquire the shares through CDP would be entitled to vote at the meeting of shareholders, provided that such acquiring CDP shareholders hold the shares of ThaiBev through CDP for a period of not less than 3 market days prior to the last day that CDP shareholders may return the depositors voting instruction form to CDP.

THAI BEVERAGE PUBLIC COMPANY LIMITED

PART 3

INFORMATION RELATING TO THE OFFERING

(Information presented in this part has not yet been finalized)

PART 3

Information relating to the Offering

(Information presented in this part has not yet been finalized)

1. Details of the Offered Securities

1.1 Description of the Offered Securities

Offeror	:	Siriwana Company Limited (as a shareholder of ThaiBev)
Type of offered securities	:	Existing ordinary shares of ThaiBev (“ Ordinary Shares ”)
Number of offered securities	:	80,000,000 shares, representing 0.32 per cent. of the total issued and paid-up share capital of ThaiBev following this offering
Par value	:	Baht 1 per share
Offering Price	:	Baht [●] per share (“ Offering Price ”)
Total value of offered shares	:	Baht [●]

After the Offering, Siriwana Company Limited’s holding in ThaiBev will be reduced to 8.43 per cent. of the total issued and paid-up share capital of ThaiBev

1.2 Offering Structure

The offering by Siriwana Company Limited is a public offering of Ordinary Shares to domestic investors, including General subscribers, Patrons and Institutional investors, through the Lead Underwriters as set out in Clause 5.2.

The amount of shares to be offered to each General subscribers and Institutional investors shall be made at the discretion of the Lead Underwriters while the amount of shares to be offered to each Patron shall be made at the discretion of ThaiBev. The Lead Underwriters reserve the rights to alter method of allocation of the Offering as set out in Clause 5.6, taking into account factors such as demands for the shares from each type of investors. The Lead Underwriters will take such actions to ensure the success of the Offering.

With respect to each type of investors, the Lead Underwriters defined each type of investors as follows:

“**General subscribers**” means [●]

“**Patron(s)**” means [●]

“**Institutional investors**” means [●]

PART 3

Information relating to the Offering

(Information presented in this part has not yet been finalized)

1. Details of the Offered Securities

1.1 Description of the Offered Securities

Offeror	:	Siriwana Company Limited (as a shareholder of ThaiBev)
Type of offered securities	:	Existing ordinary shares of ThaiBev (“ Ordinary Shares ”)
Number of offered securities	:	80,000,000 shares, representing 0.32 per cent. of the total issued and paid-up share capital of ThaiBev following this offering
Par value	:	Baht 1 per share
Offering Price	:	Baht [●] per share (“ Offering Price ”)
Total value of offered shares	:	Baht [●]

After the Offering, Siriwana Company Limited’s holding in ThaiBev will be reduced to [●] per cent. of the total issued and paid-up share capital of ThaiBev

1.2 Offering Structure

The offering by Siriwana Company Limited is a public offering of Ordinary Shares to domestic investors, including General subscribers, Patrons and Institutional investors, through the Lead Underwriters as set out in Clause 5.2.

The amount of shares to be offered to each General subscribers and Institutional investors shall be made at the discretion of the Lead Underwriters while the amount of shares to be offered to each Patron shall be made at the discretion of ThaiBev. The Lead Underwriters reserve the rights to alter method of allocation of the Offering as set out in Clause 5.6, taking into account factors such as demands for the shares from each type of investors. The Lead Underwriters will take such actions to ensure the success of the Offering.

With respect to each type of investors, the Lead Underwriters defined each type of investors as follows:

“**General subscribers**” means [●]

“**Patron(s)**” means [●]

“**Institutional investors**” means [●]

The Offering will not be allocated to retail subscribers or general public.

1.3 Other Rights, Benefits or Conditions

The holders of 80,000,000 Ordinary Shares of ThaiBev shall have the same rights and benefits as holders of the existing issued and paid-up ordinary shares of ThaiBev.

1.4 Secondary Market

The ordinary shares of ThaiBev has been registered and listed on the SGX-ST since May 30, 2006.

In addition, Siritwana Company Limited, as an existing shareholders of ThaiBev, has planned to make this offering before ThaiBev received the SET's decision whether or not to list the Ordinary Shares of ThaiBev on the SET. Therefore, there is a risk that the SET may not grant permission to ThaiBev to list its Ordinary Shares on the SET.

ThaiBev filed the listing application with the SET on [●] and SCB Securities Co., Ltd. and Phatra Securities Public Company Limited, as financial advisors to ThaiBev, are of the opinion that ThaiBev possesses all qualifications as required by the SET Regulations Re: Listing of Ordinary Shares or Preferred Shares as Listed Securities, 2001 dated January 22, 2001 (as amended), to register and list its shares on the SET.

1.5 Other Rules & Regulations

Notification of the Board of Governors of the SET Re: Prohibiting Management or Shareholders and Related Persons from Selling Shares and Securities within the Specified Time Period, 2001 dated January 22, 2001 (as amended) required ThaiBev to prohibits its management and other shareholders who collectively hold more than 55% of its paid-up capital from selling their shares for one year after the first day of trading of the ordinary shares of ThaiBev on the SET. However, the SET has relaxed such requirement by counting such one-year period from the day ThaiBev listed its shares on the SGX-ST, which is May 30, 2006.

2. Transfer Restriction

ThaiBev's ordinary shares can be transferred without restriction unless such share transfer would result in the situation where aliens hold ordinary shares amounting to more than 49 per cent. of the total issued and paid-up ordinary shares of ThaiBev.

3. Determination of the Offering Price

The Offering Price was derived from the market comparable method and the price of ThaiBev's ordinary shares as traded on the SGX-ST. Siritwana Company Limited and the Lead Underwriters agreed on the Offering Price on [●] of Baht [●], which equaled to the price to earnings ratio based on 2007 earnings of [●]. However, before making an investment, investors should be aware and take into consideration the fact that such price to earnings ratio is calculated based on historical earnings without consideration of the current and future earning of ThaiBev.

In the event that the Lead Underwriters fail to perform its obligations under the Underwriting Agreement, Global Capital (Singapore) Limited may cancel the Offering.

4. Price of the Ordinary Shares in the Secondary Market

The ordinary shares of ThaiBev were first traded on the SGX-ST on May 30, 2006. The prices of ThaiBev's ordinary shares in Baht, shown in the table below, are calculated by using the exchange rate of Baht [•] per Singapore dollar, which is the average exchange rate as announced by the Bank of Thailand as of [•].

Year 2008/ Month	Closing Price		High		Low		Averaged Daily Trading Value	
	(SGD)	(Baht)	(SGD)	(Baht)	(SGD)	(Baht)	(Million SGD)	(Million Baht)
January	0.240	[•]	0.255	[•]	0.230	[•]	2.492	[•]
February	0.255	[•]	0.260	[•]	0.240	[•]	1.090	[•]
March	0.265	[•]	0.265	[•]	0.245	[•]	0.784	[•]
April	0.275	[•]	0.280	[•]	0.265	[•]	1.771	[•]
May	0.260	[•]	0.280	[•]	0.255	[•]	1.613	[•]
June	0.245	[•]	0.265	[•]	0.240	[•]	1.135	[•]
July	0.215	[•]	0.245	[•]	0.215	[•]	0.974	[•]
August	0.225	[•]	0.225	[•]	0.210	[•]	1.414	[•]
September	0.225	[•]	0.235	[•]	0.210	[•]	2.902	[•]
[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

Source: SGX-ST

5. Subscription, Sale and Allotment

In the event of problems, obstacles or any other factors, the Lead Underwriters reserves the right to alter the instruction relating to the subscription and allocation of shares according to terms and conditions stated in this prospectus. Such action will be taken to ensure the fair convenience of all investors and for the success of this Offering.

5.1 Offering Method

This Offering will be made through the Lead Underwriters as set out in Clause 5.2.

5.2 The Lead Underwriters

SCB Securities Co., Ltd.

Sinhorn Bldg., Tower 3, 20th, 25th-26th and 28th Floor,
130-132 Wireless Road, Lumpini, Pathumwan, Bangkok 10330

Tel: 0- 2686-2000, Fax: 0-2263-3801

Phatra Securities Public Company Limited

6th, 8th-11th Floor, Muang Thai-Phatra Office Tower 1
252/6 Ratchadaphisek Road, Huaykwang, Bangkok 10310

Tel: 0-2305-9000, Fax: 0-2693-2537

5.3 Underwriting Conditions and Remuneration

5.3.1 Underwriting Conditions

Siriwana Company Limited has appointed the Lead Underwriters as referred in Clause 5.2 to be the arrangers to sell the Ordinary Shares of ThaiBev to General subscriber, Patrons and Institutional investors amounting to 80,000,000 shares according to the allocation and price set out in Clause 1 above. The underwriting of such shares will be on a firm underwriting basis pursuant to the conditions specified in the Underwriting Agreement.

The Lead Underwriters may revoke the Offering upon the occurrence of one of the circumstances specified in the Underwriting Agreement, which include the following circumstances: [●]

5.3.2 Remuneration

Siriwana Company Limited has agreed to pay remuneration for the underwriting service to the Lead Underwriters, as referred in Clauses 5.2, in the aggregate amount of Baht [●] million (excluding VAT). Such payment will be made according to procedures agreed by the Lead Underwriters and Siriwana Company Limited as set out in the Underwriting Agreement.

5.3.3 Estimate proceeds that Siriwana Company Limited will receive

The proceed which Siriwana Company Limited will receive after deduction of the underwriting remuneration (excluding VAT)

80,000,000 Ordinary Shares at the Offering Price	Baht	[●]
Less: underwriting remuneration	Baht	<u>[●]</u>
Proceeds which the Siriwana Company Limited will receive	Baht	<u>[●]</u>
Proceeds (per share) which the Siriwana Company Limited will receive	Baht	[●]

5.4 Estimated Expenses in the Offering (excluding VAT)

Initial application fee	Baht	[●]
Underwriting fee	Baht	[●]
Printing costs of prospectus, subscription forms, approximately	Baht	[●]
Listing application fee ⁽¹⁾	Baht	[●]
Advisory fee ⁽²⁾	Baht	[●]
Other expenses ⁽³⁾	Baht	<u>[●]</u>
Total Expense	Baht	<u>[●]</u>

Remarks :

- (1) Not including annual fee
- (2) Advisory fee including legal fee
- (3) Other expenses including the Offering-related expenses of financial advisors, advertising costs and other costs relating to the Offering

5.5 Procedures in Obtaining Prospectus and Subscription Form

Investors can request the prospectus and the subscription form at the Lead Underwriters' office as set out in Clause 5.2 from the effective date of the prospectus to the end of the subscription period.

Alternatively, investors may download the prospectus which contains information not different from the prospectus filed with the Office of the SEC, in order to study the information regarding information of ThaiBev and the Offering prior to the subscription at www.sec.or.th.

5.6 Allotment of Shares

The allotment of shares in the Offering is divided into 3 tranches, which are (1) General subscribers; (2) Patrons and (3) Institutional investors through the Lead Underwriters as set out in Clause 1.2. In addition, the allotment of shares by the Lead Underwriters shall be made in accordance with the following conditions:

- (1) The Lead Underwriters will not allot the offering shares to themselves, their executives, major shareholders, controlling persons, parents companies, subsidiaries, related persons or mutual funds that the Lead Underwriters are prohibited to allocate the Offering Shares to, except for the allotment of the unsubscribed shares pursuant to the Notification of the Securities and Exchange Commission No. KorThor. 14/2546 Re: Rules, Conditions and Procedures for Securities Allotment dated July 11, 2003 (as amended).
- (2) The number of shares to be allotted to foreigner investors, when aggregated with the number of shares currently held by foreign shareholders, shall not exceed the foreign shareholding limit, as set out in the articles of association of ThaiBev of 49 per cent. of the total issued and paid-up ordinary shares of ThaiBev.
- (3) The Lead Underwriters may alter the amount of shares to be allotted to each type of investors, eg. the Lead Underwriters may increase the amount of shares allotted to the General subscribers or Patrons if the Lead Underwriters considers that the shares offered to Institutional investors will not fully subscribed for, and vice versa. Such action will be taken to ensure the success of the Offering.
- (4) After the close of the subscription period for each type of investors, the Lead Underwriters may extend the subscription period or alter the number of shares allotted to certain type of investor. For example, the Lead Underwriters may increase the amount of shares allotted to the General subscribers or Patrons if these two groups oversubscribed the Offering Share, while the Institutional investors undersubscribed for such shares. The Lead Underwriters reserve the rights to use their sole discretion to undertake such action, given that the action does not violate related rules and regulations and notification is given to investors through relevant media.

5.6.1 Allotment of Ordinary Shares to General subscribers

The allotment of shares to General subscribers shall be made at the discretion of each of the Lead Underwriters, as set out in Clause 5.2. Each of the Lead Underwriters shall be entitled to determine the General subscribers to whom the shares will be allotted, determine the amount of shares to be allotted to

each General subscriber or decline to allot any shares to any General subscriber, provided that the minimum allotment to each General subscriber shall be 500 shares and any additional allotment shall be made in a multiple of 100 shares.

If the shares to be offered to General subscribers are fully subscribed for, each of the Lead Underwriters reserve the rights to close the subscription before the end of the subscription period.

5.6.2 Allotment of Ordinary Shares to Patrons

The allotment of shares to the Patrons shall be made at the discretion of the managements and executives of the ThaiBev

5.6.3 Allotment of Ordinary Shares to Institutional investors

The allotment of shares to the Institutional investors shall be made at the discretion of the Lead Underwriters, as set out in Clause 5.2. The Lead Underwriters shall be entitled to determine the Institutional investors to whom the shares will be allotted, the amount of shares to be allotted to each Institutional investor or decline to allot any shares to any Institutional investor, provided that the minimum allotment to each Institutional investor shall be 100 shares and any additional allotment shall be made in a multiple of 100 shares.

If the shares to be offered to Institutional investors are fully subscribed for, the Lead Underwriters reserve the rights to close the subscription before the end of the subscription period.

5.7 **Date, Method and Settlement of Subscription**

5.7.1 General subscribers

The General subscribers must comply with the following procedures:

- (a) The subscribers must subscribe for a minimum of 500 shares and additional shares in a multiple of 100 shares. A subscription form must be completed and signed. In the event that a subscriber is a juristic person, the subscription form must be signed by authorized signatory(ies) of such juristic person and affixed with corporate seal (if any) and enclosed with the following documents:
 - **For a Thai individual:** A certified copy of his or her valid identification card, or in the case where there is no identification card, a certified copy of a house registration or other official document with the 13-digit identification number. (If the subscriber is a juvenile, the guardian's consent, certified copies of valid identification card of the guardian (father/mother) and the house registration of the juvenile's residence must be enclosed).
 - **For a foreign individual:** A certified copy of his or her valid passport or valid alien certificate. (If the subscriber is a juvenile, evidence that the juvenile is eligible by law to subscribe for the Offering Shares must be enclosed).

- **For a Thai juristic person:** A certified copy of the affidavit issued by the Ministry of Commerce of no more than three months prior to the date of the subscription, signed by authorized signatory(ies) of such juristic person and affixed with corporate seal (if any), together with a certified copy of identification card; alien certificate or passport (as the case may be) of the authorized signatory(ies).
- (b) Except otherwise informed by the Lead Underwriters, subscription can be made at the offices or branches of the Lead Underwriters as specified in Clause 5.2 from 8.30 a.m. to 4.30 p.m. on [●].
- (c) The subscriber must make one single subscription payment in full on the date of subscription as follows:
 - **If the subscription is made on [●] from 8.30 a.m. – 4.30 p.m. and on [●] from 8.30 a.m. – 12.00 p.m.,** one single subscription payment in full must be made by (i) one cheque, draft or cashier's cheque to be cleared at the clearing house on the next business day and must be dated no later than [●] or (ii) cash or money transfer or money transfer through the Automatic Transfer System (ATS).
 - **If the subscription is made on [●] and [●] from 12.00 p.m. – 4.30 p.m. and on [●] from 8.30 a.m. – 4.30 p.m.,** one single subscription payment in full must be made only by money transfer or money transfer through the Automatic Transfer System (ATS).

If the subscription payment is made by cheque, draft or cashier's cheque, such cheque, draft or cashier's cheque must be crossed and payable to the subscription account to be specified by each of the Lead Underwriters and the subscriber's first name, last name, address and telephone number must be written on the back of such cheque, draft or cashier's cheque. If the subscription payment is made by money transfer, the transfer shall be made to the subscription account to be specified by each of the Lead Underwriters.

- (d) The subscription form under Clause 5.7.1 (a) together with the subscription payment or the evidence showing that the subscription payment has been made or subscription money has been transferred in accordance with Clause 5.7.1 (c) must be sent to each of the Lead Underwriters at the place specified in Clause 5.2 during 8.30 a.m. – 4.30 p.m. on [●]. The officer in charge will sign on a receipt as evidence that the subscriber has subscribed for such shares.
- (e) The subscriber who has made the subscription and complied with Clause 5.7.1 (d) may not revoke the subscription or demand a refund of the subscription payment. However, each of the Lead Underwriters, as specified in Clause 5.2, is entitled to decline or revoke any subscription which fails to comply with the procedures set out in Clause 5.7.1 (a) – (d).

Each of the lead Underwriters will transfer its portion of the subscription amount to bank accounts to be specified by Siritwana Company Limited to complete the transfer of subscription amount from the Lead Underwriters to the Offeror.

5.7.2 Patrons

Subscription shall be made in accordance with the following procedures:

- (a) The subscribers must subscribe for a minimum of 500 shares and additional shares in a multiple of 100 shares. The subscription form must be completed and signed. In the case where the subscriber is a juristic person, the subscription form must be signed by authorized signatory(ies) of such juristic person and affixed with corporate seal (if any) and enclosed with the following documents:
- **For a Thai individual:** A certified copy of his or her valid identification card, or in the case where there is no identification card, a certified copy of a house registration or other official document with the 13-digit identification number. (If the subscriber is a juvenile, the guardian's consent, certified copies of valid identification card of the guardian (father/mother) and the house registration of the juvenile's residence must be enclosed).
 - **For a foreign individual:** A certified copy of his or her valid passport or valid alien certificate. (If the subscriber is a juvenile, evidence that the juvenile is eligible by law to subscribe for the Offering Shares must be enclosed).
 - **For a Thai juristic person:** A certified copy of the affidavit issued by the Ministry of Commerce of no more than three months prior to the date of the subscription, signed by authorized signatory(ies) of such juristic person and affixed with corporate seal (if any), together with a certified copy of identification card; alien certificate or passport (as the case may be) of the authorized signatory(ies).
- (b) Except otherwise informed by the Lead Underwriters, subscription can be made at the offices or branches of the Lead Underwriters as specified in Clause 5.2 from 8.30 a.m. to 4.30 p.m. on [•].
- (c) The subscriber must make one single subscription payment in full on the date of subscription as follows:
- **If the subscription is made on [•] and [•] from 8.30 a.m. – 4.30 p.m. and on [•] from 8.30 a.m. – 12.00 p.m.,** one single subscription payment in full must be made by (i) one cheque, draft or cashier's cheque to be cleared at the clearing house on the next business day and must be dated no later than [•] or (ii) cash or money transfer or money transfer through the Automatic Transfer System (ATS).
 - **If the subscription is made on [•] from 12.00 p.m. – 4.30 p.m. and on [•] from 8.30 a.m. – 4.30 p.m.,** one single subscription payment in full must be made only by money transfer.

If the subscription payment is made by cheque, draft or cashier's cheque, such cheque, draft or cashier's cheque must be crossed and payable to the subscription account to be specified by each of the Lead Underwriters and the subscriber's first name, last name, address and telephone number must be written on the back of such cheque, draft or cashier's cheque. If the

subscription payment is made by money transfer, the transfer shall be made to the subscription account to be specified by each of the Lead Underwriters.

- (d) The subscription form under Clause 5.7.2 (a) together with the subscription payment or the evidence showing that the subscription payment has been made or subscription money has been transferred in accordance with Clause 5.7.2 (c) must be sent to each of the Lead Underwriters at the place specified in Clause 5.2 during 8.30 a.m. – 4.30 p.m. on [●]. The officer in charge will sign on a receipt as evidence that the subscriber has subscribed for such shares.
- (e) The subscriber who has made the subscription and complied with Clause 5.7.2 (d) may not revoke the subscription or demand a refund of the subscription payment. However, each of the Lead Underwriters, as specified in Clause 5.2, is entitled to decline or revoke any subscription which fails to comply with the procedures set out in Clause 5.7.2 (a) – (d).

Each of the Lead Underwriters will transfer its portion of the subscription amount to bank accounts to be specified by Siriwana Company Limited to complete the transfer of subscription amount from the Lead Underwriters to the Offeror.

5.7.3 Institutional investors

Institutional investors must comply with the following procedures:

- (a) The subscribers must subscribe for a minimum of 100 shares and additional shares in a multiple of 100 shares. A subscription form must be completed, signed and affixed with corporate seal (if any).
- (b) Except otherwise informed by the Lead Underwriters, subscription can be made at the offices of the Lead Underwriters as specified in Clause 5.2 from 08.30 a.m. – 4.30 p.m. on [●]
- (c) The subscriber must make a single subscription payment in full on the date of subscription by one cheque, draft or cashier's cheque to be cleared at one clearing house. Such cheque, draft or cashier's cheque must be dated no later than [●] and must be crossed and payable to the subscription account to be specified by the Lead Underwriters.
- (d) The subscription form under Clause 5.7.3 (a), together with the subscription payment under Clause 5.7.3 (c) must be sent to the Lead Underwriters at the place specified in Clause 5.2 from 08.30 a.m. – 4.30 p.m. on [●].
- (e) The subscriber who has made the subscription and complied with Clause 5.7.3 (d) may not revoke the subscription or demand a refund of the subscription payment. However, the Lead Underwriters are entitled to decline or revoke any subscription which fails to comply with the procedures set out in Clause 5.7.3 (a) – (d).

5.8 **Allotment in case of over-subscription**

5.8.1 General subscribers

If the shares are over-subscribed by General subscribers, the allotment of shares to such subscribers shall be made at the discretion of the Lead Underwriters, as specified in Clause 5.2, according to the methods specified in Clause 5.6.1. The subscriber who does not receive the shares or receive fewer shares than originally subscribed for will receive his/her money back according to Clause 5.9.

5.8.2 Patrons

If the shares are over-subscribed by Patrons, the allotment of shares to such subscribers shall be made at the discretion of the managements and executives of ThaiBev. The subscriber who does not receive the shares or receive fewer shares than originally subscribed for will receive his/her amount back according to Clause 5.9.

5.8.3 Institutional investors

If the shares are over-subscribed by Institutional investors, the allotment of shares to such subscribers shall be made at the discretion of the Lead Underwriters, as specified in Clause 5.2, according to the methods specified in Clause 5.6.3. The subscriber who does not receive the shares or receive fewer shares than originally subscribed for will receive its money back according to Clause 5.9.

5.9 Refund of subscription payment

5.9.1 If shares are not allotted to the subscriber

The Lead Underwriters, as specified in Clause 5.2, shall refund, without interest and/or compensation for damages, the amount equal to the subscription payment to subscriber, whom the shares are not allotted. The refund shall be made within 14 days after the last day of the subscription period in accordance with the method specified in the subscription form, i.e. transfer subscription amount to the subscriber's bank account through the Automatic Transfer System or write a crossed cheque payable to the subscribers and deliver it by registered mail to the address as specified in the subscription form, provided that the subscriber shall be responsible for any clearing fees.

If the refunded amount is not returned to such subscriber within 14 days after the last day of such subscription period, such subscriber shall be entitled to interest on the outstanding refunded amount at the rate of 7.50 per cent. per annum, calculated from the date following the lapse of 14 days after the last day of the subscription period until the date on which the subscriber receives the refunded amount. There shall be no interest accrued on the date which the subscriber receives the refunded amount. However, in any case, if a refund is made by delivery of a cheque in the amount of the refunded amount by a registered mail to the address specified in the subscription form, it shall be deemed that the relevant subscriber has received the refunded amount and the subscriber shall have no right to claim for any interest and/or compensation for damages.

5.9.2 If shares are allotted to subscriber in the amount less than what originally subscribed for

The Lead Underwriters, as specified in Clause 5.2, shall refund, without interest and/or compensation for damages, the amount equal to the subscription payment in

respect of the shares not allotted to their respective subscriber. The refund shall be made within 14 days after the last day of the subscription period in accordance with the method specified in the subscription form, i.e. transfer subscription money to the subscriber's bank account through the Automatic Transfer System or write a crossed cheque payable to the subscribers and deliver it by registered mail to the address as specified in the subscription form, provided that the subscriber shall be responsible for any clearing fees.

If the refunded amount is not returned to the subscriber, whom the shares are not fully allotted, within 14 days after the last day of such subscription period, such subscriber shall be entitled to interest on the outstanding refunded amount at the rate of 7.50 per cent. per annum, calculated from the date following the lapse of 14 days after the last day of the subscription period until the date on which the subscriber receives the refunded amount. There shall be no interest accrued on the date which the subscriber receives the refunded amount. However, in any case, if a refund is made by delivery of a cheque in the amount of the refunded amount by a registered mail to the address specified in the subscription form, it shall be deemed that the relevant subscriber has received the refunded amount and the subscriber shall have no right to claim for any interest and/or compensation for damages.

5.9.3 If shares are not allotted to the subscriber due to uncleared cheque or breach of subscription terms

The Lead Underwriters, as specified in Clause 5.2, shall return the cheque to the relevant subscriber who subscribed for the shares through them but the shares are not allotted to such subscriber because the cheque could not be cleared or such subscriber was in breach of the subscription terms. The relevant subscriber must pick up the cheque from the Lead Underwriters, as specified in Clause 5.2, at which the subscription was made within 30 days after the last day of the subscription period. Otherwise, the Lead Underwriters, as specified in Clause 5.2, will send the cheque to the corresponding address as stated on the subscription form. However, in any case, if a refund is made by delivery of a cheque in the amount of the refunded amount by a registered mail to the address specified in the subscription form, it shall be deemed that the relevant subscriber has received the refunded amount and the subscriber shall have no right to claim for any interest and/or compensation for damages.

5.10 Delivery of Shares

Thailand Securities Depository Company Limited (“TSD”) has agreed to be the share Registrar for ThaiBev. The subscribers may use the services of the TSD in order to have the shares allotted to them kept in the Scripless System, which would cause them to be able to trade those shares on the SET immediately upon the SET's approval of the listing of those shares of ThaiBev. Alternatively, subscribers who wish to obtain share certificates will not be able to trade until they receive the share certificates.

In this offering, subscribers may proceed with any of the following options:

- 5.10.1 In the case where subscribers wish to obtain a share certificate in their name (Script System), the TSD will send a share certificate representing the number of shares allotted to them by registered mail to the address specified in the subscription form within 15 business days after the end of subscription period. In this case, the subscribers may not sell the shares allotted to them on the SET until they have received a share certificate, which may be later than the commencement of trading of ThaiBev's shares on the SET.

- 5.10.2 In the case where subscribers do not wish to obtain a share certificate, but wish to use the services of the Scripless System of the TSD and to have their ordinary shares deposited in an account of a securities company at which they have maintained a securities trading account, ThaiBev shall arrange for the TSD to issue the share certificates representing the number of shares allotted to them in the name of “Thailand Securities Depository Company Limited for Depositors.” The TSD will, within seven business days after the end of the subscription period, accordingly record the amount of ThaiBev’s shares deposited by that securities company, while that securities company will, at the same time, record the amount of ThaiBev’s shares deposited by the subscribers. In this case, subscribers to whom are allotted the Ordinary Shares will be able to sell their shares on the SET immediately upon the SET’s approval of the trading of ThaiBev’s shares on the SET.

In the case that a subscriber would like to proceed with this Clause 5.10.2, the name of the subscriber must be identical to the name of the owner of the securities trading account at a securities company in which the subscriber wishes to deposit the shares; otherwise, ThaiBev reserves the right to, instead, issue a share certificate to such subscriber in accordance with Clause 5.10.1.

- 5.10.3 In the case where subscribers do not wish to obtain a share certificate, but wish to use the service of Scripless System of the TSD and to deposit their shares in the account of ThaiBev, Member No. 600, the TSD will keep those shares in ThaiBev’s account, Member No. 600, within seven business days after the end of the subscription period and the TSD will issue evidence of such deposit of shares to the subscribers within 15 business days after the end of the subscription period. In this case, the subscribers who are allotted shares will be able to sell their shares on the SET immediately upon the SET’s approval of the trading of ThaiBev’s shares on the SET. Subscribers who wish to withdraw their shares from the account of ThaiBev, Member No. 600, may contact the TSD. Please note that the fees specified by the TSD for the withdrawal of shares from the account of ThaiBev may apply.

If the subscriber did not specify the delivery method on the subscription form, ThaiBev reserves the right to deliver the Offering Shares as specified in Clause 5.10.1.

THAI BEVERAGE PUBLIC COMPANY LIMITED

PART 4

CERTIFICATION OF ACCURACY OF INFORMATION

PART 4

CERTIFICATION OF ACCURACY OF INFORMATION

1. Certification Granted by the Selling Shareholder

Certification Granted by the Selling Shareholder: Siriwana Company Limited

I, in my capacity as an authorized signatory of the juristic person, have carefully reviewed the information contained in this draft prospectus and hereby certify that the said information is accurate, complete and true, is not misleading and does not omit any material information which is required to be disclosed

As evidence that all documents are the same set of documents that I have reviewed and there is no reasonable ground to suspect that the said information is inaccurate, incomplete, false, misleading or that it omits any substantial matters which are required to be reported, I assigned Mr. Chukiet Tangpongprush or Mr. Mahin Kraivixien to initial all pages hereof. If any pages do not have the initials of Mr. Chukiet Tangpongprush or Mr. Mahin Kraivixien indicated, it shall be deemed that I have not reviewed the aforesaid information.

Name	Position	Signature
Mr. Charoen Sirivadhanabhakdi	Chairman	-Mr. Charoen Sirivadhanabhakdi-
Khunying Wanna Sirivadhanabhakdi	Vice Chairman	-Khunying Wanna Sirivadhanabhakdi-
Mr. Chaoyut Pilun-Owad	Director	-Mr. Chaoyut Pilun-Owad-
Ms. Atinant Bijananda	Director	-Ms. Atinant Bijananda-
Ms. Thapanee Techajareonvikul	Director	-Ms. Thapanee Techajareonvikul-
Mr. Panot Sirivadhanabhakdi	Director	-Mr. Panot Sirivadhanabhakdi-
Mr. Khachornsakdi Vanaratheath	Director	-Mr. Khachornsakdi Vanaratheath-
Mr. Sumate Tanutantivong	Director	-Mr. Sumate Tanutantivong-
Mr. Kosit Srisetthapunt	Director	-Mr. Kosit Srisetthapunt-

Name	Position	Signature
Attorney-in-fact		
Mr. Chukiet Tangpongprush	Director/Senior Vice President	-Mr. Chukiet Tangpongprush-
Mr. Mahin Kraivixien	President - Legal Affairs	-Mr. Mahin Kraivixien-

PART 4

CERTIFICATION OF ACCURACY OF INFORMATION

2. Certification Granted by the Company

I, in my capacity as an executive director of the Company or chief financial officer, having carefully reviewed the information contained in this draft prospectus, hereby certify that the said information is accurate, complete and true, is not misleading and does not omit any material information which is required to be disclosed and false or that:

- (1) The financial statements and financial information forming a part hereof contain accurate and complete material information in respect of the financial condition, results of operations and cash flows of the Company and its subsidiaries;
- (2) I am responsible for arranging for an effective disclosure system to assure that the Company properly and completely discloses the material information of the Company and its subsidiaries, and shall be responsible for monitoring to ensure compliance with such system;
- (3) I am responsible for arranging for an effective internal controls and monitoring them to ensure compliance with such system, and I have reported the information as of December 31, 2008 relating to the internal control, including the deficiency and material change of the internal control that may affect preparation of financial reports of the Company and its subsidiaries, to the auditor and Audit Committee.

As evidence that all documents are the same set of documents that I have reviewed and there is no reasonable ground to suspect that the said information is inaccurate, incomplete, false, misleading or that it omits any substantial matters which are required to be reported, I assigned Mr. Chukiet Tangpongprush or Mr. Mahin Kraivixien to initial all pages hereof. If any pages do not have the initials of Mr. Chukiet Tangpongprush or Mr. Mahin Kraivixien indicated, it shall be deemed that I have not reviewed the aforesaid information.

Name	Position	Signature
Mr. Charoen Sirivadhanabhakdi	Chairman of the Board of Directors / Chairman of the Executive Directors	<i>-Mr. Charoen Sirivadhanabhakdi-</i>
Khunying Wanna Sirivadhanabhakdi	Vice-Chairman of the Board of Directors / First Vice-Chairman of the Executive Committee	<i>-Khunying Wanna Sirivadhanabhakdi-</i>
Mr. Narong Sri sa-an	Vice-Chairman of the Board of Directors / Second Vice- Chairman of the Executive Committee	<i>-Mr. Narong Sri sa-an-</i>
Mr. Komen Tantiwiwatthanaphan	Vice-Chairman of the Board of Directors / Third Vice- Chairman of the Executive Committee	<i>-Mr. Komen Tantiwiwatthanaphan-</i>
Mr. Puchchong Chandhanakij	Director / Fifth Vice-Chairman of the Executive Committee	<i>-Mr. Puchchong Chandhanakij-</i>

Name	Position	Signature
Mr. Thapana Sirivadhanabhakdi	Director / Executive President	-Mr. Thapana Sirivadhanabhakdi-
Ms. Kanoknart Rangsithienchai	Director / Senior Executive Vice-President	-Ms. Kanoknart Rangsithienchai-
Mr. Chukiet Tangpongprush	Director / Senior Executive Vice	-Mr. Chukiet Tangpongprush-
Mr. Ueychai Tantha-Obhas	Director / Senior Executive Vice	-Mr. Ueychai Tantha-Obhas-
Mr. Sithichai Chaikriangkrai	Director / Senior Executive Vice	-Mr. Sithichai Chaikriangkrai-
Dr. Pisanu Vichiensanth	Director / Senior Executive Vice	-Dr. Pisanu Vichiensanth-

Name	Position	Signature
Attorney-in-fact		
Mr. Chukiet Tangpongprush	Director/Senior Vice President	-Mr. Chukiet Tangpongprush-
Mr. Mahin Kraivixien	President - Legal Affairs	-Mr. Mahin Kraivixien-

PART 4

CERTIFICATION OF ACCURACY OF INFORMATION

2. Certification Granted by the Company

I, in my capacity a director of the Company, have carefully reviewed the information contained in this Information Memorandum and found no reasonable ground to suspect that the said information is inaccurate, incomplete, false, misleading or that it omits any material information which is required to be reported.

As evidence that all documents are the same set of documents that I have reviewed and there is no reasonable ground to suspect that the said information is inaccurate, incomplete, false, misleading or that it omits any substantial matters which are required to be reported, I assigned Mr. Chukiet Tangpongprush or Mr. Mahin Kraivixien to initial all pages hereof. If any pages do not have the initials of Mr. Chukiet Tangpongprush or Mr. Mahin Kraivixien indicated, it shall be deemed that I have not reviewed the aforesaid information.

Name	Position	Signature
Mr. Vivat Tejapaibul	Director	<i>-Mr. Vivat Tejapaibul-</i>
Mr. Sakthip Krairiksh	Independent Director	<i>-Mr. Sakthip Krairiksh-</i>
Mr. Staporn Kavitanon	Chairman of the Audit Committee/ Independent Director	<i>-Mr. Staporn Kavitanon-</i>
Mr. Manu Leopairote	Independent Director / Audit Committee Member	<i>-Mr. Manu Leopairot-e</i>
Prof. Kanung Luchai	Independent Director / Audit Committee Member	<i>-Prof. Kanung Luchai-</i>
Mr. Ng Tat Pun	Independent Director / Audit Committee Member	<i>-Mr. Ng Tat Pun-</i>
Mr. Michael Lau Hwai Keong	Independent Director	<i>-Mr. Michael Lau Hwai Keong-</i>
Prof. Dr. Pornchai Matangkasombut	Independent Director	<i>-Prof. Dr. Pornchai Matangkasombut-</i>
Gen. Dr. Choo-Chat Kambhu Na Ayudhya	Independent Director	<i>-Gen. Dr. Choo-Chat Kambhu Na Ayudhya-</i>
Mr. Panote Sirivadhanabhakdi	Director	<i>-Mr. Panote Sirivadhanabhakdi-</i>
Name	Position	Signature
Attorney-in-fact		
Mr. Chukiet Tangpongprush	Director/Senior Vice President	<i>-Mr. Chukiet Tangpongprush-</i>
Mr. Mahin Kraivixien	President - Legal Affairs	<i>-Mr. Mahin Kraivixien-</i>

PART 4**CERTIFICATION OF ACCURACY OF INFORMATION****3. Certification Granted by the Financial Advisor**

I, in my capacity as a financial advisor of the Selling Shareholder, have certified that I:

(1) have carefully reviewed, as a financial advisor, the information contained in this draft prospectus and there is no reasonable ground to suspect that the said information is inaccurate, incomplete, false, misleading or that it omits any material information which is required to be reported; and

(2) have considered the policy and operating plan of the company, and viewed that the assumption has been reasonably prepared and provided the investors sufficient information relating to affect to the company.

SCB Securities Company Limited

Name	Position	Signature
Mr. Yokporn Tantisawetrat	Chairman of the Board of Directors	-Mr. Yokporn Tantisawetrat-
Mr. Boonchai Sriprachaya-Anunt	Chief Executive Officer	-Mr. Boonchai Sriprachaya-Anunt-

PART 4

CERTIFICATION OF ACCURACY OF INFORMATION

3. Certification Granted by the Financial Advisor

I, in my capacity as a financial advisor of the Selling Shareholder, have certified that I:

(1) have carefully reviewed, as a financial advisor, the information contained in this draft prospectus and there is no reasonable ground to suspect that the said information is inaccurate, incomplete, false, misleading or that it omits any material information which is required to be reported; and

(2) have considered the policy and operating plan of the company, and viewed that the assumption has been reasonably prepared and provided the investors sufficient information relating to affect to the company.

Phatra Securities Public Company Limited

Name	Position	Signature
Mr. Suvit Mapaisansin	Chief Executive Officer	-Mr. Suvit Mapaisansin-
Mr. Norachet Sangruji	Executive Director	-Mr. Norachet Sangruji-