

**Mobile Content Market in Thailand
Value Adding Service Providers**

Bangkok, 18th June 2006

**T.R. FINN & Co. LIMITED
EMERGING MARKETS MERCHANT BOUTIQUE**

68/8 LANGSUAN, PLOENCHIT ROAD,
LUMPINI, BANGKOK 10330
WWW.TRFINN.COM



T.R. FINN & CO.



EXECUTIVE SUMMARY

Thailand unlike many other Asian countries does not have a monopoly on the Telecoms industry nor does it have much government censorship of the digital content.

Communication Authority of Thailand (CAT) and Telecommunication Organization of Thailand (TOT) are expected to be privatized by end-2006 or 2007. This is according to Thailand's WTO commitments. The conflict of interest of PM Thaksin Shinawatra and CAT/TOT on the privatization model has been resolved. The recent buy-out of SHIN Holdings ("SHIN/AIS"), PM's flagship telecoms asset, by Temasak from Singapore has opened the opportunity for the long waited reform.

The Thailand cellular market has been criticized for its misguided policies and lack of directions. The current network that Thailand has includes GSM, CDMA 800, 900 and 470. This is a luxury of choice that this country has, but may be viewed as a waste of resources. As 3G common standards have yet to be determined, its arrival in Thailand remains uncertain. The frequency allocation committee has made four 3G licenses available. However, only one license so far is given to SHIN/AIS.

SHIN/AIS is still expected to remain ahead in terms of market share, although its lead against competitors is expected to narrow. Similarly, we expect DTAC to remain the second-largest player. However, we are expecting that the ARPU's of all of the operators will be negatively affected by the tight competition.

Thailand's cellular penetration level is currently approximately 50% with total number of 30 million subscribers. The number of total subscribers was 3.6 million in 2001. We believe that the Thai mobile handset market is close to be saturated. Regulatory

changes and keen competition will be translated into further growth.

A large proportion of handsets sold in Thailand are European and American brands, which are relatively more expensive than Asian brands, and many operators are considering sourcing handsets from cheap suppliers in China and Taiwan. Nokia's current market share is around 60% and all together Thailand is Nokia's 5th largest market in the world.

Things have changed fast. Margins of handset sales are declining fast are expected to be very low by 2H06, averaging EUR5 per sold phone. Cellular services have suddenly becoming affordable for the mass market and this has released a lot of pent-up demand on the mobile content. The 2006 revenues of SMS services will be around EUR 2.0 billion and still growing double digits.

Although mobile penetration will gradually climb up to approximately 80%, the revenue from airtime is falling down. The operators must reduce prices in order to gain bigger share of mobile user base. The operators are in need to implement new strategy on the digital content business to increase and diversify the revenue base. A need to for mobile software applications and content will increase rapidly in the next 2-3 years.

In the media sub-sector, the growth rate is expected to be well above the overall growth rate of Thailand's Gross Domestic Production (GDP). The advertising market should continue to record double-digit growth rates. Over FY00-05, Thailand's advertising market grew at about 2x the nominal GDP growth rate.

Portal sites have grown dramatically in recent years but only a few such sites provide real "content" (e.g. original information aimed specifically at the user of a particular web site). The number of web



sites in Thailand is doubling every year, but only a few people actually contribute content to the web sites themselves. In fact most Thai web sites are portal sites that provide links to local web sites and/or sites from other countries.

A successful content provider must be able to develop a service that can be updated quickly to follow the always changing tone of the popular culture of Bangkok. To reach a broader Thai audience, digital content must be translated in Thai.

Currently, Thai market has high demand for mobile content market, but at the same time highly competitive market conditions. Value Adding Service Providers (VASPs) need to make significant improvements on their services in order to benefit from this booming market.

The local x-industry alliances have increasingly been built between the operators and content/media companies. Operators have kept the ultimate pricing power over the content distribution. The current pricing model for VASP/operator is 50/50. It used to be 65/30 for VASPs, but was changed in October 2006.

The Stock Exchange of Thailand has developed a version of the NASDAQ called the Market for Alternative Investments (MAI). One of the TOP5 VASPs Siam2u was listed to the Exchange in 2005. Company's key financials for Q106 were as follows:

INCOME STATEMENT AS OF 31/03/2006, (3 MONTHS)	(M. THB)
TOTAL REVENUES	28.02
COST OF SALES OF GOODS AND RENDERING OF SERVICES	12.67
COST OF THE RENDERING OF SERVICES	12.67
SELLING AND ADMINISTRATIVE EXPENSES	18.98
SHARES OF LOSSES FROM INVESTMENTS THROUGH THE EQUITY METHOD	0.78
TOTAL EXPENSES	32.43
PROFIT	-4.41

The net loss for Q106 was THB4.41 million (EUR/THB47). The net profit for the Q105 was THB8.68 million. The revenue decreased from mainly due to an increase in the competition and the change of the revenue sharing between the VASPs and the operators. Expenses increased mainly due to an increase in using licensed content.

More than 100 companies are currently in the VASP business. Some of the key VASPs are subsidiaries of larger Media and Entertainment companies; for example eotoday.com (GMM Grammy Group), mobiclub.com (RS), Shinee.com (AIS), 3forfun.com (BEC World), U-nee.com (DTAC) and Trueworld.net (True Corporation).

Thai VASPs offered a variety of content for download including Ring Tones (Monophonic, Polyphonic, True tone), Color Graphic (Wallpapers, Screensavers, Logos, Animated), B&W graphic (Logos, Screensavers, Picture Message, Group Graphics), Java games and others infotainment such as news, sport and astrology.

AVERAGE RETAIL PRICES AS OF 15/06/2006	(BAHT)
RING TONES	35
WALLPAPERS	30
VIDEO CLIPS	50
JAVA GAMES	50

VASPs need to continuously develop and distribute new products and services on SMS, MMS, IVR, J2ME, WAP and GPRS environments. Thailand would not have 3G before 2008-09. Mobile TV, based on GPRS downloading model is coming in late 2006.

The domestic software industry is still lacking funding and the growth drivers are not yet in place. Most of the VASPs are looking for the new business partners to differentiate their service offer. Dynamic pricing of the white label content is a key issue to success in Thailand. VASPs are currently squeezed on the both ends by operators and content providers.



20/80 rule works in Thailand's VASP market. 20% of the companies capture more than 80% of the local sales.

The top end-users group is female 15-25 age, again 80% of the market. The currently cool content is linked to Asian boy bands and Japanese cartoon figures. The underlying key word is "the cuteness".

THE TOP28 IN THAILAND

INDEPENDENT VASP

WWW.ASMOB.COM
 WWW.CLUBTIGERMOB.COM
 WWW.ABBOTFUN.COM
 WWW.THAIMOBILEZONE.COM
 WWW.THAIWEBSMS.COM
 WWW.N-CONTENT.COM
 WWW.MUSIC-ROAD.COM
 WWW.EIEI.NET
 WWW.SIAM2U.COM
 WWW.DJIING.COM
 WWW.SANOOK.COM
 WWW.KAPOOK.COM
 WWW.MANAGER.CO.TH
 WWW.TEENEE.COM
 WWW.MTHAI.COM
 WWW.MOVIESEER.COM
 WWW.ASIASOFT.CO.TH
 WWW.PRAMOOL.COM
 WWW.DEK-D.COM
 WWW.SIAMSPORT.CO.TH
 WWW.HUNSA.COM

VASP BACKED BY A MAJOR COMPANY

WWW.U-NEE.COM
 - DTAC
 WWW.I-MOBILE.CO.TH
 - SMART I-MOBILE PLC.
 WWW.EOTODAY.COM,
 WWW.EOMOBILE.COM
 - GMM GRAMMY PLC.
 WWW.MOBICLUB.NET
 - RS PLC.
 WWW.SHINEE.COM
 - SHIN/AIS
 WWW.3FORFUN.COM
 WWW.IEC.CO.TH
 IEC GROUP PLC.
 - BEC WORLD PLC.
 WWW.TRUEWORLD.NET
 - TRUE CORPORATION PLC.

* Not in the order of size

FOR MORE INFORMATION CONTACT:

TERO RAASSINA
 SASITHORN PHITHAKKHET

THIS DOCUMENT HAS BEEN PREPARED BY T.R. FINN & Co. LIMITED (THE COMPANY). THIS DOCUMENT IS NOT AND SHOULD NOT BE CONSTRUED AS, AN OFFER TO SELL OR SOLICITATION TO BUY ANY SECURITIES. WHILE T.R. FINN & Co. PROVIDES THE INFORMATION IN GOOD FAITH, IT ACCEPTS NO RESPONSIBILITY FOR THE ACCURACY, COMPLETENESS OR TIMELINESS OF THE INFORMATION. RECIPIENT SHALL NOT DISTRIBUTE OR PROVIDE THIS DOCUMENT TO ANY OTHER PERSON.