

ASIASOFT LOOKS TO REGIONAL PLATFORM

EXECUTIVE Q&A

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Pramoth: Faster speeds, cheaper bandwidth mean more gamers across the region.

Asiasoft Plc (AS) is a leading regional online game operator with a dominant market share in Thailand, Singapore, Malaysia and Vietnam. Its affiliates are involved in international investment for online game publishing and development, as well as game portal services including other IT-related business. SET-listed AS currently has 23 interactive online games and more than 19 million registered IDs. Vice-chairman Pramoth Sudjitporn discusses the company's strategy and outlook.

BUSINESS:

What is AS's business model?

Asiasoft started 10 years ago as a provider of online entertainment services with an emphasis on online gaming in Thailand, Singapore, Malaysia, Vietnam and now Indonesia. Today we have over 35 million users in all countries with approximately 8 million active users. The types of games we offer to members are role playing games (RPG), first-person shooters (FPS) and casual gaming. The online game business model has two types: subscription-based (airtime sale)

and free-to-play (item sale). Airtime sale charges for game services according to playing time. Item sale charges for game services through the sale of in-game items. The trend is changing from subscription-based to the free-to-play model.

The company generates income from sales of @Cash prepaid cards to gamers who use the cards to add air time, exchange points or collect virtual money to buy in-game items. We also earn distribution revenue from sale premiums, package and game merchandise, partner games, a Cafe member fee and other revenue from sub-licensing and advertising.

How does AS decide which games to launch in various countries?

It's a combination of understanding the companies we work with, the products they offer, understanding the local market demand, consumer reaction and testing. A simple example is the Vietnam market, which prefers Chinese-made games, but we started out with Korean-made games there because they're popular in Thailand. So we learned from our mistakes and hope to be strong in Vietnam again.

AS has expanded throughout Southeast Asia, how are operations progressing?

AS now has two groups of overseas operations, and we have been in Singapore, Malaysia and Vietnam for three to five years. We are profitable in both Singapore and Malaysia, and we will change strategy in Vietnam and directly invest next year because it has joined the WTO. Vietnamese market revenue is larger than Thailand's, with more internet users and gamers. This year we also set up an operation in Indonesia, which has the biggest population in Southeast Asia, the most Facebook users and mobile phone subscribers, but only a slightly larger number of gamers than Thailand, with revenue 50-60% here. I feel within one to two years, the market there could easily triple.

How will AS look to continue its growth?

In most of our established markets we expect steady growth but we have to manage better in terms of profitability. Yet clearly we need to enter new markets for stronger revenue growth. Over the past five years we set up branch offices in every country, each with their own services and IT, so now we will look to consolidate the IT infrastructure. We

aim to be a regional player within three years. An example of this is an FPS game we are going to launch that will cover five countries and be available in Thai and English. So gamers can play against anyone in Southeast Asia. If we can execute this regional platform properly, we can eliminate the local operators and expand our business by three to five times.

What do advances in technology mean to your business?

IT costs are falling and this is great for our business. Servers can handle more capacity, international internet bandwidth is cheaper, home internet usage is more affordable and now fast enough to play online games. This all adds up to more potential gamers and users.

INDUSTRY:

What differentiates AS from its competitors?

On a regional basis we don't have a competitor that has the same scale as us, but in each country we do have local competitors. We have focused on a regional point of view and that is why we are ahead of our competition.

What impact does social gaming have upon your business?

Normally 10% of our users are paying, and 90% are non-paying, and we have not seen a drop in paying customers. If you look at social gaming or the iPad or any new technology recently, far more people are now playing games on their phones, tablets or computers than before so the total market is growing and building more people who know how to use the internet and play games, so naturally we will benefit from this development.

FINANCIALS:

AS has a very low debt-to-equity ratio. Are there plans to increase the dividend payment or expand/acquire new businesses?

Over the next two years we aim for more M&A deals both locally and internationally to acquire market share and assets in related businesses, website and game development for online, web and mobile platforms.

MISCELLANEOUS:

What are the biggest risks facing your business today?

Being aware of the constant developments in technology and being able to adapt to this changing environment.

Where do you see AS in five years from now?

AS aims to be the online entertainment leader in Southeast Asia and a strong regional player with three times more users.

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