



RS 2006 / ANNUAL REPORT



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## Message from Chairman and CEO



# Message from Chairman and CEO

## Message from the Chairman and Chief Executive Officer

### Dear Shareholders,

In 2006, Thailand had been affected by consequences from many sides such as natural disaster, oil prices, disturbances in the south, and including incidents that started political conflicts. The most important incident was military coup by the Council for National Security on September 19, 2006. Nevertheless, Thai economic growth was still at 5%.

2006 was the year that RS Public Company Limited's completed its' 25 anniversary, and also achieved another chapter of success. This resulted from the successful strategic adjustments of the Company to suit changes in consumers' lifestyle from introduction of new technology. Revenue generation from music's contents had changed which resulted in reduced sales value for products in the form of CD, and VCD but revenue grew in other channels such as revenue from new media or digital business, concert organizations, and marketing activities or showbiz business etc. Moreover, in 2006, the Company had expanded the media business unit which resulted in higher advertising revenues from 3 types of media business which were radio, television, and publishing.

The Company, in 2006, achieved its total revenue of Baht 3,140.2 million, with growth of 14.3%. Apart from revenue growth, the Company also controlled costs and expenses as planned in accordance with changes in the accounting policy to be in association with present copyrights management's procedures of music and movie. This included the inventory management of music products under drastic changes in many distribution channels. Resulting achievements showed gross profit increased from 26% to 27.35%, and selling and administrative expenses reduced to 50%. Thus, the Company achieved net profit of Baht 154.5 million, an increase of 4.93% from minus 15.76% in 2005.

Revenue growth from various business units in the RS group reflected in many public performances. For example, the success of recorded live album of "Paong Lang Saorn" that achieved VCD sales of over 1 million copies within 2 weeks, the successful movie "Noodle Boxer" in achieving over Baht 100 million from showing in Bangkok and neighboring areas, and wrestling competition "WWE Live in Thailand".

The Company also built a new phenomenon in the music industry by creating the first cyber artist in Thailand "DDZ", and the first introduction of digital album in Thailand of "Girly Berry" group, and also the first company in Thailand that legally distributed music through website [www.mixiclub.com](http://www.mixiclub.com).





# Message from Chairman and CEO

All achievements in 2006 were the results of clear cut visions, careful considerations in operation planning, organizing the corporate structure, and adjusting personnel's perception so that RS could respond to customers' requirement, and adjusting itself to incorporate with the fast developing world.

In the mean time, the Company realized that changes in the business operations in RS group did not concentrate only in the music business any more. Plan had been created to present a new image as the "Entertainment Network" which consisted of 2 main business groups, **the Entertainment, and Sport Content Provider**. There were 5 types of content which consisted of music, digital, film, showbiz and sports, and the integrated service provider of **multi media service** which provided media in television, radio, and publishing.

Most of the minor businesses, mentioned above, were already in operations but arrangements had been made for better management clarification and easier to be understood among business allies, customers, investors, and shareholders. RS had expanded its showbiz business operation by investing in RSI-Dream Entertainment Co., Ltd. for creating more concerts and shows using foreign artists, from previously using only our own artists. These performances were on public shows from first quarter in 2007 onwards. The Company also expanded its operation in the sports content's business by investing in "RS International Broadcasting & Sports Management Co., Ltd." which received rights in copyrights management for television live coverage of the next 2 seasons World Cup in 2010 and 2014, and also managing various sports competitions in the future.

For the new image presentation, apart from changing the Company's name from "RS Promotion Public Company Limited" to "RS Public Company Limited", in order to erase image as only the music label's brand, the Company had presented a new logo to reflect the **Entertainment Network** under the "Inspired" theme. This brand built spiritual inspirations which signified character of a person who inspired creativity, happiness, knowledge, life fulfillment, and dream and imagination with 5 assets as trendy, friendly, creativity, professionalism, and international acceptance, and this new logo was introduced since January 1, 2007.

These changes would not happened if the Company could not execute deep-rooted changes through out the organization and changes in procedures and working methods, and working perception in all employees' level. Moreover, this brand changing opened the opportunity to link all existing asset capabilities within the groups such as contents and various media, and to increase more cooperation within the groups too. There were also cross selling of products and services from various units within the group, as well as increasing market awareness of the Company among target customers.



# Message from Chairman and CEO

At the same time, the Company had consistently supported and developed the good corporate governance, and always followed regulations on the good corporate governance. In the past fiscal year, the Company had been named as “Good” under research results of corporate governance of registered companies in 2006. This reflected the continuous developments to reach international standards which would bring the Company’s capability to compete, grow, and increase value to shareholders in the future.

Hence, the Company will continue to develop in all business activities to support its vision as “Revolutionist” in creating quality entertainment with social responsibility”, to create happiness in knowledgeable entertainment, to encourage inspiration, promote ideas, perception, raising quality of life for future fulfillment and improvement.

On behalf of the Company’s Directors, we would like to show our appreciations to shareholders, customers, Government agencies, and business partners. This also includes all our staffs who contribute to work tirelessly in coordinating consumers’ requirements with “contents” using high technology and integrated media. This results in RS’s capability as the truly completed entertainment network for life fulfillment and happiness to people in our society.

A black ink signature of Mr. Kriengkai Chetchotisak, featuring a stylized 'K' and 'C'.

Mr. Kriengkai Chetchotisak

Chairman

A black ink signature of Mr. Surachai Chetchotisak, featuring a stylized 'S' and 'C'.

Mr. Surachai Chetchotisak

Chief Executive Officer



# Chairman and CEO



1 Kriengkai Chetchotisak  
Chairman

2 Surachai Chetchotisak  
Chief Executive Officer and  
Managing Director

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Management Team



# Management Team



1. Kriengkai Chetchotisak
2. Surachai Chetchotisak
3. Suwat Chetchotisak
4. Komsan Chetchotisak

5. Pornpan Techarungchaikul
6. Yanyong Akrajindanon
7. Prasong Rungsmaitong
8. Montira Limpanarom

Chairman  
Chief Executive Officer and Managing Director  
Vice Chairman to Executive Committee  
Managing Director  
Sky-High Network Co., Ltd.  
Deputy Managing Director – Executive Office  
Deputy Managing Director – Digital Business  
Deputy Managing Director – Image and Asset  
Management  
Deputy Managing Director – TV Business



# Social Role and Responsibilities

As one of the comprehensive entertainment corporations, RS represents the medium for the major public in the Thai society. Consequently, the company implements the policies that correspond to and encompass its social responsibilities. As such, the company has overseen the social development and preservation of business operation standard and in 2006, RS participated in and proceeded several projects concerning social responsibilities such as:



## Young Generation Keeps Distance from Drugs

### Principle and Rationale :

Due to current social situations, a large number of Thai youths have been threatened by drugs. The problem on drugs, then, originates many more problems to society such as crimes, thieves, family problems, sexual infringements, etc., which directly affect the social and economic systems of the country.

In order to stop further spreading of drug's problems, "RS Public Company Limited" has emphasized the important of educating Thai youths to understand the affects on drugs. The Company, then, initiated the "Young Generation Keeps Distance from Drugs" project to build protections for Thai youths against drugs, and generated them as core leaders to develop their communities against drugs afterwards. Moreover, youths, already addicted to drugs, were recuperated to their normal physical and mental conditions once again.

### Objectives :

1. To oppose drugs.
2. To educate public on benefits and ill effects of drugs.
3. To recuperate mental conditions of youths effected by drugs.

### Activities :

1. Anti-Drugs football match between Artists and youths in Klong Toey community.
2. Artists and Stars joined up as core leaders to develop and activate communities against drugs.

### Results :

1. Lessened the spreading of drugs.
2. Members realized the benefits and ill effects of drugs.
3. The improved development of youths' mental conditions.



## Giving moral supports to wounded soldiers from the 3 southern provinces on the War Veterans' Day

### Principle and rationale :

Many serious unrest incidents which have consistently occurred in the South, during the past years, resulted in various impacts, especially children and youths who lost their parents and became infants, and affected their mental conditions as well. This included teachers who suffered from harmful incidents on their lives, thus, created pressures and tensions which resulted in losing their working morals. All these happened from many serious incidents within the South and had a very high impact towards the mental conditions of children, youths and teachers. Their mental states deserved to be recuperated and given moral supports from all sides whether from Government agencies or from the private sectors.

RS Public Company Limited stressed the important on these unrest incidents in the 3 southern provinces and always supported the social contribution projects. The Company also gave moral supports to soldiers on duties in the 3 southern provinces. On the 'War Veterans' Day', the Company's public relations had initiated an activity called "Giving moral supports to wounded soldiers from the 3 southern provinces on the War Veterans' Day" to support wounded soldiers relieved from their duties and created better morals.



### Objectives :

1. Build morals among all people on duties in the 3 southern provinces.
2. To put message across that the Company responded to the overall social responsibility in the south.
3. To demonstrate that Artists, and Stars in RS Public Company Limited's group always concerned about serious unrest situations in the south.
4. To build cordial relationship with the Army.

### Results :

1. To improved the Company's public image on the important given towards society and social contributions.
2. Close relationship with the Army.
3. Improved morals among wounded soldiers.



## Assistance to Floods Victims

### Principle and rationale :

Due to natural phenomenon in the midland provinces in which deluge, after sweeping down from forest, overflowed houses, farmlands, animals, and damaged communication networks, and devastated huge loss on lives and properties. People were in distress from flooding and could not commute as usual.

RS Public Company Limited which is the public sector's representative, has always support people in distress and social contribution, and has overseen this problem from the beginning. The Company coordinated its operations with the Army and the Navy in relieving the flooding problems by donating consumers' goods, and recuperating mental conditions and giving moral support to youths and people in the AngThong and Ayuthaya provinces. All operations were contributed to His Majesty the King on his 60 years on the throne.

### Objectives :

1. To make good deed as a contribution to His Majesty the King on his 60 years on the throne, RS Public Company Limited joined as one of the public sector's representative in relieving the flooding situation.
2. To show that RS Public Company Limited, and its Artists and Stars concerned about the flooding situation.
3. To recuperate mental conditions, and give morals supports to children, youths and general public suffered from the flooding situation.



### Activities :

1. Artists helped local people in dyke's construction.
2. Artists joined rescuers in distribution of emergency food bags.
3. Artists and Stars gave morals supports and donated necessary items to wounded flood victims.
4. Donation of floating toilets.

### Results :

1. To make good deed as a contribution to His Majesty the King on his 60 years on the throne, RS Public Company Limited joined as one of the public sector's representative in relieving the flooding situation.
2. Good image projection for RS Public Company Limited, Artists and Stars in helping with social contributions.
3. Improvements on mental and spiritual conditions for youths and people affected by flood.



## Safety Valentine Day's Campaign

As February is considered the month of love, RS Public Company Limited together with its Artists had joined the "Safety Valentine Day" campaign. This demonstrated the Company's commitment towards social responsibility by joining the youth's campaign to stress their awareness on the unknowing dangers. The campaign moved on foots by distributing stickers and leaflets to public, to educate its target group and show negative consequences afterwards.

### Objectives :

1. Public relations activity for the Company.
2. Project the Artists' images in their responsibilities towards society and other human beings.
3. To build conscious concerning "Love" for Thai youth.

### Results :

1. Good public image for the Company.
2. Good public image for Artists on social contribution.
3. Promote Artists to be more well known to the public.

## Affectionate Family Creates Strong Society

### Principle and rationale :

Due to rapidly changing society behaviors on this new no-boundary's age, people in the fast moving society have to scramble and compete more for their livings. Many people, unavoidably, neglect and overlook many of their love-ones around them as they have to think about their own lives, survival, and newly built families. Families, parents, brothers and sisters have been neglected and become unattended problems eventually. This, especially, happens to abandoned parents and creates more and more social problems each day.

Thus, in order to build this consciousness to youths and all Thai citizens, concerning the old aged abandonment, and on the occasion of "Mother Day", RS Public Company Limited had arranged activities for the "Affectionate Family Creates Strong Society" project. This was designed to build loving and affectionate feelings to families, which were considered as the smallest section of society, and expanded to bigger sections of society and eventually becoming society of love and affection, and inspired Thai society to be strong and affectionate later on.

### Objectives :

1. Good image projection for Artists.
2. Show good conscious towards society.
3. Show strong bonding of families and useful contribution to society.



4. Implant conscious of love and care for the old aged people to youths and all people.
5. Recuperation mental conditions for the old aged.

### Activities :

The Artists and Stars deliver jasmine flowers and healthy food baskets on "Mother Day" to old aged people in the old aged development center in Nakorn Pathom province. This was to give spiritual encouragements and erased the abandonment feelings among the old aged people and also merited this to the Queen.

### Results :

1. Resulted in good public images for Artists on the important of old aged people.
2. Youths took more cares on the old aged people.
3. Improved development on their mental conditions.
4. Society filled with love, affection, and taking cares on each others.





## Feast for the Blind Children

### Principle and Rationale

Due to the fast changing pace of society in the present time, people have to rush and compete more against each other, and tend to forget and overlook another group of people who live in the dark, the blind children. These blind children are considered as another group of people in the society who need helps. They were handicapped by deformed eyesight, and cannot help themselves, thus, deprived them of opportunities in our society.

RS Public Company Limited arranged an activity called “Feast for the Blind Children” at the School for the Blind in Bangkok. The purpose was to show love and affection, including varieties of entertainments so that they did not feel division between people with normal vision and the blind.

### Objectives:

1. To create good images for Artists.
2. To show good appreciation towards society.
3. Implant awareness to youth and general public on more love and care for the blind.
4. Recuperation mental states of the blind.

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# Investment in Subsidiaries



# Investment in Subsidiaries

Companies in which RS holds more than 10% of their shares  
As of 31 December 2006

	Subsidiaries	Nature of Business	Tel	Fax	Issued Shares	
					Type	Number
1	K. Master Co., Ltd.	Distributor of Tapes, CD, VCD and DVD	02-955-5650-52	02-955-5690	Common Shares	2,000,000
2	Blu Fairy Co., Ltd. (Formerly : Red Sailor Co., Ltd.)	Computer graphic design (Music promotion house)	02-641-5445-6	02-641-5443	Common Shares	310,000
3	News Generation Co., Ltd. (Formerly : Rock Skin Co., Ltd.)	Publishing business (Music promotion house) Indirect holding by Poema Co., Ltd.	02-938-7759	02-938-7523	Common Shares	50,000
4	Thai Copyright Collection Co., Ltd.	Music copyright collection	02-938-8016-7	02-938-8402	Common Shares	100,000
5	Sky - High Network Co., Ltd.	Radio production	02-938-5691-3	02-938-5614	Common Shares	1,000,000
6	Poema Co., Ltd.	Publishing business	02-938-5647-8	02-938-5420	Common Shares	100,000
7	Moradok Entertainment Co., Ltd. (Formerly : Screen Head Co., Ltd.)	Production house - TV programs (Printing designer)	02-559-3071	02-559-0909	Common Shares	28,000
8	RSI-Dream Entertainment Co.,Ltd.	Concerts and events organizer	02-664-7591-5	02-664-7596	Common Shares	1,000,000
9	RS International Broadcasting & Sports Management Co.,Ltd.	Sports business management	02-511-0555	02-938-8832	Common Shares	500,000
10	R.S. Sportmaster Co., Ltd. * (Formerly : Ruk Seing Co., Ltd.)	Production house-TV programs and events organizer (Music promotion house)	02-511-0555	02-511-2324	Common Shares	45,000
11	Shadow Entertainment Co., Ltd. *	Production house - drama series and TV programs	02-511-0555	02-511-2324	Common Shares	23,125
12	Magic Advertainment Co., Ltd. *	Production house - drama series and TV programs	02-511-0555	02-511-2324	Common Shares	29,375
13	Red Drama Co., Ltd. *	Production house - drama series	02-511-0555	02-511-2324	Common Shares	25,000
14	Avant Co., Ltd. *	Production house - films and drama series	02-511-0555	02-511-2324	Common Shares	100,000
15	RS Film and Distribution Co., Ltd. *	Films distributor and production house - films	02-511-0555	02-511-2324	Common Shares	50,000



# Investment in Subsidiaries

	Subsidiaries	Nature of Business	Tel	Fax	Issued Shares	
					Type	Number
16	Filmsurf Co., Ltd. *	Production house - films, drama series and TV programs	02-511-0555	02-511-2324	Common Shares	100,000
17	Bangkok Organizer Co., Ltd. *	Concerts and events organizer	02-511-0555	02-511-2324	Common Shares	30,000
18	R Siam Co., Ltd. *	Lukthung music production and music promotion house	02-511-0555	02-511-2324	Common Shares	10,000
19	Aladdin House Co., Ltd. *	Production house - films, drama series and TV programs	02-511-0555	02-511-2324	Common Shares	50,000
20	R.S. Television Co., Ltd. *	Production house - films and TV programs	02-511-0555	02-511-2324	Common Shares	40,000
21	P.O.V. (Point of View) Co., Ltd.*	Production house - films and TV programs	02-511-0555	02-511-2324	Common Shares	40,000
22	Nagasia Co., Ltd. *	Production house - films, drama series and TV programs	02-511-0555	02-511-2324	Common Shares	100,000
23	R.S. Studio Co., Ltd. *	Post production service studio	02-511-0555	02-511-2324	Common Shares	100,000

\* Temporarily Suspended

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# Financial Highlights





## Financial Highlights

(Baht)

Detail	Audited Consolidated 2004	Audited Consolidated 2005	Audited Consolidated 2006
Cash and cash equivalents	240,077,946	226,783,864	149,334,093
Accounts receivable - others - net	670,806,276	670,409,287	816,050,387
Inventories - net	522,497,429	259,018,840	141,757,004
Property plant and equipment - net	403,060,189	357,095,635	291,169,691
Intangible assets - net	248,704,731	74,311,353	260,626,393
<b>Total assets</b>	<b>2,359,969,176</b>	<b>1,861,328,254</b>	<b>2,131,931,462</b>
Bank overdrafts and Short-term loans from financial institutions	308,000,000	160,000,000	158,989,133
Accounts payable - others	283,544,799	309,648,870	268,017,177
Liabilities under financial lease	0	0	39,716,796
Total Liabilities	972,156,839	905,351,243	997,564,284
Registered capital	700,000,000	725,000,000	700,000,000
Paid-up capital	700,000,000	700,000,000	700,000,000
Retained earnings			
Appropriated - legal reserve	5,400,000	5,400,000	5,575,472
Unappropriated	74,569,141	(358,546,903)	105,933,976
<b>Total Shareholders' Equity</b>	<b>1,387,812,337</b>	<b>955,977,011</b>	<b>1,134,367,178</b>
Total Revenues	2,377,870,616	2,747,810,623	3,140,238,263
Cost of sales and production	1,878,824,318	2,012,706,457	2,231,446,559
Selling and administrative expenses	611,263,767	1,108,010,725	727,187,444
Interest expenses	6,319,777	6,535,106	11,237,738
Income tax	12,022,601	52,723,506	16,717,864
Net profit (loss)	(131,681,021)	(433,116,044)	154,662,702
Weighted average number of shares at Par Baht 1	700,000,000	700,000,000	700,000,000
<b>Basic earnings (loss) per share</b>	<b>(0.19)</b>	<b>(0.62)</b>	<b>0.22</b>
Book value per share	1.98	1.37	1.62



# Business Descriptions



## Business Descriptions

RS Group's core business composes of music business, digital business, showbiz business, film business, sports business, television business, radio business and publishing business.

### Revenue Structure

Detail	2004		2005		2006	
	Amount (Million Baht)	share in total revenue (%)	Amount (Million Baht)	share in total revenue (%)	Amount (Million Baht)	share in total revenue (%)
Revenue from sales - net	931.66	39%	797.84	29%	751.34	24%
Revenue from musical and other copyrights	330.08	14%	451.43	17%	478.08	15%
Revenue from production	324.10	14%	313.22	11%	421.97	14%
Revenue from film production	87.10	4%	102.80	4%	123.30	4%
Revenue from production concerts and marketing activities	179.12	8%	228.77	8%	319.11	10%
Advertising income	445.54	19%	774.36	28%	953.58	30%
Others	80.27	3%	79.39	3%	92.82	3%
Total	2,377.87	100%	2,747.81	100%	3,140.23	100%

## Music Business

### String Music Business

There are five factors driving the success to RS Group's businesses :

- 1) RS Group employs a fully integrated business model managing all types of related business. As a company associated with a number of artists, RS Group has produced a variety of music with continuous releases onto the market. The targeted market and music genre is presented to the music committee and each music label works on each album independently until the music album is finished. Subsequently, the music production process will be independently undertaken by the teams in each music label. The public relations plan and promotion Products and Services Descriptions strategy will also be created by those teams to be combined with the plans of Media Management Division and Distribution Division. Finally, the music marketing unit will lay-out the promotion strategy, conduct the public relation campaign and coordinate with the distributor to ensure the alignment of product's quality and market's popularity.
- 2) It is RS Group's policy to generate products in an appropriate quantity and of good quality. As a result, each album's investment yields a satisfactory outcome.
- 3) RS Group utilizes its in-house television, radio and Internet media to facilitate public relations programs.



- 4) Efficient distribution transfers products to end customers speedily; effective inventory control management can adjust appropriate levels of stock.
- 5) Efficient music copyright management creates added revenue for the business.

Music business acquires most of its revenue from the following four sources:

- 1) Revenue from Digital Content in the forms of Download, Ringtone, Ring-Back Tone, Wallpaper, etc.
- 2) Revenue from sales of music products either from new albums or greatest hits in CD, VCD, DVD, and Dual Disc.
- 3) Revenue from sponsored albums and marketing activities as well as through ticket sales and sponsors' fee in concert venues.
- 4) Revenue from copyrights collection.

## Nature of Products or Services

### Music Production Factors

#### Pre-Production Unit

The Pre-Production Unit under the management of RS Group is an experienced team whose responsibility covers recruitment, selection and development focussing on potential artists. By introducing new artists, the company has extended opportunities to produce more outcomes in music, drama series, advertising and films.

#### Music Label

RS Music Label has 7 teams, each with a producer, creative, music writer, tune writer and composer skilled and experienced in their field, Pop, Rock, Hip-Hop, R&B or Easy Listening.

They combine to produce quality music in a variety of styles. The Music Production Unit is responsible for making complete master tapes in the studio and sending them to "Music Distribution Department" (formally known as K. Master), which has to find supplier for product manufacturing of CD, VCD, DVD, and Dual Disc. Then, products are distributed to consumers through networks of wholesalers, retailers, and modern trade systems.

#### MCM (Music Content Management) Team

MCM Team bears the responsibility as the music business center to overlook the generation of the additional revenue from the music content besides that earned from the distribution of musical products. The emphasis is put upon satisfying the marketing demand of organizational customers who employ the music marketing in their marketing plans through linking the brands and artists in various forms of activities. The revenue will be generated from the activities, the



essential channel to promote albums and artists. This not only provides the additional channel for the revenue-generating, but also adds another albums' promotion channel for music business through music label's target group.

The major revenue of MCM is generated from the following channels:

1) Album sponsorship: The revenue is generated from the package to sell the advertisement space for other merchandises on the covers of CD, VCD, DVD and Dual Disc at the bottom of music video spots and album advertisement spots and the appearance of merchandises in the artists' music videos (Product Placement). This also includes additional activities by promoting with various subsidiaries' media such as TV, radio, and publishing to increase media exposure.

2) Large concert sponsorship: This is to assist new album's promotion for main artists such as "Film", "Dan-Beam", and "Paong Lang Saorn" by arranging the copyrights packages for sponsors' products, which can be purchased in various forms as sole sponsorship or co-sponsorship. In the mean time, additional revenue is from selling concert's tickets such as "Nice Club" concert, "Samakom Narak" by "Dan-Beam", "Film Yakusa Ta-Duan" concert and "Kid Tueng Mae" concert in 2006.

3) Other marketing activities sponsorship: The revenue is generated from the arrangement of small marketing activities to promote artists by including customers' requirements with activities as well, such as the school tour, mall tour & contest. This kind of sponsorship has obtained the positive response from organizational customers since the below-the-line marketing is likely to get more popular in 2007.

## Affiliated Artist/Singer

RS Group currently has more than 236 artists and singers under its management from 114 contracts including solo singers and groups who all have different styles. RS artists and singers include:

Artist	Solo	Group
Male	Film-Rattapoom, Dunk-Phunkorn, Ar-rung, View, Nathan	Dan-Beam, I-nam, HYPER, GEAR KNIGHT, Lao-Loam, JO-POP, BLACK VANILLA, Q, B-KING, ALL FOR MEN, JUICE, SMF
Female	Parn-Thanaporn, Tong-Pakaramai, LYDIA, NOTTO, MAY, MINT, Phon-Viroonkarn, JENNIE, AMARY	Four-Mod, PINK, THE SIS, GIRLY BERRY, I-BABIE, NEKO JUMP, AM FINE, BADZ Prik-Thai



## Compilation Albums

This is another income-generating channel from our music library. Most customers buy newly released albums and have favorite musics; others prefer to collect compilation albums. Compilation albums therefore have their own market, and are poised for growth.

## Marketing and Competitive Environment

### Marketing

### Marketing Strategy

### Quality Production Strategy

RS Group's priority is quality, in both artists and music. The company's pre-production unit selects and develops artists with the right quality and plans ongoing improvement in its 7 sub-units. Each team gathers personnel with expertise who have worked in the music industry for between 10 and 20 years. This skilled workforce has an in-depth knowledge of the flow of the Thai music market and can produce different types of music based on their expertise, attracting audiences from all age groups and backgrounds.

### Competitive Environment

There are 2 major players in Thai music industry, the company and its major competitor, the rest are very small players that have very marginal portion of market share. In 2006, the company estimates a market share in CD and VCD market at 28% and in Digital Content market at 40%.

The trend of the string music market of the Group in 2007 is expected to grow out of the continual expansion towards new distribution channels, particularly online music shops or mobile music listening of which the company is the leader in such channels in 2006. The company has underlined the below-the-line activities in order to effectively reach the consumer groups and promote RS music.

The domestic music industry remains more competitive in products and marketing promotional campaigns than in price. Each company tends to differentiate its music. The company will stress the partnership with other companies to greater extent for the purpose of strengthening its business operation.

### Environmental Effects

-None-



## Country Music Business

### Nature of Products or Services

Amidst the popularity of the modern Thai music or string music in Thai society today, the company still apprehends the value of Thai folk music, namely country music and life music which are firmly supported by the passionate fan base and enjoyed by an increasing number of audiences. The fan base is not concentrated merely in the upcountry but also expands to encompass the new generation in Bangkok and perimeter. To bolster the existence of the country music and life music in the Thai society, “R Siam Company Limited” was officially founded on December 6, 2001.

“R Siam” bears the crucial task in producing consistently and comprehensively the Thai country music and life music. The procedure ranges from formulating the marketing strategy, screening artists and music with the concern about quality, looking after the image of artist, and producing the media for promotion of Thai country music such as music videos, karaoke, advertisement spots, printed materials as well as radio-television programs to broadcast the Thai country music and life music in the modern style for maximized entertainment to the nationwide audience.

### Element of Music Production

#### Pre-Production Unit

R Siam is the center of the vastly experienced and specialized producers, music composers and arrangers to ensure the comprehensive supervision-creation and variety of styles namely northeastern country, central region country, music for life and Moh-Lam.

#### Music Label

There are currently 4 music labels responsible for producing Thai country music and life music in total. Different styles of music are applied to each music label as follows:

- |                     |                        |
|---------------------|------------------------|
| 1) Me D Record Unit | Life music             |
| 2) Chaiyo Unit      | Central region country |
| 3) Can Record Unit  | Moh-lum                |
| 4) Rakthai Unit     | Sweet country          |

Each unit produces the master copies of music and transfers them to Music Distribution department as to subsequently transfer them to the appropriate supplier for further production process. Those copies are used to produce CD, VCD and DVD, which are distributed through the wholesalers, retailers and modern trade stores. This is the same approach as that for the string music business.



## Affiliated Artist/Singer

The crucial mission of the country music business is the determination to make available quality artists on continual basis as can be seen from the current albums of over 40 affiliated male/female artists as follows:

Artist/ Male	Artist/ Female	Artist / Group
Eakachai Srivichai, Nue Miter, Touch Na Takuatoong, Toy Muek-Daeng, Luang-Kai, Sanook Singmatr, Sangkom Yodhiyom, View Chatchawan, A Thathakorn, Bump Narongklot, Nopparat Maihom, Tide Thanapol, Anon Moenna, Wit Mahachol, Alek, Bauwee, Visa Khanthap, Yiew Konkheanplang, Mongmong, Lukthea Thainiyom	Ying Thitikan, An-Da, Cat Rattakan, Karaked, Jeab Benjaporn, Jeab Kanokporn, Mai Saowaph, Noon Ramida, Zeer, Biw Kanlayanee	Paong Lang Saorn, Wong Srivichsi Show, Pik & Prial, Footpath Family, Koo Fad Lek & Yai, Ra Koo Duo Mhorlum, Koo Duo Mhorlum

## Television Program

At present, the television programs are created for the country music business to widely present the country music on television channels, be it free TV and cable TV as demonstrated below:

Music Program	Day	Time		Channel
Dao Roong Look Toong Siam	Mon-Fri	11.30	11.55	5
Sod Chuen	Mon-Fri	16.30	16.55	5
DJ Center	Sat-Sun	1.30	2.00	5
Sao Khoon Song	Mon-Wed	1.30	2.00	7
	Sun	1.00	1.30	7
Koo Puan Kuan Pleng	Sat	2.30	3.00	9
Muang Thai Chai Loei	Sun	0.30	1.00	9
Look Toong Hit Sa Nun Mueng	Mon-Sun	13.00	15.00	TTV2
		1.00	6.00	TTV2

## Multi Radio Program

R Siam has raised the significant phenomenon that brings about major changes to the radio circle of Thailand by producing "TTV Radio" (Multi Radio), the first program ever that can be simultaneously listened to and watched in Thailand. The program is broadcasted nationwide 24 hours every day.





## Web site

Moreover, the website was created to disseminate information, news and progress about the country music albums and affiliated artists and serve as the center for the communication and opinion exchange among country music fan clubs in Thailand. The URL of the website is <http://www.r-siam.com>

## Marketing and Competitive Environment

### Marketing

#### Marketing Strategy

##### 1) Quality Work Presentation Strategy

RS country music business receives a very good response from listeners of the country music and music for life target group. Therefore, R Siam puts an emphasis on the production of quality music and artists and forms the policy to have the music created by the experienced composers and producers who have long been familiar with the country music and music for life circles as well as concurrently recruit and develop artists so that the released music are recognized and satisfy the demand of customers to greater extent.

#### Competitive Environment

Two large entrepreneurs, the company and its major competitor, are playing the primary role in the country music market. The rest of concerned parties represent small entrepreneurs with minor market shares in terms of sale volume that target specific groups of audience. In 2006, the market share in terms of sale volume of the country music business accounted for approximately 52%.

The market for the country music and music for life in 2007 is likely to expand as a consequence of the individual strategy of each album and the intensification of public relations investments in the parts related to television and radio. Moreover, other channels of revenue generation are sought through adding the value to the music contents i.e. downloading ring tones and arranging marketing activities to have greater access to consumers.

R Siam also plans to hold the grand concert for the year 2007. The company's artists will release a joint album and gather at the grand concert to exhibit the potential and development of RS folk music and life music business. The first concert tour will be arranged in the southern provinces to show that R Siam has potential to be successful in country music and music for life in the southern provinces too.

The domestic competition in the circle of Thai country music and life music focuses on the product and promotion competition rather than the price competition as is the case with the string music business.

#### Environmental Effects

-None-



## Distribution Business

### Nature of Products or Services

RS Music Distribution (previously known as “K. Master Company Limited”) is responsible for producing and distributing entertainment software of RS (in the forms of CD, VCD, DVD and Dual Disc) through various distribution channels. The details related to its business operation are demonstrated below.

RS Music Distribution primarily serves as the distributor of musical products for the music labels and other affiliated companies of RS as well as the distributor of non-affiliated products such as western music, country music and Thai modern music in the forms of CD, VCD, DVD and Dual Disc. It also encompasses the additional distribution of other kinds of entertainment products that are engaged with music such as edutainment software and merchandising of artists i.e. Stix-it, shirts, hats and key holders via the existing distribution channels like traditional trade (wholesale and retail stores), modern trade (hypermarket, convenience store, music and movie shop) and other new distribution channels using the following management guidelines.

### Management Direction

#### 1. Distribution System Structuring

The management is purported to ensure the distribution to the proper and pinpoint target groups. Since the target groups of customers vary with the assorted products, the distribution system conveys a significant factor to support and encourage these assorted products to reach the identified target groups. The augmentation of the number of governed store branches expected to expand nationwide will also boost more recognition and widespread dissemination of RS products.

#### 2. Selection of product manufacturing plant with high quality control and production standard

RS Music Distribution has formulated the policy to control the standard and quality of the products. The procedure begins with the assurance of the perfection of the master product, which will be further produced into entertainment software and subsequently transfer to selected manufacturing plant that possesses modern machinery and equipment authenticated by ISO. The production will also enter the procedure of quality control to ensure the image and sound perfection and cover printing quality. The quality of the production of raw materials and relevant components such as CD and CD cases will be controlled as well for the customers to enjoy the maximized quality products.

#### 3. Formulation of Efficient Marketing Strategy

In the process of presenting the musical products to various kinds of audience, RS Music Distribution, the musical products distributor of RS, consistently communicates with the customers in the market and, therefore, is able to conduct the monthly survey of customer demands on regular basis. The surveys are subsequently assessed and when the assessment results are derived and concluded, RS Music Distribution will present the response of the



customers to the original music labels of RS as part of its coordination. This action brings about the increasing clean-cut feedback of the customers and enables each music label to improve their products to best satisfy the demands of the market and customers. Besides ensuring that each music label of RS is able to match the products with the market demand, RS Music Distribution has also implemented the measure to utilize its affiliated resources such as television and publishing to promote the product distribution etc.

#### 4. Control of Production and Distribution Costs

As a division to supervise and manage the overall production and distribution of RS, RS Music Distribution is obligated to create the production plans that correspond with music labels. It coordinates and creates the distribution plans in collaboration with music labels so that the volume of production befits the sale estimation. RS music business adjusted its album launching strategy by not emphasizing on the number of albums launched, but focused on its productions to attract a more clear cut target groups. On September 2006, all production machineries had been sold to make RS Music Distribution's business in accordance with RS music business and facilitated in a more flexible production cost management as well.

Another important duty of RS Music Distribution is to manage RS inventories to stay at an appropriate level. The rather high inventory turnover of musical products necessitates that RS Music Distribution formulate the management and operating policy that reflects the ever-changing market conditions. Although the distribution plans have been agreed with the music business in the initial stage, the operating plan has to be consistently modernized to prevent product obsolescence, a major factor that may affect RS inventory management.

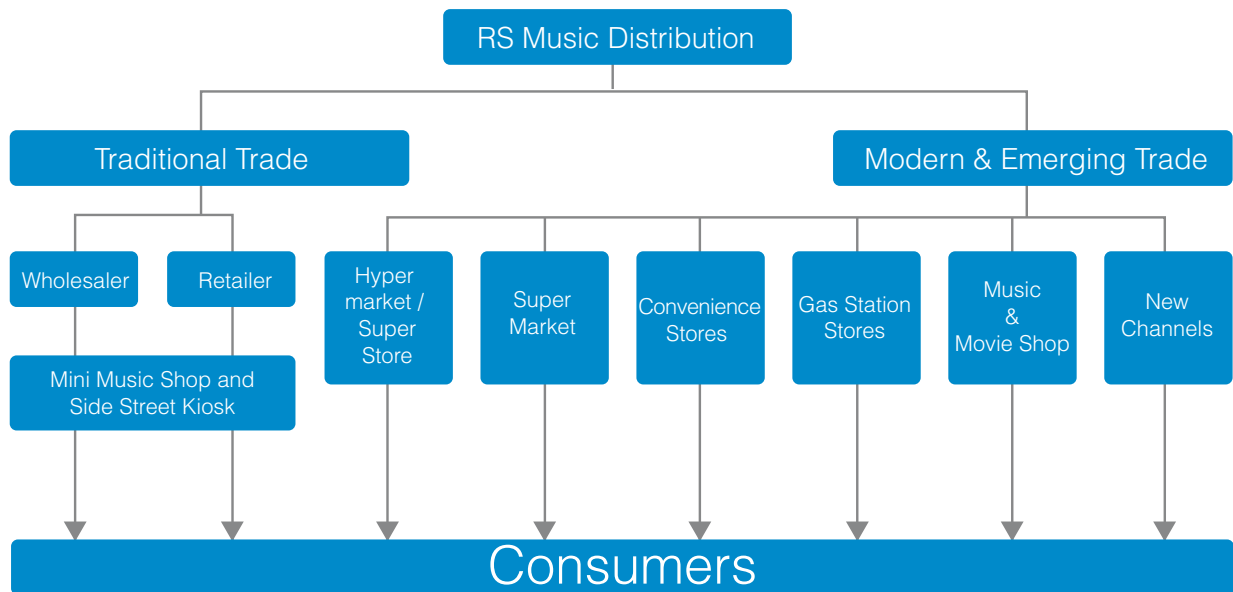
#### Marketing and Competitive Environment

##### Marketing

##### Marketing Strategy

#### 1. Efficient Distribution Strategy

In order to enhance the distribution efficiency for RS products, RS Music Distribution formulates the plan in advance to ascertain the distribution of each product in the adequate volume and to the appropriate target groups via the distribution channels like open trade and modern trade at the proportion of 65% and 35% respectively. The specified structure is as follows:



## 2. Marketing Activities Planning

Marketing Division has planned the below the line activities in assorted fashion throughout the year for both Thai modern and country music to take turns and rotate to the points of sale populated by target customers, which will boost the sale volume of the music business. In exemplification, those activities are composed of handing out extra premium goods for album purchasers, arrangement of the artist autograph events or mini concerts and utilizing the media such as posters, banners and standees at the points of sale. They have been able to attract the attention of target customers to certain extent and obtained positive response from customers, as well as satisfy the agents of the company.

## 3. Proper and Accurate Data Analysis System

The adoption of the computer system for the data management and distribution business enables the company to inspect the sale volume and create the distribution plan of stores in a real time manner. It also facilitates Sale Division and Marketing Division in accurately adjusting the sale and marketing strategies to keep pace with the circumstances at the moment based on the information obtained from the database analysis of the system.

## 4. Efficient Logistic System

In its logistic management and administration, RS depends on the warehouse and logistic services rendered by Thailand's leading reliable transportation companies in Bangkok and other provinces, which are able to meet the demand for products in a timely manner.



## Competitive Environment

### Competitive Environment in the Market

Since there are currently various music corporations, large and small, that supply musical products of several styles to the market, the competition in terms of quantity and music styles presented to consumers has increasingly intensified and, at the same time, consumers are exposed to more options to better satisfy their demands. In addition, the current advanced technology facilitates the making of pirate products, such as MP3, music download or pirate CDs, which are wide spread among consumers. This situation will spur the rapid changes in the taste of consumers. Accordingly, when it comes to copyright products distribution as of present, the concerns about employing the right channel and timing to better meet the consumer demands and the ability to flexibly adjust the marketing strategy related to product presentation are critical elements of the business.

### Environmental Effects

-None-

## Copyright Collection Business

Thai Copyright Collection Co., Ltd. (TCC) manages to collect copyright for owners. In 2003, TCC was dedicated to developing license and copyright collection systems. It is acknowledged as the prototype of efficient copyright collection and manages the copyright of more than 15,000 songs for RS Plc., as well as other music companies and songwriters. From 1 January 2004, TCC extended its copyright collection to include the duplication right after the distribution right has been understood and widely accepted.

In 2005, TCC developed the system to permit the entrepreneurs to disseminate the copyright products to the public through the radio stations and at the electrical appliance and computer stores, fairs and exhibitions. The response and consent of the entrepreneurs that utilize the copyright products in entering the permission process has gradually and consistently risen. In 2006, TCC formulated the policy to have the royalty collection and permission channels encompass all kinds of copyright products usage i.e. the dissemination of the copyright products to the public at department stores, plazas and convenient stores or complementing the performance or dramas and movies as the soundtracks or other activities purported to use the copyright products for the interests of the copyrights products or engender such new forms of duplication as WMA files.

In 2007, TCC data base system on new customers has been adjusted to facilitate its internal management process and increase efficiency on external copyrights collections. TCC is confident that it will bring about the benefit maximization to the copyright owners and facilitate the public usage of the copyright songs for increasing usage.



## Nature of Products or Services

TCC divides the customers in the area of the copyrights of the songs and artist images into 2 categories. The first category represents the customers entitled to make duplications such as the website operators providing the mobile phone ring tone downloading service, currently accounting for 41 in number. The second category represents the entrepreneurs entitled to disseminate the songs to the public such as karaoke venues and booths (coin slot), halls and VIP rooms, jukeboxes, music activities such as lives and voice evacuation, other additional collection channels, as well as the duplication of music activities and audio visual materials in the form of midi files, hard disks per computer and system or new forms of duplication. As a result, TCC has totally 21,510 members, accounting for 76,409 units, at present.

## Environmental Effects

-None-

## Digital Business

### Mobile Distribution Business

#### Nature of Products or Services

During the past few years, services on content providing business through mobile phone had a jump-start growth especially in the ringtone service. Revenue from services through the mobile phone's network operators started to compensate missing revenue from sales of cassette tapes and CD. This group of mobile distribution business offered Ringtone, Wallpaper, Full Song, Ring Back Tone, Background Music, VDO Clip, VDO Ringtone, and Flash on Mobile etc. The main target groups are students at all levels and including people who just started to work which coincided with the main target of RS consumer group. Moreover, in 2006 RS distribution channel had expanded to provincial target groups and also factory workers by introducing country music from R-Siam label as a supplementary service development for mobile phone. Responses were very encouraging from customers' requests on songs from R-Siam label such as ringtone, calling melody, including sales of full song through mobile phone.

In 2006, purchasing of full songs through mobile phones and various VDO clips downloading were the most outstanding contribution to the Mobile Distribution Business. These occurrences were due to the changing of consumers' behaviors by using mobile phone as a music listening device as well as changes in the mobile phone technology to facilitate its usage, and cheaper price for mobile phone or memory card. These factors encouraged more customers to purchase songs through mobile phones. In the near future if the 3G network is available, RS Digital will be able to offer more integrated multimedia.



## Marketing and Competitive Environment

### Marketing

At present, marketing of the mobile phone business group will emphasize on 2 parts. First part is the direct approach to mobile phone users through various media such as print, television, and radio to introduce new services and contents which has a rather high cost. Second part is the marketing through mobile phone's network operators such as AIS, DTAC, True Move and Hutch which cost less as existing media and already operated networks are being used such as SMS Broadcast, IRV Call Out and printed media with the expense statements etc. In 2006, the marketing concept of usage stimulation by using Cross Sale method with other existing services such as introduction of "Tutor on Mobile", which was an educational service, generated Cross Sale between education agency and ring tone downloading services. The same marketing concept will be used in 2007 to create service varieties and cover more customers' groups.

### Competitive Environment

Content Providing services business through mobile phone is very competitive whether in the form of content, servicing method, and marketing to penetrate into consumers' groups. More and more content providers have realized new source of revenue generated through this distribution channel as many new services have been created such as news services through SMS from various news agencies, and including discount, exchange, give-away, and premium services to consumers. Hence, consumers have more choices to choose from without relying only to ringtone. From this reason, RS Digital realizes in providing varieties and completed services without limitation on contents provided by RS. In 2006, Non RS contents were introduced to consumers such as downloading pictures of Ultraman from TIGA, boxing service from "Saming Kao", horoscope service from "Arjarn Lux", and football results hotline etc. With variety of contents, including expertise in technology and marketing proficiency with consumers in mobile phone service group, RS Digital has become the integrated Mobile Entertainment company equaled to none.

### Procurement of Products or Services

Many factors contribute to the successful introduction of new product development into the market. Research and development is the main factor which facilitates the understanding of fast changing mobile phone technology. Hence, understanding the technology and applying its usages to generate new services are the main factors that enable RS Digital as the innovation leader. RS Digital is the first company in Thailand that offers ringtone as "True Tone" type, and downloading service of full song and flash on mobile. RS Digital is not only associated with innovation but still develops other digital contents to introduce its services through the mobile phone networks such as cooperation with "Sky High" radio networks for "MAX 88.5" providing "Max Haunted" service so radio listeners on MAX 88.5 wavelength can download horror stories through their mobile phones, and including wireless application protocol (WAP) development which is a website for mobile phones serving the movie business such as "Rak Jung" website for public relations purpose and downloading service for movies' contents through mobile phones.

### Environmental Effects

-None-





## Digital Distribution Business

### Nature of Products or Services

Digital Distribution Business consists of

- 1) Internet Content providing business
- 2) Digital Content providing business together with the product
- 3) Digital Content providing business and Marketing Solution

Main target customers can be divided into 2 groups as

- 1) The general retail customers' group consists mainly of teenagers, students, undergraduate students, and including salary earners, which is consistent with customers group who follow up mainly on RS's songs.
- 2) Corporate customers' group which consists of
  - Website with Internet Content providing services
  - Corporations or other operators which provide contents services through high speed internet connections.
  - Governments agencies with internet contents providing services' project
  - Companies or mobile phone and electronic appliances' distributors
  - Companies or distributors of general products and services

### Marketing and Competitive Environment

Due to the resulting advancement of technologies at present, consumers' behaviors on various contents' purchasing have been drastically changed. Marketing plans for contents providers always require constant adjustments and new procedures, especially the digital content service providers which always have to adjust with rapidly changing technology. On the internet contents service provider's business, competitive situation has continue to increase intensively and mainly from the growth of internet users especially high speed internet users, thus, resulting in more demands on contents through internet. Moreover, there are other supporting factors contributing to this growth such as, many companies and organizations try to learn and experiment on business activities using internet and service payment through internet and mobile phone etc. All these activities result in rapid growth of internet service providing's business and will be intensified continuously with leaping growth trend in the future.

For the digital content providing business with product, and digital content providing business and marketing solution, the competitive situation and market growth are also high. This is due to the fact that many companies, private organizations including Government organizations set up their policies and marketing plans by using this technology as their main strategies. Hence, digital content is another alternative in creating differences, and efficient value-added points to products and services, such as offering special privileges to customers who purchase products or services, the right to receive various digital contents such as downloading ringtones, pictures, listening to music, other downloads, and including electronic discount coupon etc.





## Procurement of Products or Services

As purchasing various contents through digital channel, consumers can choose and change their consumptions easily and rapidly. Hence, products and services must contain varieties and constantly changing with always changing consumers' requirements. As offering only content service will not be sufficient enough, RS has added content services from its various allies in many fields such as music companies, movie production companies, graphic animation companies, etc. All these operations have been carefully planned to be in consistent and suitable for the constantly changing requirement market trend.

## Environmental Effects

-None-

## Showbiz Business

The showbiz business operations contribute revenue from 4 main business groups which are concert organizing, events organizing, government project, and artist management.

### Concert organizing

#### Nature of Products or Services

RS Public Company Limited has vast experiences and expertise in creating concerts for local and foreign artists for many years and has always been accepted and trusted by everyone. Most organized concerts can be categorized into 2 types as follows.

- 1) Concert under artist's promotional plan
- 2) Concert with new concept's creation or planned concert to suit customer's business requirements for additional revenue generation

Apart from these 2 types of concerts, the company also has interest in bringing foreign artists to perform concerts in Thailand. In 2007, "RSI-Dream Entertainment Co., Ltd." which consists of experienced organizing team that has already arranged concert performances for world class artists in Thailand, will be directly responsible under RS in arranging concert performances of foreign artists. This will enhance additional highlight for RS's concert organization business.

## Marketing and Competitive Environment

### Marketing

The MCM (Music Content Management)'s marketing team is the center of music business and responsible for generating revenue on top of the music. This emphasizes on revenue generation that responds to marketing requirements of corporate customers in using "Music Marketing" as a



linking tool in activities between brands and artists, by improving revenue collection from activities which are considered important channels to promote albums and artists. One of these channels is the sponsorship of big concert for main artists' albums promotion such as "Film", "Dan & Beam", "Paong Lang Saorn" with copyrights package as concert supporter for required products in the form of sole sponsorship or co – sponsorship. Additional revenues, at the same time, can be generated from concert's ticket sales such as "Nice Club" concert, "Samakom Narak" by "Dan & Beam", "Film-Yakusa Tadian" concert, and "Kid Tunk Mae" concert, performed during the past year.

Moreover, strategy on responding to customers' requirements has been used mostly by the company. This is to create concerts with perception as per customers' requirements, or with clear cut focusing on target groups such as "Student Rock Party Concert" in 2006 which targeted on the junior high school students etc.

## Competitive Environment

In 2006, concert organization business was very competitive as most of concerts through out the year, especially the "Retro" type, were organized mainly for high income, older generation groups. This is due to the fact that, at present, concert organizers do not need to be music label's owner any more, and are capable of managing and generating revenues too, thus, creating more competitors in the market.

Moreover, admiration fever of Korean and Japanese artists in Thailand, or new competitor such as "UBC Fantasia" with AF1-2-3 artists resulted in even more intense competition in the market.

In 2007, market will continue to be more intense with more competitors in the market. Competitors will have to use their strategies or available strong points to compete for advantages in the competition by highlighting their companies and building maximum customers' satisfaction.

## Environmental Effects

-None-

## Show and Event Business

### Nature of Products or Services

The show and event business is another business in Thailand that enjoys significant growth. During the past 5 years, as television advertising rate has increased so much, together with more competition among the same type of product, budgets for products, services and advertising agencies have been focused to "Below the Line" advertising.



RS is a group of large conglomerate for entertainment business in Thailand which consistently creates performances and marketing distribution during the last 25 years. In 2006, RS had expanded its business to serve this growth in corresponding with marketing plans of products, services and advertising agencies that focused more towards media activities or 'Below the Line' on show and event types. This was done by joint investment with experienced company in show organization and with foreign events' management by importing foreign shows and concerts. Long term planning was included to keep this type of entertainment activities as continuity events and resulted in long term business plan.

RSI-Dream Entertainment Co., Ltd. is a new subsidiary company which conducts media activity business by designing event's concept, creative idea, and international integrated marketing plan to serve requirements for products, services, and advertising agencies, including other consumers who require new foreign experiences. Moreover, the company has also acquired copyrights, and has obtained sole copyrights, including planning to operate long term and integrated marketing plan.

"RSI-Dream Entertainment Co., Ltd." has planned some activities for example: The "Isuzu All Star Hero Festival 2007" is the event that collects copyright characters from all over the world to display in different forms by registering as the sole copyrights for this event. "Project Ultraman" is the television copyrights that can create business on top of the brand in many forms such as merchandising, digital media, promotion activity, including foreign concert as well.

## Marketing and Competitive Environment

### Marketing

#### Marketing Strategy

1. Sourcing of quality contents with market demand.
  - As Thai market requires new and high quality contents, suitable contents with Thai target groups have been selected.
2. International event organizing and applied technology.
  - Bringing in the international event organizing format and applied technology are useful in setting good standard and quality of the content itself.
3. Delicate implementation on presentation of product and content to generate market trend.
  - As supporter is the main revenue generator that will implement reliability on our work quality and indirectly generate market trend.

#### Customer Profiles and Target Groups

1. Financial supporter groups
2. Media supporters and others
3. Copyrights buyers
4. Event attendees and general consumers



## Distribution Channel

As the marketing plans have been set up in varieties of forms and also integrated, including many revenue channels, then, customer profiles and target groups are segmented into groups as follow:

1. Supporters in each event
2. Event attendees
3. Free TV operators and cable TV operators
4. Home entertainment business operators
5. Domestic and foreign copyrights holders
6. Digital and internet business operators

## Competitive Environment

Event business in Thailand is segmented into 3 big groups as follows:

1. “Presentation and Event Organizer” companies that offer services in general event organizing for products and services.
2. “Local Event Promoter” companies that organize shows, concerts with own marketing investment, and organize by themselves or coordinating with foreign companies.
3. “International Event Promoter” companies that organize shows and concerts as investors and offer service for marketing plan, organize events by themselves or coordinating with other companies by acting as content selectors for local market.

Companies in group 1 and 2 consist of small, medium, and large companies with high competition as business opportunity is also high, and most of their marketing plans focus more on “Below the Line” activities. This group has formed themselves into the “Event Club” to control on standards and market price as well as finding opportunity to increase their businesses even though competition is rather high.

“RSI-Dream Entertainment Co., Ltd.” is in the third group with few competitors due to high investment cost and requires intimate foreign connections. High financial budget investment is required from supporters and marketing plan must be done together with supporters too. As there are very few experienced companies in the group, with success comes with high risk, however, if any company has experiences and good planning, the chance to achieve business success will be rather high.

## Procurement of Products or Services

“RSI-Dream Entertainment Co., Ltd.” is one of the companies that have to rely on purchasing contents from various domestic and foreign sources. As the “Event Promoter” is a business that has to integrate contents with the marketing plan to suit target groups, hence, contents sourcing in variety of forms such as show, concert, movable fun-fair, copyrights, etc., is very important or may be considered as the heart of business operations. Investment payback is another factor for investment consideration on that content.



Purchasing of content is different from general purchasing of products and services, as content purchasing requires experience, reliability, back-ground history, and skill in decision making process. This is not the bidding contest presentation on financial offer, as purchasing may take a very special length of time, for example, some content may take 3 years to obtain.

Hence, covering the investment cost depends on a rather lengthy consideration, but the outcome through financial means and reputation will be received in a long term process.

## Environmental Effects

-None-

## Government Project

Government project management is another operational channel that contributes revenue to RS. With superiorities over other competitors on past performances and long term experiences, integrated media, and the most popular artists on hand, RS Public Company Limited has been trusted by Government agencies in various activity managements for many projects which increase in numbers every year.

In 2005, in order to create a clear and maximum efficiency in workflows, the company established a “Business Development” channel to directly responsible for these Government projects. During the past year, the company had managed many huge projects such as the International Film Festival (Bangkok), Pattaya Music Festival 2006, “Yen Tua Lar Mahasongkarn” (TTT), Isuzu Thailand Adventure Race (TTT), “Dontree Nai Suan”(Bangkok) festival, etc.

## Nature of Products or Services

The prominent characteristics for business descriptions on the Government projects can be summarized as follows.

- 1) Manage projects for clients from Government agencies, and Independent agencies which generate revenues and good public image for the company.
- 2) Projects from customers which were initiated from Government policies, considered to be important to general public or national security such as projects concerning health, education, sports, travels, security and environment and energy preservation.
- 3) Projects with clear-cut policies on scopes of work, timing, and budget that mostly concern advertising, public relations, media planning, and event organizing which suit the company's capability.
- 4) Presentation is the most important thing to win any selection from client. This includes proposal and presentation works to show readiness and capability of the company.



These show that the company is ready to conduct business with its clients. This includes presentation on creative idea, distinguished strategy, interesting proposal and presentation that build clients confident. Moreover, there are other factors include profile on past achievements that convince clients, the company's reputation, and good and consistent relationship with clients. These trends eventually indicate that the company will easily become market leader in this business field.

## Marketing and Competitive Environment

### Marketing

#### Marketing Strategy

- 1) Strategies for project presentation
  - Strategic thinking, using modern concept which is suitable for target group and in accordance with the project's requirements. Written media message emphasizes on short, clear, and easy to understand, and remember.
  - All designs and media's productions must be in accordance with agreed concepts, single minded outstanding and colorful designs to attract attention of target group.
  - Public relations strategy through television, radio, newspaper or other media. The company is able to efficiently plan media in terms of quality, quantity, and price, using good connection with media's owners.
  - Presentation to client – This does not cover only presentation requirement by client but the company's strong points will strategically be added to distinguish the presentation from competitors such as using artist as presenter to generate style and influence through out the project.
  - Detailed and completed proposal and presentation showing pictures in all presentation works such as story board, stage drawing, exhibition board, cut-out sketch, etc. to demonstrate capability and readiness of the team. This will create client's satisfaction as presentation is clearly shown and confidence that the company can execute the project quickly.
- 2) Public Relations Strategy
  - The company always considers building good public relations with clients and always follows up on requirements of old and new clients. Information concerning clients' requirements on the planned projects or new unplanned projects outside the main budget that require immediate implementation will then be available. The company can quickly and efficiently respond with obtained information on the project.

#### Customer Profiles and Target Groups

Customers in this category consists of 57 sections in independent Government agencies and 20 Ministry offices which also including State Enterprise Agencies. These agencies follow on annual Government budget with clear working procedures written as "Term of Reference".



## Competitive Environment

### Market Value and Growth

Market value for Government projects depend on strategy of the Government annual budget distribution. The growing trend is continuous as Government realizes the important on activities or public relations that can better penetrate the public. This trend is growing continuous each year as can be seen from increasing projects and activities.

### Competitor

- Direct competitors: These are the entertainment business companies that conduct their business activities in advertising and promotion through television, radio, and newspaper media such as Kantana Group Public Company Limited, Broadcast Thai Television Ltd., and JSL Ltd.
- Indirect competitors: Companies that operate in activities, advertising, and public relations through television, radio, and newspaper media in agencies' format such as Massive Advertising Ltd., Theme Advertising Ltd., Nova Inter Ad Ltd., Pro Image Ltd. etc.

### Trend on Competitive Situation

As number on Government projects have gradually increased, there is a growing trend from the entertainment business companies and agencies to compete in this business, and results in high competition. Apart from making presentation under the "Term of Reference" as much as possible, and with suitable quotation, companies have to inject new creative ideas into their works and more quality works must be presented to maximize customers' satisfaction.

## Procurement of Products or Services

Most of the productions require by clients will be advertising, public relations, concerts, and various events in which the company can proceed by itself. The company is readily equipped in all operations such as quality production teams, well known artists and singers, and integrated media as in television, radio, and printed materials, etc.

## Environmental Effects

- None -

## Artist Management

### Nature of Products or Services

As RS has operated the comprehensive entertainment business, it is found that a great number of affiliated artists and actors/actresses, the assets of RS, have brought forward the value to the company and represented the company through participating in the activities in tandem with other organizations, as well as accepted the jobs after proving popular from album release and song promotion, thus, Image and Asset Management Unit bears 2 principal duties as follows:



## 1) Image Management for the Organization, Management and Artists

To enhance the efficiency of the overall management of the image of the organization, management and affiliated artists in the eyes of the public and inside RS.

## 2) Management for Added Value to Artists

Focuses on creating the jobs to generate revenue to the affiliated artists in addition to the ordinary songs release or performance. These jobs, where the consistency with and the improvement or reinforcement of the image of artists are necessary, can be divided into 2 kinds below:

- Showbiz Business which can be categorized as
  - a. International and Domestic concert
  - b. Personal appearances whether in the form of singing, fashion show, interview, sports, etc.
  - c. Hired performance with entrance ticket within enclosure.
  - d. Produce production jobs as per clients' requirements.
- Licensing presentation which is separated as
  - a. License presentation
  - b. Merchandising License
  - c. License Promotion

At present, there are many affiliated artists acting as the presenters for several topnotch products, which assists in the image reinforcement for the artists. These products have been continually promoted through marketing activities and, therefore, the images of and news about the artists are consistently disseminated to the public.

Moreover, RS seizes a pioneer role concerning the licensing products for Thai artists, as is the case of the world's top artists in foreign countries. Image and Asset Management Unit has developed the copyright products for the company's leading artists such as Dan-Beam and Film Rattapoom. Several leading copyright producers have purchased the copyrights of those products for distribution to the interested parties and fan clubs nationwide.

## Marketing and Competitive Environment

### Marketing

#### Marketing Strategy

The IAM unit has used both "Mass Customization Strategy" and "Customization Strategy" as the main operational strategies (depending on type of products and services) by emphasizing mainly on the direct customers but also customers in the advertising agencies as well. Nevertheless, IAM customer's presentation emphasizes perception to customer that IAM production proposal is the marketing tool that will bring success to marketing objective for each customer by using the "Entertainment Marketing" principle to reach consumers.





## Public Relations Strategy

This emphasizes mainly on the public relations for mass communication in television, newspaper, radio, or magazine, etc. by using formats of news broadcasting, interview, news release, news scoop, etc. As product characteristic and IAM type of services aim at mass consumers, the advantage of “Entertainment Marketing” enables an easier penetration into all levels of the consumers’ mind.

## Competitive Environment

In showbiz business, competition during the past year was more intense due to new comer “UBC Fantasia” appearance as new alternative, while the not-so-active company such as “Love Is” was clearly active again. Other direct competitor such as “GMM” had increased its present as more market opening had been anticipated.

In the artist licensing market, presenter market was very competitive as there are varieties on the supply side. However, considering the “Superstar” presenter group, especially for products or services targeted at teenagers, competitor is very few.

The “Merchandise” and “Promotion License” market received gradually improving responses. Movement of new players in the market had started such as BEC (Channel 3) that aggressively introduced 4 “Angies” (Graphic animation of 4 women to women characters), and UBC Fantasia that introduced AF1-2-3 into the market even though it still looked vague but clouds of fierce competition was on the horizon.

## Future Marketing Trend

As “Entertainment Marketing” is the marketing tool that can easily reach consumers, there are more indications that products and services owners will be interested in using this tool, thus, creating main factor for higher competition. Competition in the near future will not be in the situation that we have been familiar with. It will not be the usual direct competitor as “GMM” any more, but many new comers will enter the market whether in the form of production units or organizations with consistent results, or temporary competitors (such as all “Retro” concerts) that will exist in numbers in the near future.

## Environmental Effects

- None -



## Film Business

### Nature of Products or Services

There are five outstanding characteristics of the film business:

1. The cost of production and promotion of each film differs according to the size and type of production. On average, the production cost on each film ranges from 15 to 20 million baht and the promotion cost ranges from 15-20 million baht.
2. Production costs account for 60-70% of total cost. Production will normally be completed within three or two months.
3. Revenue chain starts from presales -selling the rights to provincial distributors VCD, DVD and cable or free TV and then international right after the movie being released in the cinema.
4. The proportion of profit sharing from ticket prices in Bangkok and Greater Bangkok, which stands at 50 per cent.
5. Popular feature films producing high income when released in VCD and DVD form.

With the goal of being market leader, RS Group plans to produce films continuously. Ability in all aspects of the business from budget to actors and capable production staff who know the market is the key factors that have made the Group's films popular from the beginning.

### Marketing and Competitive Environment

#### Marketing

#### Marketing Strategy

##### 1) Quality Work in Response to Market Needs

RS Group takes pride in its productions, whether of films, drama series or TV programs, and it pays careful attention to every aspect of the process. First, the production team will study and evaluate the market condition and the taste of the audience. After choosing suitable themes, they painstakingly begin the screenwriting, casting, shooting, editing and sound mixing to produce work of the highest quality work that will live up to the expectations of the audience.

##### 2) Continuity

With more than 25 years' business experience, RS Group understands that continuity is the best means of gaining trust and confidence from its business partners, the TV channels cinema owners, film distributors, home entertainment companies and, of course, the audience. In addition to the continuity of its business, RS Group is continuously expanding its investment in related areas such as increasing its production staff, investing in modern filmmaking equipment and continuous marketing.

##### 3) Development with State-of-Art-Technology

The company is the first movie producer to use the latest digital system for filmmaking in Thailand. This helps the company not only to improve the quality of its work, but also to save on production and film costs as compared with more conservative production methods.



## Customers and Target Groups

Core customers are cinemas, provincial film distributors, free TV, cable TV, Home Entertainment Operator, Copyright buyer in overseas market.

## Distribution Channels

- 1) Currently, there are five distribution channels
  1. provincial film distributors
  2. cable TV and free TV operator
  3. cinemas
  4. VDO, VCD, DVD operator
  5. The overseas market

## Competitive Environment

### Thai Movie Market Value and Growth Trends

In 2006, the market value of the film industry was 3,308 million baht, with decrease from the value in 2005 around 208 million baht. Thai films were valued at 1,112 million baht from 44 released movies, with growth from last year around 12 million baht or 1.2% with increase 9 released movies.

RS released five movies in 2006 and income rate increase by 22% from the pervious year

### Film Market Value Table

	(Million Baht)		
	2004	2005	2006
Thai Movies	840	1,100	1,112
Hollywood Movies	2,400	1,880	1,772
Other Foreign movies	176	120	257
Total	3,416	3,100	3,308

Source : RS Group and Film Distribution Companies

## Film Companies

There are 5 large film companies who release movies continuously: RS Group, Saha Mongkol Film, Five Stars, Film Bangkok and GTH. The company ranked third in terms of the total box office revenue.

## Competitive Trend

The company has evaluated that the Thai movie business in 2007 will encounter more competition but with less movie business operators. At present, movie audiences are more selective in choosing the movie to watch, and if there are 2 or 3 Thai movies showing on screens at the same time, movie audiences will watch only one. Moreover, if there are a few movies



waiting to be on screens next week, the present movie will encounter rapidly reduced screening frequencies if it does not generate enough revenue.

Hence, the company has improved its new movie business module to be in line with present market situation. One movie production will not exceed budget of Baht 20 million, and revenues must be generated from sponsors or tie-in products within the movie's scripts. This will have to cover all the movie production expenses; thus, profit will come from the first ticket sold.

Furthermore, it is believed that the producers will attempt to expand their distribution channels to foreign markets, due to the success of several Thai movies there and the domestic difficulties as mentioned above. Moreover, the company believes that all film companies will be expanding distribution channels to the overseas market more seriously due to a precedent successful.

## Procurement of Products or Services

### Product Placement

RS Group is able to run its business effectively with its film business model. Films made by the teams of RS Group's subsidiaries use equipment supported by RS Studio Ltd., which ensure the smooth running of the Group's production process.

The company has an independent policy for casting. The subsidiaries may select non-RS Group actors based on the suitability of the actor's character and the script of each film.

In addition to working with well-known film directors, RS Group introduces new directors selected from staff members who are creative and can present alternative films. This makes RS Group films more interesting and capable of attracting audiences. Continuity of film production attracts new personnel including screenwriters, directors, actors and production staff to join the company.

The average production period of each film is eight to ten months. The first three or four months are for preparation: selecting, writing and developing the screenplay. When the screenplay is agreed, casting begins, together with equipment planning and shooting preparation. Filming should be completed in three or four months.

After filming, the editing and post-production processes will take around two months. Later, the company will launch public relations activities and advertising to promote the film two months before it releases.

### Environmental Effects

-None-



## Sports Business

RS Public Company Limited manages integrated sports business, including construction of IT center for data management on sporting competitions (completion end of 2007), organize all sports competitions, management on live broadcast transmission, and marketing operations for all type of sports' events. In order to fully serve the integrated management, RS has established RSbs or "RS International Broadcasting & Sports Management Co., Ltd." to manage all type of integrated sports business management under "Know the Games" concept. The first important project of RSbs is the copyrights holder in managing live transmissions of the 2 World Cup football tournaments in 2010 and 2014.

## Television Business

### Nature of Products or Services

The company operates advertising airtime sales in RS television programs broadcast on Channels 3, 5, 7, 9 and ITV

The company's programs consist of :

- 2 drama series
- 3 Youth programs
- 7 variety shows
- 14 music programs

Total 26 programs

as shown in the table below

Music Program	Day	Time		Channel
Dao Roong Looktung Siam*	Mon - Fri	11.30	11.55	5
Max Channel	Mon - Fri	12.43	13.08	5
Sod Chuen*	Mon - Fri	16.30	16.55	5
TV Relax	Tue	14.05	14.30	5
Pop up Live	Sat - Sun	00.15	01.30	5
DJ Center*	Sat - Sun	01.30	02.00	5
Hong Soen / Pasar Party	Mon	00.25	01.20	7
2 Nite Live	Wed - Thu	00.25	01.20	7
Sao Koon Song*	Mon - Wed	01.30	02.00	7
	Sun	01.00	01.30	7
Menu Wan Yud	Holiday	12.00	13.00	7
Siam PlaZar	Mon	01.00	02.00	9
Huey Jai Sapai Pae	Fri	00.30	01.30	9
Koo Puen Guanpleang*	Sat	02.30	03.00	9
Muangthai Chai Loey*	Sun	00.30	01.00	9

\* Programs for artists promotion and songs from country music business



# Business Descriptions

Program	Type	Day	Time		Channel
Thum Ma (Tum Mai)	Drama	Sat - Sun	11.00	11.45	3
Raiwan Bunthung	Variety	Mon - Fri	11.05	11.25	5
Muang Thai Variety	Variety	Mon - Fri	21.20	22.00	5
FRONT@FIVE	Variety	Sat	8:05	8:30	5
Lamai Diary	Variety	Sat	10.30	11.25	5
Assajun Show/ Koo Kon La Qua Variety	Variety	Sat	16.05	17.00	5
Modern Day	Variety	Sun	8:05	8:30	5
Far Muang Thai	Variety	Sun	12.55	13.50	5
Super T	Youth	Sun	12.20	12.45	5
Teen Club	Youth	Sun	15.30	15.55	5
Dee Krub	Youth	Sun	18.05	19.00	5
Ruam Pon Kon Jaew	Drama	Sun	16.05	17.00	9

Apart from producing television productions to earn revenue from advertising within the programs, RS Public Company Limited has been given trust by television stations and other companies to produce television drama on air during prime time such as dramas before and after evening news for television channels 3, 7, and 9. Revenue from these drama productions were as per drama, and in 2006, there were 7 dramas on air as follow;

Station	Name	Leading artists
Channel 3	Mon Rak Lottery	Wordej Danuwong, Tucksa-on Puksukjaroen
Channel 3	Mungkorn Sorn Payak	Kawee Tanjaruk, Pukkamai rotanun, Tanakorn Posayanon.
Channel 3	He Ma Tai Prachan	Rattaphum Tokongsup, Napapa Tuntrakul, Sornram Theppitak.
Channel 3	Koonchai Rai Lemkaewn	Rattaphum Tokongsup, Jenny Thienposuwan, Parunyoo Rojanawuttitum
Channel 3	Ying Kled Toe Ying Jer Rak	Sirapun Wattanajinda, Warit Tipkomuch
Channel 7	Duangjai Patiharn	Sornram Theppitak, Suwanun Kongying
Channel 7	Puenrak Nugrafun	Artists from Academy Fantasia #2



## Marketing and Competitive Environment

### Marketing

#### Marketing Strategy

##### 1) Positioning Strategy

The TV business team is responsible for research and determining target groups before designing programs or selecting plays. This method facilitates production, improves viewing ratings, gains higher advertising income and makes good sales.

##### 2) Strategy to emphasize the potential in producing the specialized programs

The team takes account of trends and audience behavior as well as programs produced by the competition before designing and producing its own quality-based programs. The company has produced a variety of programs created by its seven production companies. Each team has extensive experience and is skilled in making all types of programs and series. They receive a good response and are high in the charts.

##### 3) Advertising Airtime Sales Strategy

Advertising airtime sales for series and game shows are managed by the company's sales team through Loose Spot and Tie-in advertising. The package pricing is utilized for music programs.

##### 4) Good Relationship Strategy

The company's major partners for television business are the TV stations and advertising agencies. RS Group gives priority to both groups because the stations rent airtime and are also clients for its productions. Maintaining good relationships and providing quality-based production ensures better business opportunities for the company. Advertising clients are also one of the company's main sponsors and play an important role in the company's growth.

##### 5) Strategy on Quality Presentation and Conforming with Market Trend

On the Drama production, RS Group realizes the importance in all production procedures. This begins with studying the market condition and market trend of viewers at that time by the working team. After suitable structural storylines have been obtained, the script writing procedures, artists' selection and production, film cutting and joining, and sound recording are proceeded with cares. This results in quality production work which serves viewers' preferences.

## Client Description and Distribution Channels

### 1) Advertising Clients

- Agencies
- Direct Customers

RS Group makes advertising airtime sales through agencies and direct customers in the proportion of 75% and 25% of total television media sales.





## 2) Target Audiences

Target audiences vary among each program due to a different type of program and the on-air time.

## 3) Customer group who employs RS'Drama production team

At present, there are television channels 3, 5, 7, 9 and ITV

## Competitive Environment

### Television media's advertising market value and growth

According to research by AC Nielsen (Thailand) Co., Ltd., advertising market value in 2006 through television media was 53,296 million baht, increased by 6.15% from 50,016 million baht in 2005. Its popularity has never declined and it has the highest rate of advertising investment compared to other media: 59.6% of the 89,374 million baht total advertising market value.

### Television Companies

TV companies are now trying to find their competitive edge and emphasize on their production quality. Most of them have their own artists varying in quantities and popularity. Well known production companies with programs consistently on air include RS Group, GMM, PolyPlus, BEC Tero, Kantana, JSL, Work Point, and Born. In addition, there are smaller companies with the niche market expertise such as Bangkok Drama and Rai Som who has an expertise in news analysis program.

Programs that are aired at the same time or share the same target audience require clients to consider carefully which one they should allocate their advertising budget to.

### Competitive Trends

Clients give priority to programs with high viewing figures and an audience in the target group for their products. These two factors are the forces that drive producers to focus on the quality of their programs and their ability to satisfy the target audience's taste, and thus improve their program's viewing ratings, and the production of the programs to respond to the product demand by opting to primarily communicate with the target customers of advertised products.

### Procurement of Products or Services

To produce television programs and drama series, RS Group utilizes its existing resources including actors/actresses and program presenters as well as production teams from its seven subsidiaries. The company also rents tools and equipment including studios, sound studios, cameras and production equipment from its affiliate, R.S. Studio Co., Ltd.

### Environmental Effects




-None-



## Radio Business

### Nature of Products or Services

In 2006, Sky High Network Co., Ltd., produced radio programs for three stations: FM 88.5 MHz, FM 93.0 MHz and FM 106.0 MHz. by aiming to generate incomes from advertising airtime sales. They are directed to different target audience as shown in the table below:

Radio Station	F.M. 88.5 MHz. MAX 88.5 	F.M. 93.0 MHz. COOL93 Fahrenheit 	F.M. 106.0 MHz. LATTE 106 FM 
Concessioners	Navy Radio Station	Navy Radio Station	Navy Radio Station
On Air Date and Time	24 hours	24 hours	24 hours
Signal Coverage	Bangkok and vicinity	Bangkok and vicinity	Bangkok and vicinity
Program Concept	MAXIMUM OF HITS	50 MINUTES MUSIC LONG PLAY	ALL MOODS ALL GOOD
Target Audience	Students aged 12-24 years old	Students and Employed people aged 20 - 34 years old	Employed people aged 25-44 years old

The policy of all the three frequencies is to let their radio stations pursue a fully commercial operation. The stations are free to play any song from any music company in the market, thus improving the stations' popularity with business management. Today, the stations have clearly-defined audience bases and are significantly gaining higher ratings. According to AC Nielsen surveys, all stations are unanimously top three in the audience's mind in their individual markets. This has prompted the clients of advertising companies and product owners to put their trust in the programs and popularity of the stations, thus raising the stations' income from their advertising budgets.

### The Radio Station Styles

#### Radio Station: FM 88.5 MHz (FM MAX...MAXIMUM OF HITS) Navy Radio Station

88.5 FM MAX, Contemporary Hitz radio program presents Thai and international music favoured by the audience groups of new generation and teenagers. A presenter team consisting of new generation guys and girls who are well known among the audience is conveying a message of "extreme and massive hit" to its target audience under the "Maximum hits" concept. Activities that provide an access to the target audience and respond to their favour as well as teenagers'



modern lifestyles are arranged. These include FM MAX Member on Mobile, the first campaign for members to get information on their mobile phones. It is beneficial for the audience and truly able to reach them. 88.5 FM MAX is also a medium to promote creative youth activities from all academic institutes. It is aimed at building a close relationship with the audience.

F.M. 88.5 MHz. "FM MAX"			
Mon-Fri	PJ	Sat-Sun	PJ
08.00 - 10.00	Num- Nawin Chuenjumnong Sert- Prasert Tantikawera	08.30 - 12.30	Taae - Rachata Eiamworakul
10.00- 12.30	M-Thanes Luengvorachatkul		
13.00- 16.00	Ton- Thanavuth Janjira	13.00 - 16.00	Bee- Praonpat Meetieng
16.00- 19.00	Bo-Saharut Tokahuch	16.00 - 19.00	(Sat) Ton- Thanavuth Janjira (Sun) Num- Nawin Chuenjumnong
20.30 - 23.00	Nan-Kanyada Srithammupathum , Jud-Teema Kanjapairin	20.30 - 23.00	Sert- Prasert Tantikawera, Ooh- Jirapa Sitabuth
23.00 - 02.00	Zen-Yarnvit Chaishornwong	23.00 - 02.00	Cat-Kataleya Nipamanee
02.00 - 05.30	Maximum non-stop Music	02.00 - 05.30	Maximum non-stop Music

The hits, modernity and uniqueness are the focus of the arranged radio activities to entice adolescences who are fond of fun and challenges. The programs are conducted in a casual style to ensure that adolescent listeners are not hesitant to voice out their opinions and enjoy the outstanding special activities that are too tempting to miss. The outstanding activities in 2006 contained the followings:

#### 1) Max100 Ghostbuster

This was the most horrendous show that grouped "Max" members on the scary and spooky Halloween night at Ratchada soi 4, including the best concert joined by most members of artists of the whole year.

#### 2) Max Fun & Close

This was the most enjoyable activity for listeners to get "Close" to artists in one-to-one situation. Listeners traveled to provinces with specific theme each month for more colorful and enjoyable trips such as "Seaderella" for trip to Phuket, and "Hey, I love you" for trip to Hua Hin.

#### 3) Big Max Movie

Activity for MAX 88.5 took you to see the movie, not only for one but two movies of your choice, and mini concert from the most fashionable artists performed alternately in front of the cinema.

#### 4) Max Cup

This was the search for real "Hand Ball" winner of "The Table Soccer Championship" to travel to Germany and watch world class football match and get close to MAX artists.



Moreover, the promotion activities such as FM MAX JACKPOT for lung exercise in which any persons who could shout “FM MAXXXXXXX” non-stop for longer than 50 seconds would immediately be rewarded Baht 50,000.

For these reasons plus hit songs from the audience’s requests, 88.5 FM MAX has proved to be a popular radio station, ranked Top 10 in teen category aged 12+, according to the AC Nielsen popularity poll in December 2006 for 40 radio frequencies. The station was also ranked Top 3 in the teen category aged 12-24 with an audience of 578,000 in December.

## Radio Station: FM 93.0 MHz (93 COOL FM) Navy Radio Station

F.M. 93.0 MHz. 93 COOL F.M.	
Mon - Fri	PJ
06.00-10.00	Rungrong Vannaroeth
10.00-12.30	Danu Singhasene
13.00-16.00	Warongporn Wichaidith
16.00-19.00	Chatchai Jaroenchusana
20.30-23.00	Bunyita Ngamsappasin
23.00-02.00	Artiruth Prakitsuwan
02.00-06.00	Sweep music

Cool 93 Fahrenheit offers easy-listening Thai songs which are favored by their audience. It is the first radio station, hosted by accepted professional PJs, that allows the audience to listen to voted songs for 50 minutes continuously. Activities that respond to the audience’s lifestyles and challenge the working group listeners are also part of the program, which enhances Cool 93 Fahrenheit to become number one radio in a short period and by mutual consent according to AC Nielsen polls.

Besides the accepted program structure, there were several kinds of activities designed to reaffirm that it has been ranked as the top station in the Easy Listening category. These were CRM promotion activities that won the audience’s attention as follows:

### 1) Romantic Dream-Hunting Activity

This activity allowed lovers to travel to the 3 most romantic destinations on “Dream-Hunting” trips with 3 hottest celebrity lovers such as “Treasure Dream in Sipadan” Malaysia with Cindy and Byron Bishop, “Fantastic Dream in Korea” with Loog Kate – Maythinee Kingpayom and X – Rapeepan Bujthong, and “Exotic Dream in Nepal” with Boom – Panudda and Wee – Weerapong Pipitsuksun.

### 2) Activity on – One Life Vol.1 “Bird’s Eye View of New York”

Experience over the greatest city of the world’s sky views, New York, that “COOL 93 Fahrenheit” offered listeners to once-in-a-life- time experience on helicopter with sky views over Manhattan together with celebrities, Ploy – Chermann Bunyasak.



### 3) Activity on – “Boyd Kosiyapong For the Love of Fans Concert”

This was to celebrate the 7 anniversary of “COOL 93 Fahrenheit”, the number 1 sweet music channel, and also the 11 anniversary of “Boyd Kosiyapong”, the number 1 music composer, and to thank all music fans and listeners at the Royal Paragon Hall, Siam Paragon.

For these reasons, Cool 93 Fahrenheit has proved to be a popular radio station according to the AC Nielsen popularity poll for 35 radio, 3 years frequencies from 2004. It has been ranked as the top station in the Easy Listening category for working people aged 20-34 and had an audience of 624,000 in December 2006.

### Radio Station: FM 106.0 MHz (LATTE 106 F.M.) Navy Radio Station

“Latte 106 F.M. 2 in 1 Radio” is the sophisticated radio station that combines many music styles in Thai and English to serve the main salary earners’ target group. This group has active live style with refined living between 25 – 44 years old, with work positions from senior worker to executive.

Latte’ 106 F.M. presents “All Time Top 10 Hits” songs with easy listening, and various styles, from the 80’ till present , consisting of Thai and English songs under “Guarantee Plaeng Hit – Guarantee Plaeng Prao” concept.

F.M. 106.0 MHz. LATTE 106 F.M.	
Mon - Fri	PJ
09.00 – 10.00	PJ Yui – Piyachat Karunanon
09.00 – 11.00	PJ J -Kriengkrai Yhiyanun
11.30 – 14.00	PJ Noi – Phumara Kaeosri
14.00 – 16.00	PJ Ooh – I-soon Watayanon
16.00 – 18.00	PJ Unnop Kittikun
18.00 – 19.00	PJ Ying Sukanya Wairin
20.30 – 22.00	
22.00 – 01.00	PJ Yui Piyachat Karunanon

In 2006, LATTE 106F.M. activities were presented as challenging, supplying knowledge, and entertainment, together with creating new experiences in life for salary’s earners using concepts different from other activities, such as

#### 1) Rally Rally : We Love The King

This was to gather “Kon Rug Nai Luang” group to join rally in following footsteps of His Majesty the King on the occasion of his 80 years on the throne, and watched the “HM Blues” concert. The rally was on normal road to compete for Her Royal Highness Princess “Somdej Pratep Rattanasuda”, while all revenue to be given to His Majesty the King.



## 2) One Putt to British Open

Feel atmosphere of the world class golf tournament at the oldest golf course and highest prize award, stand shoulder to shoulder and cheer great golfers such as Tiger Woods, VJ Singh, and Ernie Els, watch every swing on the luxurious green in Scotland, was the challenging putting contest to select lucky putters for the trip with Latte 106.

## 3) Latte Mission to NASA

This was the world class experience for Thai to visit NASA at Kennedy Space Center. USA. It was the once-in-a-life-time exciting experience to watch the real Space Shuttle Launching, weightless room, exchange experiences with real astronauts, and traveling to NASA with our genius Thai scientist Dr. Arj-Ong Chumsai Na-Ayuthaya.

## 4) Club Latte

The monthly activities designed for town people in Modern Lifestyle concept such as leisure traveling for Spa service in hot minerals pool imported from Japan (at Baht 20 M per pool) at the "Rainbow Arokaya" near Bang Pakong river, or watching cinema at "Enigma" which was available only for the exclusive members, including the "Exclusive Office Member" for office workers to generate better relationships.

## Marketing and Competitive Environment

### Marketing

### Marketing and Competition Strategies

#### 1) Value for money Strategy

The company has used value for money strategies to create an optimum benefit that suits their customer's advertising budget by selling packages, expanding the loose-spot time and organizing "activities in programs" and marketing events. These have added to the value of sales promotions and investment. The customers and sponsors relied on the company to arrange the activities such as "Max Fun & Close" throughout 2006 within the worthwhile budgets in accordance with the long-term advertisement agreements throughout the year.

#### 2) Promotion Strategy

Surrounded by the intense competition in the radio business that necessitates the differentiation of programs for value addition to the radio frequencies, customers and products that are engaged in the promotion activities, the sale of advertisement time no longer adequately corresponded to the demand of customers and the branding of the company and 3 affiliated radio frequencies. Accordingly, the company has adjusted its policy by emphasizing the promotion activities by forging the business synergy with other kinds of alliance by joining as media partner for activities or concerts with the same target customers' group.

The strategy also encompassed the value addition to products through arranging the promotion activities that involve the collaboration of the program and listeners such as the games in "FM MAX JACKPOT - Lung Exercise", "COOL Platinum Rewards" and "CLUB LATTE" etc.



In all of these promotion activities, the company emphasized the quality activities that will both enlighten and entertain the participants and simultaneously correspond to the marketing policies of customers in an efficient manner. Marketing Department is responsible in this aspect by supervising the marketing strategies and presenting the special activities to promote the customers' product specifically. This proves to be another channel of revenue-generating of the company by arranging the promotion activities for customers.

In addition, the company used the potential of its Advertising and PR Departments to publicize the activities of its radio stations. The clients' activities were widely accepted in the form of PR news and advertisements on TV programs, in magazines, and on outdoor and mobile media.

### 3) Advertising Planning Service

With its long experience in the radio business, the company has a thorough understanding of all aspects of the business. Its staff can advise clients how to plan the best quality media management. They can also help them choose the most appropriate airtime or advertising package to suit their purpose and reach the audience.

The company has planned advertising campaigns with special activities to meet the needs of the customers and the limitations on each product type, especially alcohol-mixed beverages or other products that need an access to the particular market target. Based on the policies of its business partners, the company and the program sponsors have planned advertising strategies that will keep Sponsors' interested and return the greatest benefit to them as they use the company's media service.

### Customer description and target group

#### 1) Target group

- Advertising agencies
- Direct customers

#### 2) Target audience

88.5 MHz. MAX 88.5 : Male and female students and teenagers aged between 12 and 24.

93.0 MHz. COOL93 FAHRENHEIT : Male and female students and working adults aged between 18 and 35years.

106.0 MHz. LATTE 106 F.M. : Male and female working adults aged 25-44 years.

### Distribution Channels

Some 70% of radio airtime will be distributed to the advertising agency while 30% of total airtime will go directly to the product owner.

### Competitive Environment

#### Value of Radio Advertising Market and Growth Potential

According to the data from AC Nielsen (Thailand) Ltd., total radio advertising expenditure in 2006 was 7,452 million baht, a rise of 5.63% over the 7,055 million baht in the previous year.





Radio advertising costs accounted for 7.52% of total advertising expenditures, which amounted to 99,108 million baht.

## Radio Station Operators

Thirteen radio stations broadcasting mainly Thai songs with similar target listeners are presented on the table below.

Radio Station	Teenagers 10-18 years old	Students 15-25 years old	Working group 18-35 years old	Adults 25-45 years old
F.M. 88.5 MAX	Sky-high Network	Sky-high Network		
F.M. 89.0 Banana FM			Competitor	
F.M. 90.0 Virgin Soft			Competitor	
F.M. 91.5 Hot Wave	Competitor	Competitor		
F.M. 93.0 Cool F.M.		Sky-high Network	Sky-high Network	
F.M. 94.0 E F.M.		Competitor	Competitor	
F.M. 95.5 Virgin Hits	Competitor	Competitor	Competitor	
F.M. 97.5 Seed F.M.	Competitor	Competitor	Competitor	
F.M. 103.5 FM ONE			Competitor	Competitor
F.M. 104.5 Fat Radio		Competitor		
F.M. 106 LATTE F.M.				Sky-high Network
F.M. 106.5 Green Wave			Competitor	Competitor

## Competition Trends

There is strong competition in the radio business because of limits on advertising expenditure. Clients prefer to buy advertising airtime on radio stations with good ratings. Consideration is given to pricing strategies that will allow the client to buy more airtime or choose a variety of advertising styles. This will depend on the sales strategy of each company; those who can show that they are providing the best value-added service will stay ahead of the competition.

## Procurement of Product or Service

## PJ and Production and Creation Personnel

The company has successfully brought about the innovation to the radio circle by employing the new marketing strategy, "PJ MARKETING" after the accomplishments in the program production of 93 Cool Fahrenheit and other affiliated radio frequencies by moving the DJ era into the PJ (Program Jockey) one. Each PJ is required to enhance one's own potential by possessing the basic marketing knowledge and optimal technology utilization in particular. The company



employs 28 PJs. PJs are the key factor contributing to the reputation of the radio station as they are responsible people who have a good understanding of the music, and the ability to communicate with the listeners. With training, they can improve their knowledge of technology in order to be able to handle state-of-the-art equipment and software. They host their programs in a style that meets the taste of the target listener, and may also work externally as program hosts for sales promotion activities.

## Studios

In 2003, the company built its own broadcast studios, the first totally digital studios in Thailand, at R.S. Promotion Plc's head office at Chetchotisak 2 Building. Opened in July 2003, the studios are equipped with Radioman software from Finland, which is also used for the universal standard radio programs of the BBC in the UK and NHK in Japan. The company believes that this will increase the quality of its broadcasting and its productions, and will significantly increase the number of listeners.

### The digital studios include:

- Four broadcast studios: Program hosts use the state-of-the-art software and hardware to select the songs and tailor the broadcast to their specific program style. This equipment helps the host make the program and its content more interesting. It is of the same standard as global radio stations such as the BBC and NHK.
- Two digital production studios: These help the company to produce standard quality programs with catchy effects and gimmicks that add to their interest.
- The library: Music is collected and classified here according to the requirements of each program.
- The transfer room: This is where song data, jingles and spots are loaded to the main server. DJs can use these data for each program.
- Traffic control room: Broadcasting system and sound quality with digital system are transferred here to each radio station.
- Master control room: The DJs' work, advertising spots and the billing system are controlled from here. The control room also checks and reports feedback from the advertising spots in clients' programs in real time. This ensures the clients' confidence in the advertising.

## Environmental Effects

-None-



## Publishing Business

The publishing business of RS Group is comprised of a women's magazine "Front", "FAME" and the pocket books released under the name "Poema Book". In addition, RS also plans to extend the reader base for more coverage by releasing a daily newspaper "Dara Daily" and weekly tabloid magazine "Dara Daily Weekend".

### Nature of Product or Service

In starting a new publishing business, the company launched the magazine "Front", a monthly magazine for influential women released in a set of two books, namely front : mini featuring all aspects of the modern women's lifestyles whether fashion, beauty, society and relationship with people around them and front : shopping, a smart shopping manual, at one price to fulfill the living of every modern working woman.

"FAME", a lifestyle magazine targeting the customers with high purchasing power, outstanding in its extra size and luxurious image, is conceptualized to suit any persons seeking the best in their lives. It will be released on quarterly basis in 2006 and on monthly basis in 2007.

Other than the 2 magazines for women, "Poema Book" Publishing is responsible for publishing pocket books with the contents surrounding the translation of the contemporary literature on the bestselling charts in Europe and the U.S. and the biographies of stars and famous and popular persons. The published materials in the previous year were concentrated on the currently popular literature for women. There were totally 9 pocket books published in 2006 and 24 more are expected to be released in 2007.

Since the company has stayed in the entertainment business and been well-acquainted with the internal circle of media, it aspires to become the medium to present the information about famous entertainment persons to the general public for their swift access to proper information and news. Based on that ambition, the first and only daily entertainment newspaper that is unique for its presentation of the contents in the entertainment circle concerning stars, singers and artists in front of and behind the scenes, high-society news, social news, information about the drama, movie, Thai modern music and country music circles and development of several fields of the entertainment business, "Dara Daily", was launched. The view points and development in the marketing circle are also revealed by leading agencies. Consequently, the strength of a daily entertainment newspaper, "Dara Daily", led by Mr. Toy Aigner and the editing team vastly experienced in the entertainment business, lies in reporting the rich, in-depth and timely news, as well as enlightening and entertaining the readers.

In 2006, the company had expanded its customers' group to a wider base by introducing a paparazzi style magazine called "Dara Daily Weekend". This was a weekly tabloid covering local and foreign news on stars and high society celebrities in intimate details. It became one of the most responded paparazzi magazines in 2006 after only the first introduction in August.



## Marketing and Competitive Environment

### Marketing Characteristic and Policy

### Marketing Strategy and Competition

1) Strategy to emphasize the clear selling points, generate the demand of readers and completely correspond to the demand of customers.

“Front”, conceptualized to be a magazine apparently for influential women to appeal to modern working women, focuses on the spectacular format and contents by combining the unique aspect of the format and presentation method of foreign magazines to the contents reachable for and satisfying the demand of women. The contents are conveyed through unique and casual wording that radiates the feel of a friend to the readers.

“FAME” can resolve the issue of reaching the new generation with highest purchasing power through offering the unusual style by constantly alternating the editor. The renowned guest editor of each volume will be introduced and the event for such editor introduction will be held at any release of magazines, which is expected to be warmly welcome by the readers.

“Dara Daily”, a daily entertainment newspaper emphasizes the strategy to generate the demand of readers since the newspaper market was formerly devoid of a daily entertainment newspaper. The generation of the future demand of readers is a new aspect of the society. Based on the research to survey the behavior of daily newspaper readers in general, it is found that 60% of those readers prefer entertainment news to other types of news. Moreover, the editing team with vast experience in the entertainment circle has seized the role of determining the news direction. With those factors combined, a daily entertainment newspaper, “Dara Daily”, has been well embraced by readers after its launch on September 19, 2005.

Moreover, The company has also introduced additional business in publishing a weekly paparazzi style magazine calls “Dara Daily Weekend”. The strategy is to emphasize readers demand for entertainment news with intimate details on stars and high society celebrities.

### 2) Strategies of Public Relations, Promotion and Marketing Activities Arrangement

Strategy to sell the advertisement space in magazines. The company greatly conceives the significance of public relations as evident from its utilization of public relations via radio and television and RS also has several other media and channels available for using to promote the magazine. Accordingly, “Front” has secured the positive response from readers within a short period of time until the number of readers reaches approximately 675,000 per volume and it is estimated that the number of “Fame” readers will touch 450,000 per volume.



Moreover, the company has also employed the media in theatres to advertise and promote a daily entertainment magazine, “Dara Daily” for increasing acknowledgement among target readers. This includes sales promotion projects and marketing activities similar to other magazines such as, package tour to Germany project with your favorite stars from April to May 2006, activity calls “Buy Dara Daily receives free Lactasoy” at SEED shops in June 2006, collection of 2 “Dara Daily” newspaper’s head cutouts for free movie at “Century” in August 2006, or lucky draw activity worth Baht 2.4 million in January 2006 to consistently stimulating sales.

## Nature of Target Customer and Distribution Channel

### 1) Target Customer

#### Principal Target Readers of “FRONT”

Female, age group from 18 – 35 years old with middle income level which is the customers’ group with high purchasing and reading powers.

#### Principal Target Readers of “FAME”

Female, age group from 25 – 39 years old with top income level which is the customers’ group with high purchasing and reading powers.

#### Principal Target Readers of Daily Entertainment Magazine “DaraDaily”

Male – female during 18-45 years of age, with the family income over Baht 20,000 - 85,000/month, obtaining the bachelor degree on average, interested in following the entertainment news in the aspects of movies, dramas, music, entertainment businesses and social news etc.

#### Principal Target Readers of “Dara Daily Weekend”

Male – female, age group from 18 – 45 years old, with incomes between Baht 25,000 – 90,000 per month, average education at bachelor degree, interest in entertainment weekly news movements, paparazzi style, with intimate details and prefers the magazine in format type.

The readers can purchase the magazines and entertainment newspaper via 2 methods: membership and book stalls in general through the newsagent system.

### 2) Agent

The company plans to distribute “FRONT”, “FAME”, a daily entertainment newspaper “Dara Daily” and weekly entertainment magazine “Dara Daily Weekend” nationwide via leading agents to assure the customers as to the purchasing convenience. The proportion of distribution in Bangkok and perimeters accounts for approximately 70% while the remaining 30% is appropriated to the upcountry.

### 3) Advertising customers are composed of:

- Agency
- Direct Customer

The sales of advertisement space in “FRONT” and “FAME” represent those settled through agencies at the proportion of 70% and those settled with direct customers at the proportion of 30%.



Meanwhile, the sales of advertisement space in “DaraDaily” and “Dara Daily Weekend”, represent those settled through agencies at the proportion of 50% and those settled with direct customers at the proportion of 50%.

## Competitive Environment

### Value of the Market for Publishing Advertisement and Trend of Growth

Information from AC Nielsen (Thailand) stated that, in 2006, the total advertising market valued at Baht 90,147 million, an increase of 5.3 % from total market value of Baht 85,602 million in 2005. The total market value of printed materials totaled Baht 21,606 million or 23.9 % of total advertising market of Baht 90,147 million.

In the past, there is a tendency that the magazine market will encounter the continual growth and new newspapers will be launched non-stop on annual basis. The monies circulated in the advertising market, placed at the 4th highest rank (following television, radio and newspaper, respectively), have attracted several entrepreneurs to conquer the share. Each newcomer entrepreneur possesses the unique own selling points and secure specific target readers, pressuring the existing entrepreneurs to improve the quality and preserve the customer bases by adapting the contents and designs to keep pace with the market trend as well as arrange the activities that entice the participation of readers such as lucky draw and giveaways. The company has also arranged these activities for the public relations and getting close to the customers. The workshops and roadshows to large buildings and offices have been warmly welcomed by the customers. In establishing the new customer bases, the quality and design of published materials must be adjusted to suit the demand of readers or the value addition that goes beyond the customer expectation is necessary. This can be carried out through arranging the promotion activities and integrating newspapers or magazines into the daily lives of target readers as a fundamental factor via endless advertising and marketing.

## Entrepreneur and Market Share

The entrepreneurs of women’s magazine at present are high in number, comprised of large entrepreneurs possessing a great number of affiliated published materials and publishers and many other independent entrepreneurs.

## Trend of Competition

Based on the survey of Se-Education Public Company Limited during 2005, it is found that the foreign women’s magazines are becoming substantially popular. Because the marketing has already been carried out overseas and due to the success attached in the marketing strategy, the shorter period of spurring the popularity is required when compared to other new magazines. It is expected that there will be 15 new foreign women’s magazines launched in 2007.



The competition in the daily entertainment newspaper market has not been very intensified as the making of entertainment newspaper requires high level of expertise and experience in writing news, formatting and news reporting that satisfy the demand of readers as well as larger sum of funds than that spent in the magazine business, which has continually encountered intensified competition, especially in purchasing foreign magazines and applying the overseas accomplishments to Thai readers.

## Procurement of Product or Service

### Procurement of Product for Distribution

In producing the published materials in the categories of daily newspapers and monthly magazines, the responsible teams for 2 principal procedures, namely selection of contents for making layout and printing are required. For the process of contents selection, the company has the highly experienced editing team plan the interesting and timely concept or issues, select the contents and make the layout, as well as recruits well-known writers and veterans in specific careers to write columns in the magazines.

The external publishers are hired to proceed with the printing process and offered the charter remuneration that already includes paper and printing expenses.

### Environmental Effects

-None-

## Supportive Business

### Computer Graphic

#### Nature of Product or Service

Because of the surging and continual expansion of the domestic advertisement media business, a major portion of customers have cast their interests in the art of marketing tool usage to originate the public relations that thoroughly reach the customers. With this trend has come the establishment of several companies to satisfy the demand of that category of customers. RS, already operating the concerned business, has also perceived the opportunity in the revenue generation from this market and attempted to sharpen its strength and provide new options to customers. In addition, despite the low traffic of computer graphic (CG) and visual effect usage in the advertisement market, the income-generating potential is proven to be quite astonishing.

In 2004, RS established Blu Fairy Company Limited. In addition to being the newcomer in the computer graphic (CG) business, Blu Fairy has also created the visual effects, computer graphic (CG) animation and motion graphic for customers concerned with over 10 years' experience





accumulated before the establishment and, to greater degree, corresponded to the full-cycle demand of customers by paving the movie market for the effect shot ranging from providing counseling and advice regarding designing, designing service, production as well as the computer graphic (CG) and visual effect creation process. In addition, the company has enhanced the potential by taking the hiring to produce cartoon characters and contents for RS movies.

The recognized pieces of Blu Fairy Company Limited are, for instance, the first digital sci-fi movie in Thailand entitled “Paksa Wayu”, the cartoon to promote the environment preservation entitled “Tonkla...Susa Palangkiaw”, the first cyber artist of Thailand called “DDZ”, MK Man in the advertisement animation for MK Suki and several music videos. The examples in the field of advertisement movie directing and production contain the advertisement movies of such companies as Sony, ISUZU, Nokia, Toyota, Pizza Hut, I-Mobile, Suzuki, Head & Shoulder, Dalie, Olay, Pampers, Double A, Visa, Bangkok Glass, Paragon Cineplex, TMB Bank, Bangkok Hospital, Wattanosok Hospital, Sukhothai Residences etc.

## Marketing and Competitive Environment

### Marketing

### Marketing Strategy

Since the company was established and started to take a job, there has been a good response from customers and the market. In 2006, the company attempted to fortify the brand by arranging the marketing activities to serve as the public relations for the company's creation. Its stance in VFX was emphasized and the cooperation with large synergies in outsourcing for additional staff for hiring for production jobs to support the increasingly extensive works was seized. The company has also followed up the response in the foreign markets that it made contacts with in TAM 2006 and Silk Avenue 2005, Thailand's international fairs that the company attended to promote its creations in the past and have closer contacts with customers in terms of presentation. Moreover, the company arranged its own fair called Content in 2005 in seeking for additional sale channels through extending the scope of jobs it can take such as forging a synergy with Absolute Impact to create the contents for X3D screen.

## Nature of Customers and Target Groups

As the computer graphic (CG) and visual effect are the new forms of services in Thailand, most customers have been limited to certain production houses and advertising agencies that wish to create the unique advertisements. Due to such circumstance, it was necessary that the company seek additional jobs from the foreign markets where those services have already been quite popular and familiarized. In terms of contents, the company has cooperated with the alliance between the foreign co-production (financing) and buyers to identify the line for distributing its own contents. Furthermore, the company has secured the customers out of the movie production companies which are engaged in production of film titles and creation of computer



graphic (CG) and visual effect shot for movies. Those customers are composed of, for instance, RS Film, Grammy Thai Hub (GTH), Saha Mongkol Film, Hansa Movie, Giant Picture and Film Bangkok.

## Distribution Channel

The company has consistently attempted to extend the distribution channels by directly reaching to customers. As its creations are still new in the advertisement and movie markets, the company sets the booth at various fairs to present the contents and the marketing team is reinforcing the marketing strategies and directly coordinating with customers.

## Competitive Environment

Regardless of the fact that the computer graphic (CG) and visual effect market were new and initially not widely recognized, after the certain period of production and creation, the company finds that the market has encountered rapid growth and intense competition, whether the content service provision and distribution to customers. Due to the low number of computer graphic (CG) and visual effect companies in Thailand, the opportunities for the creation in the content market are vast, especially in the well-responding foreign markets.

## Environmental Effects

-None-



# Risk Factors



## Risk Factors

RS Group has evaluated the risks that might affect its companies and subsidiaries.

### Economic and Legal Risks

#### - Economic Changes

The company assesses that the economic changes may to a certain degree affect the operation of music business which represents its core business since the musical products are for entertainment purpose and not regarded as principal and necessary elements for consumption. However, the utilities of the entertainment products in entertaining and relaxing consumers at affordable and worthy prices have maintained their ceaseless popularity among consumers. On the contrary, the media business has been substantially affected by the economic changes as such changes directly influence the spending nature of the consumers as well as the operation of the organizations that allocate the budgets for advertisement and public relations through several kinds of media to bring about the business operation effectiveness. As a result, the company's media business operation significantly varies with the economic conditions. The company currently operates the television, radio and publishing businesses.

#### - Amendments to Radio Broadcasting and Television Regulations

The radio business, one of the company's media businesses, may feel the effects of the free media business policy as laid down by the Constitution of the Thai Kingdom 1997 section 40. The Constitution has approved the National Radio and Television Broadcasting Committee (NRTC) as the government-based independent agency responsible for allocating broadcasting frequencies and overseeing the fairness of policies related to radio and television broadcasting.

Changes in the management agency may lead to risks for existing media operators in the areas of increasing rigidity of regulations, and in the revision of radio concessions. It is true that there will be opportunities for new media companies to enter the industry after the free media business policy becomes effective; however, the potential for growth in business will be a competitive advantage for all media operators.

The company has evaluated the risks and is confident that it has the potential, preparedness, experience and financial support to enhance its capability and competitive advantages. In addition, it has the full complement of requirements to enter the bidding for radio broadcasting concessions and continue its radio business.

### Industrial Risks

#### - Proliferation of Pirate Products

The proliferation of such pirate products as pirate cassette tapes and CDs has continually overshadowed the growth of the music business to a significant extent. The music producers are unable to generate the revenue or remuneration in accordance with the actual consumed quantity. At present, all parties involved, including the entrepreneurs, music composers, artists and government have paid attention to the issue and collaborated in encouraging the consumers



to purchase copyright products and refrain from supporting pirate products. The entrepreneurs have formed the policy to reduce the prices of entertainment products to narrow the price gap when compared to pirate products, which partially contributes to the decrease in the urge to consume illegal commodities. The government has also accelerated to resolve the piracy issue by strengthening its efforts to arrest piracy offenders and keeping those pirate products in check. Another concrete policy of the government is its support towards the collection of royalties in various forms such as karaoke. This has critically tamed the impact of pirate products on the business operation of the entrepreneurs.

## - Changes in Consumer Behaviour

With its interests in television, films, radio, publishing, concert organizing and marketing events, the company accepts that it will encounter changes in the habits and behaviour of consumers. These changes might include the influence of Western music styles, and the popularity of entertainers, singers, actors/actresses, program presenters and DJs as well as in drama styles.

Trends in films and film-going habits may cause instability that is hard to control. However, with its executives' skills in market evaluation and forecasting and its research into target group behaviour, the company has confidence in its readiness to adapt to innovations and new developments in music, drama series, television programs, concerts and events and films, and its ability to meet the target groups' expectations.

## Risks in business operations

### - Risks of product volumes in the market and consumers' favour

It is essential for music and films to be distributed in a manner of timeliness as the consumers' attention to the products are limited. The existence of products at the selling point has strong influence on consumers' decision-making. The product positioning that does not conform to consumers' favour and behaviour, distribution channels and timeliness may affect a company's revenue due to products being refunded and sales opportunities being lost. A company has a risk to lose its target customers because it cannot respond to the market in time. Last year, RS tried to reduce these risks through its appropriate initial positioning plan taking into account the market situation, consumer behaviour and effective distribution channel management.

### - Expiry of radio concession contracts

As of January 2007, the company has short-term lease contracts with three radio stations: FM 88.5 MHz, FM 93.0 MHz and FM 106.0 MHz. The contracts need to be renewed on a yearly basis.

If the contracts cannot be renewed, there will be negative effects against the company's radio programs and revenue. In addition, seeking new airtime may cause the company's opportunity loss from business continuity and consumer favour compared to the former programs. However, RS is confident that it will be able to renew the contracts because its programs are highly recognised and have a strong audience base in addition to its payment ability and strict commitment to the terms and conditions contained within the lease contracts.



## - Risks of in ability to renew television program lease contracts

The company operates television programs under one-year maximum lease contracts. The renewal can be done at regular intervals. In general, the main renewal rules include the station's policy, the program popularity rating and the lessee's payment ability. If the contracts cannot be renewed, there will be negative effects against the programs' continuity and the company's revenue. In addition, seeking new airtime may cause the company's opportunity loss from business continuity and consumers' preference on the new programs compared to the former programs. Last year, RS undertook an evaluation of its programs' popularity, improved the programs' styles and maintained its payment ability and strict commitment to the terms and conditions in the lease contracts.

## - Risks of film business operation

The film business requires high investment but the revenue comes from several uncertain sources depending on different factors such as consumer preference towards a particular film, release date, local and international competition, marketing policy and consumers' demand. Each film performance cannot guarantee that of other films. The company may encounter losses if the film is not successful. Last year, RS released 5 movies some of which generated profits and others generated losses.

However, the company has provided risk management through quality, production cost and marketing cost controls in addition to pre-sale copyright via different channels, and also bringing in marketing supporters to participate in movie production process with prior well planned procedure.

## - Dependence on Company Executives

The success of RS Group is due to the visionary leadership of the Chetchotisak Family led by Mr. Kriengkai and Mr. Surachai, but in recent years the Group has adopted a policy of greater decentralisation. It has divided its core business into segments each managed by its own Managing Director and executive teams. This allows for independent decision making and makes for flexibility. Thus, the level of dependence on the Chetchotisak Family has been reduced.

As the major shareholders and founders of RS Business, the Chetchotisak Family is committed to extending the company's activities into other sectors of the entertainment industry in order to continue its growth and add values to its business. The family will continue to maintain its position as the major shareholders.

## - Movement of Human Resources

Throughout its 25 years of operation, the company and its management have given a high priority to human resources, and the risk from this direction is low. The company and senior executives realise that the workforce in the entertainment business is an essential component in its sustainable growth and progress.

The management reviews its artists' compensation and career path regularly to satisfy all parties. This has helped to improve relationships and create the supportive and easy-going culture which



people in entertainment desire. The positive relationship between artists and production teams in each segment of the company means that they are happy to work together, dedicated to their responsibility and committed to giving best performance for the company.

The company believes that its ability to handle risk management efficiently has been demonstrated by the absence of significant risks in all segments of its business.

## Management Risk from major shareholder holding more than 50%

As of 31 December 2006, Chetchotisak Group held 59.1% of the company's shares, giving the Chetchotisak Family the ability to control all resolutions of the shareholders' meeting, including appointment of directors or any other resolutions which require the majority vote of the shareholders, with the exception of issues by law or Company's article of association, which require 3/4 of votes from shareholders' meeting. As a result, other shareholders may not be able to accumulate enough votes to review and perform check and-balance tasks on issues proposed by the major shareholder.

However, as can be seen from the company management structure which comprises of Board of Directors, the Executive Committee and the Audit Committee, it shows that the company appointed qualified members to suitable positions and clearly set the scope of duties and authority of each committee with transparency.

In matters related to the Committee, major shareholder and business controllers, or such issues with conflicts of interest, those involved will be ineligible to vote. This is to assure shareholders that the company's management is transparent in its dealings.



# Shareholding Structure and Management





## Capital Structure

### Company's Securities

The company has the registered capital of Baht 700,000,000 including 700,000,000 ordinary shares at one Baht par value. The company has the paid-up capital of Baht 700,000,000 including 700,000,000 ordinary shares at one Baht par value.

The company has adjusted the par value from five Baht each to one Baht each, according to the resolution of the Extraordinary General Meeting of Shareholders No. 1/2006 on 19 September 2006.

### Shareholders

The 10 major shareholders as at 31 December 2006 are as follows :-

No.	Shareholder	No. of Shares	%
1	Mr. Surachai Chetchotisak <sup>1</sup>	112,200,000	16.03
2	Mr. Suwat Chetchotisak <sup>1</sup>	108,192,000	15.46
3	Mr. Kriengkai Chetchotisak	100,000,000	14.29
4	SIS-SEGAINTERSETTLE AG	40,320,000	5.76
5	Miss Malee Chetchotisak <sup>1</sup>	38,640,000	5.52
6	Mr. Annop Limprasert	33,367,000	4.77
7	Chetchotisak Co., Ltd. <sup>1</sup>	24,500,000	3.50
8	Mr. Komvit Chetchotisak	16,930,000	2.42
9	Mr. Charnyuth Laoruthdecha	10,000,000	1.43
10	Mr. Chai Sibulert	10,000,000	1.43

Note :

<sup>1</sup> The seventh shareholder is in accordance with Article 258 of the first, second and fifth shareholder.

List of major shareholders who, according to their conducts, were able to assert their influences towards the management policy and operation procedure of the company with ulterior motives (Shareholding groups or shareholders who owned over 10% and holding position as the company's director or sending representative as the company's director), are Mr. Surachai Chetchotisak, Mr. Suwat Chetchotisak and Mr. Kriengkai Chetchotisak

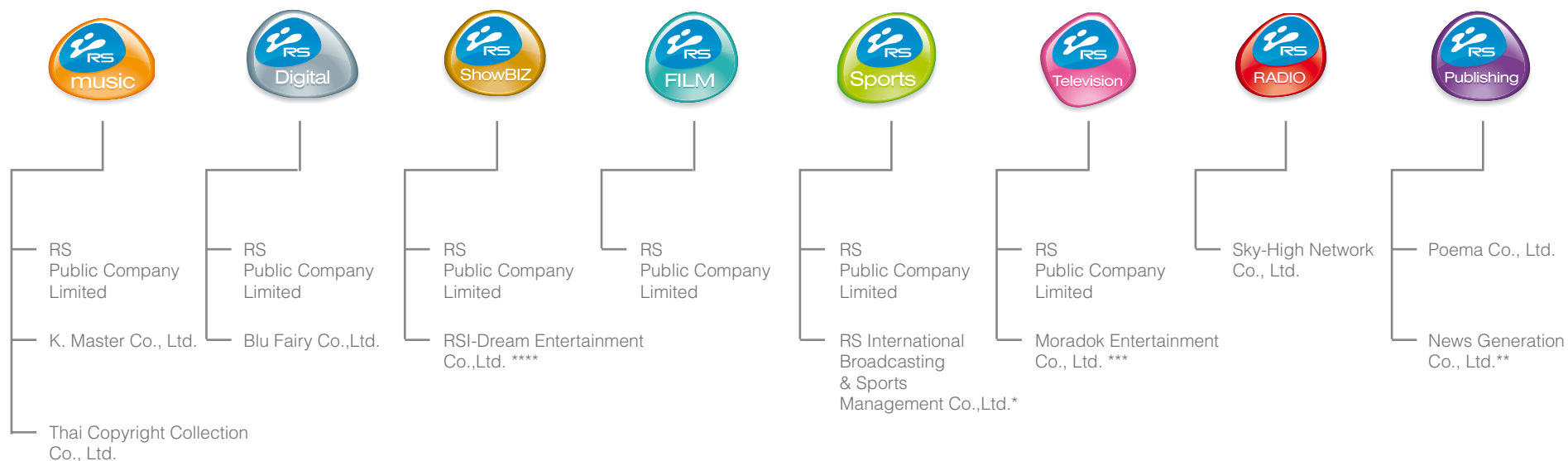
### Dividend payment policy

The company and its subsidiaries will pay a dividend not less than 50 per cent of net profit after tax and legal reserve. However, the Board of Directors may consider and decide not to follow this policy, or adjust it in order to maximize the benefit to the shareholders.



# Shareholding Structure and Management

## RS Business Group



- \* 50% shares held by RS Public Company Limited
- \*\* 76% shares held by Poema Co., Ltd.
- \*\*\* 76% shares held by RS Public Company Limited
- \*\*\*\* 51% shares held by RS Public Company Limited (or 63% if using amount of money received from shareholder to calculate shareholding percentage)

As at December 31, 2006

### \*Temporarily Suspended

- Magic Advertainment Co., Ltd.
- Shadow Entertainment Co., Ltd.
- RS Film & Distribution Co., Ltd.
- Avant Co., Ltd.
- Filmsurf Co., Ltd.
- Red Drama Co., Ltd.
- R Siam Co., Ltd.
- R.S. Sportmaster Co., Ltd.
- R.S. Studio Co., Ltd.
- Bangkok Organizer Co., Ltd.
- R.S. Television Co., Ltd.
- P.O.V. (Point of View) Co., Ltd.
- Aladdin House Co., Ltd.
- Nagasia Co., Ltd.



# Shareholding Structure and Management

Management structure of the company consists of 5 set of committees and subcommittees including: Board of Directors, Audit Committee, Nomination and Remuneration Committee, Executive Committee, and Human Development Committee. Details are as follows:

## Board of Directors

As at December 31, 2006. The Board of Directors consists of the following qualified persons:

1.	Mr. Kriengkai Chetchotisak	Chairman
2.	Mr. Surachai Chetchotisak	Vice Chairman
3.	Miss Malee Chetchotisak	Director
4.	Mr. Suwat Chetchotisak	Director
5.	Mrs. Pornpan Techarungchaikul	Director and Secretary
6.	Mr. Chattaphum Khantiviriya	Director
7.	Pol. Gen. Somchai Wanichsenee	Independent Director and Audit Committee Chairman
8.	General Thanee Seniwong Na Ayudyha	Independent Director and Audit Committee
9.	Mr. Somchai Kurujitkosol	Independent Director and Audit Committee

## Additional information

In 2006, there were some changes in directors' list as follows:

- 31 March 2006, Mr. Bannarong Pichyakorn has resigned from the director's position.
- 15 May 2006, Mr. Chattaphum Khantiviriya has been appointed as a director to replace Mr. Bannarong Pichyakorn.
- 15 May 2006, Mr. Kriengkrai Settakraikul has resigned from the director's position.
- 17 July 2006, Mr. Somchai Kurujitkosol has been appointed as a director to replace Mr. Kriengkrai Settakraikul.
- 9 August 2006, Mrs. Nareerat Limprasert has resigned from the director's position.

In 2007, there were some changes in directors' list as follows:

- 1 January 2007, Mr. Chattaphum Khantiviriya has resigned from the director's position.
- 13 January 2007, Pol. Gen. Somchai Wanichsenee has resigned from the director's position.
- 13 January 2007, General Thanee Seniwong Na Ayudyha has resigned from the director's position.
- 13 January 2007, Mr. Somchai Kurujitkosol has resigned from the director's position.
- 13 January 2007, General Oud Buangbon has been appointed as a director to replace Pol. Gen. Somchai Wanichsenee.
- 13 January 2007, General Pairoj Panichsamai has been appointed as a director to replace General Thanee Seniwong Na Ayudyha.
- 16 February 2007, Mr. Phisit Dachanabhirom has been appointed to replace Mr. Somchai Kurujitkosol.
- 19 February 2007, General Oud Buangbon has resigned from the director's position.



# Shareholding Structure and Management

## Definition of Independent Directors

Independent Directors are defined as external director, not involving in Executives, company staff, Executive Director or authorized signatory director, and be independent from major shareholders, Executives and related parties. In addition, Independent Directors are able to consider equitable treatment to shareholders and to preempt any possible conflict of interest between the company and related parties. Independent Directors shall possess the qualifications as follows:

(1) Holding shares not more than 5 per cent of paid-up capital of the company, affiliated company, associated company or related company, which shall be inclusive of the shares held by related persons;

(2) Being a director who does not take part in the management of the company, affiliated company, associated company, related company or majority shareholder of the company, and is not an employee, staff member or advisor who receives a regular salary from the company, affiliated company, associated company, related company or majority shareholder of the company;

(3) Being a director who has no direct or indirect benefit or interest in finance and management of the company, affiliated company, associated company or majority shareholder of the company, including the benefit or interest of the said nature during the period of 1 year before his appointment except where the board of directors has carefully considered that such previous benefit or interest does not affect the performance of duties and the giving of independent opinions;

(4) Being a director who is not a related person or close relative of any management member or majority shareholder of the company;

(5) Being a director whom is not appointed as a representative to safeguard interests of the company's directors, majority shareholders or shareholders who are related to the company's majority shareholders;

(6) Being capable of performing duties, giving opinions or reporting the results of performance of work according to the duties delegated by the board of directors free and clear of the control of the management or the majority shareholders of the company including related persons or close relatives of the said persons.

## Authorized signatory directors

Directors authorized to sign for the company are Mr. Kriengkai Chetchotisak, Mr. Surachai Chetchotisak, Miss Malee Chetchotisak, Mr. Suwat Chetchotisak, Mrs. Pornpan Techarungchaikul and Mr. Chattaphum Khantiviriya. Two of above directors can jointly sign and affix the company seal.

## Roles of Board of Directors

The Extraordinary General Meeting of Shareholders No. 1/2003 held on January 13, 2003 had the resolution to determine the scope of Board of Directors' authority in that Board of Directors is authorized to commit any acts necessary for or related to the normal business operation of the



# Shareholding Structure and Management

company. The Board of Directors is in charged with overseeing the company's operations to be in compliance with the country's laws and regulations as well as the policies and resolutions of shareholders' meetings. The Board of Directors can appoint the committee or assign any other persons to take any or several actions under the control of the Board of Directors except for the actions stated below. Those actions can be performed after receiving the approval from the shareholders' meeting.

In cases where the committee or any person has a conflict of interest with the company or its subsidiaries, the committee involved in that conflict may not vote on that case.

(A) Any case that the laws mention must be in compliance with the resolution of the shareholders' meeting.

(B) Performing cases where the committee gains the interest or where the laws and regulations the Stock Exchange of Thailand are mentioned must be approved by the shareholders' meeting.

The following cases must be approved by the Board of Directors' meeting and the shareholders' meeting with a voting score of three-fourths of the number of shareholders attending the meeting and voting:

- (A) Trading or transferring the company's businesses or an important part of the business.
- (B) Acquiring or receiving transferred business from other companies or private entities.
- (C) Making, rectifying or terminating the renting contracts for the entire business of the company or an important section of it. Appointing any person to run the company's business or form a merger with any person for the purpose of profit and loss sharing.
- (D) Amending the Articles of Association or Memorandum of Association.
- (E) Increasing or reducing capital, issuing debentures, forming mergers or closing the company.
- (F) Any actions mentioned in the Securities Act or announcements by the Stock Exchange of Thailand requiring the approval of the shareholders' meeting, such as the acquisition or disposal of assets of the listed company or any related items.

The company's Board of Directors is responsible for consideration the list of new Directors who have been screened and presented by the Nomination and Remuneration Committee. The listed Directors must be ready to dedicate their times, knowledge, and capabilities for the company, and understand the duties and responsibilities of Director as well. The company has in place the procedure to keep new directors informed about its business and operation for them to possess profound knowledge and understanding in the company's business.

In addition, the Board of Directors conduct the annual assessment of their performance in line with the self-assessment form to inspect, as well as enhance the efficiency of, their performance.



# Shareholding Structure and Management

## Audit Committee

As at December 31, 2006. The members of the Audit Committee are:

- |    |                                 |                          |
|----|---------------------------------|--------------------------|
| 1. | Pol.Gen Somchai Wanichsaene     | Audit Committee Chairman |
| 2. | Gen.Thani Saeneewong Na Ayudhya | Audit Committee          |
| 3. | Mr. Somchai Kurujitkosol        | Audit Committee          |

## Additional information

- 15 May 2006, Mr. Kriengkrai Settakraikul has resigned from the Audit Committee's position.
- 13 January 2007, the Audit Committee's term of Pol. Gen. Somchai Wanichsene, General Thanee Seniwong Na Ayudyha and Mr. Somchai Kurujitkosol were due.
- 13 January 2007, General Oud Buangbon has been appointed as the Audit Committee member.
- 13 January 2007, General Pairoj Panichsamai has been appointed as the Audit Committee member.
- 16 February 2007, Mr. Phisit Dachanabhirom has been appointed as the Audit Committee member.
- 19 February 2007, General Oud Buangbon has resigned from the Audit Committee member.

## Responsibilities of Audit Committee

Audit Committee's responsibilities are as follows:

- A. Attend the Board of Directors Meetings as to participate in policy determination, business decision making and corporate governance issues.
- B. Consider and recommend the appointment of the auditor and the proposed audit fee.
- C. Consider the policy and code of conduct of the internal audit division as to ensure their continual appropriatenesses and effectivenesses.
- D. Review the annual audit plans of the internal audit division.
- E. Review the internal control and internal audit system as to ensure their appropriatenesses and effectivenesses by coordinating with the internal and external auditors.
- F. Consider the quarterly audit report and recommendations of the internal and external auditors as well as follow up the action taken according to such recommendations.
- G. Review the quarterly company and subsidiaries financial reports as to ensure that they are accurate, credible and have adequate information disclosures according to the good corporate governance principle.
- H. Ensure that the company is in compliance with the rules or regulations prescribed by the Stock Exchange of Thailand and any other laws related to its business.
- I. Taking into account the long-term benefit of shareholders, the Audit Committee shall review the related transactions of the company, its subsidiaries and any persons that may cause the conflict of interest, to ensure that the related transactions are in appropriate conditions without any benefit embezzlement.
- J. Coordinate with the external auditor to consider any problems or restrictions encountered in performing financial statements audit.
- K. Prepare the Audit Committee report. The report must be signed by the Chairman of the Audit Committee and disclosed in the Company's Annual Report.



# Shareholding Structure and Management

- L. The Audit Committee is authorized to invite the executive directors, Management or concerned persons to either provide necessary information or attend the meeting.
- M. Consider any other matters as assigned by the Board of Directors.

## Nomination and Remuneration Committee

Nomination and Remuneration Committee consists of three qualified persons:

- |                               |          |
|-------------------------------|----------|
| 1. Mr. Phisit Dachanabhirom   | Chairman |
| 2. General Pairoj Panichsamai | Director |
| 3. Mr. Surachai Chetchotisak  | Director |

## Responsibilities of the Nomination and Remuneration Committee

- 1. To consider criteria and procedures on selection of qualified candidate suitable for the Director's position. This also includes selection of personnel as regulated in the selection process, and proposes its decision to the Board of Directors for further propose to the shareholders' meeting for appointment.
- 2. To consider criteria on payment and type of remuneration for Director and propose its decision to the Board of Directors for approval in the shareholders' meeting.

The company's Board of Directors Meeting No. 3/2007 on February 26, 2007 had its resolution to appoint the Nomination and Remuneration Committee and also approved the responsibilities of the Nomination and Remuneration Committee.

## Executive Committee

As at December 31, 2006. The members of Executive Committee are:

- |               |   |                               |
|---------------|---|-------------------------------|
| Chairman      | - | Mr. Surachai Chetchotisak     |
| Vice Chairman | - | Mr. Suwat Chetchotisak        |
| Director      | - | Mrs. Pornpan Techarungchaikul |
| Director      | - | Mr. Chattaphum Khantiviriya   |
| Director      | - | Mr. Yanyong Akrajindanon      |
| Director      | - | Mr. Prasong Rungsmaitong      |
| Director      | - | Mrs. Montira Limpanarom       |
| Director      | - | Mr. Komsan Chetchotisak       |

## Additional information

- 1 January 2007, Mr. Chattaphum Khantiviriya has resigned from the director's position.



# Shareholding Structure and Management

## Responsibilities of the Executive Committee

The Board of Directors Meeting No. 1/2003 held on January 28, 2003 and the Board of Directors Meeting No. 5/2005 held on 31 October 2005 had the resolution to determine the scope of Executive Committee's authority in that Executive Committee is authorized to commit any acts necessary for or related to the normal business operation of the company.

(A) To approve loans or apply for credit from financial institutions as well as acting as surety or making payments for general activities of the company. The credit limit of each item must be less than 50 million baht or equivalent.

(B) To appoint and remove the company employees who are ranked below Managing Director.

(C) To initiate, suggest and formulate policy for the business direction and business strategy of the company and present it to the Board of Directors.

(D) To form corporate and management structures and Executive Committee. To oversee all aspects of the recruiting, training, employment and removal of company employees.

(E) To formulate business plans and management powers. To approve the annual budget for business operations and expenses. To run the company following the business plan and strategy as well as the policy and business direction presented to the Board of Directors.

(F) To be responsible for other duties assigned by the Board of Directors in each period.

Approval for carrying out the activities mentioned above would not be granted in cases where the Executive Committee, or parties authorized by the Executive Committee, is authorized to approve activities that may conflict with the company's interests under the regulations and announcements of the Stock Exchange of Thailand.

Exceptions would be made for those activities carried out under policies and regulations approved by the Board of Directors, whereby the Board of Directors has the authority to amend or change the responsibilities of the Executive Committee whenever necessary.

## Human Development Committee

The members of Human Development Committee are:

- |    |                               |                        |
|----|-------------------------------|------------------------|
| 1. | Mrs. Pornpan Techarungchaikul | Chairman               |
| 2. | Mr. Yanyong Akrajindanon      | Director               |
| 3. | Mrs. Napaporn Treepayak       | Director               |
| 4. | Mr. Niwes Buakhom             | Director and Secretary |





# Shareholding Structure and Management

## Responsibilities of Human Development Committee

Human Development Committee's responsibilities are as follows :

- (A) To present human resource policy and management direction
- (B) To draw techniques and strategies for human resource development
- (C) To oversee and supervise human resource operation
- (D) To consider and make decisions on human resource development issues based on the direction approved by the company's committee

## Management Team

As at December 31, 2006. The members of Management Team are as follows:

- |                                 |   |
|---------------------------------|---|
| 1. Mr. Kriengkai Chetchotisak   | Chairman  |
| 2. Mr. Surachai Chetchotisak    | Chief Executive Officer and Managing Director         |
| 3. Mr. Suwat Chetchotisak       | Vice Chairman to Executive Committee                  |
| 4. Miss Malee Chetchotisak      | Assistant Managing Director                           |
| 5. Mr. Pornpan Techarungchaikul | Deputy Managing Director – Executive Office           |
| 6. Mr. Yanyong Akrajindanon     | Deputy Managing Director – Digital Business           |
| 7. Mr. Chattaphum Khantiviriya  | Deputy Managing Director-Finance and Accounting       |
| 8. Mr. Prasong Rungmaithong     | Deputy Managing Director – Image and Asset Management |
| 9. Mrs. Montira Limpanarom      | Deputy Managing Director – TV Business                |
| 10. Mr. Boonperm Intanapasat    | Assistant Managing Director                           |

## Remark

1. "Executive" in this section refers to directors, the managing director and the top four executives ranked below the president or any persons of an equivalent position to the top four executives.

## Roles and Responsibilities of the Managing Director

The Board of Directors Meeting No. 1/2003 held on January 28, 2003 and the Board of Directors Meeting No. 5/2005 held on 31 October 2005 had the resolution to determine the scope of Managing Director's authority in that Managing Director is authorized to approved commit any acts necessary for or related to the normal business operation of the company. The Managing Director is concerned with the company in general and has the authority to carry out any activity that is necessary. The credit limit of each item must be less than 25 million baht or equivalent. However, the Managing Director has no authority to deal with important assets received or sold out of the company; or matters concerning persons who may be in conflict with, or have conflict of interest with the activities of the company or affiliated companies. In such instances, the Audit Committee and/or the Board of Directors, depending on the case, will consider the matter.



# Shareholding Structure and Management

## Nomination of Directors and Executives

The Board of Directors Meeting No. 3/2007 held on February 26, 2007 had its resolution to appoint the Nomination and Remuneration Committee and also approved the responsibilities of the Nomination and Remuneration Committee. Hence, personnel selection for the company's Director must proceed through the Nomination and Remuneration Committee. The Director's selection procedures must be done by the Nomination and Remuneration Committee whose consideration will be based as per qualification in section 68 of the Public Company Limited Act B.E. 2535 (1992) and the related announcements of the Securities and Exchange Commission. Moreover, considerations will be based on ability, experiences, knowledge, and specific skill for the benefit and development of company's business, and dedicating their times and efforts in conducting their duties. Then, the list will be submitted to the Board of Directors and shareholders' meeting for approval.

To elect the Board of Directors, the shareholders' meeting appoints the director based on majority scores with the following regulations and guidelines:

- (A) The voting score of each shareholder is equal: one share equals one score
- (B) Shareholders can vote for each directorial appointment.
- (C) Persons who receive the highest scores will be appointed to the committee. In the case of any persons receiving equal scores, the nomination president will make the final decision.

## Executive Remuneration

### Cash Remuneration

#### (A) Directors

List	Year 2006		
	No.	Amount of money (Baht)	Detail of Remuneration
Directors	9	775,000.00	Fixed remuneration and Meeting allowance
Audit Committee	3	70,000.00	Fixed remuneration and Meeting allowance



# Shareholding Structure and Management

Detail of Remuneration and Meeting allowance are as follows:

No.	Board of Director	Fixed remuneration (Baht)	Meeting allowance (Baht)
1	Mr. Kriengkai Chetchotisak	-	60,000.00
2	Mr. Surachai Chetchotisak	-	30,000.00
3	Miss Malee Chetchotisak	-	30,000.00
4	Mr. Suwat Chetchotisak	-	30,000.00
5	Mrs. Pornpan Techarungchaikul	-	30,000.00
6	Mr. Chattaphum Khantiviriya	-	15,000.00
7	General Thanee Seniwong Na Ayudyha	180,000.00	30,000.00
8	Pol. Gen. Somchai Wanichsene	180,000.00	30,000.00
9	Mr. Kriengkrai Settakraikul	67,500.00	-
10	Mr. Somchai Kurujitkosol	82,500.00	10,000.00
	<b>Grand total</b>	<b>510,000.00</b>	<b>265,000.00</b>

Note:

Director remuneration is the benefit paid to the company's directors in accordance with Section 90 of the Public Company Limited Act B.E.2535 (1992) (excluding salary and relevant benefits paid to the directors who also hold the title of the company's executives). There are no remuneration for the directors of subsidiaries.

(B) Executive Directors and Management Team

List	Year 2006		
	No.	Amount of money (million baht)	Detail of remuneration
Executive Directors	8	-	-
Management team	10	44.04	Salary/bonus/ other llowance

## Other Remuneration

-None-

## Corporate Governance

The Board of Directors clearly understands its roles and responsibilities towards the company and its shareholders, and has performed to the best of its ability in accordance with the registration of the company with the Stock Exchange of Thailand, as indicated.



# Shareholding Structure and Management

## Good Corporate Governance Report

### 1. Good Corporate Governance Policy

The company set the good corporate governance policy to recognize the importance of control procedures and internal audit and intends to uphold the policy effectively for long-term benefits of shareholders, including transparency, adequate disclosure and good risk management practice.

The company's Board of Directors had reconsidered the good corporate governance policy and code of conduct manual for the company group, and followed up on evaluation of policy compliance at least once a year. The company's Board of Directors Meeting No. 3/2007 on February 26, 2007 reconsidered, improved, and had its resolution to approve the good corporate governance policy and code of conduct manual for the company group, and followed up on evaluation of policy compliance.

The company has developed the participating mechanism of stakeholders in supporting operations of the company. This builds solid foundation for business by supplying information transparently, and listening on comments by meeting directly with management team, investor relations unit, and through website. For other complaints concerning financial and monetary report, internal control, risk factor, legal binding procedure, and code of conduct, the company's secretary will receive documents, and summarizes all the issues and quarterly submits to the Audit Committee and the Board of Directors.

### 2. Shareholder Rights

In 2006, there were totally 2 Meetings of Shareholders: 1 Annual General Meeting and 1 Extraordinary General Meeting. The company issued the notification letters attached with the supporting information for certain sessions, principles and rationale and comments of the Board of Directors for the shareholders' acknowledgement prior to the meeting dates within the period as per the concerned legislation. The minutes were properly and completely taken for the verification of shareholders.

The company has also provided shareholders an alternative by enabling the shareholders' empowerment of independent directors as proxies in the circumstance of the inability to be present at the meetings. During the Meeting of Shareholders, the chairman furnished equal opportunities for shareholders to make inquiry, comments and recommendations concerning the company's operational results, including opportunity for shareholders to submit questions prior to the meeting date.

Moreover, the company also has the policy to facilitate minority shareholders in proposing additional meeting agenda prior to the shareholders' meeting date, and together with clear regulations in advance for consideration whether additional agenda of minority shareholders will be permitted or not. The company stipulates procedures for minority shareholders in proposing person to be appointed as Director, with information on qualifications, and nominee's agreement.



### 3. Rights of Stakeholders

The company is in mindful of the rights of all stakeholders including parties within the company such as personnel, management and subsidiaries, as well as other parties such as competitors, creditors, government agencies and other relevant parties, and consistently values the support rendered by stakeholders, especially community and society. (See example in Role and Social Responsibility) The details are clearly defined in writing in the group's Code of Conduct to serve as a guideline for all directors, management and employees such as:

#### Responsibilities toward social and environment

The company has the policy to conduct its business for the benefits of the economy, society, and environment by considering its duties and responsibilities towards the nation, society and environment. Businesses must be operated and controlled completely under the laws and regulations, as well as determinations to press on developing trends for social quality and environment internally or cooperation with Government agencies and communities. Responsibilities toward social and environment must be whole heartedly and consistently promoted to all levels of employees in order to create good corporate culture in the future. These have to be reviewed, evaluated, and followed up consistently on progress of the company's operations to ensure that policies on social and environment have been executed as planned.

#### Customer

The company is determined to distribute quality products and provide quality services to its customers.

#### Shareholders

The company is run with a good and efficient expertise. The current and future risk is carefully assessed for the benefit of shareholders, and controlled to be certain that the operational results and financial situations of the company as well as information to shareholders are completely reported.

#### Employee

The company considers employees its precious assets and acknowledges the value of employees. The appropriate welfare and remuneration are arranged in line with the knowledge, ability, responsibility and performance of each employee. RS group also realizes the importance in healthcare, safety, and working environment as safe precaution against life and property of its employees, and follows on the labor laws' regulations. Hence, the company has arranged for health check, life and health insurances for employees, and consistently checks safety in the work place too.

The company supports knowledge training for its employees, Directors and executives.

#### Trading Partner and Creditor

The company adheres to honesty and justice towards its trading partners by taking into consideration for the best benefits to the company, and bases on justified remunerations on both sides, and avoids bias or any circumstances that give rise to the conflict of interests and upholds and complies with agreements.



# Shareholding Structure and Management

## Competitor

The company supports free and fair trade competition.

## Virtue

The company is engrossed in doing the rightful things and performing its duties with honesty and straightforwardness in accordance with legislations and regulations. This conduct is applied to any activities and decision-making. The company operates its business with honesty and takes into account the influencing risks.

## Equality for All Parties Concerned

The company neither hinders or withholds the privileges from, nor discriminates against any persons who are different in races, nationalities, religious, genders, age, or education.

## 4. Shareholder Meetings

The company arranged Shareholder Meeting, provided the equal opportunity to shareholders. Meeting Invitation, agenda and information hand-outs with comments from directors are duly distributed in accordance with the law. Shareholders are notified prior to the meeting dates within the period as per the concerned legislation. Each session is supported by the principles and rationale and comments of the Board of Directors. Furthermore, the company publishes the invitation letters regarding the Meetings of Shareholders and supporting documents in Thai and English on the company's website for swifter access of shareholders to information. In 2006, there were totally 2 Meetings of Shareholders : 1 Annual General Meeting and 1 Extraordinary General Meeting, attended by President, Chief Executive Officer, Managing Director and Chairman of the Audit Committee. Before the meeting the Presiding Chairman explains how to vote to Shareholder Meeting. The Presiding Chairman was open to shareholders in query and comments with regards to the company's business, and voting papers are recommended for important agenda for transparency and accountability. All have been duly documented in the minutes of the meeting and kept in good procedure for the verification of shareholders. Moreover, the company also publishes minutes of the shareholders' meeting in Thai and English on the company's website within 14 days after the meeting.

## 5. Leadership and Vision

The directors have been involved in the setting of company's missions, directions, strategy, objectives, business plans and budgets and supervise for the effective and efficient execution in line with the business plan and budgets, including internal control procedure, internal audit and effective risk management established and has closely monitored the progress on this topic throughout all Board of Director meetings. In addition, the Board of Director has outlined distinct roles and responsibilities between the Board of Directors, the Audit Committee, Executive Committee and Managing Director.

## 6. Conflict of Interest

Details shown in Management Section, Internal Audit Section and Related Party Transactions section.



## 7. Business Ethics

The company arranged the Code of Ethics and guideline in the written form, including penalties to be abided with integrity by related person includes the treatment of the company and stakeholders. The directors, management and employees of RS group adheres to the performance of their duties with honesty and ethics, whether the acts towards the company and stakeholders. The Code of Conduct of the group encompasses the business ethics and employee conduct, namely the responsibilities toward the society and stakeholders, assets safeguarding, internal data usage monitoring and prevention of conflict of interests. The company has disseminated the Code of Conduct for the group approved by the resolution of the Board of Directors on March 1, 2006 and it then was reviewed, improved and approved by the resolution of the Board of Directors Meeting No. 3/2007 held on February 26, 2007 and published it in the intranet system for the thorough acknowledgement of employees of all levels. The monitoring procedure is maintained to ensure strict compliance with the specified Code of Conduct.

## 8. Check and Balance of Non-Management Directors

The Board of Directors consists of 10 members

- Management Directors are 7 members.
- Independent Directors are 3 members, calculated as 30 percent of all.

Scope of Duties of the Board of Directors (details in previous section)

Duration for position of the company's Board of Directors is as stated in company's regulations.

The company's Board of Directors has regulated the suitable qualifications for person to be appointed as the company's Director. The Director must be person with knowledge, experiences, specific skill that benefit the company, including dedication on times and ability to perform duties to strengthen prosperity in the future. The Director has to regulate policy for all Directors and Executives (\*\*), who have duties to report their stock holding as required by law, and to submit those reports frequently. The company's Director cannot hold more than 5 Director positions in other listed companies and before taking up the Director's position in other listed companies under the company's Managing Director and other Executives(\*\*), prior approval must be given by the company's Board of Directors.

Moreover, the Board of Directors initiates the Executive development program, and development and business successor plan which are preparations for the successor of Managing Director and Executives(\*\*) just in case they cannot perform their duties, and to be report annually by the Managing Director.

Remark: As on December 31, 2006, the company had 9 Directors in position due to resignation of 1 Director in 2006, and was still in the nomination process for suitable replacement to complete up to 10 Directors.

(\*\*) means executive as per Securities and Exchange Commission's definition





## 9. Scope of Duties

Chairman of the Board of Directors is not the same person as the Managing Director but both represent the same major shareholder group. However, the structure of the Board of Director consists of 3 Independent Directors, results in a proper check-and-balance mechanism.

## 10. Remuneration to Directors and Management

The company has a clear and transparent outline on remunerations to directors and management and approved by the Extraordinary General Meeting of Shareholders No. 1/2003 and the meeting of the Board of Directors No. 5/2003. The approved remunerations are in line with that of the industry and commensurately compensated to reflect the required qualification. Detail of remuneration to directors and management shown in Management Section for executives. The remuneration will correspond to the company's operational results and performance of individual executives. The criteria and performance of Managing Director will be assessed by the Board of Directors. The remuneration details are demonstrated under the management topic.

## 11. Director Meeting

The Director meetings are arranged at least quarterly and extraordinary meetings in between as deemed necessary. All meetings have apparently set-out agenda and planned meeting date and are intended to consistently monitor company's performance. In case that the company does not have a monthly meeting, monthly operational report will be submitted to the Board of Directors, so that the Board of Directors can supervise, and control management's operations consistently and effectively. Invitation, agenda and information hand-outs are duly distributed 7 days prior to the meeting so directors have a chance to familiarize themselves to the issues.

Chairman of the Board of Directors and the Managing Director make decision on agendas for the Board of Directors' meeting with emphasizing that important subjects have to be in the meeting agendas. Directors can freely submit agenda and the Board of Directors can have access on necessary information from the Managing Director.

Independent Directors/Audit Committee (the definition and qualification shown in Management Section) has attended all meetings. In 2006, there have been a total of 6 meetings at the company premises. Every director attends all meetings except Mr. Kriengkrai Settakraikul who misses 2 meetings due to his health and Mrs. Nareerat Limprasert who misses 1 meeting due to urgent important business.

The company's Board of Directors has its policy in allowing the non executive Directors to conduct their own meeting as deem necessary. This is to debate all issues concerning the Management without their present, and the Managing Director will be informed of the meeting result.





## 12. Subcommittee

The subcommittee has been appointed by the Board of Directors with the intent to uphold good corporate governance and comprises :

- Audit Committee has a two-year tenure and comprises 3 members, independent directors. Details of name and responsibilities shown in Management Section.

In 2006, the Audit Committee had 4 meetings, in which all committee's members were presented except Mr. Kriengkrai Settakraikul who missed 2 meeting due to poor health.

In 2006, the Audit Committee's additional duty was the consideration in revising the Audit Committee's Charter.

- Nomination and Remuneration Committee

The company's Board of Directors Meeting No. 3/2007 on February 26, 2007 appointed the Nomination and Remuneration Committee members, authorized the scope of responsibilities, and considered their remunerations. The Committee consisted of 3 qualified members, including 2 independent directors, in which 1 of the 2 independent directors was appointed as Chairman (details in previous section )

- Executive Committee comprises 7 members. Details of name and responsibilities shown in Management Section.

- Human Development Committee comprises 4 members. Details of name and responsibilities shown in Management Section.

## 13. Internal Control and Audit

The company recognizes the importance of effective internal control on management and operation levels and has set out guideline apparently for concerned persons with the aim to control a usage of the company resources and to institute a proper check-and-balance mechanism. There is also internal control procedures with respect to financial system designed to present accurate and reliable information to relevant management.

Internal Audit Department is responsible for auditing procedures and reports to the Audit Committee directly to ensure that core business and essential financial activities are being performed effectively and in compliance with the set policy. The control policy is covered the compliance with the related law and regulations (Compliance Control).

The Board of Directors evaluates on the adequacy of internal control system and the risk factors' results at least once a year.



## 14. Director Reports

Details shown in Board of Directors' Report

## 15. Investor Relation

The company assigns investor relation specialist to take responsibility for the completeness, reality, reliability and punctuality of public information disclosure. Interested investor may directly contact the investor relation specialist at 0-2511-0911 and 0-2511-0555 ext. 1502 or at [ir@rs.co.th](mailto:ir@rs.co.th) or [www.rs.co.th](http://www.rs.co.th)

### Monitoring Internal Use of Information

The company has explained to the administrators their responsibilities in reporting the number of shares in the company owned by them, their spouses and their children who are considered as minors, and any changes made to the holdings, to the Stock Exchange of Thailand, in accordance with Article 59, where the penalty is indicated in Article 275 of the Securities and Exchange Act B.E. 2535 (1992).

Apart from the legislative measures, the company has the policy covering the internal information usage written in the Code of Conduct for the group, approved by the Board of Directors on March 1, 2006, to serve as a guideline to all directors, management and employees. The Code of Conduct was reviewed, improved and approved by the resolution of the Board of Directors Meeting No. 3/2007 held on February 26, 2007.

In addition, the company has laid out rules and regulations on the use of the company's internal information as follows:

- (1) The Director, Executive, staff members and the employees of the company are obliged to treat the internal information of the company with confidentiality.
- (2) The Director, Executive, staff members and the employees of the company should not directly or indirectly disclose confidential or internal information of the company for the personal benefit of any individual.
- (3) The Director, Executive, the staff members and the employees of the company should not buy, sell, transfer or receive the company's assets by using the confidential or internal information that may cause direct or indirect damage to the company.

The above mentioned regulations include the spouses and children who are considered minors of the Board of Directors, the staff members and employees of the company. Any violation of the company's regulations would be considered as a serious breach of those regulations which could lead to a penalty ranging from a verbal warning to being asked to leave the company.



# Shareholding Structure and Management

## Personnel

The number of employees in the company and its subsidiaries as of 31 December 2006 is 1,689 persons of which categorized into RS employees of 990 persons and subsidiaries' employees of 699 persons .

The total rewards of company staff as of the year 2006 amounted to 581.03 million baht, paid in the form of salaries, overtime and welfare payments, bonus and provident fund.

### Human Resources Development Policy

1. The company prioritizes 7 important parameters in developing human resources, comprising
  - Worth of the Individual
  - Employee as Resources
  - Quality of Work Environment
  - Employee Satisfaction
  - Continuous Learning – Needs
  - Change Opportunities Preparation
  - Broad Scope of HRD Concern
2. The company divides the human resources development into 3 levels:
  - Organization Development
  - Career Development
  - Training Development
3. The organization development is composed of the followings:
  - 3.1 Employees participate in determining the vision, mission and values of the company so that they acknowledge the direction and collaborative course of the company.
  - 3.2 The restructuring ensures the ongoing operational system development and business scope expansion to increase the level of management appropriateness.
  - 3.3 The core competencies, management competencies and functional competencies as unique in each employee are specified for the purpose of all-around management and human resources development.
  - 3.4 The human resources management and development systems of affiliated companies are ascertained to follow the unified guideline, form and standard for the group's efficient and effective business operation.



# Shareholding Structure and Management

4. The career development comprises the followings:

4.1 The individual employees are assessed based on the annual performance. The assessment is purported to develop employees to fill the gap between the current and expected competences and enable the planning of developing and improving lacking skills demanded for the greater efficiency of current operation.

4.2 The individual training and development plan is prepared on annual basis or for a long-term period to train and develop employees.

4.3 The career path and succession plan are formulated for human resources development through creating the opportunities or career advancement for employees so that they acknowledge the possible promotion, transfer and job rotation to other divisions or positions. With this method, the human resources development will emphasize improving the potential of employees and getting the significantly competent and potential ones prepared for the performance in higher positions through training and other development methods.

4.4 The promotion and adjustment criteria are articulately stipulated to prepare personnel for higher positions in advance.

5. The training development is composed of the followings:

5.1 The training courses that encompass the knowledge development, attitude development and skill development are created. The nature of the training development is in the forms of both in-house training and public training.

5.2 The selection criteria for the employees to enter training and development process is based on the successors expected to be promoted within 1-2 years and accomplishing the good assessment result or above. The consideration process is supported by the training needs and the selected employees must be functionally relevant and go through the specified hours of training. In addition, the employees belonging to the 360-degree assessment group, whose individual development plans are created, will also be considered.

6. The company values the human resources development and has developed the performance management system that adopts KPI and competency as the criteria. The welfare development and appropriate remuneration specification are also sustained to compete in the industry. Moreover, the company has applied the proactive policy in recruitment and preparing new personnel who will enter the workforce by arranging the stand-alone Campus Recruitment.



## Internal Audit

The company emphasized the importance of building and developing an internal control system sufficiently and appropriately in line with the business operations. This is to prevent the company's assets from any damage or being exploited wrongfully, with the internal audit unit responsible for examining important financial transactions and reporting on their auditing which was carried out independently and directly by the internal audit committee.

The Board of Directors Meeting No. 3/2007 was held on February 26, 2007 with two members of the audit committee taking part. The Board evaluated the requirements of the internal control system by requesting information from the administrators. They filled in evaluation forms on the internal control system of the company themselves.

The company's internal control system is evaluated in five sectors: the organization and surrounding environment, risk management; the administrators' work control, public relations and information systems and the follow-up system. According to the Board, the company has a sufficient internal control system.



# Shareholding Structure and Management

RS Public Company Limited										
Description of Management Team and other persons overseeing the Company										
As at 31 December 2006										
No	Name	Age	Education		% of share owned	Family relationship between executive	Experience in past 5 years			Director Training with Thai Institute of Directors Association (IOD)
							Period	Job Title	Employment Record	
1.	Mr. Kriengkai Chetchotisak	52	Master's Degree	Business Administration (Honorary)	14.29	Sibling of executive	2003-present	Advisory of the Executive Committee	RS Public Company Limited	Director Accreditation Program (DAP) 2003
				Ramkhamhaeng University		No. 2-4	1992-present	Chairman		
2.	Mr. Surachai Chetchotisak	44	Doctoral Degree	Business Administration (Honorary)	16.03	Sibling of executive	2003-present	Vice Chairman	RS Public Company Limited	Director Accreditation Program (DAP) 2003
				Chandrakasem Rajabhat University		No. 1 and 3-4	1992-present	CEO and Managing Director		
			Bachelor's Degree	Political Science						
				Ramkhamhaeng University						
3.	Mr. Suwat Chetchotisak	41	Bachelor's Degree	Mass Communication	15.46	Sibling of executive	2003-present	Director and Vice Chairman to Executive Committee	RS Public Company Limited	Director Accreditation Program (DAP) 2003
				Bangkok University		No. 1-2 and 4	October 2003-June 2005	Deputy Managing Director – Media Business		
							1997-October 2003	Sales Management Director		
							1997-present	Managing Director	Magic Advertainment Co., Ltd.	
							1992-1997	Marketing Manager	RS Public Company Limited	
4.	Miss Malee Chetchotisak	46	Bachelor's Degree	Political Science	5.52	Sibling of executive	2003-present	Director	RS Public Company Limited	Director Accreditation Program (DAP) 2003
				Ramkhamhaeng University		No. 1-3	July 2003-present	Assistant Managing Director		
							2001-July 2003	Central Audit Director		
							1997-2001	Accounting and Finance Director		
							1992-1997	Accounting and Finance Manager		
5.	Mrs. Pompan Techarungchaikul	36	Master's Degree	Business Administration	-	-	April 2004-present	Director and Executive Director	RS Public Company Limited	Director Accreditation Program (DAP) 2004
				Sasin Graduate Institute of Business Administration			April 2003-present	Deputy Managing Director – Executive Office	RS Public Company Limited	
				of Chulalongkorn University			2001-March 2003	Assistant Managing Director	Golden Land Property Development Public Company Limited	
			Bachelor's Degree	Statistics			1999-July 2001	Assistant to Managing Director	SG Asia Asset Securities Co., Ltd.	
				Chulalongkorn University						



# Shareholding Structure and Management

RS Public Company Limited										
Description of Management Team and other persons overseeing the Company										
As at 31 December 2006										
No	Name	Age	Education		% of share owned	Family relationship between executive	Experience in past 5 years			Director Training with Thai Institute of Directors Association (IOD)
							Period	Job Title	Employment Record	
6.	Mr. Chattaphum Khantiviriya 1	45	Master's Degree	in Accounting	-	-	May– December 2006	Director and Deputy Managing Director-Finance and Accounting	RS Public Company Limited	Audit Committee Program (ACP) 2005
				Kasetsart University			1995-2006	Senior Director -Finance and Accounting	Major Cineplex Group Public Company Limited	
			Bachelor's Degree	in Accounting						
				Chulalongkorn University						
7.	Pol. Gen. Somchai Wanichsenee2	64	Master's Degree	Political Science	-	-	2003-January 2007	Indepent Director and Audit Committee Chairman	RS Public Company Limited	Director Accreditation Program (DAP) 2003
				Chulalongkorn University			1997-2000	Deputy Commissioner-General	Royal Thai Police	Directors Certification Program (DCP) 2004
			Bachelor's Degree	Political Science			1996-1997	Assistant Commissioner-General	Royal Thai Police	Audit Committee Program (ACP) 2005
				Police Cadet Academy						
8.	General Thanee Seniwong Na Ayudya2	68	Master's Degree	The National Defence College of Thailand	-	-	2003-January 2007	Indepent Director and Audit Committee Member	RS Public Company Limited	Director Accreditation Program (DAP) 2003
			Bachelor's Degree	Chulachomklao Royal Military Academy			1997	Extra Royal-de-Camp		Finance for Non-Finance Director (FN) 2003
							1997	Special Staff Officer	Royal-de-Camp Division, Chulachomklao Royal Military Academy	
							1991-1997	Special Staff Officer	First Airforce Artillery Battellion Royal King's Guard	
							1979-1985	Senator	The Senate	
							1977-1979	Member of the National Legislature	National Legislature	
9.	Mr. Somchai Kurujitkosol2	49	Master's Degree	in Accounting	-	-	2006-January 2007	Indepent Director and Audit Committee Member	RS Public Company Limited	Director Accreditation Program (DAP) 2004
				Thammasat University			2006-present	Audit Committee Chairman	T.K.S. Technologies Public Company Limited	
			Bachelor's Degree	in Accounting			2005-present	Director	Environment Fund	
				Thammasat University			2005-present	Director, Public Warehouse Organization	Ministry of Commerce	



# Shareholding Structure and Management

RS Public Company Limited										
Description of Management Team and other persons overseeing the Company										
As at 31 December 2006										
No	Name	Age	Education		% of share owned	Family relationship between executive	Experience in past 5 years			Director Training with Thai Institute of Directors Association (IOD)
							Period	Job Title	Employment Record	
10.	General Pairoj Panichsamat <sup>3</sup>	59	Master's Degree	Social Development	-	-	January 2007-present	Indepent Director and Audit Committee Member	RS Public Company Limited	Director Accreditation Program (DAP) 2007
				National Institute of Development Administration			2006	Deputy Supreme Command Headquarters (SCHQ)	Supreme Command Headquarters	
			Bachelor's Degree	Royal Military Academy			2005	Chairman of the RTA Advisory Board	Royal Thai Army	
				Sandhurst U.K.			2000	Commanding General Army Weapons Production Control Center	Royal Thai Army	
				School of Law LL.N.						
				Ramkhamhaeng University						
11.	Mr. Phisit Dachanabhirom <sup>4</sup>	65	Bachelor's Degree	Accounting	-	-	February 2007-present	Indepent Director and Audit Committee Chairman	RS Public Company Limited	Audit Committee Program (ACP) 2005
				Thammasat University			2001-present	Executive Chairman	Professional Alliance Group Limited	Director Accreditation Program (DAP) 2004
				Commerce			2003-present	Indepent Director and Audit Committee Chairman	Jaymart Pulic Company Limited	
				Thammasat University			2003-present	Indepent Director and Audit Committee Chairman	K-Tech Construction Public Company Limited	
							2003-present	Board of Directors Chairman	International Casting Products Co., Ltd.	
12.	Mr. Yanyong Akrajindanon	42	Master's Degree	Business Administration	-	-	March 2004-present	Deputy Managing Director – Digital Business	RS Public Company Limited	Directors Certification Program (DCP) 2003
				Thammasat University			2001-present	Indepent Director	Jaymart Pulic Company Limited	
			Bachelor's Degree	Faculty of Commerce and Accountancy			2004-present	Indepent Director	Thai Unique Coil Center Public Company Limited	
				Thammasat University			2001-2003	Chief Executive Officer	Traffic Corner Holdings Public Company Limited	
			Other	Directors Certification Program Class 27			1989-2001	Assistant Managing Director-Marketing	Advance Info Service Public Company Limited	
				Certified Professional Marketer (Asia/ Pacific)						





# Shareholding Structure and Management

RS Public Company Limited										
Description of Management Team and other persons overseeing the Company										
As at 31 December 2006										
No	Name	Age	Education		% of share owned	Family relationship between executive	Experience in past 5 years			Director Training with Thai Institute of Directors Association (IOD)
							Period	Job Title	Employment Record	
13.	Mr. Prasong Rungsmaithong	40	Bachelor's Degree	Marketing	-	-	January 2005-present	Deputy Managing Director-Image and Asset Management	RS Public Company Limited	Director Accreditation Program (DAP) 2005
				Chulalongkorn University			August 2003-December 2004	Executive Vice President & Chief Marketing Officer	EGV Entertainment Public Company Limited	
							October 2002-July 2003	General Manager	Samart Info Media Co.,Ltd. (Samart Corporate Group)	
							October 2000-September 2002	General Manager	Major Cinead Co.Ltd. / Bangkok Imax Co.,Ltd. (Major Cineplex Group)	
							October 1996-September 2000	General Manager	Grammy Entertainment Public Company Limited	
14.	Mrs. Montira Limpanarom	49	Master's Degree	Business Administration	-	-	2006-present	Deputy Managing Director – TV Business	RS Public Company Limited	-
				Kasetsart University			2000-2005	Senior Executive Vice President	JSL Co., Ltd	
			Bachelor's Degree	Economics			1999-2000	Executive Vice President Marketing & Sale	Royal Charoenkrung Co., Ltd	
				Thammasat University						
15.	Mr. Boonperm Intanapasat	38	Bachelor's Degree	Business Administration	-	-	2006-present	Assistant Managing Director	RS Public Company Limited	-
				major in Advertising and Public Relation			2006-present	Managing Director	RSI-Dream Entertainment Co., Ltd.	
				Ramkhamhaeng University			2003-2006	General Manager	Matching Entertainment Co., Ltd.	
							1999-2003	Concert and Special Activity Manager	BEC-Tero Entertainment Public Company Limited	

Remark : 1 Resigned on January 1, 2007  
 2 Resigned on January 13, 2007  
 3 Appointed on January 13, 2007  
 4 Appointed on February 16, 2007



# Related Party Transactions



## Related Party Transactions

Details and information of related party transactions of the company, subsidiary companies, and related companies are illustrated in Note 4 of the financial statements as of December 31, 2006 and 2005. The company's Audit Committee had examined the related party transactions and made a remark that those related party transactions are in accordance with general conditions and normal business operations.

In 2006 from January 2006, the company and its subsidiaries underwent cross business transactions with individuals who may possess a conflict of interest as follows:

Person who may encounter conflicts	Relationship
Chetchotisak Company Limited	Mr. Surachai Chetchotisak is a director and shareholder holding 18.70% of the paid-up capital of Chetchotisak Co., Ltd.
	Miss Malee Chetchotisak is a director and shareholder holding 14.50% of the paid-up capital of Chetchotisak Co., Ltd. She is also a director and shareholder holding 5.52% of the company's paid-up capital.
	Mr. Suwat Chetchotisak is a director and shareholder holding 14.35% of the paid-up capital of Chetchotisak Co., Ltd. He is also a director and shareholder holding 15.46% of the company's paid-up capital.
Mr. Kriengkai Chetchotisak	He is a director and shareholder holding 14.29% of the company's paid-up capital.
Mr. Surachai Chetchotisak	He is a director and shareholder holding 16.03% of the company's paid-up capital.

Remark : The shareholding proportion of persons who may encounter conflicts was dated on 31 December 2006.

### Nature of Related Party Transactions and Pricing Conditions and Policy

The pricing of related party transactions was principally concentrated on the assets rental and appropriate determined based on the market price and other conditions insignificantly different from those in the market. The related party transactions comprised of :

#### Office Rental

In the financial statements for the year ended December 31, 2006 and 2005, the Company and subsidiaries made payment of the office rental, central service fee, public utilities expense and other rentals to Chetchotisak Company Limited (representing the party with whom the conflict of interest may arise) in the amount of Baht 44.40 million and Baht 37.30 million, respectively.

The party with whom the conflict of interest may arise collected the rental and central service fee from the company at the rate of Baht 297 per square meter. For the rental of studios and other



## Related Party Transactions

nearby buildings, the charter collection was applied to rental and central service fee (charter service fee collection means the rental and service fee were charged to the whole building rather than the number of square meters based on the conditions of each building for rent). The mentioned rate was reasonable when compared to the rental for nearby buildings, be it offices or apartments (buildings located on the main street in and outside the sois), which were marketed for Baht 300-500 per square meter. The charge of public utilities expense, including electricity and water supply, was calculated by cost plus 10% and the collection was based on the rental space (Baht 3-5 per unit for electricity on average and Baht 14-18 per unit for water supply on average). The rates were considered reasonable since they were lower when compared to the public utilities expense charged by nearby offices at the rate of Baht 5-7 per unit for electricity and Baht 16-18 per unit for water supply.

However, the office the company rented from Chetchotisak Company Limited was the office Chetchotisak Company Limited rented from the company's director and improved the townhouse utility space into the office. The company provided facilitation of public utilities and charged the rental/service fees at the charter rate (as discussed in the previous paragraph), which were proved to be lower than that charged at Chetchotisak Buildings 1-3.



# Related Party Transactions

## Office Rental

Building/ Address	Renter	Rent by	Rented space (square metre)	Rental fee, central service fee/ month (Baht)	Electricity charge and water supply fee		Contract period		Approved by
					2005 (million baht)	2006 (million baht)	start	end ( * )	
1. Chetchotisak Building 1 419/1 Soi Ladphrao 15, Jatujak, Bangkok	Chetchotisak Co., Ltd.	RS Public Company Limited	4,146	1,215,340	3.53	3.97	April 2006	March 2009	Board of Directors
2. Chetchotisak Building 2 419/2 Soi Ladphrao 15, Jatujak, Bangkok	Chetchotisak Co., Ltd.	RS Public Company Limited	4,175	1,217,645	3.19	3.61	April 2006	March 2009	Board of Directors
		Sky-High Network Co., Ltd.	1,200	356,400	1.02	1.88	October 2006	March 2009	Board of Directors
		RS International Broadcasting & Sports Management Co.,Ltd.	445	132,165	0	0.04	October 2006	March 2009	Board of Directors
3. Chetchotisak Building 3 419/3 Soi Ladphrao 15, Jatujak, Bangkok	Chetchotisak Co., Ltd.	RS Public Company Limited	1,564	417,100	1.18	1.61	September 2004	July 2007	Board of Directors
		Sky-High Network Co., Ltd.	38	4,500	0	-	October 2005	July 2007	Board of Directors
		K. Master Co., Ltd.	640	172,800	0.19	0.56	June 2005	July 2007	Board of Directors
4. Building 164/74 Soi Ladphrao 1, Jatujak, Bangkok	Chetchotisak Co., Ltd.	RS Public Company Limited	(Lump sum price)	350,000	0	0.93	April 2006	March 2009	Board of Directors
5. Building 203/34-36 Soi Ladphrao 15, Jatujak, Bangkok	Mr. Kriengkai Chetchotisak / Chetchotisak Co., Ltd.	Thai Copyright Collection Co., Ltd.	(Lump sum price)	140,600	0.01	0.41	April 2006	March 2009	Board of Directors
6. Building 203/18-20 Soi Ladphrao 15, Jatujak, Bangkok	Mr. Kriengkai Chetchotisak / Chetchotisak Co., Ltd.	Thai Copyright Collection Co., Ltd.	(Lump sum price)	172,800	0.46	0.41	April 2006	March 2009	Board of Directors

Note :

\* The rental agreement may be renewed at expiry.

(The rental agreement renewal may not be automatically enabled and the reconsideration at any renewal shall be made.)



# Related Party Transactions

## Land Rental

In the financial statements for the year ended December 31, 2006 and 2005, the company and subsidiaries made payment of land rental to Chetchotisak Company Limited in the amount of Baht 5.82 million and Baht 5.32 million, respectively.

The subsidiary company rented the land from related parties for the purpose of building the office or prop. The office incurred rather low cost and was of only one storey.

Chetchotisak Company Limited charged the land rental at the rate of Baht 150-200 per square wah, which was considered reasonable when compared to the rental charged to the nearby land at the rate of Baht 150-245 per square wah. The rental details were as follows:

## Land Rental

Type	Renter	Rent by	Contract term (*)	Rental fee/ month (Baht)	Approved by	
1. Land 373 square wah Soi Ladphrao 15 Jatujak, Bangkok	Chetchotisak Co., Ltd.	RS Public Company Limited	April 2006 - March 2009	74,600	Board of Directors	
2. Land 500 square wah Soi Ladphrao 15 Jatujak, Bangkok	Chetchotisak Co., Ltd.	RS Public Company Limited	April 2006 - February 2009	75,000	Board of Directors	
3. Land 1,609 square wah Soi Ladphrao 15 Jatujak, Bangkok	Chetchotisak Co., Ltd.	RS Public Company Limited	August 2006 - July 2008	287,100	Process by Management	**
4. Land 404 square wah Soi Ladphrao 15 Jatujak, Bangkok	Chetchotisak Co., Ltd.	RS Public Company Limited	July 2006 - June 2009	86,000	Process by Management	**
5. Land 52 square wah Soi Ladphrao 15 Jatujak, Bangkok	Chetchotisak Co., Ltd.	Sky-High Network Co., Ltd.	December 2006 - March 2009	5,000	Process by Management	**

Note :

\* The rental agreement may be renewed at expiry. (The rental agreement renewal may not be automatically enabled and the reconsideration at any renewal shall be made.)

\*\*This agreement was proceeded by Management since the scope of the transaction did not meet the criteria that required the approval of the Board of Directors as per the stipulation of the Stock Exchange of Thailand.

## Purchase of Fixed Assets

-None-



# Related Party Transactions

## Guarantee

The company and its director had the obligation incurred from the guarantee of loan from bank for the subsidiary as at December 31, 2006 as follows:

	Loan from banks at December 31, 2006 (Million baht)	Guarantee
RS Public Company Limited	85.0	Mr. Kriengkai Chetchotisak and Mr. Surachai Chetchotisak (full collateral)
Subsidiary company	74.0	- RS Public Company Limited and/ or - Mr. Kriengkai Chetchotisak and Mr. Surachai Chetchotisak and/ or - Land with building (subject to the guarantee agreement of each company)

Note :

- RS Public Company Limited possessed 100% shareholding in one subsidiary company and 63% in another one subsidiary company (using amount of money received from shareholder to calculate shareholding percentage).
- No guarantee charge to the company and subsidiary company.

## The Necessity and Rationale of the Related Party Transactions

All related party transactions are done under the necessity and rationale of the transactions to optimize the firm benefit. In 2006 the related party transactions between the company and the subsidiary companies and related parties were under normal course of business, no special condition and no transfer of interest. Pricing, fee rate and/or interest rate could be compared with other entities' transactions and has been disclosed in the notes to financial statements of 2006.

The Audit Committee has reviewed the related party transactions such as sales and purchase of goods or assets, copyright, production service, organizing concerts and marketing activities, sales of advertising, services, subcontractor of radio channel, loan interest, and etc., disclosed in the notes to financial statements of 2006 and has the following comments.

The mentioned transactions occurred under normal course of business, necessity and rationale of the connected transactions to optimize the firm benefit.

## Measures or Steps of Approval in Related Party Transactions

The company has set a policy for the approval of related party transactions. The related party transactions has rooted in necessity, rationale and optimal of the firm benefit and conditions are indifferent to the transaction with external parties. In case of the significant related party transactions, conducted in accordance with the rule governing listed securities, all approval must be consented by the Audit Committee, the Board of Directors and Shareholders' meeting excluding votes of the related persons.



# Related Party Transactions

## Policy and Future Potential of Related Party Transactions, including acquisition and disposal of assets

The company still maintains the policy for transactions between the company and the subsidiary companies such as office rental, land rental and guarantee of loan from bank by the company's director. However, the company has no policy that may lead to conflict of interests between the related persons (such as loan and guarantee of loan etc.), except for the case that will optimize the firm benefit, and conditions are indifferent to the transaction with external parties. The company will ensure that all transactions will be consented by the Board of Directors and Shareholders' meeting under the condition that disclosure is to be in accordance with the rule governing listed securities.



The background is a solid blue color. It features several large, thin, white curved lines that sweep across the page, creating a sense of motion and design. These lines are not perfectly circular but more like broad, sweeping arcs.

# Management Discussion and Analysis



# Management Discussion and Analysis

## Board of Directors' Report

### To Shareholders, RS Public Company Ltd.

The Board of Director is responsible for the reporting of the consolidated financial statements on the company and subsidiaries, contents of which have been consistently prepared with respect to the Thai generally accepted accounting standards where prudence are duly exercised and information disclosed in the notes accompanying the statements.

The Extraordinary General Meeting of Shareholders No. 1/2546 has approved an Audit Committee comprising independent directors who are not involved in the day-to-day operations to take responsibility over the quality of the financial reports and internal controls, which the Audit Committee's opinion was described in Audit Committee Report shown in this annual report.

The Board of Director has considered the consolidated financial statements of 2006 on the company and subsidiaries and concurs with the Executives and the authorised auditors that the company's the financial position and the result of operation presents fairly in conformity with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Kriengkai Chetchotisak'.

(Kriengkai Chetchotisak)

Chairman

in behalf of the Board of Director



## Audit Committee Report

### To Shareholders, RS Public Company Ltd.

In 2006, the Audit Committee performed its duties in accordance with the Audit Committee Charter approved by the Board of Directors to enhance good corporate governance, including reviewing quarterly financial statements and the financial statement for 2006 to ensure their accuracy and adequate disclosure.

The Audit Committee held meetings with internal and external auditors in order to discuss and exchange views on risk assessment, audit results and the adequacy of the internal control systems. The Audit Committee was also responsible for recommending the decrement and prevention of risk, considering and approving charters and internal audit plans, overseeing the company's operations to ensure transparency and compliance with the related laws and regulations.

The Audit Committee has considered and concurs with the authorized auditors that the company's financial statements and financial data disclosure are correct and meet the general accounting standard. The company's internal control systems are appropriate and no substantial defect has been found.

The Audit Committee has proposed to the Board of Directors that it should seek approval from the Shareholders' Meeting to appoint ANS Audit Company Limited as the company's auditor for 2007.

A handwritten signature in black ink, appearing to read 'Phisit'.

(Phisit Dachanabhirom)

Chairman of the Audit Committee



## Management Discussion and Analysis

The management discussion and analysis was based on the overall performances of RS Public Company Limited and subsidiaries as per the audited financial statements by auditor for the year 2005 and 2006. For the benefit of showing overall performances picture in RS group, business groups were divided into 4 main groups as music, digital, media, film, and concert and marketing activity business.

The Company and consolidated financial statements for the fiscal year ending on December 31, 2006 showed net profit of Baht 154.7 million, different from previous year of Baht 587.8 million which showed net loss result of Baht 433.1 million. Main reasons were

Total revenue for the fiscal year ending on December 31, 2006 amounted to Baht 3,140.2 million, a net increased from previous year of Baht 392.4 million or 14.3%, came from the following main reasons:

- Increment from advertising revenue of Baht 179.2 million or 23.1% with following details:
  - Revenue from radio business increased Baht 97.8 million or 30%
  - Revenue from publishing business increased Baht 38.0 million or 125.7% which resulted from additional new magazines, FAME and Dara Daily Weekend.
  - Revenue from television programs' management increased Baht 33.8 million or 8.2%. Main reason was from increasing number on non-music programs.
- Revenue from productions, and concert organizing and marketing activities increased Baht 108.7 and Baht 90.3 million respectively or at 34.7% and 39.5% respectively. These were due mainly from more Government projects and private organizations, including higher average revenue earning per job.
- Nevertheless, revenue from product sales decreased Baht 46.5 million or 5.8% which was due to lesser number of albums on sales than previous year, and revenue on services also reduced by Baht 30.3 million or 55.6%.

Cost of sales and productions increased Baht 218.7 million or 10.9%, as proportional to increased revenue. Selling and administrative expenses reduced by Baht 380.8 million or 34.4% was due mainly from reduced value of provisions on obsolete inventory and asset depreciation. This was due from the Company's inventory management policy in 2006, in controlling inventory at an appropriate level, more precise quantity control on music album issuing, including control on the quantity of products on sales to suit customers' demand.

The Company's gross profit in 2006 was 27.4 %, comparing to last year at 26.1%. Gross profit had increased by small amount comparing to last year because the Company generated more revenue and was able to more efficiently control on production cost which resulted in production cost reduction.



# Management Discussion and Analysis

## Past Operating Results for each Business Group

In 2004, 2005, and 2006, The Company's revenues could be segmented as per different business groups as follow:

Unit: Million Baht

Revenue	2004	2005	2006
Music Business Group	1,225.23	919.08	893.78
Digital Business Group	132.33	188.29	234.24
Media Business Group	572.11	958.15	1,126.67
Film Business Group	200.40	240.20	231.46
Concert and Marketing Activity Group	183.57	393.56	561.38
Support and Others Business Group	28.67	23.66	24.47
Total Operational Revenue	2,342.29	2,722.95	3,071.61
Other Revenue	12.69	24.42	59.48
Goodwill Revenue	22.88	0.44	9.16
<b>Total Revenue</b>	<b>2,377.87</b>	<b>2,747.81</b>	<b>3,140.24</b>

## Revenue per business group as per percentage of total revenue

(Percent)

Revenue	2004	2005	2006
Music Business Group	51.5 %	33.4 %	28.5 %
Digital Business Group	5.6 %	6.9 %	7.5 %
Media Business Group	24.1 %	34.9 %	35.9 %
Film Business Group	8.4 %	8.7 %	7.4 %
Concert and Marketing Activity Group	7.7 %	14.3 %	17.9 %
Support and Others Business Group	1.2 %	0.9 %	0.8 %
Total Operational Revenue	98.5 %	99.1 %	97.8 %
Other Revenue	0.5 %	0.9 %	1.9 %
Goodwill Revenue	1.0 %	0.0 %	0.3 %
<b>Total Revenue</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

Source: The Company's management had rearranged into new category items as per revenues from each business unit using the financial statements.

## Music Business Group

Revenue from music business group reduced from last year figure at Baht 25.3 million (or 2.8%), from Baht 919.1 million in 2005 to Baht 893.8 million in 2006. This resulted from reduction on number of albums on sales, controlling distribution quantity of each album, including changes in consumers' behavior with more interest in music downloads from digital business.



# Management Discussion and Analysis

## Digital Business Group

Revenue from digital business group increased Baht 45.9 million (or 24.4%), from the previous Baht 188.3 million in 2005 to Baht 234.2 million in 2006, which was from increases in downloading ring-back tone, full song, and bundling product. Moreover, the Company had always developed new channels and methods for revenue generation to serve the rapidly changing customers' requirements which resulted in more revenue for the Company.

## Media Business Group

Revenue from media business group increased Baht 168.1 million (or 17.5%), from the previous Baht 958.2 million in 2005 to Baht 1,126.3 million in 2006, which was mainly from advertising revenue that accounted for 82.9% of revenue from total media business. Revenue in the media business group could be segmented as follow:

- The revenue from radio business increased 14.1% with main revenue came from management of the early hour news program, and the performance result of highly rated and popular "93 Cool FM" radio station (reference rating from AC Nielsen (Thailand) Co., Ltd.). Moreover, in 2006, marketing activities had been increased from previous year to attract more listeners.

- Revenue from publishing business increased 102.4% from additional new magazine and weekly newspaper, "Fame" and "Dara Daily Weekend". These were well received from consumers, thus, resulted in increasing revenue in 2006 comparing to previous year.

- Revenue from television business increased 11.8%, with the main revenue generated from "Muang Thai Variety" program, on air during prime time. Additional television programs, the non music program, had been added such as "Lamai Diary", "Koo Konla Kua", and "Far Maung Thai" etc.

## Film Business Group

Revenue from film business group decreased Baht 8.7 million (or 3.6%), from Baht 240.2 million in 2005 to Baht 231.5 million in 2006. The main cause was from reduction in quantity of copyrights' revenues for VCD, free TV, and foreign copyrights. However, the average revenue from film distributors, and affiliated cinemas in 2006 was above the previous year.

The Company, in 2006, presented 5 movies on screens which were "Ocean Butterfly", "Thai Thief", "The Memory", "The Victim", and "Noodle Boxer".

## Concert and Marketing Activity Business Group

Revenue from the concert and marketing activity business group increased Baht 167.8 million (or 42.6%), from Baht 393.6 million in 2005 to Baht 561.4 million in 2006. The main reasons were from increases in completed assignments delivered to private companies and Government agencies, and including higher average revenue from assignments, such as the wrestling show "WWE Live in Thailand" etc. Moreover, in 2006, consumers' responses for concerts were better than previous year such as "Film Yakuza Tar Duan" concert, and "Nice Club" Dan&Beam concert, etc.



# Management Discussion and Analysis

## Financial Status

### Assets

As at December 31, 2006, the Company had total assets of Baht 2,131.9 million which was an increment from previous year of Baht 270.6 million or 14.5%. The main reason for assets increment in 2006 was the Company's business expansion into sports business by investing in "RS International Broadcasting & Sports Management Co., Ltd. which has obtained license for 2 seasons of World Cup Football. The Company has forecasted that this investment would generate high return on investment in the future. Moreover, the Company has invested in "RSI-Dream Entertainment Co., Ltd. which conducts the production and organization of concert, and including domestic and international activities.

### Assets Quality

#### Accounts Receivable

Total accounts receivable and notes receivable for the consolidated financial statement on December 31, 2004, 2005, and 2006 as per their aging periods were as follow;

	(Million Baht)		
	2004	2005	2006
Trade Accounts Receivable And Notes Receivable			
Current	382.0	471.3	608.1
Overdue			
Less than 3 months	207.7	160.6	106.2
3 – 6 months	21.9	29.0	63.2
6 – 12 months	39.8	13.8	48.2
More than 12 months	36.6	33.7	44.9
Total	688.0	708.4	870.6
Less allowance for doubtful accounts	(17.2)	(38.0)	(54.5)
Net - Trade accounts and notes Receivables	670.8	670.4	816.1



# Management Discussion and Analysis

As at December 31, 2004, 2005, and 2006 the outstanding balances of trade accounts receivable and notes receivable from persons or juristic persons were net Baht 670.8, 670.4, and 816.1 million respectively. These were due to business expansions, and thus higher revenues, which resulted in higher trade accounts receivable. Most of the trade accounts receivables were from normal trading activities in which the Company might have some advanced collections or allowing for average credit term period from 60 – 90 days depending on products or services. Considering from the above aging table of receivables, most of the overdue periods were within the periods given by the Company, except some Government agencies' receivables which would be collected later than given credit terms, however, these receivables would not become bad debts. The Company had recorded allowance for some doubtful accounts by considering problematic accounts receivables and non collection cases.

## - Allowance for Doubtful Accounts – Trade Accounts Receivable

The Company had recorded an increase on allowance for doubtful accounts for trade accounts receivable at Baht 16.5 million, from Baht 38.0 million in 2005, to Baht 54.5 million in 2006, reflecting risks from non payment of receivables.

This year, the Company had considered more stringent method on allowance for doubtful accounts by considering fundamentals on each individual receivable account which had the tendency in payment's problem, and problem in collection. The fundamentals on receivable accounts that were used in consideration were based on total accounts receivable. Hence, from the overall picture in the financial statement, the Company had accrued allowance for doubtful accounts covering more than amount for 12 months overdue accounts receivable. However, the Company had been strict in receivables' collections and consistently reviewed amount on allowance for doubtful accounts in every accounting quarters. The remaining receivables in the financial statement would reflect actual amount expected to be collected.

## Inventories – Net

As at December 31, 2006, the Company's net inventories amounted to Baht 141.8 million, a reduction of Baht 117.2 million from previous year which equaled to Baht 259.0 million in 2005. The Company recorded decrease in provision for impairment of inventories to Baht 132.6 million from amount of Baht 215.5 million in 2005 to Baht 82.9 million in 2006. This was due to Company's policies on adjusting the remaining inventories to a suitable level, sales promotion activities for obsolete products, controlling on number of music albums and including suitable quantity of products on sales with customers' demand. However, the Company consistently reviewed the net amount value for remaining inventories in every accounting quarters so that it reflected the amount on sales value in accordance with changes in economy or market.

## Intangible Assets – Net

The Company's net intangible assets on December 31, 2006 amounted to Baht 260.6 million, an increase of Baht 186.3 million from previous year. This was mainly from investment in "RS





# Management Discussion and Analysis

International Broadcasting & Sports Management Co., Ltd.” which resulted in goodwill value for FIFA copyrights at Baht 162.3 million.

However, the Company had considered recording the increment on impairment provision for intangible assets to Baht 10.7 million, from Baht 243.8 million in 2005 to Baht 254.5 million in 2006 by revising the net amount expecting to be received in every accounting quarter. This was to reduce risk from the intangible assets’ book value shown in the financial statements to be more than expected returns in the future.

## Liquidity

### Cash Flows

For the fiscal year ending December 31, 2006, the Company’s cash and cash equivalents were reduced by Baht 83.0 million. This was the result of reduced net cash from activity operations by Baht 59.4 million, net cash from investment reduced by Baht 19.5 million, and net cash from financing activities reduced by Baht 4.1 million.

The decreasing amount of cash flows in 2006 was mainly from additional investment cost, and including additional investments in fixed assets and copyrights, resulting from business expansion of the Company. Moreover, the Company had settled liability under the financial lease and paid up loan from financial institution during the year. Hence, even though the Company’s cash flows had shown a reducing trend but it did not have any consequences towards the Company at all.

### Important Liquidity Ratios

	2004	2005	2006
Current Liquidity Ratio (time)	1.71	1.53	1.58
Quick Liquidity Ratio (time)	0.95	1.03	1.06

In 2006, the liquidity ratios of the Company were not much different from previous year, which indicated rather high liquidity ratios.



# Management Discussion and Analysis

## Sources of funds

### Liabilities

As at December 31, 2006, the Company's liabilities amounted to Baht 997.6 million, while liabilities in 2005 was at Baht 905.4 million, an increment of 10.2% from previous year. Most liabilities were from normal business operations and investment expansions during the year.

### Shareholders' Equity

As at December 31, 2006, the Company's shareholders' equity amounted to Baht 1,134.4 million, while shareholders' equity in 2005 was at Baht 956.0 million, an increment of 18.7% from previous year. This was an increase of accrued profits from business operations in 2006 which generated additional net profit of 135.7% from previous year.

### Debt to Equity Ratio

	2004	2005	2006
Debt to Equity Ratio (time)	0.70	0.95	0.88

The debt to equity ratio decreased very little from last year which indicated that most of the Company's capital resources were more from its business operations than from external financing.

### Major factors and influences that may affect operation or financial situation in the future

-None-

### Professional Service Fee

- a) Audit fee  
The Company and its subsidiaries paid remuneration for Audit fee in 2006 totaled Baht 2.5 million
- b) Non – Audit Fee  
-None-

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# Financial Statements



## AUDIT REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To the Shareholders of RS Public Company Limited

I have audited the consolidated balance sheet of RS Public Company Limited and its subsidiaries as at December 31, 2006, the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and I have also audited the balance sheet of RS Public Company Limited as at December 31, 2006, the statements of income, changes in shareholders' equity and cash flows for the year then ended. The Company's management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of RS Public Company Limited and its subsidiaries for the year ended December 31, 2005 and the financial statements of the Company for the same period, presented herein for comparative purposes, were audited by another auditor, whose report dated February 27, 2006, expressed an unqualified opinion on those statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of RS Public Company Limited and its subsidiaries and of RS Public Company Limited as at 31 December 2006, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Prawit Viwanthananut  
Certified Public Accountant  
Registration Number 4917  
ANS Audit Co., Ltd.  
Bangkok, February 14, 2007



## RS PUBLIC COMPANY LIMITED AND SUBSIDIARIES BALANCE SHEETS AS AT DECEMBER 31, 2006 AND 2005

	Notes	Baht			
		Consolidated		The Company Only	
		2006	2005	2006	2005
ASSETS	3				
CURRENT ASSETS					
Cash and cash equivalents		149,334,093	226,783,864	88,848,211	95,235,255
Accounts receivable - related parties	4,5	-	-	490,152,774	385,246,113
Accounts receivable - others - net	5	816,050,387	670,409,287	358,918,000	204,440,834
Short - term loans to related parties	4	-	-	177,733,988	209,177,988
Inventories - net	4,6	141,757,004	259,018,840	79,421,932	152,105,644
Accrued income	4	162,359,939	59,983,018	149,045,913	52,301,816
Other current assets	4,7	252,713,429	165,897,605	92,182,901	103,494,871
Total Current Assets		1,522,214,852	1,382,092,614	1,436,303,719	1,202,002,521
NON CURRENT ASSETS					
Investments in subsidiaries	8	-	-	494,215,006	346,462,063
Property plant and equipment - net	9	291,169,691	357,095,635	131,781,982	75,071,854
Intangible assets - net	10	260,626,393	74,311,353	70,417,490	49,382,559
Goodwill (Negative)	4	45,743	(9,110,478)	-	-
Withholding tax		56,607,204	54,686,514	28,940,987	25,125,480
Other non current assets		1,267,579	2,252,616	900	96,355
Total Non Current Assets		609,716,610	479,235,640	725,356,365	496,138,311
TOTAL ASSETS		2,131,931,462	1,861,328,254	2,161,660,084	1,698,140,832



## RS PUBLIC COMPANY LIMITED AND SUBSIDIARIES BALANCE SHEETS AS DECEMBER 31, 2006 AND 2005

	Notes	Baht			
		Consolidated		The Company Only	
		2006	2005	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY CURRENT LIABILITIES	3				
Bank overdrafts and Short-term loans from financial institutions	11	158,989,133	160,000,000	85,000,000	70,000,000
Accounts payable - related parties	4	-	-	235,066,444	83,314,718
Accounts payable - others		268,017,177	309,648,870	174,028,058	174,693,950
Others payable	4	25,978,278	17,230,791	18,599,891	8,090,614
Current portion of liability under financial lease	13	6,845,427	-	3,985,327	-
Short-term loans from related parties	4	-	-	35,800,000	70,000,000
Unearned revenues	4	85,349,207	108,097,966	45,997,750	80,614,044
Accrued income tax		336,863	1,972,866	-	-
Accrued expenses	4	183,577,879	86,940,585	146,027,481	35,861,699
Other current liabilities	12	233,583,984	220,943,810	176,678,784	117,094,555
Total Current Liabilities		962,677,948	904,834,888	921,183,735	639,669,580
NON CURRENT LIABILITIES					
Liabilities under financial lease	13	32,871,369	-	20,814,887	-
Excess of share of losses over cost of investments	8	-	-	110,064,510	103,543,357
Other non current liabilities		2,014,967	516,355	155,474	149,119
Total Non Current Liabilities		34,886,336	516,355	131,034,871	103,692,476
Total Liabilities		997,564,284	905,351,243	1,052,218,606	743,362,056
SHAREHOLDERS' EQUITY					
Share capital	15				
Share Authorization					
Authorized share capital 700,000,000 ordinary shares, Baht 1 par value in 2006 and 145,000,000 ordinary shares, Baht 5 par value in 2005		700,000,000	725,000,000	700,000,000	725,000,000
Issued share capital 700,000,000 ordinary in 2006 and 140,000,000 ordinary in 2005, fully paid-up		700,000,000	700,000,000	700,000,000	700,000,000
Premium on share capital	16	297,522,590	607,516,239	297,522,590	607,516,239
Other premium	16	409,440	409,440	409,440	409,440
Retained earnings (Deficits)					
Appropriated - legal reserve	16	5,575,472	5,400,000	5,575,472	5,400,000
Unappropriated	16	105,933,976	(358,546,903)	105,933,976	(358,546,903)
Total Shareholders' Equity of parent company		1,109,441,478	954,778,776	1,109,441,478	954,778,776
Minority interest		24,925,700	1,198,235	-	-
Total Shareholders' Equity		1,134,367,178	955,977,011	1,109,441,478	954,778,776
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,131,931,462	1,861,328,254	2,161,660,084	1,698,140,832



**RS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF INCOME**  
**FOR EACH OF THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

		Baht			
		Consolidated		The Company Only	
Notes		2006	2005	2006	2005
<b>REVENUES</b>					
	3, 4				
Revenues from sales		751,344,254	797,844,640	107,511	1,586,309
Revenue from musical and other copyrights		478,087,572	451,427,610	763,943,955	661,228,350
Revenue from production		421,971,356	313,215,904	369,385,682	235,556,304
Revenue from film production		123,307,005	102,801,407	123,307,005	102,801,407
Revenue from production concerts and marketing activities		319,118,234	228,768,773	317,842,970	221,739,864
Advertising income		953,580,885	774,358,675	506,491,968	391,287,467
Service income		24,196,765	54,534,553	73,344,407	72,077,962
Other income		59,475,970	24,417,571	24,068,541	11,387,297
Amortization of goodwill	3	9,156,222	441,490	-	-
Share of profit from subsidiaries		-	-	56,430,791	-
Total Revenues		3,140,238,263	2,747,810,623	2,234,922,830	1,697,664,960
<b>COST AND EXPENSES</b>					
	3, 4				
Cost of sales and production		2,231,446,559	2,012,706,457	1,707,759,319	1,398,572,420
Selling and administrative expenses		727,187,444	1,108,010,725	349,580,023	532,313,506
Share of loss from subsidiaries		-	-	-	167,496,655
Directors' remuneration		925,000	920,000	925,000	920,000
Total Cost and Expenses		2,959,559,003	3,121,637,182	2,058,264,342	2,099,302,581
Profit (loss) before interest expenses and income tax		180,679,260	(373,826,559)	176,658,488	(401,637,621)
Interest expenses		11,237,738	6,535,106	8,724,999	3,024,923
Income tax	3	16,717,864	52,723,506	13,270,787	28,453,500
Net profit (loss) after interest expenses and income tax		152,723,658	(433,085,171)	154,662,702	(433,116,044)
Minority interest in net loss (profit)		1,939,044	(30,873)	-	-
Net profit (loss)		154,662,702	(433,116,044)	154,662,702	(433,116,044)
Basic earnings (loss) per share	3	0.22	(0.62)	0.22	(0.62)



## RS PUBLIC COMPANY LIMITED AND SUBSIDIARIES STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR EACH OF THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Notes	Baht						
	Consolidated						
	Issued and Paid-up Share Capital	Premium on Share Capital	Other Premium	Retained Earnings (deficit)		Minority Interest	Total
				Appropriated	Unappropriated		
Beginning balance as at January 1, 2005	700,000,000	607,516,239	-	5,400,000	74,569,141	326,957	1,387,812,337
Premium on change of percentage of shareholding in subsidiary	16	-	-	409,440	-	-	409,440
Increase in investment in subsidiaries		-	-	-	-	840,405	840,405
Net loss		-	-	-	(433,116,044)	30,873	(433,085,171)
Ending balance as at December 31, 2005	700,000,000	607,516,239	409,440	5,400,000	(358,546,903)	1,198,235	955,977,011
Transfer premium on share capital and legal reserves to offset with deficits	15	-	(309,993,649)	-	(5,400,000)	315,393,649	-
Increase in investment in subsidiaries		-	-	-	-	25,666,509	25,666,509
Appropriated - legal reserve	16	-	-	-	5,575,472	(5,575,472)	-
Net profit		-	-	-	154,662,702	(1,939,044)	152,723,658
Ending balance as at December 31, 2006	700,000,000	297,522,590	409,440	5,575,472	105,933,976	24,925,700	1,134,367,178

Notes	Baht					
	The company Only					
	Issued and Paid-up Share Capital	Premium on Share Capital	Other Premium	Retained Earnings (deficit)		Total
				Appropriated	Unappropriated	
Beginning balance as at January 1, 2005	700,000,000	607,516,239	-	5,400,000	74,569,141	1,387,485,380
Premium on change of percentage of shareholding in subsidiary	16	-	-	409,440	-	409,440
Net loss		-	-	-	(433,116,044)	(433,116,044)
Ending balance as at December 31, 2005	700,000,000	607,516,239	409,440	5,400,000	(358,546,903)	954,778,776
Transfer premium on share capital and legal reserves to offset with deficits	15	-	(309,993,649)	-	(5,400,000)	315,393,649
Appropriated - legal reserve	16	-	-	-	5,575,472	(5,575,472)
Net profit		-	-	-	154,662,702	154,662,702
Ending balance as at December 31, 2006	700,000,000	297,522,590	409,440	5,575,472	105,933,976	1,109,441,478





**RS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR EACH OF THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Baht			
	Consolidated		The Company Only	
	2006	2005	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES :				
Net profit (loss)	154,662,703	(433,116,044)	154,662,703	(433,116,044)
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	130,107,854	131,815,998	60,987,941	40,695,596
Allowance for doubtful accounts and write off of withholding tax	17,916,934	38,835,722	1,689,416	5,978,804
Share of (profit) loss in subsidiaries	-	-	(56,430,791)	167,496,655
Minority interest in net profit (loss)	(1,939,044)	30,873	-	-
Amortization of goodwill	(9,156,222)	(441,490)	-	-
Provision for obsolete inventories (reversed)	5,509,453	115,932,770	6,309,030	(1,223,890)
Allowance for sales return (reversed)	(59,444,603)	79,655,538	(14,239,958)	31,317,221
Allowance for impairment of assets	11,859,919	207,015,920	10,866,732	209,185,211
Allowance for impairment of long-term investment in other company	-	559,200	-	559,200
Gain on sale of investments in subsidiaries	-	(1,052,671)	-	(1,052,671)
(Profit) loss on sale and write off of equipment	(9,579,810)	2,811,717	(1,195,180)	875,155
Profit from operating activities before changes in operating assets and liabilities	239,937,184	142,047,533	162,649,893	20,715,237
DECREASE (INCREASE) IN OPERATING ASSETS:				
Accounts receivable	(160,855,397)	(25,744,565)	(261,343,811)	218,336,128
Inventories	111,802,643	146,719,924	66,374,681	82,345,708
Other current assets	(97,640,417)	(9,739,388)	(83,558,120)	(38,828,827)
Intangible assets	(190,897,999)	(64,688,264)	(52,235,835)	(66,392,305)
Other non - current assets	(7,578,433)	(13,677,050)	(3,720,053)	(2,065,341)
INCREASE (DECREASE) IN OPERATING LIABILITIES :				
Accounts payable	(41,631,693)	33,981,626	151,085,835	9,862,438
Other current liabilities	85,999,461	(19,320,390)	95,532,953	(32,603,457)
Other non - current liabilities	1,498,612	291,694	6,355	12,958
Net Cash Provided by Operating Activities	(59,366,039)	189,871,120	74,791,898	191,382,539



**RS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS (Continued)**  
**FOR EACH OF THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Baht			
	Consolidated		The Company Only	
	2006	2005	2006	2005
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>				
Increase in short - term loans to related parties	-	-	(97,200,000)	(178,389,988)
Decrease in short - term loans to related parties	-	-	128,644,000	60,444,077
Increase in other short - term loans	(4,875,927)	-	(1,854,689)	-
Increase in investments in subsidiaries	-	-	(130,100,000)	(800,300)
Cash received from sales of investment in subsidiaries	-	3,660,721	-	4,550,709
Cash received from decrease in share capital of subsidiaries	-	-	23,250,000	-
Purchase of fixed assets	(42,883,380)	(68,035,215)	(64,377,195)	(25,080,437)
Cash received from sales of fixed assets	28,200,076	10,790,277	1,607,247	653,042
Dividend received from subsidiaries	-	-	82,049,000	980,000
Net Cash Used in Investing Activities	(19,559,231)	(53,584,217)	(57,981,637)	(137,642,897)
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>				
Increase in bank overdrafts	3,989,133	-	-	-
Increase in short - term loans from financial institutions	210,000,000	78,000,000	200,000,000	40,000,000
Decrease in short - term loans from financial institutions	(215,000,000)	(226,000,000)	(185,000,000)	(135,000,000)
Repayment of liability under financial lease	(6,018,097)	-	(3,997,305)	-
Increase (Decrease) in short - term loans from related parties	-	-	(34,200,000)	50,400,000
Minority interest increase	2,950,000	1,200,000	-	-
Net Cash Used in Financing Activities	(4,078,964)	(146,800,000)	(23,197,305)	(44,600,000)
Net in Increase (Decrease) cash and cash equivalents	(83,004,234)	(10,513,097)	(6,387,044)	9,139,642
Cash and cash equivalents at the beginning of the year	226,783,864	240,077,946	95,235,255	86,095,613
Cash and cash equivalents at the beginning of subsidiary	5,554,463	(2,780,985)	-	-
Cash and cash equivalents at the ending of the year	149,334,093	226,783,864	88,848,211	95,235,255
<b>SUPPLEMENTARY CASH FLOWS INFORMATION :</b>				
<b>1. Cash paid during the year</b>				
Interest expenses	13,822,959	6,285,076	8,632,103	3,001,208
Income taxes	73,254,236	21,716,287	44,975,809	-
<b>2. NON-MONTARY TRANSACTIONS DURING THE YEAR</b>				

The Company purchased vehicles in the amount of Baht 31.93 million and copies machine in the amount of Baht 0.35 million by bartering with service of the Company for the portion in the amount of Baht 4.35 million, paid cash for the portion in the amount of Baht 1.21 million and entered into a leaseagreement for the remainder portion in the amount of Baht 26.72 million.



RS PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR EACH OF THE YEARS ENDED DECEMBER 31, 2006 and 2005

## 1. GENERAL INFORMATION

RS Public Company Limited, the “Company”, is a company registered in Thailand and listed on the Stock Exchange of Thailand. The registered office of the Company is at 419/1 Soi Ladphao 15, Ladphao Road, Jompon, Jatujak, Bangkok, Thailand.

R.S. Promotion Public Company Limited has changed to RS Public Company Limited on 30 December 2005.

The principal activities of the Company and subsidiaries (together referred to as the “Group”) are entertainment businesses including music, television, radio, publishing media, production houses of films, drama series and TV programs. In addition, the Company supports the major business of the Group.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in conformity with generally accepted accounting principles in Thailand.

The Company’s financial statements for the year 2005 have been reclassified to conform with the year 2006.

The financial statements have been prepared in Thai language, expressed in Thai Baht. Such financial statements have been prepared for domestic reporting purpose. For the convenience of the readers not conversant with the Thai language, an English language translation of the financial statements has been prepared from the Thai language financial statements.

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the “Group”), in which the Company has authority to control or holds more than 50% of the subsidiaries shares as follows:



# Financial Statements

Subsidiaries	Nature of Business	Rate of Shareholding In Percentage	
		2006	2005
1. K. Master Co., Ltd.	Distributor of Tapes, CD, VCD and DVD	100	100
2. Blu Fairy Co., Ltd.	Computer graphic design	100	100
3. News Generation Co., Ltd.	Publishing and distribution business	76	76
	Indirect holding by Poema Co., Ltd.		
4. R Siam Co., Ltd.	Non Operating	100	100
5. R.S. Sportmaster Co., Ltd.	Non Operating	76	76
6. Thai Copyright Collection Co., Ltd.	Music copyright collection	100	100
7. Shadow Entertainment Co., Ltd.	Non Operating	100	100
8. Magic Advertainment Co., Ltd.	Non Operating	100	100
9. Sky - High Network Co., Ltd.	Radio production	100	100
10. Poema Co., Ltd.	Publishing business	100	100
11. Red Drama Co., Ltd.	Non Operating	100	100
12. Aladdin House Co., Ltd.	Non Operating	100	100
13. R.S. Television Co., Ltd.	Non Operating	100	100
14. P.O.V. (Point of View) Co., Ltd.	Non Operating	100	100
15. Avant Co., Ltd.	Non Operating	100	100
16. RS Film and Distribution Co., Ltd.	Non Operating	100	100
17. Filmsurf Co., Ltd.	Non Operating	100	100
18. Nagasia Co., Ltd.	Non Operating	100	100
19. R.S. Studio Co., Ltd.	Non Operating	100	100
20. Bangkok Organizer Co., Ltd.	Non Operating	100	100
21. Moradok Entertainment Co., Ltd.	Production house - TV programs	76	76
22. RSI-Dream Entertainment Co., Ltd.	Production house - concert and activities	63	-
23. RS International Broadcasting and Sport Management co.,Ltd.	Service and production Sport activities	50	-

The significant accounting transactions between the Company and subsidiaries were eliminated from the consolidated financial statements.



## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of consolidation

### Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

### Revenue Recognition

Revenue excludes value added taxes or other sales taxes and is arrived at after deduction of trade discounts.

Revenues are recognized on an accrual basis.

#### 1. Revenue from sales

Revenue from sales is recognized at tax invoice value once delivered, after deduction of goods returned and discounts.

Revenue from publishing media sales is recognized at invoice value once delivered, after deduction of goods returned and discounts.

#### 2. Revenue from Copyright

Revenue from copyright is recognized once the copyright has been delivered.

Revenue from sale of film copyrights is recognized based on the agreement and / or the rights attaching to the said film.

#### 3. Revenue from production

Revenue from production of a drama, a TV programme, an advertising film and various other productions is recognized upon delivery of completed work or recognized based on the proportion of completed service, whichever is the case.

#### 4. Revenue from films

Income from box - office sharing between cinema's owner and the Group is recognized when the motion pictures have been exhibited. Revenue from motion picture films is recognized when the motion picture have been exhibited.

#### 5. Revenue from organizing concerts and marketing activities

Revenue from organizing concerts and marketing activities, being the revenue from organizing of concerts and show and marketing activities, is recognized upon delivery of completed work or recognized based on the proportion of work completed, whichever is the case.

#### 6. Revenue from sales of advertising

Revenue from sales of advertising, being the revenue from the sale of advertising media, i.e. the media of TV, radio, printed matter, and others, is recognized at invoice value less discounts when service has been provided.

#### 7. Revenue from services

Revenue from services is recognized when the service has been provided.

#### 8. Interest and dividend income

Interest income is recognised in the statement of income as it accrues. Dividend income is recognised in the statement of income on the date the Group's right to receive payments is established.



## Expenses

### Operating leases

Payments made under operating leases are recognised in the statement of income on a straight line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease payments made.

### Other expenses

Expenses are recognized on an accrual basis. Interest expenses and similar costs are charged to the income statement in the period in which they are incurred.

## Foreign currencies

### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

## Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short-term investments.

## Allowance for doubtful accounts

Allowance for doubtful accounts is an estimate of those amounts, which may prove to be uncollectible, based on collection experience and analysis of the current status of individual receivables.

## Inventories

Inventories are stated at the lower of cost and net realisable value.

The finished goods classified by tapes, CDs, VCDs, DVDs, raw materials and others are stated at cost by using first in first out method.

Films, drama series, telemovies and others are stated at cost which consists of direct production cost and other production expenses.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

The Company set up allowance for damage goods and obsolete stock.

## Investments

### Investments in subsidiaries

Investments in subsidiaries in the separate financial statements of the Company are accounted for using the equity method.

Investments in other company are accounted for using cost method less impairment loss.

If the group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.



## Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, which are computed by the straight-line method based on the estimated useful lives of assets as follows:

	Years	
Building and construction	20	as land lease agreement term
Machines and equipment	5 - 10	
Furniture and office equipment	5 - 10	
Vehicles	5	

## Intangible assets

### Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Negative goodwill arising on acquisition represents the excess of the fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition.

Goodwill and negative goodwill are stated at cost less accumulated amortisation and impairment losses. Goodwill and negative goodwill arising on acquisition of shares in subsidiaries in the Company's separate financial statements are included in investments.

The gain or loss on disposal of an entity includes the unamortized balance of goodwill relating to the entity disposed of.

Goodwill in the consolidated financial statements as at December 31, 2006 and 2005 consisted of:

	Baht					
	Consolidated					
	Positive goodwill		Negative goodwill		Total	
	2006	2005	2006	2005	2006	2005
Beginning balance	20,021,259	28,430,021	(29,131,737)	(37,981,989)	(9,110,478)	(9,551,968)
Increase during the year	-	-	-	-	-	-
Amortized during the year	(2,396,313)	(8,408,762)	11,552,535	8,850,252	9,156,222	441,490
Ending balance	17,624,946	20,021,259	(17,579,202)	(29,131,737)	45,744	(9,110,478)



## Amortization

Amortization is charged to the statement of income on a straight-line basis from the date that intangible assets are available for use over the estimated useful lives of the assets. Positive and negative goodwill are amortized based on the estimated useful lives as follows:

1. Negative goodwill	20	years
2. Goodwill	20	years

## Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

- Copyright of musical master tape

Cost of copyright of musical master tapes is recognized at cost comprising various related direct expenses of production.

Amortization of copyright of musical master tape is charged to the Statement of Income and calculated using the straight-line method over a period of ten years from the date of launch product.

- Copyright of drama

Copyright of drama is recognized at cost, comprising various related direct expenses of production, and amortization is charged to the Statement of Income as follows:

Before the third quarter 2004, 80% of the copyright value when the drama is on air until the end of the first time show; the remaining 20% over a period of 5 years from the end of first time show. Since the third quarter 2004 onwards, 100% of the copyright value when the new drama is on air.

- Copyright of films

Copyright of films is recognized at cost, comprising various related direct expenses of production and filming.

Before the third quarter 2005, amortization is charged to the Statement of Income over a period of 10 years as follows:

Year 1:	60% of the copyright value based on the estimated income ratio;
Year 2 to Year 10:	the remaining 40% of the copyright value using the straight-line method.





Since the third quarter 2005, the Company changed the accounting policy for movie copyright by recording the cost of movie production as expenses in the Statement of Income based on the ratio of major income for movies.

- Software and other copyrights

Software and other copyrights are recognized at cost, comprising various related direct expenses of acquisition.

Amortization is charged to the Statement of Income using the straight-line method for 3-10

## **Impairment**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the Statement of Income.

## **Trade and other accounts payable**

Trade and other accounts payable (including balances with related parties) are stated at cost.

## **Employee benefits**

No compensation cost or obligation is recognized when share options are issued under employee incentive programmes. When options are exercised, equity is increased by the amount of the proceeds received.

## **Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## **Income tax**

Corporate income tax was calculated from net profit for the years after adding back certain expenses which are disallowable for tax computation purposes.



## Basic Earnings (Deficits) per Share

In 2006, earnings per share as presented in the statements of income are the basic earnings per share which is determined by dividing net earnings for the period by number of common shares held by outsiders and outstanding during the period, after adjusting the number of common shares in proportion to the change in the number of shares as a result of the changes in par value as discussed in Note 15.

In 2005, new earnings (deficits) per share as presented in the statements of income are the basic earnings (deficits) per share which is determined by dividing net earnings for the period by the number of common shares held by outsiders and outstanding at the period, after adjusting the number of common shares in proportion to the change in the number of shares as a result of the changes in par value as discussed in Note 15. Seem as the new par value effect since the ordinary shares issued for comparative purposes with the basic earning per share in 2006.

Basic earnings per share for each of the years ended December 31, 2006 and 2005 were calculated by par value, Baht 1, as follows:

	Consolidated		The Company Only	
	2006	2005	2006	2005
Net profit(loss) (Baht)	154,662,702	(433,116,044)	154,662,702	(433,116,044)
Numbers of common share (Shares)	700,000,000	700,000,000	700,000,00	700,000,000
Basic Earnings(deficit) per Shares (Baht)	0.22	(0.62)	0.22	(0.62)

## 4. TRANSACTIONS WITH RELATED PARTIES

Related parties are those parties linked to companies in the Group by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or at contractually agreed prices where no market prices exist. Significant balances at each balance sheet date, and transactions for each of the years ended December 31, 2006 and 2005, with related parties are as follows:



# Financial Statements

	Baht	
	2006	2005
Trade accounts Receivable		
K. Master Co., Ltd.	431,218,205	337,112,215
Blu Fairy Co., Ltd.	13,108	-
News Generation Co., Ltd.	3,710,505	2,197,592
R Siam Co., Ltd.	48,065,735	31,671,832
R.S. Sportmaster Co., Ltd.	299,600	4,011,487
Thai Copyright Collection Co., Ltd.	734,437	119,075
Sky-High Network Co., Ltd.	2,736,565	5,869,748
Poema Co., Ltd.	1,974,889	112,472
Aladdin House Co., Ltd.	-	35,378
R.S. Television Co., Ltd.	-	82,358
Avant Co., Ltd.	-	1,115,828
Nagasia Co., Ltd.	-	936,381
Bangkok Organizer Co., Ltd.	-	28,997
Moradok Entertainment Co., Ltd.	593,850	1,952,750
RSI-Dream Entertainment Co., Ltd.	8,153	-
RS International Broadcasting and Sport Management co., Ltd.	797,727	-
Total	490,152,774	385,246,113



# Financial Statements

	Baht	
	2006	2005
Loans to		
K. Master Co., Ltd.	14,000,000	66,000,000
Blu Fairy Co., Ltd.	7,856,000	10,000,000
News Generation Co., Ltd.	-	31,200,000
R Siam Co., Ltd.	-	15,000,000
R.S. Sportmaster Co., Ltd.	7,200,000	10,000,000
Poema Co., Ltd.	134,177,988	69,377,988
Moradok Entertainment Co., Ltd.	14,500,000	7,600,000
Total	177,733,988	209,177,988
Movement of loans to		
Beginning balance	209,177,988	91,232,077
Increase during the year	97,200,000	178,390,000
Paid during the year	(128,644,000)	(60,444,089)
Ending balance	177,733,988	209,177,988
Finished goods		
R.S. Television Co., Ltd.	249,143	-
Filmsurf Co., Ltd.	14,461,951	14,920,986
Avant Co., Ltd.	1,002,516	2,159,130
R.S. Studio Co., Ltd.	69,901	-
Total	15,783,511	17,080,116



# Financial Statements

	Baht	
	2006	2005
Work in process		
K. Master Co., Ltd.	20,000	-
Blu Fairy Co., Ltd.	2,600,000	2,460,000
R.S. Sportmaster Co., Ltd.	-	12,746
Shadow Entertainment Co., Ltd.	-	473,798
Magic Advertainment Co., Ltd.	-	452,965
Sky-High Network Co., Ltd.	-	300,240
Poema Co., Ltd.	-	33,600
Red Drama Co., Ltd.	-	150,000
Aladdin House Co., Ltd.	-	2,724,600
R.S. Television co., Ltd.	6,144	1,088,879
P.O.V. (Point of View) Co., Ltd.	400,000	1,329,000
Avant Co., Ltd.	-	22,299,953
RS Film and Distribution Co., Ltd.	30,398,550	30,398,550
Filmsurf Co., Ltd.	-	50,000
Nagasia Co., Ltd.	-	25,380,361
R.S. Studio Co., Ltd.	529,930	1,311,120
Moradok Entertainment Co., Ltd.	54,900	54,900
RSI-Dream Entertainment Co., Ltd.	1,620,000	-
Total	35,629,524	88,520,712
Prepaid expenses		
Sky-High Network Co., Ltd.	773,960	782,260
R Siam Co., Ltd.	3,550,000	20,000
Total	4,323,960	802,260
Advance Payable		
RSI-Dream Entertainment Co., Ltd.	674,716	-
Total	674,716	-



# Financial Statements

	Baht	
	2006	2005
Accrued income		
K. Master Co., Ltd.	-	14,959
Blu Fairy Co., Ltd.	2,466	1,280
R Siam Co., Ltd.	-	43,238
R.S. Sportmaster Co., Ltd.	45,863	23,356
Poema Co., Ltd.	4,506,678	6,584
Total	4,555,007	89,417
Other receivable		
R Siam Co., Ltd.	-	21,650,762
Sky-High Network Co., Ltd.	-	6,358,206
Poema Co., Ltd.	77,961	-
Moradok Entertainment Co., Ltd.	91,439	-
Total	169,400	28,008,968
Trade accounts payable		
K. Master Co., Ltd.	36,694,097	5,484,123
Blu Fairy Co., Ltd.	11,097,429	2,727,800
News Generation Co., Ltd.	22,417,288	-
R Siam Co., Ltd.	35,336,877	1,913,813
R.S. Sportmaster Co., Ltd.	20,526	129,155
Thai Copyright Collection Co., Ltd.	3,075,216	2,352,378
Sky-High Network Co., Ltd.	81,396,608	1,347,864
Poema Co., Ltd.	273,669	165,647
Red Drama Co., Ltd.	3,822,413	-
Aladdin House Co., Ltd.	7,858,663	8,009,626
R.S. Television Co., Ltd.	4,934,919	32,842,990
P.O.V. (Point of View) Co., Ltd.	261,267	9,478,207
Avant Co., Ltd.	53,824	54,324
Filmsurf Co., Ltd.	61,082	-
Nagasia Co., Ltd.	5,368,546	9,007,317
R.S. Studio Co., Ltd.	22,044,723	8,770,460
Bangkok Organizer Co., Ltd.	349,297	1,031,014
Total	235,066,444	83,314,718



# Financial Statements

	Baht	
	2006	2005
Other payable		
Filmsurf Co., Ltd.	-	1,473,848
Total	-	1,473,848
Loans from		
Shadow Entertainment Co., Ltd.	5,800,000	12,000,000
Magic Advertainment Co., Ltd.	6,600,000	14,000,000
Red Drama Co., Ltd.	-	15,000,000
Avant Co., Ltd.	6,300,000	4,000,000
Filmsurf Co., Ltd.	7,600,000	8,000,000
Nagasia Co., Ltd.	3,500,000	-
R.S. Studio Co., Ltd.	4,500,000	-
Bangkok Organizer Co., Ltd.	1,500,000	17,000,000
Total	35,800,000	70,000,000
Movement of loans from		
Beginning balance	70,000,000	19,600,000
Increase during the year	22,300,000	53,000,000
Paid during the year	(56,500,000)	(2,600,000)
Ending balance	35,800,000	70,000,000
Unearned revenues		
K. Master Co., Ltd.	664,545	-
Thai Copyright Collection Co., Ltd.	14,499,890	9,847,677
Total	15,164,435	9,847,677
Accrued expenses		
Thai Copyright Collection Co., Ltd.	20,622	-
Shadow Entertainment Co., Ltd.	28,718	28,027
Magic Advertainment Co., Ltd.	33,093	34,397
Avant Co., Ltd.	34,903	-
Filmsurf Co., Ltd.	45,764	-
Nagasia Co., Ltd.	7,336	-
R.S. Studio Co., Ltd.	9,431	-
Bangkok Organizer Co., Ltd.	3,144	2,795
R Siam Co., Ltd.	4,670,453	-
Total	4,853,464	65,219



# Financial Statements

The Company's financial statements include significant transactions between the Company and subsidiaries for each of the years ended December 31, 2006 and 2005 as follows:

	Baht	
	2006	2005
Revenue from sales		
K. Master Co., Ltd.	-	285,475
Thai Copyright Collection Co., Ltd.	-	93,458
News Generation Co.,Ltd.	70,000	-
Poema Co., Ltd.	20,833	178,316
Total	90,833	557,249
Revenue from sales copyrights and other		
K. Master Co., Ltd.	323,835,332	222,661,163
R Siam Co., Ltd.	3,010,100	26,655,680
R.S. Sportmaster Co., Ltd.	-	46,729
Thai Copyright Collection Co., Ltd.	93,044,903	82,472,701
Sky-High Network Co., Ltd.	7,928,459	4,426,329
Poema Co., Ltd.	264,845	321,146
R.S. Television Co.,Ltd.	-	20,000
Total	428,083,639	336,603,748
Revenue from production		
K. Master Co., Ltd.	685,000	1,599,200
News Generation Co., Ltd.	-	1,903,780
R Siam Co., Ltd.	884,934	5,132,158
Thai Copyright Collection Co., Ltd.	-	182,900
Sky-High Network Co., Ltd.	160,300	7,694,726
Poema Co.,Ltd.	1,127,095	114,500
P.O.V. (Point of View) Co., Ltd.	-	11,550
Moradok Entertainment Co.,Ltd.	97,500	1,230,000
Bangkok Organizer Co., Ltd.	-	12,800
Total	2,954,829	17,881,614





# Financial Statements

	Baht	
	2006	2005
Revenue from production concerts and marketing activities		
K. Master Co., Ltd.	-	20,000
News Generation Co., Ltd.	49,000	30,000
R Siam Co., Ltd.	82,000	26,000
R.S. Sportmaster Co., Ltd.	-	438,000
Sky-High Network Co., Ltd.	181,000	246,500
Poema Co., Ltd.	470,160	20,504
Red Drama Co., Ltd.	-	1,080,000
Aladdin House Co., Ltd.	-	211,000
R.S. Television Co., Ltd.	7,500	134,000
P.O.V. (Point of View) Co., Ltd.	-	308,477
Filmsurf Co., Ltd.	-	12,000
Nagasia Co., Ltd.	34,400	49,000
Bangkok Organizer Co., Ltd.	-	455,000
Moradok Entertainment Co., Ltd.	260,000	40,000
Blu Fairy Co.,Ltd.	10,000	-
Total	1,094,060	3,070,481
Advertising income		
News Generation Co., Ltd.	-	1,000,000
R Siam Co., Ltd.	4,259,000	827,000
R.S. Sportmaster Co., Ltd.	-	3,705,388
Thai Copyright Collection Co., Ltd.	2,100,000	3,100,000
Sky-High Network Co., Ltd.	11,330,000	14,512,500
Total	17,689,000	23,144,888
Revenue from films production		
Avant Co., Ltd.	-	105,598
Total	-	105,598



# Financial Statements

	Baht	
	2006	2005
Service income		
K. Master Co., Ltd.	50,420	54,500
Blu Fairy Co.,Ltd.	42,250	-
News Generation Co., Ltd.	1,274,782	17,250
R Siam Co., Ltd.	23,983,787	34,968,382
R.S. Sportmaster Co., Ltd.	-	2,893,900
Thai Copyright Collection Co., Ltd.	97,310	80,050
Sky-High Network Co., Ltd.	25,281,034	23,279,015
Poema Co., Ltd.	359,150	47,400
Aladdin Co., Ltd.	5,335	43,000
R.S. Television Co., Ltd.	11,800	524,800
P.O.V. (Point of View) Co., Ltd.	7,500	5,100
Bangkok Organizer Co., Ltd.	-	345,020
Moradok Entertainment Co., Ltd.	142,500	1,855,000
Nagasia Co., Ltd.	124,500	-
RSI-Dream Entertainment Co., Ltd.	7,620	-
Total	51,387,988	64,113,417
Interest income		
K. Master Co., Ltd.	3,108,164	385,260
Blu Fairy Co., Ltd.	611,685	443,508
News Generation Co., Ltd.	1,462,578	219,436
R Siam Co., Ltd.	226,315	285,205
R.S. Sportmaster Co., Ltd.	549,110	275,000
Sky-High Network Co., Ltd.	-	67,562
Poema Co., Ltd.	7,345,753	1,173,405
Red Drama Co., Ltd.	-	19,274
Avant Co., Ltd.	-	34,786
Filmsurf Co., Ltd.	-	297,545
Tai-Saduak Co., Ltd.	-	24,103
Moradok Entertainment Co., Ltd.	821,778	76,663
RSI-Dream Entertainment Co., Ltd.	65,342	-
Total	14,190,725	3,301,747



# Financial Statements

	Baht	
	2006	2005
Other income		
K. Master Co., Ltd.	129,138	220,935
News Generation Co., Ltd.	224,779	-
R Siam Co., Ltd.	105,303	396,735
Thai Copyright Collection Co., Ltd.	99,222	144,272
Sky-High Network Co., Ltd.	136,388	19,677
Poema Co., Ltd.	171,281	7,729
Aladdin House Co., Ltd.	798	3,557
R.S. Television Co., Ltd.	53,596	55,045
P.O.V. (Point of View) Co., Ltd.	5,830	20,027
Filmsurf Co., Ltd.	-	14,817
Bangkok Organizer Co., Ltd.	-	72,465
Total	926,335	955,259
Cost of sales and production		
K. Master Co., Ltd.	4,330,997	4,787,774
Blu Fairy Co., Ltd.	11,184,700	3,305,000
News Generation Co., Ltd.	66,966,101	1,208,402
R Siam Co., Ltd.	8,458,595	7,154,278
R.S. Sportmaster Co., Ltd.	94,851	735,975
Thai Copyright Collection Co., Ltd.	2,890,520	638,825
Shadow Entertainment Co., Ltd.	473,798	-
Magic Advertainment Co., Ltd.	452,965	105,264
Sky-High Network Co., Ltd.	46,012,033	6,387,459
Poema Co., Ltd.	280,300	273,575
Red Drama Co., Ltd.	350,000	26,666,843
Aladdin House Co., Ltd.	28,442,053	40,054,626
R.S. Television Co., Ltd.	35,681,095	95,304,035
P.O.V. (Point of View) Co., Ltd.	16,860,191	42,530,929
Avant Co.,Ltd.	22,299,953	33,797,485



# Financial Statements

	Baht	
	2006	2005
Cost of sales and production(continue)		
Filmsurf Co., Ltd.	50,000	14,581,139
Nagasia Co., Ltd.	41,066,174	36,033,661
Tai-Saduak Co., Ltd.	-	3,705,000
R.S. Studio Co., Ltd.	11,470,871	11,433,131
Bangkok Organizer Co., Ltd.	-	64,161,137
Moradok Entertainment Co., Ltd.	480,000	1,347,029
Total	297,845,197	394,211,567
Selling and administrative expense		
K. Master Co., Ltd.	33,718,797	3,635,108
Blu Fairy Co.,Ltd.	-	80,000
R Siam Co., Ltd.	-	40,000
R.S. Sportmaster Co.,Ltd.	-	385,554
Thai Copyright Collection Co., Ltd.	161,880	255,568
Shadow Entertainment Co., Ltd.	549,321	-
Magic Advertainment Co., Ltd.	643,696	-
Poema Co., Ltd.	10,000	13,517
Red Drama Co.,Ltd.	490,192	-
Sky-High Network Co., Ltd.	115,562	252,619
Aladdin House Co., Ltd.	220,582	436,215
R.S. Television Co., Ltd.	2,912,949	217,410
P.O.V. (Point of View) Co., Ltd.	203,050	209,491
Avant Co.,Ltd.	188,629	5,121,409
Filmsurf Co., Ltd.	324,860	161,285
Nagasia Co., Ltd.	7,335	-
Tai-Saduak Co., Ltd.	-	321,218
R.S. Studio Co., Ltd.	2,325,586	565,344
Bangkok Organizer Co., Ltd.	409,048	3,538,805
Total	42,281,487	15,233,543



# Financial Statements

	Baht	
	2006	2005
Interest expenses		
Shadow Entertainment Co., Ltd.	549,321	330,000
Magic Advertainment Co., Ltd.	643,696	350,425
Sky-High Network Co.,Ltd.	115,562	-
Red Drama Co.,Ltd.	490,192	-
Avant Co.,Ltd.	188,629	-
Filmsurf Co.,Ltd.	324,860	-
Bangkok Organizer Co.,Ltd.	409,048	-
Nagasia Co., Ltd.	7,335	-
R.S. Studio Co., Ltd.	9,431	-
Moradok Entertainment Co., Ltd.	-	26,258
Total	2,738,074	706,683

As at December 31, 2006 and 2005, two directors signed as guarantors for loans from financial institutions for both the Company and subsidiaries.

## The Year 2006

The Company and subsidiaries entered into inter-service agreements and/or Memorandums of Understanding. The value of services occurred during of the year were disclosed in the above inter-companies' transactions. Such services were consist of a management consulting service agreement, supporting events and activities service agreement, advertising consulting service agreement, storing music copyright service agreement and sales distribution service agreement among each other.



## The Year 2005

The Company had entered into contracts with subsidiaries with the following significant contracts:

Contracts	Contracting parties	Amount (in million Baht)
TV drama series production	Nagasia Co., Ltd.	5.60
	Aladdin House Co., Ltd.	26.55
	Red Drama Co., Ltd.	26.67
TV programs	R.S. Television Co., Ltd.	with the price determined in the agreement
Advertisement	R.S. Sportmaster	1.78
	R Siam Co., Ltd.	with the price determined in the agreement
	Sky - High Network Co., Ltd.	14.50
	Thai Copyright Collection Co., Ltd.	3.00
	News Generation Co., Ltd.	1.00
Purchase of movie copyright	Filmsurf Co., Ltd.	13.75
Airtime advertisement for rent	Sky - High Network Co., Ltd.	with the price determined in the agreement
Consultancy	R Siam Co., Ltd.	20.23
	Sky - High Network Co., Ltd.	17.71
Agreement permitting the use of copyrighted products by subsidiary companies	Sky - High Network Co., Ltd.	with the price determined in the agreement
Permitting the use of live concert recording	R Siam Co., Ltd.	with the price determined in the agreement
Events organizer	Moradok Entertainment Co., Ltd	1.32
Design cartoon animation	Blu Fairy Co., Ltd.	2.20
Air-time for TV. broadcasting	R Siam Co., Ltd.	with the price determined in the agreement
	Moradok Entertainment Co., Ltd	1.85



On April 21, 2005, the Company entered into a share subscription agreement with a managing director of Tai-Saduak Co., Ltd., which is a subsidiary company, to which 49,993 shares had been subscribed and which worked out to 100%, at approximately Baht 3.59 million.

On April 21, 2005, Poema Co., Ltd. entered into an agreement to purchase building and assets of Tai-Saduak Co., Ltd. which had a net book value in the amount of Baht 6.80 million.

On May 31, 2005, Tai-Saduak Co., Ltd. received a cheque from the sales of fixed assets to Poema Co., Ltd. in the amount of Baht 6.80 million (excluding value added tax) and requested Poema Co., Ltd. to endorse the said cheque payable to R.S. Promotion Public Co., Ltd. in order to repay a loan in the amount of Baht 2.90 million and an advance received from movie production cancellation in the amount of Baht 1.68 million. The remaining amount of Baht 2.22 million was used to pay for the share subscription of Mr. Pornchai Hongrattanaporn who purchased shares of Tai - Saduak Co., Ltd. from RS Public Co., Ltd. As at 31 May 2005, Mr. Pornchai had entered into a loan agreement with Tai - Saduak Co., Ltd.

On June 8, 2005, Rock Skin Co., Ltd. had changed its name to News Generation Co., Ltd. and started the business operations in the production and distribution of printing materials.

On June 16, 2005, Screen Head Co., Ltd. changed its name to Moradok Entertainment Co., Ltd. and started business operations in the production of TV programs.

At the Board of Director's meeting held on June 27, 2005, it was resolved to sell 6,720 shares, totaling Baht 0.48 million, representing 24% of the Company's total investment in the ordinary shares of Moradok Entertainment Co., Ltd., to director and employee of Moradok Entertainment Co., Ltd.

In June, 2005, the Company had sold 100% investment in News Generation Co., Ltd. to Poema Co., Ltd. which is subsidiary company, to which 9,993 shares at Baht 89.06 per share, at approximately Baht 0.89 million. Furthermore on 6 July 2005, at the Extraordinary Shareholders' Meeting of News Generation Co., Ltd., a resolution was passed to increase the share capital from Baht 1 million to Baht 5 million by issuing 40,000 ordinary shares at Baht 100 per share. The subsidiary company had registered the said increase of the share capital with the Ministry of Commerce, on 7 July, 2005.

Poema Co., Ltd. had purchased the investments in News Generation Co., Ltd. for 28,000 shares at Baht 100 each, totaling Baht 2.8 million and the remainder of the increased share capital for 12,000 shares held by the director. Poema Co., Ltd. held 76% of shareholding in News Generation Co., Ltd.



At the Board of Director's meeting of the Company held on Nov 8, 2006, agreed to acquire 250,000 ordinary shares of RS international broadcasting and sport management co., Ltd. in amount of Baht 740 per share, totaling amount of Baht 185 million.

The valuation of the assets and liabilities thus acquired at the acquisition date was as follows:

	Baht
Cash and cash equivalents	5,554,463
Trade accounts receivable	1,284,000
Inventories	50,260
Prepaid expenses - license	36,254,389
Other current assets	3,405,893
Equipment – net	7,357,350
Copyright FIFA	162,283,491
Liability of financial lease	768,808
Other Payables	550,532
Other Payables – Related	1,216,274
Accrued Expenses	367,243
Accrued Expenses – Related	460,865
Other current liabilities	140,422
Liability under financial lease	4,969,192
Net assets	207,716,510
Less : Minority interest	(22,716,510)
Net assets acquired	185,000,000
Purchase price	185,000,000
Less : Cash and cash equivalents of subsidiary companies	(5,554,463)
Less : Subscription payable from investment in subsidiary	(60,000,000)
Net cash flows used by subsidiary in acquisition of subsidiary	119,445,537

During the year 2006 and 2005, the Company has a corporate restructuring. As a result of corporate restructuring, the subsidiaries were not operating the business and transferred their business, their personnel and assets to the Company as a business unit of the Company. Those subsidiaries were not close and have amortized all of the goodwill are summarized as follows:

2006	2005
- R.S. Sportmaster Co., Ltd.	- Bangkok Organizer Co., Ltd.
- Aladdin House Co., Ltd.	- Red Drama Co., Ltd.
- Nagasia Co., Ltd.	
- R.S. Television Co., Ltd.	
- P.O.V. (Point of View) Co., Ltd.	
- R.S. Studio Co., Ltd.	
- R Siam Co., Ltd.	





## Basis of measurement for intercom any revenues and expenses

- 1 Revenue from sales is determined per unit on a cost basis.
- 2 Revenue from copyright is determined either by per unit on historical cost or by a proportion of copyright usage to revenue collection.
- 3 Revenue from production is determined from original cost plus operating margin based on normal business operations. Revenue sharing from production of promotional work is based on the sales volume.
- 4 Revenue from concert and marketing activities is calculated from cost plus operating margin based on normal business operations.
- 5 Revenue from advertising is determined per unit by referring to the market price.
- 6 Services income is determined by referring to the market price.
- 7 Radio stations lease income is determined on a cost basis.
- 8 Interest income derived from related subsidiaries is based on the cost of loans or at market rate of approximately 2 - 8% per annum.
- 9 In the consolidated financial statements, the transactions between the Company and its subsidiaries with its related parties for each of the years ended December 31, 2006 and 2005 are summarized as follows:

	Baht	
	2006	2005
- Cost of sales and service	27,599,641	19,875,097
- Selling and administrative expense	44,039,623	41,941,683

## Basis of pricing

Unit price comparable to the market price survey of rental and common area fees.



## 5. ACCOUNTS RECEIVABLE - NET

As at December 31, 2006 and 2005 accounts receivable are classified by aging as follows:

	Baht			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Accounts receivable – related parties				
Current	-	-	173,489,007	101,261,273
Overdue :				
Less than 3 months	-	-	82,254,697	50,657,154
3 - 6 months	-	-	85,261,643	59,417,878
6 - 12 months	-	-	140,714,184	173,909,808
Over 12 months	-	-	8,433,243	-
Total accounts receivable - related parties	-	-	490,152,774	385,246,113
Accounts receivable - others				
Current	608,058,172	471,273,167	194,265,993	133,409,524
Overdue :				
Less than 3 months	106,189,799	160,586,304	80,621,885	52,545,010
3 - 6 months	63,185,914	29,016,739	50,351,379	18,732,349
6 - 12 months	48,219,498	13,769,314	35,372,450	2,816,055
Over 12 months	44,879,563	33,748,025	3,630,333	301,951
Total	870,532,946	708,393,549	364,242,040	207,804,889
Less Allowance for doubtful accounts	(54,482,559)	(37,984,262)	(5,324,040)	(3,364,055)
Total accounts receivable-others - net	816,050,387	670,409,287	358,918,000	204,440,834



## 6. INVENTORIES - NET

	Thousand Baht			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Finished goods Film and Music, Tape, CD, VCD, DVD	118,145,748	323,064,375	650,629	17,762,330
Work in process : movie, drama, tele-movie and others	88,656,802	128,626,123	80,134,418	135,854,585
Raw materials	9,537,337	18,434,478	-	-
Others	8,323,452	4,420,968	6,457,186	-
Total - Finished Goods	224,663,339	474,545,944	87,242,233	153,616,915
Less Allowance for devaluation of inventories	(82,906,335)	(215,527,104)	(7,820,301)	(1,511,271)
Inventories - net	141,757,004	259,018,840	79,421,932	152,105,644

## 7. OTHER CURRENT ASSETS

	Baht			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Undue input vat	57,174,935	46,620,358	18,235,788	7,164,354
Prepaid expenses	52,600,785	26,867,612	12,296,899	20,480,479
Advance receivable	28,304,873	20,390,706	25,261,871	11,848,940
Other receivable	47,164,604	14,296,201	678,479	30,326,064
Advance corporate income tax	55,078,652	38,493,532	31,705,023	29,653,100
Other short - term loan	4,952,494	76,567	1,854,689	-
Others	7,437,086	19,152,629	2,150,152	4,021,934
Total	252,713,429	165,897,605	92,182,901	103,494,871

### PREPAID EXPENSES

In November 2005, the Company entered into a market consulting fee agreement with a company over 13 month periods from December 2005 to December 2006 in the amount of Baht 12.50 million (excluded VAT).



## 8. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries - net which recorded by the equity method as at December 31, 2006 and 2005 consisted of:

	Baht							
	Paid up capital		Cost Method		Equity Method		Deficit in investments	
	2006	2005	2006	2005	2006	2005	2006	2005
Subsidiaries								
K. Master Co., Ltd.	200,000,000	200,000,000	199,999,300	199,999,300	20,421,741	-	-	(10,592,028)
Blu Fairy Co., Ltd.	31,000,000	31,000,000	30,009,993	30,009,993	18,952,298	7,302,620	-	-
News Generation Co., Ltd.	5,000,000	5,000,000	-	-	-	-	(23,887,469)	(24,303,920)
R Siam Co., Ltd.	1,000,000	1,000,000	999,300	999,300	22,888,230	-	-	(5,301,214)
R.S. Sportmaster Co., Ltd.	4,500,000	4,500,000	2,667,595	2,667,595	-	-	(3,890,160)	(2,264,490)
Thai Copyright Collection Co., Ltd.	10,000,000	10,000,000	9,999,400	9,999,400	12,149,277	12,845,314	-	-
Shadow Entertainment Co., Ltd.	2,312,500	9,250,000	2,308,500	9,246,000	6,000,254	13,303,145	-	-
Magic Advertainment Co., Ltd.	2,937,500	11,750,000	2,936,800	11,749,300	6,801,585	15,045,691	-	-
Sky-High Network Co., Ltd.	100,000,000	100,000,000	80,199,993	80,199,993	119,229,189	119,954,203	-	-
Poema Co., Ltd.	10,000,000	10,000,000	10,000,000	10,000,000	-	-	(79,211,191)	(57,251,940)
Red Drama Co., Ltd.	2,500,000	10,000,000	24,993	99,993	4,631,583	20,916,566	-	-
Aladdin House Co., Ltd.	5,000,000	5,000,000	4,999,300	4,999,300	12,604,324	11,330,721	-	-
R.S. Television Co., Ltd.	4,000,000	4,000,000	3,999,300	3,999,300	5,600,832	46,292,161	-	-
P.O.V. (Point of View) Co., Ltd.	4,000,000	4,000,000	3,999,300	3,999,300	4,191,766	13,359,791	-	-
Avant Co., Ltd.	10,000,000	10,000,000	9,999,300	9,999,300	10,103,554	13,549,794	-	-
RS Film and Distribution Co., Ltd.	5,000,000	5,000,000	4,999,300	4,999,300	-	-	(990,454)	(3,829,765)



# Financial Statements

Baht

	Paid up capital		Cost Method		Equity Method		Deficit in investments	
	2006	2005	2006	2005	2006	2005	2006	2005
Subsidiaries								
Filmsurf Co., Ltd.	10,000,000	10,000,000	9,999,300	9,999,300	9,305,065	8,472,787	-	-
Nagasia Co., Ltd.	10,000,000	10,000,000	9,999,300	9,999,300	13,233,827	13,319,280	-	-
R.S. Studio Co., Ltd.	10,000,000	10,000,000	9,999,300	9,999,300	30,332,894	22,262,602	-	-
Bangkok Organizer Co., Ltd.	3,000,000	3,000,000	2,999,300	2,999,300	5,772,817	24,712,977	-	-
Moradok Entertainment Co., Ltd.	2,800,000	2,800,000	2,125,340	2,125,340	6,995,770	3,794,411	-	-
RSI-Dream Entertainment Co., Ltd.	8,050,000	-	5,100,000	-	-	-	(2,085,236)	-
RS International Broadcasting and Sport Management co.,Ltd.	50,000,000	-	185,000,000	-	185,000,000	-	-	-
	491,100,000	456,300,000	592,364,914	418,089,914	494,215,006	346,462,063	(110,064,510)	(103,543,357)



## 9. PROPERTY, PLANT AND EQUIPMENT - NET

Year 2006	Baht				
	Consolidated				
	Beginning balance	Increase	Transfer (in-out) - net	Sold	Ending balance
Cost					
Land and Land improvements	32,705,000	-	-	-	32,705,000
Buildings and building improvements	93,824,497	2,416,981	845,348	(877,580)	96,209,246
Machines and operation equipment	306,547,851	6,736,823	(51,551,040)	(111,784,998)	149,948,636
Furniture and office equipment	172,464,749	32,640,154	1,125,983	(2,549,517)	203,681,369
Vehicles	9,846,574	42,271,615	6,138,000	(1,557,138)	56,699,051
Equipment under installation	-	3,164,700	(800,014)	-	2,364,686
Total - Cost	615,388,671	87,230,273	(44,241,723)	(116,769,233)	541,607,988
Accumulated depreciation					
Buildings and building improvements	16,663,372	7,209,176	-	(480,210)	23,392,338
Machines and operation equipment	173,465,966	45,606,904	(23,509,991)	(79,462,803)	116,100,076
Furniture and office equipment	61,731,333	39,197,619	(162,746)	(2,121,231)	98,644,975
Vehicles	6,432,365	6,899,010	227,106	(1,257,573)	12,300,908
Total - Accumulated depreciation	258,293,036	98,912,709	(23,445,631)	(83,321,817)	250,438,297
Book Value	357,095,635				291,169,691



Year 2006	Baht				
	The Company Only				
	Beginning balance	Increase	Transfer (in-out) - net	Sold	Ending balance
Cost					
Buildings and building improvements	2,317,985	12,262,633	-	-	14,580,618
Operation equipment	16,598,139	58,120	-	-	16,656,259
Furniture and office equipment	99,252,071	53,451,374	-	(651,226)	152,052,219
Vehicles	4,714,296	31,752,586	-	(1,121,372)	35,345,510
Total - Cost	122,882,491	97,524,713	-	(1,772,598)	218,634,606
Accumulated depreciation					
Buildings and building improvements	86,468	1,137,185	-	-	1,223,653
Operation equipment	12,299,650	9,908,488	-	-	22,208,138
Furniture and office equipment	32,305,912	24,103,498	-	(410,389)	55,999,021
Vehicles	3,118,607	5,253,348	-	(950,143)	7,421,812
Total - Accumulated depreciation	47,810,637	40,402,519	-	(1,360,532)	86,852,624
Book Value	75,071,854				131,781,982

Depreciation for the year 2006 Group of companies, totalling in the amount of Baht 98.91 million (2005: Baht 99.18 million), in amount of Baht 56.76 million (2005: Baht 67.78 million) included cost of sales and service and in the amount of Baht 42.15 million (2005: Baht 31.40 million) included selling and administrative.

Depreciation for the year 2006 of the Company, totalling in the amount of Baht 40.40 million (2005: Baht 19.87 million), in amount of Baht 22.17 million (2005: Baht 9.58 million) included cost of sales and service expenses and in the amount of Baht 18.23 million (2005: Baht 10.30 million) included selling and administrative.

As at December 31, 2006, Group of companies has plant and equipment still in use which have been fully depreciated with the original cost of Baht 17.61 million (2005: Baht 1.39 million), the Company has Baht 14.88 million (2005: Baht 0.14 million).

During the year 2006, the Company received building and equipment from subsidiaries, book value in the amount of Baht 57.12 million, according with a group of the Company corporate restructuring (Note : 4).

The office building is rented from a related business.



## 10. INTANGIBLE ASSETS - NET

	Baht			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Cost				
Beginning balance	403,374,489	338,686,225	328,541,616	262,149,311
Addition	228,175,937	64,688,264	52,235,842	66,392,305
Disposal	-	-	(7)	-
Carry forward balance	631,550,426	403,374,489	380,777,451	328,541,616
Accumulated amortization				
Beginning balance	85,240,786	52,601,977	38,967,416	18,145,431
Amortization for the year	31,189,590	32,638,809	20,585,422	20,821,985
Disposal	-	-	-	-
Carry forward balance	116,430,376	85,240,786	59,552,838	38,967,416
Balance	515,120,050	318,133,703	321,224,613	289,574,200
Less Allowance for impairment	(254,493,657)	(243,822,350)	(250,807,123)	(240,191,641)
Net book value	260,626,393	74,311,353	70,417,490	49,382,559

Intangible assets – net as at December 31, 2006 and 2005 consisted of:

	Baht			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Copyright of musical	50,957,143	44,646,119	47,390,408	26,394,627
Copyright of drama	15	10	9	10
Copyright of film	4,722,054	14,815,830	4,722,051	14,815,830
Copyright of FIFA	162,283,491	-	-	-
Other copyright	42,663,690	14,849,394	18,305,022	8,172,092
	260,626,393	74,311,353	70,417,490	49,382,559





## 11. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at December 31, 2006 and 2005, the Company and subsidiaries obtained loans from bank overdrafts and financial institutions with commitments as follows:

	Baht			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Bank overdrafts	3,989,133	-	-	-
Promissory notes	155,000,000	160,000,000	85,000,000	70,000,000
Total	158,989,133	160,000,000	85,000,000	70,000,000

### The Company

As at December 31, 2006, the Company had a short-term loan from a local bank under promissory notes for Baht 85 million (2005: Baht 70 million) at the market interest rate. The said loan is due for repayment at maturity date in 1 to 3 months and interest is payable per month/when due. The loan was guaranteed by 2 directors.

### Subsidiaries

As at December 31, 2006, all of the subsidiary companies had a short-term loan from a local bank for a combined total amount of Baht 70 million (2005: Baht 90 million) at the market interest rate. The said loans are due for repayment with a maturity date in 1 to 3 months and interest is payable per month. The loan was guaranteed by 2 directors and pledged land and buildings of the subsidiary.

As at December 31, 2006, the subsidiary company had bank overdrafts in the amount of Baht 10 million at the market interest rate by the parent company per annum, guaranteed by the company.

## 12. OTHER CURRENT LIABILITIES

	Baht			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Provision for sale return	69,706,451	129,151,054	48,900,661	63,140,620
Undue output vat	77,095,151	63,411,093	55,142,944	39,973,446
Subscription payable	60,000,000	-	60,000,000	-
Others	26,782,382	28,381,663	12,635,179	13,980,489
Total	233,583,984	220,943,810	176,678,784	117,094,555



## PROVISION FOR SALE RETURN HAS MOVEMENT AS FOLLOWS

	Baht			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Beginning balance	129,151,054	49,556,251	63,140,620	31,823,339
Increase (Decrease)	(59,444,603)	79,594,803	(14,239,959)	31,317,281
Ending balance	69,706,451	129,151,054	48,900,661	63,140,620

## 13. LIABILITY UNDER FINANCIAL LEASE

	Baht	
	2006	
	Consolidated	The Company only
Finance lease	24,597,044	18,859,045
Less Current portion of financial lease	(3,200,557)	(2,431,749)
Finance lease - net	21,396,487	16,427,296

The Group of companies has financial lease agreements for vehicles payable monthly in the amount of Baht 0.40 million. As at December 31, 2006, the current portion of liability under the financial lease agreement in the amount of Baht 3.20 million was presented under current liabilities.

The Company has financial lease agreements for vehicles payable monthly in the amount of Baht 0.30 million. As at December 31, 2006, the current portion of liability under the financial lease agreement in the amount of Baht 2.43 million was presented under current liabilities

Moreover, the Company has committed to pay each year under the financial lease agreement as follows:

Year	Million Baht	
	2006	
	Consolidated	The Company only
1	4.30	2.93
2 - 5	22.55	16.50
	26.85	19.43



	Baht	
	2006	
	Consolidated	The Company only
Liability under hire - purchase	16,171,366	6,813,902
Less Current portion of liability under hire - purchase	(1,051,614)	(872,733)
Less Deferred interest	(3,644,870)	(1,553,578)
Liability under hire purchase - net	11,474,882	4,387,591

The Group of companies has hire purchase agreements for vehicles and copies machine payable monthly in the amount of Baht 0.22 million and Baht 0.01 million respectively. As at December 31, 2006, the current portion of liability under the hire-purchase agreement in the amount of Baht 3.64 million and Baht 0.15 million respectively was presented under current liabilities.

The Company has hire purchase agreements for vehicles and copies machine payable monthly in the amount of Baht 0.16 million and Baht 0.01 million respectively. As at December 31, 2006, the current portion of liability under the hire-purchase agreement in the amount of Baht 1.40 million and Baht 0.15 million respectively was presented under current liabilities

	Million Baht	
	2006	
Year	Consolidated	The Company only
1	4.03	1.95
2 - 5	12.12	4.85
	16.15	6.80



## 14. DIVIDEND RECEIVABLE FROM SUBSIDIARIES

Companies	Dividend			
	Per share		Total amount	
	Baht		Million Baht	
	2006	2005	2006	2005
- Shadow Entertainment Co., Ltd.	10.80	-	1.00	-
- Filmsurf Co., Ltd.	25.00	-	2.50	-
- P.O.V. (Point of View) Co., Ltd.	250.00	-	10.00	-
- R.S. Television Co., Ltd.	1,037.50	-	41.50	-
- Red Drama Co., Ltd.	80.00	-	8.00	-
- Bangkok Organizer Co., Ltd.	635.00	-	19.05	-
- Moradok Entertainment Co., Ltd	-	35.00	-	0.98

## 15. SHARE CAPITAL

### The Company

15.1 At the Shareholders' Meeting on April 20, 2005, a resolution was passed to increase the share capital from Baht 700 million to Baht 725 million by creation of 5 million new ordinary shares at Baht 5 per share to support the issue of 5 million units of warrants to subscribe for the Company's shares to the Company's staff and or subsidiary companies. SEC authorized the Company to offer for sale the warrants on November 8, 2005. On November 25, 2005, the Company reported to amend the exercise period of the warrants to the Stock Exchange of Thailand and SEC.

15.2 The Extraordinary Shareholders' Meeting held on September 19, 2006, the shareholders passed a resolution as follows :

1. Transfer of premium on share capital of Baht 309.99 million and legal reserves of Baht 5.4 million, a total of Baht 315.39 million, to offset with the Company's accumulated losses.
2. Cancel the warrants issued and the warrants selling in the total amount of 5 million units to the Company and Subsidiaries' employees.
3. Decrease in authorized share capital of the Company from Baht 725 million to Baht 700 million and the shareholders passed a resolution authorizing to change the par value of shares from Baht 5 to Baht 1 per share. The Company has registered the decrease in authorized shares of capital with Ministry of Commerce on September 29, 2006.



## Subsidiaries

- 15.3 At the Extraordinary Shareholders' Meeting of News Generation Co., Ltd., held on July 6, 2005, a resolution was passed to increase the share capital from Baht 1 million to Baht 5 million by issuing 40,000 ordinary shares at Baht 100 per share. The subsidiary company had registered the said increase of the share capital with the Ministry of Commerce, on July 7, 2005.
- Poema Co., Ltd. purchased investments in News Generation Co., Ltd. of 28,000 shares at Baht 100 each, totaling Baht 2.8 million and the remainder of the increased share capital of 12,000 shares held by the director of News Generation Co., Ltd. Poema Co., Ltd. held 76% of shareholding in News Generation Co., Ltd. as at December 31, 2005.
- 15.4 At the Extraordinary Shareholders' Meeting of R.S. Television Co., Ltd., held on May 16, 2005, a resolution was passed to increase the share capital from Baht 3 million to Baht 4 million by issuing 10,000 ordinary shares at Baht 100 per share. The subsidiary company registered the said increase of share capital with the Ministry of Commerce, on May 27, 2005.
- 15.5 At the Extraordinary Shareholders' Meeting of P.O.V. (Point of View) Co., Ltd., held on May 16, 2005, a resolution was passed to increase the share capital from Baht 3 million to Baht 4 million by issuing 10,000 ordinary shares at Baht 100 per share. The subsidiary company had registered the said increase of the share capital with the Ministry of Commerce, on May 27, 2005.
- 15.6 At the Extraordinary Shareholders' Meeting of Red Drama Co., Ltd. held on July 6, 2006, a resolution was passed to decrease authorized share capital from Baht 10 million to Baht 2.5 million for paid investment back. The Company has registered the decrease in authorized shares of capital with Ministry of Commerce on October 24, 2006.
- 15.7 At the Extraordinary Shareholders' Meeting of Shadow Co., Ltd. held on July 5, 2006, a resolution was passed to decrease authorized share capital from Baht 9.25 million to Baht 2.31 million by reducing 69,375 ordinary shares at Baht 100 per share for paid investment back. The subsidiary company had registered the said reduction of the share capital with the Ministry of Commerce, on November 6, 2006.
- 15.8 At the Extraordinary Shareholders' Meeting of Magic Advertainment Co., Ltd. held on July 5, 2006, a resolution was passed to decrease authorized share capital from Baht 11.75 million to Baht 2.94 million by reducing 88,125 ordinary shares at Baht 100 per share for paid investment back. The subsidiary company had registered the said reduction of the share capital with the Ministry of Commerce, on November 6, 2006.



## 16. OTHER RESERVES

### Share premium

The share premium account is set up under the provision of section 51 of the Public Companies Act B.E. 2535, which requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). The account is not available for dividend distribution.

### Other premium

Other premium represents the increased share capital of a subsidiary which the Company did not purchase.

### Legal reserve

The legal reserve is set up under the provisions of Section 116 of the Public Companies Act. B.E.2535. Section 116 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorized capital.

## 17. COST OF PRODUCTION

During the six month period ended 30 June 2005, the Company recorded commission, market research and special activity expenditure amounting to Baht 28 million, which had been paid to many recipients. This expenditure was approved by the Board of Directors' Meeting on August 15, 2005.

## 18. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business. The primary format / business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest or dividend-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

### Geographic segments

Management considers that the Group operates in a single geographic area, namely in Thailand, and has, therefore, only one major geographic segment.



## Business segments

For the years ended December 31, 2006, the operated information with business segment are as follows:

	(Amounts : Baht)					
	Music	Films	Advertising	Others	Total	Eliminated
Revenue	1,946,598,550	272,171,388	1,393,129,467	478,251,559	4,090,150,964	1,018,544,894
Cost of sales and services	1,393,388,307	237,778,088	1,151,362,660	419,627,710	3,202,156,765	970,710,206
Gross profit	553,210,243	34,393,300	241,766,807	58,623,849	887,994,199	47,834,688
Fixed assets	132,629,904	-	90,356,203	68,183,584	291,169,691	-

For the periods ended December 31, 2005, the operated information with business segment are as follows:

	(Amounts : Baht)					
	Music	Films	Advertising	Others	Total	Eliminated
Revenue	1,778,453,454	258,697,445	1,447,787,663	378,497,338	3,863,435,900	1,140,484,337
Cost of sales and services	1,519,218,616	184,202,539	1,102,239,153	263,474,931	3,069,135,239	1,056,428,782
Gross profit	259,234,838	74,494,906	345,548,510	115,022,407	794,300,661	84,055,555
Fixed assets	191,424,485	-	68,452,347	97,218,803	357,095,635	-



## 19. PROVIDENT FUND

The provident fund of the Company complies with the Provident Fund Act. B.E. 2530. The fund is independently maintained and therefore does not appear in the balance sheets.

## 20. COMPENSATION EXPENSE FOR RETIRED EMPLOYEES

In the year 2006, the Company had recorded compensation expenses for retired employees as a result of the business restructuring in the amount of Baht 3.48 million.

## 21. DIRECTOR'S REMUNERATION

Director's remuneration represents the benefit paid to the Company's directors according to section 90 of the Public Company Limited Act. B.E. 2535 (excludes the salaries and other related benefits payable to executive directors.)

## 22. INCOME TAX EXPENSE

Income tax reduction

### The Company

Royal Decree No. 387 B.E. 2544 dated 5 September 2001 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the five consecutive accounting periods beginning on or after enactment. The Company has, accordingly, calculated income tax on the portion of its taxable profit for the years ended 31 December 2005 and 2004 not exceeding Baht 300 million at the 25% corporate income tax rate.

The Company made an adjustment to increase the tax payable reported in the income tax return of 2004 by Baht 11.95 million. Most of this increase resulted from non deductible amortization of copyrights. The Company recorded as expense for the year 2005.

## 23. EMPLOYEE EXPENSES

	Consolidated		The Company only	
	2006	2005	2006	2005
Number of employees at the end of the year (Persons)	1,697	1,742	965	680
Employees expenses for the year (Million Baht)	630.95	576.39	380.68	287.91





## 24. FINANCIAL INSTRUMENTS

The Company and its subsidiaries do not have the policy of buying and selling derivative financial instruments or for trading or speculative purposes.

### **Credit risk**

The Company and subsidiaries have credit risk on trade accounts receivable. However, the Company and subsidiaries have a policy of doing business with good financial status client to reduce the risk of financial loss. The Company and subsidiaries make allowance for doubtful accounts to cover the residual risk of financial loss when receivables are expected to be uncollectible.

### **Interest rate risk**

Interest rate risk is floating interest rates which approximate financial market rates.

### **Fair values**

The Company uses the following measures and assumptions in estimating fair value of financial instrument.

Cash and cash at bank - the book value is close to fair value due to those financial instruments being due in short periods of time.

Trade accounts receivable, other accounts receivable and other assets - the book value is close to fair value due to those financial instruments being due in short periods of time.

Trade accounts payable, other accounts payable and accrued liabilities - the book value is close to fair value due to those financial instruments being due in short periods of time.

Short-term loans - the book value is close to fair value because these financial instruments have floating interest rates which approximate financial market rates.

## 25. Commitment and contingent liabilities

### **The Company**

As at December 31, 2006 and 2005 the Company had commitments as follows:

- 25.1 Letters of guarantee issued by banks which have been used as collateral for airtime rental and government agencies in the amount of Baht 52.43 million (2005: Baht 50.36 million).
- 25.2 The Company had commitments of guarantee issued by a bank for use as collateral for other companies in the amount of Baht 14.82 million.



- 25.3 The Company had a commitment for a service & building rental agreement with a related company in the amount of Baht 90.32 million (2005: Baht 14.98 million).
- 25.4 The Company had a commitment for a letter of guarantee issued by bank which has been used as collateral for electricity in the amount of Baht 0.16 million.
- 25.5 The Company guarantees credit facilities from the financial institutions of the subsidiary company in the amount of Baht 10 million.

## Subsidiaries

As at December 31, 2006 and 2005 the subsidiaries had commitments as follows:

- 25.6 Subsidiaries had commitments for letters of guarantee issued by a bank which have been used as collateral for rental and government in the amount of Baht 1.21 million (2005: Baht 10.03 million).
- 25.7 As at December 31, 2005, a subsidiary had commitments for letters of guarantee issued by the bank which had been used as collateral with the Tourism Authority of Thailand in the amount of Baht 0.11 million.
- 25.8 Subsidiaries had commitments for letters of guarantee issued by a bank which have been used as collateral for electricity in the amount of Baht 0.65 million (2005: Baht 0.71 million).
- 25.9 Subsidiaries had commitments for service & office rental agreements with a related company in the amount of Baht 20.17 million (2005: Baht 13.35 million).
- 25.10 The Subsidiary had commitments for service & rental agreements with another company in the amount of Baht 11.38 million (2005: Baht 10.79 million).
- 25.11 The Subsidiary has entered into an agreement with a publishing and distribution business with other companies in the amount of Baht 8 million for a period of 1 year since August 1, 2006 to July 31, 2007.
- 25.12 The subsidiary and the Company had commitments for a letter of guarantee issued by a bank which had been used as collateral for the service of storage and transporting inventory in the amount of Baht 3.50 million.
- 25.13 The Subsidiary and the Company had commitments for a letter of guarantee issued by a bank which had been used as collateral for buying inventory in the amount of Baht 0.64 million.



- 25.14 The Subsidiary had commitments for a bartering agreement with another company, for a period of 1 year since June 1, 2006 to May 31, 2007. For change advertising of sending data in the amount of Baht 0.20 million per month, totaling Baht 2.38 million with the right to provide hearing and receiving a voice message service in the amount of Baht 0.20 million per month, totaling Baht 2.40 million.
- 25.15 The Subsidiary has entered into an agreement with another person regarding a radio broadcast consultant in the amount of Baht 0.18 million per month, totaling Baht 2.16 million, for a period of 1 year since July 31, 2006 to June 30, 2007.
- 25.16 The Subsidiary has entered into an agreement with a company in respect to advertising in the amount of Baht 0.20 million per month, totaling Baht 2.4 million since June 1, 2006 to May 31, 2007.

As at December 31, 2006 the subsidiaries had contingent liabilities as follows:

- 25.17 The Subsidiary was being sued, with the plaintiff demanding the Subsidiary to pay for the damage caused by the Subsidiary's alleged copyright violation in the amount of Baht 12.67 million (2005 : Baht 8.97 million). The Subsidiary had provided a provision in the financial statements as at December 31, 2006 in the amount of Baht 1.27 million. This issue is still being adjudicated.
- 25.18 The Subsidiary was being sued, with the plaintiff demanding the Subsidiary to pay for the damage caused by an alleged libel criminal incident. Right now the plaintiff and the Subsidiary are negotiating a settlement and the Subsidiary expects to not pay the damage.
- 25.19 The Subsidiary was being sued, with the plaintiff demanding the Company to pay for the damage caused by a libel civil incident in the amount of Baht 50 million. The Subsidiary had not provided provision in the financial statement as at December 31, 2006. The issue is still being adjudicated.
- 25.20 The Subsidiary has entered into an agreement with an international company as at September 12, 2005 for licensing rights. The payment is 9 installments during the year 2007 – 2014 in the amount of USD 8,200,000 guaranteed by the parent company.

The commercial bank issued bank guarantee for each installment.



## 26. Other

According to the Board of Directors' Meeting of the Company held on October 31, 2005, a resolution was passed to set up allowance for inventories obsolescence, impairment loss on film and music copyright of RS Group in the amount of Baht 203.5 million. These provisions resulted from analysis of the present market position. The said transaction had recorded in the financial statements for the year 2005.27.

## 27. Events after the balance sheet date

In February 1, 2007 a subsidiary entered into a buying and selling land and property agreement with another person, the value is in amount of Baht 110 million. The payment is 16 installments, the first installment is payable on February 28, 2007 (The date of the transfer of ownership rights occur the last installment within April 2008)

## 28. Approval for the interim financial statements

These financial statements have been approved for issue by authorized directors on February 14, 2007.