



M PICTURES

ANNUAL REPORT

2013

M Pictures Entertainment Public Company Limited

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Message from Chairman of the Board



Dear shareholders,

In the year 2013, the change of consumer behavior regarding technologies had significantly increased and caused an effect on the company's gross revenue which was in total 770.1 million baht, while the company's profit decreased by 252.22 million baht compared to the 2012's gross revenue which was 1,022.32 million baht. However, the company decided to adjust some management policy and strategy in order to deal with the changing consumer behavior by focusing on more-cautious operations. Therefore, the company was capable of handling the expense effectively and the gross profit soared up to 26.15% in 2013, from 19.5% in 2012.

The economic circumstance and the change of consumer behavior provoke some negative outcomes to the Home Entertainment industry. Consequently, the company has considered goodwill impairment which has an impact on the company's overall revenue as such business operations have been conducted with caution in order to control future risks.

In 2013, to expand the business range in accordance with the market change, hence, the company has acquired two companies by swapping company's common shares with MAJOR; Talent One Co.,Ltd and Major Kantana Broadcasting Co.,Ltd. with 90% and 44.99% of investment proportion respectively. Precisely, this investment in Talent One Co.,Ltd is to expand of Thai film production base, while the investment in Major Kantana Broadcasting Co.,Ltd. is aimed to serve the present growth of Cable TV and Digital TV industry.

The Board of Directors strongly believes that the planning of policy and the adjustment of strategy to current circumstances will advance the company to become the leader of film- related business with stability by providing more Thai films and supplying high-quality international films to meet the market demand, as well as distributing film copyrights especially for Cable TV and Digital Media.

On this occasion, I, on behalf of the Board of Directors, would like to express our highest appreciation to shareholders, investors, clients, business partners and associates for any kind supports. In addition, I would like to thank all the executives and also the employees for their hard work, dedication, and responsibility on various important assignments which firmly and increasingly strengthen the company as well as subsequently lead the organization to the goal-oriented achievement. I believe that the company still has prosperous potentials to grow further and I wish for your unfaltering support and cooperation.

Sincerely Yours,

Mr.Tirachai Vutithum
Chairman of the Board

Board of Directors



Mr. Tirachai Vutithum

Independent Director and Chairman of the Board of Director

Age : 64

Shareholding : 0 %

Relationship with Management : No

Education :

- Ramkumhaeng University, Doctor of Philosophy Honorary Degree in Continuing Education
- American Coast University, Bachelor Degree in Psychology
- Ramkumhaeng University, Bachelor Degree in Business Administration

Training Program :

- Director Accreditation Program (DAP) 2004, Thai Institute of Director (IOD)
- Chief Executive Program, Class 8, Capital Market Academy (CMA)

Experiences :

- Present : Chairman of the Board, M Pictures Entertainment Plc.
: Chairman of developing futsal organization of Thailand
- Adviser to Executive Committee, Royal Thai Army Radio & Television
- Plan and Development Vice President, Rattana Bandit University
- President, Thai Male Soccer Player Foundation of Thailand
- Executive Committee, Aeronautical Radio of Thailand Ltd.
- Committee of Thai Sport Committee
- President, Bangkok Sport Association
- Representative, Thai Soccer Foundation
- Representative, Thai Rugby Foundation
- Vice Executive, Thailand University Games
- The Tour and Sports Commission
- Subcommittee Chairman, Rajpruek Club



Mr. Vicha Poolvaraluck

Director and Vice Chairman of the Board of Director

Age : 51

Shareholding : 0 %

Relationship with Management : No

Education :

- United State International University of San Diego, U.S.A, Master Degree of Business Administration
- Chulalongkorn University, Bachelor Degree of Business Administration

Training Program :

- Directors Certification Program (DCP) Class 29/2003, Thai Institute of Director (IOD)

Experiences :

- Present : Director of Member's Activity, Chulalongkorn University Alumni Association
: Advisor, Market for Alternative Investment – MAI
- 2008-Present : Director and Vice Chairman of the Board of Director, M Pictures Entertainment Plc.
- 1995-Present : Chairman of Executive Committee, Major Cineplex Group Plc.
- 2003-Present : Director, Siam Future Development Plc.
- 2012-Present : Chairman, Major Cares Foundation

Board of Directors

Mr. Thanakorn Puriwekin

Director and Chief Executive Officer

Age : 57

Shareholding : 0.02%

Relationship with Management : CEO

Education :

- United State International University, U.S.A.,
Master Degree of Business Administration
- Bangkok University,
Bachelor Degree of Business Administration.

Training Program :

- Director Accreditation Program (DAP),
Thai Institute of Director (IOD)

Experiences

- 2013- Present : Director/ Chief Executive Director,
M Pictures Entertainment Plc.
- 1995-Present : Director / Chief Film Officer,
Major Cineplex Group Plc.

Mr. Thanachai Santichaikul

Independent Director and Chairman of Audit Committee

Age : 59

Shareholding : 0 %

Relationship with Management : No

Education :

- Thammasat University, Master Degree of Business Administration
- Chulalongkorn University, Advanced Certificate Course in Financial Audit
- Chulalongkorn University, Bachelor degree of Accountancy

Training Program:

- Directors Certification Program (DCP) Class 18,
Thai Institute of Director (IOD)
- Capital Market Academy Leadership Program (CMA) Class 1
- Graduate Diploma in Politics and Governance in Democratic Systems for
Executives Course, Class 11/King Prajadhipok's Institute

Experiences :

- Present : Independent Director/ Chairman Audit Committee,
M Pictures Entertainment Plc.
- Director, Printing and Paper Packaging Industry Group
of The Federation of Thai Industry.
- Director, Federation of Accounting Professions of Thailand.
- Advisor, The Publishers and Booksellers Association of Thailand.
- Advisor, Thai Printing Association
- Advisor, The faculty of Commerce and Accountancy of
Chulalongkorn University Alumni Association
- Advisor, VIV Group.
- Advisor, Thai Edible Oil Co.,Ltd.
- Advisor, Media Expertise International (Thailand) co. Ltd.
- Advisor, The Majestic Creek Country Club
- Audit Committee, Chulalongkorn University.
- Director, Chulabook of Chulalongkorn University.
- Executive Director, TPN Media Co.,Ltd.
- Independent Director and Audit Committee, LDC Co., Ltd
- Independent Director and Audit Committee,
Eastern Polymer Group Plc.

Board of Directors



Mr. Attapon Chodchoy

Independent Director and Audit Committee

Age : 57

Shareholding : 0 %

Relationship with Management : No

Education :

- Chulalongkorn University, Bachelor degree of Accountancy

Training Program :

- Directors Certification Program (DCP) Class 54/2005,
Thai Institute of Director (IOD)

Experiences :

- 2013-Present : Independent Director/ Audit Committee,
M Pictures Entertainment Plc.
- 2012-Present : Independent Director/ Audit Committee,
MK Restaurant Group Plc.
- 2012-Present : Finance Advisor,
Unique Plastic Industry Co., Ltd.
- 2001-2011 : Corporate Director and Finance and
Accounting Director,
Molnlycke Health Care Thailand Co., Ltd.



Mr. Vichate Tantiwanich

Independent Director and Audit Committee

Age : 52

Shareholding : 0%

Relationship with Management : No

Education :

- University of Hartford Connecticut, USA, MBA, Finance and Marketing
- Chulalongkorn University, Bachelor of Economics,
Monetary and Public Economics

Training Program :

- Executive Leadership Program, Nida- Wharton, Pennsylvania, USA 2005
- Capital Market Academy (CMA#1) 2005
- Certified Financial Planner: CFP 2009
- Top Executive Program in Commerce and Trade (TEPco#3),
Commerce Academy 2010
- CEDI-Babson Entrepreneurial Leadership Program
- Diploma, National Defence College,
The Joint State- Private Sector Course Class 26 (2013-2014)

Experiences :

- Present : Independent Director/Audit Committee,
M Pictures Entertainment Plc.
- Appellate Sub-Committee,
The Securities and Exchange Commission
- Independent Director, Phatra Leasing Plc.
- Senior Vice President, Thai Beverage Plc.
- Chairman of Executive Board, Creative Entrepreneurship
Development Institute – CEDI, Bangkok University
- Vice President of Steering Committee,
Capital Market Academy
- Advisor, Market for Alternative Investment (MAI)
- Director and Chairman of Working Group in Finance business,
International Chamber of Commerce –Thailand
- Assistant Manager, Head of Issuer and Listing Division, SET
- 2007 – 2010 : Advisor, Market for Alternative Investment – MAI

Board of Directors



Mr. Sangar Chatchairungruang

Director

Age : 49

Shareholding : 0 %

Relationship with Management : No

Education :

- Assumption University of Thailand,
Bachelor of Business Administration.

Experiences :

- 2013-Present : Director, M Pictures Entertainment Plc.
- Managing Director, Matching Co., Ltd.
- Managing Director, Adamas Incorporation.
- Managing Director, Bangkok Film Studio Co., Ltd.
- Managing Director, Triple play Co., Ltd.



Mr. Verawat Ongvasith

Director

Age : 43

Shareholding : No

Relationship with Management : No

Education :

- Boston University, USA,
Master Degree of Business Administration.
- Chulalongkorn University,
Bachelor Degree of Business Administration.

Training Program :

- Directors Certification Program (DCP),
Thai Institute of Director (IOD)

Experiences :

- 2013-Present : Director, M Pictures Entertainment Plc.
- 2002-Present : Director/ Executive Director,
Major Cineplex Group Plc.
- 2003-Present : Director, Siam Future Development Plc.
- Present : President, Sofitel So Bangkok.
: President, Veranda Resort and Spa.
: President, Veravat Construction Co.,Ltd.

Board of Directors



Miss Thitapat Issarapornpat

Director and Acting on behalf of Company Secretary

Age : 46

Shareholding : 0%

Relationship with Management : No

Education :

- Ramkhamhaeng University, Bachelor of Business Administration, Major in Accounting
- Chulalongkorn University, Master of Business Administration

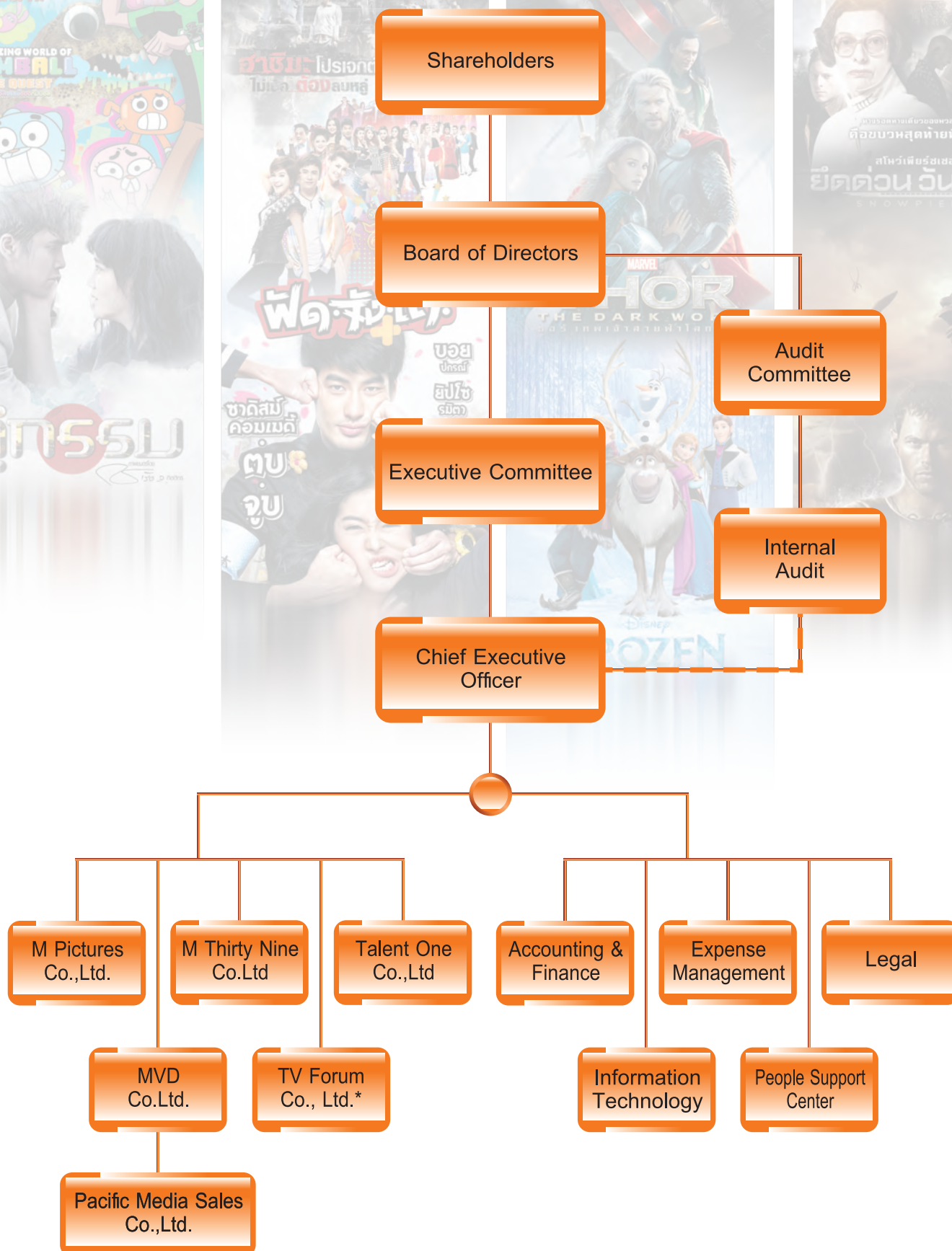
Training Program :

- Directors Certification Program (DCP148/2011), Thai Institute of Director (IOD)

Experience :

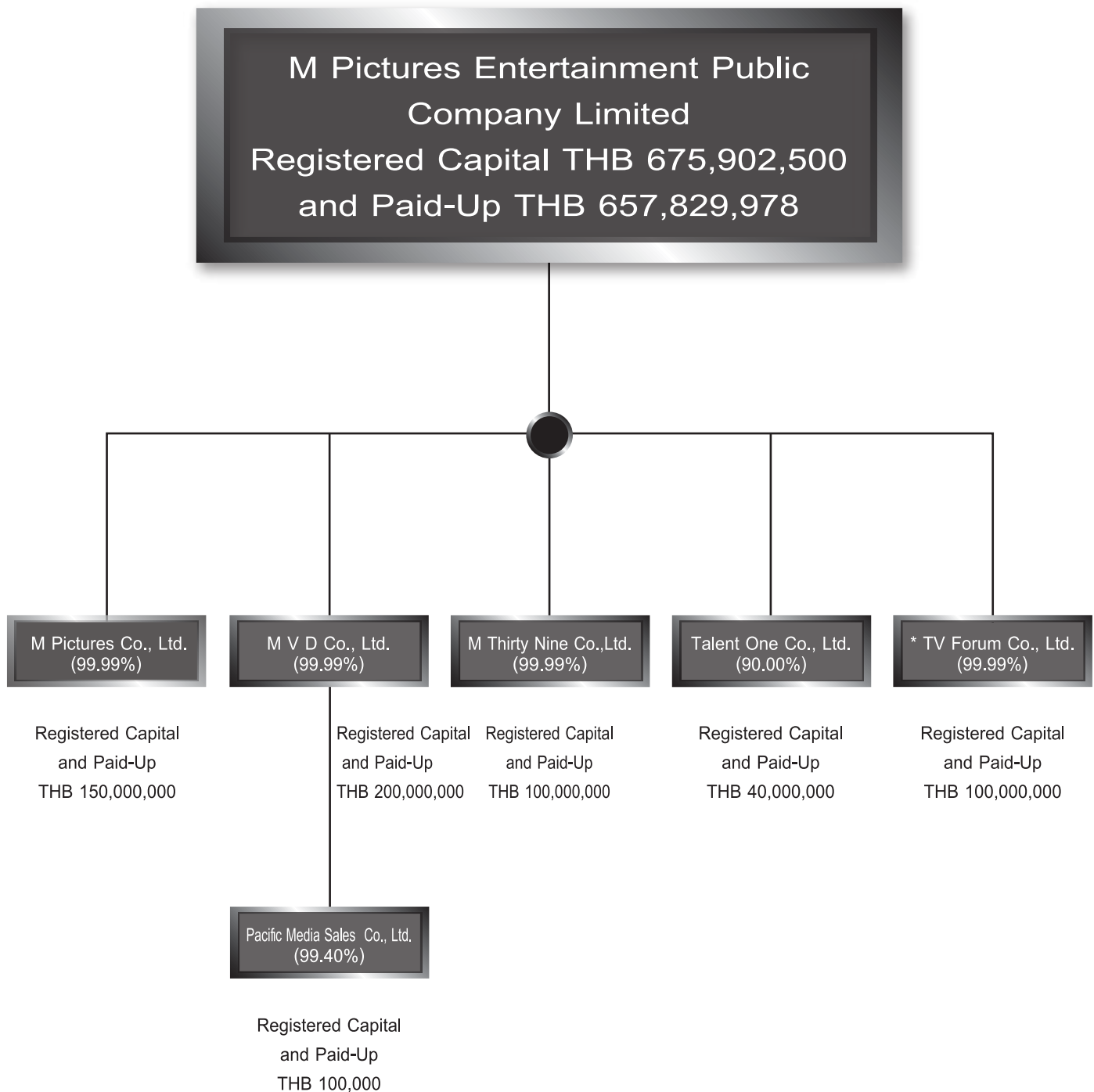
- Present : Director, Company Secretary, M Picture Entertainment Plc.
: Chief Finance Officer, Company Secretary Major Cineplex Group Plc.
: Director, Thai Ticket Major Co., Ltd.
: Director, EGV Entertainment Plc.
: Director, Talent One Co., Ltd.
: Director, K Arena Co., Ltd.
- 1991 - 2009 : Accounting Manager, Wiik & Hoeglund Public Co., Ltd.

Organization Chart As of December 31, 2013



*TV Forum has already ceased temporarily its operation

Shareholding Structure As of December 31, 2013



* TV Forum has already ceased temporarily its operation

Profiles of Company and Subsidiaries

M Pictures Entertainment Plc. (MPIC)

Nature of Business	Invests in subsidiaries in entertainment media business and also invests in through subsidiaries.
Company Registration No.	0107544000124
Head Office Location	234 Suzuki Avenue Building (Rachayothin) 13th Floor, Ratchayothin Road, Ladyao, Jatuchak, Bangkok
Website	www.mpictures.co.th/mpic/investors
Telephone	02-5120300
Facsimile	02-5120301, 02-5120302
Authorized capital	Common Share 675,902,500 Shares Paid-Up THB 657,928,978

M Pictures.Co.,Ltd. (MP)

Nature of Business	Provides and distributes film copyrights which engaged in film business by being the importer copyrights of International films especially from the important international film festivals, Asian independent film studios including Thai films and produces Thai films for feeding Cinemas and license to other person manufacture home entertainment medias.
Head Office Location	234 Suzuki Avenue Building (Rachayothin) 13th Floor, Ratchayothin Road, Ladyao, Jatuchak, Bangkok
Website	www.mpictures.co.th
Telephone	02-5120300
Facsimile	02-5120301, 02-5120302
Authorized capital	Common Share 1,500,000 Shares

M V D Co.,Ltd. (MVD)

Nature of Business	Provide film copyrights both international and Thai films to manufacture home entertainment medias
Head Office Location	234 Suzuki Avenue Building (Rachayothin) 13th Floor, Ratchayothin Road, Ladyao, Jatuchak, Bangkok
Website	www.mvd.co.th
Telephone	02-5120300
Facsimile	02-5120301, 02-5120302
Authorized capital	Common Share 20,000,000 Shares

M Thirty Nine Co.,Ltd. (M39)

Nature of Business	Produces Thai Film as a production studio to provide films to cinemas and license to other person manufacture home entertainment Medias.
Head Office Location	1839 Paholyothin Road, Ladyao, Jatuchak, Bangkok
Website	www.m-thirtynine.com
Telephone	02-5115811-4
Facsimile	02-5115810
Authorized capital	Common Share 1,000,000 Shares

Pacific Media Sales Co.,Ltd. (PMSL)

Nature of Business	Distributes and rent outs remaining stock of CD, VCD, and Games.
Head Office Location	234 Suzuki Avenue Building (Rachayothin) 13th Floor, Ratchayothin Road, Ladyao, Jatuchak, Bangkok
Telephone	02-5120300
Facsimile	02-5120301, 02-5120302
Authorized capital	Common Share 1,000 Shares

Talent 1 Co., Ltd. (T1)

Nature of Business	Book publisher and Thai film production studio to provide films to cinemas and license to other person manufacture home entertainment Medias.
Head Office Location	4 Soi Sukhumvit 36, Napasap Yak 2, Sukhumvit Rd., Klongton, Klongteay, Bangkok
Telephone	02-2617899
Facsimile	02-2617890
Authorized capital	Common Share 400,000 Shares

TV Forum Co.,Ltd. (TVF)*

Nature of Business	Engages in the marketing management services, as well as advertising media business, by providing rental of program production equipment, as well as acts as agent for the sale of advertising media.
Head Office Location	234 Suzuki Avenue Building (Rachayothin) 13th Floor, Ratchayothin Road, Ladyao, Jatuchak, Bangkok
Telephone	02-5120300
Facsimile	02-5120301, 02-5120302
Authorized capital	Common Share 1,000,000 Shares

* TV Forum has already ceased temporarily its operation.

References

Share Registrar	Thailand Securities Depository Co., Ltd.
Office Location	62, Ratchadaphisek Road, Khlong Toei Sub-district, Khlong Toei District, Bangkok.
Telephone	02-229-2800
Facsimile	02-359-1262-3

Financial Auditor	PricewaterhouseCoopers ABAS Limited.
Office Location	15th Floor Bangkok City Tower 179/74-80 South Sathorn Road Bangkok 10120
Telephone	02-3441000
Facsimile	02-2865050

Background and Development

M Pictures Entertainment Plc. (Previous name) Traffic Corner Holdings Public Company Limited ("the Company") was established on November 5, 2001 with an initial registered capital of THB 15 million. The objective of the Company is to invest in mass media companies, especially marketing management of sports events and news programs on radio and television. Afterward, the Company have merged with M Pictures Co.,Ltd. in order to extend the business to film entertainment business by providing Cinemas, DVD-VCD-Blu-Ray manufacturers, Free TV, Cable TV, Pay TV, and Digital Pay TV, film copyrights. Moreover, the company invests Thai film production through the Company's subsidiaries in 2011. As of December 31, 2013, there is THB 675,902,500 of registered capital and THB 657,829,978 paid-up capital.

Present, the Company made investment in the business relating to entertainment media through cinemas, television, film production and home entertainment through subsidiaries as follows;

In 1995 the Company have invested in **TV Forum Co.,Ltd. (TVF)** which its business is marketing and media advertising management, renting out tools for TV variety production, and act as media sale agent. This subsidiary has already temporarily ceased its business since December 2008.

In 2008 the Company has invested in **M Pictures Co.,Ltd. (MP)** which engaged in film business by being the importer of copyrights of International films especially from various sources such as important international film festivals, Asian independent film studios for feeding Cinemas.

In 2009 the Company has invested in **M V D Co.,Ltd. (MVD)** (previous name is Pacific Marketing and Entertainment group Co.,Ltd.) which engages in film business by providing Thai and international film copyrights to manufacture home entertainment media. Resulted from investing in MVD, the Company becomes a major shareholders and parent company of **M Thirty Nine Co., Ltd. (M39)** and **Pacific Media Sales Co.,Ltd.** which was MVD's subsidiaries.

In 2010 the Company has restructured and invested in **M Thirty Nine Co.,Ltd. (M39)** replace **M V D Co.,Ltd.** which engages in the business of Thai film production and providing the rights to cinemas, manufacture home

entertainment media which provided by DVD,VCD and BLU-RAY and Free TV, Cable TV, Pay TV, and Pay Digital Cable TV film copyrights.

In 2011-2012, the Company has expanded channels of film rights distribution focusing on digital media channel for exploiting film rights through IPTV and internet channels by finding new more partnerships.

In 2013, the Company has invested additionally in 2 companies; Talent One Co.,Ltd. (Thai films production studio and book publisher) and Major Kantana Broadcasting Co.,Ltd (Cable TV) to strengthen our business and be suitable for the market and consumer in the present.

Presently, the Company has investment in 6 subsidiaries as below;

1. M Pictures Co.,Ltd. (Invested in February 2008)
2. M V D Co.,Ltd. (Invested in July 2009)
3. M Thirty Nine Co., Ltd. (Invested in March 2010)*
4. Pacific Media Sales Co., Ltd.**
5. TV Forum Co., Ltd. (Invested in Year 1995)***
6. Talent One Co.Ltd. (Invested in Year 2013)

Remarks * At first were MVD's subsidiaries, but after business restructuring became the Company's subsidiaries.

** MVD's subsidiaries.

*** Temporarily ceased running business since December since 2008.

Changes in the Previous Year

In 2013, the Company has acquired additionally in 2 companies; Talent One Co.,Ltd. and Major Kantana Broadcasting Co.,Ltd. with 90% and 44.99% of investment proportion respectively. The purpose of the investment is the strength of our group's operation. Precisely, this investment in Talent One Co.,Ltd is to expand of Thai film production base beyond M Thirty Nine Co.,Ltd., while the investment in Major Kantana Broadcasting Co.,Ltd. is aimed to serve the present growth of Cable TV and Digital TV industry which has grown up continually in recent years.

The Conclusion of 2013, the revenue of the Group dropped when comparing the year 2012 which caused by the deceleration of home entertainment industry therefore; the Company has planned carefully the strategy by considering all risk in the future and market's conditions.

Film rights' distribution and film production have satisfied grown up because the Company concisely selected the movies focusing the target group by planning the suitable time showing movies. The revenue was derived from licensing film rights to Free TV and Cable TV and to have the digital TV was a factor making the revenue higher.

The performance of Thai film production managed by M Thirty Nine Co.,Ltd.made the grade. There were successful Thai films in the past year such as Ku Kham, H project, and Fud-Jung-To.

Nature of Business

M Pictures Entertainment Plc.

M Pictures Entertainment Plc. invests in companies engaged in the media movie business, provides ,and buys Thai & International films copyrights for cinemas, provides rights to Free TV, Cable TV, Pay TV ,and Digital Media. In addition, the Company has invested in Thai Film Production and Home entertainment business in form of DVD-VCD and Blu-Ray.

Products/Services

No.	Company	Categories of Products and Services	Channels	Remarks
1.	M Pictures Entertainment Plc.	Engages business of providing and buying Asian & International film copyrights and invests in home entertainment media business and Thai films Production.	Through subsidiaries	-
2.	M Pictures Co.,Ltd.	Provides and buys Asian and International films copyrights from well- known studios and produces Thai films as production studio.	Cinemas, Free TV, Cable TV, Pay TV, Home Entertainment Media	-
3.	M V D Co.,Ltd.	Provides and buys Thai and international film copyrights for home entertainment media	Home entertainment medias as DVD, VCD, Blu-Ray	-

No.	Company	Categories of Products and Services	Channels	Remarks
4.	M Thirty Nine Co.,Ltd.	Thai Films Production studio	Cinemas, Free TV, Cable TV, Pay TV, Home Entertainment Media	-
5.	Talent 1 Co.,Ltd.	Book publisher and Thai film production studio	Book store and Cinemas, Free TV, Cable TV, Pay TV, Home Entertainment Media	
5.	Pacific Media Sales Co.,Ltd.	Distributes and rent out service of Movie VCD, Series, Varieties, Songs, and Games	Through agents and VDO rentals	-
6.	TV Forum Co.,Ltd.	Engages in the marketing management services, as well as advertising media business, by providing rental of program production equipment, as well as acts as agent for the sale of advertising media.	-	Already ceased temporarily its operation

Marketing and Competitive Condition

Marketing Policy and Making Strategy

Marketing Strategies

- Strategy on movie quality

The Group is looking to obtain copyrights for international films and production of Thai movies, as well as production and distribution of movies on VCD, DVD, Blue Ray, Free TV, Pay TV, and

Digital Media with a focus on a vast variety of quality movies. The Company will acquire movies from widely accepted sources such as international film festivals worldwide, movie studios that could win popularity in Asian Region, independent producers of groundbreaking films, as well as movie studios in Thailand. In the production of Thai movies, the Company gives priority to viewers' preference, gender and age, including their income, while trying to promote the production of quality Thai films to gain popularity among viewers.

- **Strategy on intra-group support services**

The Group is currently an operator of a full-fledged movie business, ranging from providing of Thai and international movie rights, Thai moviemaking to production of movies on VCD, DVD and Blue Ray discs. Its copyright films could be distributed and/or released extensively via different channels due to a strong relationship of the Company with Major Cineplex Group Plc., its parent company and Thailand's leading cinema operator with a network of movie theaters in all parts of the country. Moreover, the Company has strong partnership with advertisement's company supporting the business. This somewhat fully integrated business partnership gives the Company an edge over other players operating a similar type of business.

- **Strategy on consumers' preference**

Since consumers have become more selective about the type of movies they prefer watching, the Company needs to adjust itself to address the said changing consumer behavior. Realizing that moviegoers' personal taste is a crucial factor that could affect its performance, the Company must find movies that match the taste of all consumer segments and age groups and must also acquire films and produce Thai movies in alignment with the festive seasons in order to stimulate the movie consumption in Thailand.

Group of Target

- All kinds and ages of Customers.
- Cinemas.
- Free TV, Cable TV, Pay TV, Pay Digital TV. IPTV
- Home entertainment media entrepreneurs.
- International entertainment media entrepreneurs.

Competitive Potential

The Group is operating a comprehensive range of movie business, consisting of a foreign film rights importing and distributing business, a Thai moviemaking business, and a home-entertainment business, producing movies on VCD, DVD and Blue Ray. It also is a subsidiary of Major Cineplex Group Plc., Thailand's leading cinema operator with theater locations all over the country. This strength enables the Company to grow strongly and in pace with other players and gives it an opportunity to efficiently manage group businesses and internal resources for an optimum benefit. With intra-group support services such as advertising media, theater network, etc., the Company is capable of better responding to consumers' demand, as well as continuously expanding its customer base, while the Group's movie media could increasingly draw consumer interest.

The Group has additionally developed and introduced the digital media, which could attract new consumer segments, hence enabling it to tap a new target market. Moreover, the Group also distributes movie rights to international market such as Philippines, Indonesia, and Hong Kong.

Providing of Products and Services

The Group has engaged in a movie business, acquiring, through its subsidiaries, copyrights for quality movies from film festivals around the globe such as world-class Hollywood-based studios, Asia-based studios, independent studios, and studios in Thailand. A member of the Group produces Thai movies for theatrical release and another member produces movies on VCD, DVD and Blue Ray and sells rights for those movie releases on free TV, cable TV and digital media, which could address customers' need for viewing movies on diverse kinds of media.

M Pictures Co.,Ltd.

Engages film business by buying international and Thai films for showing through Cinemas and permits film copyrights on remuneration basis to home entertainment manufacturers to manufacture DVD, VCD, and Blue-Ray. Furthermore, the Company has a strategy to increase business channels by broadcasting the Company's films through Free TV, Cable TV, and Digital TV and distribute Thai movie through theater leaders around Thailand.

Products/Services

Provides and buys quality film copyrights from Europe, America, Asia, and Thai in order to manage such film copyrights by showing and distributing them through direct and indirect such as cinemas, home entertainment media [DVD, VCD, Blu-Ray], Free TV, Cable TV and digital channels.

Marketing Strategies

M Pictures Co., Ltd. emphasizes the acquisition of rights for quality movies from abroad such as Europe, the US, Asia and well-known independent studios. Movies are selected by basing primarily on viewers' preference so as to best match their demand. The movies are released through the following channels and methods:

Show in theaters

The company has agreements which distribute revenue in the same standard with theaters such as Major Group's, EGV's and SF's including the provincial cinemas.

Marketing Planning

The Company plans to promote and advertise the Company's films which will present in Cinemas for focusing on target group of viewers.

Permit rights on remuneration basis (Home entertainment Business)

The Company licenses film copyrights to the big home entertainment media manufacturer to make into DVD, VCD, and Blu-Ray for distribution.

Permit rights on remuneration basis (Pay TV broadcast business)

The Company permits film copyrights to Pay TV, and Pay Digital Cable TV, the big and popular channel "TRUE Vision, M Channels, GMM"

Permit rights on remuneration basis (Free TV broadcast business)

The Company permits film copyrights to Free TV and Free Cable TV such as Channel 3, Channel 5, Channel 7, MCOT, and TPBS, etc.

Permit rights on remuneration basis (Internet, IPTV business)

The Company permits film copyrights to Internet IPTV such as True Digital, Zab Movie, GTH on air etc

All above sources of income are major income of the Company. The Company tries to find more channels for distributing the Company's films which will increase the Company's turnover.

Competitive Potential

The past year the economic decelerated. However, M Pictures Co., Ltd., an importer of foreign movie copyrights, has had a strong capital base. Besides, competition in this business is not tough because there are a small number of players and each of them captures a distinct share of market. In view of these factors, together with the fact that the Company has several and definite marketing channels, there is no concern about competition with other peers.

Customer

Direct customers of the Company are Cinemas, Home Entertainment Manufactures, Pay TV, Digital TV, Cable TV, Free TV, and Free Cable TV and indirect customers are minor who watch the Company's films from TV or Cable broadcasting and buy home entertainment media from the Company's business partners.

M V D Co.,Ltd.

Engage home entertainment media manufacture and distribution in form of DVD, VCD, and Blu-Ray from Hollywood, Independent Studio and Thai Studio.

Products/Services

Provide quality Thai and international films to make into DVD, VCD, and Blu-Ray for distribution.

Marketing Strategies

MVD Co., Ltd. has selected a vast variety of popular Thai and international movies to most truly serve consumers' home-entertainment demand. A focus has been placed on attractive and trendy package designs so that buyers might wish to collect rather than buying the movies simply for viewing purpose. Aside from the production and distribution plans, the Company has partnered with strong distributors such as 7 Eleven, Mangpong, Tsutaya, B2S, Boomerang, etc. and has endeavored to increase the distribution channels to ensure a broader consumer reach and the Company's stronger income growth.

Competitive Potential

The past year, Home Entertainment business decelerated which cause the revenue of the company could not hit the goal but it did not much affect the financial status because MVD is currently the country's top ranking

home entertainment operator since it has a network of product and service distribution channels and service centers in all parts of the country. Strength lies in its ability to procure quality films that could entice consumers away from its peers. As such, the Company has equal or greater competitive edge over other players.

M Thirty Nine Co.,Ltd.

Core business as Thai film production for showing through Cinemas and permitting film copyrights on remuneration basis to home entertainment manufacturers to produce DVD, VCD, and Blue-Ray and also to increase business channels by broadcasting the Company's films through Free TV, Cable TV, and Pay Digital Cable TV.

Products/Services

M Thirty Nine Co., Ltd. has engaged in Thai movie production business. It targets to produce around 4-5 quality films a year for theatrical releases, with different contents. Its successful 2013 movie releases included Ku Kam, H Project and Fud-Jung-To which were well received overwhelming responses from moviegoers.

Marketing Strategies

Consumers have become more selective about the movies of their preference and paid greater attention to and advocacy of Thai movies. This is evident from the success of several Thai films in the recent period. The Company has devised marketing and advertising strategies with proper timing for releasing its movies to best match consumers' taste, resulting in a success in a number of its movies.

The Group's full range of entertainment business enables group-wide maximization of resources management. Moreover, an increase in its business lines helps to expand the Group's income sources from support services and movie advertising.

Competitive Potential

There are a growing number of Thai movie productions, some of whom are successful and some are not. M Thirty Nine Co., Ltd. operates the business with a strong determination and best effort in order to remain competitive with other players. In the past year, some Thai movies were successful, while some failed. The success factors hinge not only on the producers themselves but also on the consumers' personal taste. The successful films of the Company in 2013 are Ku Kham, H Project and Fud-Jung-To being the evidence to its ability to well responds to consumers' demand. Moreover, the strength of its group members which engage in

movie theater business and home entertainment business will also help to enhance the Company's competitive potential in this industry.

Talent One Co.,Ltd

Core business as Thai film production for showing through Cinemas and permitting film copyrights on remuneration basis to home entertainment manufacturers to produce DVD, VCD, and Blue-Ray and also to expand business channels by broadcasting the Company's films through Free TV, Cable TV, and Pay Digital Cable TV. Moreover, Talent One Co.,Ltd is an acceptable book publisher.

Products/Services

Talent 1 Co., Ltd. has engaged in Thai movie production business. It targets to produce around 4-5 quality films a year for theatrical releases, with different contents. Since it has just changed its business model to Thai film production in 2013, there was only 1 Thai movie "Last Summer" which was successful from the viewers.

Marketing Strategies

Consumers have become more selective about the movies of their preference and paid greater attention to and advocacy of Thai movies. This is evident from the success of several Thai films in the recent period. The Company has devised marketing and advertising strategies with proper timing for releasing its movies to best match consumers' taste, resulting in a success in a number of its movies. Furthermore, the Company focuses on Thai film to distribute abroad.

Competitive Potential

There are a growing number of Thai movie productions. Talent One Co., Ltd. Is a new Thai film production studio with a strong determination and best effort in order to remain competitive with other studios. However, there was the first Thai movie form Talent 1, "Last Summer", shown in the cinema in the past year but it was successful and accepted from the viewers. Moreover, the strength of its group members which engage in movie theater business and home entertainment business will also help to enhance the Company's competitive potential in this industry.

Pacific Media Sales Co.,Ltd.

Engage business as entertainment media distributor and VDO rental of movie CD, VCD, series, TV variety, songs, and games.

Products/Services

Distribute remained stock of CD, VCD, DVD.

Marketing Strategy

The Company tries to manage remained product stock by adjust and improve product packages to new look and distribute and rent out through agents and VDO rentals.

Competitive Potential

As Group of Company is in business area of VCD and DVD distribution, the Company snatches the distribution channels of the Group of Company to present the Company's products. The business of Pacific Media Sales Co., Ltd. is just only the support business of Group, therefore, there are no direct effect from business competition.

TV Forum Co.,Ltd.

Engages in the marketing management services, as well as advertising media business, by providing rental of program production equipment, as well as acts as agent for the sale of advertising media, however, the Company has already temporary ceased business operation resulted from its turnover are not reach the target.

Future Projects

The Group is an operator of full-fledged movie business, ranging from importing of movie rights and production of Thai movies for theatrical release and distributes of movies on VCD, DVD and Blue Ray. Therefore, the company can distribute and broadcast movies rights in variety channels. In addition, The Group plans and modifies carefully the business hence our business' operation is satisfied even the economic situation decelerated.

The Company's policy is to add value to its existing properties and develop quality of Thai movies through partnership with strategic alliances in managing the movie rights for the optimum value and benefit. It also sets measures for business operation to gain a stronger foothold and has increased the distribution and releasing channels for its copyrighted films through media such as digital, advertising, etc. With its comprehensive range of movie business, the Group is seeking to acquire additional sponsorship and advertising income sources with a view to increasing the corporate value, boosting performance and mitigating risk of loss.

The Company intends to become a market leader in both Thai and international movie segments and focus on presenting Thai movies with international standard for presenting on abroad as soon as possible.

Risk Factors

Risk Regarding Operation Results Depending on the Film Market Industry

The Company carries on the business of producing Thai films and procuring both Thai and foreign film licenses, especially films licenses from major outfits in Hollywood and from independent outfits, so as to manage them for revenues to be generated for the Company, the production of Thai films and the procurement of copyrights in foreign films are deemed to serve as a main source of revenues of the Company. It is, of course, difficult for the Company to avoid impacts from the Hollywood film trend. Consequently, there may be a risk in the event the film producers are not able to produce films that keep pace with and/or are of quality and/or correspond to the consumers' needs. The intervals to be affected are the 1st and 3rd quarters as a consequence of the temporary unavailability of Hollywood films, whereas in the 2nd and 4th quarters the Company is not much affected by the Hollywood trend because many of the Company's suppliers are major film outfits of Hollywood. However, the Company has mitigated the impact by procuring award-winning films, autumn films and/or films from independent outfits. In addition, the Group has now produced and distributed Thai films, with a plan for all-year shows, and prepared film media in the category of DVD, VCD and Blu-ray to increase the revenue channels of the Company and earn revenues in compensation in the intervals to be affected.

The risk regarding operation results depending on the film market industry is, therefore, at low level.

Risk Regarding Consumers' Tastes

The Company carries on the business of producing Thai films and procuring both Thai and foreign film licenses so as to manage them for revenues to be generated for the Company. Therefore, the Company may have a risk in the event the film producers are not able to produce films that keep pace with and/or are of quality and correspond entirely to the consumers' needs and tastes. This depends on the selection of film categories by the Company, which must have regard mainly to popularity, suitability to sex and age of consumers as well as their economic status. In the previous year, the Company had many titles of both Thai and foreign films that had become successful.

The Company's risk regarding consumers' tastes is, therefore, at low level.

Risk Regarding Exchange Rates

The domestic problems and the economic conditions both inside and outside the country produced great impacts on the exchange rate fluctuation, thereby affecting the Company, which imports foreign films, using foreign currencies, i.e. U.S. Dollar, Euro and currencies of some Asian countries, to trade in film licenses. This fluctuation therefore produces business impacts on the Company.

Regarding this point, the Company has planned to mitigate the risk factor and the fluctuation in exchange rates by preparing a budget to select and purchase films carefully, making available a succinct structure of spending and estimated returns on the film licenses so purchased and negotiating with the license sellers to obtain good quality films at appropriate prices, as well as by building good connections with the license sellers to compensate for the exchange rate impact that may occur.

Risk from Interest Rate

The Company encounters interest rate risk that is crucially associated with the overdrafts and loans from financial institutions with floating interest rates. It therefore is vulnerable to interest rate fluctuations, which might affect the Group's operating results and cash flow.

Realizing the importance of cushioning against impacts from such risk, the Company has adopted a policy on strict control and planning for its income and budget spending to ensure a low finance cost. The Group has not utilized derivatives for hedging against the said interest rate risk.

Risk from Business Competition

In an overall picture, the competition in the business of acquiring and distributing films of the Company in the previous year of 2013 had not much effect on the Company because in Thailand there are a small number of operators of business in the same category and of the same size as those of the Company. But a significant factor that affects this business results from a change in the behavior of consumers who become more selective about movies to be viewed. This problem therefore requires that the Company adjust itself to accommodate this change in the consumers' behavior by procuring films and producing Thai films that respond more to the consumers' needs so as to keep the continuous growth of its revenues. In addition, since the Company has strong connections with a large company that is the biggest owner of theaters in Thailand, it has a channel to publish the films produced by the Group and those in which the copyrights have been

purchased. This advantage is deemed a significant strong point of the Company when compared to its business competitors.

In the previous year of 2013, regarding the procurement of film copyrights and the production of Thai films by the Company, the films distributed by the Company became successful because they could respond well to the consumers' needs. Moreover, the Company laid down its marketing strategies carefully and planned to expand its customer base by selecting films of greater quality and with more variety. In addition, for adding value of our Thai film rights, the Company has found other distribution channels to abroad.

Risk from Copyright Infringements

The spread of pirated goods is an important problem that impairs the growth of the motion picture business in Thailand a lot. Manufacturers and distributors of proper copyrights in Thailand have suffered impacts from these problems continuously. The Group, which conducts the business of distributing licenses and producing films for theater shows as well as manufacturing and distributing film media, that is, DVD, VCD and Blu-ray, that are regarded as a main channel of revenues of the Company, will also suffer this impact, which results in a risk in terms of revenues or operation results that the Company ought to receive as a result of its investment in those film licenses.

At present, both large and small operators of film media business, including the public sector, being aware of copyright infringements, cooperate in finding ways to prevent and suppress such illegal acts by setting up a joint agency performing the duty to detect sources of pirated film media production and by pressing lessors of premises to terminate the space leases and join the state authority to arrest offenders. As a result, the film piracy rate remains constant or does not increase, and it is expected that it will decrease to one that cannot produce impacts or produces minimum effect on the operators of lawful film media business.

Risk from Civil Disorder

The civil disorder remains persistent. Though the risk in this regard may to reduce number of moviegoers and decrease in MPIC revenue. It is considered that the risk form civil disorder is insignificant. The Company always places importance on strict on the operation such as timing of release the movies to be suitable for situation and catches up closely information about civil disorder for planning the operation continuously and effectively.

Risk from a major shareholder holding more than 75%

The Company has a major shareholder holding 91.37% of the paid-up shares of MPIC which is Major Cineplex Group having the controls and influencing on the decision of the Company in the matters which have to be approved by the shareholder's meeting therefore, the other shareholders of the Company lose the power to check and balance on the issue brought up by the said major shareholder.

Risk from having minor shareholder less than 15%

As of 31 December 2013, paid up ordinary shares of the Company in amount of 91.37% was hold by a major shareholder and 8.63% was hold by other shareholders which affecting the volume of trade in the stock exchange hence the shareholders and investors could not trade in the time he/she desires. Moreover, the Company has minor shareholder less than 15% affecting the status of company listing in SET which the Company have been concerned and try to resolve the regard as soon as possible.

Corporate Governance

The Board of Directors recognizes the importance of good corporate governance as an important and essential element in the sustainable growth and prosperity of its business operation, to improve transparency, and to increase shareholders and other related parties' confidence, The Board has, therefore, devised a policy for the Company which incorporates the principles of corporate governance under the operational regulations of the Stock Exchange of Thailand as follows:

1. Setting the Corporate Governance Policy

1. The Company will treat every shareholder and stakeholder on equal and fair basis.
2. The Company will conduct its business activity with transparency, accountability, and disclose sufficient and comprehensive information to all parties concerned.
3. The Company will conduct its business activity with constant consideration of risks through appropriate control and management of risk procedures.
4. The Company's Board of Directors comprises at least 3 independent directors.
5. The Company's Board of Directors will hold a regular meeting, and may hold other additional meetings if required. The date of the meeting will be scheduled in advance, together with the clear outline of the meeting agendas. This will be submitted prior to the meeting, together with supporting documents in line with the Company's articles of association so that Company's Board of Directors has sufficient time to study the information prior to attending the meeting.
6. The Company's Board of Directors values the establishment of an internal control system, both financial and performance control, as well as the supervision of its operation. In this regard, the Board has set up an independent internal audit work unit as part of the Company's business operation.
7. The Board of the Company will ensure the application of ethical guidelines to the Company's business performance, the desired good work ethics of directors and staffs, and will communicate these ethics to all related departments for information.

2. Rights and Equality of Shareholders

The Company recognizes the significance of shareholder's rights in accessing information on the Company, through its policy of providing clear information that is transparent, accurate, and fair. In this connection, the Company submits news and information on its performance results, investment in various projects, as well as

company and groups transactions on a regular and timely basis. Shareholders are entitled to receive such Company information on fair and equal basis, and are entitled to attend the meetings, vote, and express their opinions during the shareholders' meeting (as per details in clause number 4). Each and every shareholder has equal rights as follows:

1. The right to receive information on the Company's operation on a regular and timely basis.
2. The right to participate in the shareholders' meetings, express opinions and
3. The right to be informed of Company and groups related transactions
4. Other legal rights

3. Stakeholders' Rights

The Company values the rights of every group of stakeholders including staff, executives, trade partners, executives, client, and shareholders and related parties, in accordance with their roles, functions, and responsibilities to comply with the relevant rules and regulations for the purpose of the Company's healthy performance and stable growth.

- **Shareholders** the Company discloses information with transparency and reliability in order to create understanding and highest satisfaction amongst its shareholders.
- **Staff** the Company has consistently treated its staff with fairness, and has assumed responsibility for the maintenance of work environment that is considered safe for the lives and assets of staff, and in strict compliance with the labor law, providing welfare, and paying proper compensation
- **Clients** the Company treats all its clients on fair and equal basis, and does not sign direct contracts with any exclusive advertising agency/ product owner client. Neither does it disclose client information to outside parties without receiving prior permission from the client or from authorized personnel within the Group;
- **Business Partners** the business activities of trade partner must not in any way damage the Company's business reputation, or contradict with the regulations. Consideration is given to fairness in terms of business operation and mutual interests with clients.
- **Society** the Company undertakes various forms of charity projects and activities which benefit society as a whole.

4. The Shareholders' Meeting

The Company schedules a General Shareholders' Meeting once a year, not longer than 4 months after the Company's fiscal year end date. In 2013, the Company held the Annual General Shareholders' meeting on 23 April 2013, in order to consider various important agendas. It has dispatched the appointment/invitation letters together with supporting documents providing sufficient and comprehensive information to the Company's share registrar for onward delivery to the shareholders to study the afore-mentioned information in detail. Furthermore, the Company facilitated the shareholders' participation in the shareholders' meeting by having the meeting room easily accessible, and in the event the shareholder cannot attend the meeting in person, he may authorize other individuals to attend in his place or authorize one of the independent to vote on his behalf.

The Company's Board of Directors gives importance to meeting attendance, and at least half of the total number of directors must attend the meeting, including the Audit Committee which also comprises the independent directors. At every meeting, the Chairman of the meeting will explain to the shareholders the meeting procedures, the exercise of voting rights, and the right to express opinions. Opportunity will be given for shareholders to make queries and recommendations on various issues, and the Company's management team, including the financial auditor attending the meeting will answer any questions raised on the agendas.

5. Role, Leadership, and Vision

The Company's Board of Directors is responsible to its shareholders for the Company's business performance, and for overseeing that management of the business is in line with the objectives and guidelines set, and in the shareholders' best interests; while at the same time taking into consideration the interests of all stakeholders.

In its operation, the Board has appointed the Group's Chairman of the Executive Committee who is responsible for the management of the Company's regular business affairs, and has clearly defined the roles and functions of the Board of Directors and the senior management so that the operation proceeds most effectively, in accordance with the policy set. The Company's directors are individuals with knowledge and capability who has undergone various training programs from the Thai Institute of Directors Association-IOD) as follows:

Director Certification Program (DCP)

Mr. Vicha Poolvaraluck

Mr. Thanachai Santichaikul

Mr. Attapon Chodchoy

Mr. Verawat Ongvasith

Ms.Thitapat Issarapornpat

Director Accreditation Program

Mr. Tirachai Vutithum

Mr. Thanakorn Puriwekin

6. Conflict of Interest

The Board of Directors recognizes the significance of carefully considering transactions which may create conflict of interest, related or connected transactions, and will treat them the same way it treats with outside parties, upholding and abiding by the Stock Exchange of Thailand regulations as well as other rules which may be applicable to the transactions.

7. Business Ethics

The Board of Directors, the Committees, the management, and staff have a joint role in performing their duties in line with the Company's mission, guidelines and desired code of conduct, with honesty, integrity, and fairness which includes performance towards the Company, clients, and every group of stakeholders.

8. Balance amongst Non Executive Directors

At of 31 December 2013, there were 10 directors in the Company as follows:

- Executive Directors 3 persons
- Non Executive Directors 2 persons
- Independent Directors (Audit Committee) 4(3) persons

In this connection, the Company has 4 Independent Directors or equivalent to 44% of the total number of directors. The Company's Board of Directors is responsible for performing its duties in accordance with the law, its objectives, and the articles of association of the Company, as well as shareholders' resolution, with honesty, integrity, and caution in preserving the Company and its shareholders' interests. Each director's position has a definite term which is in accordance with the Company's article of the Company, as well as shareholders' resolution, with honesty, integrity, and caution in preserving the Company and its shareholders'

interests. Each director's position has a definite term which is in accordance with stipulate that at each Annual General Shareholders' meeting 1 out of 3 directors must leave his position, by having the director who has assumed the position longest resign.

9. Combining/Separating of Positions

The Company separates the position of Chairman of Board of Directors from that of Chairman of Executive Committee, and such positions cannot be assumed by one individual. This serves to balance the power amongst the management for the purpose of appropriateness and transparency. The Company has defined functions by setting clear policies with regard to supervision and management.

- **Mr. Thirachai Vutitham**, Chairman of the Board of Directors, is responsible as the Head of the Company's Board of Directors, and acts as the Chairman of the Company's Board of Directors' meetings. Whenever, the Company holds a shareholders' meeting, the Chairman of the Board of Directors will assign the Deputy Chairman of Board of Directors, or Chairman of the Management Committee, or Chairman of the Executive Committee to serve as the Chairman of the meeting on his behalf if he is required to perform his duties overseas during that time.
- **Mr. Thanakorn Puriwekin** is Director and Chief of Executive Offer, and is responsible for being leader of the Company's management term, responsible for the Company's performance in accordance with the policy by the Company's Board of Directors, and reports directly to the Company's Board of Directors.

10. Remuneration of Directors and Executives

The Company determines rates of the remuneration of Directors by holding transparency, appropriated, with approval of the shareholders and base considered on each responsibility, duties, acknowledges, capabilities, moralities. For remunerations of Executives, the Company base determines on conforming to each knowledge, capacities, moralities, and performances.

11. Board of Directors' Meeting

In 2013, the Company held 6 Board of Directors' meetings. The Company prepares the meeting invitation, the meeting agenda, together with supporting documents at least 7 days prior to each meeting. The proper timing allocated for the various meeting agendas will be set by the Board of Directors, and an officer will be responsible for recording of the minutes of the meeting, and seriously implementing the meeting resolution, as

well as following up, and filing of the previous minutes which have been endorsed by the Board of Directors, ready for review to be undertaken by the Board of Directors and related parties.

(Detailed in Board and Executives attended the meeting P.45)

12. The Committees

The company sets up the Sub-Committee, namely Audit Committee, Executive Committee (detailed in Board and Committee structure P.38)

13. Internal Control and Audit Policy

The Company has established an internal control system by setting up the Internal Audit Department which reports directly to the Audit Committee, in order to undertake audit of the internal operation system, and to make recommendations regarding the adequacy and appropriateness of the Company and its subsidiaries' internal control systems. The Company's internal control system will also be applicable to executives in order to prevent damages which may arise from the misuse of assets or from lack of proper authority, by clearly setting executives' scope of authority and responsibility.

14. Board of directors' Report

The Company's Board of Directors is responsible for the Company and its subsidiaries' consolidated financial statements, and financial information which appear in the annual report. The afore-mentioned financial statements have been prepared in accordance with internationally accepted standards, in Thailand, using careful judgments, and the best possible estimate/projections, as well as disclosing sufficient information in the notes to financial statements. This will create stakeholders' confidence in the Company's financial statements. In the past, the Company's Board of Directors had appointed an Executive Committee which comprised highly qualified independent directors with qualification which comply with the Stock Exchange of Thailand's regulations, to conduct a review, and ensure that the Company's financial reports are correct and adequate, with an appropriate and efficient internal control system, and to review that the operations comply with the Stock Exchange regulations, obligations to outside parties, and other relevant rules and regulations, including the selection and proposal to appoint and offer remuneration of the auditor.

15. Investor Relations

The Company's Board of Directors recognizes the importance of disclosing correct, complete, transparent, and comprehensive information which include the financial report, general information, as well as other relevant information which could affect its share price. The distribution of the aforementioned news and

information distribution of the aforementioned news and information is for investors and related parties' information through the various information distribution media channels of the Stock Exchange of Thailand and the Company's website.[www.mpictures.co.th/mpic/investors]

16. Overseeing Usage of Internal Information

The company oversees usage of internal information by stipulating a policy as follows:

- Executives including their spouse, children under legal age, are prohibited from buying and selling shares of the company. In case information comes to the knowledge of an executive about an adverse affect on purchase and sale of the company's asset, he will notify an executive of high level only and such information will be revealed to the employees only as necessary for their work performance.
- Executives including their spouses, children under legal age are to report any change of security holding to the Securities Exchange Commission and the Stock Exchange of Thailand within 3 working days, from the occurrence date of purchase and sale, under Section 59 of Securities and Stock Exchange Act, B.E. 2535 (A.D.1992)

Internal Control

The Company's Audit Committee through the Internal Audit Department has supervised and reviewed the efficiency, adequacy, and appropriateness of the Company's internal control system in various aspects, and if any serious defect or abnormality is discovered, then this must be reported to the Company's Board of Directors for swift improvement and rectification.

The Board of Directors and Management team are responsible for the Company in maintaining the Company's internal control system. In the Board of Directors' Meeting No.1/2014 held on February 11, 2014 which the Independent Directors and the Audit Committee attended, considered and evaluated the adequacy of the Company's Internal Control System in 5 aspects as follows;

1 Organization and environmental conditions

The Board of Directors concerned on express and evaluated determination of business target, which shall guide the operation of employees. There are frequent reviews of the target by consideration of operation possibility. Manages the organization structure to support and conform to operations of Management Team. The Company sets the express rule practices for conflict of interest transaction and also imposes punishments in case of the breaking. The Company sets the express rule practices for conflict of interest transaction and also imposes punishments in case of the breaking. The Company sets the operation guideline in writing for financial and purchasing and also general managing transactions for all employees in order to prevent corruption. The Company is including determining policies and operation plans by taking into consideration of equality of business partners and long-term benefits of the Company.

2. Risk management

Management Team has frequently and cautiously considered with analyzing all risks which may effect to the Company, and also provided the Company the internal audit team to monthly report auditing results to the Audit Committee. Moreover, the Board of Directors appointed Risk Management Committee to monitor and consider risks of the Company with giving opinions and resolution of such risk reduction to the Board of Directors.

3. Supervision of executive performance

The Company has properly limited the scope of duties, responsibilities and approval authorities of executives, moreover, set cautiously the procedures of related transaction with the major shareholders, directors, executives, or related parties, by consideration based on the highest benefit of the Company and with agreement of the Audit Committee and approval of the Board of Directors.

4. Information system and communication of information

The Company provides adequate information for support the decisions on agendas contained in meeting of the Board of Directors by sending information at least 7 days before each Meeting. And there are also recording questions and directors' opinions in every minutes of meeting. The Company keeps in categories of corporate and the company's documents. Management Term applies standard and acceptable accounting policy which is conforming to the nature of the Company's business.

5. Follow up process

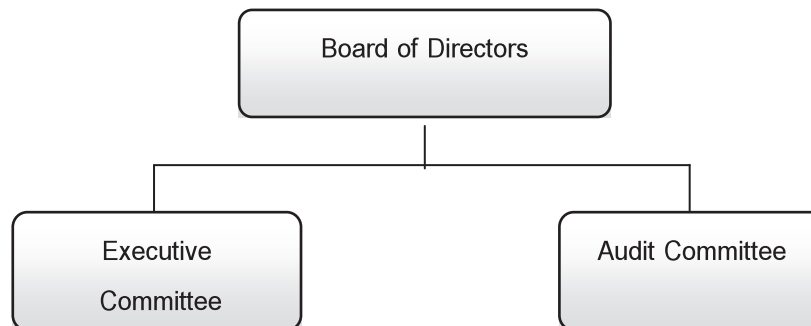
The Company frequently compares business targets of the Company with operation results, and makes report to the Board of Directors. Moreover, the Company provides the internal auditing which will directly report to the Audit Committee.

The Board of directors and the Audit Committee of the Company are agree with Auditor who has reviewed the efficiency of the Company and Group's internal control, that the Company and subsidiaries have adequate and appropriate internal control systems fit to nature of the Company and subsidiaries business, which are capable in protection of the Company's assets from executives' misuse or insufficient authorized usage. No significant defect was found in the accounting internal control system which would require the financial auditor's comments to be included in the 2013 financial statements.

In addition, the Company's Board of Directors also stressed the development of corporate governance system in order that the internal control system will be continuously and further improved.

Boards and Committee Structure

The Board and Committee of the Company consisted of 3 committees, namely the Board of Directors, Audit Committee and Executive Committee with an Executive Management Team. The scope of work and authority of each committee are as following:



Board of Directors

As of December 31, 2013, there were Directors in the Board of Directors as namely below;

			<u>Positioned Date</u>
1	Mr.Tirachai Vutithum	Independent Director/Chairman of the Board	April 20, 2011
2	Mr.Vicha Poolvaraluck	Director/Vice Chairman of the Board	April 23, 2013
3.	Mr. Thanakorn Puriwekin**	Director/Chief Executive Officer	November 5, 2013
4	Mr.Padet Hongfa*	Director	April 23, 2013
5	Mr.Thanachai Santichaikul**	Independent Director/Chairman of the AC	May 10, 2013
6	Mr. Attapon Chodchoy**	Independent Director/ AC	May 10, 2013
7	Mr.Suthep Dansiriviroj*	Independent Director/Chairman of the AC	April 20, 2011
8	Mr.Arun Eamsureya*	Independent Director/AC	April 18, 2012
9	Mr.Montri Sotangkul*	Independent Director/AC	April 18, 2012
10	Mr.Chate Mungkhalodom*	Director	April 18, 2012
11	Mr. Vichate Tantiwanich	Independent Director/AC	March 18, 2012
12	Mr.Thitakorn Ussayaporn*	Director/Chief Executive Officer	April 23, 2013
13	Ms.Thiatpat Issapornpat	Director	November 6, 2012
14	Mr.Verawat Ongwasith**	Director	November 5, 2013
15	Mr.Sagnar Chatchairungruang**	Director	November 5, 2013

Ms.Thitapat Issarapornpat is acting on behalf of Company Secretary.

Note

- * Mr. Padet Hongfa resigned from Director at August 8, 2013
- * Mr. Suthep Dansiriviroj resigned from Independent Director and Chairman of Audit Committee at April 24, 2013
- * Mr. Arun Eamsureya resigned from Independent Director and Audit Committee at May 30, 2013
- * Mr. Montri Sotangkul resigned from Independent Director and Chairman of Audit Committee at May 10, 2013
- * Mr. Chate Mungklalodom resigned from Director at August 8, 2013
- * Mr. Thitakorn Ussayaporn resigned from Director and Chief Executive Officer at December 2, 2013
- ** Mr. Thanakorn Puriwekin has appointed to the Director since November 5, 2013.
- ** Mr. Thanachai Santichaikul has appointed to the Independent Director and the Chairman of Audit Committee since May 10, 2013
- ** Mr. Attapon Chodchoy has appointed to the Independent Director and Audit Committee since May 10, 2013.
- ** Mr. Verawat Ongvasith has appointed to the Director since November 5, 2013.
- ** Mr. Sanar Chatchairunguang has appointed to the Director since November 5, 2013.

Directors authorized to sign to bind the Company consist of Mr. Vicha Poolvaraluck, Mr. Thanakorn Puriwekin, and Ms. Thitapat Issarapornpat two of these three directors' together sign and affix the Company's seal. From the above Board of Directors' structure, the Company's ratio of non-executive to executive directors is 5 to 4 which is more than half of the total number of directors, including 4 independent directors.

ROLE AND RESPONSIBILITIES OF THE COMPANY'S BOARD OF DIRECTORS

The Company's Board of Directors' important role and responsibilities are as follows:

1. To perform its duty in overseeing the Company's business operation, that it is in line with the law, the Company's objectives, the Articles of Association, and the shareholders' resolution, with honesty, integrity, and caution.
2. To set the Company's strategy, direction, and operational plan, and supervise that the management performs in accordance with the Company's policy and objectives in the most efficient manner.
3. To consider important issues such as investment in new projects, acquisition and disposal of assets in line with SET regulations, as well as other regulations.
4. To review the performance results, the financial report, audit of accounts, and to follow up on the management's performance.
5. To consider issues, and make proposals for the shareholder's meeting approval, with caution and prudence.

6. To oversee and ensure that problems with regard to conflict of interest do not arise amongst the Company's stakeholders.
7. To supervise and ensure that the operation proceeds in line with good code of ethics.

The Company's Board of Directors has set up sub-committees to study and screen projects/work plans in accordance with the Company's Board of Directors' policy, which are the Audit Committee and Executive Committee.

The Audit Committee

As of 31 December 2013, the Audit Committee consisted of 3 directors as follows:

1. Mr. Thanachai Santichaikul Independent Director/Chairman of the Audit Committee
2. Mr. Attapon Chodchoy Independent Director and Audit Committee
3. Mr. Vichate Tantiwanich Independent Director and Audit Committee

Mr. Nipon Sunthrajarn served as Secretary to the Audit Committee.

The Audit Committee's term lasts 3 years and the directors have undergone the following training from the Thai Institute of Directors' Association - (IOD):

1. Mr. Thanachai Santichaikul Independent Director/Chairman of the Audit Committee

Undergone training programs:

- Director Certification Program (DCP)

2. Mr. Attapon Chodchoy Independent Director/Audit Committee

Undergone training programs:

- Director Certification Program (DCP)

3. Mr. Vichate Tantiwanich Independent Director/Audit Committee

Undergone training programs: None

ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

1. Reviews that the Company's financial report is correct and complied with acceptable accounting standard, and adequate financial information disclosure.
2. Reviews and ensures that the Company's internal control and internal audit systems are appropriate and effective. Moreover, considers and approves of appointment, removal, termination of head of internal audit or other of which related to internal auditing.
3. Reviews and ensures that the Company abides by the SEC and SET rules and regulations, or other regulations related to the Company's business.
4. Considers, selects, and proposes the appointment and remuneration of the Company's financial auditor.
5. Considers, reviews, and provides comments including the comprehensive and accurate disclosure of Company information in the event of related transactions or those that may give rise to conflicts of interest to ensure that such related transaction or conflict of interest transaction are acceptable reasonably and make the highest benefits to the Company.
6. Prepares Audit Committee report with signature of the Chairman of the Audit Committee and discloses in Annual Report of the Company. The report shall be at least consisted of information as listed below;
 - (a) Opinions of accuracy, completeness, and trustable of the Company's financial reports
 - (b) Opinions of sufficiency of the Company' internal control system
 - (c) Opinions of compliance of the Securities and Exchange law, the Stock Exchange's regulations, and other related laws
 - (d) Opinions of suitability of auditors
 - (e) Opinions of related and conflict of interest transaction
 - (f) Numbers of the Audit Committee Meeting and attending of each Audit Committee
 - (g) General opinions and or suggestions on conducting duties under Charter
 - (h) Other matters in scope of duties and responsibilities assigned by the Board of Director which are considered that they should be disclosed to shareholders and investors
7. Examines and ensures that the Company has proper and effective risk management systems.
8. Reviews and comments on the internal audit plan, the Internal Audit operation, and coordinates with the financial auditor.

9. In performing its work responsibilities, the Audit Committee is authorized to invite the relevant management, executives, or staffs of the Company to provide opinions, attend meetings, or submit documents as see the Audit Committee sees fits.
10. Prepares the Audit Committee's report on corporate governance.
11. Reports the Audit Committee's performance to the Company's Board of Directors at least 4 times per year.
12. Authorized to hire consultants or outside parties according to the Company's regulations to provide comments or give advice in cases as deemed necessary.
13. Responsible for the Board of Directors on assignments and shall report performances with suggestions in result of auditing to the Board of Directors at least 2 times per year.

Independent director

"Independent director" means fully qualified persons with independence as determined by the Stock Exchange of Thailand as followed;

1. Amount and elements of Independent Director shall have at least 1/3 of the Board of Directors and shall not less than 3 independent Directors
2. Hold shares not exceed 0.5% of total voting right shares of the Company and also are included of shareholding of related parties.
3. Within preceded 2 years until present, shall not be participated in business management and controllable
4. Within preceded 2 years until present, shall not be in business relationship with the persons below;
 - Auditor: Strict prohibition
 - Other Professional Service Provider: Transaction value exceeds of 2 million baht/year

Exceptions: Transactions were considered necessary and irregular with unanimous approval of the Board of the Company. The Company shall disclose such transaction in Form 56-1 and Annual Report and Invitation of Shareholders' Meeting.

5. Do not be bloody relation, legislative relation, agent of executives or major shareholders, as well as being not appointed as a representative of other shareholders who bear relationship with major shareholders of the Company such as spouse, adopted child, etc.
6. Do not be director of other listed company in group.

7. Do not be management team, employee or advisor which regularly receives salary from the company, subsidiaries, or major shareholders.
8. Do not be benefit person whether directly or indirectly, in aspects of both financial and management of the company and subsidiaries.
9. There no relation with the executives or major shareholders.
10. Do not be agent on caring benefit of directors, major shareholders, shareholder which is related to major shareholder.

Real independence of the independent directors indicates good governance of the company, and the appointed independent director performs strictly comply with the foregoing rules. Especially, the independent directors can perform their duties, and give opinions or report operation results on assignment independently, regardless of any benefit concerning their assets and positions, and are forced neither influence of any group nor any pressure in giving opinions.

Executive Committee

As of 31 December 2013, the Company's Executive Committee was consisted of 3 persons as below:

1. Mr. Thanakorn Puriwekin
2. Ms. Thitapat Issarapornpat
3. Mr. Sangar Chatchairungruang

ROLE AND RESPONSIBILITIES OF THE RISK MANAGEMENT COMMITTEE

1. Manages and controls performance of the Company to the pointed direction by alertness, honesty, and follows the policy of the Board of Directors, and considers and report as assigned by the Board of Directors.
2. Considers the plan of the Company to contend in local and international stage.
3. Plans and considers cash management for cutting financial liability and forming good financial structure.
4. Plans and considers the approach strategy for good and sustainable image of the Company.
5. Operate by assignment of the Board of Directors.
6. Operates and manages the Company's business in accordance with laws, objectives and regulations of the Company.

Scope of operation approval authority of Executive Committee

2 Directors to sign to bind the Company together sign and affix the Company's seal except to approve financial limit in amount of exceed of 10 million baht.

Executive Management Team

As of 31 December 2013, Executive team of Group of Companies consists of 4 directors as follows:

- | | |
|--------------------------------|-----------------------------------|
| 1. Mr. Thanakorn Puriwekin | Chief Executive Officer |
| 2. Mrs. Pimwanitar Jaratpreeda | Financial and Accounting director |
| 3. Ms. Buppha Wandee | Human Resources Director |
| 4. Mr. Vinai Boonsadao | Legal Manager |

BOARD OF DIRECTORS' MEETING

The Company's Board of Directors schedules meetings in advance throughout the year. Additional meetings may be held to consider various important issues as urgently required and as deemed appropriate. Each meeting agenda consists of the consideration of the Company's policy, new investment projects, quarterly financial statements, as well as the financial report, and follow up of the Company's performance. The Secretary of the Board of Directors is responsible for confirming each meeting date, or making a new appointment date in the case of postponement from the original date, or calling an urgent meeting, and will also prepare and dispatch supporting documents to the directors. Each meeting generally lasts about 2 hours, and every director can freely express his opinions, and propose operational guidelines. Moreover, the Secretary to the Company's Board of Directors' duty is to take notes, and prepare the minutes of the meeting within 14 days, and to send the minutes which have been endorsed by the Company's Board of Directors, as well as file all minutes and supporting documents related to the Directors' meeting, ready for any review to be undertaken by the Board of Directors, shareholders, financial auditor, and related parties.

In 2013, the following meetings were hold:

Board of Directors' Meeting	6	times
Audit Committee's Meeting	4	times
Annual General Shareholders' Meeting	1	time
Extraordinary General Shareholders' Meeting	1	time

In this connection, the following directors and executives attended the meetings

No	Name	Board Meeting	AC Meeting	AGM	EGM
1	Mr.Tirachai Vutitum	6/6	-	Attended	Attended
2	Mr.Vicha Poolvaraluck	6/6	-	Attended	Attended
3	Mr.Thanakorn Puriwekin**	-	-	-	-
4	Mr.Padet Hongfa*	2/4	-	Attended	Attended
5	Mr.Thanachai Santichaikul**	3/3	2/2	-	Attended
6	Mr.Suthep Dansiriviroj*	2/2	2/2	Attended	-
7	Mr.Arun Eamsureya*	0/3	1/2	Attended	-
8	Mr.Attapon Chodchoy**	2/3	1/2	-	Attended
9	Mr.Montri Sotangkul*	2/3	2/2	Attended	-
10	Mr.Chate Mungkhalodom*	3/4	-	-	-
11	Mr.Vichate Tantiwanich	5/6	2/2	Attended	Attended
12	Mr.Thitakorn Ussayapon*	6/6	-	Attended	Attended
13	Ms.Thitapat Issarapornpat	6/6	-	Attended	Attended
14	Mr.Verawat Ongvasith**	-	-	-	-
15	Mr.Sangar Chatchairungruang**	-	-	-	-

Note:

- * Mr. Padet Hongfa resigned from Director at August 8, 2013
- * Mr. Suthep Dansiriviroj resigned from Independent Director and Chairman of Audit Committee at April 24, 2013
- * Mr. Arun Eamsureya resigned from Independent Director and Audit Committee at May 30, 2013
- * Mr. Montri Sotangkul resigned from Independent Director and Chairman of Audit Committee at May 10, 2013
- * Mr. Chate Mungklalodom resigned from Director at August 8, 2013
- * Mr. Thitakorn Ussayaporn resigned from Director and Chief Executive Officer at December 2, 2013
- ** Mr.Thanakorn Puriwekin has appointed to the Director since November 5, 2013.
- ** Mr.Thanachai Santichaikul has appointed to the Independent Director and the Chairman of Audit Committee since May 10, 2013
- ** Mr. Attapon Chodchoy has appointed to the Independent Director and Audit Committee since May 10, 2013.
- ** Mr.Verawat Ongvasith has appointed to the Director since November 5, 2013.
- ** Mr. Sanar Chatchairungruang has appointed to the Director since November 5, 2013.

Scope of operation approval authority of Management Team

The Company has authorized financial approval limits for executives according to different types of transaction as follows:

- Management Team was authorized to approve financial limit in amount of not exceed of 10 million baht
- Manager level has no power to approve any financial amount.

For any project that is exceeded of 10 million baht must be required approval of the Board of Directors. In practice, however, any investments or negotiation on beneficial rights of the Company's business will be reported to the Board of Directors by the Management team before taking any actions, even if the transaction value is within the approved authority limit of the Management Team.

Remuneration of the Boaed of Directors and Executives

The Company has set an appropriate level of remuneration for its directors and executives relative to other companies in the same business sector. The Director Remuneration payable each year is proposed to the Company's Board of Directors, as well as to the shareholders for approval.

As for the remuneration of executive officers, this is based on the Company's performance, as well as to the performance of each executive.

In 2013, the remuneration was paid as detailed below:

Monetary Compensation

- The remunerations of 15 Board of Directors totaled 994,000 baht in the form of remuneration and meeting allowances :

1	Mr.Tirachai Vutithum	amount	158,000	baht
2	Mr.Vicha Poolvaraluck	amount	138,000	baht
3	Mr.Thanakorn Puriwekin**	amount	10,000	baht
4	Mr.Padet Hongfa*	amount	51,000	baht
5	Mr.thanachai Santichaikul**	amount	84,000	baht
6	Mr.Suthep Dansiriviroj*	amount	46,000	baht
7	Mr.Arun Eamsureya*	amount	25,000	baht
8	Mr.Attapon Chodchoy**	amount	56,000	baht
9	Mr.Montri Sotangkul*	amount	36,000	baht
10	Mr.Chate Mungkhalodom*	amount	59,000	baht
11	Mr.Vichate Tantiwanich	amount	100,000	baht
12	Mr.Thitakorn Ussayapon*	amount	103,000	baht
13	Ms.Thitapat Issarapornpat	amount	108.000	baht
14	Mr.Verawat Ongvasith**	amount	10.000	baht
15	Mr.Sangar Chatchairungruang**	amount	10.000	baht

Note:

- * Mr. Padet Hongfa resigned from Director at August 8, 2013
 - * Mr. Suthep Dansiriviroj resigned from Independent Director and Chairman of Audit Committee at April 24, 2013
 - * Mr. Arun Eamsureya resigned from Independent Director and Audit Committee at May 30, 2013
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 - ** Mr. Thanachai Santichaikul has appointed to the Independent Director and the Chairman of Audit Committee since May 10, 2013
 - ** Mr. Attapon Chodchoy has appointed to the Independent Director and Audit Committee since May 10, 2013.
 - ** Mr. Verawat Ongvasith has appointed to the Director since November 5, 2013.
 - ** Mr. Sanar Chatchairungruang has appointed to the Director since November 5, 2013.
- The total remuneration of 6 Executives was THB 10.71 million consisting of salary and other welfare benefits.

Human Resource

As of December 31, 2013, there are 119 employees in the Company and subsidiaries as detailed follows;

	Amount [Employees]
1. Executives and Employees of M Pictures Entertainment Plc.	27
2. Executives and Employees of M Pictures Co.,Ltd.	25
3. Executives and Employees of M V D Co.,Ltd.	30
4. Executives and Employees of M Thirty Nine Co.,Ltd.	25
5. Executives and Employees of Talent 1 Co.,Ltd.	12
6. Executives and Employees of Pacific Media Sales Co.,Ltd.	-
7. Executives and Employees of TV Forum Co.,Ltd	-
Total	119

As at end of 2013, total remuneration featuring with salary, providence fund and other welfares of all executives and employees of the Company and subsidiaries is approximately THB 76.47 million.

Related Transaction

Person/Juristic person who may have conflict of interest	% of Ownership interest	Type of transactions	Amount (million baht)	Major details/condition
Major Cineplex Group Plc.	91.37% direct holding	Revenue		
		1. Revenue sharing from theatrical	93.21	Revenue sharing from theatrical release. This is a normal transaction.
		2. Advertising income	0.09	This is a normal transaction.
		Expense		
		1. Rental, services and utilities fee	3.38	Rental space and services for company's office. This is a normal transaction.
		2. Theatrical Services	13.83	This is a normal transaction.
		3. Advertising expense	2.33	This is a normal transaction.
		4. Others expense	0.06	This is a normal transaction.
		5. Interest expense	3.61	Interest rate 3.5% per year. This is a normal transaction.
		Trade accounts receivable	24.55	This is a normal transaction.
		Accrued income	6.71	This is a normal transaction.
		Deposit	0.98	This is a normal transaction.
		Trade accounts payable	9.71	This is a normal transaction.
		Other payable	0.79	This is a normal transaction.
		Loan	55.00	Interest rate 3.5% per year
Major Kantana Broadcasting Co.,Ltd	Joint ventures with 44.99% holding	Revenue		
		1. Dividend income	8.99	The transaction is from investment.
		2. Revenue from film rights	78.99	Distributing film rights. This is a normal transaction.
		3. Sale of goods	0.23	This is a normal transaction.
		Expense		
		1. Advertising expense	1.01	This is a normal transaction.
		Trade accounts receivable	84.52	This is a normal transaction.
		Other payable	0.21	This is a normal transaction.

Person/Juristic person who may have conflict of interest	% of Ownership interest	Type of transactions	Amount (million baht)	Major details/condition
EGV Entertainment Plc.	Associate with Major Cineplex Group Plc.	Revenue		
		1. Revenue sharing from theatrical	19.33	Revenue sharing from theatrical release. This is a normal transaction.
		Expense		
		1. Theatrical Services	0.49	This is a normal transaction.
		Trade accounts receivable	5.18	This is a normal transaction.
		Accrued income	1.66	This is a normal transaction.
		Trade accounts payable	0.92	This is a normal transaction.
Siam Cineplex Co.,Ltd.	Associate with Major Cineplex Group Plc.	Revenue		
		1. Revenue sharing from theatrical	14.00	Revenue sharing from theatrical release. This is a normal transaction.
		2. Sale of goods	0.02	This is a normal transaction.
		Expense		
		1. Theatrical Services	0.24	This is a normal transaction.
		Trade accounts receivable	3.21	This is a normal transaction.
		Accrued income	0.83	This is a normal transaction.
Major Cinead Co.,Ltd.	Associate with Major Cineplex Group Plc.	Revenue		
		1. Advertising income	83.05	Advertising income from theatrical media. This is a normal transaction.
		2. Sale of goods	0.20	This is a normal transaction.
		3. Other income	0.01	This is a normal transaction.
		Expense		
		1. Sponsorship	1.00	This is a normal transaction.
		Trade accounts receivable	21.46	This is a normal transaction.

Person/Juristic person who may have conflict of interest	% of Ownership interest	Type of transactions	Amount (million baht)	Major details/condition
Major Bowl Group co.,Ltd	Associate with Major Cineplex Group Plc.	Expense		
		Other Expense	0.03	This is a normal transaction.
		Other payable	0.01	This is a normal transaction.

Audit Fee

In the past fiscal year, the Company and its subsidiaries paid an audit fee to the auditor's audit firm, to individuals or related parties which related with auditor and audit firm, totaling 3,720,000 baht.

Company	Audit Fee (baht)
M Pictures Entertainment Plc.	2,155,000
M Pictures Co., Ltd.	455,000
MVD Co., Ltd.	535,000
Pacific Media Sales Co., Ltd.	100,000
M Thirty Nine Co., Ltd.	425,000
TV Forum Co., Ltd.	50,000
Total	3,720,000

Other Service Fee [Non-Audit Fee]

The Company and its subsidiaries did not make use of any additional services from the auditor, auditor's audit firm, individuals or related parties who related with auditor or auditor's audit firm.

Top 10th Major Shareholders

(As of February 27, 2014)

	Number of Shares	Percentage (%)
1. Major Cineplex Group Plc.	601,065,240	91.37
2. Mr. Chairat Saetung	6,948,500	1.06
3. Ms. Supitsara Chatkul na Ayuttaya	3,856,800	0.59
4. Ms. Sasithorn Ake-Attasit	3,840,000	0.58
5. Ms. Pranee Chuachetton	2,970,000	0.45
6. Mrs. Surang Preampri	2,700,000	0.41
7. Mrs. Nipa Parkvisarn	2,646,600	0.40
8. Mr. Pattanachai Saisawangphan	1,890,000	0.29
9. Mr. Varut Tantiphob	1,750,000	0.27
10. Mrs. Pornnapat Ongvasith	1,483,200	0.23

Brief of Directors and Executives of M Group

Directors & Executives	Company List							
	The Company	Subsidiaries						
		MPIC	MP	MVD	M39	T1	PMSL	TVF
1. Mr. Tirachai Vutithum		X	-	-	-	-	-	-
2. Mr. Vicha Poolvaraluck		/	-	/	/	-	-	-
3. Mr. Thanakorn Puriwekin**		/,/,X**	/,/,X	/,/,X	/,/,X	/	/,/,X	/,/,X
4. Mr. Padet Hongfa*		/	-	-	-	-	-	-
5. Mr. Thanachai Santichaikul**		/,X*	-	-	-	-	-	-
6. Mr. Suthep Dansiriviroj*		/,X*	-	-	-	-	-	-
7. Mr. Arun Eamsureya*		/	-	-	-	-	-	-
8. Mr. Attapon Chodchoy**		/	-	-	-	-	-	-
9. Mr. Montri Sotangkul*		/	-	-	-	-	-	-
10. Mr.Chate Mungkhalodom*		/	/	/	/	/	/	/
11. Mr.Vichate Tantivanich		/	-	-	-	-	-	-
12.Mr.Thitakorn Ussayaporn*		/,/,X**	/,/,X	/,/,X	/,/,X	/,/,	/,/,	/,/,
13.Ms.Thitapat Issarapornpat		/,/,	/,/,	/,/,	/,/,	/,/,	/,/,	/,/,
14. Mr. Verawat Ongvasith**		/	-	-	-	-	/	-
15. Mr.Sagnar Chatchairungruang**		/,/,	/,/,	/	/	-	/	/

Remark : Company and subsidiaries information as of December 31, 2013

/	= Director	//	= Executive Director
X	= Chairman of the Board	X*	= Chairman of the Audit Committee
X**	= Chief of Executive Officer		

Note:

- * Mr. Padet Hongfa resigned from Director at August 8, 2013
- * Mr. Suthep Dansiriviroj resigned from Independent Director and Chairman of Audit Committee at April 24, 2013
- * Mr. Arun Eamsureya resigned from Independent Director and Audit Committee at May 30, 2013
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Company & subsidiaries List

MP	M Pictures Co.,Ltd.
MVD	M V D Co.,Ltd.
M39	M Thirty Nine Co.,Ltd.
PMSL	Pacific Media Sales Co.,Ltd.
T1	Talent 1 Co.,Ltd.
TVF	TV Forum Co.,Ltd.

Income Structure

Revenue of the company group categorized by each segment within 3 years (2011-2013) in the below table:

[Unit: Million Baht]

Business Line	2013		2012 (Adjusted)		2011 (Adjusted)	
	Amount	%	Amount	%	Amount	%
VCD/DVD	276.34	35.59	609.61	58.03	699.08	65.64
Film rights	315.10	40.58	177.93	16.94	162.77	15.28
Thai film production	168.03	21.64	213.64	20.34	196.73	18.47
Book seller	10.62	1.37	21.13	2.01	-	-
Others	6.40	0.82	28.15	2.68	6.44	0.61
Total Revenue	776.49	100.00	1,050.46	100.00	1,065.02	100.00

Business Line	Company	% of total shares
Film rights	M Pictures Co.,Ltd.	99.99
VCD/DVD	M V D Co.,Ltd.	99.99
Thai film production	M Thirty Nine Co.,Ltd.	99.99
	Talent One Co.,Ltd.	90.00
Book seller	Talent One Co., Ltd	90.00

Operation Highlight

The Consolidated performance of M Pictures Entertainment Plc. and subsidiaries within 3 years in the below table:

[Unit: Million Baht]

Financial Statement Information	December 31,2013	December 31,2012	December 31, 2011	Percentage of Change	
				2013-2012	2012-2011
Total Assets	1,206	1,374	1,561	(12.2)	(12.0)
Total Liabilities	1,106	1,014	861	9.1	17.8
Shareholder Equity	100	360	739	(72.2)	(51.3)
Registered Capital	676	648	641	4.3	1.1
Paid-Up Capital	658	641	641	2.7	-
Total revenues	776	1,050	1,065	(28.9)	(1.4)
Total Expenses	1,058	1,397	1,011	(24.3)	38.2
Net Profit (Loss)	(282)	(347)	54	18.7	(742.6)
Earning (Loss) per share (Baht)	(0.43)	(0.54)	0.10	20.4	(640.0)

Financial Ratio

Financial Statement Information	December 31, 2013	December 31, 2012	December 31, 2011
Return on Total Revenue [%]	(36.6) %	(33.9) %	5.1 %
Return on Shareholder's Equity [%]	(122.2) %	(63.1) %	7.9 %
Return on Total Assets [%]	(18.9) %	(20.9) %	5.6 %
Debt to Equity Ratio [times]	11.04	2.81	1.16
Book Value per Share [Baht]	0.15	0.56	1.15

Management Discussion and Analysis Year 2013

Operation results of the Company and subsidiaries

The Group reported a loss of 2013 and 2012 in amount of THB 281.60 million and THB 346.69 million respectively because of the reserve of impairment of investments in subsidiary.

Total revenues were recorded at Baht 776.49 million, main revenue in amount of Baht 373.79 million from moviemaking and film rights businesses, Baht 276.34 million from VCD and DVD distribution, Baht 10.62 million from book seller and Baht 109.34 million from advertising, representing 48.14%, 35.59%, 1.37% and 14.08% of total revenues respectively. Compared with 2012, the total revenues decreased by about 26.08%.

Total expenses become lower by about 24.27% from Baht 1,397.16 million in 2012 to Baht 1,058.10 million in 2013. Costs of production and services abated from Baht 822.80 million to Baht 568.69 million or 30.88% and selling and administrative expenses decreased from Baht 538.57 million to Baht 452.36 million or 16.01%.

Revenues

The Group's total revenues in 2013 decrease by around Baht 273.97 million or 26.08% from a year earlier, which could be broken down by line of business in the below table:

(Unit: Million Baht)

Business Line	Amount		Increase/(Decrease)		Ratio : Total Revenue	
	2013	2012	Amount	%	2013	2012
VCD-DVD	276.34	609.61	(333.27)	(54.67)	35.59%	58.03%
Movie rights	219.22	174.47	44.75	25.65	28.23%	16.61%
Film production	154.57	184.98	(30.41)	(16.44)	19.91%	17.61%
Book seller	10.62	21.13	(10.51)	(49.74)	1.37%	2.01%
Advertising	109.34	32.12	77.22	240.41	14.08%	3.06%
Other Revenue	6.40	28.15	(21.75)	(77.26)	0.82%	2.68%
Total Revenue	776.49	1,050.46	(273.97)	(26.08)	100.00%	100.00%

VCD and DVD distribution business recorded a decrease from 2012 of Baht 333.27 million or 54.67% in revenues. Due to in 2013, the Group has the policy granting the license right of VCD and DVD distribution to the partners therefore, the Company decreased production and distribution of the said business.

Movie rights business has increased in revenues by Baht 44.75 million or 25.65% because the movies released in theaters in 2013 were more than in 2012 and the Company could manage the film rights more effectively.

Film production business; the revenues decreased by Baht 30.41 million or 16.44% because the year 2013, the Company has less movies than 2012 and the average revenue per movies is also less than the average revenue comparing the year 1012.

Advertising revenues in 2013 recorded an increase of Baht 77.22 million or 240.41% because in the year 2013, the Group could sell more advertisement area of International and Thai movies than 2012.

Costs of Production and Services and Gross Profit Margin

The Group's costs of production and services decreased from 2012 by about Baht 254.10 million or 30.88%. The decrease of production and distribution of home entertainment sector is the main cause making the revenue be lower which was the result from the policy of the Company focusing granting the film rights to the partners.

Selling and Administrative Expenses

Selling and administrative expenses become lower by Baht 86.22 million or 16.01% from Baht 538.58 million in 2012 to Baht 452.36 million in 2013, caused by reduced costs of administration of the Group. Moreover, the Company has reserved of impairment of investments in subsidiary less than 2012 in amount of Baht 55.42 million and has reduced cost of other administrative cost in amount of Baht 35.02 million due to the effective management.

Since the main business of the Company is in the category of entertainment, taste and favor of consumers, economic condition and other factors affect our business. Especially, in 2013, our movies showing in the cinema were not much successful which making the Company generated loss.

Financial Result of the Company and Group

Asset

As of December 31, 2013, the Group had total assets of Baht 1,206.07 million, down from December 31, 2012 by Baht 168.05 million or about 12.23%. The assets were composed of the following items:

(Unit: Million Baht)

Assets	As of December 31, 2013		Increase (decrease)		% of total asset	
	2013	2012	Amount	%	2013	2012
Cash and cash equivalent	39.42	111.00	(71.58)	(64.49)	3.27	8.08
Trade accounts receivable - net	484.44	434.42	50.02	11.51	40.17	31.61
Inventory	90.70	77.35	13.35	17.26	7.52	5.63
Film on Production	67.64	37.00	30.64	82.81	5.61	2.69
Other current assets	61.13	111.56	(50.43)	(45.20)	5.07	8.12
Investments in joint venture-net	8.38	-	8.38	100.00	0.69	0.00
Building and equipment - net	18.47	20.45	(1.98)	(9.68)	1.53	1.49
Goodwill - net	142.85	263.24	(120.39)	(45.73)	11.84	19.16
Computer program-net	1.83	2.04	(0.21)	(10.29)	0.15	0.15
Movie rights - net	289.24	313.87	(24.63)	(7.85)	23.98	22.84
Other non - current assets	1.97	3.19	(1.22)	(38.24)	0.16	0.23
Total Asset	1,206.07	1,374.12	(168.05)	(12.23)	100.00	100.00

Cash and cash equivalents downed from December 31, 2012, due to efficient management policy which helped to strengthen the Group's liquidity and boost its cash and cash equivalents.

Trade accounts receivable – net increased Baht 50.02 million or 11.51% from 2012 which resulting from VCD and DVD distribution business.

Inventories increased from December 31, 2012 in amount of Baht13.35 million or 17.26% which coming from the VCD and DVD distribution's business.

Movies in process coming from the moviemaking business for theatrical release, increasing in amount of Baht 30.64 million or 82.81% from December 31, 2012 due to the plan of the Company wishing to produce continually Thai movie for theatrical release which resulting in the higher number of movies in process.

Other current assets decreased Baht 50.43 million or 45.20% from year 2012 because the advance payment for Thai film production and the return of corporate income tax decreased when comparing the year 2012.

Investments in joint venture-net increased from December 31, 2012 by Baht 8.38 million or 100% because of the investment in Major Kantana Broadcasting Co.,Ltd in the year 2013.

Goodwill – net decreased Baht 120.39 million or 45.73% when comparing year ended 2012 because of the reserve of impairment of investments in subsidiary.

Movie rights – net came down from December 31, 2012 by Baht 24.63 million or 7.85%. Most are in the film's distribution and home entertainment sector. Moreover, in 2013, the Company has carefully planned and managed film rights which making the movie rights decrease when comparing the previous year.

Liabilities and Equity of Shareholders

(Unit : Million Baht)

Liabilities and Equity of Shareholders	December 31, 2013		Increase (decrease)		% of liabilities per Equity of Shareholders	
	2013	2012	Amount	%	2013	2012
Short-Term Loan and OD from Financial Institutes	693.23	601.47	91.76	15.26	57.48	43.77
Trade Account Payable	164.38	237.75	(73.37)	(30.86)	13.63	17.30
Current portion of long term liability	92.15	40.26	51.89	128.89	7.64	2.93
Short-Term Loan from Related Parties	55.00	10.00	45.00	450.00	4.56	0.73
Other Current Liabilities	45.15	66.97	(21.82)	(32.58)	3.74	4.87
Long-Term Loan	48.45	45.66	2.79	100.00	4.02	3.32
Non-Current Liabilities	7.55	11.41	(3.86)	(33.83)	0.63	0.83
Total Liabilities	1,105.91	1,013.52	92.39	9.12	91.70	73.76
Equity of Shareholders	100.16	360.60	(260.44)	(72.22)	8.30	26.24
Total Liabilities and Equity of Shareholders	1,206.07	1,374.12	(168.05)	(12.23)	100.00	100.00

Liabilities and Shareholders' Equity

Overdrafts and short-term loans from financial institutions are funding sources to meet the Group's working capital needs this item was up from the outstanding balance as of December 31, 2012 by Baht 91.76 million or 15.26% for working capital.

Trade accounts payable decreased from December 31, 2012 by Baht 73.37 million or 30.86% because the Company was more liquidity.

Long-term loan and Current portion of long term liability was up by Baht 55.26 million or 64.93 from the previous year due to the loan for the Company's operation and films' acquisition.

Shareholders' equity as of year-end 2013 stood at Baht 100.16 million as presented in the consolidated financial statement, decreased from Baht 360.60 million as of end-2012 resulting from operations generated loss in 2013.

Analysis of Financial Ratios:

	December 31, 2013	December 31, 2012	December 31, 2001
Current Ratio	0.71	0.81	0.88
Receivable Turnover	1.73	2.49	2.34
Average Collection Period	211	147	156
Total Assets Turnover	0.60	0.69	0.68
Total Debt to Equity Ratio	11.04	2.81	1.16

Liquidity Ratios

Current Ratio; The Group carried a greater amount of current liabilities than current assets, thus likely leading to liquidity problem. To cope with this, the Group in 2013 emphasized the management of current and non-current assets to boost its cash flow liquidity that could amply cover the current liabilities.

Efficiency Ratios

Total Assets Turnover; The Group does not require a large amount of fixed assets since its core activities involve with the distribution of movies and movie rights, the production and distribution of VCD and DVD, and the moviemaking. Nonetheless, its assets turnover in 2013 dropped from a year earlier because the decrease of Group's performance in 2013.


Receivable Turnover and Average Collection Period; The Group typically grants a credit term of around 90-180 days. Its receivable turnover for the current year becomes slower. Nevertheless, the VCD and DVD distribution business grants a collection period to the individual customers in accordance with the usual business norms.

Audit Committee Report 2013

Over the past 2013, the Audit Committee of M Pictures Entertainment Plc. is comprised of 3 independent directors. The Audit Committee is empowered by the Board of Directors to examine plans, purposes, and internal operations of the Company covering to examine auditing of internal Auditors to comply with the scope of responsibilities and purpose of internal auditing, evaluate sufficiency of internal audit system of the Company and subsidiaries and also control the Company to apply Good Corporate Governance to the Company operations, control risk management appropriately. And the Audit Committee examined the Company to strictly comply with the related laws, related transaction and conflicts of interest regulations, and correctly disclosed necessary information under the related regulations and practices. The Audit Company had participated in making consideration, discussion, exchange of views with the auditors, the internal auditors, and management team of the company for reviewing the quality of financial report, and result of audits.

For the fiscal year 2013, the Audit Committee held 4 meetings. In such meetings, the Committee met external permitted auditor to review financial information and financial reports of the Company every quarter-end 2013 and provided assessments and recommendations to the Board of the Company and also met independently with management team, internal and external Auditors of the Company to review and evaluate the Company's accounting policies and the relating procedures accounting practices, the internal control assessment, and audit plan. Where weakness was identified in internal control, corrective action plan has been taken to eliminate or reduce the associated risks.

The Audit Committee is of opinion that the internal control system of the Company operated effectively, insurable that the Company's assets were safe-guarded, proper accounting records were maintained, and resources were utilized efficiently. The Audit Committee has reviewed quarterly and yearly financial statement of the Company before recommending to the Board of Directors' Meeting. For the financial statement of 2012, the Audit Committee proposed 3 auditors to the Board of Directors namely; Mr. Paiboon Tunkoon, a certified public accountant no. 4298 or Mr. Kajornkiet Aroonpirodkul, a certified public accountant no. 3445 or Mr. Pisit Thangtanagul, a certified public accountant no. 4095. For the financial statement of 2014, the authorized auditors for the financial statement depend on the approval of the Annual General Meeting of Shareholders 2014 which will be hold on 23 April 2014



(Mr. Thanachai Santichaikul)

Chairman of Audit Committee

Responsibility Statement of the Board to Financial Statement

The Board of Directors is responsible for the Company and consolidated financial statements as well as financial information as disclosed in annual report. The financial statements are prepared according to generally accepted accounting standard in Thailand by applied appropriate accounting policy with nature of the Company's business, controlled and followed up operations closely. Moreover, the Board of Directors appointed Audit Committee from Independent directors who were not executives by consideration based on knowledge, capability, experience, and vision to examine and control quality of the Company's financial statements, controlled in any related transactions or any conflicts of interest to correct operations under related procedures and regulations and also provided effective internal audit office to ensure all related parties the accurate, clear and sufficient of accounting information.

The Board of Director believes that the Company's internal control system is sufficient and be able reasonably ensure that the Company and consolidated financial statement as of December 31, 2013 are trusted.



(Mr. Tirachai Vutithum)

Chairman of the Board



(Mr. Thanakorn Puriwekin)

Chief Executive Officer

AUDITOR'S REPORT

To the Shareholders and the Board of Directors of M Pictures Entertainment Public Company Limited

I have audited the accompanying consolidated and company financial statements of M Pictures Entertainment Public Company Limited and its subsidiaries and of M Pictures Entertainment Public Company Limited, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the related consolidated and company statements of income, statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

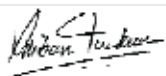
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position of M Pictures Entertainment Public Company Limited and its subsidiaries and of M Pictures Entertainment Public Company Limited as at 31 December 2013, and its consolidated and company results of operations and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



Paiboon Tunkoon
Certified Public Accountant (Thailand) No. 4298
PricewaterhouseCoopers ABAS Ltd.

Bangkok
11 February 2014

M Pictures Entertainment Public Company Limited
Statement of Financial Position
As at 31 December 2013

		Unit: Baht					
		Consolidated			Company		
		(Restated)			(Restated)		
		31 December	31 December	1 January	31 December	31 December	1 January
Notes		2013	2012	2012	2013	2012	2012
Assets							
Current assets							
Cash on hand and cash equivalents	8	39,415,456	110,999,823	70,176,078	2,482,446	2,080,379	831,565
Trade accounts receivable and other receivables, net	9	484,441,133	434,418,442	433,550,293	126,501,726	232,314,528	347,708,050
Short-term loans to subsidiaries	31 iv)	-	-	-	204,600,000	87,200,000	50,700,000
Short-term loan to third party, net	10	-	-	-	-	-	-
Inventories, net	11	90,702,651	77,352,976	104,241,361	-	-	-
Films under production		67,640,228	36,998,672	16,637,499	-	-	-
Advances to employees for film production		2,093,623	29,768,935	50,769,622	-	-	-
VAT receivable		19,234,941	13,704,673	16,862,209	159,808	-	6,748,934
Withholding tax deducted at sources		28,582,099	53,562,649	41,802,490	10,563,922	10,171,893	2,368,672
Other current assets, net	12	11,222,856	14,524,121	12,621,617	959,798	5,883,399	6,387,149
Total current assets		743,332,987	771,330,291	746,661,169	345,267,700	337,650,199	414,744,370
Non-current assets							
Investments in subsidiaries, net	13	-	-	-	335,105,367	433,144,074	838,144,074
Investments in joint venture, net	14	8,384,364	-	-	24,994,743	-	-
Other long-term investment, net	15	-	-	-	-	-	-
Building and equipment, net	16	18,473,078	20,452,525	17,511,642	5,518,416	6,485,781	7,504,749
Goodwill, net	17	142,847,181	263,244,245	439,069,516	-	-	-
Computer program, net	17	1,827,399	2,041,766	3,260,647	658,660	790,649	1,170,851
Film rights, net	17	289,242,833	313,864,724	391,427,383	-	-	450,000
Other non-current assets, net	18	1,958,704	3,186,635	2,042,967	994,035	994,035	1,074,356
Total non-current assets		462,733,559	602,789,895	853,312,155	367,271,221	441,414,539	848,344,030
Total assets		1,206,066,546	1,374,120,186	1,599,973,324	712,538,921	779,064,738	1,263,088,400

Director _____

Director _____

The notes on pages 78 to 126 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited

Statement of Financial Position (Cont'd)

As at 31 December 2013

Unit: Baht

	Notes	Consolidated			Company		
		(Restated)			(Restated)		
		31 December	31 December	1 January	31 December	31 December	1 January
		2013	2012	2012	2013	2012	2012
Liabilities and shareholders' equity							
Current liabilities							
Bank overdrafts and short-term borrowings from financial institutions	20	693,225,012	601,468,051	473,121,537	44,472,507	9,220,411	-
Trade accounts and other payables	19	164,378,971	237,746,092	236,196,370	27,234,881	97,715,090	80,650,550
Current portion of long-term borrowings from financial institutions	20	91,924,271	39,454,328	5,218,435	91,372,232	37,017,353	-
Current portion of liability under finance lease		225,130	812,997	827,953	225,130	206,292	189,058
Short-term borrowings from related parties	31 v)	55,000,000	10,000,000	59,000,000	144,500,000	182,000,000	347,250,000
Undue output VAT		10,900,672	10,800,191	11,346,610	2,157,221	5,766,432	18,598,091
Provision for sales return		30,152,640	28,943,704	52,516,963	-	-	-
Other current liabilities		4,099,227	27,228,552	7,834,343	1,652,898	7,877,965	1,708,705
Total current liabilities		1,049,905,923	956,453,915	846,062,211	311,614,869	339,803,543	448,396,404
Non-current liabilities							
Long-term borrowings from financial institutions	20	48,453,231	45,660,467	2,436,975	48,453,231	45,660,467	-
Liabilities under finance lease		139,714	752,219	1,521,766	139,714	364,844	576,107
Employee benefit obligations	21	3,717,355	4,302,270	3,760,376	2,432,919	3,249,824	2,924,223
Deferred tax liabilities	22	3,692,481	5,965,587	7,132,940	-	-	-
Other non-current liabilities		-	387,100	-	747,000	747,000	747,000
Total non-current liabilities		56,002,781	57,067,643	14,852,057	51,772,864	50,022,135	4,247,330
Total liabilities		1,105,908,704	1,013,521,558	860,914,268	363,387,733	389,825,678	452,643,734

The notes on pages 78 to 126 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited

Statement of Financial Position (Cont'd)

As at 31 December 2013

		Unit: Baht					
		Consolidated			Company		
		(Restated)			(Restated)		
	Notes	31 December 2013	31 December 2012	1 January 2012	31 December 2013	31 December 2012	1 January 2012
Liabilities and shareholders' equity (Cont'd)							
Shareholders' equity							
Share capital							
Authorised share capital	23						
675.90 million ordinary shares							
of par Baht 1 each							
(31 December 2012 : 647.66 million							
ordinary shares)							
(1 January 2012 : 641.25 million							
ordinary shares)		675,902,500	647,662,500	641,250,000	675,902,500	647,662,500	641,250,000
Issued and fully paid-up share capital							
657.83 million ordinary shares							
of par Baht 1 each							
(31 December 2012 : 641.25 million)							
ordinary shares)							
(1 January 2012 : 641.25 million							
ordinary shares)		657,829,978	641,250,000	641,250,000	657,829,978	641,250,000	641,250,000
Share premium	23	132,612,302	105,752,737	105,752,737	132,612,302	105,752,737	105,752,737
Surplus from business combination		(20,106,431)	35,704,675	35,704,675	-	-	-
Retained earnings (deficits)							
Appropriated - legal reserve	25	3,813,156	3,813,156	3,813,156	3,813,156	3,813,156	3,813,156
Unappropriated		(667,453,246)	(420,899,396)	(48,488,841)	(445,556,204)	(361,867,897)	59,628,773
Other components of equity		(4,760,305)	291,064	-	451,956	291,064	-
Equity attributable to owners							
of the parent		101,935,454	365,912,236	738,031,727	349,151,188	389,239,060	810,444,666
Non-controlling interest		(1,777,612)	(5,313,608)	1,027,329	-	-	-
Total shareholders' equity		100,157,842	360,598,628	739,059,056	349,151,188	389,239,060	810,444,666
Total liabilities and shareholders' equity							
equity		1,206,066,546	1,374,120,186	1,599,973,324	712,538,921	779,064,738	1,263,088,400

The notes on pages 78 to 126 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited

Statement of Income

For the year ended 31 December 2013

	Notes	Unit: Baht			
		Consolidated		Company	
		(Restated)			
		2013	2012	2013	2012
Revenues					
Sales of VCD and DVD		276,344,622	609,608,717	-	-
Revenues from films production and film rights distribution		373,793,836	359,452,592	40,680,000	17,977,000
Sales of pocket book		10,622,192	21,134,647	-	-
Management fee income		-	-	44,859,813	61,682,243
Advertising income		109,339,667	32,121,205	-	1,043,332
Total revenues		770,100,317	1,022,317,161	85,539,813	80,702,575
Cost of sales and services					
Cost of VCD and DVD sold		233,480,468	554,626,638	-	-
Cost of film production and film rights sold		321,103,599	247,039,634	2,007,678	1,316,873
Cost of pocket books		5,701,470	15,395,768	-	-
Cost of advertising		8,407,837	5,734,099	-	-
Total cost of sales and services		568,693,374	822,796,139	2,007,678	1,316,873
Gross profit		201,406,943	199,521,022	83,532,135	79,385,702
Other income		6,402,439	28,152,180	22,465,533	6,195,734
Selling expenses		(185,529,147)	(181,299,940)	(38,803)	-
Administrative expenses		(146,431,689)	(181,449,875)	(49,849,401)	(48,039,630)
Loss from impairment of goodwill	4, 17	(120,397,064)	(175,825,271)	-	-
Loss from impairment of investments in subsidiaries	13	-	-	(120,483,507)	(405,000,000)
Finance costs	27	(39,321,009)	(36,961,461)	(19,314,264)	(21,982,976)
Loss before income tax		(283,869,527)	(347,863,345)	(83,688,307)	(389,441,170)
Income tax	28	2,273,106	1,167,353	-	-
Loss for the year		(281,596,421)	(346,695,992)	(83,688,307)	(389,441,170)
Loss attributable to:					
Shareholders of the parent		(246,553,850)	(340,355,055)	(83,688,307)	(389,441,170)
Non-controlling interest		(35,042,571)	(6,340,937)	-	-
		(281,596,421)	(346,695,992)	(83,688,307)	(389,441,170)
Loss per share	29				
Basic loss per share		(0.43)	(0.54)	(0.13)	(0.61)
Diluted loss per share		(0.43)	(0.54)	(0.13)	(0.61)

The notes on pages 78 to 126 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited**Statement of Comprehensive Income****For the year ended 31 December 2013**

	Unit: Baht			
	Consolidated		Company	
	(Restated)			
	2013	2012	2013	2012
Loss for the year	(281,596,421)	(346,695,992)	(83,688,307)	(389,441,170)
Other comprehensive income	-	-	-	-
Comprehensive loss for the year	<u>(281,596,421)</u>	<u>(346,695,992)</u>	<u>(83,688,307)</u>	<u>(389,441,170)</u>
Attributable comprehensive loss to:				
Shareholders of the parent	(246,553,850)	(340,355,055)	(83,688,307)	(389,441,170)
Non-controlling interest	<u>(35,042,571)</u>	<u>(6,340,937)</u>	-	-
	<u>(281,596,421)</u>	<u>(346,695,992)</u>	<u>(83,688,307)</u>	<u>(389,441,170)</u>

The notes on pages 78 to 126 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited
Statements of Changes in Shareholders' Equity
For the year ended 31 December 2013

	Notes	Consolidated										Unit: Baht
		Attributable to equity holders of the parent										
		Other components of equity							Total parent's shareholders' equity	Non-controlling interests	Total	
Issued and fully paid-up share capital	Share premium	Share surplus from business under common control	Legal reserve	Unappropriate deficits	Warrants	Change in parent's ownership interest in subsidiaries	Total other component of equity					
Opening balance as at 1 January 2012		641,250,000	105,752,737	-	3,813,156	(68,181,172)	-	-	-	682,634,721	10,229	682,644,950
Retrospective adjustments from changes in accounting policy	4	-	-	-	-	19,692,331	-	-	-	19,692,331	-	19,692,331
Retrospective adjustments from business combination under common control		-	-	35,704,675	-	-	-	-	-	35,704,675	1,017,100	36,721,775
Opening balance after adjustments		641,250,000	105,752,737	35,704,675	3,813,156	(48,488,841)	-	-	-	738,031,727	1,027,329	739,059,056
Changes in shareholders' equity for the year												
Comprehensive expense for the year	30	-	-	-	-	(340,355,055)	-	-	-	(340,355,055)	(6,340,937)	(346,695,992)
Dividends paid		-	-	-	-	(32,055,500)	-	-	-	(32,055,500)	-	(32,055,500)
Share-based payment	24	-	-	-	-	-	291,064	-	291,064	291,064	-	291,064
Closing balance as at 31 December 2012		641,250,000	105,752,737	35,704,675	3,813,156	(420,899,396)	291,064	-	291,064	365,912,236	(5,313,608)	360,598,628
Opening balance as at 1 January 2013		641,250,000	105,752,737	-	3,813,156	(414,933,809)	291,064	-	291,064	336,173,148	10,229	336,183,377
Retrospective adjustments from changes in accounting policy	4	-	-	-	-	(5,965,587)	-	-	-	(5,965,587)	-	(5,965,587)
Retrospective adjustments from business combination under common control	13	-	-	35,704,675	-	-	-	-	-	35,704,675	(5,323,837)	30,380,838
Opening balance after adjustments		641,250,000	105,752,737	35,704,675	3,813,156	(420,899,396)	291,064	-	291,064	365,912,236	(5,313,608)	360,598,628
Changes in shareholders' equity for the year												
Proceeds from shares issued	23	16,579,978	26,859,565	-	-	-	-	-	-	43,439,543	-	43,439,543
Comprehensive expense for the year	24	-	-	-	-	(246,553,850)	-	-	-	(246,553,850)	(35,042,571)	(281,596,421)
Share-based payment		-	-	-	-	-	160,892	-	160,892	160,892	-	160,892
Business acquisition under common control	13	-	-	(18,444,800)	-	-	-	-	-	(18,444,800)	-	(18,444,800)
Transfer of non-controlling interest before business combination under common control		-	-	(37,366,306)	-	-	-	-	-	(37,366,306)	37,366,306	-
Addition investment in subsidiary by purchasing shares from non-controlling interest	13	-	-	-	-	-	-	(5,212,261)	(5,212,261)	(5,212,261)	1,212,261	(4,000,000)
Closing balance as at 31 December 2013		657,829,978	132,612,302	(20,106,431)	3,813,156	(667,453,246)	451,956	(5,212,261)	(4,760,305)	101,935,454	(1,777,612)	100,157,842

The notes on pages 78 to 126 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited
Statement of Changes in Shareholders' Equity (Cont'd)
For the year ended 31 December 2013

Company							Unit: Baht
Notes	Issued and fully paid-up share capital	Share premium	Legal reserve	Unappropriate retained earnings (deficits)	Other components of equity	Total	
Opening balance as at 1 January 2012 Retrospective adjustments from changes in accounting policy	641,250,000	105,752,737	3,813,156	59,628,773	-	810,444,666	
	-	-	-	-	-	-	
Opening balance after adjustments	641,250,000	105,752,737	3,813,156	59,628,773	-	810,444,666	
Changes in shareholders' equity for year							
Comprehensive loss for the year	-	-	-	(389,441,170)	-	(389,441,170)	
Dividends paid	-	-	-	(32,055,500)	-	(32,055,500)	
Share-based payment	-	-	-	-	291,064	291,064	
Closing balance as at 31 December 2012	641,250,000	105,752,737	3,813,156	(361,867,897)	291,064	389,239,060	
Opening balance as at 1 January 2013 Retrospective adjustments from changes in accounting policy	641,250,000	105,752,737	3,813,156	(361,867,897)	291,064	389,239,060	
-	-	-	-	-	-	-	
Opening balance after adjustments	641,250,000	105,752,737	3,813,156	(361,867,897)	291,064	389,239,060	
Changes in shareholders' equity for year							
Proceeds from shares issued	16,579,978	26,859,565	-	-	-	43,439,543	
Comprehensive loss for the year	-	-	-	(83,688,307)	-	(83,688,307)	
Share-based payment	-	-	-	-	160,892	160,892	
Closing balance as at 31 December 2013	657,829,978	132,612,302	3,813,156	(445,556,204)	451,956	349,151,188	

The notes on pages 78 to 126 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2013

	Notes	Unit: Baht			
		Consolidated		Company	
		(Restated)			
		2013	2012	2013	2012
Cash flows from operating activities					
Loss before income tax		(283,869,527)	(347,863,345)	(83,688,307)	(389,441,170)
Adjustments for:					
Depreciation and amortisation charge	16, 17	408,131,064	489,422,511	1,602,706	2,183,801
Interest income		(597,764)	(1,526,653)	(10,014,023)	(3,154,267)
Interest expense		39,321,009	36,961,461	19,314,264	21,982,976
Bad debt and (reverse) doubtful accounts	26	342,062	9,092,902	(59,874)	281,890
Provision (reverse) for sales returns		1,208,936	(23,573,259)	-	-
Allowance for inventory obsolescence and diminution in value of inventories	26	1,584,114	33,051,985	-	-
Write-off withholding tax receivable	26	-	2,858,695	-	529,200
(Gain) loss on disposal and write-off of equipment and intangible assets		(407,828)	233,557	29,089	-
Loss from write-off of film rights	17	-	2,696,763	-	-
Loss from impairment of investments in subsidiaries	13	-	-	120,483,507	405,000,000
Loss from impairment of equipment	16, 26	-	294,029	-	-
Loss from impairment of goodwill	17	120,397,064	175,825,271	-	-
Loss from impairment of intangible assets	17	-	1,316,008	-	1,146,244
Loss from impairment of film rights	17	13,875,542	12,455,784	-	250,000
Employee benefits obligations	21	415,677	541,894	183,687	325,601
Share-base payment reserve	24	160,892	291,064	160,892	291,064
Share of loss from joint venture	14	7,610,399	-	-	-
Dividend income		-	-	(8,999,980)	-
Changes in working capital (excluding the effects of acquisition and disposal of a subsidiary)					
- trade accounts receivable and other receivables		(43,181,633)	(8,510,709)	106,421,595	116,527,510
- inventories		(14,933,789)	(6,163,600)	-	-
- films under production		(30,641,556)	(20,361,174)	-	-
- advances to employees for film production		29,567,032	19,061,237	-	-
- VAT receivable		(4,721,407)	3,157,536	(159,808)	6,748,934
- other current assets		3,301,265	(1,893,741)	4,923,601	512,512
- other non-current assets		1,227,931	(1,143,668)	-	80,321
- trade accounts and other payables		(66,795,819)	37,839,031	(52,587,167)	3,860,564
- undue output VAT		93,621	10,877	(3,616,071)	(12,274,364)
- other current liabilities		(23,129,325)	19,394,211	(6,225,067)	6,169,260
- other non-current liabilities		(387,100)	387,100	-	-
- employee benefit obligations		(1,000,592)	-	(1,000,592)	-
Cash flows from operating activities		157,570,268	433,855,767	86,768,452	161,020,076
Add Interest received		529,764	1,458,467	18,471,944	1,181,093
Less Interest paid		(40,042,282)	(37,443,856)	(37,207,306)	(8,920,322)
Withholding tax received		52,524,147	11,577,023	10,171,893	-
Withholding tax paid		(28,352,459)	(26,195,876)	(10,563,922)	(8,332,420)
Net cash flows generated from operating activities		142,229,438	383,251,525	67,641,061	144,948,427

The notes on pages 78 to 126 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2013

		Unit: Baht			
		Consolidated		Company	
		(Restated)			
Notes	2013	2012	2013	2012	
Cash flows from investing activities					
Purchases of equipment	(4,337,570)	(9,083,480)	(492,441)	(697,899)	
Proceeds from disposals of equipment	1,829,448	29,760	-	-	
Purchases of intangible assets	17 (40,000)	(907,792)	(40,000)	(907,792)	
Purchases of film rights	17 (398,084,979)	(456,439,539)	-	-	
Short-term loans granted to subsidiaries	31 iv) -	-	(300,800,000)	(243,600,000)	
Short-term loans repaid from subsidiaries	31 iv) -	-	183,400,000	207,100,000	
Purchase of investment in a subsidiary	(4,000,000)	-	(4,000,000)	-	
Net cash (used in) investing activities	(404,633,101)	(466,401,051)	(121,932,441)	(38,105,691)	
Cash flows from financing activities					
Proceeds from (repayment of) bank overdrafts	23,046,961	10,146,514	252,096	9,220,411	
Proceeds from short-term borrowings from financial institutions	489,010,000	409,500,000	35,000,000	2,400,000	
Repayments to short-term borrowings from financial institutions	(420,300,000)	(291,300,000)	-	(2,400,000)	
Proceeds from short-term borrowings from subsidiaries	31 v) -	-	185,500,000	43,350,000	
Repayments to short-term borrowings from subsidiaries	31 v) -	-	(253,000,000)	(159,600,000)	
Proceeds from short-term borrowings from parent company	31 v) 425,000,000	80,000,000	395,000,000	80,000,000	
Repayments to short-term borrowings from parent company	31 v) (380,000,000)	(129,000,000)	(365,000,000)	(129,000,000)	
Proceeds from long-term borrowings from financial institutions	123,990,000	91,800,000	120,390,000	91,800,000	
Repayments to long-term borrowings from institutions	(68,727,293)	(14,340,616)	(63,242,357)	(9,122,180)	
Repayment of liabilities under finance lease	(1,200,372)	(784,503)	(206,292)	(194,029)	
Dividends paid	30 -	(32,048,124)	-	(32,048,124)	
Net cash receipts from (used in) financing activities	190,819,296	123,973,271	54,693,447	(105,593,922)	
Net increase in cash and cash equivalents	(71,584,367)	40,823,745	402,067	1,248,814	
Opening balance of cash and cash equivalents	110,999,823	70,176,078	2,080,379	831,565	
Closing balance of cash and cash equivalents	39,415,456	110,999,823	2,482,446	2,080,379	

The notes on pages 78 to 126 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited**Statement of Cash Flows (Cont'd)****For the year ended 31 December 2013****Non-cash transactions**

Significant non-cash transactions for the years ended 31 December 2013 and 2012:

	Unit: Baht			
	Consolidated		Company	
	(Restated)			
	2013	2012	2013	2012
Outstanding payable arising from purchase of equipment	937,652	-	-	-
Outstanding payable arising from purchase of intangible assets	125,184	125,184	125,184	125,184
Outstanding payables arising from acquisition of film rights	27,144,927	33,932,607	-	-
Shares issued for exchange with investment in a subsidiary and joint venture	24,994,743	-	43,439,543	-

The notes on pages 78 to 126 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

1 General information

M Pictures Entertainment Public Company Limited (“the Company”) is a public limited company incorporated and resident in Thailand. The address of the Company’s registered office is as follows:

234 Suzuki Avenue Building (Ratchayothin), 13th floor, Ratchadapisek Road, Ladyao, Jatuchak, Bangkok 10900.

The Company is listed on the Stock Exchange of Thailand. For reporting purposes, the Company and its subsidiaries are referred to as “the Group”.

The Company is a subsidiary of Major Cineplex Group Public Company Limited (“Major”).

The Company and its subsidiaries (“the Group”) are principally engaged in the business of providing medias, marketing services and distribution of film rights, sales of VCD/DVD/Blu-ray, sales of pocket books and film production.

These Group consolidated and company financial statements were authorised for issue by the Board of Directors on 11 February 2014.

2 Accounting policies

The principal accounting policies adopted in the preparation of these consolidated and company financial statements are set out below:

2.1 Basis for preparation

The consolidated and company financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E.2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The consolidated and company financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

An English version of the consolidated and company financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.2 Revised accounting standards, revised financial reporting standards, and related interpretations

- (1) New/revised accounting standards which are effective on 1 January 2013 and are relevant and have an impact to the Company are:

TAS 12	Income Taxes
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments

TAS 12 requires tax expenses to be recognised for current and deferred tax. New accounting policy of income taxes and the significant impact to the Company are described in Note 4.1.

TAS 21 (Revised 2009) requires the Company to determine the functional currency which is the currency of the primary economic environment in which the entity operates. The Company assessed and concluded that Thai Baht is the Company's functional currency. As a consequence, applying TAS 21 (Revised 2009) has no impact to assets, liabilities and retained earnings. New accounting policy is described in Note 2.4.

TFRS 8 requires the operating segment to be described in the same manner as internal reporting used by the chief operating decision-maker. New accounting policy is described in Note 4.2. The impact to the Company in applying TFRS 8 is only on a disclosure.

- (2) Revised accounting standards, revised financial reporting standards, and related interpretations that are not yet effective and have not been early adopted by the Group:

a) Revised accounting standards effective for the periods beginning on or after 1 January 2014

TAS 1 (Revised 2012)	Presentation of Financial Statements
TAS 7 (Revised 2012)	Statement of Cash Flows
TAS 12 (Revised 2012)	Income Taxes
TAS 17 (Revised 2012)	Leases
TAS 18 (Revised 2012)	Revenue
TAS 19 (Revised 2012)	Employee Benefits
TAS 21 (Revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (Revised 2012)	Related Party Disclosures
TAS 28 (Revised 2012)	Investments in Associates
TAS 31 (Revised 2012)	Interest in Joint Ventures
TAS 34 (Revised 2012)	Interim Financial Reporting
TAS 38 (Revised 2012)	Intangible Assets
TFRS 2 (Revised 2012)	Share-based Payment
TFRS 3 (Revised 2012)	Business combinations
TFRS 5 (Revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (Revised 2012)	Operating Segments

TAS 1 (revised 2012) clarifies that conversion features that are at the holder's discretion do not impact the classification of the liability component of the convertible instrument. TAS 1 also explains that, for each component of equity, an entity may present the breakdown of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. This standard has no impact to the Group.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.2 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)

- (2) Revised accounting standards, revised financial reporting standards, and related interpretations that are not yet effective and have not been early adopted by the Group: (Cont'd)

- a) Revised accounting standards effective for the periods beginning on or after 1 January 2014 (Cont'd)

TAS 7 (revised 2012) clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. This standard has no impact to the Group.

TAS 12 (revised 2012) amends an exception to the existing principle for the measurement of deferred tax assets or liabilities on investment property measured at fair value. TAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. This amendment therefore adds the rebuttable presumption that the carrying amount of an investment property measured at fair value is entirely recovered through sale. As the result of the amendment, TSIC 21 - Income tax - recovery of revalued non-depreciable assets is incorporated into TAS 12 (revised 2012). This standard has no impact to the Group.

TAS 17 (revised 2012) deletes the guidance for a lease of land with an indefinite useful life to be classified as an operating lease. The standard has been amended to clarify that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with TAS 17's general principles. This standard has no impact to the Group.

TAS 18 (revised 2012) removes the appendix to TAS 18. This standard has no impact to the Group.

TAS 19 (revised 2012) deletes the transition provisions of the current TAS 19. This standard has no impact to the Group.

TAS 21 (revised 2012) clarifies the method of recording cumulative amount of the exchange different relating to disposal or partial disposal of a foreign operation. This matter should be adjusted prospectively effective for the period begins on or after 1 January 2014. This standard has no impact to the Group.

TAS 24 (revised 2012) removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of related parties. This standard has no impact to the Group.

TAS 28 (revised 2012) clarifies that when an entity moves from an equity accounting to cost accounting in the separate financial statements, the standard requires this to be adjusted retrospectively. An entity losses significant influence, the remaining interest of investment should be valued at fair value. This matter should be adjusted prospectively effectively for the period begins on or after 1 January 2014. This standard has no impact to the Group.

TAS 31 (revised 2012) clarifies that when an entity moves from an equity accounting to cost accounting in the separate financial statements, the standard requires this to be adjusted retrospectively. An entity losses of joint control in its interest in joint control, the remaining interest of investment should be valued at fair value. This matter should be adjusted prospectively effectively for the period begins on or after 1 January 2014. This standard has no impact to the Group.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.2 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)

(2) Revised accounting standards, revised financial reporting standards, and related interpretations that are not yet effective and have not been early adopted by the Group: (Cont'd)

a) Revised accounting standards effective for the periods beginning on or after 1 January 2014 (Cont'd)

TAS 34 (revised 2012) emphasises the existing disclosure principles for significant event and transactions. Additional requirements cover disclosure of changes in fair value measurements (if significant), and the need to update relevant information from the most recent annual report. The management is currently assessing the impact of applying this standard.

TAS 38 (revised 2012) clarifies that an intangible asset acquired in a business combination might be separable, but only together with a related contract, identifiable asset or liability. In such cases, intangible asset is recognised separately from goodwill, but together with related item. Intangible assets are recognised as a single asset provided the individual assets have similar useful lives. This standard has no impact to the Group.

TFRS 2 (revised 2012) expands the scope to cover classification and accounting of both cash-settled and equity-settled share-based payment transactions in group situation. The management is currently assessing the impact of applying this standard.

TFRS 3 (revised 2012) amends the measurement required for non-controlling interests. The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation. All other component of non-controlling interests is measured at fair value unless another measurement basis is required by TFRS. The application guidance in TFRS 3 (revised 2012) also applies to all share-based payment transactions that are part of a business combination, including share-based payment awards. The management is currently assessing the impact of applying this standards.

TFRS 5 (revised 2012) specifies the disclosures required for assets held for sale and discontinued operations. Disclosures in other standards do not apply, unless those TFRS requires. This standard has no impact to the Group.

TFRS 8 (revised 2012) clarifies that an entity is required to disclose a measure of segment assets only if the measure is regularly reported to the chief operating decision-maker. The management is currently assessing the impact of applying this standard.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.2 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)

(2) Revised accounting standards, revised financial reporting standards, and related interpretations that are not yet effective and have not been early adopted by the Group: (Cont'd)

b) Interpretations of Thai Financial Reporting Interpretation Committee (TFRIC) and Thai Standard Interpretations committee (TSIC) effective for the periods beginning on or after 1 January 2014

TFRIC 1	Changes in existing decommissioning, restoration and similar liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of non-cash assets to owners
TFRIC 18	Transfers of assets from customers
TSIC 15	Operating leases - Incentives
TSIC 27	Evaluating the substance of transactions in the legal form of a lease
TSIC 29	Service Concession Arrangements: Disclosure
TSIC 32	Intangible assets - Web Site Costs

TFRIC 1 provides guidance on accounting for changes in the measurement of an existing decommissioning, restoration and similar liability that results from changes in estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate. This interpretation has no impact to the Group.

TFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. TFRIC 4 is not relevant to the Group's operations.

TFRIC 5 provides guidance on accounting in the financial statements of a contributor for interests arising from decommissioning funds that the assets are administered separately and a contributor's right to access the assets is restricted. TFRIC 5 is not relevant to the Group's operations.

TFRIC 7 provides guidance on how to apply the requirements of TAS 29, Financial Reporting in Hyperinflationary Economics, in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. TFRIC 7 is not relevant to the Group's operations.

TFRIC 10 prohibits reversal of an impairment losses recognised in a previous interim period in respect of goodwill. This interpretation has no impact to the Group.

TFRIC 12 applies to public-to-private service concession arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. TFRIC12 is not relevant to the Group's operations.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.2 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)

- (2) Revised accounting standards, revised financial reporting standards, and related interpretations that are not yet effective and have not been early adopted by the Group: (Cont'd)

- b) Interpretations of Thai Financial Reporting Interpretation Committee (TFRIC) and Thai Standard Interpretations committee (TSIC) effective for the periods beginning on or after 1 January 2014 (Cont'd)

TFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement, and the consideration received or receivable from the customer is allocated between the components of the arrangement using fair values. TFRIC 13 is not relevant to the Group's operations.

TFRIC 17 provides guidance on accounting for the distributions of non-cash assets to owners acting in their capacity as owners. The interpretation addresses the issues on the dividend payable recognition and measurement and the accounting for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable when an entity settles the dividend payable. This interpretation has no impact to the Group.

TFRIC 18 sets out the accounting for transfers of items of property, plant and equity by entities that receive such transfers from their customers. Agreements within the scope of this interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect to a network or to provide the customer with ongoing access to supply of goods or services. The interpretation addresses the issues on the initial recognition and the accounting treatment of the transferred assets. This interpretation has no impact to the Group.

TSIC 15 sets out the accounting for the recognition of incentive that a lessor provides to a lessee in an operating lease. This interpretation has no impact to the Group.

TSIC 27 provides guidance on evaluating the substance of transactions in the legal form of a lease between the entity and the investor whether a series of transactions is linked and should be accounted for as one transaction and whether the arrangement meets the definition of a lease under TAS 17 "Leases". The accounting shall reflect the substance of the arrangement. This interpretation has no impact to the Group.

TSIC 29 contains disclosure requirements in respect of public-to-private service arrangements. This interpretation has no impact to the Group.

TSIC 32 provides guidance on the internal expenditure on the development and operation of the entity web site for internal or external access. The entity shall comply with the requirements described in TAS38 "Intangible Assets". This interpretation has no impact to the Group.

- c) New accounting standard which is effective for the periods beginning on or after 1 January 2016

TFRS 4 Insurance Contracts

TFRS 4 applies to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. TFRS 4 is not relevant to the Group's operations.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.3 Group accounting - Investments in subsidiaries and interests in joint ventures

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less allowance for impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see Note 2.11 for accounting policy on goodwill). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains or loss on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A list of the Group's principal subsidiaries and the financial effects of the acquisitions and disposals of are shown in Note 13.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.3 Group accounting - Investments in subsidiaries and interests in joint ventures (Cont'd)

b) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in shareholders' equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group uses the similar to pooling of interest method of accounting to account for the business combination under common control. The consideration transferred for this method of a subsidiary is the net book value of the asset transferred only on a proportion under the common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

The Group has recorded surplus from business combination under common control which is presented in shareholder's equity in the statement of financial position as at the business combination date by recording the difference between the purchase price and the net book value on the purchase date.

c) Joint Ventures

The Group's interests in jointly controlled entities are accounted for by the equity method in the consolidated financial statements. The Group's share of its joint venture's post-acquisition profits or losses is recognised in the consolidated income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the interest in joint venture. When the Group's share of losses in joint venture equals or exceeds its interest in joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

In the Company's separate financial statements, interest in jointly controlled entities are accounted for using the cost method.

A list of the Group's joint venture and the financial effects of the acquisitions and disposals of joint venture are shown in Note 14.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.4 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Thai Baht, which is the company's functional and the group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit and loss.

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income or income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate

2.5 Cash and cash equivalents

In the consolidated and Company statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. In the consolidated and Company statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.6 Trade accounts receivable

Trade accounts receivable are carried at original invoice amount and subsequently measured at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the statement of income within administrative expenses.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of the purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charge, less all attributable discounts, allowances or rebates. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

2.8 Films under production

Films under production are costs of films under production which will be recognised as cost of films upon the sale or release of the films, basing on the future revenue expected from various channels as detailed in Note 2.12. Costs of films comprise costs directly attributable to films production and are stated at cost.

2.9 Investments

The Group classified investments other than investments in subsidiaries as general investments. The classification is dependent on the purpose for which the investments were acquired. The management determine the appropriate classification of its investments at the time of the purchase and re-evaluate such designation on a regular basis.

General investments are non-marketable equity. General investments are carried at cost less allowance for impairment loss.

A test for impairment is carried out when there is an indicator that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the statement of income.

On disposal of an investment, the difference between fair value of the net disposal proceeds and the carrying amount is charged or credited to the profit or loss. When disposing of some parts of the Company's holding of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined by the weighted average amount of the total holding of the investment.

2.10 Building and equipment

Building and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives or, if it is shorter, the lease term as follows:

Buildings	20 years
Building improvements	3, 5 years
Office equipment	3, 5 years
Motor vehicles (including vehicles under finance leases)	5 years

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.10 Building and equipment (Cont'd)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains - net' in the statement of income.

Interest costs on borrowings to finance the building and equipment are capitalised as part of cost of the asset, during the period of time required to complete and prepare the property for its intended use. The borrowing costs include interest on short-term and long-term borrowings, and related taxes. All other borrowing costs are expenses.

2.11 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is separately reported as intangible assets in the consolidated statement of financial position.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

2.12 Intangible assets

Film rights

Film rights are capitalised at the purchase price which includes costs directly attributable to the acquisition of rights. Film rights are amortised and charged to direct costs of exhibition, VCD and DVD, Cable TV and TV broadcasting at the ratio relating to the expected revenue earned from each of the revenue-generated channels over the lifetime of rights this is normally from 2 to 10 years. In the event that a loss is anticipated for each right, an amount equivalent to this loss will be written-off in the statement of income immediately.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years.

Cost associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs included staff costs of the software development team and as appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs are recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of 10 years.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.13 Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Leases - where a Group Company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant or equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment acquired under finance leases is depreciated over the shorter period of the useful life of the asset and the lease term.

2.15 Borrowings

Borrowings are recognised initially at the fair value, net of transaction costs incurred and subsequently stated at cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting date.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.16 Employee benefits

2.16.1 Pension obligations

The Group operates various pension schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of government bonds that are denominated in the currency in which the benefits will be paid, and the terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.16.2 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.16.3 Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.17 Share-based payment

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options, over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.18 Provisions

Provisions, excluding the provisions for employee benefits, are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain.

2.19 Provision for goods returns

Provision for goods returns in relation to VCDs and DVDs is estimated based on historical experience and other relevant market factors. Provision for goods returns is computed from sales profit margin and presented on a net basis as a deduction from gross sales concerned.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

2 Accounting policies (Cont'd)

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and service in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminating sales within the Group. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Management fee revenue, advertising revenue, and service revenue are recognised when services are rendered.

Revenue from film production and sales of film rights distribution and media business are recognised as follows;

- Revenue from box-office sharing between the licensor and theatre owner is recognised when the film rights/film production have been exhibited.
- Sales of film rights, VCD and DVD and pocket books are based on invoiced netted of output tax, rebates and discounts. Revenue from sales of goods and rights is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.
- Royalty fees film rights or film production being charged at fixed amounts in which they cannot be refunded and the licensor has no further obligations subsequent to granting the rights, are recognised as revenue in full when the licensee is entitled to exploit the rights under the terms of the agreement.
- Revenue from advertising is recognised when the media is appeared.
- Revenue from producing all kinds of media is recognised when services are rendered as agreed with customers.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

2.21 Dividend payment

Dividend payment to shareholders is recorded in the consolidated and company financial statements in the period in which they are approved by the shareholders.

2.22 Financial instruments

Significant financial assets carried on the statement of financial position include cash and cash equivalents, trade account receivables and other receivables, short-term loans to related parties and a third party. Significant financial liabilities carried on the statement of financial position include bank overdraft and borrowings from financial institutions, trade accounts payable, other payables, long term borrowings and liabilities under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board of Directors committee that makes strategic decisions.

Segment reporting as previously disclosed in the financial information for the year ended 31 December 2012 is consistent with the internal reporting provided to the chief operating decision-maker. Accordingly, there is no impact to the disclosure of this note to financial statement.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1.1 Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. However, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The borrowing interest rates of the Group are partially floated. The Group does not use the interest rate derivative to manage exposure from fluctuation in interest rate.

3.1.2 Foreign exchange risk

The Group has significant exposure to foreign currency risk from purchase of film rights in various currencies. The Group does not use any derivative financial instruments to hedge foreign currency exposure.

3.1.3 Credit risk

The Group has no significant concentrations of credit risks. The Group has policies in place to ensure that sales of products and services are made to customers with appropriate credit history. The management of the Group believes that the maximum exposure to credit risk is the carrying amount of the accounts receivable less allowance for doubtful accounts, as stated in the consolidated statement of financial position.

3.1.4 Liquidity risk

Prudent liquidity risk management implies maintaining the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

3.2 Fair value

The fair values of financial assets and liabilities with a maturity of less than one year are approximate their book values. Loans made with related parties carried an interest approximately at the market interest rate. Management believed that their net book values are assumed to approximate their fair value.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

4 New accounting policies

4.1 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the company's subsidiaries and joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and joint venture, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group restated prior year financial statements due to the change in accounting policy of Current and deferred income taxes.

The effects of change in accounting policy of the above to the statement of financial position of the Group as at 1 January 2012 and 31 December 2012 after the effect of business combination under common control are as follows;

	Unit: Baht					
	Consolidated					
	As at 1 January 2012			As at 31 December 2012		
	Originally stated	Adjustments	Restated	Originally stated	Adjustments	Restated
Goodwill	412,244,245	26,825,271	439,069,516	412,244,245	26,825,271	439,069,516
Allowance for impairment of goodwill	-	-	-	(149,000,000)	(26,825,271)	(175,825,271)
Goodwill, net	412,244,245	26,825,271	439,069,516	263,244,245	-	263,244,245
Deferred tax liabilities	-	7,132,940	7,132,940	-	5,965,587	5,965,587
Deficit	(68,181,172)	19,692,331	(48,488,841)	(414,933,809)	(5,965,587)	(420,899,396)

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the year ended 31 December 2013

4 New accounting policies (Cont'd)

4.1 Current and deferred income taxes (Cont'd)

	Unit: Baht					
	Company					
	As at 1 January 2012			As at 31 December 2012		
	Originally stated	Adjustments	Restated	Originally stated	Adjustments	Restated
Deferred tax liabilities	-	-	-	-	-	-
Retained earnings (deficits)	59,628,773	-	59,628,773	(361,867,897)	-	(361,867,897)

The Group recognised deferred tax liabilities arising from the revaluation of film rights to their fair value at the date of business combination (4 February 2008) amount of Baht 7.13 million, while the tax value was recorded at cost. The recognition of these deferred tax liabilities resulted in an increase in the value of the goodwill at the acquisition date of Baht 26.82 million. Deferred tax liabilities decrease when amortisation and expenses in respect of the film rights are recognised in the statement of income.

In December 2012, the Group conducted an annual impairment test on its investment in subsidiaries and goodwill, and found that its investment in subsidiaries and goodwill were partly impaired. Such impairment was recognised and adjusted against the carrying value of the investment and goodwill as at 31 December 2012 (Additional information is disclosed in the Notes to the Consolidated and Company Financial Statements as at 31 December 2012 No.5 e)). As a result of such annual impairment test, the Group's management also recognised a loss from impairment in 2012 for the increase in goodwill resulting from the recognition of deferred tax liabilities at the acquisition date.

The effects of the above to the statements of income for the year ended 31 December 2012 are as follows:

	Unit: Baht		
	Consolidated		
	Originally stated (included retrospective adjustment from business combination under common control)	Adjustments	Restated
Income tax	-	(1,167,353)	(1,167,353)
Comprehensive expense for the period	(347,863,345)	1,167,353	(346,695,992)
Basic loss per share (Baht per share)	(0.54)	-	(0.54)

	Unit: Baht		
	Company		
	Originally stated	Adjustments	Restated
Income tax	-	-	-

4.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board of Directors committee that makes strategic decisions.

M Pictures Entertainment Public Company Limited
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5 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated by the management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Impairment of receivables

The Group maintains an allowance for doubtful accounts to reflect impairment of trade receivables relating to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts is significantly impacted by the Group's assessment of future cash flows, such assessment being based on consideration of historical collection experience, known and identified instances of default and consideration of market trends.

(b) Allowance for obsolete, slow-moving and defective inventories

The Group has made allowance, where necessary, for obsolete, slow moving and defective inventories by estimating the net realisable value was calculated from the selling price in the ordinary course of business, less the cost of completion and selling expenses. Furthermore, the calculation of the net realisable estimation was based on historical experience, management's knowledge of the industry and future market trends.

(c) Valuation of movies under production

The cost of movies under production is recognised when incurred. When there is an indicator, the Group tests impairment on a title by title basis, and if the estimated remaining net cash flows are not sufficient to recover each title cost, the impairment will be recognised. The estimation of net cash flow is calculated and estimated by the management.

(d) Building and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Group's plant and equipment and intangible assets. Management will revise the depreciation charge when useful lives and residual values are different to previous estimation, or will write off or write down technically obsolete or assets that have been abandoned or sold.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
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5 Critical accounting estimates, assumptions and judgements (Cont'd)

5.1 Critical accounting estimates and assumptions (Cont'd)

(c) Estimated impairment of goodwill

The Group conducts an annual impairment test on goodwill to determine whether goodwill has suffered any impairment loss as disclosed in the accounting policy per note 2.11. The impairment test involves the comparison of the carrying value of goodwill to the recoverable amount from a cash-generating unit (CGU). The recoverable amount of a CGU is determined based on an asset's fair value less costs to sell. Regarding future uncertainty which may have optimistic and pessimistic effect on the recoverable amount from a CGU, the financial advisor therefore considered the probability of the estimation by applying weighted average fair value less cost to sell, giving the probability of 78% for the base case, and 11% for optimistic case as well as pessimistic case. This probability was derived from calculating the average sales revenue over the past three years, compared with the estimated sales revenue during the year 2014. As of 31 December 2013, the recoverable amount from investing in M Pictures Co., Ltd. is equivalent to Baht 245 million. For the purposes of assessing impairment, assets are grouped at the lowest level of each identifiable cash flows (cash-generating unit). The Group has engaged an independent certified financial advisor to assess the recoverable amount. The recoverable amount assessment is based on a ten-year pre-tax cash flow projection by referring to a financial and business operating plan of each cash generating unit, which have been approved by the management, and using estimated discounted cash flows, based on the estimated growth rate which does not exceed the average growth rate achieved by the CGU in the past.

Key assumptions used in the recoverable amount assessment include:

Growth rate 3.1%

Discounted rate and probability

M Pictures Co., Ltd.

Unit: Million Baht

Scenario	Discount rate	Recoverable amount	Probability
Pessimistic Case	9.8%	168	11%
Base Case	8.8%	241	78%
Optimistic Case	7.8%	345	11%

Environmental factors that are likely to be pessimistically and optimistically, include the Group being a joint venture acquiring movie license rights from other buyers (to reduce costs and risks), agreed condition on sharing of profit from movie license rights distribution to other companies; an increase in the number of theaters located in provinces and other nearby countries where there are purchasing power, political protest; and the strike of writers residing overseas. The financial advisor has recommended the Group to use the fair value less cost to sell, weighted with the probability of each case.

The sensitivity analysis had been performed on key assumptions including the discounted rate. If the discounted rate applied is higher than normal rate by 1% (from 9.8% rather than 8.8%) as advised by the financial advisor, it will cause a reduction in goodwill value and the Group may need to recognise a further impairment against investment and goodwill by Baht 69 million and Baht 3 million, respectively. However, management has prepared the financial projection based on historical financial performance and the estimated growth of the market which is consistent with the historical data. The discounted rates applied are estimated based on the weighted average cost of capital (WACC) of each CGU and the probability of each case. As a result, the management confided that an allowance for impairment is adequate and appropriate under the current circumstance.

(f) Provision for goods returns

The management has estimated the provision for goods returns in relation to VCDs and DVDs. The percentage of goods returned is estimated based on historical information, experiences and existing business models.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
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5 Critical accounting estimates, assumptions and judgements (Cont'd)

5.1 Critical accounting estimates and assumptions (Cont'd)

(g) Revenue/Amortisation of film rights

Film rights are amortised and recognised to cost of sales of film rights at the ratio relating to the expected revenue earned from each of the revenue-generated channels over the estimated period to utilise the rights. The expected revenue-generated from each channel used for computing the amortisation ratio is estimated by the management, based on historical information and experience.

(h) Employee benefits obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discounted rate. Any changes in these assumptions will have an impact on the carrying amount of pension obligations.

The Group determines the appropriate discounted rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discounted rate, the Group considers the market yield of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on the current market conditions. Additional information is disclosed in Note 21.

6 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

M Pictures Entertainment Public Company Limited
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7 Segment information

Financial information by business segments is as follows:-

For the year ended 31 December 2013

Revenues

Gross segment revenues
Inter - segment revenues

Net revenues from third parties

Segment result
Unallocated costs
Other income
Interest expense

Loss before income tax
Income tax

Net loss for the year

	Consolidated (Restated)				Unit: Baht
	Film rights distribution	VCD/DVD distribution	Film production	Others	Consolidated
Gross segment revenues	351,606,881	277,009,241	205,822,524	10,622,192	845,060,838
Inter - segment revenues	(36,504,124)	(664,619)	(37,791,778)	-	(74,960,521)
Net revenues from third parties	315,102,757	276,344,622	168,030,746	10,622,192	770,100,317
Segment result	6,389,219	(127,957,512)	(78,333,971)	4,869,386	(195,032,878)
Unallocated costs					(55,918,079)
Other income					6,402,439
Interest expense					(39,321,009)
Loss before income tax					(283,869,527)
Income tax					2,273,106
Net loss for the year					(281,596,421)

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
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7 Segment information (Cont'd)

Financial information by business segments is as follows: (Cont'd)

For the year ended 31 December 2012

	Consolidated (Restated)				Unit: Baht
	Film rights distribution	VCD/DVD distribution	Film production	Others	
Revenues					
Gross segment revenues	254,737,216	610,550,820	243,314,471	21,134,647	1,129,737,154
Inter - segment revenues	(76,807,890)	(942,103)	(29,670,000)	-	(107,419,993)
Net revenues from third parties	177,929,326	609,608,717	213,644,471	21,134,647	1,022,317,161
Segment result	(50,591,838)	(234,944,100)	(13,181,998)	5,687,558	(293,030,378)
Unallocated costs					(46,023,686)
Other income					28,152,180
Interest expense					(36,961,461)
Loss before income tax					(347,863,345)
Income tax					1,167,353
Net loss for the year					(346,695,992)

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8 Cash and cash equivalents

	Consolidated		Company	
	(Restated)			
	2013	2012	2013	2012
Cash on hand	268,597	289,155	29,181	13,115
Deposits held at call with banks	39,137,344	110,701,358	2,443,750	2,057,954
Fixed accounts	9,515	9,310	9,515	9,310
Cash and cash equivalents	39,415,456	110,999,823	2,482,446	2,080,379

The interest rates on fixed accounts with banks are ranging from 1.90% to 2.20% per annum (2012: 2.20% to 2.35% per annum).

9 Trade accounts and other receivables, net

	Consolidated		Company	
	(Restated)			
	2013	2012	2013	2012
Trade accounts receivable				
- Third parties	335,309,034	383,035,002	19,130,202	19,258,076
- Related parties (Note 31)	138,840,564	35,269,091	31,905,400	80,360,230
Total trade accounts receivable	474,149,598	418,304,093	51,035,602	99,618,306
Accrued income				
- Third parties	17,648,137	18,888,248	-	-
- Related parties (Note 31)	18,199,235	13,782,707	8,999,980	-
Total accrued income	35,847,372	32,670,955	8,999,980	-
Total trade accounts receivable and accrued income	509,996,970	450,975,048	60,035,582	99,618,306
<u>Less</u> Allowance for doubtful accounts	(35,996,388)	(33,830,606)	(19,130,202)	(19,258,076)
Trade accounts receivable and accrued income, net	474,000,582	417,144,442	40,905,380	80,360,230
Amounts due from related parties (Note 31)	-	1,082,619	85,115,385	151,762,518
Other account receivables	23,135,624	26,819,994	16,485,932	16,062,148
<u>Less</u> Allowance for doubtful accounts other account receivables	(20,801,002)	(20,801,002)	(16,062,148)	(16,062,148)
Prepaid expenses	8,105,929	10,172,389	57,177	191,780
Trade account and other receivables, net	484,441,133	434,418,442	126,501,726	232,314,528

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9 Trade accounts and other receivables, net (Cont'd)

Outstanding trade accounts receivable and accrued income as at 31 December can be analysed according to ages as follows:

	Consolidated		Unit: Baht	
			Company	
	2013	(Restated) 2012	2013	2012
Trade accounts receivable				
Current	154,546,919	194,237,308	7,980,400	5,853,100
Over-due less than 3 months	105,562,278	130,880,419	4,500,000	20,563,690
Over-due 3 - 6 months	71,120,819	54,241,421	3,000,000	16,038,300
Over-due 6 - 12 months	89,205,542	9,205,132	9,000,000	29,478,470
Over-due over 12 months	53,714,040	29,739,813	26,555,202	27,684,746
Total trade accounts receivable	474,149,598	418,304,093	51,035,602	99,618,306
Accrued income	35,847,372	32,670,955	8,999,980	-
Total trade accounts receivable and accrued income	509,996,970	450,975,048	60,035,582	99,618,306
<u>Less</u> Allowance for doubtful accounts	(35,996,388)	(33,830,606)	(19,130,202)	(19,258,076)
Trade accounts receivable and accrued income, net	<u>474,000,582</u>	<u>417,144,442</u>	<u>40,905,380</u>	<u>80,360,230</u>

10 Short-term loan to third party, net

	Consolidated		Unit: Baht	
			Company	
	2013	2012	2013	2012
Short-term loan to third party	1,700,000	1,700,000	1,700,000	1,700,000
<u>Less</u> Allowance for doubtful account	(1,700,000)	(1,700,000)	(1,700,000)	(1,700,000)
Short-term loan to the third party, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Short-term loan to third party represents unsecured promissory notes due at call bearing interest at the rate of 4.00% per annum (2012: 4.00% per annum).

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11 Inventories, net

	Unit: Baht			
	Consolidated		Company	
	2013	(Restated) 2012	2013	2012
Finished goods	116,085,695	116,790,751	-	-
<u>Less</u> Allowance for obsolescence	(1,719,719)	(17,283,811)	-	-
Allowance for diminution in value of inventories	(25,585,252)	(22,882,230)	-	-
Finished goods, net	88,780,724	76,624,710	-	-
Goods in transit	1,921,927	728,266	-	-
Inventories, net	90,702,651	77,352,976	-	-

Allowance for obsolescence and diminution in value of inventories was recognised in the consolidated statement of income amounting to Baht 1.58 million (2012: Baht 33.05 million).

As at 31 December 2013, inventories with a value of Baht 52.76 million (2012: Baht 31.96 million) were carried at net realisable value, which is lower than cost.

12 Other current assets, net

	Unit: Baht			
	Consolidated		Company	
	2013	(Restated) 2012	2013	2012
Undue input VAT	10,821,739	13,660,994	892,798	5,707,899
Others	401,117	863,127	67,000	175,500
Other current assets, net	11,222,856	14,524,121	959,798	5,883,399

13 Investments in subsidiaries, net

Subsidiaries are incorporated in Thailand. All the investments in subsidiaries are made up of ordinary shares. Investments in subsidiaries as at 31 December are as follows:

	Unit: Baht			
	Consolidated		Company	
	2013	2012	2013	2012
Investment in subsidiaries	-	-	965,925,367	943,480,567
<u>Less</u> Allowance for impairment	-	-	(630,820,000)	(510,336,493)
Investment in subsidiaries, net	-	-	335,105,367	433,144,074

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13 Investments in subsidiaries, net (Cont'd)

a) Movements of investments in subsidiaries

	Unit: Baht	
	Company	
	2013	2012
Investment in subsidiaries		
Opening net book amount	433,144,074	838,144,074
Acquisition of investments	22,444,800	-
Allowance for impairment	(120,483,507)	(405,000,000)
Closing net book amount	<u>335,105,367</u>	<u>433,144,074</u>

During this year, the Group recognised impairment on investment in subsidiaries and goodwill of MVD Co., Ltd. as described on Notes 17 which was primarily due to the decrease in projected revenue arising from external factors including changes in customers' behavior, technology and distribution channel particularly on VCD and DVD products impacting long term trading performance as well as overall market situation and trend.

Acquisition of investment in subsidiary

Talent One Company Limited

On 31 July 2013, the Company acquired 320,000 ordinary shares in Talent One Company Limited (T1) from Major Cineplex Group Public Company Limited (Major), representing 80.00% of the paid-up share capital. The consideration was made by way of exchange of the Company's newly issued ordinary shares for T1's ordinary shares at the rate of 22 Company's ordinary shares for 1 ordinary share of T1. The total exchanged ordinary shares represented 7,040,000 shares at Baht 2.62 per share. The net book values of the identifiable assets and liabilities transferred from T1 on the acquisition date are as follows:

	Unit: Baht
Cash in hand and cash at banks	2,624,732
Trade accounts and other receivable, net	20,163,948
Inventories, net	5,526,906
Films under production	5,767,855
Advance to employee for film production	108,593
VAT receivable	2,475,971
Withholding tax deducted at sources	328,281
Other current assets	828,590
Equipment, net	1,782,848
Computer program, net	80,414
Film rights, net	10,233,185
Other non-current assets	1,051,000
Bank overdrafts and short-term borrowings from financial institutions	(40,000,000)
Trade accounts and other payable	(16,889,348)
Undue output VAT	(223,979)
Other current liabilities	(382,777)
Other non-current liabilities	(184,102)
Book value of net assets	<u>(6,707,883)</u>
Investment portion (%)	80.00
Book value of net assets acquired	(5,366,306)
Consideration paid by issuance of shares (at fair value)	(18,444,800)
Goodwill	<u>3,704,675</u>
Surplus from business combination under common control	<u>(20,106,431)</u>

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13 Investments in subsidiaries, net (Cont'd)

a) Movements of investments in subsidiaries (Cont'd)

According to the notification by the Securities Exchange Commission in respect of Accounting Guidelines for Business Combination for entities under common control, this investment was a business combination under common control, the Company prepared retrospective consolidated financial information for the year ended 31 December 2012, which was presented as comparative information, based on the assumption that a subsidiary in which the Company had invested in July 2013 was a subsidiary of the Company since 1 January 2012. Thus, the statements of income and the statements of comprehensive income for the year ended 31 December 2013 and 2012 included the T1's financial performance, which is a subsidiary, regardless of the date of the business combination under common control (the date of the purchase of the subsidiary's share capital).

There was a difference between the cost of business combination under common control and the net book value of subsidiaries amounting to Baht 20,106,431. This balance was presented separately as 'Surplus from Business Combination under Common Control' in the shareholder's equity in the statement of financial position.

On 3 October 2013, the Company had made additional investment in T1 of 40,000 shares totalling Baht 4,000,000. The acquisition resulted in the change in shareholding percentage from 80.00% to 90.00%. The difference from additional investment of Baht 5,212,261 was recognised as "Change in parents' ownership interest in subsidiaries" in the consolidated shareholders' equity.

b) The details of investments in subsidiaries are as follows:

Subsidiaries	Nature of business	Nature of relationship	% Ownership interest		Unit: Baht	
			2013	2012	At cost	
					2013	2012
TV Forum Company Limited	Television media business	Shareholder	99.99	99.99	99,999,300	99,999,300
M Pictures Company Limited	Distribution of film rights for cinema, VCD/DVD production and TV broadcast	Shareholder	99.99	99.99	369,997,760	369,997,760
M V D Company Limited	Distribution of VCD/DVD, Blu-ray and film rights	Shareholder	99.99	99.99	398,483,507	398,483,507
M Thirty Nine Company Limited	Film production	Shareholder	99.99	99.99	75,000,000	75,000,000
Talent One Company Limited	Film production, services for all forms of entertainment and sales of pocket books	Shareholder	90.00	-	22,444,800	-
					965,925,367	943,480,567
					(630,820,000)	(510,336,493)
					335,105,367	433,144,074
Subsidiaries under M V D Company Limited						
Pacific Media Sale Company Limited	Distribution of CD, VCD and DVD	Indirect shareholder	99.40	99.40		

All subsidiaries are incorporated in Thailand. All holdings are investments in ordinary shares.

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14 Investments in joint venture, net

	Unit: Baht			
	Consolidated		Company	
	2013	2012	2013	2012
Investment in joint venture	8,384,364	-	24,994,743	-
<u>Less</u> Allowance for impairment	-	-	-	-
Investment in joint venture, net	8,384,364	-	24,994,743	-

a) Movements of investments in joint venture are as follows:

	Unit: Baht	
	Consolidated	Company
Investment in joint venture		
Opening net book amount	-	-
Acquisition	24,994,743	24,994,743
Share of loss of investments in joint venture	(7,610,399)	-
Dividend income	(8,999,980)	-
Closing net book amount	8,384,364	24,994,743

Major Kantana Broadcasting Company Limited

On 31 July 2013, the Company acquired ordinary shares in Major Kantana Broadcasting Company Limited (M Channel) from Major Cineplex Group Public Company Limited (Major). The consideration was made by way of exchange of the Company's newly issued ordinary shares for M Channel's ordinary shares at the rate of 5.30 Company's ordinary shares for 1 ordinary share of M Channel. The total exchanged ordinary shares represented 9,539,978 shares at Baht 2.62 per share, totalling Baht 24,994,743.

Investment in M Channel is classified as joint ventured company of the Group. The Group holds M Channel's ordinary shares 1,799,996 shares, representing 44.99% of the paid-up share capital. The equity method of accounting is applied to this investment in the consolidated financial information.

The Group's share of results of its joint ventures and its share of the assets and liabilities are as follows:

	Unit: Baht
	Consolidated
	2013
Non-current assets	11,391,783
Current assets	79,805,012
Total assets	91,196,795
Non-current liabilities	-
Current liabilities	78,864,577
Total liabilities	78,864,577
Net assets	12,332,218
Revenue	73,579,823
Expenses	69,603,005
Proportionate interest in joint venture commitments	No

There are no contingent liabilities relating to the Group's interest in the joint venture.

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14 Investments in joint venture, net (Cont'd)

a) Movements of investments in joint venture (Cont'd)

Dividend income

At the Board of Director Meeting of M Channel held on 19 December 2013, the directors approved a dividend payment in cash of Baht 5 per share. The Company will receive a cash dividend of Baht 8.99 million on 5 February 2014 which included in "Other income" in the company income statement.

b) The details of investments jointly controlled entities are as follows:

			% Ownership Interest		Unit: Baht	
					Cost method	
			2013	2012	2013	2012
Business	Country of incorporation					
Major Kantana Broadcasting Company Limited	Satellite broadcasting and distribution of film rights	Thailand	44.99	44.99	24,994,743	-

Joint venture is incorporated in Thailand. Holding is investment in ordinary shares.

15 Other long-term investment, net

	Unit: Baht			
	Consolidated		Company	
	2013	2012	2013	2012
Other long-term investment				
- Future Biz Co., Ltd.	8,500,000	8,500,000	8,500,000	8,500,000
Less Allowance for impairment	(8,500,000)	(8,500,000)	(8,500,000)	(8,500,000)
Other long-term investment, net	-	-	-	-

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16 Building and equipment, net

	Consolidated				Unit: Baht
	Building and building improvements	Office equipment	Motor vehicles	Construction in progress	Total
At 1 January 2012					
Cost	11,153,527	25,772,462	3,099,000	-	40,024,989
Business from combination under common control	23,120	837,614	-	328,000	1,188,734
Cost (restated)	11,176,647	26,610,076	3,099,000	328,000	41,213,723
<u>Less</u> Accumulated depreciation	(5,599,494)	(16,767,721)	(813,381)	-	(23,180,596)
Retrospective adjustments	(1,101)	(120,415)	-	-	(121,516)
Accumulated depreciation (restated)	(5,600,595)	(16,888,136)	(813,381)	-	(23,302,112)
Allowance for impairment	(24,284)	(375,685)	-	-	(399,969)
Net book value (restated)	5,551,768	9,346,255	2,285,619	328,000	17,511,642
For the year ended 31 December 2012					
Opening net book value (restated)	5,551,768	9,346,255	2,285,619	328,000	17,511,642
Additions	3,407,730	4,070,725	1,602,860	-	9,081,315
Transfer in (out)	328,000	-	-	(328,000)	-
Disposals, net	(21,816)	(5)	-	-	(21,821)
Depreciation charge (Note 26)	(1,075,976)	(3,808,060)	(940,546)	-	(5,824,582)
Impairment charge (Note 26)	-	(294,029)	-	-	(294,029)
Closing net book value	8,189,706	9,314,886	2,947,933	-	20,452,525
At 31 December 2012					
Cost	14,890,561	30,680,796	4,701,860	-	50,273,217
<u>Less</u> Accumulated depreciation	(6,676,571)	(20,696,196)	(1,753,927)	-	(29,126,694)
Allowance for impairment	(24,284)	(669,714)	-	-	(693,998)
Net book value	8,189,706	9,314,886	2,947,933	-	20,452,525
For the year ended 31 December 2013					
Opening net book value	8,189,706	9,314,886	2,947,933	-	20,452,525
Additions	3,815,789	1,459,433	-	-	5,275,222
Disposals, net	-	(34,065)	(1,358,466)	-	(1,392,531)
Write-off, net	-	(29,089)	-	-	(29,089)
Depreciation charge (Note 26)	(1,535,754)	(3,670,072)	(627,223)	-	(5,833,049)
Closing net book value	10,469,741	7,041,093	962,244	-	18,473,078
At 31 December 2013					
Cost	18,706,350	31,858,214	1,602,860	-	52,167,424
<u>Less</u> Accumulated depreciation	(8,212,325)	(24,147,407)	(640,616)	-	(33,000,348)
Allowance for impairment	(24,284)	(669,714)	-	-	(693,998)
Net book value	10,469,741	7,041,093	962,244	-	18,473,078

As at 31 December 2013, the Company has pledged the condominium with the cost of Baht 8.97 million (2012: Baht 8.97 million) as collateral against borrowing facility obtained from the commercial bank (Note 20).

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16 Building and equipment, net (Cont'd)

	Unit: Baht		
	Company		
	Building and building improvements	Office equipment	Total
At 1 January 2012			
Cost	10,187,779	4,421,118	14,608,897
<u>Less</u> Accumulated depreciation	(4,736,518)	(2,367,630)	(7,104,148)
Net book value	5,451,261	2,053,488	7,504,749
For the year ended 31 December 2012			
Opening net book value	5,451,261	2,053,488	7,504,749
Additions	-	697,899	697,899
Depreciation charge (Note 26)	(858,147)	(858,720)	(1,716,867)
Closing net book value	4,593,114	1,892,667	6,485,781
At 31 December 2012			
Cost	10,187,779	5,119,017	15,306,796
<u>Less</u> Accumulated depreciation	(5,594,665)	(3,226,350)	(8,821,015)
Net book value	4,593,114	1,892,667	6,485,781
For the year ended 31 December 2013			
Opening net book value	4,593,114	1,892,667	6,485,781
Additions	-	492,441	492,441
Disposals, net	-	(29,089)	(29,089)
Depreciation charge (Note 26)	(828,760)	(601,957)	(1,430,717)
Closing net book value	3,764,354	1,754,062	5,518,416
At 31 December 2013			
Cost	10,187,779	5,565,688	15,753,467
<u>Less</u> Accumulated depreciation	(6,423,425)	(3,811,626)	(10,235,051)
Net book value	3,764,354	1,754,062	5,518,416

During 2013, there was no assets acquired under finance lease agreements in the consolidated financial statements (2012: Nil).

Leased assets included above, where the Group and the Company is a lessee under finance lease contract, is as follows:

	Unit: Baht			
	Consolidated		Company	
	2013	2012	2013	2012
Cost - capitalised finance leases	963,210	4,257,210	963,210	963,210
<u>Less</u> Accumulated depreciation	(486,670)	(1,870,094)	(486,670)	(294,028)
Net book value	476,540	2,387,116	476,540	669,182

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17 Intangible assets, net

	Consolidated			Unit: Baht
	Goodwill	Computer program	Film rights	Company Computer program and film rights
At 1 January 2012				
Cost	408,539,570	6,434,585	1,939,691,326	15,133,673
Retrospective adjustments from change in accounting policy (Note 4)	26,825,271	-	-	-
Retrospective adjustments from business combination under common control (Note 13)	3,704,675	156,000	-	-
Cost (restated)	439,069,516	6,590,585	1,939,691,326	15,133,673
<u>Less</u> Accumulated amortisation	-	(3,314,680)	(1,508,750,344)	(13,512,822)
Retrospective adjustments from change in accounting policy (Note 4)	-	-	-	-
Retrospective adjustments from business combination under common control	-	(15,258)	-	-
Accumulated amortisation (restated)	-	(3,329,938)	(1,508,750,344)	(13,512,822)
Allowance for impairment	-	-	(39,513,599)	-
Net book value (restated)	439,069,516	3,260,647	391,427,383	1,620,851
For the year ended 31 December 2012				
Opening net book value (restated)	439,069,516	3,260,647	391,427,383	1,620,851
Additions	-	1,035,140	420,491,300	1,032,976
Write-off, net	-	(241,496)	(2,696,763)	-
Amortisation (Note 26)	-	(696,517)	(482,901,412)	(466,934)
Impairment charge (Note 4, 26)	(175,825,271)	(1,316,008)	(12,455,784)	(1,396,244)
Closing net book value	263,244,245	2,041,766	313,864,724	790,649
At 31 December 2012				
Cost	439,069,516	7,384,229	2,181,276,536	16,166,649
<u>Less</u> Accumulated amortisation	-	(4,026,455)	(1,823,669,030)	(13,979,756)
Allowance for impairment	(175,825,271)	(1,316,008)	(43,742,782)	(1,396,244)
Net book value	263,244,245	2,041,766	313,864,724	790,649
For the year ended 31 December 2013				
Opening net book value	263,244,245	2,041,766	313,864,724	790,649
Additions	-	40,000	391,297,299	40,000
Write-off, net	-	-	-	-
Amortisation (Note 26)	-	(254,367)	(402,043,648)	(171,989)
Impairment charge (Note 26)	(120,397,064)	-	(13,875,542)	-
Closing net book value	142,847,181	1,827,399	289,242,833	658,660
At 31 December 2013				
Cost	439,069,516	7,284,679	1,512,529,783	16,206,649
<u>Less</u> Accumulated amortisation	-	(4,141,272)	(1,184,675,781)	(14,151,745)
Allowance for impairment	(296,222,335)	(1,316,008)	(38,611,169)	(1,396,244)
Net book value	142,847,181	1,827,399	289,242,833	658,660

The carrying amount of the segment has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss has been included in statement of income.

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- Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.
- 17 Intangible assets, net (Cont'd)**

A segment-level summary of the goodwill allocation is presented below.

	2013				2012			
	M Pictures Co., Ltd. Baht	MVD Co., Ltd. Baht	Talent One Co., Ltd. Baht	Total Baht	M Pictures Co., Ltd. Baht	MVD Co., Ltd. Baht	Talent One Co., Ltd. Baht	Total Baht
Goodwill allocation								
Cost	165,967,777	269,397,064	3,704,675	439,069,516	165,967,777	269,397,064	3,704,675	439,069,516
Less Provision for impairment	(26,825,271)	(269,397,064)	-	(296,222,335)	(26,825,271)	(149,000,000)	-	(175,825,271)
Goodwill, net	139,142,506	-	3,704,675	142,847,181	139,142,506	120,397,064	3,704,675	263,244,245

- 18 Other non-current assets, net**

	Unit: Baht			
	Consolidated		Company	
	(Restated)			
	2013	2012	2013	2012
Guarantees on buildings rental and others	1,934,031	3,161,962	994,035	994,035
Others	24,673	24,673	-	-
Other non-current assets, net	1,958,704	3,186,635	994,035	994,035

- 19 Trade accounts and other payables**

	Unit: Baht			
	Consolidated		Company	
	(Restated)			
	2013	2012	2013	2012
Trade accounts payable	83,758,918	119,484,245	267,202	442,822
Amount due to related parties (Note 31)	1,469,845	3,794,559	22,879,299	93,108,626
Other payables	35,971,092	58,865,438	388,991	513,919
Accrued expenses	43,179,116	55,601,850	3,699,389	3,649,723
Trade accounts and other payables	164,378,971	237,746,092	27,234,881	97,715,090

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20 Borrowings

	Unit: Baht			
	Consolidated		Company	
	2013	(Restated) 2012	2013	2012
Current				
Bank overdrafts	59,715,012	36,668,051	9,472,507	9,220,411
Short-term borrowings from financial institutions	633,510,000	564,800,000	35,000,000	-
Total bank overdrafts and short-term borrowings from financial institutions	693,225,012	601,468,051	44,472,507	9,220,411
Current portions of long-term borrowings from financial institutions	91,924,271	39,454,328	91,372,232	37,017,353
Non-current				
Long-term borrowings from financial institutions	48,453,231	45,660,467	48,453,231	45,660,467
Total borrowings from financial institutions	833,602,514	686,582,846	184,297,970	91,898,231

The interest rate exposure on the borrowing and bank overdrafts of the Group and the Company is as follows:

	Unit: Baht			
	Consolidated		Company	
	2013	(Restated) 2012	2013	2012
Borrowings:				
- at fixed rates	633,510,000	564,800,000	35,000,000	-
- at floating rates	200,092,514	121,782,846	149,297,970	91,898,231
Total borrowings	833,602,514	686,582,846	184,297,970	91,898,231

The interest rates at the statement of financial position date were as follows:

	Consolidated		Company	
	2013	(Restated) 2012	2013	2012
Bank overdrafts	7.375% - 8.000%	7.375% - 8.000%	8.000%	8.000%
Bank borrowings	6.250% - 6.875%	6.875% - 7.000%	6.250% - 6.875%	6.875% - 7.000%
Bank promissory notes	3.430% - 6.375%	5.800% - 6.500%	4.400%	5.800%

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20 Borrowings (Cont'd)

The movements in financial institutions borrowings (exclude bank overdrafts) can be analysed as follows:

	Consolidated		Company	
	(Restated)			
	2013	2012	2013	2012
Opening balance	649,914,795	454,255,410	82,677,820	-
Additions	613,000,000	501,300,000	155,390,000	91,800,000
Repayments made during the year	(489,027,293)	(305,640,615)	(63,242,357)	(9,122,180)
Closing balance	<u>773,887,502</u>	<u>649,914,795</u>	<u>174,825,463</u>	<u>82,677,820</u>

Maturity of bank's long-term borrowings:

	Consolidated		Company	
	(Restated)			
	2013	2012	2013	2012
Within 1 year	91,924,271	39,454,328	91,372,232	37,017,353
Later than 1 year but not later than 5 years	48,453,231	45,660,467	48,453,231	45,660,467
Total long-term borrowings from banks	<u>140,377,502</u>	<u>85,114,795</u>	<u>139,825,463</u>	<u>82,677,820</u>

As at 31 December 2013, the Group had promissory notes of Baht 633.51 million (2012: Baht 564.80 million) that can be analysed as follows:

No.	Amount (Million Baht)	Interest rate
1	545.78	Money Market Rate ("MMR") or between 3.43% to 6.50% per annum
2	47.73	Minimum Lending Rate ("MLR") minus 0.625% and minus 1.0% or
3	40.00	between 6.375% to 6.50% per annum
	<u>633.51</u>	Bearing interests at 3.75% and 3.90% per annum

Promissory notes of Baht 633.51 million are guaranteed by a major shareholder. The promissory notes are due within six-months.

As at 31 December 2013, with the Group had long-term borrowings from financial institutions of Baht 140.38 million (2012: Baht 85.11 million) interest at Minimum Lending Rate ("MLR") minus 0.5%. The promissory notes that are guaranteed by a major shareholder are due within three years.

Borrowing facilities

As at 31 December 2013, the Group had the available credit facilities of Baht 396.40 million (2012: Baht 438.42 million). Borrowing facilities are mainly for the purpose of acquisitions of film rights, film productions and working capital.

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21 Employee benefit obligations

	Unit: Baht			
	Consolidated		Company	
	2013	2012	2013	2012
Statement of financial position				
Pension benefits	3,717,355	4,302,270	2,432,919	3,249,824
Statement of income				
Pension benefits	415,677	541,894	183,687	325,601

The movement in the defined benefit obligation over the year is as follows:

	Unit: Baht			
	Consolidated		Company	
	2013	2012	2013	2012
At 1 January	4,302,270	3,760,376	3,249,824	2,924,223
Current service cost	333,884	463,746	136,187	273,527
Interest cost	81,793	78,148	47,500	52,074
Benefit paid	(1,000,592)	-	(1,000,592)	-
At 31 December	3,717,355	4,302,270	2,432,919	3,249,824

The amounts recognised in the statement of income are as follows:

	Unit: Baht			
	Consolidated		Company	
	2013	2012	2013	2012
Current service cost	333,884	463,746	136,187	273,527
Interest cost	81,793	78,148	47,500	52,074
Total, included in staff costs	415,677	541,894	183,687	325,601

The principal actuarial assumptions used were as follows:

	Consolidated		Company	
	2013	2012	2013	2012
Discount rate	3.8%	3.8%	3.8%	3.8%
Inflation rate	3.0%	3.0%	3.0%	3.0%
Future salary increases rate	3.0% - 9.0%	3.0% - 9.0%	3.0% - 9.0%	3.0% - 9.0%

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22 Deferred income taxes

Deferred income taxes are calculated in full on temporary differences, using the liability method and using a principal tax rate of 23% for the year 2012 and 20% for the year 2013 onwards. The deferred taxation related to the temporary differences between the carrying amounts and the tax bases of assets and liabilities of the Group arising from sharing of profit of investments in joint venture fair value uplift of film right and its amortisation from acquisition of a subsidiary on 4 February 2008 can be summarised below:

- a) The movement on deferred tax liabilities during the year are as follows:

	Unit: Baht			
	Consolidated		Company	
	2013	(Restated) 2012	2013	2012
At 1 January	5,965,587	7,132,940	-	-
Charged to profit or loss	(2,273,106)	(1,167,353)	-	-
At 31 December	3,692,481	5,965,587	-	-

- b) The movement in deferred tax liabilities during the year is as follows:

	Unit: Baht			
	Consolidated			31 December 2013
	(Restated) 31 December 2012	Credit (debit) to Change in or loss	Other Comprehensive income	
Deferred income tax liabilities				
Film rights	5,965,587	(2,273,106)	-	3,692,481
Deferred income tax liabilities	5,965,587	(2,273,106)	-	3,692,481

The Group did not recognise deferred income tax assets since the Group's management evaluates by applying the concept of conservatism that the Group may not generate enough taxable profit to utilise those differences. The temporary differences arise from allowance for doubtful accounts, allowance for obsolescence, allowance for diminution in value of inventories, and allowance for impairment of film rights, amortisation of film rights, employee benefits obligation, share-based payment and tax losses carried forward. As at 31 December 2013, the Group did not recognise deferred income tax assets of Baht 73.86 million in respect of tax losses carried forward approximately Baht 369.30 million. A summary of the tax losses carried forward and the expiry dates are set out below:

	Consolidated Baht Million	Company Baht Million
Expiry year		
2014	1.85	-
2015	56.12	-
2016	23.21	-
2017	128.53	-
2018	159.59	-
	369.30	-

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23 Share capital and premium on share capital

	Authorised number of shares	Issued and fully paid-up		
		Number of shares	Ordinary shares Baht	Share premium Baht
At 1 January 2012	641,250,000	641,250,000	641,250,000	105,752,737
Increase of authorised shares	6,412,500	-	-	-
At 31 December 2012	647,662,500	641,250,000	641,250,000	105,752,737
Increase of authorised shares	28,240,000	16,579,978	16,579,978	26,859,565
At 31 December 2013	675,902,500	657,829,978	657,829,978	132,612,302

The total numbers of authorised ordinary shares are 675.90 million shares (2012: 647.66 million shares) with a par value of Baht 1 per share (2012: Baht 1 per share).

At the 2013 Extraordinary General Meeting of the shareholders held on 30 July 2013, the shareholders passed a resolution to approve the increase of authorised share capital of 28.24 million shares with a par value of Baht 1 per share. The issuance is for the purpose of the investment in Talent One Company Limited and Major Kantana Broadcasting Company Limited. The Company registered the increase of the registered share capital with the Ministry of Commerce on 2 August 2013.

On 31 July 2013, the Company acquired ordinary shares in Talent One Company Limited and Major Kantana Broadcasting Company Limited as explained in Note 13 and Note 14 by the exchange of its 16.58 million newly issued ordinary shares. As a result, Talent one has become a subsidiary and Major Kantana Broadcasting Company Limited has become a joint venture of the Company since the date of acquisition. The Company registered the increase in share capital with the Ministry of Commerce and registered for stock trading with the Stock Exchange of Thailand on 2 August 2013.

At the 2012 Annual General Meeting of the shareholders held on 18 April 2012, the shareholders passed a resolution to approve the increase of authorised share capital of 6.41 million shares with a par value of Baht 1 per share to be reserved for the exercise of the warrants by directors and employees under ESOP Project. The Company registered the increase of the registered share capital with the Ministry of Commerce on 30 April 2012.

24 Share-based payment

Share option schemes

The Company has introduced one share option which is an equity-settled scheme. The exercise ratio and price are detailed below:

	Issued date	Issued units Million	Exercise price Baht/unit	Exercise period	
				Start	End
MPIC-ESOP#1	24 April 2012	4.42	1.59	30 June 2014	23 April 2017

The exercise prices and ratios of warrants are as follows:

	Exercise Ratio unit/share	Exercise price Baht/unit
MPIC-ESOP#1	1	1.59

The Company issued and offered warrants to directors and to selected employees of the Company and its subsidiaries, which are in registered form and are non-transferable. The warrants have no offered price and their terms do not exceed 5 years from the issued date at a maximum of 4,424,625 units. The exercise price is at Baht 1.59 per share. The exercise ratio is one warrant to one ordinary share. The warrants can be exercised after 2 years from the date of issuance. The Company has no legal obligation to repurchase or settle the options in cash.

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24 Share-based payment (Cont'd)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows

	Consolidated		Company	
	Average exercise price Baht per share	Option	Average exercise price Baht per share	Option
At 1 January 2012				
Granted	1.59	4,424,625	1.59	4,424,625
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
At 31 December 2012	1.59	4,424,625	1.59	4,424,625
At 1 January 2012	1.59	4,424,625	1.59	4,424,625
Granted	-	-	-	-
Forfeited	-	(2,436,750)	-	(2,436,750)
Exercised	-	-	-	-
Expired	-	-	-	-
At 31 December 2013	1.59	1,987,875	1.59	1,987,875

As at 31 December 2013, the Company had 1,987,875 outstanding options (2012: 4,424,625). No option was exercisable until 30 June 2014.

Share options outstanding at the end of the period have the following expiry date and exercise price:

	Consolidated			Company		
	Average exercise price Baht per share	2013 shares	2012 shares	Average exercise price Baht per share	2013 shares	2012 shares
Expired date: 24 April 2017	1.59	1,987,875	4,424,625	1.59	1,987,875	4,424,625

The weighted average fair value of options granted by the Company during the year determined using the Black-Scholes valuation model are consisted:

Variable	MPIC-ESOP #1
Fair value of warrant (Baht per option)	0.28 - 0.65
Volatility (%)	37.15 - 62.70
Dividend yield (%)	2.12
Weighted average share price at the grant date (Baht per share)	1.49
Expected option life (year)	2.18 - 4.18
Risk-free interest rate (%)	3.37 - 3.47

Volatility was determined from historical fluctuation in stock price of the remaining period of share option scheme. If the volatility of the stock price of MPIC increases, the value of MPIC-ESOP#1 will be increased.

The Company recognised the value of warrants over the vesting period. As at 31 December 2013, the expense related to warrant is recognised as an expense in the consolidated and company income statements with a corresponding credit to the consolidated and company equity of Baht 160,892.

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25 Legal reserve

	Unit: Baht			
	Consolidated		Company	
	2013	2012	2013	2012
At 1 January	3,813,156	3,813,156	3,813,156	3,813,156
Appropriation during the year	-	-	-	-
At 31 December	3,813,156	3,813,156	3,813,156	3,813,156

Under the Public Limited Company Act B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the registered capital of the Company. The reserve is non-distributable.

26 Expense by nature

	Unit: Baht			
	Consolidated		Company	
	2013	(Restated) 2012	2013	2012
Staff costs	76,472,373	78,360,205	14,322,671	17,272,975
Depreciation on property and equipment (Note 16)	5,833,049	5,824,582	1,430,717	1,716,867
Amortisation of intangible assets				
- film rights (Note 17)	402,043,648	482,901,412	-	200,000
- computer software (Note 17)	254,367	696,517	171,989	266,934
Impairment (reversal) of assets				
- building and equipment (Note 16)	-	294,029	-	-
- Intangible assets (Note 17)	13,875,542	13,771,792	-	1,396,244
Write-off intangible assets (Note 17)	-	2,938,259	-	-
Bad debt and (reverse) doubtful accounts	342,062	9,092,902	(59,874)	281,890
Impairment of inventories	1,584,114	33,051,985	-	-
Write-off withholding tax receivable	-	2,858,695	-	529,200

27 Finance costs

	Unit: Baht			
	Consolidated		Company	
	2013	(Restated) 2012	2013	2012
Finance costs				
Bank borrowings	35,646,763	35,757,855	8,735,318	2,751,837
Short-term borrowings from related parties	3,607,877	1,035,880	10,525,644	19,114,312
Finance lease	54,588	111,637	41,520	60,738
Others	11,781	56,089	11,782	56,089
Total	39,321,009	36,961,461	19,314,264	21,982,976

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28 Income tax

For the year ended ended 31 December	Unit: Baht			
	Consolidated		Company	
	2013	(Restated) 2012	2013	(Restated) 2012
Current tax	-	-	-	-
Deferred income tax:				
Origination and reversal of temporary differences	(2,273,106)	(1,167,353)	-	-
Income tax	(2,273,106)	(1,167,353)	-	-

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the company as follows:

	Consolidated		Company	
	2013	(Restated) 2012	2013	(Restated) 2012
Loss before tax	(283,869,527)	(347,863,345)	(83,688,307)	(389,441,170)
Tax calculated at a tax rate of 20% (2012 - 23%)	(56,773,905)	(80,008,569)	(16,737,661)	(89,571,469)
Tax effect of:				
Joint venture's results reported net of tax	1,522,080	-	-	-
Income not subject to tax	-	-	(1,799,996)	-
Expenses not deductible for tax purpose	349,645	4,948,493	109,811	210,005
Temporary differences in which no deferred income tax asset was recognised	29,696,529	56,419,341	23,511,580	90,232,634
Utilisation of previously unrecognised tax losses	(8,799,790)	(871,170)	(5,083,734)	(871,170)
Tax losses for which no deferred income tax asset was recognised	31,918,050	23,681,127	-	-
Re-measurement of deferred tax - change in tax rate	(185,715)	(5,336,575)	-	-
Tax charge	(2,273,106)	(1,167,353)	-	-

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29 Loss per share

Basic loss per share are calculated by dividing the net (loss) profit attributable to ordinary shareholders by the weighted average number of paid-up ordinary shares in issue during the year.

The basic loss per share are calculated as follows:

	Consolidated		Company	
		(Restated)		
	2013	2012	2013	2012
Loss (Baht)				
Net loss attributable to ordinary shareholders of the company	(281,596,421)	(346,695,992)	(83,688,307)	(389,441,170)
Weighted average number of ordinary shares outstanding (Shares)	648,245,388	641,250,000	648,245,388	641,250,000
Basic loss per share (Baht per share)	<u>(0.43)</u>	<u>(0.54)</u>	<u>(0.13)</u>	<u>(0.61)</u>

The diluted loss per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. The share options a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issue of ordinary shares for no consideration. No adjustment is made to earnings.

	Consolidated		Company	
		(Restated)		
	2013	2012	2013	2012
Loss (Baht)				
Net loss attributable to shareholders of the company	(281,596,421)	(346,695,992)	(83,688,307)	(389,441,170)
Weighted average number of ordinary shares outstanding (Shares)	648,245,388	641,250,000	648,245,338	641,250,000
Adjustments for:				
The effect of dilutive potential shares	733,621	-	733,621	-
Weighted average number of ordinary shares for diluted loss per share	<u>648,979,009</u>	<u>641,250,000</u>	<u>648,979,009</u>	<u>641,250,000</u>
Diluted loss per share (Baht per share)	<u>(0.43)</u>	<u>(0.54)</u>	<u>(0.13)</u>	<u>(0.61)</u>

30 Dividends

At the General Meeting of Shareholders held on 18 April 2012, the Board approved an annual dividend payment of 2011 amounting to Baht 0.05 per share, totalling Baht 32.06 million. The dividends will be distributed to the shareholders in the register on 13 February 2012 and paid dividends on 17 May 2012.

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31 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Company is a subsidiary of Major Cineplex Group Public Company Limited which owns 91.37% of the Company's shares (2012: 67.86%). All subsidiaries and associates of Major Cineplex Group Company Limited are related parties.

The following significant transactions were carried out with related parties:

i) Sales of goods/services and others

	Unit: Baht'000			
	Consolidated		Company	
	2013	(Restated) 2012	2013	2012
Management fee income				
Subsidiaries	-	-	44,860	61,682
Sales of goods and services				
Parent company	93,207	108,118	-	-
Subsidiaries	-	-	40,680	17,977
Related companies	33,445	36,775	-	-
Joint venture	79,220	-	-	-
	205,872	144,893	40,680	17,977
Advertising income				
Parent company	93	12,974	-	-
Subsidiaries	-	-	-	972
Related company	83,050	-	-	-
	83,143	12,974	-	972
Rental and service income				
Subsidiaries	-	-	3,436	2,988
Related company	-	14	-	-
	-	14	3,436	2,988
Interest income				
Subsidiaries	-	-	9,902	3,080
Other income				
Parent company	-	130	-	-
Related company	8	-	-	-
Joint venture	-	-	9,000	-
	8	130	9,000	-

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31 Related party transactions (Cont'd)

ii) Purchase of goods/services and others

	Unit: Baht'000			
	Consolidated		Company	
	2013	(Restated) 2012	2013	2012
Purchase of goods and services				
Parent company	13,830	2,218	-	-
Related companies	1,727	1,177	-	-
	<u>15,557</u>	<u>3,395</u>	<u>-</u>	<u>-</u>
Advertising expense				
Parent company	2,325	2,216	-	-
Related companies	381	1,947	-	67
Joint venture	1,005	-	-	-
	<u>3,711</u>	<u>4,163</u>	<u>-</u>	<u>67</u>
Rental and service expenses				
Parent company	<u>3,829</u>	<u>3,763</u>	<u>3,829</u>	<u>3,763</u>
Interest expense				
Parent company	3,608	1,036	3,296	1,036
Subsidiaries	-	-	7,229	18,078
	<u>3,608</u>	<u>1,036</u>	<u>10,525</u>	<u>19,114</u>
Other expenses				
Parent company	58	37	32	37
Related company	28	12	28	12
	<u>86</u>	<u>49</u>	<u>60</u>	<u>49</u>

Pricing policies for related party transactions are as follows:

	Pricing policies
Advertising fees	Agreed prices as stipulated in the agreements
Film rights	Agreed prices as stipulated in the agreements
Rental and services	Agreed prices which approximate to market price
Interest charge	Agreed rates ranging from 3.50% to 7.00% per annum
Management fees	Agreed prices as stipulated in the agreements

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31 Related party transactions (Cont'd)

iii) Outstanding balances arising from sales/purchases of goods/services and others

Unit: Baht'000

	Consolidated		Company	
	2013	(Restated) 2012	2013	2012
Trade accounts receivable (included in "Trade accounts receivable and other receivables")				
Parent company	24,548	22,909	-	-
Subsidiaries	-	-	31,905	80,360
Related companies	29,774	12,360	-	-
Joint venture	84,519	-	-	-
Total trade accounts receivable	138,841	35,269	31,905	80,360
Accrued income				
Parent company	6,706	8,717	-	-
Related companies	2,493	5,066	-	-
Joint venture	9,000	-	9,000	-
Total accrued income	18,199	13,783	9,000	-
Trade accounts receivable and accrued income, net	157,040	49,052	31,905	80,360
Less Allowance for doubtful account	-	-	-	-
Trade accounts receivable and accrued income, net	157,040	49,052	31,905	80,360
Amounts due from related parties				
Parent company	-	1,083	-	1,003
Subsidiaries	-	-	85,115	150,760
Related company	-	-	-	-
Total amounts due from related parties	-	1,083	85,115	151,763
Less Allowance for doubtful account	-	-	-	-
Amount due from related parties, net	-	1,083	85,115	151,763
Guarantee paid for rental and service (included in "Non-current assets")				
Parent company	983	983	983	983
Trade accounts payable (included in "Trade accounts payable and other payables")				
Parent company	9,713	800	-	-
Subsidiary	1,176	796	-	-
Related companies	-	-	-	-
Total trade accounts payable	10,889	1,596	-	-
Amounts due to related parties				
Parent company	794	3,146	526	1,150
Subsidiaries	-	-	21,891	91,417
Related company	4	107	4	-
Joint venture	214	-	-	-
Directors	458	542	458	542
Total amounts due to related parties	1,470	3,795	22,879	93,109
Guarantee deposits for rental and service (included in "Other non-current assets")				

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	Subsidiaries	-	-	747	747
31	Related party transactions (Cont'd)				

iv) Short-term loans to subsidiaries

	Unit: Baht'000			
	Consolidated		Company	
	2013	2012	2013	2012
Subsidiaries				
At 1 January	-	-	87,200	50,700
Loans made during the year	-	-	300,800	243,600
Loans repaid during the year	-	-	(183,400)	(207,100)
At 31 December	-	-	204,600	87,200

Loans to subsidiaries amounting to Baht 204.60 million (2012: Baht 87.20 million) carry interest at the rate of 7.00% per annum (2012: 7.00% per annum). Such loans are in the form of promissory notes and are due at call.

v) Short-term borrowings from related parties

The movement in short-term borrowings from related parties can be analysed as follows:

	Unit: Baht'000			
	Consolidated		Company	
	2013	2012	2013	2012
Subsidiaries				
At 1 January				
Beginning balance	-	-	172,000	288,250
Borrowings acquired during the year	-	-	185,500	43,350
Repayment of borrowings during the year	-	-	(253,000)	(159,600)
At 31 December	-	-	104,500	172,000

	Unit: Baht'000			
	Consolidated		Company	
	2013	2012	2013	2012
Parent company				
Beginning balance	10,000	59,000	10,000	59,000
Borrowings acquired during the year	425,000	80,000	395,000	80,000
Repayment of borrowings during the year	(380,000)	(129,000)	(365,000)	(129,000)
At 31 December	55,000	10,000	40,000	10,000
Total short-term borrowings from related parties	55,000	10,000	144,500	182,000

Short-term borrowings from subsidiaries in the form of promissory notes carry interest at the rate of 7.00% per annum (2012: 7.00% per annum). Such borrowings are due at call.

Borrowings from the parent company carry interest at the rate of 3.50% per annum, 4.25% per annum and 6.125% per annum (2012: 6.125% per annum) and due for repayment within 1 to 3 months.

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31 Related party transactions (Cont'd)

vi) Key management compensation

The compensation paid to key management for employee services for the year ended 31 December is shown below:

	Unit: Baht'000			
	Consolidated		Company	
	2013	2012	2013	2012
Short-term employee benefits	11,693	15,554	11,693	11,565
Post-employee benefits	104	252	64	214
	11,797	15,806	11,757	11,779

32 Commitments and contingencies

i) Bank guarantees

As at 31 December 2013, there were outstanding bank guarantees given on behalf of the Group to third parties in respect of film rights purchases amounting to Baht 17.40 million (2012: Baht 17.40 million).

ii) Operating lease commitments - where a Group Company is the lessee

As at 31 December 2013, the Company and its subsidiaries had commitment obligations in respect of long-term lease of land, buildings and service contracts to a related party and third parties. The future aggregate minimum lease and service payments under non-cancellable contracts are as follows:

	Unit: Million Baht			
	Consolidated		Company	
	2013	(Restated) 2012	2013	2012
Not later than 1 year	6.55	6.47	4.00	3.52
Later than 1 year but not later than 5 years	12.20	2.38	7.66	0.39
Total operating lease commitments	18.75	8.85	11.66	3.91

iii) Commitments from purchase of film rights

As at 31 December 2013, the Group had commitments in respect of purchases of film rights amounting to USD 4.74 million, EUR 0.03 million and Baht 78 million payable over the next two years (2012: USD 6.65 million, EUR 0.06 million and Baht 43.50 million).

iv) Commitments for film productions

As at 31 December 2013, the Group had commitments under film production agreements, advertising and programme broadcasting agreements with various film directors and other companies. The Company is committed to pay the amounts as stipulated in related agreements totalling Baht 47.28 million (2012: Baht 9.2 million).

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33 Subsequent event

At the Board of Directors (“the Board”) Meeting held on 11 February 2014, the Board passed a resolution to approve the incorporation of a Thai film production company, whose registered share capital is Baht 300,000,000 representing 3,000,000 ordinary shares at a par value of Baht 100 per share. The Company will own 40% or equivalent to Baht 120,000,000. It is expected that this new company will be incorporated by the end of the 1st quarter of 2014.



M Pictures Entertainment Public Company Limited

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