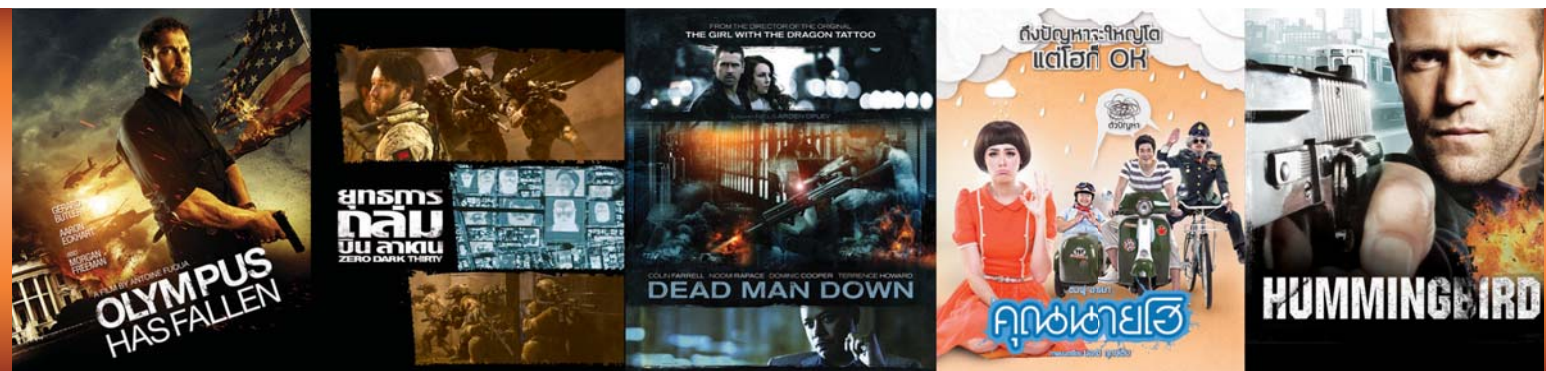


ANNUAL REPORT

2012

M Pictures Entertainment Public Company Limited

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Message from Chairman of the Board



Dear Shareholders

In 2012, the movie industry has consistently grown. M Pictures Entertainment Public Co., Ltd. also gained higher rates of growth. The main contributions to the higher growth rates are movie acquisition & distribution, and production of Thai Movie with the total revenue increased by 62% and 5% respectively. As for the Home Entertainment section, the revenue decreased due to declining business and risk from persistent copyright infringement.

In the previous year, the company gained the total revenue of 981.8 million Baht and the gross profit of 19.2%, comparing to the year 2011 with the total revenue of 1,051.1 million Baht and the gross profit of 36.4%. The decrease in gross profit is caused by lower revenue from Home Entertainment section since the company terminated an agreement with a movie studio abroad. The higher cost of sales and services, as a result of changes in amortization policy, is also one of the factors. The termination of the agreement aforesaid urged the company to consider goodwill impairment. This action affected an overall operating result as the company is conducting a business with caution in order to control future risks. The Board of Directors firmly believes that an adjustment of policy and strategies to present circumstances, along with good governance will advance the company. The company will be well prepared and stable for ASEAN Economic Community (AEC) in 2015. As for the year 2013, the company will concentrate on cable television and digital media, in response to a policy of NBTC who announced services of digital television and 3G reception for mobile devices.

On this occasion, the Board of Directors and I would like to express our appreciation to the shareholders, the investors, the clients, the business partners and the associates for kind supports. Furthermore, I would like to thank the executives and the employees for hard work and responsibility which strengthen our company and bring achievement. I believe that the company will continue to flourish and I wish for your unfaltering support & cooperation.

Sincerely Yours,



Mr. Tirachai Vutithum
Chairman of the Board

Board of Directors



Mr. Tirachai Vutithum

Chairman of the Board

Age : 63

Shareholding : 0 %

Relationship with Management : No

Education :

- Ramkhamhaeng University, Doctor of Philosophy Honorary Degree in Continuing Education
- American Coast University, Bachelor Degree in Psychology
- Ramkhamhaeng 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
Member of the House of Representative
Advisor to Executive Committee, Royal Thai Army Radio & Television Plan and Development
Vice President, Rattana Bandit University
President, Thai Male Soccer Player Foundation of Thailand
Member of The National Legislative Assembly of Thailand
Executive Committee, Aeronautical Radio of Thailand Ltd.
Deputy Bangkok Governor
Committee of Thai Sport Committee
President, Bangkok Sport Association
Representative, Thai Soccer Foundation
Representative, Thai Rugby Foundation
Executive, Thai Airway International Plc.
Vice Executive, Thailand University Games
The Tour and Sports Commission
Subcommittee Chairman, Rajpruek Club

Mr. Vicha Poolvaraluck

Vice Chairman of the Board

Age : 49

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 : 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. Thitakorn Ussayaporn

Director, Chief Executive Director

Age : 47

Shareholding : 0 %

Relationship with Management : CEO

Education :

- Thammasat University,
Master Degree of Business Administration
- Chulalongkorn University,
Bachelor Degree of Science in Statistics

Experiences

- Present : Director / Chief Executive Officer,
M Pictures Entertainment Plc.
- 2008-2011 : Vice President,
Total Access Communication Plc
- 2002-2008 : Director, Microsoft (Thailand) Limited.

Mr. Suthep Dansiriviroj

Independent Director / Chairman of Audit Committee

Age : 65

Shareholding : 0 %

Relationship with Management : No

Education :

- Thammasat University, Bachelor Degree in Accounting

Training Program :

- Directors Accreditation Program (DAP) 32/2005,
Thai Institute of Director (IOD)
- Directors Certification Program (DCP) 60/2006,
Thai Institute of Director (IOD)

Experiences :

- Present : Independent Director / Chairman Audit
Committee, M Pictures Entertainment Plc.
- 2004-Present : Chief Financial Officer,
Inter Far East Engineering Plc.

Board of Directors



Mr. Arun Eamsureya

Independent Director / Audit Committee

Age : 52

Shareholding : 0 %

Relationship with Management : No

Education :

- Newhamshier College, USA,
Master Degree of Business Administration
- Thammasat University, Bachelor Degree in Economics

Training Program :

- Directors Certification Program [DCP] Class 107/2008,
Thai Institute of Director (IOD)
- Top Management Class 7/2008, Capital Market Academy
- Advance Security Management Program (ASMP4) 2013

Experiences :

- Present : Independent Director/ Audit Committee,
M Pictures Entertainment Plc.
- 2011-Present : Subcommittee of Support network and
assemble resource, Bureau of Community
College Administration
- 2002-Present : Chief Executive Officer,
Shanghai Food Co.,Ltd.
- 1995-Present : President, A.E.H. Co.,Ltd.
- 1994-2004 : Vice President, A.S.A. Real Estate Co.,Ltd.
- 1991-1995 : Executive Committee,
Better Living Properties Co.,Ltd.

Mr. Montri Sotangkul

Independent Director / Audit Committee

Age : 51

Shareholding : 0 %

Relationship with Management : No

Education :

- Northop University, Los Angeles, California, U.S.A,
Master Degree of Business Administration
- Chulalongkorn University,
Bachelor Degree in Commerce and Accounting

Training Program :

- Top Management Class 9, Capital Market Academy

Experiences :

- Present : Independent Director / Audit Committee,
M Pictures Entertainment Plc.
- 2011- Present : Director, PTT Plc.
: Director, CAT telecom.
- 2002- Present : Director, Media Shaker Co., Ltd.
- 1992- Present : Management Director,
Prestige Direct Marketing Co.,Ltd.
- 2008- 2011 : Executive Committee,
Provincial Waterworks Authority.
: Executive Committee,
National Housing Authority.
- 2008-2010 : Executive Committee,
Office National of Innovation.
- 2008-2009 : Executive Committee, Office of
Geo-Informatics and Space Technology
Development Agency
(Public Organization) - GISTDA.
- 2006 - 2008 : Consultant, Office of Small and
Medium Enterprise.
: Executive Committee,
SMEs Trade Promotion Co.,Ltd.
- 2000 - 2002 : Executive Director,
Thailand Direct Market Association.

Board of Directors



Mr. Padet Hongfa

Director

Age : 67

Shareholding : 1.107%

Relationship with Management : No

Education :

- Bachelor Degree of Finance and Banking,
Pitman College, London England

Training Program :

- Directors Certification Program [DCP] Class 30/2003,
Thai Institute of Director [IOD]
- The Professional Managing Director Program (TMA)
- Top Management Class 12/2011, Capital Market Academy

Experiences :

- 2012- Present : Director, Advisor,
M Pictures Entertainment Plc.
- 2008 - 2012 : Director, Chief Executive Officer,
M Pictures Entertainment Plc.
- 1979 - 2006 : Vice Chief Executive Officer,
Managing Director, CVD Entertainment Plc.
- 1977-1979 : The East Asiatic (Thailand) Pte.Ltd.
- 1970-1977 : Charter Bank, Thailand.
- 1968-1970 : Charter Bank, London, England.

Mr. Vichate Tantiwanich

Age : 51

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 (TEPCOT#3),
Commerce Academy 2010

Experience

- Present : Director, M Pictures Entertainment Plc.
Director, Siam Future Development Plc.
Independent Director, Phatra Leasing Plc.
Senior Vice President, Thai Beverage Plc.
- 2011- Present : Director, Family Knowhow Co., Ltd.
(Stock Exchange of Thailand Group)
- 2010 - Present : 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
: Executive Director, GMM Grammy
PCL., Media and Publishing
- 2005 - Present : Director and Chairman of Working Group
in Finance business, International
Chamber of Commerce-Thailand

Board of Directors



Mr. Chate Mungkhalodom

Age : 55

Shareholding : 0%

Relationship with Management : No

Education :

- California State Polytechnic University, Pomona, Master Degree of Business Administration
- Ramkhamhaeng University, Bachelor of Business Administration, Major in Accounting
- Director Training with Thai Institute of Directors Association (IOD)
- Directors Certification Program (DCP) class 147/2011, Thai Institute of Director (IOD)
- Role of the Compensation Committee (RCP) class 13/2011., Thai Institute of Director (IOD)

Training program :

- Present : Director, M Pictures Entertainment Plc.
- 2012 - Present : Vice president of Business Investment Department, Major Cineplex Group Plc.
- 2009 - 2012 : Chief Media Sales, Major Cineplex Group Plc.
- 2003 - 2008 : Managing Director Virgin BEC-TERO Radio (Thailand) Ltd., Bangkok.
- 1998 - 2003 : Finance Director, Warner Music (Thailand) Co.,Ltd.

Ms. Thitapat Issarapornpat

Age : 45

Shareholding : 0%

Relationship with Management : No

Education :

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

Experience :

- Present : Director, M Picture Entertainment Plc.
- : Head of Accounting & Finance / 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.

Board of Directors



Mr. Veeraboon Ruangsrimum

Company Secretary

Age : 41

Shareholding : 0%

Relationship with Management : No

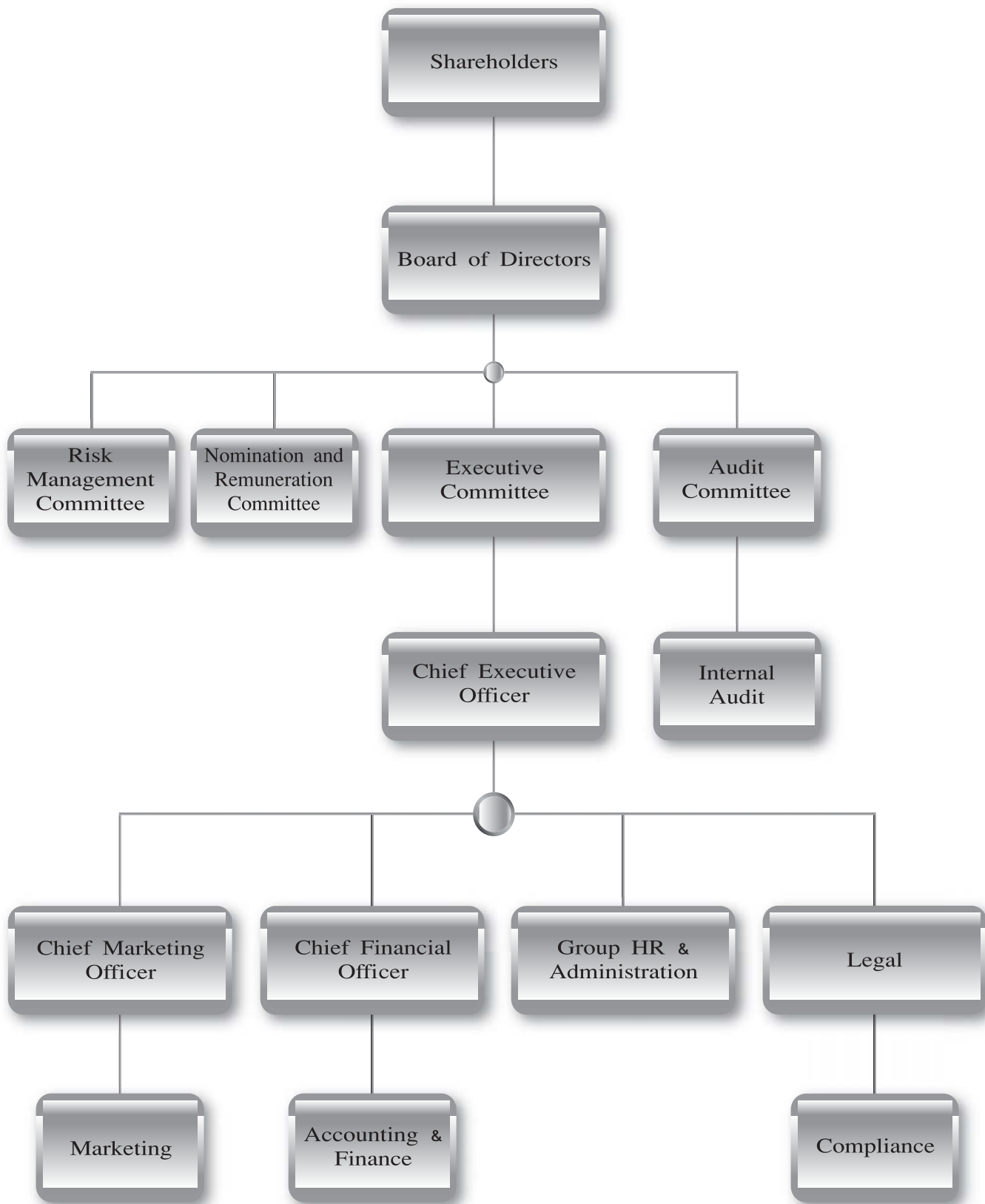
Education :

- Kasetsart University,
Master Degree in Business Administration (Finance)
- Chulalongkorn University, Bachelor Degree in Accountancy

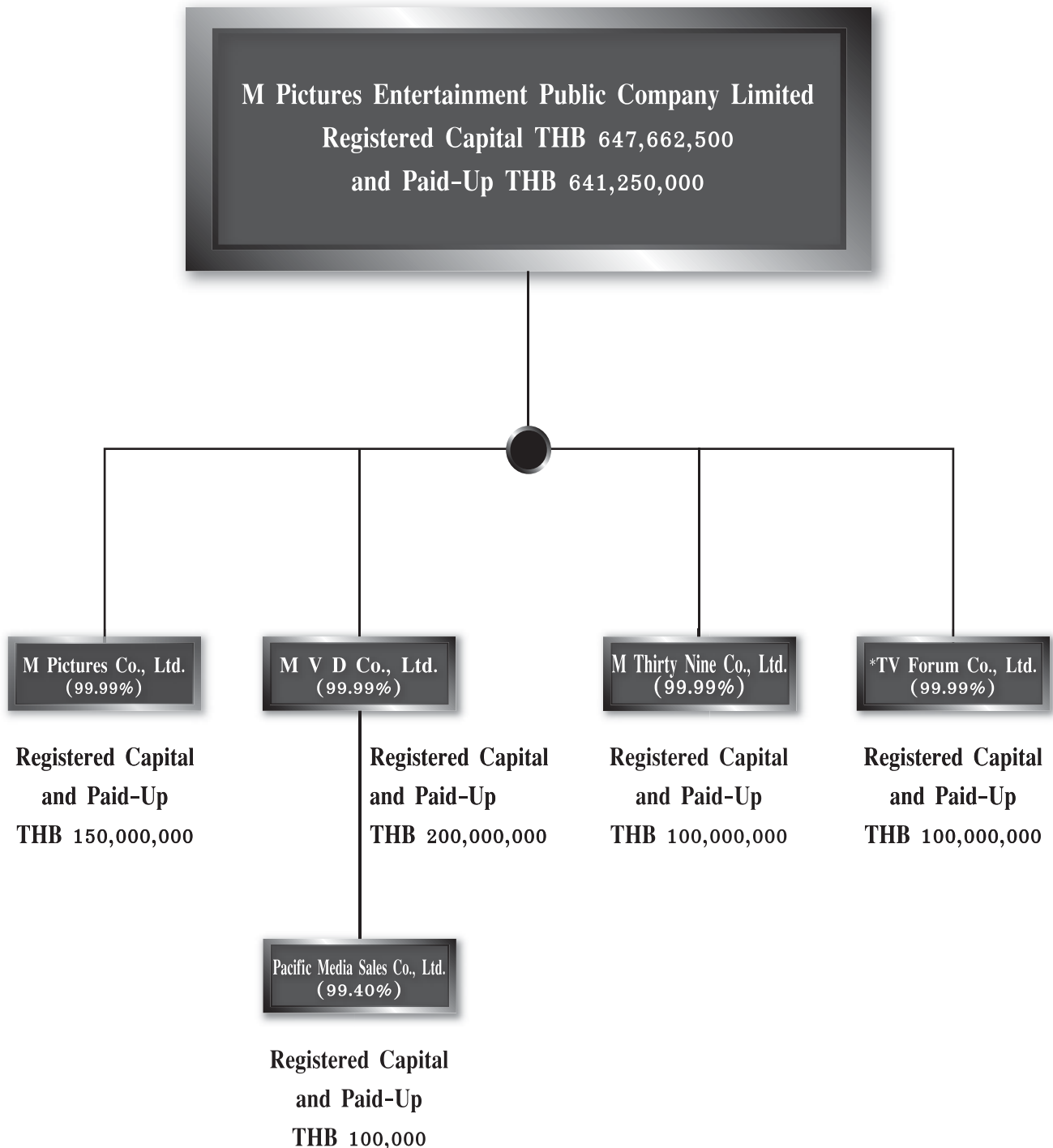
Experiences :

- Present : Finance and Accounting
Director / Company Secretary,
M Pictures Entertainment Plc.
- 2009-2012 : Finance and Accounting Director,
CMO Plc.
- 2008-2009 : Finance and Accounting Manager,
HAVI Logistics (Thailand),Ltd.
- 2002-2008 : Financial Controller,
Givaudan (Thailand),Ltd.
- 2001-2002 : Cost Accounting, Thai Dairy Industry.,Ltd.

Organization Chart As of December 31, 2012



Shareholding Structure As of December 31, 2012



* TV Forum has already ceased temporarily its operation

Profiles of Company and Subsidiaries

M Pictures Entertainment Plc. (MPIC)

Nature of Business	Provides copyrights of International films, 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 674,662,500 Shares Paid-Up 641,250,000 Shares

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 studio including Thai film studio for 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

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 Location62, 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 Location15th Floor Bangkok City Tower 179/74-80 South Sathorn Road
Bangkok 10120**Telephone**

02-334-1000

Facsimile

02-286-5050

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 Baht 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 Pay Digital TV. Moreover, the company invests Thai film production through the Company's subsidiaries. As of December 31, 2012, there is THB 647,662,500 of registered and paid-up 641,250,000 Baht.

The company made investment in the business relating to entertainment media through Cinemas, television, radio, home entertainment and special activities 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, Thai film studios for Cinemas.

In 2009 the Company 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 Group 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 film copyrights.

In 2011, the Company has expanded channels of film rights distribution in digital media such as IPTV and internet channels.

In 2012, the Company has developed and changed our strategy of film copyrights distribution by focusing on content belonging to the Company for providing in multi-channels. Moreover, there are new partnerships such as DNA and CAP which strengthen the business of the Group.

Presently, the Company has investment in 5 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)***

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 2012, M Pictures Entertainment group had slightly lower total revenue than in the year 2011. The decrease in total revenue is caused by a Home Entertainment section, in line with the market situation at the moment. However, movie license distribution and movie production have enormously grown, as a result of precise movie selection for a target group.

Revenue from movie acquisition and distribution soared as the revenue from selling movie license to cable television and free television rose up. Thai movie production by M Thirty-Nine Co.,Ltd. (M39) has consistently grown, evidenced by many well-known & successful movies such as Valentine Sweetie, Saranair Osekai and Crazy Crying Lady.

In response to a persistent decline in Home Entertainment section, the company adjusted strategies and conducted a business with more caution and consideration of future risks. Nevertheless, the company regards the decline in Home Entertainment will bring about the rise of cable and digital media in the future.

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 invests in Thai Film Production and Home entertainment business in form of DVD-VCD and Blue-Ray. Because of our business channels, the company could effectively earn revenue for the company.

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 Thai, Asian & International films copyrights from Thai, Asian, Europe and America studios	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, Blue-Ray	-

No.	Company	Categories of Products and Services	Channels	Remarks
4.	M Thirty Nine Co.,Ltd.	Thai Films Production	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 Thai and international films and also 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. 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 procure 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.
- 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 is also 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 distributed 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, procuring, 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 permitting 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 and distribute Thai movie through theaters 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, Blue-Ray], Free TV, Cable TV and digital channels.

Marketing Strategies

M Pictures Co., Ltd. emphasizes the procurement 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.

Permit rights on remuneration basis (Home entertainment Business)

The Company permits film copyrights to the big home entertainment media manufacturer to make into DVD, VCD, and Blue-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 presenting the Company's films which will increase the Company's turnover.

Competitive Potential

The past year the economic slowed down. 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 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 Blue-Ray from Hollywood, Independent Studio and Thai Studio.

Products/Services

Provide quality Thai and international films to make into DVD, VCD, and Blue-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, DNA, 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 slowed down which cause the revenue of the company missing the goal but it did not much affect the revenue 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 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 movie releases of 2012 included Valentine Sweetie, I Miss U, Saranair Osekai and Crazy Crying Lady which were well received overwhelming response 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 because it is a means of easing tension for the public. 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. has just entered this industry and must therefore operate the business with a strong determination and best effort in order to remain competitive with other players. The success factors hinge not only on the producers themselves but also on the consumers' personal taste. The successful films of the Company in 2012 are Valentine Sweetie, I Miss U, Saranair Osekai and Crazy Crying Lady bear testimony to its ability to well respond 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.

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 releases to distribution of movies on VCD, DVD and Blue Ray. Therefore, the company can distribute and broadcast movies rights in variety channels. In addition, the performance of the Group has trended excellently. It obviously showed in the performance of the company being pleasant in the slow-down economic.

The Company plans 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 aspires to become a market leader in both Thai and international movie rights and the best Thai film production. In addition, the company has a strong desire to bring the Thai movies of the Company being acknowledged on international stage in the future.

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 consumer 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 procuring and distributing films of the Company in the previous year of 2012 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 2012, regarding the procurement of film copyrights and the production of Thai films by the Company, the films distributed by the Company became greatly 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, the Company has added distribution channels for Thai Movies 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.

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 every month, 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 the 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 2012, the Company held the Annual General Shareholders' meeting on 18 April 2012, 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

Mr. Vicha Poolvaraluck	2003
Mr. Padet Hongfa	2003
Mr. Suthep Dansiriviroj	2006
Mr. Arun Eamsureya	2008
Mr. Chate Mungkhalodom	2011

Director Accreditation Program

Mr. Tirachai Vutithum	2004
Mr. Suthep Dansiriviroj	2006

Role Compensation Committee Program

Mr. Chate Mungkhalodom	2011
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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 2012, there were 10 directors in the Company as follows:

- Executive Directors 4 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 40% 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 polices with regard to supervision and management.

- **Mr. Tirachai Vutithum**, 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. Thitakorn Ussayaporn** 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 2012, 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.50)

12. The Committees

The company sets up the Sub-Committee, namely Audit Committee, Risk management Committee, Nomination and Remuneration Committee, Executive Committee (detailed in Board and Committee structure P.41)

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 remaining the Company's internal control system. In the Board of Directors' Meeting No.1/2013 held on February 12, 2013 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 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 the breaking. The Company sets the express rule practices for conflicting of interest transaction and also imposes punishments in case the breaking. The Company set 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 determines 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 Director 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 base 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

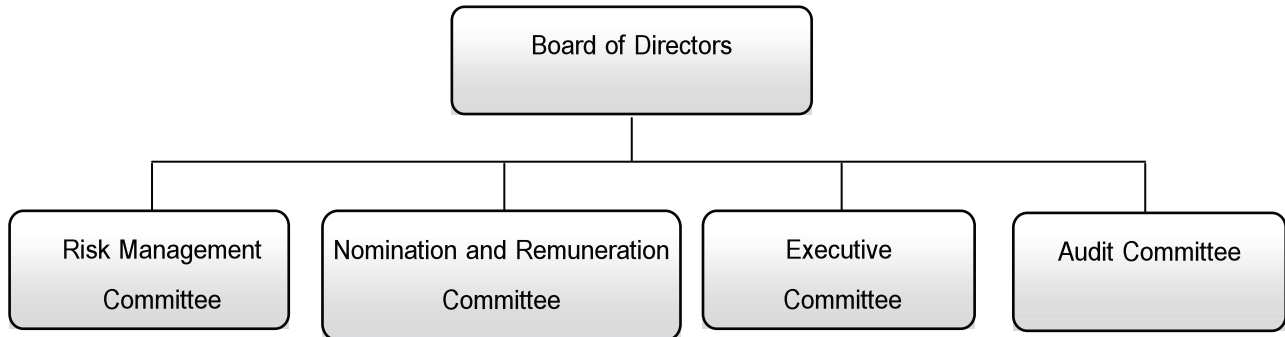
The Company frequently compares business targets of the Company with operation results, and makes report to the Board of Directors. Moreover, the Company provides the internal auditing which will directly report to the Audit Committee.

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 2012 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 5 committees, namely the Board of Directors, Audit Committee, Nomination and Remuneration Committee, Risk Management Committee and Executive Committee. The scope of work and authority of each committee are as following:



Board of Directors

As of December 31, 2012, 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	Vice Chairman of the board	April 21, 2010
3	Mr.Padet Hongfa	Director	April 21, 2010
4	Mr.Virat Udomsinwatana*	Director	April 21, 2010
5	Mr.Rujipant Chuenchitr*	Director/Chief Financial Officer	April 20, 2011
6	Mr.Suthep Dansiriviroj	Independent Director/Chairman of the AC	April 20, 2011
7	Mr.Arun Eamsureya	Independent Director/AC	April 18, 2012
8	Mr.Montri Sotangkul	Independent Director/AC	April 18, 2012
9	Mr.Chate Mungkhalodom	Director	April 18, 2012
10	Mr.Anont Asvanund*	Director	March 1, 2011
11	Mr.Vichate Tantiwanich*	Director	March 18, 2012
12	Mr.Thitakorn Ussayaporn*	Director/Chief Executive Officer	November 6, 2012
13	MsThitapat Issapompat*	Director	November 6, 2012

Mr.Veeraboon Ruangsrimun is served as Secretary to the Company's Board of Directors

* Mr.Rujipant Chuenchitr resigned from Director and Chief Financial at August 31, 2012

*.Mr.Virat Udomsinwatana resigned from Director at November 1, 2012

* Mr.Anont Asvanund resigned from Director at March 13, 2012

* Mr.Vichate Tantiwanich has appointed to be Director since March 18, 2012.

* Mr.Thitakorn Ussayaporn has appointed to be Director since November 6, 2012.

* Ms.Thitapat Issarapornpat has appointed to be Director since November 6, 2012.

Directors authorized to sign to bind the Company consist of Mr.Vicha Poolvaraluck, Mr.Chate Mungkhalodom, Mr.Thitakorn Ussayaporn, and Ms. Thitapat Issarapornpat , two of these four 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 6 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, the Nomination and Remuneration Committee, the Risk Management Committee, and Executive Committee.

The Audit Committee

As of 31 December 2012, the Audit Committee consisted of 3 directors as follows:

1. Mr.Suthep Dansiriviroj Independent Director/Chairman of the Audit Committee
2. Mr.Arun Eamsureya Independent Director and Audit Committee
3. Mr.Montri Sotangkul Independent Director and Audit Committee

Ms. Orawan Thammasiripong 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. Suthep Dansiriviroj Independent Director/Chairman of the Audit Committee

Undergone training programs:

- Director Accreditation Program (DAP) 2005
- Director Certification Program (DCP) 2006

2. Mr. Arun Eamsureya Independent Director/Audit Committee

Undergone training programs:

- Director Certification Program (DCP) 2008

3. Mr. Montree Sotangkul 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.

Nomination and Remuneration Committee

As of 31 December 2012, the Nomination and Remuneration Committee consisted of 2 directors as follows

1. Mr. Suthep Dansiriviroj
2. Mr. Arun Eamsureya

Selection of person to be a director and executive, the Company has set up a specific committee to select potential candidates for the position of Company Director. However, the Board of Directors will select individuals on the basis of their knowledge, capability, experience, and vision, which complement the Company's business. Directors must possess certain qualifications and must not possess certain qualifications as outlined in the Article 68 of the 1992 Public Company Act, and according to the regulations of the SEC and the SET. Proposals will be made to the shareholders' meeting in accordance with the Company's articles of association for consideration and appointment based on the following criteria:

1. Individual with complete qualification as required by the SEC and the SET
2. Individual with no business ties, benefits, or interests, either directly or indirectly with the financial and management of the Company and subsidiaries including of joint company

3. The Company's policy is for the Independent Director to disclose relationships/links which may affect to his independent role such as appointment of representatives in to preserve the interests of the directors and major shareholders.
4. Appoint by Board of Directors and or Shareholders' meeting resolution by :
 - 4.1 At each Annual General meeting, one out of three directors must retire by rotation. If the number of directors cannot be divided into three equal parts then the number of directors closest to 1 out of 3 must be retired. Directors who are retired from office the first or second year after the Company registration date must draw lots as to be who will leave. As for years later, the director who has been in the position longest must be retired. In this connection, Directors who are retired may be elected to resume the position again.
 - 4.2 The Shareholders' meeting can elect a director in accordance with the following criteria and procedures:
 - 4.2.1 Shareholder has an equivalent vote to one share, and has 1 vote.
 - 4.2.2 Each shareholder must make use of all his votes as per clause number 4.2.1 in the election of 1 or many individuals as directors. He cannot, however, divide his votes, no matter how big or small the amount, amongst different individuals.
 - 4.2.3 Individuals who receive the highest votes will be elected as directors in accordance with the number of directors required, or the number of directors to be elected at that meeting. In the event that equal votes have been received, which exceed the number of directors required or to be elected at that time, the Chairman of the meeting will cast the final deciding vote.
 - 4.3 At the shareholders' meeting, a resolution may be adopted for any director who are retired prior to the completion of his term, with votes of not less than three quarters received from the number of shareholders present and entitled to vote, and with the combined number of shares of not less than half of the total number of shares held by the shareholders present and entitled to vote.

4.4 In the event that the position of director becomes vacant due to other reasons besides completion of term, the Board of Directors may nominate at the following Board of Directors' meeting an individual who possesses the qualifications, and does not have the qualifications specified in Article 68 of the 1992 Public Company Act, after having received no less than three quarters of the remaining directors' votes in order to assume the position, with the exception that the previous director's remaining term is less than two months. The new director may assume office only for the remaining tenor of his predecessor's term.

Risk Management Committee

As of 31 December 2012, the Company's Risk Management Committee was consisted of 2 persons as below:

1. Mr. Suthep Dansiriviroj Chairman of Risk Management Committee
2. Mr. Thitakorn Ussayaporn Risk Management Committee

ROLE AND RESPONSIBILITIES OF THE RISK MANAGEMENT COMMITTEE

1. Monitors the risk factors which may be affected to the business operation of the Company and presents to the Board of Directors.
2. Considers and analyzes and gives opinions on assignment to the Board of Directors.

Executive Committee

As of 31 December 2012, the Company's Executive Committee was consisted of 3 persons as below:

1. Mr. Thitakorn Ussayaporn
2. Mr. Chate Mungkhalodom
3. Ms. Thitapat Issarapornpat

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 2012, Executive team of Group of Companies consists of 4 directors as follows:

- | | |
|------------------------------|--|
| 1. Mr. Thitakorn Ussayaporn | Chief Executive Officer |
| 2. Mr. Veeraboon Ruangsrimun | Financial and Accounting director |
| 3. Mrs.Chanphen Singhanutta | Human Resources and Administration Manager |
| 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 to 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 2012, the following meetings were hold:

Board of Directors' Meeting	6	times
Audit Committee's Meeting	4	times
Annual General Shareholders' Meeting	1	times
Extraordinary General Shareholders' Meeting	-No-	

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

No	Name	Board Meeting	AC Meeting	AGM
1	Mr.Tirachai Vutithum	5/6	-	Attended
2	Mr.Vicha Poolvaraluck	5/6	-	Attended
3	Mr.Padet Hongfa	6/6	-	Attended
4	Mr.Virat Udomsinwatana*	1/4	-	-
5	Mr.Rujipant Chuenchitr*	4/4	-	Attended
6	Mr.Suthep Dansiriviroj	5/6	4/4	Attended
7	Mr.Arun Eamsureya	5/6	3/4	Attended
8	Mr.Montri Sotangkul	5/6	3/4	-
9	Mr.Chate Mungkhalodom	6/6	-	Attended
10	Mr.Anont Asvanund*	1/1	-	-
11	Mr.Vichate Tantiwanich*	3/4	-	Attended
12	Mr.Thitakorn Ussayapon*	1/1	-	-
13	Ms.Thitapat Issarapornpat	1/1	-	-

* Mr.Rujipant Chuenchitr resigned from Director and Chief Financial at August 31, 2012

*.Mr.Virat Udomsinwatana resigned from Director at November 1, 2012

* Mr.Anont Asvanund resigned from Director at March 13, 2012

* Mr.Vichate Tantiwanich has appointed to be Director since March18, 2012.

* Mr.Thitakorn Ussayaporn has appointed to be Director since November 6, 2012.

* Ms.Thitapat Issarapompat has appointed to be Director since November 6, 2012.

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 Board 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 2012, the remuneration was paid as detailed below:

Monetary Compensation

- The remunerations of 13 Board of Directors totaled 1,079,000 baht in the form of remuneration and meeting allowances :

1	Mr.Tirachai Vutithum	amount	150,000	baht
2	Mr.Vicha Poolvaraluck	amount	130,000	baht
3	Mr.Padet Hongfa	amount	108,000	baht
4	Mr.Virat Udomsinwatana*	amount	58,000	baht
5	Mr.Rujipant Chuenchitr*	amount	72,000	baht
6	Mr.Suthep Dansiriviroj	amount	130,000	baht
7	Mr.Arun Eamsureya	amount	100,000	baht
8	Mr.Montri Sotangkul	amount	100,000	baht
9	Mr.Chate Mungkhalodom	amount	108,000	baht
10	Mr.Anont Asvanund*	amount	18,000	baht
11	Mr.Vichate Tantiwanich*	amount	69,000	baht
12	Mr.Thitakorn Ussayapon*	amount	18,000	baht
13	Ms.Thitapat Issarapornpat*	amount	18,000	baht

* Mr.Rujipant Chuenchitr resigned from Director and Chief Financial at August 31, 2012

*.Mr.Virat Udomsinwatana resigned from Director at November 1, 2012

* Mr.Anont Asvanund resigned from Director at March 13, 2012

* Mr.Vichate Tantiwanich has appointed to be Director since March18, 2012.

* Mr.Thitakorn Ussayaporn has appointed to be Director since November 6, 2012.

* Ms.Thitapat Issarapornpat has appointed to be Director since November 6, 2012.

- The total remuneration of 6 Executives was 14.49 baht consisting of salary and other welfare benefits.

People

As of December 31, 2012, there are 127 employees in the Company and subsidiaries as detailed follows;

	Amount [Employees]
1. Executives and Employees of M Pictures Entertainment Plc.	39
2. Executives and Employees of M Pictures Co.,Ltd.	15
3. Executives and Employees of M V D Co.,Ltd.	44
4. Executives and Employees of M Thirty Nine Co.,Ltd.	29
5. Executives and Employees of Pacific Media Sales Co.,Ltd.	-
6. Executives and Employees of TV Forum Co.,Ltd	-
Total	127

As at end of 2012, total remuneration featuring with salary, providence fund and other welfares of all executives and employees of the Company and subsidiaries is approximately 67.05 million baht.

Employees Competency Development Policy

At the present time, the procuring film rights and producing home entertainment are high competition. Obviously, the human resource improvement is very important because the human efficiency could support the operation of the company. Therefore, the Company has the target forming the strong team being professional in all dimensions for the future of the Company.

The Company has a policy in management level which believes in human potential therefore, the Company plans and allocates budget for supporting training courses, multi-skills improvement, seminars, team building, entertainment in every levels of employees including of the potential and capacity development of the Company and group's employees.

Related Transaction

In 2012, most of the related transactions shown on the Profit and Loss Statement were transactions in which the Company and its subsidiaries sold and bought products and services to related companies totaling progressively THB 138.01 million and THB 11.86 million. Details as follow;

Related transactions between the Company and related companies in Consolidated Profit and Loss in 2012

	(Unit : Million Baht)
Revenue generated from Entertainment Business Sale and Service	125.01
Advertising Income	12.87
Other Income	0.13
Goods and service Expense	2.85
Advertising Expenses	4.16
Office Rental and Service Charges	3.76
Interest Expenses	1.04
Other Expenses	0.05

Related transactions between the Company and related companies in Consolidated Balance as of December 31, 2012

	(Unit: Million Baht)		
	Account		
	Receivable	Creditors	Short-Term Loan
Major Cineplex Group Plc.	32.71	(3.80)	(10.00)
EGV Entertainment Plc.	7.78	-	-
Siam Cineplex Co., Ltd.	3.36	-	-
MC THAI Co., Ltd.	0.02	-	-
Major Cine Ad Co., Ltd.	5.89	-	-
Major Kantana Broadcasting Co., Ltd.	0.38	(0.11)	
Director(s)	-	(0.54)	
Total	50.14	(4.45)	(10.00)

During the year 2012 short-term loans from related parties can be analyzed as follows.

	(Unit : Million Baht)
Beginning balance	59.00
Additions	80.00
Repayment made during the year	(129.00)
Ending balance	10.00

Policy of pricing between the company and related parties as stipulated in the contract.

As of December 31, 2012, the Company had outstanding related transaction balance between the company and subsidiaries, consisting of trade debtors in amount of 50.14 million baht, and creditors in amount of 4.45 million baht, and short-term loan in amount of 10.00 million baht as detailed follows:

- Major Cineplex Group Plc. is debtor of film revenue sharing in amount of 31.71 million baht, debtor of fire subvention in amount of 1.00 million baht, accrued interest in amount of 0.80 million baht, rental and service charges in amount of 0.35 million baht, cinema tickets in amount of 2.25 million baht, advertising expenses in amount of 0.04 million baht, and short-term loan in amount of 10.00 million baht.
- EGV Entertainment Plc. is debtor of film revenue sharing in amount of 7.78 million baht.
- Siam Cineplex Co., Ltd. is debtor of film revenue sharing in amount of 3.36 million baht.
- MC THAI Co., Ltd. is debtor of VCD-DVD payment in amount of 0.02 million baht.
- Major Cine Ad Co., Ltd. is debtor of advertising in amount of 5.89 million baht.
- Major Kantana Broadcasting Co., Ltd is debtor of film right in amount of 0.38 million baht and creditor of advertising in amount of 0.11 million baht.

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 which relating with auditor or auditor's audit firm.

Top 10th Major Shareholders

(As of February 28, 2013)

	Number of Shares	Percentage(%)
1. Major Cineplex Group Plc.	461,563,089	71.979
2. Thai NVDR Co.,Ltd.	33,274,845	5.189
3. Ms. Sasithon Aek-attasit	9,700,000	1.513
4. Mr. Virat Udomsinwatana	9,490,000	1.480
5. Mr. Padet Hongfa	7,100,000	1.107
6. Mr. Chairat Saetung	6,948,500	1.084
7. Mr. Vorapong Suwattanapim	6,876,500	1.072
8. Mr. Surapan Pattanapitoon	5,855,125	0.913
9. Ms. Pimchai Burapachaisri	5,759,400	0.898
10. Mrs. Punatree Sawangwongsakul	5,720,500	0.892

Brief of Directors and Executives of M Group

Directors & Executives	Company List						
	The Company	Subsidiaries					
	MPIC	MP	MVD	M39	PMSL	TVF	
1. Mr. Tirachai Vutithum	X	-	-	-	-	-	
2. Mr. Vicha Poolvaraluck	/	-	/	/	-	-	
3. Mr. Padet Hongfa	/	/	/	/	/	/	
4. Mr. Virat Udomsinwattana*	/	-	-	-	-	-	
5. Mr. Rujipant Chuenchitr*	/	/,//	-	-	-	/,//	
6. Mr. Suthep Dansiriviroj	/,X*	-	-	-	-	-	
7. Mr. Arun Eamsureya	/	-	-	-	-	-	
8. Mr. Montri Sotangkul	/	-	-	-	-	-	
9. Mr. Anont Asavanund*	/	-	-	-	-	-	
10. Mr.Chate Mungkhalodom	/	/	/	/	/	/	
11. Mr.Vichate Tantiwanich*	/	-	-	-	-	-	
12.Mr.Thitakorn Ussayaporn*	/,//,X**	/,//,X**	/,//,X**	/,//	/,//	/,//	
13.Ms.Thitapat Issarapornpat*	/	-	-	-	-	-	

Remark : Company and subsidiaries information as of December 31, 2012

/ = Director

// = Executive Director

X = Chairman of the Board

X* = Chairman of the Audit Committee

X** = Chief of Executive Officer

* Mr.Rujipant Chuenchitr resigned from Director and Chief Financial at August 31, 2012

*.Mr.Virat Udomsinwatana resigned from Director at November 1, 2012

* Mr.Anont Asvanund resigned from Director at March 13, 2012

* Mr.Vichate Tantiwanich has appointed to be Director since March18, 2012.

* Mr.Thitakorn Ussayaporn has appointed to be Director since November 6, 2012.

* Ms.Thitapat Issarapornpat has appointed to be Director since November 6, 2012

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.

TVF TV Forum Co.,Ltd.

Income Structure

Revenue of the company group categorized by each segment within 3 years (2010-2012) in the below table:

[Unit: Million Baht]

Business Line	2012		2011		2010	
	Amount	%	Amount	%	Amount	%
Film rights	177.93	18.12	162.77	15.50	127.35	12.13
VCD/DVD	609.61	62.09	699.08	66.57	794.86	75.69
Film production	194.24	19.79	188.30	17.93	202.15	19.25
Sport News Magazine and Others	-	-	-	-	-	-
Total Revenue	981.78	100.00	1,050.15	100.00	1,124.36	107.07

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 31,2012	December 31,2011	December 31, 2010	Percentage of Change	
				2012-2011	2011-2010
Total Assets	1,333.5	1,532.4	1,532.9	(12.98)	(0.03)
Total Liabilities	997.4	849.7	895.3	17.4	(5.1)
Shareholder Equity	336.1	682.6	637.6	(50.8)	7.1
Registered Capital	647.7	641.3	641.3	1.0	-
Paid-Up Capital	641.3	641.3	641.3	-	-
Total revenues	1,008.4	1,056.6	1,139.9	(4.6)	(7.3)
Total Expenses	1,323.1	995.5	1,096.4	32.9	(9.2)
Net Profit (Loss)	(314.7)	61.1	43.5	(415.1)	40.5
Basis (loss) earnings per share	(0.49)	0.10	0.07	(390.0)	42.9

Financial Ratio

Financial Statement Information	December 31, 2012	December 31, 2011	December 31, 2010
Return on Total Revenue [%]	(32.1)%	5.8%	3.9%
Return on Shareholder's Equity [%]	(61.8)%	9.3%	7.1%
Return on Total Assets [%]	(21.3)%	6.2%	5.3%
Debt to Equity Ratio [times]	2.97	1.24	1.40
Book Value per Share [Baht]	0.52	1.06	0.99

Management Discussion and Analysis Year 2012

Operation results of the Company and subsidiaries

The Group reported a loss of Baht 314.69 million in 2012 but the year 2011 the Group has a profit of Baht 61.13 million because we considered impairment of goodwill in subsidiaries.

Total revenues were recorded at Baht 981.78 million, main revenue Baht 340.05 million from moviemaking and film rights businesses, Baht 609.61 million from VCD and DVD distribution, and Baht 32.12 million from advertising, representing 34.64%, 62.09% and 3.27% of total revenues respectively. Compared with 2011, the total revenues decreased by about 6.51%.

Total expenses become higher by about 32.91% from Baht 995.47 million in 2011 to Baht 1,323.07 million in 2012. Costs of production and services increased Baht 125.61 million or 18.82 % and selling and administrative expenses increased by Baht 198.59 million or 67.43%.

Revenues

The Group's total revenues in 2012 decrease by around Baht 48.22 million or 4.56% 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	
	2012	2011	Amount	%	2012	2011
VCD-DVD	609.61	699.08	(89.47)	(12.80)	60.45%	66.16%
Movie rights	174.47	107.19	67.28	62.77	17.30%	10.14%
Moviemaking	165.59	157.27	8.32	5.29	16.42%	14.88%
Advertising	32.12	86.61	(54.49)	(62.91)	3.19%	8.20%
Other Revenue	26.59	6.44	20.15	312.89	2.64%	0.61%
Total Revenue	1,008.38	1,056.59	(48.21)	(4.56)	100.00%	100.00%

VCD and DVD distribution business recorded a decrease of Baht 89.47 million or 12.80% in revenues due to the earlier of 2012, the licensing agreement with major studio has ended and has not been renewed, so the revenue in 2012 decreased.

Movie rights business has increased in revenues by Baht 67.28 million or 62.77% because the number of movies released in theaters in 2012 was more than in 2011. Moreover, the Company's has the effective policy to manage film rights.

Moviemaking business has increased in revenues by Baht 8.31 million or 5.29% because in year 2012, there are more motion pictures and the income per title was higher than year 2011.

Advertising revenues in 2012 recorded a decrease of Baht 54.49 million or 62.91% because the revenue from advertising on foreign and Thai films became lower than 2011.

Costs of Production and Services and Gross Profit Margin

In 2012, the Group's costs of production and services increased from 2011 about Baht 125.61 million or 18.82% because there were more movies shown in the theatre than 2011. Therefore, cost of production and advertising was higher. Moreover, the last year, the Company changed the amortization policy of film rights distribution being more suitable and the group also considered the impairment of goodwill.

Selling and Administrative Expenses

In 2012, selling and administrative expenses become higher from Baht 328.06 million to Baht 530.06 million or 61.57% caused by higher administrative expense in the reserve impairment of goodwill. In addition, the higher selling expense caused by the number of importing film rights and production Thai films was elevated.

Since the Company operates in entertainment sector whose revenue and performance depend on preference of consumers, popularity, market and economic situation etc. Especially, the termination of licensing contract with the major studio and the slow-down of the home entertainment sector which made the company lose in operation.

Financial Result of the Company and Group

Asset

As of December 31, 2012, the Group had total assets of Baht 1,333.53 million, down from December 31, 2011 by Baht 198.85 million or about 12.98%. The assets were composed of the following items:

[Unit: Million Baht]

Assets	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
Cash and cash equivalent	99.15	7.44	37.66	2.46
Trade accounts receivable - net	428.22	32.11	431.44	28.15
Inventory	72.00	5.40	104.24	6.80
Film on Production	29.22	2.19	16.64	1.09
Other current assets	108.39	8.13	121.42	7.92
Building and equipment - net	18.42	1.38	16.44	1.07
Goodwill - net	259.54	19.46	408.54	26.66
Computer program-net	1.94	0.15	3.12	0.20
Movie rights - net	313.86	23.54	391.43	25.54
Other non - current assets	2.79	0.21	1.45	0.09
Total Asset	1,333.53	100	1,532.38	100

Cash and cash equivalents grew from December 31, 2011, due to efficient management policy which helped to strengthen the Group's liquidity and boost its cash and cash equivalents. Moreover, it caused by cheque collection and cheque not be drawn the money.

Trade accounts receivable – net decreased Baht 3.21 million or 0.75% from 2011 due to the drop of the revenue in VCD and DVD distribution business.

Inventories came from the VCD and DVD distribution business which was down from Bath 32.24 million or 30.93% from as of December 31, 2011 because the Company has reserved in the out-of-date products.

Movies in process came from the moviemaking business for theatrical release which jumped 12.59 million baht or 75.60% from December 31, 2011 due to the continuous movie released planned by the company.

Other current assets decreased Baht 13.03 million or 10.73% from the Year Ended 2011 because the advance payment for Thai film production in 2012 became lower.

Building and equipment – net increased from December 31, 2011 by Baht 1.98 million or 12.04% because of purchasing for the Company operation.

Goodwill – net decreased from December 31, 2011 by Baht 149.0 million or 36.47% due to the reserve impairment of goodwill.

Movie rights – net downed from December 31, 2011 by Baht 77.56 million or 19.82%. The most are the rights of production and distribution in Home entertainment sector. In 2012, the group imported several movies and had strict plan to manage film rights.

Liabilities and Equity of Shareholders

[Unit : Million Baht]

Liabilities and Equity of Shareholders	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
Short-Term Loan from Financial Institutes	601.47	45.11	473.12	30.87
Trade Account Payable	228.46	17.13	232.68	15.18
Current portion of long-term borrowings from financial institutions	39.45	2.96	5.22	0.34
Short-Term Loan from Related Parties	10.00	0.75	59.00	3.85
Other Current Liabilities	67.14	5.04	72.00	4.70
Long-Term Loan	45.66	3.42	2.44	0.16
Non-Current Liabilities	5.17	0.38	5.28	0.35
Total Liabilities	997.35	74.79	849.74	55.45
Equity of Shareholders	336.18	25.21	682.64	44.55
Total Liabilities and Equity of Shareholders	1,333.53	100.00	1,532.38	100.00

Overdrafts and short-term loans from financial institutions are funding sources to meet the Group's working capital needs. This item rose from the outstanding balance as of December 31, 2011 by Baht 128.35 million or 27.13% due to the loan payment to related companies and the company's operation.

Trade accounts payable decreased from December 31, 2011 by Baht 4.22 million or 1.81% because the liquidity of the company was better than last year.

Long-Term loan increased from the last year by Baht 43.22 million or 17.71% causing by the loan for working capital of the company.

Other non-current liabilities went down from the end of December 2011 by Baht 0.11million or 2.08%.

Shareholders' equity as of year-end 2012 stood at Baht 336.18 million as presented in the consolidated financial statement, decreasing from Baht 682.64 million as of end-2011 because of the loss in operation.

Analysis of Financial Ratios:

	December 31, 2012	December 31, 2011	December 31, 2010
Current Ratio	0.78	0.84	0.84
Receivable Turnover	2.24	2.19	2.24
Average Collection Period	163	167	163
Total Assets Turnover	0.69	0.69	0.71
Total Debt to Equity Ratio	2.97	1.24	1.40

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 2012 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 2012 was equal to the year 2011.

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 little rapid due to efficient receivable management, thereby leading to faster collection. 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 2012

Over the past 2012, 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 2012, 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 2012 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.



(Mr.Suthep Dansiriviroj)

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, 2012 are trusted.



(Mr. Tirachai Vutithum)

Chairman of the Board



(Mr. Thitakorn Ussayaporn)

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 2012, 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.

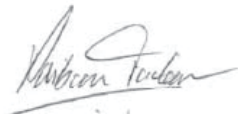
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 2012, 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

12 February 2013

M Pictures Entertainment Public Company Limited
Statements of Financial Position
As at 31 December 2012 and 2011

Unit: Baht

	Notes	Consolidated		Company	
		2012	2011	2012	2011
Assets					
Current assets					
Cash on hand and cash equivalents	8	99,149,013	37,661,469	2,080,379	831,565
Trade accounts receivable and other receivable, net	9	428,221,038	431,439,240	232,314,528	347,708,050
Short-term loans to subsidiaries	28 iv)	-	-	87,200,000	50,700,000
Short-term loan to third party, net	10	-	-	-	-
Inventories, net	11	71,995,778	104,241,361	-	-
Films under production		29,222,743	16,637,499	-	-
Advances to employees for film production		28,217,783	50,557,376	-	-
VAT receivable		13,459,212	16,862,209	-	6,748,934
Withholding tax deducted at sources		52,518,639	41,567,342	10,171,893	2,368,672
Other current assets, net	12	14,198,886	12,434,364	5,883,399	6,387,149
Total current assets		736,983,092	711,400,860	337,650,199	414,744,370
Non-current assets					
Investments in subsidiaries, net	13	-	-	433,144,074	838,144,074
Other long-term investment, net	14	-	-	-	-
Building and equipment, net	15	18,423,968	16,444,424	6,485,781	7,504,749
Goodwill, net	16	259,539,570	408,539,570	-	-
Computer program, net	16	1,937,607	3,119,905	790,649	1,170,851
Film rights, net	16	313,864,724	391,427,383	-	450,000
Other non-current assets, net	17	2,785,635	1,451,647	994,035	1,074,356
Total non-current assets		596,551,504	820,982,929	441,414,539	848,344,030
Total assets		1,333,534,596	1,532,383,789	779,064,738	1,263,088,400

Director _____

Director _____

The notes on pages 83 to 117 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited
Statements of Financial Position (Cont'd)
As at 31 December 2012 and 2011

	Notes	Unit: Baht			
		Consolidated		Company	
		2012	2011	2012	2011
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term borrowings					
from financial institutions	19	601,468,051	473,121,537	9,220,411	-
Trade accounts and other payables	18	228,460,119	232,676,143	97,715,090	80,650,550
Current portion of long-term borrowings					
from financial institutions	19	39,454,328	5,218,435	37,017,353	-
Current portion of liability					
under finance lease		812,997	827,953	206,292	189,058
Short-term borrowings from related parties	28 v)	10,000,000	59,000,000	182,000,000	347,250,000
Undue output VAT		10,504,656	11,270,403	5,766,432	18,598,091
Provision for sales return		28,943,704	52,516,963	-	-
Other current liabilities		26,882,408	7,388,288	7,877,965	1,708,705
Total current liabilities		946,526,263	842,019,722	339,803,543	448,396,404
Non-current liabilities					
Long-term borrowings from financial					
institutions	19	45,660,467	2,436,975	45,660,467	-
Liabilities under finance lease		752,219	1,521,766	364,844	576,107
Employee benefit obligation	20	4,302,270	3,760,376	3,249,824	2,924,223
Other non-current liabilities		110,000	-	747,000	747,000
Total non-current liabilities		50,824,956	7,719,117	50,022,135	4,247,330
Total liabilities		997,351,219	849,738,839	389,825,678	452,643,734

The notes on pages 83 to 117 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited
Statements of Financial Position (Cont'd)
As at 31 December 2012 and 2011

Unit: Baht

	Notes	Consolidated		Company	
		2012	2011	2012	2011
Liabilities and shareholders' equity (Cont'd)					
Shareholders' equity					
Share capital					
Authorised share capital	21				
647.66 million ordinary shares of par Baht 1 each		647,662,500	641,250,000	647,662,500	641,250,000
Issued and fully paid-up share capital					
641.25 million ordinary shares of par Baht 1 each		641,250,000	641,250,000	641,250,000	641,250,000
Share premium	21	105,752,737	105,752,737	105,752,737	105,752,737
Retained earnings (deficits)					
Appropriated-legal reserve	23	3,813,156	3,813,156	3,813,156	3,813,156
Unappropriated		(414,933,809)	(68,181,172)	(361,867,897)	59,628,773
Other components of equity	22	291,064	-	291,064	-
Equity attributable to owners of the parent		336,173,148	682,634,721	389,239,060	810,444,666
Non-controlling interest		10,229	10,229	-	-
Total shareholders' equity		336,183,377	682,644,950	389,239,060	810,444,666
Total liabilities and shareholders' equity		1,333,534,596	1,532,383,789	779,064,738	1,263,088,400

The notes on pages 83 to 117 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited
Statements of Income
For the years ended 31 December 2012 and 2011

	Notes	Unit: Baht			
		Consolidated		Company	
		2012	2011	2012	2011
Revenues	28				
Sales of VCD and DVD		609,608,717	699,080,757	-	-
Revenues from films production and film rights distribution		340,051,999	264,463,077	17,977,000	12,792,000
Management fee income		-	-	61,682,243	92,523,365
Advertising income		32,121,205	86,607,295	1,043,332	54,455,969
Total revenues		981,781,921	1,050,151,129	80,702,575	159,771,334
Cost of sales and services	28				
Cost of VCD and DVD sold		554,626,638	513,566,146	-	-
Cost of film production and film rights sold		232,652,356	152,533,585	1,316,873	3,907,438
Cost of advertising		5,734,099	1,308,666	-	17,960,000
Total cost of sales and services		793,013,093	667,408,397	1,316,873	21,867,438
Gross profit		188,768,828	382,742,732	79,385,702	137,903,896
Other income		26,595,426	6,444,730	6,195,734	8,938,799
Selling expenses		(180,456,027)	(168,320,832)	-	(552,001)
Administrative expenses		(163,643,903)	(126,189,662)	(48,039,630)	(46,080,189)
Loss from impairment of goodwill	16	(149,000,000)	-	-	-
Loss from impairment of investments in subsidiaries	13	-	-	(405,000,000)	-
Finance costs	25	(36,961,461)	(33,549,467)	(21,982,976)	(21,355,148)
(Loss) profit before income tax		(314,697,137)	61,127,501	(389,441,170)	78,855,357
Income tax		-	-	-	-
Net (loss) profit for the year		(314,697,137)	61,127,501	(389,441,170)	78,855,357
(Loss) profit attributable to:					
Shareholders of the parent		(314,697,137)	61,127,501	(389,441,170)	78,855,357
Non-controlling interest		-	-	-	-
		(314,697,137)	61,127,501	(389,441,170)	78,855,357
(Loss)earnings per share					
Basic (loss) earnings per share	26	(0.49)	0.10	(0.61)	0.12

The notes on pages 83 to 117 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited
Statements of Comprehensive Income
For the years ended 31 December 2012 and 2011

Unit: Baht

	Consolidated		Company	
	2012	2011	2012	2011
Net (loss) profit for the year	(314,697,137)	61,127,501	(389,441,170)	78,855,357
Other comprehensive income	-	-	-	-
Comprehensive (loss) income for the year	(314,697,137)	61,127,501	(389,441,170)	78,855,357
Attributable comprehensive (loss) income to:				
Shareholders of the parent	(314,697,137)	61,127,501	(389,441,170)	78,855,357
Non-controlling interest	-	-	-	-
	(314,697,137)	61,127,501	(389,441,170)	78,855,357

The notes on pages 83 to 117 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 years ended 31 December 2012 and 2011**

Notes	Consolidated							Unit: Baht
	Attributable to shareholders of the Parent							
	Issued and fully paid-up share capital	Share premium	Legal reserve	Unappropriate retained earnings (deficits)	Other components of equity	Total attributable to shareholders of the Parent	Non-controlling interests	
Opening balance as at 1 January 2011	641,250,000	304,110,374	-	(307,807,599)	-	637,552,775	10,229	637,563,004
Retrospective adjustments due to change in accounting policy	-	-	-	(3,224,356)	-	(3,224,356)	-	(3,224,356)
Opening balance after adjustment	641,250,000	304,110,374	-	(311,031,955)	-	634,328,419	10,229	634,338,648
Changes in shareholders' equity for year								
Transfer share premium to offset with deficits	-	(198,357,637)	-	198,357,637	-	-	-	-
Profit for the year	-	-	-	61,127,501	-	61,127,501	-	61,127,501
Legal reserve	-	-	3,813,156	(3,813,156)	-	-	-	-
Dividends paid	-	-	-	(12,821,199)	-	(12,821,199)	-	(12,821,199)
Closing balance as at 31 December 2011	641,250,000	105,752,737	3,813,156	(68,181,172)	-	682,634,721	10,229	682,644,950
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
Changes in shareholders' equity for year								
Loss for the year	-	-	-	(314,697,137)	-	(314,697,137)	-	(314,697,137)
Dividends paid	-	-	-	(32,055,500)	-	(32,055,500)	-	(32,055,500)
Share-based payment	-	-	-	-	291,064	291,064	-	291,064
Closing balance as at 31 December 2012	641,250,000	105,752,737	3,813,156	(414,933,809)	291,064	336,173,148	10,229	336,183,377

The notes on pages 83 to 117 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited
Statements of Changes in Shareholders' Equity (Cont'd)
For the years ended 31 December 2012 and 2011

	Notes	Company				Unit: Baht	
		Issued and fully paid-up share capital	Share premium	Legal reserve	Unappropriate retained earnings (deficits)		Other components of equity
Opening balance as at 1 January 2011		641,250,000	304,110,374	-	(198,357,635)	-	747,002,739
Retrospective adjustments due to change in accounting policy		-	-	-	(2,592,231)	-	(2,592,231)
Opening balance after adjustment		641,250,000	304,110,374	-	(200,949,866)	-	744,410,508
Changes in shareholders' equity for year							
Transfer share premium to offset with deficits	21	-	(198,357,637)	-	198,357,637	-	-
Profit for the year		-	-	-	78,855,357	-	78,855,357
Legal reserve	23	-	-	3,813,156	(3,813,156)	-	-
Dividends paid	27	-	-	-	(12,821,199)	-	(12,821,199)
Closing balance as at 31 December 2011		641,250,000	105,752,737	3,813,156	59,628,773	-	810,444,666
Opening balance as at 1 January 2012		641,250,000	105,752,737	3,813,156	59,628,773	-	810,444,666
Changes in shareholders' equity for year							
Loss for the year		-	-	-	(389,441,170)	-	(389,441,170)
Dividends paid	27	-	-	-	(32,055,500)	-	(32,055,500)
Share-based payment	22	-	-	-	-	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

The notes on pages 83 to 117 are an integral part of these consolidated and company financial statements .

M Pictures Entertainment Public Company Limited
Statements of Cash Flows
For the years ended 31 December 2012 and 2011

	Notes	Unit: Baht			
		Consolidated		Company	
		2012	2011	2012	2011
Cash flows from operating activities					
(Loss) profit before income tax		(314,697,137)	61,127,501	(389,441,170)	78,855,357
Adjustments for:					
Depreciation and amortisation charge	15, 16	488,979,618	382,406,706	2,183,801	5,548,364
Interest income		(1,370,922)	(438,738)	(3,154,267)	(5,855,373)
Interest expense		36,961,461	33,549,467	21,982,976	21,355,148
Bad debt and doubtful accounts		9,092,902	2,417,480	281,890	316,879
(Reverse) provision for sales returns		(23,573,259)	14,854,908	-	-
Allowance for inventory obsolescence and diminution in value of inventories		32,951,985	2,380,953	-	-
Write-off withholding tax		2,858,695	69,367	529,200	-
(Gain) loss on disposal and write-off of equipment and intangible assets		233,557	(195,096)	-	27,328
Loss from write-off of film rights	16	2,696,763	-	-	-
Loss from impairment of investments in subsidiaries	13	-	-	405,000,000	-
Loss from impairment of equipment	15, 24	294,029	-	-	-
Loss from impairment of goodwill	16	149,000,000	-	-	-
Loss from impairment of intangible assets	16	1,316,008	-	1,146,244	-
Loss from impairment of film rights	16	12,455,784	7,864,890	250,000	-
Employee benefits obligations	20	541,894	536,020	325,601	331,992
Share-base payment reserve	22	291,064	-	291,064	-
Changes in working capital					
- trade accounts receivable and other receivable		(4,424,358)	101,330,708	116,527,510	(192,338,716)
- inventories		(706,402)	(28,023,855)	-	-
- films under production		(12,585,244)	(5,864,790)	-	-
- advances to employees for film production		20,400,143	(42,340,195)	-	-
- VAT receivable		3,402,997	1,223,521	6,748,934	2,374,619
- other current assets		(1,755,759)	(6,189,727)	512,512	(4,009,580)
- other non-current assets		(1,333,988)	676,450	80,321	(13,850)
- trade accounts and other payables		32,073,287	1,198,421	3,860,564	36,211,043
- undue output VAT		(208,452)	1,581,116	(12,274,364)	8,537,319
- other current liabilities		19,494,121	(984,953)	6,169,260	1,370,370
- other non-current liabilities		110,000	-	-	387,000
Cash flows from operating activities		452,498,787	527,180,154	161,020,076	(46,902,100)
<u>Add</u> Interest received		1,302,736	276,762	1,181,093	280,963
<u>Less</u> Interest paid		(37,443,856)	(33,512,172)	(8,920,322)	(15,973,176)
Withholding tax paid		(13,809,992)	(17,237,895)	(8,332,420)	(1,582,549)
Net cash flows generated from (used in) operating activities		402,547,675	476,706,849	144,948,427	(64,176,862)

The notes on pages 83 to 117 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited
Statements of Cash Flows (Cont'd)
For the years ended 31 December 2012 and 2011

	Notes	Unit: Baht			
		Consolidated		Company	
		2012	2011	2012	2011
Cash flows from investing activities					
Purchases of equipment		(7,694,015)	(3,546,498)	(697,899)	(1,699,669)
Proceeds from disposals of equipment		7,944	91,308	-	24,346
Purchases of intangible assets	16	(907,792)	(48,800)	(907,792)	-
Purchases of film rights	16	(456,439,539)	(377,795,538)	-	(3,888,311)
Short-term loans granted to subsidiaries	28 iv)	-	-	(243,600,000)	(294,910,000)
Short-term loans repaid from subsidiaries	28 iv)	-	-	207,100,000	290,530,000
Loans repaid from a third party		-	2,747,151	-	-
Net cash receipts from (used in) investing activities		(465,033,402)	(378,552,377)	(38,105,691)	(9,943,634)
Cash flows from financing activities					
Proceeds from bank overdrafts		10,146,514	8,950,322	9,220,411	-
Proceeds from short-term borrowings from financial institutions		409,500,000	374,900,000	2,400,000	-
Repayments to short-term borrowings from financial institutions		(291,300,000)	(108,300,000)	(2,400,000)	-
Proceeds from short-term borrowings from subsidiaries	28 v)	-	-	43,350,000	423,820,000
Repayments to short-term borrowings from subsidiaries	28 v)	-	-	(159,600,000)	(145,570,000)
Proceeds from short-term borrowings from major shareholder	28 v)	80,000,000	200,000,000	80,000,000	200,000,000
Repayments to short-term borrowings from major shareholder	28 v)	(129,000,000)	(391,000,000)	(129,000,000)	(391,000,000)
Proceeds from long-term borrowings from financial institutions		91,800,000	21,800,000	91,800,000	-
Repayments to long-term borrowings from institutions		(14,340,616)	(182,269,590)	(9,122,180)	-
Repayment of liabilities under finance lease		(784,503)	(634,040)	(194,029)	-
Dividends paid	27	(32,048,124)	(12,807,271)	(32,048,124)	(12,807,271)
Net cash receipts from (used in) financing activities		123,973,271	(89,360,579)	(105,593,922)	74,442,729
Net increase in cash and cash equivalents		61,487,544	8,793,893	1,248,814	322,233
Opening balance of cash and cash equivalents		37,661,469	28,867,576	831,565	509,332
Closing balance of cash and cash equivalents		99,149,013	37,661,469	2,080,379	831,565

The notes on pages 83 to 117 are an integral part of these consolidated and company financial statements.

M Pictures Entertainment Public Company Limited
Statements of Cash Flows (Cont'd)
For the years ended 31 December 2012 and 2011

Non-cash transactions

Significant non-cash transactions for the years ended 31 December 2012 and 2011:

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Purchases of assets by netting off with loans to third party	-	1,661,117	-	-
Outstanding payable arising from purchase of equipment	-	43,000	-	-
Outstanding payable arising from purchases of intangible assets	125,184	-	125,184	-
Outstanding payables arising from acquisition of film rights and film under production	33,932,607	69,880,846	-	-
Outstanding payables arising from financial lease on equipment	-	700,645	-	700,645

The notes on pages 83 to 117 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 years ended 31 December 2012 and 2011

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 and film production.

These Group consolidated and company financial statements were authorised for issue by the Board of Directors on 12 February 2013.

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 years ended 31 December 2012 and 2011

2 Accounting policies (Cont'd)

2.2 New accounting standards, new financial reporting standard, new interpretations and amendments to accounting standard

New accounting standards, new financial reporting standard, new interpretations and amendments to accounting standard that are not yet effective and have not been early adopted by the Group:

Effective for the periods beginning on or after 1 January 2013

TAS 12	Income taxes
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments
TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Group's management has determined that the new accounting standards, amendments to accounting standards, new financial reporting standard and new interpretation will not significantly impact the financial statements being presented except as explained below.

TAS 12 deals only with taxes on income, comprising current and deferred tax. Current tax expense for a period is based on the taxable and deductible amounts that will be shown on the tax return for the current year. Tax assets and liabilities for the current period are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax accounting is based on the temporary differences between the tax base of an asset or liability and its carrying amount in the financial statements. The principal temporary differences may arise from allowance for doubtful accounts, allowance for obsolete, slow-moving and defective inventories, allowance for diminution in value of inventories, amortisation of film rights, employee benefits obligations and tax losses carried forward etc. The Group will apply this standard from 1 January 2013 retrospectively with an expected to incur of deferred tax account and changes in retained earnings and income tax expense. The management is currently assessing the impact of applying this standard.

TFRS 8: The standard requires a 'management approach', under which segment information is presented on the same basis as that the chief operating decision-maker used for internal reporting purposes. The group will apply this standard from 1 January 2013. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

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2 Accounting policies (Cont'd)

2.2 New accounting standards, new financial reporting standard, new interpretations and amendments to accounting standard (Cont'd)

New accounting standards, new financial reporting standard, new interpretations and amendments to accounting standard that are not yet effective and have not been early adopted by the Group: (Cont'd)

Effective for the periods beginning on or after 1 January 2014

TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TSIC 29	Service Concession Arrangements: Disclosure

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 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.

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.

TSIC 29 contains disclosure requirements in respect of public-to-private service arrangements. TSIC 29 is not relevant to the Group's operations.

2.3 Group accounting - Investments in subsidiaries

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.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the years ended 31 December 2012 and 2011

2 Accounting policies (Cont'd)

2.3 Group accounting - Investments in subsidiaries (Cont'd)

a) Subsidiaries (Cont'd)

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.

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.

2.4 Foreign currency translation

Items included in the financial statements of each entity in the Group are measured using Thai Baht. The consolidated financial statements are presented in Thai Baht.

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the statement of financial position date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised to the profit or loss.

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.

M Pictures Entertainment Public Company Limited
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2 Accounting policies (Cont'd)

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.

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

Investments other than investments in subsidiaries are general investments. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

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

A test for impairment is carried out when there is a factor indicating 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 part 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.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
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2 Accounting policies (Cont'd)

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:

Condominium (included in building and building improvement)	20 years
Leasehold improvements	3, 5 years
Tools and equipment	5 years
Furniture, fixtures and office equipment	3, 5 years
Motor vehicles (including vehicles under finance leases)	5 years

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 profit or loss.

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.

M Pictures Entertainment Public Company Limited
Notes to the Consolidated and Company Financial Statements
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2 Accounting policies (Cont'd)

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.

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 net selling price 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. Assets other than goodwill that suffered an impairment are reversed for possible impairment loss of the estimation of the recoverable amount were changed in subsequent period after the Group's recognition of impairment.

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.

M Pictures Entertainment Public Company Limited
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2 Accounting policies (Cont'd)

2.15 Borrowings

Borrowings are recognised initially at the proceeds, 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.

2.16 Employee benefits

2.16.1 Pension obligations

Group companies operate 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 employees the 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 that have 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 income, 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.

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Notes to the Consolidated and Company Financial Statements
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2 Accounting policies (Cont'd)

2.16 Employee benefits (Cont'd)

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.

2.17 Share-based payment

The Group operates a number of equity-settled, share-based compensation plans, 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 (for example, the requirement for employees to save).

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 years ended 31 December 2012 and 2011

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 is 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 and VCD and DVD 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 are charged at fixed amounts in which the cannot refund and the licensor has no further obligations subsequent to granting the rights, from the use of loyalty fees 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 are appeared.

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 Income tax

The Group calculates income tax in accordance with the Revenue Code and records income tax on an accrual basis.

The Group does not recognise income taxes payable or receivable in future periods in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences may arise from allowance for doubtful accounts, allowance for obsolete, slow-moving and defective inventories, amortisation of film rights, employee benefits obligations, share-based payment and tax losses carried forward.

2.23 Financial instruments

Significant financial assets carried on the statement of financial position include cash and cash equivalents, trade accounts 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.

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2 Accounting policies (Cont'd)

2.24 Segment reporting

Segment information has been prepared based on the internal report of the Group, which disaggregates its business by services or products.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it 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 loan 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 on specific borrowing.

3.1.2 Foreign exchange risk

The Group has significant exposure to foreign currency risk because its accounts payable are mainly dominated 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.

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4 Reclassification

The Group made the reclassification of allowance for inventory obsolescence and diminution in value of inventories and loss from impairment of film rights for 2011 in order to comply with TAS 2 (Revised 2009): Inventories. Comparative figures have been reclassified to conform with the current year presentation.

The effects of the above to the statement of income for the year ended 31 December 2011 are as follows:

	Consolidated		
	Previously reported Baht	Reclassification Baht	Restated Baht
Cost of VCD and DVD sold	508,942,821	4,623,325	513,566,146
Cost of films production and film rights	146,911,068	5,622,517	152,533,585
Administrative expenses	136,435,504	(10,245,842)	126,189,662

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.

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5 Critical accounting estimates, assumptions and judgements (Cont'd)

5.1 Critical accounting estimates and assumptions (Cont'd)

(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 where 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.

(e) 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. 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 referencing to an approved 5-year financial and business plan by management. Cash flows beyond the 5-year horizon are 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	9.5%	177	10%
Base Case	8.5%	234	80%
Optimistic Case	7.5%	317	10%

M V D Co., Ltd			Unit: Million Baht
Scenario	Discount rate	Recoverable amount	Probability
Pessimistic Case	8.6%	75	20%
Base Case	7.6%	115	60%
Optimistic Case	6.6%	180	20%

Factors affecting the pessimistic or optimistic cases are such as obtaining or losing distribution contracts with studios and severe flood. The financial advisor has recommended 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 discount rate. If the discount rate applied is higher than normal rate as advised by the financial advisor (from 9.5% and 8.6% rather than 8.5% and 7.6% of M Pictures Co., Ltd. and M V D Co., Ltd., respectively), it will cause a reduction in goodwill value and the Group will recognise a further impairment against goodwill by Baht 70 million. 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 discount rates applied are estimated based on the weighted average cost of capital (WACC) of each CGU and the probability of each cases. As a result, the management confided that an allowance for impairment is adequate and appropriate.

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5 Critical accounting estimates, assumptions and judgements (Cont'd)

5.1 Critical accounting estimates and assumptions (Cont'd)

(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.

(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 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 discount rate. Any changes in these assumptions will have an impact on the carrying amount of pension obligations.

The Group determines the appropriate discount 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 discount 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 in part on current market conditions. Additional information is disclosed in Note 20.

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.

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7 Segment information

Financial information by business segments are as follows:-

	Consolidated			Unit : Baht	
	Film rights distribution	VCD/DVD distribution	Film production	Others	Consolidated
For the year ended 31 December 2012					
Revenues					
Gross segment revenues	254,737,216	610,550,820	223,913,878	-	1,089,201,914
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	194,243,878	-	981,781,921
Segment result	(23,766,567)	(85,944,100)	454,571	(51,320)	(109,307,416)
Unallocated costs					(46,023,686)
Loss from impairment of goodwill					(149,000,000)
Other income					26,595,426
Interest expense					(36,961,461)
Loss before income tax					(314,697,137)
Income tax					-
Net loss for the year					(314,697,137)
Segment fixed assets					
Building and equipment, net	3,112,480	7,650,454	7,661,034	-	18,423,968
Film rights, net	211,537,916	74,058,356	28,268,452	-	313,864,724
Unallocated assets					1,001,245,904
Consolidated total assets					1,333,534,596

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7 Segment information (Cont'd)

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

	Consolidated			Unit : Baht
	Film rights distribution	VCD/DVD distribution	Film production Others Consolidated	
For the year ended 31 December 2011				
Revenues				
Gross segment revenues	275,275,935	699,080,757	224,311,203	1,198,667,895
Inter - segment revenues	(112,510,878)	-	(36,005,888)	(148,516,766)
Net revenues from third parties	162,765,057	699,080,757	188,305,315	1,050,151,129
Segment result	59,427,665	58,296,371	15,485,295	133,138,704
Unallocated costs				(44,906,466)
Other income				6,444,730
Interest expense				(33,549,467)
Profit before income tax				61,127,501
Income tax				-
Net profit for the year				61,127,501
Segment fixed assets				
Building and equipment, net	3,388,002	9,673,731	3,382,691	16,444,424
Film rights, net	200,127,449	169,545,451	21,754,483	391,427,383
Unallocated assets				1,124,511,982
Consolidated total assets				1,532,383,789

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7 Segment information (Cont'd)

Unallocated costs represent corporate expenses. Segment assets consist primarily plant and equipment, intangible assets, and operating cash.

Liabilities are mainly borrowings purposed to be used for all segments and for the Group's liquidity. Accordingly, the Group does not present the liabilities segment information.

8 Cash and cash equivalents

	Unit :Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Cash on hand	276,912	128,285	13,115	11,825
Deposits held at call with banks	98,862,791	37,524,088	2,057,954	810,644
Fixed accounts	9,310	9,096	9,310	9,096
Cash and cash equivalents	99,149,013	37,661,469	2,080,379	831,565

The interest rates on fixed accounts with banks are ranging from 2.20% to 2.35% per annum (2011: 1.00% to 2.75% per annum).

9 Trade accounts and other receivables, net

	Unit :Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Trade accounts receivable				
- Third parties	378,777,217	326,727,662	19,258,076	22,514,544
- Related parties (Note 28)	35,269,091	76,045,912	80,360,230	270,847,874
Total trade accounts receivable	414,046,308	402,773,574	99,618,306	293,362,418
Accrued income				
- Third parties	18,888,248	16,659,426	-	-
- Related parties (Note 28)	13,782,707	11,996,716	-	-
Total accrued income	32,670,955	28,656,142	-	-
Total trade accounts receivable and accrued income	446,717,263	431,429,716	99,618,306	293,362,418
Less Allowance for doubtful accounts	(33,830,606)	(26,745,341)	(19,258,076)	(19,044,372)
Trade accounts receivable and accrued income, net	412,886,657	404,684,375	80,360,230	274,318,046
Amounts due from related parties (Note 28)	1,082,619	1,002,678	151,762,518	70,445,477
Other account receivables	26,756,724	22,047,306	16,062,148	18,794,183
Prepaid expenses	8,296,040	24,505,883	191,780	212,492
Less Allowance for doubtful accounts other account receivables	(20,801,002)	(20,801,002)	(16,062,148)	(16,062,148)
Trade account and other receivables, net	428,221,038	431,439,240	232,314,528	347,708,050

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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:

	Unit :Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Trade accounts receivable				
Current	193,957,867	218,052,556	5,853,100	78,068,846
Over-due less than 3 months	126,902,075	127,192,733	20,563,690	24,509,986
Over-due 3 - 6 months	54,241,421	10,101,555	16,038,300	31,949,300
Over-due 6 - 12 months	9,205,132	691,458	29,478,470	61,050,000
Over-due over 12 months	29,739,813	46,735,272	27,684,746	97,784,286
Total trade accounts receivable	414,046,308	402,773,574	99,618,306	293,362,418
Accrued income	32,670,955	28,656,142	-	-
Total trade accounts receivable and accrued income	446,717,263	431,429,716	99,618,306	293,362,418
<u>Less</u> Allowance for doubtful accounts	(33,830,606)	(26,745,341)	(19,258,076)	(19,044,372)
Trade accounts receivable and accrued income, net	<u>412,886,657</u>	<u>404,684,375</u>	<u>80,360,230</u>	<u>274,318,046</u>

10 Short-term loan to third party, net

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
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 (2011: 4.00% per annum).

11 Inventories, net

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Finished goods	111,333,553	108,273,414	-	-
<u>Less</u> Allowance for obsolescence	(17,283,811)	(78,536)	-	-
Allowance for diminution in value of inventories	(22,782,230)	(7,035,520)	-	-
Finished goods, net	71,267,512	101,159,358	-	-
Goods in transit	728,266	3,082,003	-	-
Inventories, net	<u>71,995,778</u>	<u>104,241,361</u>	<u>-</u>	<u>-</u>

Allowance for obsolescence and diminution in value of inventories was recognised in the consolidated statement of income amounting to Baht 32.95 million (2011: Baht 2.38 million).

As at 31 December 2012, inventories with a value of Baht 31.96 million (2011: Baht 40.85 million) were carried at net realisable value, which is lower than cost.

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12 Other current assets, net

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Undue input VAT	13,412,159	7,776,346	5,707,899	4,468,588
Others	786,727	4,658,018	175,500	1,918,561
Other current assets, net	<u>14,198,886</u>	<u>12,434,364</u>	<u>5,883,399</u>	<u>6,387,149</u>

13 Investments in subsidiaries, net

Investments in subsidiaries as at 31 December are as follows:

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Investment in subsidiaries	-	-	943,480,567	943,480,567
<u>Less</u> Allowance for impairment	-	-	<u>(510,336,493)</u>	<u>(105,336,493)</u>
Investment in subsidiaries, net	<u>-</u>	<u>-</u>	<u>433,144,074</u>	<u>838,144,074</u>

a) Movements of investments in subsidiaries

	Unit: Baht	
	Company	
	2012	2011
Investment in subsidiaries		
Opening net book amount	838,144,074	838,144,074
Acquisition of investments	-	-
<u>Less</u> allowance for impairment	<u>(405,000,000)</u>	<u>-</u>
Closing net book amount	<u>433,144,074</u>	<u>838,144,074</u>

In December 2012, the impairment recognised on investment in subsidiaries and goodwill was primarily due to the following key factors being i) 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 and ii) recent cancellation of a distribution contract with a major movie studio in January 2013.

The Group has recognised a total impairment of Baht 405 million and Baht 149 million for investment in subsidiaries and goodwill, respectively based on the result of the sensitivity analysis performed by applying different assumptions to the discounted rate used in the 10 year projections and the probability of each scenario. The resulting valuation was compared against carrying value of investment and goodwill as of 31 December 2012.

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13 Investments in subsidiaries, net (Cont'd)

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

Subsidiaries	Nature of business	Nature of relationship	% Ownership interest		Unit: Baht		
			2012	2011	At cost		
			2012	2011	2012	2011	
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	
					943,480,567	943,480,567	
					(510,336,493)	(105,336,493)	
					<u>433,144,074</u>	<u>838,144,074</u>	
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.

14 Other long-term investment, net

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Other long-term investment				
- Future Biz Co., Ltd.	8,500,000	8,500,000	8,500,000	8,500,000
<u>Less</u> Allowance for impairment	<u>(8,500,000)</u>	<u>(8,500,000)</u>	<u>(8,500,000)</u>	<u>(8,500,000)</u>
Other long-term investment, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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15 Building and equipment, net

	Consolidated				Unit: Baht
	Building and building improvements	Office equipment	Motor vehicles	Construction in progress	Total
At 1 January 2011					
Cost	10,366,303	27,195,013	3,099,000	-	40,660,316
<u>Less</u> Accumulated depreciation	(4,516,164)	(19,578,605)	(193,581)	-	(24,288,350)
Allowance for impairment	(24,284)	(786,648)	-	-	(810,932)
Net book value	<u>5,825,855</u>	<u>6,829,760</u>	<u>2,905,419</u>	<u>-</u>	<u>15,561,034</u>
For the year ended 31 December 2011					
Opening net book value	5,825,855	6,829,760	2,905,419	-	15,561,034
Additions	787,224	4,988,518	-	-	5,775,742
Disposals, net	-	(54,364)	-	-	(54,364)
Write off, net	-	(33,925)	-	-	(33,925)
Depreciation charge (Note 24)	(1,083,330)	(3,100,933)	(619,800)	-	(4,804,063)
Closing net book value	<u>5,529,749</u>	<u>8,629,056</u>	<u>2,285,619</u>	<u>-</u>	<u>16,444,424</u>
At 31 December 2011					
Cost	11,153,527	25,772,462	3,099,000	-	40,024,989
<u>Less</u> Accumulated depreciation	(5,599,494)	(16,767,721)	(813,381)	-	(23,180,596)
Allowance for impairment	(24,284)	(375,685)	-	-	(399,969)
Net book value	<u>5,529,749</u>	<u>8,629,056</u>	<u>2,285,619</u>	<u>-</u>	<u>16,444,424</u>
For the year ended 31 December 2012					
Opening net book value	5,529,749	8,629,056	2,285,619	-	16,444,424
Additions	2,558,500	3,530,490	1,602,860	-	7,691,850
Disposals, net	-	(5)	-	-	(5)
Depreciation charge (Note 24)	(977,080)	(3,500,646)	(940,546)	-	(5,418,272)
Impairment charge	-	(294,029)	-	-	(294,029)
Closing net book value	<u>7,111,169</u>	<u>8,364,866</u>	<u>2,947,933</u>	<u>-</u>	<u>18,423,968</u>
At 31 December 2012					
Cost	13,712,027	28,978,424	4,701,860	-	47,392,311
<u>Less</u> Accumulated depreciation	(6,576,574)	(19,943,844)	(1,753,927)	-	(28,274,345)
Allowance for impairment	(24,284)	(669,714)	-	-	(693,998)
Net book value	<u>7,111,169</u>	<u>8,364,866</u>	<u>2,947,933</u>	<u>-</u>	<u>18,423,968</u>

As at 31 December 2012, the Company had pledged the condominium with the cost of Baht 8.97 million (2011: Baht 8.97 million) as collateral against borrowing facility obtained from the commercial bank (Note 19).

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15 Building and equipment, net (Cont'd)

	Unit: Baht		
	Company		
	Building and building improvements	Office equipment	Total
At 1 January 2011			
Cost	9,400,555	2,957,097	12,357,652
<u>Less</u> Accumulated depreciation	(3,958,611)	(1,813,414)	(5,772,025)
Net book value	<u>5,441,944</u>	<u>1,143,683</u>	<u>6,585,627</u>
For the year ended 31 December 2011			
Opening net book value	5,441,944	1,143,683	6,585,627
Additions	787,224	1,619,089	2,406,313
Disposals, net	-	(17,749)	(17,749)
Write-off, net	-	(33,925)	(33,925)
Depreciation charge (Note 24)	(777,907)	(657,610)	(1,435,517)
Closing net book value	<u>5,451,261</u>	<u>2,053,488</u>	<u>7,504,749</u>
At 31 December 2011			
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	<u>5,451,261</u>	<u>2,053,488</u>	<u>7,504,749</u>
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 24)	(858,147)	(858,720)	(1,716,867)
Closing net book value	<u>4,593,114</u>	<u>1,892,667</u>	<u>6,485,781</u>
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	<u>4,593,114</u>	<u>1,892,667</u>	<u>6,485,781</u>

As at 31 December 2012, the costs of fully depreciated property and equipment that were still in use were amounting to Baht 9.58 million (2011: Baht 9.49 million), and Baht 2.81 million (2011: Baht 2.74 million) in the consolidated and Company's financial statements, respectively.

During 2012, there was no assets acquired under finance lease agreements in the consolidated financial statements (2011: Baht 0.96 million).

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

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Cost - capitalised finance leases	4,257,210	4,257,210	963,210	963,210
<u>Less</u> Accumulated depreciation	(1,870,094)	(1,018,039)	(294,028)	(100,858)
Net book value	<u>2,387,116</u>	<u>3,239,171</u>	<u>669,182</u>	<u>862,352</u>

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16 Intangible assets, net

	Consolidated			Unit: Baht
	Goodwill	Computer program	Film rights	Company Computer program and film rights
At 1 January 2011				
Cost	408,539,570	7,238,371	1,678,648,566	11,245,362
<u>Less</u> Accumulated amortisation	-	(3,905,206)	(1,255,306,789)	(9,399,975)
Allowance for impairment	-	-	(34,994,740)	-
Net book value	<u>408,539,570</u>	<u>3,333,165</u>	<u>388,347,037</u>	<u>1,845,387</u>
For the year ended 31 December 2011				
Opening net book value	408,539,570	3,333,165	388,347,037	1,845,387
Additions	-	402,800	387,934,141	3,888,311
Write-off, net	-	(2,322)	-	-
Amortisation (Note 24)	-	(613,738)	(376,988,905)	(4,112,847)
Impairment charge (Note 24)	-	-	(7,864,890)	-
Closing net book value	<u>408,539,570</u>	<u>3,119,905</u>	<u>391,427,383</u>	<u>1,620,851</u>
At 31 December 2011				
Cost	408,539,570	6,434,585	1,939,691,326	15,133,673
<u>Less</u> Accumulated amortisation	-	(3,314,680)	(1,508,750,344)	(13,512,822)
Allowance for impairment	-	-	(39,513,599)	-
Net book value	<u>408,539,570</u>	<u>3,119,905</u>	<u>391,427,383</u>	<u>1,620,851</u>
For the year ended 31 December 2012				
Opening net book value	408,539,570	3,119,905	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 24)	-	(659,934)	(482,901,412)	(466,934)
Impairment charge (Note 24)	(149,000,000)	(1,316,008)	(12,455,784)	(1,396,244)
Closing net book value	<u>259,539,570</u>	<u>1,937,607</u>	<u>313,864,724</u>	<u>790,649</u>
At 31 December 2012				
Cost	408,539,570	7,115,725	2,181,276,536	16,166,649
<u>Less</u> Accumulated amortisation	-	(3,862,110)	(1,823,669,030)	(13,979,756)
Allowance for impairment	(149,000,000)	(1,316,008)	(43,742,782)	(1,396,244)
Net book value	<u>259,539,570</u>	<u>1,937,607</u>	<u>313,864,724</u>	<u>790,649</u>

Detail of recognition of an allowance for impairment loss against goodwill of Baht 149 million are disclosed in Note 13.

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.

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

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16 Intangible assets, net (Cont'd)

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

	2012			2011		
	M Pictures Co., Ltd. Baht	MVD Co., Ltd. Baht	Total Baht	M Pictures Co., Ltd. Baht	MVD Co., Ltd. Baht	Total Baht
Goodwill allocation						
Cost	139,142,506	269,397,064	408,539,570	139,142,506	269,397,064	408,539,570
<u>Less</u> Provision for impairment	-	(149,000,000)	(149,000,000)	-	-	-
Goodwill, net	139,142,506	120,397,064	259,539,570	139,142,506	269,397,064	408,539,570

17 Other non-current assets, net

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Guarantees on buildings rental and others	2,760,962	1,426,974	994,035	1,074,356
Others	24,673	24,673	-	-
Other non-current assets, net	2,785,635	1,451,647	994,035	1,074,356

18 Trade accounts and other payables

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Trade accounts payable	112,713,395	120,157,049	442,822	1,000,208
Amount due to related parties (Note 28)	3,794,559	2,201,176	93,108,626	74,297,856
Other payables	56,711,195	66,789,148	513,919	151,708
Accrued expenses	55,240,970	43,528,770	3,649,723	5,200,778
Trade accounts and other payables	228,460,119	232,676,143	97,715,090	80,650,550

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19 Borrowings

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Current				
Bank overdrafts	36,668,051	26,521,537	9,220,411	-
Short-term borrowings from financial institutions	564,800,000	446,600,000	-	-
Total bank overdrafts and short-term borrowings from financial institutions	<u>601,468,051</u>	<u>473,121,537</u>	<u>9,220,411</u>	<u>-</u>
Current portions of long-term borrowings from financial institutions	<u>39,454,328</u>	<u>5,218,435</u>	<u>37,017,353</u>	<u>-</u>
Non-current				
Long-term borrowings from financial institutions	<u>45,660,467</u>	<u>2,436,975</u>	<u>45,660,467</u>	<u>-</u>
Total borrowings from financial institutions	<u>686,582,846</u>	<u>480,776,947</u>	<u>91,898,231</u>	<u>-</u>

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

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Borrowings:				
- at fixed rates	564,800,000	446,600,000	-	-
- at floating rates	121,782,846	34,176,947	91,898,231	-
Total borrowings	<u>686,582,846</u>	<u>480,776,947</u>	<u>91,898,231</u>	<u>-</u>

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

	Consolidated		Company	
	2012	2011	2012	2011
Bank overdrafts	7.375%-8.000%	6.250%-7.550%	8.000%	-
Bank borrowings	6.875%-7.000%	6.000%-7.125%	6.875%-7.000%	-
Bank promissory notes	5.800%-6.500%	6.250%-6.625%	5.800%	-

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19 Borrowings (Cont'd)

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

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Opening balance	454,255,410	348,125,000	-	-
Additions	501,300,000	396,700,000	91,800,000	-
Repayments made during the year	(305,640,615)	(290,569,590)	(9,122,180)	-
Closing balance	<u>649,914,795</u>	<u>454,255,410</u>	<u>82,677,820</u>	<u>-</u>

Maturity of bank's long-term borrowings:

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Within 1 year	39,454,328	5,218,435	37,017,353	-
Later than 1 year but not later than 5 years	45,660,467	2,436,975	45,660,467	-
Total long-term borrowings from banks	<u>85,114,795</u>	<u>7,655,410</u>	<u>82,677,820</u>	<u>-</u>

As at 31 December 2012, the Group had promissory notes of Baht 564.80 million (31 December 2011: Baht 446.60 million) that can be analysed as follows:

No.	Amount (Million Baht)	Interest rate
1	495.20	Money Market Rate ("MMR") or between 5.80% to 6.40% per annum
2	49.60	Minimum Lending Rate ("MLR") minus 0.50% or between 6.38% to 6.50% per annum
3	20.00	Bearing interest at 6.38% per annum
	<u>564.80</u>	

Promissory notes of Baht 564.80 million are guaranteed by a major shareholder. The promissory notes are due within six months.

As at 31 December 2012, the Group had long-term borrowings from financial institutions of Baht 85.11 million (31 December 2011: Baht 7.66 million) interest at Minimum Lending Rate ("MLR") minus 0.50%. The promissory notes that are guaranteed by a major shareholder are due within three years.

Borrowing facilities

As at 31 December 2012, the Group had the available credit facilities of Baht 438.42 million (31 December 2011: Baht 609.22 million). Borrowing facilities are mainly for the purpose of acquisitions of film rights, film productions and working capital.

20 Employee benefit obligations

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Statement of financial position				
Pension benefits	4,302,270	3,760,376	3,249,824	2,924,223
Statement of income				
Pension benefits	541,894	536,020	325,601	331,992

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20 Employee benefit obligations (Cont'd)

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

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
At 1 January	3,760,376	3,224,356	2,924,223	2,592,231
Current service cost	463,746	445,868	273,527	263,010
Interest cost	78,148	90,152	52,074	68,982
At 31 December	<u>4,302,270</u>	<u>3,760,376</u>	<u>3,249,824</u>	<u>2,924,223</u>

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

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Current service cost	463,746	445,868	273,527	263,010
Interest cost	78,148	90,152	52,074	68,982
Total, included in staff costs	<u>541,894</u>	<u>536,020</u>	<u>325,601</u>	<u>331,992</u>

The principal actuarial assumptions used were as follows:

	Consolidated		Company	
	2012	2011	2012	2011
	Discount rate	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%

21 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 2011	641,250,000	641,250,000	641,250,000	304,110,374
Transfer share premium to offset with deficits	-	-	-	(198,357,637)
At 31 December 2011	641,250,000	641,250,000	641,250,000	105,752,737
Increase of authorised shares	6,412,500	-	-	-
At 31 December 2012	<u>647,662,500</u>	<u>641,250,000</u>	<u>641,250,000</u>	<u>105,752,737</u>

The total numbers of authorised ordinary shares are 647.66 million shares (2011: 641.25 million shares) with a par value of Baht 1 per share (2011: Baht 1 per share).

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.

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21 Share capital and premium on share capital (Cont'd)

At the Annual General Meeting of Shareholders held on 20 April 2011, the shareholders approved the application of the share premium of Baht 198.36 million to reduce the Company's deficit as at 31 December 2010. The remaining share premium, after the reduction will be Baht 105.75 million. This transaction has no effect to the total balance of the equity.

22 Share-based payment

Share option schemes

The Company has introduced one share option scheme during the financial year, 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.

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 2011	-	-	-	-
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
At 31 December 2011	-	-	-	-
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

As at 31 December 2012, the Company has 4,424,625 outstanding options (2011: nil). No option was exercisable until 30 June 2014.

M Pictures Entertainment Public Company Limited
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22 Share-based payment (Cont'd)

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

	Consolidated			Company		
	Average exercise price	2012	2011	Average exercise price	2012	2011
	Baht per share	shares	shares	Baht per share	shares	shares
Expired date:						
24 April 2017	1.59	4,424,625	-	1.59	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)	0.75
Volatility (%)	69.25
Dividend yield (%)	2.12
Weighted average share price at the grant date (Baht per share)	1.49
Expected option life (year)	5
Risk-free interest rate (%)	3.51

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 2012, 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 291,064.

23 Legal reserve

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
At 1 January	3,813,156	-	3,813,156	-
Appropriation during the year	-	3,813,156	-	3,813,156
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.

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24 Expense by nature

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Staff costs	67,053,957	66,887,650	17,272,975	20,930,788
Depreciation on property and equipment (Note 15)	5,418,272	4,804,063	1,716,867	1,435,517
Amortisation of intangible assets				
- film rights (Note 16)	482,901,412	376,988,905	200,000	3,888,311
- computer software (Note 16)	659,934	613,738	266,934	224,536
Impairment (reversal) of assets				
- building and equipment (Note 15)	294,029	(410,963)	-	-
- Intangible assets (Note 16)	13,771,792	7,864,890	1,396,244	-
Write-off intangible assets (Note 16)	2,938,259	2,322	-	-
Doubtful debts	9,092,902	2,417,480	281,890	316,879
Impairment of inventories	32,951,985	2,380,953	-	-
Write-off withholding tax receivable	2,858,695	69,367	529,200	-

25 Finance costs

	Unit: Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Finance costs				
Bank borrowings	35,757,855	26,481,751	2,751,837	-
Short-term borrowings from related parties	1,035,880	6,542,374	19,114,312	20,889,726
Finance lease	111,637	88,155	60,738	28,235
Others	56,089	437,187	56,089	437,187
Total	36,961,461	33,549,467	21,982,976	21,355,148

26 Basis (loss) earnings per share

Basic (loss) earnings 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.

There are no potential dilute ordinary shares in issue during the year.

The basic (loss) earnings per share are calculated as follows:

	Consolidated					
	Net (loss)profit Baht		Weighted average number of shares shares		(Loss)earnings per share Baht	
	2012	2011	2012	2011	2012	2011
For the years ended 31 December						
Basic (loss) earnings	(314,697,137)	61,127,501	641,250,000	641,250,000	(0.49)	0.10
	Company					
	Net (loss)profit Baht		Weighted average number of shares shares		(Loss)earnings per share Baht	
	2012	2011	2012	2011	2012	2011
For the years ended 31 December						
Basic (loss) earnings	(389,441,170)	78,855,357	641,250,000	641,250,000	(0.61)	0.12

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27 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.

At the Board of Directors Meeting held on 9 August 2011, the directors passed a resolution to approve an interim dividends in respect of the operating results for the period from January to June 2011 at Baht 0.02 per share, totaling Baht 12.82 million. The dividends will be distributed to the shareholders in the register on 25 August 2011 and paid dividends on 9 September 2011.

28 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 67.86% of the Company's shares (2011: 66.07%). 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	
	2012	2011	2012	2011
Management fee income				
Subsidiaries	-	-	61,682	92,523
Sales of goods and services				
Parent company	90,520	81,803	-	-
Subsidiaries	-	-	17,977	12,792
Related companies	34,492	30,321	-	-
	<u>125,012</u>	<u>112,124</u>	<u>17,977</u>	<u>12,792</u>
Advertising income				
Parent company	12,869	3,951	-	-
Subsidiaries	-	-	972	4,427
Related company	-	60,000	-	50,000
	<u>12,869</u>	<u>63,951</u>	<u>972</u>	<u>54,427</u>
Rental income				
Subsidiaries	-	-	2,988	2,988
Interest income				
Subsidiaries	-	-	3,080	5,778
Other income				
Parent company	130	-	-	-

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28 Related party transactions (Cont'd)

i) Sales of goods/services and others (Cont'd)

During 2011, the Group had agreed to a Rental and Service Agreement of Advertising and Promotion with Major Cinead Company Limited, a subsidiary of Major Cineplex Group Public Company Limited. This agreement is aimed for the Group to provide advertising and promotion services which put through all theatrical materials and products of the Group. Advertising and promotion services are provided to third parties who are Major Cinead's customers. The service fee is charged at a fixed amount on a monthly basis.

ii) Purchase of goods/services and others

	Unit: Baht'000			
	Consolidated		Company	
	2012	2011	2012	2011
Purchase of goods and services				
Parent company	2,218	140	-	-
Related companies	633	10,422	-	-
	<u>2,851</u>	<u>10,562</u>	<u>-</u>	<u>-</u>
Advertising expense				
Parent company	2,216	762	-	-
Subsidiaries	-	-	-	17,960
Related companies	1,947	780	67	-
	<u>4,163</u>	<u>1,542</u>	<u>67</u>	<u>17,960</u>
Rental and service expenses				
Parent company	3,763	3,702	3,763	3,702
	<u>3,763</u>	<u>3,702</u>	<u>3,763</u>	<u>3,702</u>
Interest expense				
Parent company	1,036	6,542	1,036	6,542
Subsidiaries	-	-	18,078	14,347
	<u>1,036</u>	<u>6,542</u>	<u>19,114</u>	<u>20,889</u>
Other expenses				
Parent company	37	31	37	31
Related companies	12	48	12	48
	<u>49</u>	<u>79</u>	<u>49</u>	<u>79</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 5.00% to 8.50% per annum
Management fees	Agreed prices as stipulated in the agreements

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28 Related party transactions (Cont'd)

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

	Unit: Baht'000			
	Consolidated		Company	
	2012	2011	2012	2011
Trade accounts receivable (included in "Trade accounts receivable and other receivable")				
Parent company	22,909	15,062	-	-
Subsidiaries	-	-	80,360	217,348
Related companies	12,360	60,984	-	53,500
Total trade accounts receivable	35,269	76,046	80,360	270,848
Accrued income				
Parent company	8,717	9,535	-	-
Related companies	5,066	2,462	-	-
Total accrued income	13,783	11,997	-	-
Trade accounts receivable and accrued income, net	49,052	88,043	80,360	270,848
<u>Less</u> Allowance for doubtful account	-	-	-	-
Trade accounts receivable and accrued income, net	49,052	88,043	80,360	270,848
Amounts due from related parties				
Parent company	1,083	1,003	1,003	1,003
Subsidiaries	-	-	150,760	67,672
Related company	-	-	-	1,770
Total amounts due from related parties	1,083	1,003	151,763	70,445
<u>Less</u> Allowance for doubtful account	-	-	-	-
Amount due from related parties, net	1,083	1,003	151,763	70,445
Guarantee paid for rental and service (included in "Non-current assets")				
Parent company	983	-	983	-
Related company	-	983	-	983
Total guarantee paid for rental and service	983	983	983	983
Trade accounts payable (included in "Trade accounts payable and other payable")				
Parent company	650	20	-	-
Total trade accounts payable	650	20	-	-
Amounts due to related parties				
Parent company	3,146	1,874	1,150	1,644
Subsidiaries	-	-	91,417	72,370
Related companies	107	43	-	-
Directors	542	284	542	284
Total amounts due to related parties	3,795	2,201	93,109	74,298
Guarantee deposits for rental and service (included in "Other non-current assets")	-	-	747	747

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28 Related party transactions (Cont'd)

iv) Short-term loans to subsidiaries, net

	Unit: Baht'000	
	Consolidated	Company
For the year ended 31 December 2012		
Subsidiaries		
Beginning balance	-	50,700
Loans made during the year	-	243,600
Loans repaid during the year	-	(207,100)
Ending balance	-	87,200

Loans to a subsidiaries amounting to Baht 87.20 million (31 December 2011: Baht 50.70 million) is carrying interest at the rate of 7.00% per annum (31 December 2011: 5.00%, 7.00% and 8.50% per annum). The promissory notes 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
For year ended 31 December 2012		
Subsidiaries		
Beginning balance	-	288,250
Borrowings acquired during the year	-	43,350
Repayment of borrowings during the year	-	(159,600)
Ending balance	-	172,000

	Unit: Baht'000	
	Consolidated	Company
For year ended 31 December 2012		
Parent company		
Beginning balance	59,000	59,000
Borrowings acquired during the year	80,000	80,000
Repayment of borrowings during the year	(129,000)	(129,000)
Ending balance	10,000	10,000
Total short-term borrowings from related parties	10,000	182,000

Borrowings from subsidiaries carry interest at the rate of 7.00% per annum (31 December 2011: 5.50% and 8.50% per annum) and are due at call.

Borrowings from the parent company carry interest at the rate of 6.125% per annum (31 December 2011: 5.00% and 6.125% per annum) and due for repayment within 1 month.

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28 Related party transactions (Cont'd)

vi) Key management compensation

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

	Unit: Baht'000			
	Consolidated		Company	
	2012	2011	2012	2011
Short-term employee benefits	15,554	14,576	11,565	10,572
Post-employee benefits	252	263	214	227
	<u>15,806</u>	<u>14,839</u>	<u>11,779</u>	<u>10,799</u>

29 Commitments and contingencies

i) Bank guarantees

As at 31 December 2012, bank guarantees of 17.40 million were given on behalf of the Group to third parties in respect of purchase of rights (2011: Baht 33.25 million).

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

As at 31 December 2012, the Company and its subsidiaries have 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:

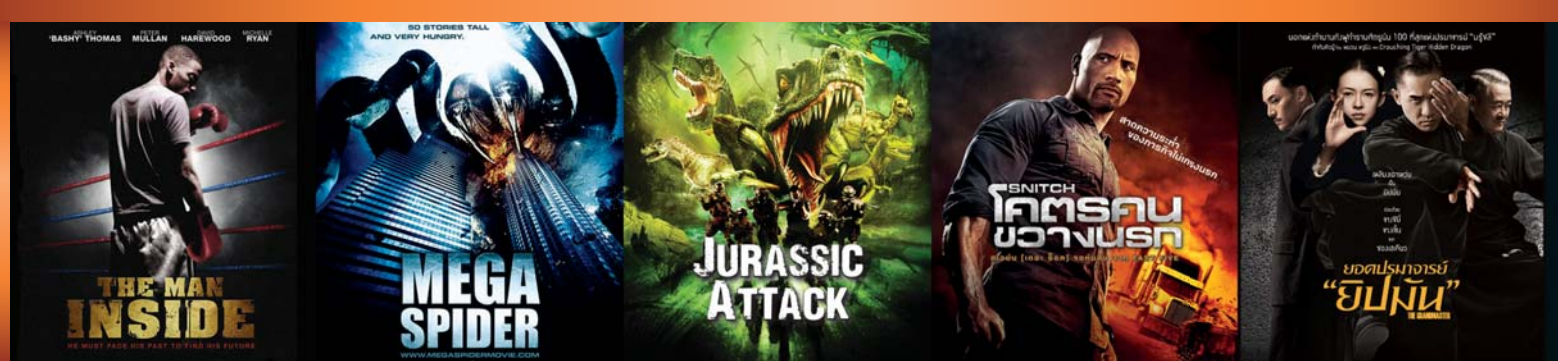
	Unit: Million Baht			
	Consolidated		Company	
	2012	2011	2012	2011
Not later than 1 year	4.80	4.42	3.52	3.52
Later than 1 year but not later than 5 years	2.38	5.71	0.39	3.91
Total operating lease commitments	<u>7.18</u>	<u>10.13</u>	<u>3.91</u>	<u>7.43</u>

iii) Commitments from purchase of film rights

As at 31 December 2012, the Group has commitments in respect of purchases of film rights amounting to USD 6.65 million, EUR 0.06 million and Baht 43.50 million payable over the next two years (2011: USD 3.98 million, EUR 0.02 million and Baht 42.38 million).

iv) Commitments for film productions

As at 31 December 2012, 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 9.2 million (2011: Baht 5.75 million).



M Pictures Entertainment Public Company Limited

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