

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of Major Cineplex Group Public Company Limited

I have reviewed the accompanying consolidated and company balance sheets as at 30 June 2006 of Major Cineplex Group Public Company Limited and its subsidiaries and of Major Cineplex Group Public Company Limited, ("the Company") respectively, and the related consolidated and company statements of income for the three-month and six-month periods ended 30 June 2006, and the related statements of changes in shareholders' equity and cash flows for the six-month period ended 30 June 2006. The Company's management is responsible for the correctness and completeness of information in these interim financial statements. My responsibility is to issue a report on these interim financial statements based on my review.

I conducted my review in accordance with the standard on auditing applicable to review engagements. This standard requires that I plan and perform a review to obtain moderate assurance as to whether the interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit, and accordingly, I do not express an audit opinion.

Based on my review, nothing has come to my attention that causes me to believe that the interim financial statements referred to above are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The consolidated and company balance sheets as at 31 December 2005 of the Company and its subsidiaries and of the Company respectively, presented herewith for comparative purposes, are components of the financial statements for the year ended 31 December 2005, which were audited by another auditor whose report dated 20 February 2006, expressed an unqualified opinion on those statements. The related consolidated and company statements of income for the three-month and six-month periods ended 30 June 2005, changes in shareholders' equity and cash flows for the six-month periods ended 30 June 2005 of the Company and its subsidiaries and of the Company, presented herewith for comparative purposes, were reviewed by the same auditor as mentioned above, whose report dated 10 August 2005, stated that nothing had come to his attention that caused him to believe that those interim financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Kajornkiet Aroonpirodkul
Certified Public Accountant (Thailand) No. 3445
PricewaterhouseCoopers ABAS Limited

Bangkok
11 August 2006

Major Cineplex Group Public Company Limited

Balance Sheets

As at 30 June 2006 and 31 December 2005

		Consolidated		Company	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
		30 June	31 December	30 June	31 December
		2006	2005	2006	2005
Notes		Baht'000	Baht'000	Baht'000	Baht'000
ASSETS					
Current Assets					
Cash and cash equivalents		486,065	316,627	349,146	146,419
Short-term investments		1,038	1,030	-	-
Trade accounts receivable and notes receivable, net	4	611,371	503,214	55,805	56,619
Amounts due from related parties	13	-	-	378,836	312,987
Inventories, net		144,046	78,961	12,506	8,812
Value added tax receivable, net		93,174	51,654	15,265	12,963
Other accounts receivable		103,419	57,823	39,783	7,729
Other current assets		129,510	122,081	52,430	41,136
Total Current Assets		1,568,623	1,131,390	903,771	586,665
Non-Current Assets					
Restricted cash		6,721	6,655	-	-
Investments in subsidiaries and associates	12	437,868	467,030	2,636,257	2,491,540
Long-term loans to related parties	13	2,350	2,350	1,280,399	1,110,574
Loans to employees		9,047	8,118	6,219	5,363
Property and equipment, net	5	4,786,364	4,589,137	1,417,002	1,407,020
Leasehold rights, net	5	594,586	589,520	84,440	86,270
Film rights, net	6	330,227	292,198	-	-
Goodwill, net	6	150,534	163,463	-	-
Deposits		273,932	80,466	226,577	43,769
Other non-current assets, net		34,450	49,643	1,925	1,168
Total Non-Current Assets		6,626,079	6,248,580	5,652,819	5,145,704
Total Assets		8,194,702	7,379,970	6,556,590	5,732,369

Director _____

Director _____

The notes on pages 11 to 29 are an integral part of these interim financial statements.

Major Cineplex Group Public Company Limited

Balance Sheets (Cont'd)

As at 30 June 2006 and 31 December 2005

	Notes	Consolidated		Company	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
		30 June	31 December	30 June	31 December
		2006	2005	2006	2005
		Baht'000	Baht'000	Baht'000	Baht'000
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Bank overdrafts and short-term loans from financial institutions		931,554	812,072	512,412	570,772
Trade accounts payable and notes payable		607,380	578,212	274,334	181,225
Amounts due to related parties	13	3,627	-	27,975	1,238
Current portion of long-term borrowings from financial institutions	7	578,717	588,678	471,217	481,250
Other accounts payable		207,051	265,212	58,607	29,453
Accrued income tax		151,008	127,952	50,608	64,936
Current portion of deferred rental and services income		17,807	17,587	-	-
Accrued expenses		160,945	69,559	36,852	24,869
Other current liabilities		146,402	193,743	41,466	61,048
Total current liabilities		<u>2,804,491</u>	<u>2,653,015</u>	<u>1,473,471</u>	<u>1,414,791</u>
Non-Current Liabilities					
Long-term borrowings from subsidiaries	13	-	-	171,230	86,130
Long-term borrowings from financial institutions	7	1,154,482	1,395,280	1,085,648	1,276,591
Deferred rental and services income		301,281	310,372	-	-
Advance receipt from sponsors		18,468	22,000	18,468	22,000
Other non-current liabilities		98,516	74,804	21,363	20,850
Total non-current liabilities		<u>1,572,747</u>	<u>1,802,456</u>	<u>1,296,709</u>	<u>1,405,571</u>
Total Liabilities		<u>4,377,238</u>	<u>4,455,471</u>	<u>2,770,180</u>	<u>2,820,362</u>

The notes on pages 11 to 29 are an integral part of these interim financial statements.

Major Cineplex Group Public Company Limited

Balance Sheets (Cont'd)

As at 30 June 2006 and 31 December 2005

	Notes	Consolidated		Company	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
		30 June	31 December	30 June	31 December
		2006	2005	2006	2005
		Baht'000	Baht'000	Baht'000	Baht'000
LIABILITIES AND SHAREHOLDERS' EQUITY (Cont'd)					
Shareholders' Equity					
Share capital	8				
Authorised share capital		906,777	897,000	906,777	897,000
Issued and fully paid-up share capital		748,108	709,323	748,108	709,323
Premium on share capital	8	2,285,488	1,840,200	2,285,488	1,840,200
Advance receipt for share subscription	10	277,567	16	277,567	16
Retained earnings					
Appropriated - legal reserve		28,763	14,405	28,763	14,405
Unappropriated		446,484	348,063	446,484	348,063
Total parent' s shareholders' equity		3,786,410	2,912,007	3,786,410	2,912,007
Minority interests		31,054	12,492	-	-
Total Shareholders' Equity		3,817,464	2,924,499	3,786,410	2,912,007
Total Liabilities and Shareholders' Equity		8,194,702	7,379,970	6,556,590	5,732,369

The notes on pages 11 to 29 are an integral part of these interim financial statements.

Major Cineplex Group Public Company Limited
Statements of Income (Unaudited)
For the three-month periods ended 30 June 2006 and 2005

	Notes	Consolidated		Company	
		30 June 2006 Baht'000	30 June 2005 Baht'000	30 June 2006 Baht'000	30 June 2005 Baht'000
Revenues					
Admissions		746,311	553,747	413,270	290,200
Concessions sales		129,762	86,446	58,588	23,631
Advertising services income		154,866	136,611	39,481	39,940
Bowling and Karaoke services income		142,286	113,612	25,923	54,976
Rentals and services income		101,423	64,444	5,402	9,716
Sales of VCD/DVD and film rights		16,056	94,040	-	-
Fitness services income		7,045	4,096	-	-
Sponsorship income		88,461	36,773	20,128	26,652
Total revenues		1,386,210	1,089,769	562,792	445,115
Expenses					
Cost of film exhibition and theatre		693,169	524,878	378,092	265,815
Cost of concessions		50,676	29,883	21,733	4,996
Cost of advertising services		3,519	1,016	-	-
Cost of bowling and Karaoke services		73,486	83,773	17,701	39,965
Cost of rentals and services		63,404	54,199	1,766	1,978
Cost of sales of VCD/DVD and film rights		24,926	98,135	-	-
Cost of fitness services		7,812	10,747	-	-
Selling and administrative expenses		262,831	147,865	104,161	67,398
Total expenses		1,179,823	950,496	523,453	380,152
Profit from sales and services		206,387	139,273	39,339	64,963
Profit from disposal of investment	12	107,441	-	107,441	-
Other operating income		65,571	29,466	68,932	61,490
Operating profit		379,399	168,739	215,712	126,453
Share of profit of investments - equity method		9,848	9,591	105,705	32,051
Profit before interest and tax		389,247	178,330	321,417	158,504
Interest expense		(45,404)	(22,197)	(34,505)	(15,415)
Income tax		(101,202)	(46,419)	(43,690)	(26,164)
Profit before minorities		242,641	109,714	243,222	116,925
Loss attributable to minorities, net		581	7,211	-	-
Net profit for the period		243,222	116,925	243,222	116,925
		Baht	Baht	Baht	Baht
Earnings per share					
	3				
Basic earnings per share		0.33	0.16	0.33	0.16
Diluted earnings per share		0.31	0.16	0.31	0.16

The notes on pages 11 to 29 are an integral part of these interim financial statements.

Major Cineplex Group Public Company Limited
Statements of Income (Unaudited)
For the six-month periods ended 30 June 2006 and 2005

	Notes	Consolidated		Company	
		30 June 2006 Baht'000	30 June 2005 Baht'000	30 June 2006 Baht'000	30 June 2005 Baht'000
Revenues					
Admissions		1,199,239	1,076,903	664,470	538,542
Concessions sales		209,520	160,221	99,258	72,280
Advertising services income		309,120	305,705	73,450	82,392
Bowling and Karaoke services income		258,213	205,448	46,422	88,226
Rentals and services income		205,752	140,095	21,245	21,368
Sales of VCD/DVD and film rights		103,313	174,939	-	-
Fitness services income		14,331	7,952	-	-
Sponsorship income		205,180	72,563	65,016	41,546
Total revenues		2,504,668	2,143,826	969,861	844,354
Expenses					
Cost of film exhibition and theatre		1,079,270	965,758	624,645	479,176
Cost of concessions		78,811	54,514	36,935	27,116
Cost of advertising services		7,523	4,473	-	-
Cost of bowling and Karaoke services		148,030	144,994	32,120	68,489
Cost of rentals and services		117,558	104,717	3,389	3,769
Cost of sales of VCD/DVD and film rights		101,220	132,444	-	-
Cost of fitness services		11,952	16,445	-	-
Selling and administrative expenses		536,864	379,525	209,014	169,098
Total expenses		2,081,228	1,802,870	906,103	747,648
Profit from sales and services		423,440	340,956	63,758	96,706
Profit from disposal of investment	12	107,441	-	107,441	-
Other operating income		78,567	46,303	132,979	113,106
Operating profit		609,448	387,259	304,178	209,812
Share of profit of investments - equity method	12	30,668	14,442	204,547	108,872
Profit before interest and tax		640,116	401,701	508,725	318,684
Interest expense		(81,988)	(48,284)	(62,281)	(29,244)
Income tax		(166,639)	(112,123)	(57,030)	(41,606)
Profit before minorities		391,489	241,294	389,414	247,834
(Profit) loss attributable to minorities, net		(2,075)	6,540	-	-
Net profit for the period		389,414	247,834	389,414	247,834
		Baht	Baht	Baht	Baht
Earnings per share					
	3				
Basic earnings per share		0.53	0.34	0.53	0.34
Diluted earnings per share		0.52	0.34	0.52	0.34

The notes on pages 11 to 29 are an integral part of these interim financial statements.

Major Cineplex Group Public Company Limited
 Statements of Changes in Shareholders' Equity (Unaudited)
 For the six-month periods ended 30 June 2006 and 2005

	Consolidated (Baht'000)						
	Issued and paid-up share capital	Premium on share capital	Advance for share subscription	Legal reserves	Unappropriated retained earnings	Minority interests	Total
Opening balance 1 January 2006	709,323	1,840,200	16	14,405	348,063	12,492	2,924,499
Transfer of advanced receipt to additional shares	1	15	(16)	-	-	-	-
Ordinary shares	38,784	445,273	-	-	-	-	484,057
Advance for share subscription	-	-	277,567	-	-	-	277,567
Share subscription in subsidiary received from minorities	-	-	-	-	-	16,487	16,487
Legal reserve appropriation	-	-	-	14,358	(14,358)	-	-
Net profit for the period	-	-	-	-	389,414	2,075	391,489
Dividends (Note 9)	-	-	-	-	(276,635)	-	(276,635)
Closing balance 30 June 2006	748,108	2,285,488	277,567	28,763	446,484	31,054	3,817,464

	Consolidated (Baht'000)						
	Issued and paid-up share capital	Premium on share capital	Unrealised gain on investments in available for sale securities	Legal reserves	Unappropriated retained earnings	Minority interests	Total
Opening balance 1 January 2005	709,323	1,840,200	1	-	40,275	22,453	2,612,252
Acquired shares in subsidiary from minorities	-	-	-	-	-	(899)	(899)
Legal reserve appropriation	-	-	-	2,014	(2,014)	-	-
Net profit (loss) for the period	-	-	-	-	247,834	(6,540)	241,294
Dividends	-	-	-	-	(35,466)	-	(35,466)
Closing balance 30 June 2005	709,323	1,840,200	1	2,014	250,629	15,014	2,817,181

The notes on pages 11 to 29 are an integral part of these interim financial statements.

Major Cineplex Group Public Company Limited

Statements of Changes in Shareholders' Equity (Unaudited) (Cont'd)

For the six-month periods ended 30 June 2006 and 2005

	Company (Baht'000)					Total
	Issued and paid-up share capital	Premium on share capital	Advance for share subscription	Legal reserves	Unappropriated retained earnings	
Opening balance 1 January 2006	709,323	1,840,200	16	14,405	348,063	2,912,007
Transfer of advanced receipt to additional shares	1	15	(16)	-	-	-
Ordinary shares	38,784	445,273	-	-	-	484,057
Advance for share subscription	-	-	277,567	-	-	277,567
Legal reserve appropriation	-	-	-	14,358	(14,358)	-
Net profit for the period	-	-	-	-	389,414	389,414
Dividends (Note 9)	-	-	-	-	(276,635)	(276,635)
Closing balance 30 June 2006	748,108	2,285,488	277,567	28,763	446,484	3,786,410
Opening balance 1 January 2005	709,323	1,840,200	-	-	40,275	2,589,798
Legal reserve appropriation	-	-	-	2,014	(2,014)	-
Net profit for the period	-	-	-	-	247,834	247,834
Dividends	-	-	-	-	(35,466)	(35,466)
Closing balance 30 June 2005	709,323	1,840,200	-	2,014	250,629	2,802,166

The notes on pages 11 to 29 are an integral part of these interim financial statements.

Major Cineplex Group Public Company Limited
Statements of Cash Flows (Unaudited)
For the six-month periods ended 30 June 2006 and 2005

	Notes	Consolidated		Company	
		30 June 2006 Baht'000	30 June 2005 Baht'000	30 June 2006 Baht'000	30 June 2005 Baht'000
Cash flows from operating activities	11	684,745	635,046	171,381	342,319
Cash flows from investing activities					
Payments for short-term investments		(8)	(280,000)	-	(280,000)
Proceeds from short-term investments		-	180,503	-	180,503
Loans made to related parties	13	-	-	(352,868)	(296,147)
Proceed from repayment of loans to related parties	13	-	600	183,043	165,030
Payment for investments in subsidiaries		-	(1,853)	-	(1,853)
Proceeds from disposal of investment in associated company	12	149,255	-	149,255	-
Purchases of property and equipment		(611,701)	(389,885)	(112,092)	(222,653)
Proceeds from disposals of property and equipment		1,804	-	-	32,989
Dividends received from subsidiaries and associates		18,016	31,998	18,016	31,998
Loans made to employees		(929)	1,048	(856)	(390)
Payment for deposits for lease and service contract		(184,000)	(7,810)	(184,000)	(5,308)
Payments for leasehold rights		(16,600)	(65,250)	-	(15,250)
Payments for film rights		(241,277)	(19,267)	-	-
Net cash payments for investing activities		(885,440)	(549,916)	(299,502)	(411,081)
Cash flows from financing activities					
Decrease (increase) in restricted cash		(66)	11,761	-	-
Proceeds (repayments) from short-term loans		97,300	(235,067)	(59,905)	-
Payments of financial lease liabilities		(24,186)	(28,367)	(23,476)	(28,244)
Proceeds from loans from subsidiaries		-	-	125,100	-
Repayments of loans from subsidiaries		-	-	(40,000)	(92,979)
Proceeds from long-term borrowings		-	82,000	-	134,500
Repayments of long-term borrowings		(226,573)	(29,010)	(177,500)	-
Proceeds from issuance of shares		484,057	-	484,057	-
Cash received in advance from share subscription	10	277,567	-	277,567	-
Dividends paid to shareholders	9	(276,635)	(34,141)	(276,635)	(34,141)
Share subscription in subsidiary received from minorities		16,487	-	-	-
Net cash receipts (payments for) financing activities		347,951	(232,824)	309,208	(20,864)
Net increase/(decrease) in cash and cash equivalents		147,256	(147,694)	181,087	(89,626)
Opening balance of cash and cash equivalents		282,555	318,641	145,647	109,066
Closing balance of cash and cash equivalents		429,811	170,947	326,734	19,440

The notes on pages 11 to 29 are an integral part of these interim financial statements

Major Cineplex Group Public Company Limited
Statements of Cash Flows (Unaudited) (Cont'd)
For the six-month periods ended 30 June 2006 and 2005

	Consolidated		Company	
	30 June 2006 Baht'000	30 June 2005 Baht'000	30 June 2006 Baht'000	30 June 2005 Baht'000
Cash and cash equivalents as at 30 June comprise:				
Cash on hand and deposits held at call with banks	486,065	221,179	349,146	64,463
Bank overdrafts	(56,254)	(50,232)	(22,412)	(45,023)
Total cash and cash equivalents	<u>429,811</u>	<u>170,947</u>	<u>326,734</u>	<u>19,440</u>

Supplementary information for cash flows:

Interest paid	86,915	44,190	62,114	18,996
Income tax paid	138,483	65,626	71,358	24,086

Non-cash transactions

Significant non-cash transactions for the six-month periods ended 30 June 2006 and 2005:

	Consolidated		Company	
	30 June 2006 Baht'000	30 June 2005 Baht'000	30 June 2006 Baht'000	30 June 2005 Baht'000
Investment in property and equipment not yet paid	89,184	22,480	31,969	11,049
Purchases of film rights not yet paid	99,938	167,838	-	-
Purchases of property and equipment under finance leases	20,334	44,520	19,365	42,841

The notes on pages 11 to 29 are an integral part of these interim financial statements

1 Summary of significant of accounting policies

These interim consolidated and company financial statements are prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Account Profession Act B.E. 2547 and the financial reporting requirements of the Securities and Exchange Commission. The primary financial statements (i.e. balance sheets, statements of income, changes in shareholders' equity and cash flows) are prepared in the full format as required by the Securities and Exchange Commission. The notes to the interim financial statements are prepared in a condensed format according to Thai Accounting Standard 41, 'Interim Financial Reporting' and additional notes are presented as required by the Securities and Exchange Commission under the Securities and Exchange Act, B.E. 2535.

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

An English version of the consolidated and company interim financial statements have been prepared from the interim 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 interim financial statements shall prevail.

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

The comparative figures in consolidated and company financial statements as at 31 December 2005 and the interim consolidated and company financial statements for the three-month and six-month period ended 30 June 2005 have been adjusted to conform with changes in presentation in the interim consolidated and company financial statements as at 30 June 2006 and for the three-month and six-month periods ended 30 June 2006.

These consolidated interim financial statements have been approved for issue by the Board of Directors on 11 August 2006

These interim financial statements should be read in conjunction with the 2005 annual financial statements. The significant accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005 as set forth:

1.1 Group accounting - Investments in subsidiaries and associates

a) Subsidiaries

Subsidiary undertakings, which are those companies in which the Group has power to govern the financial and operating policies, are consolidated; attention is directed to the substance of the power, and not merely the legal form.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date on which the Group ceases to have the power to exercise control over the operations. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless costs cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group. Separate disclosure is made for minority interests. The interest of third parties in subsidiaries is accounted for on the basis of their share in the underlying equity of these undertakings. A list of subsidiaries is set out in Note 12.

In the Company's separate financial statements, the Company accounts for its interest in subsidiaries on an equity basis.

1 Summary of significant of accounting policies (Cont'd)

1.1 Group accounting - Investments in subsidiaries and associates (Cont'd)

b) Associates

Investments in associated undertakings are accounted for using the equity method of accounting in the consolidated financial statements. Under this method, the company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has significant influence, but which it does not control, generally accompanying or shareholding of between 20% and 50% the voting rights. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not continue to recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates. A list of the principal associates is set out in Note 12.

In the Company's separate financial statements, the Company accounts for its interest in associates on an equity basis.

1.2 Foreign currency translation

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 balance sheet 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 in the statement of income.

1.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less from the date of acquisition and bank overdrafts. Bank overdrafts are shown in borrowings in current liabilities on the balance sheet.

1.4 Trade accounts receivable

Trade accounts receivable are recognised initially 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 and the amount expected to be collectible. Bad debts are recognised in the income statement within selling and marketing expenses.

1.5 Inventories

Inventories consist foods and beverages at concessions and outlets, theatre supplies, VCD and DVD. Inventories are valued at the lower of cost or net realisable value. Costs of foods and beverages and theatre supplies are determined by the first-in, first-out (FIFO) method. Costs of VCD and DVD are determined using average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as transportation charges, less all attributable discounts, allowances or rebates. Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

1 Summary of significant of accounting policies (Cont'd)

1.6 Investments (other than subsidiaries and associates)

Trading and available-for-sale investments are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in equity.

Fair value of marketable equity securities is calculated by reference to the purchasing prices quoted by the Stock Exchange at the close of business on the balance sheet date.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of income. When disposing of part of the Group's holding of a particular investment in debt or equity securities the carrying amount of the disposed part is determined by the weight average carrying amount of the total holding of the investment.

1.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis to write off the cost of each asset, to its residual value over the estimated useful life or, if it is shorter, the lease term, as follows:

Buildings	20 years
Theatres	5,10,20 years and the lease contracts periods
Buildings and theatres improvements	5,10,25 years
Utilities systems	5,10 years
Tools and equipment	5,10,15 years
Furniture, fixtures and office equipment	5 years
Motor vehicles (including motor vehicles under finance leases)	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Interest costs on borrowings to finance the construction of property 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.

1 Summary of significant of accounting policies (Cont'd)

1.8 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associated undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is reported in the consolidated balance sheet as an intangible asset. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is amortised using the straight-line method over its estimated useful life. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies.

Goodwill arising on acquisitions of the Group is amortised over a period of 10 years.

At each balance sheet date the Group assesses whether there is any indication of impairment on separately recognised goodwill. If such indications exist an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classifications as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and to the extent that these can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the statement of income when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the statement of income over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the statement of income immediately.

1.9 Intangible assets

Film rights

Film rights is capitalised at the purchase price including costs directly attributable to the acquisition of rights. Film rights are amortised and charged to direct costs of exhibition, VCD and DVD and TV broadcasting at the ratio in relation to the expected revenue earned from each of the above revenue-generated channels over the lifetime of rights. In the event that an ultimate loss is projected for each right, an amount equivalent to this loss will be written-off immediately.

Leasehold rights

Land lease rights and leasehold rights of buildings are initially recognised at costs and amortised as expense on a straight-line basis over the leases periods.

1.10 Impairment of assets

Property and equipment and other non-financial assets, including goodwill and intangible assets are reviewed for impairment losses 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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1 Summary of significant of accounting policies (Cont'd)

1.11 Leases - where a group company is the lessee

Leases of equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated 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 finance lease liabilities. The interest element of the finance charge is charged to results over the lease period. The equipment acquired under finance leasing contracts is depreciated over the useful life of the asset. Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to results on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.12 Employee benefits

The Group operates a provident fund, being a defined contribution plan. The assets of which are held in a separate fund which is managed by the external fund manager. The provident fund is funded by payments from employees and by the relevant Group companies. Contributions to the provident fund are charged to the statement of income in the year to which they relate.

Warrants granted to directors and employees of the Group are recognised when they are exercised.

1.13 Provisions

Provisions, which exclude the provisions relating to 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 asset but only when the reimbursement is virtually certain.

Provision for goods returns

Provision for goods returns of VCD and DVD is estimated by reference to actual goods returns occurred during the year and calculated as the percentage to sales made during the year.

1.14 Revenue recognition

Revenues of the Group consist principally admissions, concession sales, advertising services, bowling and Karaoke services, rental and services, fitness center services, VCD/DVD and film rights distribution and sponsorship income.

Revenue comprises the invoiced value for the sale of goods and services net of output tax, rebates and discounts, and after eliminating sales within the Group for the consolidated financial statements. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from providing services are recognised upon completion of services rendering.

Revenue from rentals and services are recognised over the period of the lease agreement.

The Group recognises revenues from providing on-screen advertising over the period of the related terms of agreements.

1 Summary of significant of accounting policies (Cont'd)

1.14 Revenue recognition (Cont'd)

Other revenues

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. Dividends are recognised when the right to receive payment is established.

1.15 Deferred revenue

Deferred revenue relates to rentals and services are recognised as revenue when the services are provided to customers.

1.16 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 tax 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.

1.17 Dividends

Dividends are recorded in the consolidated and company financial statements in the period in which they are approved by the shareholders.

1.18 Segment reporting

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

1.19 Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, short-term investments, trade receivables, related party receivables and payables, trade payables, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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2 Segment information

Financial information by business segments:-

	(Million Baht)						
	Cinema Business	Bowling and Karaoke business	Rental and services	VCD/DVD and film rights distribution	Fitness center	Eliminated	Consolidated
For the three-month period ended 30 June 2006							
Revenues	1,140	146	129	60	7	(96)	1,386
Segment result	356	36	77	35	(1)	9	512
Other revenues							183
Unallocated costs							(452)
Net profit for the period							243
For the three-month period ended 30 June 2005							
Revenues	851	136	116	99	4	(116)	1,090
Segment result	229	40	60	(2)	(6)	(34)	287
Other revenues							39
Unallocated costs							(209)
Net profit for the period							117

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2 Segment information (Cont'd)

	(Million Baht)						
	Cinema Business	Bowling and Karaoke business	Rental and services	VCD/DVD and film rights distribution	Fitness center	Eliminated	Consolidated
For the six-month period ended 30 June 2006							
Revenues	1,910	264	277	216	14	(177)	2,504
Segment result	626	62	158	115	2	(3)	960
Other revenues							217
Unallocated costs							(788)
Net profit for the period							389
For the six-month period ended 30 June 2005							
Revenues	1,709	225	225	203	8	(227)	2,143
Segment result	543	62	119	57	(8)	(53)	720
Other revenues							61
Unallocated costs							(533)
Net profit for the period							248

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3 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of paid-up ordinary shares in issue during the period.

For the calculation of the diluted earnings per share, the net profit adjusted for the weighted average number of ordinary shares assuming conversion of all dilutive potential ordinary shares, being warrants issued to director and employee (ESOP) (Note 10).

The basic earnings per share and the diluted earnings per share are as follows:

	For the three-month period ended 30 June (Consolidated and Company)					
	Net profit Baht'000		Weighted average number of shares '000 shares		Earnings per share Baht	
	2006	2005	2006	2005	2006	2005
Basic earnings per share	243,222	116,925	748,108	709,323	0.33	0.16
The effect of dilutive potential shares	-	-	28,611	-	(0.02)	-
Diluted earnings per share	<u>243,222</u>	<u>116,925</u>	<u>776,719</u>	<u>709,323</u>	<u>0.31</u>	<u>0.16</u>

	For the six-month period ended 30 June (Consolidated and Company)					
	Net profit Baht'000		Weighted average number of shares '000 shares		Earnings per share Baht	
	2006	2005	2006	2005	2006	2005
Basic earnings per share	389,414	247,834	728,715	709,323	0.53	0.34
The effect of dilutive potential shares	-	-	24,346	-	(0.01)	-
Diluted earnings per share	<u>389,414</u>	<u>247,834</u>	<u>753,061</u>	<u>709,323</u>	<u>0.52</u>	<u>0.34</u>

4 Trade accounts and notes receivable, net

	Consolidated		Company	
	30 June 2006 Baht'000	31 December 2005 Baht'000	30 June 2006 Baht'000	31 December 2005 Baht'000
Unbilled revenue	205,350	24,766	-	-
Notes receivable	7,169	13,263	3,871	1,082
Trade accounts receivable	442,480	502,877	53,017	56,241
Total	654,999	540,906	56,888	57,323
<u>Less</u> Allowance for doubtful accounts	<u>(43,628)</u>	<u>(37,692)</u>	<u>(1,083)</u>	<u>(704)</u>
Trade accounts and notes receivable, net	<u>611,371</u>	<u>503,214</u>	<u>55,805</u>	<u>56,619</u>

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4 Trade accounts and notes receivable, net (Cont'd)

Outstanding trade accounts receivable and note receivable can be analysed as follows:

	Consolidated		Company	
	30 June 2006 Baht'000	31 December 2005 Baht'000	30 June 2006 Baht'000	31 December 2005 Baht'000
Unbilled revenue	205,350	24,766	-	-
Trade accounts and notes receivable				
Current	260,988	374,559	13,180	25,361
Overdue below 3 months	73,466	66,029	27,775	30,047
Overdue 3-6 months	54,231	10,509	13,879	103
Overdue over 6 months	60,964	65,043	2,054	1,812
	<u>654,999</u>	<u>540,906</u>	<u>56,888</u>	<u>57,323</u>
<u>Less</u> Allowance for doubtful accounts	<u>(43,628)</u>	<u>(37,692)</u>	<u>(1,083)</u>	<u>(704)</u>
Trade accounts and notes receivable, net	<u>611,371</u>	<u>503,214</u>	<u>55,805</u>	<u>56,619</u>

5 Capital expenditure and commitments

	Consolidated		Company	
	Property and equipment Baht'000	Leasehold rights Baht'000	Property and equipment Baht'000	Leasehold rights Baht'000
For the six-month period ended 30 June 2006				
Opening net book amount	4,589,137	589,520	1,407,020	86,270
Additions	472,939	16,600	123,966	-
Disposals, net	(2,109)	-	(4,527)	-
Depreciation/amortisation	<u>(273,603)</u>	<u>(11,534)</u>	<u>(109,457)</u>	<u>(1,830)</u>
Closing net book amount	<u>4,786,364</u>	<u>594,586</u>	<u>1,417,002</u>	<u>84,440</u>

6 Intangible assets

	Consolidated	
	Film rights Baht'000	Goodwill Baht'000
For the six-month period ended 30 June 2006		
Opening net book amount	292,198	163,463
Additions	125,376	-
Amortisation and impairment	<u>(87,347)</u>	<u>(12,929)</u>
Closing net book amount	<u>330,227</u>	<u>150,534</u>

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7 Long-term borrowings from financial institutions

	Consolidated		Company	
	30 June 2006 Baht'000	31 December 2005 Baht'000	30 June 2006 Baht'000	31 December 2005 Baht'000
Current portion				
-Financial lease liabilities	16,217	43,178	16,217	42,250
-Bank borrowings	562,500	545,500	455,000	439,000
Total current borrowings	<u>578,717</u>	<u>588,678</u>	<u>471,217</u>	<u>481,250</u>
Non-current				
-Financial lease liabilities	4,117	1,342	3,148	591
-Bank borrowings	1,150,365	1,393,938	1,082,500	1,276,000
Total non-current borrowings	<u>1,154,482</u>	<u>1,395,280</u>	<u>1,085,648</u>	<u>1,276,591</u>
Total borrowings	<u>1,733,199</u>	<u>1,983,958</u>	<u>1,556,865</u>	<u>1,757,841</u>

The movements in bank borrowings (exclude finance lease liabilities) can be analysed as follows:

	Consolidated Baht'000	Company Baht'000
For the six-month period ended 30 June 2006		
Opening amount	1,939,438	1,715,000
Repayment of borrowings	(226,573)	(177,500)
Closing amount	<u>1,712,865</u>	<u>1,537,500</u>

Long-term bank borrowings bear interest at the rate ranging from 3.50% to 6.75% per annum are secured by certain building and leasehold rights.

8 Share capital and premium on share capital

	Authorised number of share Share'000	Issued and fully paid up shares		
		Number of shares Shares'000	Ordinary shares Baht'000	Share premium Baht'000
For the six-month period ended 30 June 2006				
Opening balance	897,000	709,323	709,323	1,840,200
Issue of shares	-	38,785	38,785	445,288
Decrease of authorised shares	(223)	-	-	-
Increase of authorised shares	10,000	-	-	-
Closing balance	<u>906,777</u>	<u>748,108</u>	<u>748,108</u>	<u>2,285,488</u>

As at 30 June 2006, the total authorised number of ordinary shares is 907 million shares (31 December 2005: 897 million shares) with par value of Baht 1 per share (31 December 2005: Baht 1 per share).

At the Annual General Meeting of the shareholders held on 4 April 2006, the shareholders passed a resolution to approve decrease of authorised share capital from 897,000,000 ordinary shares with a par value of Baht 1 per share to 896,776,533 ordinary shares with a par value of Baht 1 per share and increase of authorised share capital from 896,776,533 ordinary shares to 906,776,533 ordinary shares with a par value of Baht 1 per share. The Company registered the decrease and increase in share capital with the Ministry of Commerce on 12 July 2006.

9 **Dividends**

At the Annual General Meeting of the shareholders held on 4 April 2006, the shareholders passed a resolution to approve dividends in respect of the operating results for the period from July to December 2005 at Baht 0.39 per share, totalling Baht 276.64 million. The dividends were distributed to the shareholders on 2 May 2006.

10 **Warrants**

a) **Warrants issued and offered to directors and employees (ESOP)**

The Company issued and offered two grants of warrants to directors and 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 4 years and 5 years from the issued date. The exercise ratio and price are detailed belows:

	<u>Issued date</u>	<u>Issued units</u>	<u>Exercise price</u>	<u>Exercise period</u>	
		<u>Million</u>	<u>Baht/unit</u>	<u>Start</u>	<u>End</u>
ESOP-W1	27 May 2003	19.5	12.120	27 May 2003	15 June 2008
ESOP-W2	6 July 2004	3.5	15.032	6 July 2004	15 June 2008

b) **Warrants issued and offered to the public (MAJOR-W1)**

In 2004, the Company issued and offered 146,926,992 units of warrants with no offered price to purchases ordinary shares of the Company. The warrants are registered and are transferable with a maturity period of 3 years from the issued date.

The exercise prices and ratios will be effective from 9 March 2006 onwards are as follows:

	<u>Exercise Ratio</u>		<u>Exercise price</u>	
	<u>(unit/share)</u>		<u>(Baht/unit)</u>	
	<u>Old</u>	<u>New</u>	<u>Old</u>	<u>New</u>
ESOP-W1	1.068	1.086	12.320	12.120
ESOP-W2	1.000	1.016	15.280	15.032
MAJOR-W1	1.016	1.033	12.796	12.589

During the six-month period ended 30 June 2006, warrants are exercised for 8.23 and 28.90 million units of ESOP-W1 and MAJOR-W1. As at 30 June 2006, MAJOR-W1 warrants are exercised for 22.05 million units. The Company has received advance for share subscription of Baht 277.57 million and registered the increase in share capital with The Ministry of Commerce on 12 July 2006.

At the Annual General meeting of the shareholders held on 4 April 2006, the shareholders passed a resolution to issue and offer 10,000,000 units of warrants (ESOP-W3) to directors and employees of the Company and its subsidiaries. The warrants have no offered price and their terms do not exceed 5 years from the issue date. The rate of right exercise is one unit of warrant entitles to purchase 1 ordinary share at the exercised price of Baht 14.10 per share.

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11 Cash flows from operating activities

Reconciliation of net profit for the period to cash flows from operating activities:

For the six-month period ended	Consolidated		Company	
	30 June 2006 Baht'000	30 June 2005 Baht'000	30 June 2006 Baht'000	30 June 2005 Baht'000
Net profit for the period	389,414	247,834	389,414	247,834
Adjustments for:				
Depreciation, amortisation and impairment charge	385,412	389,651	111,287	106,966
Realised deferred revenue	(51,403)	(13,316)	(42,532)	(5,518)
Allowance for doubtful accounts	5,936	6,758	379	-
Provision for goods returns, net	(15,131)	(46,694)	-	-
Loss on disposals of equipment	305	-	-	-
Shares of profit of investments in subsidiaries and associates (Note 12)	(30,668)	(14,442)	(204,547)	(108,872)
Profit from disposal of investment in associated company (Note 12)	(107,441)	-	(107,441)	-
Share of net results of subsidiaries to minority interests	2,075	(6,540)	-	-
Unrealised gain in short-term investment	-	(486)	-	(479)
Changes in operating assets and liabilities:				
- trade accounts and notes receivable	(114,093)	(15,549)	435	(19,038)
- amounts due from related parties	-	-	(61,322)	(18,262)
- inventories	(65,085)	(37,387)	(3,694)	(1,717)
- other accounts receivable	(45,596)	(9,138)	(32,054)	(4,633)
- value added tax receivable	(41,520)	342	(2,302)	(6,487)
- other current assets	(7,429)	(64,947)	(11,294)	(27,443)
- other assets	5,727	7,083	435	3,060
- trade accounts and notes payable	145,070	(78,434)	93,109	68,681
- amounts due to related parties	3,627	30,613	26,737	15,492
- accrued expenses	91,386	30,632	11,983	24,751
- other accounts payable	80,601	54,352	(2,815)	4,342
- accrued income tax	23,056	46,055	(14,328)	17,520
- other current liabilities	(32,210)	98,758	(19,582)	42,868
- advanced received from sponsorship	39,000	14,999	39,000	14,999
- other liabilities	23,712	(5,098)	513	(11,745)
Cash flows from operating activities	<u>684,745</u>	<u>635,046</u>	<u>171,381</u>	<u>342,319</u>

12 Investments in subsidiaries and associates

	Consolidated		Company	
	30 June 2006 Baht'000	31 December 2005 Baht'000	30 June 2006 Baht'000	31 December 2005 Baht'000
Subsidiaries	-	-	2,198,370	2,024,658
Associates	437,868	467,030	437,887	466,882
Total investments - equity method	<u>437,868</u>	<u>467,030</u>	<u>2,636,257</u>	<u>2,491,540</u>

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12 Investments - equity method (Cont'd)

a) Movements of investments in subsidiaries and associates are as follows:

	Consolidated Baht'000	Company Baht'000
For the six-month period ended 30 June 2006		
Opening book value	467,030	2,491,540
Share of profit in subsidiaries and associated, net	30,668	204,547
Disposal of investment in associated company	(41,814)	(41,814)
Dividends received	(18,016)	(18,016)
Closing book value	<u>437,868</u>	<u>2,636,257</u>

As on 25 April 2006, the Company sold 16.55 million shares in Siam Future Development Public Company Limited, an associated company for a consideration of Baht 149.26 million. The Company has profit from sales of investment amounting to Baht 107.44 million. The ownership interests in Siam Future Development Public Company have been reduced from 25.15% to 21.25% as a result of sales.

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

	Nature of business	Nature of relationship	% Ownership interest
Subsidiaries			
Major Cineplex Property Co., Ltd.	Building space for rent	Shareholder	99.99
Major Cineplex Services Co., Ltd.	Utilities services	Shareholder	99.99
Chiangmai Cineplex Co., Ltd.	Cinema services	Shareholder	99.99
Ratchayothin Management Co., Ltd.	Utilities services	Shareholder	99.99
Ratchayothin Cinema Co., Ltd.	Cinema services	Shareholder	99.99
Ratchayothin Realty Co., Ltd.	Building space for rent	Shareholder	99.99
Major Bowl Group Co., Ltd.	Entertainment services	Shareholder	99.99
Major Cinead Co., Ltd.	Advertising and advisory services	Shareholder	99.93
Bangkok Imax Theater Co., Ltd.	Cinema services	Shareholder	99.94
Udorn Five Star Cineplex Co., Ltd.	Cinema services	Shareholder	80.00
Siam Cineplex Co., Ltd.	Cinema services	Shareholder	99.99
EGV Entertainment Public Co., Ltd. ("EGV")	Cinema services	Shareholder	99.97
Pacific Marketing and Entertainment Group Co., Ltd. ("PMEG")	Distribution of VCD/DVD and film rights	Shareholder	80.00
M Pictures Co., Ltd.	Distribution of film rights	Shareholder	79.99
Subsidiaries under EGV			
Entertain Golden Village Exhibition Co., Ltd.	Cinema services, advertising services	Indirect shareholding	99.96
EGV Exhibition Co., Ltd.	Cinema services, advertising services, area for rent of sales food beverage.	Indirect shareholding	99.96
EGV Five Star Co., Ltd.	Cinema services, advertising services	Indirect shareholding	89.97
Exertainment Co., Ltd.	Healthcare center and fitness center	Indirect shareholding	59.98
Subsidiaries under PMEG			
Pacific Media Sale Co., Ltd.	Distribution of tape, CD, VDO, VCD and DVD	Indirect shareholding	79.98

12 Investments - equity method (Cont'd)

b) The details of investments in subsidiaries and associates are as follows: (Cont'd)

	<u>Nature of business</u>	<u>Nature of relationship</u>	<u>% Ownership interest</u>
Associates			
California Wow Experience Public Company Limited	Fitness center services and other related services	Shareholder	36.75
Siam Future Development Public Company Limited	Rental of building space and utilities services	Shareholder	21.25
I-Major Co., Ltd.	Agent for sales of cinema ticket	Shareholder	49.99
Major Online Co., Ltd.	Agent for sales of concert ticket and providing IT services	Shareholder	40.00
Associates under PMEG			
Media Logistic Co., Ltd.	Providing of logistic services	Indirect shareholding	39.99

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

13 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.

During the period, the Group and the Company have entered into significant transactions with its subsidiaries, associates and related companies. The terms and basis of such transactions are negotiated between the parties in the ordinary course of business.

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13 Related party transactions (Cont'd)

The following material transactions were carried out with related parties:

i) Sales of goods and services

	For the three-month period ended 30 June			
	Consolidated		Company	
	2006	2005	2006	2005
	Baht'000	Baht'000	Baht'000	Baht'000
Management income				
Subsidiaries	-	-	40,158	39,258
Related companies	1,200	1,200	1,200	1,200
	<u>1,200</u>	<u>1,200</u>	<u>41,358</u>	<u>40,458</u>
Advertising income				
Subsidiaries	-	-	30,840	29,700
Interest income				
Subsidiaries	-	-	23,842	7,750
Equipment rental income				
Subsidiaries	-	-	13,500	8,150

	For the six-month period ended 30 June			
	Consolidated		Company	
	2006	2005	2006	2005
	Baht'000	Baht'000	Baht'000	Baht'000
Management income				
Subsidiaries	-	-	80,316	78,916
Related companies	2,400	2,400	2,400	2,400
	<u>2,400</u>	<u>2,400</u>	<u>82,716</u>	<u>81,316</u>
Advertising income				
Subsidiaries	-	-	61,712	59,100
Interest income				
Subsidiaries	-	-	44,335	11,496
Equipment rental income				
Subsidiaries	-	-	27,000	8,150

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13 Related party transactions (Cont'd)

ii) Purchase of goods, services and fixed assets and payments for rental deposits

	For the three-month period ended 30 June			
	Consolidated		Company	
	2006	2005	2006	2005
	Baht'000	Baht'000	Baht'000	Baht'000
Rental and area service expenses				
Subsidiaries	-	-	39,273	26,524
Interest expense				
Subsidiaries	-	-	2,869	1,563
Purchases of fixed assets				
Related company	-	5,850	-	5,850
Rental deposits				
Associate	109,000	-	109,000	-
	For the six-month period ended 30 June			
	Consolidated		Company	
	2006	2005	2006	2005
	Baht'000	Baht'000	Baht'000	Baht'000
Rental and area service expenses				
Subsidiaries	-	-	51,423	44,824
Interest expense				
Subsidiaries	-	-	4,847	3,803
Purchases of fixed assets				
Related company	-	11,700	-	11,700
Rental deposits				
Associate	109,000	-	109,000	-

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13 Related party transactions (Cont'd)

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

	Consolidated		Company	
	30 June 2006 Baht'000	31 December 2005 Baht'000	30 June 2006 Baht'000	31 December 2005 Baht'000
Receivable from:				
Trade accounts receivable				
Subsidiaries	-	-	38,227	35,499
Other receivables				
Subsidiaries	-	-	378,836	312,987
Payable to:				
Trade accounts payable				
Subsidiaries	-	-	33,443	14,550
Other payables				
Subsidiaries	-	-	24,348	1,238
Associates	1,707	-	1,707	-
Related company	1,920	-	1,920	-
	<u>3,627</u>	<u>-</u>	<u>27,975</u>	<u>1,238</u>

iv) Loans to related parties

	Consolidated Baht'000	Company Baht'000
For the six-month period ended 30 June 2006		
Subsidiaries		
Beginning balance	-	1,110,574
Loans made during the period	-	352,868
Loans repayments received	-	(183,043)
Ending balance	-	<u>1,280,399</u>
Associates		
Beginning balance	2,350	-
Loans repayments received	-	-
Ending balance	<u>2,350</u>	<u>-</u>

The loans to subsidiaries are carrying interest at the rate ranging from 6.75% to 7.75% per annum and there is no specific repayment date.

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13 Related party transactions (Cont'd)

v) Loans from related parties

	Consolidated Baht'000	Company Baht'000
For the six-month period ended 30 June 2006		
Subsidiaries		
Beginning balance	-	86,130
Loans acquired during the period	-	125,100
Loans repaid during the period	-	(40,000)
Ending balance	<u>-</u>	<u>171,230</u>

The loans from subsidiaries are carrying interest at the rate ranging from 6.75% to 7.75% per annum and there is no specific repayment date.

vi) Guarantee

The Company has given guarantee for bank loans granted to subsidiaries being Pacific Marketing and Entertainment Group Co., Ltd., M Pictures Co., Ltd. and Exertainment Co., Ltd. for a total of Baht 557.2 million (31 December 2005: Baht 277.2 million).

14 Commitments and contingencies

There are bank guarantees given on behalf of the Group to third parties amounting to Baht 47.17 million outstanding as at 30 June 2006 (31 December 2005: Baht 37.41 million).

Operating lease commitments - where a group company is the lessee

As of 30 June 2006, the Company and subsidiaries have commitment obligations in terms of long-term lease of land, buildings and service contracts.

The future aggregate non-cancellable minimum lease and service payments under the contracts are as follows:

	Consolidated		Company	
	30 June 2006 Million Baht	31 December 2005 Million Baht	30 June 2006 Million Baht	31 December 2005 Million Baht
Not later than 1 year	367	415	142	140
Later than 1 year but not later than 5 years	1,491	1,386	606	598
Later than 5 years	3,508	3,696	979	1,091
	<u>5,366</u>	<u>5,497</u>	<u>1,727</u>	<u>1,829</u>

15 Event after balance sheet date

On 26 July 2006, an associated company, Siam Future Development Public Company Limited increased its share capital by offering new shares to its existing shareholders by granting 1 new share to 5 existing shares at the offering price of Baht 5 per share. The Company has exercised its rights to maintain the investment portion and has purchased 18,022,063 new shares at the amount of Baht 90.11 million.

MAJOR CINEPLEX GROUP PUBLIC COMPANY LIMITED

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(UNAUDITED)**

30 JUNE 2006