

AUDITOR'S REPORT

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

I have audited the accompanying consolidated and company balance sheets as of 31 December 2006, and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the year then ended of Major Cineplex Group Public Company Limited and its subsidiaries and of Major Cineplex Group Public Company Limited, respectively. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of the Company and its subsidiaries and of the Company for the year ended 31 December 2005, presented herewith for comparative purposes, were audited by another auditor who expressed an unqualified opinion on those statements in his report dated 20 February 2006.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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 as at 31 December 2006, and the consolidated and company results of operations and cash flows for the year then ended of Major Cineplex Group Public Company Limited and its subsidiaries and of Major Cineplex Group Public Company Limited, respectively, in accordance with generally accepted accounting principles.

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

Bangkok
23 February 2007

Major Cineplex Group Public Company Limited

Balance Sheets

As at 31 December 2006 and 2005

	Notes	Unit: Baht			
		Consolidated		Company	
		2006	2005	2006	2005
ASSETS					
Current Assets					
Cash on hand and at banks	4	436,544,781	316,626,077	242,780,782	146,419,415
Short-term investments		-	1,030,290	-	-
Trade accounts and notes receivable, net	5	851,256,365	503,214,113	164,193,537	56,618,524
Other accounts receivable - sponsorship		156,774,820	57,823,292	82,177,224	7,729,197
Amounts due from related parties	23	4,455,789	50,413	329,408,576	337,319,167
Inventories, net	6	147,146,067	78,960,597	19,217,813	8,811,568
Value added tax receivable, net		140,520,048	116,846,891	14,615,770	12,962,892
Other current assets	7	152,434,699	56,838,328	85,656,527	16,804,070
Total Current Assets		<u>1,889,132,569</u>	<u>1,131,390,001</u>	<u>938,050,229</u>	<u>586,664,833</u>
Non-Current Assets					
Restricted cash		5,639,927	6,655,348	-	-
Investments in subsidiaries and associates	8	587,738,676	467,029,953	2,868,941,898	2,491,539,799
Loans to related parties	23	2,950,000	2,350,000	1,741,789,628	1,110,574,309
Loans to employees		10,192,868	8,117,739	8,353,404	5,362,378
Property and equipment, net	9	4,956,303,413	4,589,136,994	1,543,932,071	1,407,019,911
Leasehold rights, net	10	693,834,834	589,519,787	191,609,673	86,270,098
Film rights, net	11	294,133,243	292,197,879	-	-
Goodwill, net	11	140,705,143	163,462,442	-	-
Deposits		161,944,196	80,465,950	116,498,949	43,768,563
Other non-current assets, net		39,457,397	49,643,359	3,475,385	1,168,729
Total Non-Current Assets		<u>6,892,899,697</u>	<u>6,248,579,451</u>	<u>6,474,601,008</u>	<u>5,145,703,787</u>
Total Assets		<u><u>8,782,032,266</u></u>	<u><u>7,379,969,452</u></u>	<u><u>7,412,651,237</u></u>	<u><u>5,732,368,620</u></u>

Director _____

Director _____

The accompanying notes on pages 10 to 35 are an integral part of these consolidated and company financial statements.

Major Cineplex Group Public Company Limited

Balance Sheets (Cont'd)

As at 31 December 2006 and 2005

		Unit: Baht				
		Consolidated		Company		
Notes		2006	2005	2006	2005	
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current Liabilities						
Bank overdrafts and borrowings from						
	financial institutions	12	1,341,547,229	812,072,292	915,742,864	570,772,078
	Trade accounts and notes payable		529,428,753	578,211,941	270,977,272	181,224,728
	Amounts due to related parties	23	6,660,943	-	40,403,526	1,237,623
Current portion of borrowings						
	from financial institutions	12	590,749,877	588,678,239	490,822,866	481,249,596
	Other accounts payable		239,255,548	265,211,753	106,055,522	29,452,823
	Accrued income tax		102,543,639	127,951,755	25,505,681	64,936,353
Current portion of deferred rental and services income						
			17,761,600	17,587,469	-	-
	Accrued expenses		103,002,892	69,558,445	38,752,937	24,868,587
	Other current liabilities	13	170,251,118	193,743,278	34,931,931	61,048,728
	Total current liabilities		3,101,201,599	2,653,015,172	1,923,192,599	1,414,790,516
Non-Current Liabilities						
	Borrowings from subsidiaries	23	-	-	220,345,630	86,130,000
	Borrowings from financial institutions	12	1,104,792,452	1,395,279,789	1,075,216,542	1,276,590,589
	Deferred rental and services income		292,411,759	310,371,306	-	-
	Advance receipt from sponsors		5,250,004	22,000,000	5,250,004	22,000,000
	Rental deposits		59,386,289	63,212,716	17,342,079	16,139,293
	Other non-current liabilities		22,359,952	11,591,684	927,306	4,710,919
	Total non-current liabilities		1,484,200,456	1,802,455,495	1,319,081,561	1,405,570,801
	Total Liabilities		4,585,402,055	4,455,470,667	3,242,274,160	2,820,361,317

The accompanying notes on pages 10 to 35 are an integral part of these consolidated and company financial statements.

Major Cineplex Group Public Company Limited

Balance Sheets (Cont'd)

As at 31 December 2006 and 2005

		Unit: Baht			
		Consolidated		Company	
Notes		2006	2005	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY (Cont'd)					
Shareholders' Equity					
	Share capital				
	14				
	Authorised share capital	906,776,533	897,000,000	906,776,533	897,000,000
	Issued and fully paid-up share capital	787,185,105	709,322,633	787,185,105	709,322,633
	Premium on share capital	2,735,696,694	1,840,199,567	2,735,696,694	1,840,199,567
	14				
	Advance receipt for share subscription	136,040,990	16,251	136,040,990	16,251
	15				
	Retained earnings				
	Appropriated - legal reserve	63,522,103	14,405,495	63,522,103	14,405,495
	16				
	Unappropriated	447,932,185	348,063,357	447,932,185	348,063,357
	Total parent's shareholders' equity	4,170,377,077	2,912,007,303	4,170,377,077	2,912,007,303
	Minority interests	26,253,134	12,491,482	-	-
	Total Shareholders' Equity	4,196,630,211	2,924,498,785	4,170,377,077	2,912,007,303
	Total Liabilities and Shareholders' Equity	8,782,032,266	7,379,969,452	7,412,651,237	5,732,368,620

The accompanying notes on pages 10 to 35 are an integral part of these consolidated and company financial statements.

Major Cineplex Group Public Company Limited

Statements of Income

For the years ended 31 December 2006 and 2005

	Notes	Unit: Baht			
		Consolidated		Company	
		2006	2005	2006	2005
Revenues					
Admissions		2,441,019,849	2,356,041,116	1,358,618,420	1,236,655,278
Concessions sales		413,978,094	347,102,071	194,056,959	169,427,608
Advertising services and sponsorship income		729,280,560	686,090,387	311,764,259	205,941,677
Bowling and Karaoke services income		535,053,725	467,608,850	92,149,845	145,467,007
Rentals and services income		424,250,517	304,547,621	40,753,468	43,555,010
Sales of VCD/DVD and film rights		542,406,754	532,902,346	-	-
Fitness services income		24,108,211	22,644,638	-	-
Total revenues		5,110,097,710	4,716,937,029	1,997,342,951	1,801,046,580
Expenses					
Cost of film exhibition and theatre		2,113,505,229	1,971,277,229	1,236,841,624	1,059,135,245
Cost of concessions		154,030,686	135,423,386	71,527,695	68,870,574
Cost of advertising services		26,363,382	23,493,730	-	-
Cost of bowling and Karaoke services		309,738,269	308,740,440	66,400,664	106,785,835
Cost of rentals and services		241,437,623	208,844,013	8,380,549	7,577,877
Cost of sales of VCD/DVD and film rights		378,962,587	417,882,794	-	-
Cost of fitness services		18,916,430	31,637,609	-	-
Selling and administrative expenses		1,109,281,469	877,417,508	456,186,798	344,375,830
Total expenses		4,352,235,675	3,974,716,709	1,839,337,330	1,586,745,361
Profit from sales and services		757,862,035	742,220,320	158,005,621	214,301,219
Profit from disposal of investment in associate	8	107,441,262	-	107,441,262	-
Other operating income	17	136,548,725	71,543,454	306,048,575	339,754,348
Operating profit	18	1,001,852,022	813,763,774	571,495,458	554,055,567
Share of profit of investments - equity	8	98,128,797	42,998,994	351,491,234	166,011,954
Profit before interest and tax		1,099,980,819	856,762,768	922,986,692	720,067,521
Interest expense		(169,856,421)	(102,830,552)	(136,736,206)	(70,486,121)
Income tax		(236,369,051)	(228,004,687)	(91,074,071)	(114,591,257)
Profit before minorities		693,755,347	525,927,529	695,176,415	534,990,143
Loss attributable to minorities, net		1,421,068	9,062,614	-	-
Net profit for the year		695,176,415	534,990,143	695,176,415	534,990,143
Earnings per share					
	19				
Basic earnings per share		0.92	0.75	0.92	0.75
Diluted earnings per share		0.90	0.74	0.90	0.74

The accompanying notes on pages 10 to 35 are an integral part of these consolidated and company financial statements.

Major Cineplex Group Public Company Limited
Statements of Changes in Shareholders' Equity
For the years ended 31 December 2006 and 2005

							Unit: Baht
Consolidated							
Notes	Issued and paid-up share capital	Premium on share capital	Advance for share subscription	Legal reserve	Unappropriated retained earnings	Minority interests	Total
Opening balance 1 January 2006	709,322,633	1,840,199,567	16,251	14,405,495	348,063,357	12,491,482	2,924,498,785
Issuance of ordinary shares	14	77,862,472	895,497,127	(16,251)	-	-	973,343,348
Advance for share subscription	15	-	-	136,040,990	-	-	136,040,990
Share capital in subsidiary received from minorities	8	-	-	-	-	20,000,000	20,000,000
Acquired shares in subsidiary from minorities	8	-	-	-	-	(3,900,000)	(3,900,000)
Legal reserve appropriation	16	-	-	49,116,608	(49,116,608)	-	-
Net profit (loss) for the year		-	-	-	695,176,415	(1,421,068)	693,755,347
Dividends	20	-	-	-	(546,190,979)	(917,280)	(547,108,259)
Closing balance 31 December 2006	787,185,105	2,735,696,694	136,040,990	63,522,103	447,932,185	26,253,134	4,196,630,211
Opening balance 1 January 2005	709,322,633	1,840,199,567	-	-	40,275,499	22,453,172	2,612,250,871
Advance for share subscription		-	-	16,251	-	-	16,251
Acquired shares in subsidiary from minorities		-	-	-	-	(899,076)	(899,076)
Legal reserve appropriation		-	-	14,405,495	(14,405,495)	-	-
Net profit (loss) for the year		-	-	-	534,990,143	(9,062,614)	525,927,529
Dividends	20	-	-	-	(212,796,790)	-	(212,796,790)
Closing balance 31 December 2005	709,322,633	1,840,199,567	16,251	14,405,495	348,063,357	12,491,482	2,924,498,785

The accompanying notes on pages 10 to 35 are an integral part of these consolidated and company financial statements.

Major Cineplex Group Public Company Limited

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

For the years ended 31 December 2006 and 2005

							Unit: Baht
Company							
Notes	Issued and paid-up share capital	Premium on share capital	Advance for share subscription	Legal reserve	Unappropriated retained earnings	Total	
Opening balance 1 January 2006	709,322,633	1,840,199,567	16,251	14,405,495	348,063,357	2,912,007,303	
Issuance of ordinary shares	14 77,862,472	895,497,127	(16,251)	-	-	973,343,348	
Advance for share subscription	15 -	-	136,040,990	-	-	136,040,990	
Legal reserve appropriation	16 -	-	-	49,116,608	(49,116,608)	-	
Net profit for the year	-	-	-	-	695,176,415	695,176,415	
Dividends	20 -	-	-	-	(546,190,979)	(546,190,979)	
Closing balance 31 December 2006	<u>787,185,105</u>	<u>2,735,696,694</u>	<u>136,040,990</u>	<u>63,522,103</u>	<u>447,932,185</u>	<u>4,170,377,077</u>	
Opening balance 1 January 2005	709,322,633	1,840,199,567	-	-	40,275,499	2,589,797,699	
Advance for share subscription	-	-	16,251	-	-	16,251	
Legal reserve appropriation	-	-	-	14,405,495	(14,405,495)	-	
Net profit for the year	-	-	-	-	534,990,143	534,990,143	
Dividends	20 -	-	-	-	(212,796,790)	(212,796,790)	
Closing balance 31 December 2005	<u>709,322,633</u>	<u>1,840,199,567</u>	<u>16,251</u>	<u>14,405,495</u>	<u>348,063,357</u>	<u>2,912,007,303</u>	

The accompanying notes on pages 10 to 35 are an integral part of these consolidated and company financial statements.

Major Cineplex Group Public Company Limited

Statements of Cash Flows

For the years ended 31 December 2006 and 2005

		Unit: Baht			
		Consolidated		Company	
Notes		2006	2005	2006	2005
Cash flows from operating activities	21	898,588,659	1,122,277,682	323,774,220	683,251,177
Cash flows from investing activities					
Net changes in short-term investments		1,009,280	1,588,809	-	1,592,895
Loans made to related parties	23	(600,000)	-	(961,867,500)	(1,146,964,668)
Repayment received from loans to related parties	23	-	600,000	330,652,181	415,554,542
Proceeds from disposal of investment in associate	8	149,240,536	-	149,240,536	-
Proceeds from liquidation of associate	8	7,714,553	-	7,714,553	-
Payments for investment in subsidiaries and associates	8	(90,110,315)	(2,252,605)	(90,110,315)	(82,251,905)
Payment for investment in subsidiary	8	(7,000,000)	-	(7,000,000)	-
Proceeds from advance for share subscription		-	65,000,000	-	65,000,000
Purchases of property and equipment		(1,085,370,310)	(943,734,111)	(340,585,157)	(357,346,888)
Proceeds from disposals of property and equipment		3,768,873	-	-	-
Dividends received from subsidiaries and associates	8	18,016,562	31,998,093	21,685,623	31,998,093
Loans made to employees		(2,075,129)	129,842	(2,991,026)	(906,297)
Payments for deposits for land, leases and service contracts		(75,963,114)	(2,539,781)	(75,789,260)	(1,564,288)
Payments for leasehold rights		(125,872,000)	(80,686,382)	(109,000,000)	(24,992,897)
Payments for film rights		(395,838,143)	(13,517,140)	-	-
Net cash payments for investing activities		(1,603,079,207)	(943,413,275)	(1,078,050,365)	(1,099,881,413)
Cash flows from financing activities					
Decrease (increase) in restricted cash		1,015,421	(15,723)	-	-
Receipts (repayments) from short-term loans		531,700,000	(424,077,298)	344,000,000	170,000,000
Payments of finance lease liabilities		(37,842,709)	(57,497,277)	(36,800,777)	(56,549,833)
Receipts from loans from subsidiaries		-	-	222,215,630	244,050,000
Repayments of loans from subsidiaries		-	-	(88,000,000)	(280,598,800)
Receipts from long-term borrowings	12	200,000,000	840,000,000	200,000,000	840,000,000
Repayments of long-term borrowings	12	(450,572,990)	(354,000,000)	(355,000,000)	(251,000,000)
Proceeds from issuance of shares	14	973,343,348	-	973,343,348	-
Cash received for share subscription	15	136,040,990	16,251	136,040,990	16,251
Dividends paid	20	(546,132,465)	(212,706,220)	(546,132,465)	(212,706,220)
Dividends paid from subsidiary to minorities		(917,280)	-	-	-
Share capital in subsidiary received from minorities	8	20,000,000	-	-	-
Net cash receipts (payments for) financing activities		826,634,315	(208,280,267)	849,666,726	453,211,398
Net increase/(decrease) in cash and cash equivalents		122,143,767	(29,415,860)	95,390,581	36,581,162
Opening balance of cash and cash equivalents		282,553,785	311,969,645	145,647,337	109,066,175
Closing balance of cash and cash equivalents	4	404,697,552	282,553,785	241,037,918	145,647,337

The accompanying notes on pages 10 to 35 are an integral part of these consolidated and company financial statements.

Major Cineplex Group Public Company Limited**Statements of Cash Flows (Cont'd)****For the years ended 31 December 2006 and 2005**

Supplementary information for cash flows:

Interest and income tax paid during the years ended 31 December 2006 and 2005 are as follows:

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Interest paid	169,856,421	105,640,535	136,736,039	66,830,304
Income tax paid	288,770,807	146,356,954	130,504,743	64,493,130

Non-cash transactions

Significant non-cash transactions during the years ended 31 December 2006 and 2005 are as follows:

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Acquisitions of property and equipment not yet paid	88,237,149	207,851,545	36,742,690	7,721,191
Purchases of film rights not yet paid	62,558,655	215,840,000	-	-
Acquisitions of property and equipment under finance leases	6,677,168	44,519,886	6,039,408	42,840,185

The accompanying notes on pages 10 to 35 are an integral part of these consolidated and company financial statements.

1 General information

Major Cineplex Group 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:

1839 Phaholyothin road, Ladyao, Jatujak, Bangkok.

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 Group principally engages in theatre operations and entertainment services. The principal business operations of the Group are summarised as follows.

- Theatre operations including advertising and medias services
- Bowling and Karaoke services
- Rental and services
- Film distribution
- Health/Fitness center services

The Group are operating in Thailand and employs 3,470 staff as of 31 December 2006 (2005: 3,025 staff).

These financial statements are authorised for issue by the Board of Directors on 23 February 2007.

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 Accounting 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 B.E. 2535.

The consolidated and company financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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.

2 Accounting policies (continued)

2.2 Amendment to publish standard effective for annual period beginning on 1 January 2007

TAS 44 (amendment 2006) - Consolidated and separate financial statements and TAS 45 (amendment 2006) - Investment in associates, are mandatory for Group's accounting period beginning on or after 1 January 2007. This amendment requires for investments in subsidiaries and associates to be accounted for at cost (previously equity method) in the separate financial statements. Under the cost basis, income from the investment will be recorded when dividends are declared. Furthermore the Group applies similar basis relating to investment in jointly control entities in the separate financial statements. The Group will be implementing the new basis from 1 January 2007.

2.3 Group accounting - Investments in subsidiaries and associates

a) Subsidiaries

Subsidiaries are all entities (including special purpose 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. 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised as negative goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the financial statements investments in subsidiaries are reported by using the equity method.

A list of the Group's principal subsidiaries is set out in Note 8.

2 Accounting policies (continued)

2.3 Group accounting - Investments in subsidiaries and associates (continued)

b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated amortisation cost. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in fair value reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

A list of the Group's principal associates is set out in Note 8.

2.4 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.

Investments are carried at cost less impairment.

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.

2.5 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.

2 Accounting policies (continued)

2.6 Financial instruments

Financial assets carried on the balance sheet include cash and cash equivalents, investments, trade accounts receivables and related party receivables. Financial liabilities carried on the balance sheet include trade accounts payable, related party payables, finance leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.7 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.

2.8 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 administrative expenses.

2.9 Inventories

Inventories consist of 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.

2.10 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, except for land which is considered to have an indefinite life, to its residual value over the estimated useful life or, if it is shorter, the lease term, as follows:

Buildings	20 years
Theatres	10, 20 years and the lease contracts periods
Buildings and theatres improvements	10, 20 years and the lease contracts periods
Utilities systems	5, 10, 15 years
Tools and equipment	5, 10, 15, 20 years
Furniture and fixtures	5 years
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.

2 Accounting policies (continued)

2.10 Property and equipment (continued)

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.

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 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.

2.12 Other 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 relating to the expected revenue earned from each of the 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.

2 Accounting policies (continued)

2.13 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.

2.14 Leases - where a group company is the lessee

Leases of property and equipment, which substantially transfer 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 or the present value of the minimum lease payments. Each lease payment is allocated to the principal and finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payable. The interest element of the finance cost is charged to the statement of income over the lease period. The property and equipment acquired under finance lease contracts is depreciated over the shorter of the useful life of the asset or the lease term.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases are charged to the statement of income 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.

2.15 Employee benefits

The Group operates a provident fund, being a defined contribution plan. The assets of which are held in a separate fund. 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.

2.16 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 assets 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 being calculated as the percentage to sales made during the year.

2 Accounting policies (continued)

2.17 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 is 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.

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.

2.18 Deferred revenue

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

2.19 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.

2.20 Dividends

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

2.21 Segment reporting

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

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3 Segment information

Financial information by business segments is as follows:-

	Unit: Million Baht						
For the year ended 31 December 2006	Theatre operations	Bowling and Karaoke services	Rental and services	VCD/DVD and film rights distribution	Fitness center services	Eliminated	Consolidated
Revenues	3,667	538	588	564	24	(134)	5,247
Segment result	703	64	315	17	(9)		1,090
Unallocated costs							(195)
Operating profit							895
Profit on sale of investment in associate							107
Interest expense							(170)
Share of associates							98
Profit before tax							930
Tax							(236)
Group profit							694
Minority interest							1
Net profit							695
Segment assets	4,895	949	1,145	713	72		7,774
Investment in associates							588
Unallocated assets							420
Consolidated total assets							8,782

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3 Segment information (Cont'd)

	Unit: Million Baht						
For the year ended 31 December 2005	Theatre operations	Bowling and Karaoke services	Rental and services	VCD/DVD and film rights distribution	Fitness center services	Eliminated	Consolidated
Revenues	3,432	471	495	537	23	(170)	4,788
Segment result	674	116	261	2	(11)		1,042
Unallocated costs							(228)
Operating profit							814
Interest expense							(103)
Share of associates							43
Profit before tax							754
Tax							(228)
Group profit							526
Minority interest							9
Net profit							535
Segment assets	4,041	801	1,172	538	63		6,615
Investment in associates							467
Unallocated assets							298
Consolidated total assets							7,380

Unallocated costs represent corporate expenses.

Segment assets consist primarily property and equipment, intangible assets, inventories, receivables 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.

Major Cineplex Group Public Company Limited
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4 Cash on hand and at banks

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Cash on hand	72,986,777	42,365,805	44,337,022	24,903,882
Deposits held at call with banks	363,558,004	274,260,272	198,443,760	121,515,533
Total cash on hand and at banks	436,544,781	316,626,077	242,780,782	146,419,415

The interest rate of deposits held at call with banks was averaged between 0.50% to 1.00% per annum (2005: 0.25% to 0.75% per annum).

For the purpose of statement of cash flows, cash and cash equivalents comprise the following:

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Cash on hand and deposits held at call with banks	436,544,781	316,626,077	242,780,782	146,419,415
Bank overdrafts	(31,847,229)	(34,072,292)	(1,742,864)	(772,078)
Total cash and cash equivalents	404,697,552	282,553,785	241,037,918	145,647,337

5 Trade accounts and notes receivable, net

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Unbilled revenue - advertising	51,420,009	24,766,355	-	-
Notes receivable	58,663,498	13,262,266	3,226,747	1,081,902
Trade accounts receivable				
- advertising	353,552,179	243,940,136	101,108,128	32,689,659
- sales of VCD, DVD and film rights	280,395,618	160,906,155	-	-
- others	163,741,175	98,030,360	60,941,697	23,550,935
Total	907,772,479	540,905,272	165,276,572	57,322,496
<u>Less:</u> Allowance for doubtful accounts	(56,516,114)	(37,691,159)	(1,083,035)	(703,972)
	851,256,365	503,214,113	164,193,537	56,618,524

Outstanding trade accounts and notes receivable can be analysed according to ages as follows:

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Unbilled revenue - advertising	51,420,009	24,766,355	-	-
Trade accounts and notes receivable				
Current	466,167,852	374,557,924	42,300,481	25,360,422
Overdue below 3 months	255,888,145	66,029,480	69,373,462	30,047,510
Overdue 3 - 6 months	43,106,913	10,508,567	38,481,077	102,772
Overdue over 6 months	91,189,560	65,042,946	15,121,552	1,811,792
	907,772,479	540,905,272	165,276,572	57,322,496
<u>Less:</u> Allowance for doubtful accounts	(56,516,114)	(37,691,159)	(1,083,035)	(703,972)
Trade accounts and notes receivable, net	851,256,365	503,214,113	164,193,537	56,618,524

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6 Inventories, net

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Foods and beverages	30,387,146	17,237,135	13,296,999	6,195,134
VCD and DVD	108,624,153	59,111,206	-	-
Supplies	9,653,871	4,131,359	5,920,814	2,616,434
	148,665,170	80,479,700	19,217,813	8,811,568
<u>Less:</u> Allowance for diminution in value of inventories	(1,519,103)	(1,519,103)	-	-
	<u>147,146,067</u>	<u>78,960,597</u>	<u>19,217,813</u>	<u>8,811,568</u>

7 Other current assets

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Accrued income	7,762,683	27,200,941	6,208,287	226,943
Prepaid expenses	43,567,051	8,146,856	12,354,754	1,102,830
Prepaid interest	3,150,975	3,947,515	-	3,947,515
Advance payment	64,279,405	8,193,452	55,945,480	8,686,313
Other accounts receivable	29,847,787	7,873,454	10,914,925	2,447,741
Others	3,826,798	1,476,110	233,081	392,728
	<u>152,434,699</u>	<u>56,838,328</u>	<u>85,656,527</u>	<u>16,804,070</u>

8 Investments in subsidiaries and associates

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Subsidiaries	-	-	2,279,789,277	2,024,657,577
Associates	587,738,676	467,029,953	589,152,621	466,882,222
Total investments - equity method	<u>587,738,676</u>	<u>467,029,953</u>	<u>2,868,941,898</u>	<u>2,491,539,799</u>

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

	Unit: Baht	
	Company	
	2006	2005
Investment in subsidiaries		
At 1 January	2,024,657,577	1,821,925,808
Share of results	251,800,761	121,833,455
Acquisitions	7,000,000	80,898,314
Dividends received	(3,669,061)	-
At 31 December	<u>2,279,789,277</u>	<u>2,024,657,577</u>

On 14 November 2006, the Company increased its interest in a subsidiary, Udorn Five Star Cineplex Co., Ltd. by purchasing 39,000 shares from minorities at Baht 7 million. Goodwill arisen from the acquisition is amounting to Baht 3.1 million. As a result, the ownership interest in Udorn Five Star Cineplex Co., Ltd. increases from 80% to 90%.

On 28 March 2006, M Picture Co., Ltd. has received the outstanding share capital from minorities amounting to Baht 20 million.

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8 Investments in subsidiaries and associates (continued)

a) Movements of investments in subsidiaries and associates: (continued)

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Investment in associates				
At 1 January	467,029,953	455,629,052	466,882,222	454,301,816
Share of results	98,128,797	42,998,994	99,690,473	44,178,499
Disposal	(41,813,207)	-	(41,813,207)	-
Acquisitions	90,110,315	400,000	90,110,315	400,000
Decapitalise in				
associate due to liquidation	(7,700,620)	-	(7,700,620)	-
Dividends received	(18,016,562)	(31,998,093)	(18,016,562)	(31,998,093)
At 31 December	<u>587,738,676</u>	<u>467,029,953</u>	<u>589,152,621</u>	<u>466,882,222</u>

On 25 April 2006, the Company sold 16.55 million shares in Siam Future Development Public Company Limited, an associate for a consideration of Baht 149.24 million, resulting in a gain of 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.

On 26 July 2006, 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 ownership interest by purchasing new 18.02 million shares for a consideration of Baht 90.11 million.

During the year, I-Major Co., Ltd. has ceased its operations and filed for liquidation. The Company has received on proceeds from the decapitalisation amounting to Baht 7,714,553.

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

	Business	% Ownership interest	
		2006	2005
Subsidiaries			
Major Cineplex Property Co., Ltd.	Building space for rent	99.99	99.99
Major Cineplex Services Co., Ltd.	Utilities services	99.99	99.99
Chiangmai Cineplex Co., Ltd.	Cinema services	99.99	99.99
Ratchayothin Management Co., Ltd.	Utilities services	99.99	99.99
Ratchayothin Cinema Co., Ltd.	Cinema services	99.99	99.99
Ratchayothin Realty Co., Ltd.	Building space for rent	99.99	99.99
Major Bowl Group Co., Ltd.	Entertainment services	99.99	99.99
Major Cinead Co., Ltd.	Advertising and advisory services	99.93	99.93
Bangkok Imax Theater Co., Ltd.	Cinema services	99.94	99.94
Udon Five Star Cineplex Co., Ltd.	Cinema services	90.00	80.00
Siam Cineplex Co., Ltd.	Cinema services	99.99	99.99
EGV Entertainment Public Co., Ltd. ("EGV")	Cinema services	99.97	99.97
Pacific Marketing and Entertainment Group Co., Ltd. ("PMEG")	Distribution of VCD/DVD and film rights	80.00	80.00
M Pictures Co., Ltd.	Distribution of film rights	79.99	79.99

8 Investments in subsidiaries and associates (continued)

b) The details of investments in subsidiaries and associates: (continued)

	Business	% Ownership interest	
		2006	2005
Subsidiaries under EGV			
Entertain Golden Village Exhibition Co., Ltd.	Cinema services, advertising services	99.96	99.96
EGV Exhibition Co., Ltd.	Cinema services, advertising services, area for rent of sales food beverage.	99.96	99.96
EGV Five Star Co., Ltd.	Cinema services, advertising services	89.97	89.97
Exertainment Co., Ltd.	Healthcare center and fitness center	59.98	59.98
Subsidiaries under PMEG			
Pacific Media Sale Co., Ltd.	Distribution of tape, CD, VDO, VCD and DVD	79.98	79.98
Associates			
California Wow Experience Public Co., Ltd.	Fitness center services and other related services	36.75	36.75
Siam Future Development Public Co., Ltd.	Rental of building space and utilities services	21.25	25.15
I-Major Co., Ltd.	Agent for sales of cinema ticket	-	49.99
Major Online Co., Ltd.	Agent for sales of concert ticket and providing IT services	40.00	40.00
Associates under PMEG			
Media Logistic Co., Ltd.	Providing of logistic services	39.99	39.99

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

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9 Property and equipment, net

	Unit: Baht								
	Consolidated								
	Land	Building and improvements	Theatre and theatre improvements	Utilities system	Operating tools, equipment and fixtures	Office equipment	Motor vehicles	Construction in progress	Total
At 31 December 2005									
Cost	34,909,553	976,357,027	2,517,513,646	674,810,611	2,362,400,309	176,936,095	29,231,535	428,208,568	7,200,367,344
<u>Less:</u> Accumulated depreciation	-	(295,050,456)	(715,390,786)	(339,697,970)	(1,133,898,610)	(115,689,191)	(11,503,337)	-	(2,611,230,350)
Net book value	<u>34,909,553</u>	<u>681,306,571</u>	<u>1,802,122,860</u>	<u>335,112,641</u>	<u>1,228,501,699</u>	<u>61,246,904</u>	<u>17,728,198</u>	<u>428,208,568</u>	<u>4,589,136,994</u>
For the year ended 31 December 2006									
Opening net book value	34,909,553	681,306,571	1,802,122,860	335,112,641	1,228,501,699	61,246,904	17,728,198	428,208,568	4,589,136,994
Additions	-	3,291,582	164,915,150	69,556,256	450,994,453	57,780,164	15,281,287	203,937,022	965,755,914
Transfer	-	82,852,412	207,721,788	52,937,239	161,239,283	280,513	-	(505,031,235)	-
Disposals, net	-	-	-	-	(659,855)	-	(2,837,472)	-	(3,497,327)
Write-off, net	-	(206,726)	-	-	-	(13,063)	(2,461,268)	(7,268,866)	(9,949,923)
Depreciation charge	-	(55,721,709)	(159,368,994)	(46,880,361)	(287,944,023)	(27,754,184)	(7,472,974)	-	(585,142,245)
Closing net book value	<u>34,909,553</u>	<u>711,522,130</u>	<u>2,015,390,804</u>	<u>410,725,775</u>	<u>1,552,131,557</u>	<u>91,540,334</u>	<u>20,237,771</u>	<u>119,845,489</u>	<u>4,956,303,413</u>
At 31 December 2006									
Cost	34,909,553	1,062,102,026	2,890,150,585	797,304,106	2,955,947,591	234,981,549	31,993,544	119,845,489	8,127,234,443
<u>Less:</u> Accumulated depreciation	-	(350,579,896)	(874,759,781)	(386,578,331)	(1,403,816,034)	(143,441,215)	(11,755,773)	-	(3,170,931,030)
Net book value	<u>34,909,553</u>	<u>711,522,130</u>	<u>2,015,390,804</u>	<u>410,725,775</u>	<u>1,552,131,557</u>	<u>91,540,334</u>	<u>20,237,771</u>	<u>119,845,489</u>	<u>4,956,303,413</u>

As at 31 December 2006, the costs of fully depreciated property and equipment that are still in use are amounting to Baht 984.50 million (2005: Baht 821.50 million).

Additions include Baht 18.38 million of assets leased under finance leases.

Properties with the net book value amounting to Baht 483.56 million (2005: Baht 521.68 million) are pledged as collateral for bank borrowings (Note 12).

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9 Property and equipment, net (continued)

	Unit: Baht						
	Company						
	Theatre and theatre improvements	Utilities system	Operating tools, equipment and fixtures	Office equipment	Motor vehicles	Construction in progress	Total
At 31 December 2005							
Cost	965,505,076	67,134,923	981,555,771	48,166,868	7,500,258	40,824,121	2,110,687,017
<u>Less:</u> Accumulated depreciation	(241,356,768)	(23,883,141)	(411,891,636)	(23,543,565)	(2,991,996)	-	(703,667,106)
Net book value	<u>724,148,308</u>	<u>43,251,782</u>	<u>569,664,135</u>	<u>24,623,303</u>	<u>4,508,262</u>	<u>40,824,121</u>	<u>1,407,019,911</u>
For the year ended 31 December 2006							
Opening net book value	724,148,308	43,251,782	569,664,135	24,623,303	4,508,262	40,824,121	1,407,019,911
Additions	72,552,949	17,858,453	118,933,725	26,171,287	9,690,000	124,400,242	369,606,656
Transfer	36,360,293	6,787,732	35,695,099	-	-	(78,843,124)	-
Write-off, net	-	-	(1)	-	-	(7,268,866)	(7,268,867)
Depreciation charge	(73,832,970)	(5,160,217)	(133,068,034)	(10,840,988)	(2,523,420)	-	(225,425,629)
Closing net book value	<u>759,228,580</u>	<u>62,737,750</u>	<u>591,224,924</u>	<u>39,953,602</u>	<u>11,674,842</u>	<u>79,112,373</u>	<u>1,543,932,071</u>
At 31 December 2006							
Cost	1,074,418,318	91,781,108	1,117,498,813	74,335,996	17,190,258	79,112,373	2,454,336,866
<u>Less:</u> Accumulated depreciation	(315,189,738)	(29,043,358)	(526,273,889)	(34,382,394)	(5,515,416)	-	(910,404,795)
Net book value	<u>759,228,580</u>	<u>62,737,750</u>	<u>591,224,924</u>	<u>39,953,602</u>	<u>11,674,842</u>	<u>79,112,373</u>	<u>1,543,932,071</u>

As at 31 December 2006, the costs of fully depreciated property and equipment that are still in use are amounting to Baht 163.16 million (2005: Baht 92.20 million).

Additions include Baht 15.35 million of assets leased under finance leases.

10 Leasehold rights, net

	Unit: Baht	
	Consolidated	Company
At 31 December 2005		
Cost	623,348,986	88,922,897
Less: Accumulated amortisation	(33,829,199)	(2,652,799)
Net book value	<u>589,519,787</u>	<u>86,270,098</u>
For the year ended 31 December 2006		
Opening net book value	589,519,787	86,270,098
Additions	130,119,000	109,000,000
Amortisation	(25,803,953)	(3,660,425)
Closing net book value	<u>693,834,834</u>	<u>191,609,673</u>
At 31 December 2006		
Cost	753,467,986	197,922,897
Less: Accumulated amortisation	(59,633,152)	(6,313,224)
Net book value	<u>693,834,834</u>	<u>191,609,673</u>

Leasehold rights with the net book value amounting to Baht 274.12 million (2005: Baht 268.23 million) are pledged as collateral for bank borrowings (Note 12).

11 Intangible assets

	Unit: Baht	
	Consolidated	
	Film rights	Goodwill
At 31 December 2005		
Cost	338,352,335	189,320,138
Less: Accumulated amortisation	(46,154,456)	(25,857,696)
Net book value	<u>292,197,879</u>	<u>163,462,442</u>
For the year ended 31 December 2006		
Opening net book value	292,197,879	163,462,442
Additions	242,556,798	3,100,000
Amortisation	(239,205,827)	(25,857,299)
Impairment charge	(1,415,607)	-
Closing net book value	<u>294,133,243</u>	<u>140,705,143</u>
At 31 December 2006		
Cost	580,909,133	192,420,138
Less: Accumulated amortisation	(285,360,283)	(51,714,995)
Allowance for impairment	(1,415,607)	-
Net book value	<u>294,133,243</u>	<u>140,705,143</u>

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12 Borrowings

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Current				
Bank overdrafts	31,847,229	34,072,292	1,742,864	772,078
Short-term loans from financial institutions	1,309,700,000	778,000,000	914,000,000	570,000,000
Total bank overdrafts and short-term loans from financial institutions	1,341,547,229	812,072,292	915,742,864	570,772,078
Current portion of borrowings:				
- Finance lease liabilities	2,822,866	43,178,239	2,822,866	42,249,596
- Bank borrowings	587,927,011	545,500,000	488,000,000	439,000,000
Total current portion of borrowings	590,749,877	588,678,239	490,822,866	481,249,596
Non-current portion of borrowings				
- Finance lease liabilities	3,854,311	1,341,647	3,216,542	590,589
- Bank borrowings	1,100,938,141	1,393,938,142	1,072,000,000	1,276,000,000
Total non-current portion of borrowings	1,104,792,452	1,395,279,789	1,075,216,542	1,276,590,589
Total borrowings	3,037,089,558	2,796,030,320	2,481,782,272	2,328,612,263

The movements in bank borrowings can be analysed as follows:

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Opening balance	1,939,438,142	1,453,438,142	1,715,000,000	1,126,000,000
Borrowings	200,000,000	840,000,000	200,000,000	840,000,000
Repayments	(450,572,989)	(354,000,000)	(355,000,000)	(251,000,000)
Closing balance	1,688,865,153	1,939,438,142	1,560,000,000	1,715,000,000

Maturity of bank borrowings:

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Within 1 year	587,927,011	545,500,000	488,000,000	439,000,000
Between 1 year and 2 years	514,000,000	546,500,000	499,000,000	455,000,000
Between 2 years and 5 years	586,938,142	831,438,142	573,000,000	805,000,000
Over 5 years	-	16,000,000	-	16,000,000
	1,688,865,153	1,939,438,142	1,560,000,000	1,715,000,000

Short-term loans from financial institutions represent bill of exchange and promissory notes denominated in Thai Baht bearing interest at the rate ranging from 6.00% to 8.25% per annum.

Long-term bank borrowings bear interest at the rate ranging from 3.50% to 7.25% per annum and are secured by the pledge of building and leasehold rights (Note 9 and 10).

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13 Other current liabilities

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Provision for goods returned	17,825,805	33,142,791	-	-
Undue output VAT	81,884,452	51,169,088	22,693,220	18,272,619
Deferred revenue	1,552,553	52,520,162	661,379	31,074,814
Deposits and advance receipts	41,687,187	5,976,782	6,335,617	1,050,958
Others	27,301,121	50,934,755	5,241,715	10,650,337
	<u>170,251,118</u>	<u>193,743,278</u>	<u>34,931,931</u>	<u>61,048,728</u>

14 Share capital and premium on share capital

	Issued and fully paid-up			
	Authorised number of shares	Number of shares	Ordinary shares	Share premium
	Shares	Shares	Baht	Baht
At beginning 1 January 2006	897,000,000	709,322,633	709,322,633	1,840,199,567
Decrease of authorised shares	(223,467)	-	-	-
Increase of authorised shares	10,000,000	77,862,472	77,862,472	895,497,127
Issue of shares	-	-	-	-
At ending 31 December 2006	<u>906,776,533</u>	<u>787,185,105</u>	<u>787,185,105</u>	<u>2,735,696,694</u>

As at 31 December 2006, the total authorised number of ordinary shares is 906,776,533 shares (2005: 897,000,000 shares) with par value of Baht 1 per share (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 the 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 the 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.

The new shares issued during the year are in connection with the exercises of warrants as mentioned in Note 15.

15 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, respectively, from the issued date. The exercise ratio and price are detailed belows:

	Issued date	Issued units	Exercise price	Exercise period	
		Million	Baht/unit	Start	End
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

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15 Warrants (Cont'd)

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 of warrants effective 14 March 2006 are as follows:

	Exercise Ratio unit/share		Exercise price Baht/unit	
	Previous	Existing	Previous	Existing
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 2006, warrants are exercised for 13.50 million and 71.71 million units of ESOP-W1 and MAJOR-W1, respectively.

As of 31 December 2006, MAJOR-W1 warrants are exercised for 10.46 million units. The Company has received advance for share subscription amounting to Baht 136.04 million and has registered the increase in share capital with the Ministry of Commerce on 24 January 2007.

16 Legal reserve

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.

17 Other operating income

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Management fee income	11,800,000	10,300,000	184,905,561	277,525,719
Interest income	4,022,702	-	101,960,232	40,432,310
Gain from reversal of rental payable	44,916,851	-	-	-
Other rental and services income	10,696,129	12,087,854	3,339,401	312,945
Gain on exchange rate	13,139,794	-	-	-
Property tax income	16,833,865	15,194,622	2,223,520	1,959,401
Support for construction of theatre	6,000,000	-	-	-
Others	29,139,384	33,960,978	13,619,861	19,523,973
	<u>136,548,725</u>	<u>71,543,454</u>	<u>306,048,575</u>	<u>339,754,348</u>

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18 Operating profit

The following items, classified by nature, have been charged in arriving at operating profit:

	Unit: Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Depreciation on property and equipment	585,142,245	562,552,972	225,425,629	218,084,435
Amortisation of intangible assets				
- Goodwill	25,857,299	25,857,697	-	-
- Film rights	239,205,827	23,486,088	-	-
- Leasehold rights	25,803,953	15,012,467	3,660,425	2,449,410
Impairment loss	1,415,607	-	-	-
Repair and maintenance	65,685,921	41,606,116	31,958,820	16,194,758
Staff costs	499,094,705	395,632,583	208,532,163	176,635,295

19 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 year.

For the calculation of the diluted earnings per share, the weighted average number of ordinary shares are assume for conversion of all dilutive potential ordinary shares being warrants (Note 15).

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

	Consolidated and Company					
	Net profit		Weighted average		Earnings	
	Baht		number of shares		per share	
For the year ended 31 December	2006	2005	2006	2005	2006	2005
Basic earnings per share	695,176,415	534,990,143	754,071,358	709,322,633	0.92	0.75
The effect of dilutive potential shares	-	-	19,656,647	925,549	(0.02)	(0.01)
Diluted earnings per share	695,176,415	534,990,143	773,728,005	710,248,182	0.90	0.74

20 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, totaling Baht 276.64 million. The dividends were distributed to the shareholders on 2 May 2006.

At the Board of Director Meeting held on 11 August 2006, the Board passed a resolution to approve interim dividends in respect of the operating results for the period from January to June 2006 at Baht 0.35 per share, totaling Baht 269.55 million. The dividends were distributed to the shareholders on 8 September 2006.

At the Annual General Meeting of the shareholders held on 5 April 2005, the shareholders passed a resolution to approve dividends in respect of the operating results for the fourth quarter of 2004 at Baht 0.05 per share, totaling Baht 35.47 million.

At the Board of Director Meeting held on 11 August 2005, the Board passed a resolution to approve interim dividends in respect of the operating results for the period from January to June 2005 at Baht 0.25 per share, totaling Baht 177.33 million.

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21 Cash flows from operating activities

Reconciliation of net profit to cash flows from operating activities:

	Notes	Unit: Baht			
		Consolidated		Company	
		2006	2005	2006	2005
Net profit for the year		695,176,415	534,990,143	695,176,415	534,990,143
Adjustments for:					
Depreciation	9	585,142,245	562,552,972	225,425,629	218,084,435
Amortisation		290,867,079	76,456,182	3,660,425	5,369,646
Realised deferred revenue		(83,785,416)	(37,725,235)	(55,749,996)	(10,000,000)
Allowance for doubtful accounts		18,824,955	43,680,715	379,063	286,960
Loss on diminution in value of inventories		-	1,213,820	-	-
Reversal of provision for goods returned		(15,316,986)	-	-	-
Loss on disposals of equipment		(271,546)	-	-	-
Loss on write-off of assets	9	9,949,923	933,357	7,268,867	-
Loss on impairment of film rights	11	1,415,607	-	-	-
Shares of profit of investments in subsidiaries and associates	8	(98,128,797)	(42,998,994)	(351,491,234)	(166,011,954)
Profit from disposal of investment in associated company	8	(107,441,262)	-	(107,441,262)	-
Minority interest		(1,421,068)	(9,062,614)	-	-
Profit from disposals of short-term investment		(4,990)	(1,383,119)	-	(1,420,464)
Changes in operating assets and liabilities:					
- trade accounts and notes receivable		(366,867,207)	(93,598,822)	(107,954,076)	(30,429,356)
- other accounts receivables - sponsorship		(98,951,528)	5,017,617	(74,448,027)	11,198,549
- inventories		(68,185,470)	(21,952,972)	(10,406,245)	1,097,366
- value added tax receivable		(23,673,157)	(38,396,014)	(1,652,878)	7,576,419
- other current assets		(95,596,371)	(51,931,640)	(68,852,457)	(29,248,804)
- other assets		4,670,830	(276,149)	752,218	4,020,486
- trade accounts and notes payable		104,524,066	14,052,338	89,752,544	34,524,026
- amounts due to related parties		6,660,943	-	39,165,903	-
- accrued expenses		29,197,538	(28,175,487)	13,884,350	64,391,874
- other accounts payable		93,658,191	12,471,662	47,581,200	6,550,124
- accrued income tax		(25,408,116)	81,647,734	(39,430,672)	50,098,127
- other current liabilities		(8,233,688)	76,463,012	(26,175,311)	22,835,014
- advance receipt from sponsors		49,250,004	22,000,000	39,000,000	22,000,000
- other liabilities		6,941,841	16,299,176	(2,580,827)	(5,274,963)
Cash flows from operating activities		<u>898,588,659</u>	<u>1,122,277,682</u>	<u>323,774,220</u>	<u>683,251,177</u>

22 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects from change of foreign currency exchange rates, interest rates and non-performance of contractual obligations by counterparties. Risk management is carried out by Group Management. The Group does not have policy to use derivative financial instruments for trading or speculative purpose.

Interest rate risk

The Group's income and operating cash flows are not substantially independent of changes in market interest rates. 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. The loan interest rates of the Group are mainly floated. The Group does not use the interest rate derivative to manage exposure from fluctuation in interest rate on specific borrowing.

Foreign exchange risk

The Group has no exposure to foreign currency risk relates due to its accounts receivable and accounts payable are mainly made in local currency. The Group does not use any derivative financial instruments to hedge certain foreign currency exposure.

Credit risk

The Group has no significant concentrations of credit risks due to the large number of customer from which the income is charge on cash basis. The Group has policies in place to ensure that sales of products and services are made to customers with appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

Fair value

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

23 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 year, 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.

23 Related party transactions (continued)

The following material transactions were carried out with related parties:

i) Sales of services and rentals

	Unit: Baht'000			
	Consolidated		Company	
	2006	2005	2006	2005
Management fee income				
Subsidiaries	-	-	173,106	267,226
Related companies	4,800	4,800	4,800	4,800
	<u>4,800</u>	<u>4,800</u>	<u>177,906</u>	<u>272,026</u>
Advertising income				
Subsidiaries	-	-	143,332	118,500
Interest income				
Subsidiaries	-	-	101,574	39,484
Equipment rental income				
Subsidiaries	-	-	54,000	35,756
Rental and services income				
Associates	28,867	4,150	-	-
Other income				
Subsidiaries	-	-	239	7,530

ii) Purchase of services and rentals and payments for leasehold rights

	Unit: Baht'000			
	Consolidated		Company	
	2006	2005	2006	2005
Rental and service expenses				
Subsidiaries	-	-	55,976	65,241
Associates	8,682	-	4,342	-
Related company	58,301	40,197	50,121	40,197
	<u>66,983</u>	<u>40,197</u>	<u>110,439</u>	<u>105,438</u>
Rental of equipments				
Subsidiaries	-	-	36,000	27,000
Related company	21,600	21,600	21,600	21,600
	<u>21,600</u>	<u>21,600</u>	<u>57,600</u>	<u>48,600</u>
Interest expense				
Subsidiaries	-	-	13,674	5,397
Management fee expense				
Related company	23,400	23,400	23,400	23,400
Computer service				
Associates	16,847	-	13,937	-

23 Related party transactions (continued)

ii) Purchase of services and rentals and payments for leasehold rights (continued)

	Unit: Baht'000			
	Consolidated		Company	
	2006	2005	2006	2005
Leasehold rights				
Associates	109,000	-	109,000	-
Sponsorship fee				
Subsidiaries	-	-	30,000	-
Film hire cost				
Subsidiaries	-	-	27,465	-
Property taxes expenses				
Subsidiaries	-	-	3,300	3,713

Pricing policies for related party transactions are as follows:

	Pricing policies
Management fee	Ageed prices as stipulated in the agreements
Advertising fee	Ageed price which approximate to market price
Interest charge	Rate determined with reference to the interest rate quoted by commercial banks
Rental and services	Ageed prices which approximate to market price
Equipment rental	Ageed prices which approximate to market price
Computer service	Ageed prices as stipulated in the agreements
Leasehold rights	Ageed prices which approximate to market price
Sponsorship fee	Ageed prices as stipulated in the agreements
Film hire cost	Ageed prices which approximate to market price

iii) Outstanding balances arising from sales and services and others

	Unit: Baht'000			
	Consolidated		Company	
	2006	2005	2006	2005
Trade accounts receivable (included in "Trade accounts and notes receivable")				
Subsidiaries	-	-	102,986	35,499
Associates	7,983	-	-	-
	7,983	-	102,986	35,499
Other receivables				
Subsidiaries	-	-	328,282	337,319
Associates	4,456	50	1,127	-
	4,456	50	329,409	337,319
Trade accounts payable (included in "Trade accounts and notes payable")				
Subsidiaries	-	-	82,745	14,550
Associates	10,372	-	2,752	-
	10,372	-	85,497	14,550
Other payables				
Subsidiaries	-	-	40,039	1,238
Associates	6,661	-	365	-
	6,661	-	40,404	1,238

23 Related party transactions (continued)

iv) Loans to related parties

	Unit: Baht'000	
	Consolidated	Company
For the year ended 31 December 2006		
Subsidiaries and associates		
Beginning balance	2,350	1,110,574
Loans made during the year	600	961,868
Loans repayments during the year	-	(330,652)
Ending balance	<u>2,950</u>	<u>1,741,790</u>

The loans to related parties are carrying interest at the rate ranging from 6.75% to 8.00% per annum and there is no specific repayment date.

v) Borrowings from subsidiaries

	Unit: Baht'000	
	Company	
For the year ended 31 December 2006		
Beginning balance		86,130
Loans received during the year		222,216
Loans repaid during the year		(88,000)
Ending balance		<u>220,346</u>

The loans from subsidiaries are carrying interest at the rate ranging from 6.75% to 8.00% per annum and there is no specific repayment date.

vi) Guarantee

As of 31 December 2006, 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 808.2 million (2005: Baht 528.2 million).

24 Commitments

Capital commitments

Capital expenditure contracted for property and equipment as of 31 December 2006 but not recognised in the financial statements is amounting to Baht 78.83 million.

On 11 August 2006, the Board of Director has approved the purchase of the land next to Major Cineplex Ratchayothin from Siam Commercial Bank Public Company Limited for Baht 652.64 million. The Company has made deposit for the land amounting to Baht 75 million.

Commitment for acquisitions of film rights

As of 31 December 2006, the Group has commitments in respect of purchases of film rights amounting to Baht 250.59 million payable over the next two years.

24 Commitments (continued)

Operating lease commitments - where a group company is the lessee

As of 31 December 2006, the Group has commitment obligations in respect 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:

	Unit: Million Baht			
	Consolidated		Company	
	2006	2005	2006	2005
Not later than 1 year	397	415	147	140
Later than 1 year but not later than 5 years	1,700	1,386	630	598
Later than 5 years	3,696	3,696	1,000	1,091
	<u>5,793</u>	<u>5,497</u>	<u>1,777</u>	<u>1,829</u>

In addition to the minimum lease and service payments, the Group also has obligations in respect of lease of buildings and service contracts based on revenue sharing with the lessors.

25 Bank guarantees

There are bank guarantees given on behalf of the Group to third parties amounting to Baht 46.55 million outstanding as at 31 December 2006 (2005: Baht 37.41 million).

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