

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 2007 and 2006, and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the years 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 audits.

I conducted my audits 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 audits provide 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 2007 and 2006, and the consolidated and company results of operations, and cash flows for the years 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
26 February 2008

MAJOR CINEPLEX GROUP PUBLIC COMPANY LIMITED

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

31 DECEMBER 2007

Major Cineplex Group Public Company Limited

Balance Sheets

As at 31 December 2007 and 2006

	Notes	Unit: Baht			
		Consolidated		Company	
		2007	2006	2007	As restated 2006
Assets					
Current assets					
Cash on hand and at banks	6	215,815,169	436,544,781	78,567,588	242,780,782
Short-term investments	7	302,904,317	-	302,904,317	-
Trade accounts and notes receivable, net	8	1,094,321,395	851,256,365	200,571,222	164,193,537
Accounts receivable - sponsors		71,249,727	156,774,820	63,064,652	82,177,224
Amounts due from related parties	26	5,929,690	4,455,789	794,350,445	329,408,576
Inventories, net	9	133,651,726	147,146,067	25,199,164	19,217,813
Value added tax receivable		173,996,331	140,520,048	36,635,691	14,615,770
Dividends receivable	26	-	-	125,840,000	-
Other current assets	10	158,013,261	152,434,699	52,816,813	85,656,527
Total current assets		2,155,881,616	1,889,132,569	1,679,949,892	938,050,229
Non-current assets					
Restricted cash		6,981,019	5,639,927	-	-
Investments in subsidiaries and associates, net	11	1,168,550,021	587,738,676	3,039,388,375	2,114,588,375
Loans to related parties	26	25,384,858	2,950,000	1,857,913,045	1,741,789,628
Loans to employees		10,867,614	10,192,868	8,709,490	8,353,404
Property, plant and equipment, net	12	4,759,164,047	4,956,303,413	1,775,067,911	1,543,932,071
Leasehold rights, net	13	665,889,315	693,834,834	191,254,830	191,609,673
Film rights, net	14	310,071,223	294,133,243	-	-
Goodwill, net	14	81,774,455	140,705,143	-	-
Deposits		87,292,390	161,944,196	41,710,939	116,498,949
Other non-current assets, net		22,083,304	39,457,397	2,918,735	3,475,385
Total non-current assets		7,138,058,246	6,892,899,697	6,916,963,325	5,720,247,485
Total assets		9,293,939,862	8,782,032,266	8,596,913,217	6,658,297,714

Director _____

Director _____

The accompanying notes on pages 10 to 44 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 2007 and 2006

	Notes	Unit: Baht			
		Consolidated		Company	
		2007	2006	2007	As restated 2006
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and borrowings from financial institutions	15	913,692,318	1,341,547,229	471,481,530	915,742,864
Trade accounts and notes payable		510,714,435	529,428,753	334,730,904	270,977,272
Amounts due to related parties	26	5,820,618	7,260,943	287,985,391	41,003,526
Current portion of borrowings from financial institutions	15	327,873,449	590,749,877	279,952,990	490,822,866
Other accounts payable		182,304,486	239,255,548	84,330,716	106,055,522
Accrued income tax		115,678,376	102,543,639	76,628,075	25,505,681
Current portion of deferred rental and services income		22,469,865	17,761,600	4,023,000	-
Accrued expenses		158,406,981	103,002,892	58,527,566	38,752,937
Other current liabilities	16	249,694,613	169,651,118	64,882,920	34,331,931
Total current liabilities		2,486,655,141	3,101,201,599	1,662,543,092	1,923,192,599
Non-current liabilities					
Borrowings from subsidiaries	26	-	-	808,704,738	220,345,630
Borrowings from financial institutions	15	678,418,598	1,104,792,452	673,519,329	1,075,216,542
Deferred rental and services income		308,451,454	292,411,759	-	-
Advance receipt from sponsors		13,333,333	5,250,004	13,333,333	5,250,004
Deposits		180,475,154	78,739,442	21,541,136	17,342,079
Provision for liabilities on losses in subsidiaries	11	-	-	60,737,656	45,537,278
Other non-current liabilities		4,407,854	3,006,799	939,288	927,306
Total non-current liabilities		1,185,086,393	1,484,200,456	1,578,775,480	1,364,618,839
Total liabilities		3,671,741,534	4,585,402,055	3,241,318,572	3,287,811,438

The accompanying notes on pages 10 to 44 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 2007 and 2006

	Notes	Unit: Baht			
		Consolidated		Company	
		2007	2006	2007	As restated 2006
Liabilities and shareholders' equity (Cont'd)					
Shareholders' equity					
Share capital	17				
Authorised share capital		906,000,000	906,776,533	906,000,000	906,776,533
Issued and fully paid-up share capital		879,932,619	787,185,105	879,932,619	787,185,105
Share premium	17	3,816,018,391	2,735,696,694	3,816,018,391	2,735,696,694
Share subscription		-	136,040,990	-	136,040,990
Retained earnings					
Appropriated - legal reserve	19	90,600,000	63,522,103	90,600,000	63,522,103
Unappropriated		833,266,542	447,932,185	569,043,635	(351,958,616)
Total parent's shareholders' equity		5,619,817,552	4,170,377,077	5,355,594,645	3,370,486,276
Minority interests	20	2,380,776	26,253,134	-	-
Total shareholders' equity		5,622,198,328	4,196,630,211	5,355,594,645	3,370,486,276
Total liabilities and shareholders' equity		9,293,939,862	8,782,032,266	8,596,913,217	6,658,297,714

The accompanying notes on pages 10 to 44 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 2007 and 2006

	Notes	Unit: Baht			
		Consolidated		Company	
		2007	2006	2007	As restated 2006
Revenues					
Admissions		2,809,321,045	2,441,019,849	1,697,372,666	1,358,618,420
Concessions sales		531,383,032	413,978,094	308,940,343	194,056,959
Advertising services and sponsorship income		935,323,760	729,280,560	275,792,067	311,764,259
Bowling and Karaoke services income		519,277,772	535,053,725	77,315,767	92,149,845
Rentals and services income		382,872,887	424,250,517	114,204,792	40,753,468
Sales of VCD/DVD and film rights		619,309,147	542,406,754	-	-
Fitness services income		7,359,964	24,108,211	-	-
Gain on disposals of property, plant and equipment	12	693,868,274	-	-	-
Dividends income	26	-	-	1,388,530,167	21,685,092
Other operating income	21	94,966,684	136,548,725	459,877,203	306,048,575
Total revenues		6,593,682,565	5,246,646,435	4,322,033,005	2,325,076,618
Expenses					
Cost of film exhibition and theatre		2,408,789,796	2,113,505,229	1,473,905,906	1,236,841,624
Cost of sales of concessions		209,537,204	154,030,686	121,846,857	71,527,695
Cost of providing advertising services		45,713,088	26,363,382	-	-
Cost of providing bowling and Karaoke services		343,566,504	309,738,269	45,277,052	66,400,664
Cost of rentals and services		206,912,768	241,437,623	12,986,901	8,380,549
Cost of sales of VCD/DVD and film rights		548,747,853	378,962,587	-	-
Cost of providing fitness services		4,539,390	18,916,430	-	-
Selling and administrative expenses		1,388,518,763	1,109,281,469	635,624,193	480,711,846
Total expenses		5,156,325,366	4,352,235,675	2,289,640,909	1,863,862,378
Operating profit	22	1,437,357,199	894,410,760	2,032,392,096	461,214,240
Gain on disposals of investment		1,484,343	107,441,262	2,516,829	111,704,120
Share of profit of investments - equity method	11	157,258,274	98,128,797	-	-
Profit before interest and tax		1,596,099,816	1,099,980,819	2,034,908,925	572,918,360
Interest expense		(119,129,000)	(169,856,421)	(121,530,049)	(136,736,206)
Income tax		(273,378,785)	(236,369,051)	(150,746,593)	(91,074,071)
Profit before minorities		1,203,592,031	693,755,347	1,762,632,283	345,108,083
Loss attributable to minorities, net	20	23,372,358	1,421,068	-	-
Net profit for the year		1,226,964,389	695,176,415	1,762,632,283	345,108,083
Earnings per share					
	23				
Basic earnings per share		1.42	0.92	2.04	0.46
Diluted earnings per share		1.41	0.90	2.03	0.45

The accompanying notes on pages 10 to 44 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 2007 and 2006

								Unit: Baht
								Consolidated
	Notes	Issued and paid-up share capital	Share premium	Share subscription	Legal reserve	Unappropriated retained earnings	Minority interests	Total
Opening balance 1 January 2007		787,185,105	2,735,696,694	136,040,990	63,522,103	447,932,185	26,253,134	4,196,630,211
Issuance of ordinary shares	17	92,747,514	1,080,321,697	(136,040,990)	-	-	-	1,037,028,221
Legal reserve appropriation	19	-	-	-	27,077,897	(27,077,897)	-	-
Net profit (loss) for the year		-	-	-	-	1,226,964,389	(23,372,358)	1,203,592,031
Dividends	24	-	-	-	-	(814,552,135)	(500,000)	(815,052,135)
Closing balance 31 December 2007		<u>879,932,619</u>	<u>3,816,018,391</u>	<u>-</u>	<u>90,600,000</u>	<u>833,266,542</u>	<u>2,380,776</u>	<u>5,622,198,328</u>
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	17	77,862,472	895,497,127	(16,251)	-	-	-	973,343,348
Share subscription		-	-	136,040,990	-	-	-	136,040,990
Share subscription in subsidiary received from minorities	20	-	-	-	-	-	20,000,000	20,000,000
Acquired shares in subsidiary from minorities	20	-	-	-	-	-	(3,900,000)	(3,900,000)
Legal reserve appropriation	19	-	-	-	49,116,608	(49,116,608)	-	-
Net profit (loss) for the year		-	-	-	-	695,176,415	(1,421,068)	693,755,347
Dividends	24	-	-	-	-	(546,190,979)	(917,280)	(547,108,259)
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>26,253,134</u>	<u>4,196,630,211</u>

The accompanying notes on pages 10 to 44 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 2007 and 2006

						Unit: Baht
Company						
Notes	Issued and paid-up share capital	Share premium	Share subscription	Legal reserve	Unappropriated retained earnings	Total
Opening balance 1 January 2007 - as previously reported	787,185,105	2,735,696,694	136,040,990	63,522,103	447,932,185	4,170,377,077
Retrospective adjustments	4	-	-	-	(799,890,801)	(799,890,801)
Opening balance - as restated	787,185,105 0	2,735,696,694 0	136,040,990 0	63,522,103 0	(351,958,616) 0	3,370,486,276
Issuance of ordinary shares	17	92,747,514	1,080,321,697	(136,040,990)	-	1,037,028,221
Legal reserve appropriation	19	-	-	27,077,897	(27,077,897)	-
Net profit for the year		-	-	-	1,762,632,283	1,762,632,283
Dividends	24	-	-	-	(814,552,135)	(814,552,135)
Closing balance 31 December 2007	<u>879,932,619 0</u>	<u>3,816,018,391 0</u>	<u>- 0</u>	<u>90,600,000 0</u>	<u>569,043,635 0</u>	<u>5,355,594,645</u>
Opening balance 1 January 2006 - as previously reported	709,322,633	1,840,199,567	16,251	14,405,495	348,063,357	2,912,007,303
Retrospective adjustments	4	-	-	-	(449,822,469)	(449,822,469)
Opening balance - as restated	709,322,633 0	1,840,199,567 0	16,251 0	14,405,495 0	(101,759,112) 0	2,462,184,834
Issuance of ordinary shares	17	77,862,472	895,497,127	(16,251)	-	973,343,348
Share subscription		-	136,040,990	-	-	136,040,990
Legal reserve appropriation	19	-	-	49,116,608	(49,116,608)	-
Net profit for the year - as restated		-	-	-	345,108,083	345,108,083
Dividends	24	-	-	-	(546,190,979)	(546,190,979)
Closing balance 31 December 2006	<u>787,185,105 0</u>	<u>2,735,696,694 0</u>	<u>136,040,990 0</u>	<u>63,522,103 0</u>	<u>(351,958,616) 0</u>	<u>3,370,486,276</u>

The accompanying notes on pages 10 to 44 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 2007 and 2006

	Notes	Unit: Baht			
		Consolidated		Company	
		2007	2006	2007	As restated 2006
Cash flows from operating activities	25	1,283,996,549	898,588,659	582,511,975	323,774,751
Cash flows from investing activities					
Payments for short-term investments	7	(850,000,000)	-	(850,000,000)	-
Receipts for short-term investments	7	548,082,471	1,009,280	548,082,471	-
Loans made to related parties	26	(45,402,858)	(600,000)	(437,138,211)	(961,867,500)
Proceeds from settlements of loans to related parties	26	22,968,000	-	236,014,794	330,652,181
Proceeds from disposals of investment in associate	11	1,000,000	149,240,536	1,000,000	149,240,536
Proceeds from liquidation of associate		-	7,714,553	-	7,714,553
Payments for investment in associates	11	(840,200,000)	(90,110,315)	(840,200,000)	(90,110,315)
Payments for investment in subsidiaries		-	(7,000,000)	-	(7,000,000)
Purchases of property, plant and equipment		(963,321,748)	(1,085,370,310)	(599,431,236)	(340,585,157)
Proceeds from disposals of property, plant and equipment and leasehold rights		1,809,731,176	3,768,873	212,313,413	-
Dividends received from subsidiaries and associates	11	59,030,231	18,016,562	1,262,690,167	21,685,092
Loans to employees		(674,746)	(2,075,129)	(356,086)	(2,991,026)
Payments for deposits for leases and service contracts		(4,978,088)	(75,963,114)	(3,282,855)	(75,789,260)
Payments for leasehold rights		(43,840,281)	(125,872,000)	(7,984,981)	(109,000,000)
Payments for film rights		(272,482,989)	(395,838,143)	-	-
Net cash used in investing activities		(580,088,832)	(1,603,079,207)	(478,292,524)	(1,078,050,896)
Cash flows from financing activities					
(Increase) decrease in restricted cash		(1,341,092)	1,015,421	-	-
Proceeds (repayments) from short-term loans		(442,175,000)	531,700,000	(454,000,000)	344,000,000
Repayments of financial lease liabilities		(15,087,101)	(37,842,709)	(12,103,204)	(36,800,777)
Proceeds from loans from subsidiaries	26	-	-	890,632,662	222,215,630
Proceeds from long-term borrowings	15	420,000,000	200,000,000	420,000,000	200,000,000
Settlements of loans from subsidiaries	26	-	-	(302,273,554)	(88,000,000)
Settlements of long-term borrowings	15	(1,122,427,010)	(450,572,990)	(1,043,000,000)	(355,000,000)
Proceeds from issuance of shares	18	1,037,028,222	973,343,348	1,037,028,222	973,343,348
Cash received for share subscription		-	136,040,990	-	136,040,990
Dividends paid	24	(814,455,437)	(546,132,465)	(814,455,437)	(546,132,465)
Dividends paid to minorities	20	(500,000)	(917,280)	-	-
Share subscription in subsidiary received from minorities	20	-	20,000,000	-	-
Net cash from (used in) financing activities		(938,957,418)	826,634,315	(278,171,311)	849,666,726

The accompanying notes on pages 10 to 44 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 2007 and 2006

	Note	Unit: Baht			
		Consolidated		Company	
		2007	2006	2007	2006
Net increase (decrease) in cash and cash equivalents		(235,049,701)	122,143,767	(173,951,860)	95,390,581
Cash and cash equivalents at the beginning of the year		404,697,552	282,553,785	241,037,918	145,647,337
Cash and cash equivalents at the end of the year	6	169,647,851	404,697,552	67,086,058	241,037,918

Supplementary information for cash flows:

	Note	Unit: Baht			
		Consolidated		Company	
		2007	2006	2007	2006
Interest paid		119,129,000	169,856,421	92,334,009	127,340,134
Income tax paid		260,244,048	288,770,807	99,624,199	130,504,743

Non-cash transactions

Significant non-cash transactions during the years ended 31 December 2007 and 2006 are as follows:

	Note	Unit: Baht			
		Consolidated		Company	
		2007	2006	2007	2006
Investment in property, plant and equipment not yet paid		36,658,934	88,237,149	25,985,648	36,742,690
Purchases of film rights not yet paid		24,680,158	62,558,655	-	-
Purchases of property, plant and equipment under finance leases		28,263,829	6,677,168	22,536,115	6,039,408
Investment in subsidiaries by converting debt to equity	11	-	-	85,000,000	-

The accompanying notes on pages 10 to 44 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 media services
- Bowling and Karaoke services
- Rental and services
- Film distribution
- Health/Fitness center services

The Group is operating in Thailand and employs over 4,422 people as of 31 December 2007 (2006: 3,470 staff).

These group consolidated and company financial statements were authorised for issue by the Board of Directors on 26 February 2008.

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 (Cont'd)

2.2 Amendment to accounting standards effective for accounting period beginning on 1 January 2007 and 2008

The following standards are revised and are mandatory for accounting periods beginning on or after 1 January 2007.

TAS 44: Consolidated and Separate Financial Statements

TAS 45: Investments in Associates

TAS 46: Interests in Joint Ventures

The Group has disclosed an impact of these revisions on the financial statements as described in Note 4.

The following Thai Accounting Standards ("TAS") are revised and are mandatory for accounting periods beginning on or after 1 January 2008.

TAS 25: Cash Flow Statements

TAS 29: Leases

TAS 31: Inventories

TAS 33: Borrowing Costs

TAS 35: Presentation of Financial Statements

TAS 39: Accounting Policies, Changes in Accounting Estimates and Errors

TAS 41: Interim Financial Reporting

TAS 43: Business Combinations

TAS 49: Construction Contracts

The new Thai Accounting Standard that is mandatory for accounting periods beginning on or after 1 January 2008:

TAS No. 51 Intangible Assets

The Group does not choose for early adoption of these standards and will apply these revisions and the new accounting standards for the accounting periods beginning on 1 January 2008. The Management has assessed and determined that the revised and new standards do not have significant impact to the financial statements being presented.

2.3 Group accounting - Investments in subsidiaries and associates

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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.

2 Accounting policies (Cont'd)

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

a) Subsidiaries (Cont'd)

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 or losses 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 Company's separate financial statements investments in subsidiaries are reported by using the cost or the fair value.

A list of the Group's principal subsidiaries is set out in Note 11.

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 and the effects of acquisition and disposals of associates are shown in Note 11.

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.

2 Accounting policies (Cont'd)

2.4 Investments (other than subsidiaries and associates) (Cont'd)

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.

2.6 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 comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original 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 carried at original invoice amount and subsequently measured at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and 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 stated 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 weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

2 Accounting policies (Cont'd)

2.10 Property, plant and equipment

Property, plant 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Interest costs on borrowings to finance the construction of property, plant 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. All other borrowing costs are expenses.

2.11 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net 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. 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.

2 Accounting policies (Cont'd)

2.11 Goodwill (Cont'd)

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.

2.13 Impairment of assets

Property, plant and equipment and other non-current 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. Assets other than goodwill that suffered an impairment are reversed for possible impairment loss of the estimation of the recoverable amount were changed in subsequent period after the Group's recognition of impairment.

2.14 Leases - where a group company is the lessee

Leases of property, plant 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 so as to achieve a constant period rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases 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 (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

2 Accounting policies (Cont'd)

2.14 Leases - where a group company is the lessee (Cont'd)

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, that is 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.

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

2.16 Provisions

Provisions, excluding 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.

2.17 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 when the services are rendered.

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 earned by the Group are recognised on the following basis:

- Interest income - 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.
- Dividend income - when the right to receive payment is established.

2.18 Deferred revenue

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

2 Accounting policies (Cont'd)

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

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, 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.

3.1.1 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.

3.1.2 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.

3.1.3 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.

3 Financial risk management (Cont'd)

3.2 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.

4 Change in accounting policy with respect to the investments

The amendment of TAS no. 44 “Consolidated and Separate Financial Statements”, TAS no. 45 “Investments in Associates” and TAS no. 46 “Interests in Joint Ventures” require the change from equity method to cost method for investments in subsidiaries, associates and jointly controlled entities presented in the separate financial statements. Under the cost method, income from investment will be recorded when dividends are declared. Those revised standards are mandatory from 1 January 2007. The Company has applied such method for investments in subsidiaries and associates presented in the separate financial statements. The change in the accounting policy only has an impact on the separate financial statements and does not have any impact on the consolidated financial statements.

The Company has adopted the cost method in the separate financial statements since 1 January 2007 by applying retrospective adjustments. The effects of the change to the company balance sheet as at 31 December 2006 and the company statements of income for the year ended 31 December 2006 are as follows:

	<u>Baht</u>
Balance sheet as at 31 December 2006	
- Decrease in investments in subsidiaries and associates	754,353,523
- Increase in provision for liabilities on losses in subsidiaries	45,537,278
- Decrease in retained earnings as at 31 December 2006	799,890,801
- Decrease in retained earnings as at 1 January 2006	449,822,469
Statement of income for the year ended 31 December 2006	
- Decrease in share of profit from investment using equity method	351,491,234
- Increase in loss from provision for losses on investment in subsidiaries	24,525,049
- Increase in dividend income	21,685,092
- Increase in gain on disposal of investment in associates	4,262,859
- Decrease in net profit for the year	350,068,332
- Decrease in basic earnings per share	0.46
- Decrease in diluted earnings per share	0.45

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5 Segment information

Financial information by business segments is as follows:-

	Consolidated					Unit: Million Baht	
	Cinema business	Bowling and Karaoke business	Rental and services	VCD/DVD and film rights distribution	Fitness center	Eliminated	Consolidated
For the year ended 31 December 2007							
Revenues	4,274	555	532	627	8	(96)	5,900
Segment result	772	25	290	(105)	(12)		970
Gain on disposals of property, plant and equipment							694
Unallocated costs							(227)
Operating profit							1,437
Gain on sale of investment							2
Share of associates							157
Interest expense							(119)
Profit before tax							1,477
Tax							(273)
Group profit							1,204
Minority interests							23
Net profit							1,227
Segment assets	5,080	1,120	450	801	59		7,510
Investment in associates							1,169
Unallocated assets							615
Consolidated total assets							9,294

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5 Segment information (Cont'd)

	Consolidated					Unit: Million Baht	
	Cinema business	Bowling and Karaoke business	Rental and services	VCD/DVD and film rights distribution	Fitness center	Eliminated	Consolidated
For the year ended 31 December 2006							
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
Gain 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	5,017	1,022	1,208	741	77		8,065
Investment in associates							588
Unallocated assets							129
Consolidated total assets							8,782

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.

5 Segment information (Cont'd)

Discontinuing operations

On 26 June 2007, certain subsidiaries have sold utilities equipment and leased certain property and buildings to Major Cineplex Lifestyle Property Fund. As a result, revenue for the rental and services segment decreased by Baht 93 million in 2007. However, the group has property management income of Baht 12 million according to an agreement with the Property Fund. Rental and service expense for 2007 increased by Baht 48 million due to the lease back of theatres from the Property Fund.

Since the second quarter of 2007, a subsidiary has discontinued its operation in providing fitness centre services. As a result, revenues and cost of services of fitness centre decreased in 2007.

6 Cash on hand and at banks

	Unit: Baht			
	Consolidated		Company	
	2007	2006	2007	2006
Cash on hand	77,450,476	72,986,777	41,786,342	44,337,022
Deposits held at call with banks	138,364,693	363,558,004	36,781,246	198,443,760
Total cash on hand and at banks	215,815,169	436,544,781	78,567,588	242,780,782

The effective interest rate on short-term bank deposit was 0.75 % to 2.00% per annum (2006: 0.50% to 1.00% per annum).

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

	Unit: Baht			
	Consolidated		Company	
	2007	2006	2007	2006
Cash on hand and deposits held at call with banks	215,815,169	436,544,781	78,567,588	242,780,782
Bank overdrafts (Note 15)	(46,167,318)	(31,847,229)	(11,481,530)	(1,742,864)
Cash and cash equivalents	169,647,851	404,697,552	67,086,058	241,037,918

7 Short-term investment

Short-term investments represent investment unit of a mutual fund. Movements of short - term investment are as follows:

	Unit: Baht
	Consolidated and Company
Opening book value	-
Additions	850,000,000
Disposals	(548,082,471)
Fair value changes of short-term investment	986,788

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Closing book value

302,904,317

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8 Trade accounts and notes receivable, net

	Unit: Baht			
	Consolidated		Company	
	2007	2006	2007	2006
Unbilled revenue - advertising	19,601,567	51,420,009	-	-
Notes receivable	10,816,461	58,663,498	56,000	3,226,747
Trade accounts receivable				
- advertising	669,196,333	353,552,179	166,423,520	101,108,128
- sales of VCD, DVD and film rights	366,471,809	280,395,618	-	-
- others	47,349,552	163,741,175	34,091,702	60,941,697
Total	1,113,435,722	907,772,479	200,571,222	165,276,572
<u>Less</u> Allowance for doubtful accounts	(19,114,327)	(56,516,114)	-	(1,083,035)
Trade accounts and notes receivable, net	<u>1,094,321,395</u>	<u>851,256,365</u>	<u>200,571,222</u>	<u>164,193,537</u>

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

	Unit: Baht			
	Consolidated		Company	
	2007	2006	2007	2006
Unbilled revenue - advertising	19,601,567	51,420,009	-	-
Trade accounts and notes receivable				
Current	648,476,662	466,167,852	117,965,063	42,300,481
Overdue not more than 3 months	242,391,278	255,888,145	60,717,696	69,373,462
3 - 6 months	58,203,580	43,106,913	16,597,658	38,481,077
over 6 months	144,762,635	91,189,560	5,290,805	15,121,552
Total	1,113,435,722	907,772,479	200,571,222	165,276,572
<u>Less</u> Allowance for doubtful accounts	(19,114,327)	(56,516,114)	-	(1,083,035)
Trade accounts and notes receivable, net	<u>1,094,321,395</u>	<u>851,256,365</u>	<u>200,571,222</u>	<u>164,193,537</u>

9 Inventories, net

	Unit: Baht			
	Consolidated		Company	
	2007	2006	2007	2006
Foods and beverages	18,853,664	30,387,146	14,571,463	13,296,999
VCD and DVD	103,224,679	108,624,153	-	-
Supplies	29,829,540	9,653,871	10,627,701	5,920,814
	151,907,883	148,665,170	25,199,164	19,217,813
<u>Less</u> Allowance for diminution in value of inventories	(18,256,157)	(1,519,103)	-	-
	<u>133,651,726</u>	<u>147,146,067</u>	<u>25,199,164</u>	<u>19,217,813</u>

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10 Other current assets

	Unit: Baht			
	Consolidated		Company	
	2007	2006	2007	2006
Accrued income	15,391,910	7,762,683	1,684,575	6,208,287
Prepaid expenses	32,629,372	43,567,051	14,946,863	12,517,248
Advance payment	34,706,871	64,279,405	31,738,189	55,945,480
Withholding tax deducted at sources	63,123,156	1,831,437	-	-
Other accounts receivable	8,117,045	29,847,787	3,744,334	10,914,925
Others	4,044,907	5,146,336	702,852	70,587
	<u>158,013,261</u>	<u>152,434,699</u>	<u>52,816,813</u>	<u>85,656,527</u>

11 Investments in subsidiaries and associates

	Unit: Baht			
	Consolidated		Company	
	2007	2006	2007	As restated 2006
Investment in subsidiaries	-	-	1,752,679,617	1,667,679,617
<u>Less</u> Allowance for impairment	-	-	(18,100,000)	(18,100,000)
Investment in subsidiaries, net	-	-	1,734,579,617	1,649,579,617
Investment in associates	1,168,550,021	587,738,676	1,304,808,758	465,008,758
Investment in subsidiaries and associates, net	<u>1,168,550,021</u>	<u>587,738,676</u>	<u>3,039,388,375</u>	<u>2,114,588,375</u>

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

	Unit : Baht
	Company
Investment in subsidiaries	
Opening net book amount - as previously reported	2,279,789,277
Retrospective adjustments (Note 4)	(630,209,660)
Opening net book amount - as restated	1,649,579,617
Additions	85,000,000
Closing net book amount	<u>1,734,579,617</u>

11 Investments in subsidiaries and associates (Cont'd)

a) Movements of investments in subsidiaries and associates are as follows: (Cont'd)

	Unit: Baht	
	Consolidated	Company
Investment in associates		
Opening book amount - as previously reported		589,152,621
Retrospective adjustments (Note 4)		(124,143,863)
Opening book amount - as restated	587,738,676	465,008,758
Acquisitions	842,385,947	842,385,947
Disposal	(3,618,433)	(2,585,947)
Dividends received	(59,030,231)	-
Share of results	157,258,274	-
	1,524,734,233	1,304,808,758
<u>Less</u> Elimination of gain on disposals of assets to the Property Fund	(356,184,212)	-
Closing book amount	1,168,550,021	1,304,808,758

Gain on disposals of assets to Major Cineplex Lifestyle Property Fund amounting to Baht 363.13 million (Note 12) will be realised on the straight-line basis over the lease contracts periods of the buildings leased out to the Property Fund. During 2007, Baht 6.95 million has been realised in the statement of income.

As at 31 December 2007, investment in associates included net book value of goodwill in the consolidated financial statements amounting to Baht 120.13 million. Goodwill amortised during 2007 is amounting to Baht 18 million.

Major Online Company Limited and Ratchayothin Avenue Company Limited

On 21 February 2007, the Company has received 5,993 ordinary shares with a par value of Baht 100 per share, representing 60% of interest in Major Online Company Limited from other shareholders of that company at no cost. As a result, the Company holds all 10,000 shares in Major Online Company Limited. The Company has gain from obtaining such shares amounting to Baht 2.19 million.

On 26 February 2007, the Company has invested in the ordinary shares of Ratchayothin Avenue Company Limited ("RAC") at par value amounting to Baht 50 million, representing 50% of interest. The Company treats this investment as associate because there is an agreement with the other shareholder, Siam Future Development Public Company Limited ("Siam Future"), another associate of the Company, that Siam Future will control the management of the operations in RAC and will consolidate the financial statements of RAC in the financial statements of Siam Future.

Subsequently on 12 March 2007, the Company has sold all 10,000 ordinary shares of Major Online Company Limited to RAC for a consideration of Baht 1 million. As a result, the Company has loss on sales of investment amounting to Baht 2.62 million and Baht 1.59 million in the consolidated and company financial statements, respectively.

Thaiticketmajor Company Limited

On 8 June 2007, the Company acquired 40% of the share capital in ThaiTicketMaster.Com Company Limited for a consideration of Baht 31.20 million. ThaiTicketMaster.Com Company Limited engages in business as an agent for selling of tickets for shows and concerts. The fair value of net identifiable assets at the date of acquisition was Baht 6.87 million. The resulting goodwill of Baht 24.33 million will be amortised on a straight-line basis over 10 years. Subsequently on 20 June 2007, ThaiTicketMaster.Com Company Limited has changed its name to Thaiticketmajor Company Limited.

11 Investments in subsidiaries and associates (Cont'd)

a) Movements of investments in subsidiaries and associates are as follows: (Cont'd)

Major Cineplex Lifestyle Property Fund

On 13 June 2007, the Group has issued and offered 230 million investment units with a par value of Baht 10 of Major Cineplex Lifestyle Property Fund (the "Fund") to the public, totalling Baht 2,300 million.

On 27 June 2007, the Company has invested in 33% of the total issued investment units of the Fund, totalling Baht 759 million. The Fund will use the proceeds from the offering to invest in purchasing, leasing and/or subleasing property and equipment. The properties in which the Fund will invest are part of leasehold land and buildings which are properties of Ratchayothin Realty Company Limited, Ratchayothin Management Company Limited, Ratchayothin Cinema Company Limited, Major Cineplex Property Company Limited and Major Cineplex Services Company Limited which are subsidiaries of the Company.

Pacific Marketing and Entertainment Group Company Limited

During October 2007, Pacific Marketing and Entertainment Group Company Limited ("PMEG"), a subsidiary, has increased its share capital from 1.5 million shares to 10.0 million shares with a par value of Baht 10 per share, totalling Baht 100 million. The additional 8.5 million ordinary shares with a par value of Baht 10 per share, totalling Baht 85 million have been fully subscribed by Major Cineplex Group of which the consideration has been settled by way of converting the loans to PMEG to capital. After the subscription in the additional share capital, the investment portion of Major Cineplex Group in PMEG has increased from 79.99% to 96.99%.

Siam Future Development Public Company Limited

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 Pubic Company have been reduced from 25.15% to 21.25% as a result of sales.

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11 Investments in subsidiaries and associates (Cont'd)

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

	Nature of business	Nature of relationship	% Ownership interest	
			2007	2006
Subsidiaries				
Major Cineplex Property Co., Ltd.	Building space for rent	Shareholder	99.99	99.99
Major Cineplex Services Co., Ltd.	Utilities services	Shareholder	99.99	99.99
Chiangmai Cineplex Co., Ltd.	Cinema services	Shareholder	99.99	99.99
Ratchayothin Management Co., Ltd.	Utilities services	Shareholder	99	99
Ratchayothin Cinema Co., Ltd.	Cinema services	Shareholder	99.99	99.99
Ratchayothin Realty Co., Ltd.	Building space for rent	Shareholder	99.99	99.99
Major Bowl Group Co., Ltd.	Entertainment services	Shareholder	99.99	99.99
Major Cinead Co., Ltd.	Advertising and advisory services	Shareholder	99.93	99.93
Bangkok Imax Theater Co., Ltd.	Cinema services	Shareholder	99.94	99.94
Udon Five Star Cineplex Co., Ltd.	Cinema services	Shareholder	90.00	90.00
Siam Cineplex Co., Ltd.	Cinema services	Shareholder	99.99	99.99
EGV Entertainment Public Co., Ltd. ("EGV")	Cinema services	Shareholder	99.97	99.97
Pacific Marketing and Entertainment Group Co., Ltd. ("PMEG")	Distribution of VCD/DVD and film rights	Shareholder	96.99	79.99
M Pictures Co., Ltd.	Distribution of film rights	Shareholder	79.99	79.99
Subsidiaries under EGV				
Entertain Golden Village Exhibition Co., Ltd.	Cinema services, advertising services	Indirect Shareholding	99.96	99.96
EGV Exhibition Co., Ltd.	Cinema services, advertising services, area for rent of sales food beverage	Indirect Shareholding	99.96	99.96
EGV Five Star Co., Ltd.	Cinema services, advertising services	Indirect shareholding	89.97	89.97
Exertainment Co., Ltd.	Healthcare center and fitness center	Indirect shareholding	59.98	59.98
Subsidiaries under PMEG				
Pacific Media Sale Co., Ltd.	Distribution of tape, CD, VDO, VCD and DVD	Indirect Shareholding	96.41	79.98
Associates				
California Wow Experience Public Company Limited	Fitness center services and other related services	Shareholder	36.75	36.75
Siam Future Development Public Company Limited ("SF")	Rental of building space and utilities services	Shareholder	21.25	21.25
Ratchayothin Avenue Co., Ltd.	Rental of building space and utilities services	Shareholder Indirect shareholding via Siam Future	50.00 10.63	- -
Major Cineplex Lifestyle Property Fund	Rental of building and utilities services	Shareholder	33.00	-

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Thaiticketmajor Co., Ltd.	Agent for selling of tickets	Shareholder	40.00	-
Associates under PMEG				
Media Logistic Co., Ltd.	Providing of logistic services	Indirect shareholding	39.99	39.99

All subsidiaries and associates are incorporated in Thailand. All holdings are investments in ordinary shares and investment unit in the Property Fund.

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11 Investments in subsidiaries and associates (Cont'd)

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

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

	Assets	Liabilities	Revenues	Profit/(loss)	% Ownership
	Baht	Baht	Baht	Baht	Interest
Year ended 31 December 2007					
California Wow Experience Public Company Limited	739,316,100	600,746,225	595,100,141	(34,557,782)	36.75
Siam Future Development Public Company Limited	1,363,212,600	956,393,671	337,892,663	65,392,071	21.25
Ratchayothin Avenue Company Limited	449,482,149	389,175,911	1,641,319	(343,762)	60.63
Major Cineplex Lifestyle Property Fund	912,229,658	15,731,050	51,212,875	154,272,508	33.00
Thaiticketmajor Company Limited	46,520,307	33,623,418	36,069,974	8,223,152	40.00
	<u>3,510,760,814</u>	<u>1,995,670,275</u>	<u>1,021,916,972</u>	<u>192,986,187</u>	
Year ended 31 December 2006					
California Wow Experience Public Company Limited	645,627,179	468,089,522	452,914,827	10,835,411	36.75
Siam Future Development Public Company Limited	1,069,486,262	702,928,423	355,828,003	86,054,143	21.25
Major Online Company Limited	5,566,186	4,107,168	7,337,993	1,081,883	40.00
	<u>1,720,679,627</u>	<u>1,175,125,113</u>	<u>816,080,823</u>	<u>97,971,437</u>	

11 Investments in subsidiaries and associates (Cont'd)

c) Provision for liabilities on losses in subsidiaries

The subsidiaries, EGV Entertainment Public Co., Ltd. has provided a guarantee in respect of Exertainment Co., Ltd.'s bank loans amounting to Baht 43.4 million (2006: Baht 43.4 million) and Pacific Marketing and Entertainment Group Co., Ltd. ("PMEG") has provided loans to Pacific Media Sales Co., Ltd., a subsidiary under PMEG amounting to Baht 66.5 million (2006: Baht 71.0 million).

As at 31 December 2007, Exertainment Co., Ltd. and Pacific Media Sale Co., Ltd. have negative shareholders' equity amounting to Baht 92.57 million and Baht 37.39 million, respectively (2006: Baht 69.50 million and Baht 24.47 million, respectively). The Company has recognised a provision for liabilities arisen from these investments in respect of the guarantee obligation and the possible loans losses as aforementioned.

The movements of provision for liabilities on losses in relation to investments in Exertainment Co., Ltd. and Pacific Media Sale Co., Ltd. for the years ended 31 December 2007 and 2006 are as follows:

	Unit: Baht	
	Company	
	2007	As restated 2006
Opening balance	45,537,278	21,012,229
Additional provisions	15,200,378	24,525,049
Closing balance	<u>60,737,656</u>	<u>45,537,278</u>

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12 Property, plant and equipment, net

	Consolidated							Total	
	Land	Building and building improvements	Theatre and theatre improvements	Utilities system	Operating tools, equipment and fixtures	Office equipment	Motor vehicles		Construction in progress
At 31 December 2006									
Cost	34,909,553	1,064,112,561	2,892,796,371	797,304,107	2,982,249,483	234,927,980	31,993,544	119,845,489	8,158,139,088
<u>Less: Accumulated depreciation</u>	-	(352,585,768)	(878,036,649)	(386,547,718)	(1,419,658,652)	(153,251,116)	(11,755,772)	-	(3,201,835,675)
Net book value	<u>34,909,553</u>	<u>711,526,793</u>	<u>2,014,759,722</u>	<u>410,756,389</u>	<u>1,562,590,831</u>	<u>81,676,864</u>	<u>20,237,772</u>	<u>119,845,489</u>	<u>4,956,303,413</u>
For the year ended 31 December 2007									
Opening net book value	34,909,553	711,526,793	2,014,759,722	410,756,389	1,562,590,831	81,676,864	20,237,772	119,845,489	4,956,303,413
Additions	173,407,445	1,130,846	126,267,025	64,009,187	378,971,537	45,083,778	9,066,763	238,240,602	1,036,177,183
Transfer	-	-	54,145,292	10,365,859	45,619,704	1,737,927	-	(111,868,782)	-
Disposals, net	-	(374,670,678)	(8,280,283)	(139,132,425)	(36,516,600)	(4,884,958)	(1,114,724)	-	(564,599,668)
Write-off, net	-	(19,352,615)	(37,564,847)	(5,097,689)	(1,198,445)	(100,805)	(849,258)	-	(64,163,659)
Depreciation charge	-	(38,426,237)	(176,800,201)	(45,605,643)	(302,658,097)	(33,639,590)	(6,638,588)	-	(603,768,356)
Impairment charge	-	-	-	(784,866)	-	-	-	-	(784,866)
Closing net book value	<u>208,316,998</u>	<u>280,208,109</u>	<u>1,972,526,708</u>	<u>294,510,812</u>	<u>1,646,808,930</u>	<u>89,873,216</u>	<u>20,701,965</u>	<u>246,217,309</u>	<u>4,759,164,047</u>
At 31 December 2007									
Cost	208,316,998	418,866,647	2,881,323,577	626,369,927	3,256,601,220	270,870,453	37,478,048	246,217,309	7,946,044,179
<u>Less: Accumulated depreciation</u>	-	(138,658,538)	(908,796,869)	(331,074,249)	(1,609,792,290)	(180,997,237)	(16,776,083)	-	(3,186,095,266)
Allowance for impairment	-	-	-	(784,866)	-	-	-	-	(784,866)
Net book value	<u>208,316,998</u>	<u>280,208,109</u>	<u>1,972,526,708</u>	<u>294,510,812</u>	<u>1,646,808,930</u>	<u>89,873,216</u>	<u>20,701,965</u>	<u>246,217,309</u>	<u>4,759,164,047</u>

As at 31 December 2007, the costs of fully depreciated property and equipment that are still in use are amounting to Baht 1,222.31 million (2006: Baht 984.50 million).

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Additions during 2007 include Baht 28.90 million of assets acquired under finance lease agreements.

12 Property, plant and equipment, net (Cont'd)

Properties with the net book value amounting to Baht 372.77 million (2006: Baht 483.56 million) are pledged as collateral for bank borrowings (Note 15).

On 26 June 2007, the Group has sold utilities equipment and leased certain property and buildings to Major Cineplex Lifestyle Property Fund for the lease periods of 20 years 8 months and 30 years, with the lease of one particular building can be extended for another 30 years. The lease of land is determined to be operating lease whereas the lease of buildings is determined to be finance lease according to the substance of the related lease agreements. The net book value of the disposed assets are amounting to Baht 523 million. The Group has received Baht 1,802.67 million as consideration for the transaction, of which Baht 34.91 million and Baht 120.94 million respectively, representing advance for land rental and a deposit for extension of the building lease term, and are included in the Deferred rental and Deposits on the balance sheet accordingly. As a result, gain from disposals amounting to Baht 693.87 million (after elimination of inter-company profit of Baht 363.13 million, Note 11) has been recognised during the year.

During the year, the Group has transformed certain theatres into retail areas for rent and has written off the net book value of the related theatre improvements amounting to Baht 65.2 million.

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12 Property, plant and equipment, net (Cont'd)

	Company						Unit: Baht	
	Land	Theatre and theatre improvements	Utilities system	Operating tools, equipment and fixtures	Office equipment	Motor vehicles	Construction in progress	Total
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	-	759,228,580	62,737,750	591,224,924	39,953,602	11,674,842	79,112,373	1,543,932,071
For the year ended 31 December 2007								
Opening net book value	-	759,228,580	62,737,750	591,224,924	39,953,602	11,674,842	79,112,373	1,543,932,071
Additions	173,406,998	116,829,219	27,769,115	227,597,874	34,662,340	2,739,242	102,805,860	685,810,648
Transfer	-	54,145,293	6,716,976	21,798,109	603,335	-	(83,263,713)	-
Write-off, net	-	-	(3,173,887)	(167,018,134)	(283,392)	-	(41,838,000)	(212,313,413)
Depreciation charge	-	(81,219,257)	(7,633,058)	(134,433,719)	(15,803,505)	(3,271,856)	-	(242,361,395)
Closing net book value	173,406,998	848,983,835	86,416,896	539,169,054	59,132,380	11,142,228	56,816,520	1,775,067,911
At 31 December 2007								
Cost	173,406,998	1,245,392,828	122,972,020	1,040,633,463	106,586,350	19,929,500	56,816,520	2,765,737,679
<u>Less</u> Accumulated depreciation	-	(396,408,993)	(36,555,124)	(501,464,409)	(47,453,970)	(8,787,272)	-	(990,669,768)
Net book value	173,406,998	848,983,835	86,416,896	539,169,054	59,132,380	11,142,228	56,816,520	1,775,067,911

As at 31 December 2007, the costs of fully depreciated property and equipment that are still in use are amounting to Baht 226.88 million (2006: Baht 163.16 million).

Additions during 2007 included Baht 22.54 million (2006: Baht 15.35 million) of assets acquired under finance lease agreements.

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13 Leasehold rights, net

	Unit: Baht	
	Consolidated	Company
At 31 December 2006		
Cost	753,467,986	197,922,897
<u>Less</u> Accumulated amortisation	<u>(59,633,152)</u>	<u>(6,313,224)</u>
Net book value	<u>693,834,834</u>	<u>191,609,673</u>
For the year ended 31 December 2007		
Opening net book value	693,834,834	191,609,673
Additions	43,840,281	7,984,981
Disposals - net	(38,636,810)	-
Amortisation	<u>(33,148,990)</u>	<u>(8,339,824)</u>
Closing net book value	<u>665,889,315</u>	<u>191,254,830</u>
At 31 December 2007		
Cost	746,858,266	205,907,878
<u>Less</u> Accumulated amortisation	<u>(80,968,951)</u>	<u>(14,653,048)</u>
Net book value	<u>665,889,315</u>	<u>191,254,830</u>

Leasehold rights with the net book value amounting to Baht 206.75 million (2006: Baht 274.12 million) are pledged as collateral for bank borrowings (Note 15).

In relation to the buildings leased out to the Property Fund as mentioned in Note 12, the Group has forfeited the leasehold rights on which these buildings are located, in order for the Property Fund to be able to acquire the rights. The net book value amounting to Baht 38.64 million of the rights has been written off accordingly.

14 Intangible assets

	Unit: Baht	
	Consolidated	
	Film rights	Goodwill
At 31 December 2006		
Cost	580,909,133	192,420,138
<u>Less</u> Accumulated amortisation	<u>(285,360,283)</u>	<u>(51,714,995)</u>
Allowance for impairment	<u>(1,415,607)</u>	<u>-</u>
Net book value	<u>294,133,243</u>	<u>140,705,143</u>
For the year ended 31 December 2007		
Opening net book value	294,133,243	140,705,143
Additions	234,604,492	-
Disposals	-	(35,814,340)
Amortisation	<u>(210,644,109)</u>	<u>(23,116,348)</u>
Impairment charge	<u>(8,022,403)</u>	<u>-</u>
Closing net book value	<u>310,071,223</u>	<u>81,774,455</u>
At 31 December 2007		
Cost	815,513,625	156,605,798
<u>Less</u> Accumulated amortisation	<u>(496,004,392)</u>	<u>(74,831,343)</u>

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Allowance for impairment	<u>(9,438,010)</u>	<u>-</u>
Net book value	<u>310,071,223</u>	<u>81,774,455</u>

Goodwill relating to the property leased to the Property Fund amounting to Baht 35.8 million has been disposed.

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15 Borrowings

	Unit: Baht			
	Consolidated		Company	
	2007	2006	2007	2006
Current				
Bank overdrafts	46,167,318	31,847,229	11,481,530	1,742,864
Short-term loans from financial institutions	867,525,000	1,309,700,000	460,000,000	914,000,000
Total bank overdrafts and short-term loans from financial institutions	913,692,318	1,341,547,229	471,481,530	915,742,864
Current portion of borrowings:				
- Finance lease liabilities	13,435,307	2,822,866	11,952,990	2,822,866
- Bank borrowings	314,438,142	587,927,011	268,000,000	488,000,000
Total current portion of borrowings	327,873,449	590,749,877	279,952,990	490,822,866
Non-current portion of borrowings				
- Finance lease liabilities	6,418,598	3,854,311	4,519,329	3,216,542
- Bank borrowings	672,000,000	1,100,938,141	669,000,000	1,072,000,000
Total non-current portion of borrowings	678,418,598	1,104,792,452	673,519,329	1,075,216,542
Total borrowings	1,919,984,365	3,037,089,558	1,424,953,849	2,481,782,272

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

	Unit: Baht			
	Consolidated		Company	
	2007	2006	2007	2006
Opening balance	1,688,865,152	1,939,438,142	1,560,000,000	1,715,000,000
Borrowings	420,000,000	200,000,000	420,000,000	200,000,000
Repayments	(1,122,427,010)	(450,572,990)	(1,043,000,000)	(355,000,000)
Closing balance	986,438,142	1,688,865,152	937,000,000	1,560,000,000

Maturity of bank borrowings:

	Unit: Baht			
	Consolidated		Company	
	2007	2006	2007	2006
Within 1 year	314,438,142	587,927,010	268,000,000	488,000,000
Between 1 year and 2 years	321,000,000	514,000,000	318,000,000	499,000,000
Between 2 years and 5 years	351,000,000	586,938,142	351,000,000	573,000,000
	986,438,142	1,688,865,152	937,000,000	1,560,000,000

Short-term loans from financial institutions represent bill of exchange and promissory notes denominated in Thai Baht bearing interest at the rate ranging from 4.05% to 8.25% per annum (2006: 6.00% to 8.25% per annum).

Long-term bank borrowings bear interest at the rate ranging from 3.50% to 7.00% per annum (2006: 3.50% to 7.25% per annum) and are secured by the pledge of building and leasehold rights (Note 12 and 13).

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16 Other current liabilities

	Unit: Baht			
	Consolidated		Company	
	2007	2006	2007	2006
Provision for goods returned	12,779,347	17,825,805	-	-
Undue output VAT	148,345,188	81,884,452	51,269,299	22,693,220
Deferred revenue	2,392,460	1,552,553	700,080	661,379
Deposits and advance receipts	56,985,108	41,687,187	6,667,686	6,335,617
Others	29,192,510	26,701,121	6,245,855	4,641,715
	<u>249,694,613</u>	<u>169,651,118</u>	<u>64,882,920</u>	<u>34,331,931</u>

17 Share capital and premium on share capital

	Authorised number of shares	Issued and fully paid-up		
		Number of shares	Ordinary shares Baht	Share premium Baht
At 1 January 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	-	-	-
Issuance of shares	-	77,862,472	77,862,472	895,497,127
At 31 December 2006	906,776,533	787,185,105	787,185,105	2,735,696,694
Decrease of authorised shares	(20,776,533)	-	-	-
Increase of authorised shares	20,000,000	-	-	-
Issuance of shares	-	92,747,514	92,747,514	1,080,321,697
At 31 December 2007	906,000,000	879,932,619	879,932,619	3,816,018,391

The total authorised number of ordinary shares is 906,000,000 shares (2006: 906,776,533 shares) with a par value of Baht 1 per share (2006: Baht 1 per share).

At the Annual General Meeting of the shareholders held on 2 April 2007, the shareholders passed a resolution to approve the decrease of authorized share capital from 906,776,533 shares with a par value of Baht 1 per share to 886,000,000 shares with a par value of Baht 1 per share and increase of authorized share capital from 886,000,000 shares to 906,000,000 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 11 April 2007.

The new shares issued during the period are in connection with the exercises of warrants as mentioned in Note 18.

18 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.

At the Annual General Meeting of the shareholders held on 2 April 2007, the shareholders passed a resolution to approve to issue and offer 13,000,000 units warrants (ESOP-W3) the 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 issued date. The rate of right exercise is one unit of warrant is entitled to purchase one ordinary share.

The exercise ratio and price are detailed bellows:

	Issued date	Issued units Million	Exercise price Baht/unit	Exercise period	
				Start	End
ESOP-W1	27 May 2003	19.5	11.878	27 May 2003	15 June 2008
ESOP-W2	6 July 2004	3.5	14.732	6 July 2004	15 June 2008
ESOP-W3	30 November 2007	13.0	16.77	30 November 2007	15 November 2012

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 purchase ordinary shares of the Company. The warrants are registered and are transferable with a maturity period of 3 years from the issued date. The MAJOR-W1 had expired on 2 February 2007.

The exercise prices and ratios of warrants will be effective from 30 November 2007 onward are as follows:

	Exercise Ratio unit/share		Exercise price Baht/unit	
	Old	New	Old	New
ESOP-W1	1.086	1.108	12.120	11.878
ESOP-W2	1.016	1.037	15.032	14.732
ESOP-W3	-	1.000	-	16.770

During 2007, warrants are exercised by 1.52 million units, 3 million units and 74.71 million units of ESOP-W1, ESOP-W2 and MAJOR-W1, respectively. Proceeds from exercises of warrants during the year are amounting to Baht 1,037 million.

19 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.

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20 Minority interests

	Unit: Baht	
	Consolidated	
	2007	2006
Opening balance at 1 January	26,253,134	12,491,482
Share subscription in subsidiary received from minorities	-	20,000,000
Acquisition of shares in subsidiary from minorities	-	(3,900,000)
Share of net profit of subsidiaries	1,628,740	8,657,015
Share of net loss of subsidiaries	(25,001,098)	(10,078,083)
Dividend paid	(500,000)	(917,280)
Closing balance at 31 December	<u>2,380,776</u>	<u>26,253,134</u>

21 Other operating income

	Unit: Baht			
	Consolidated		Company	
	2007	2006	2007	2006
Management fee income	25,347,608	11,800,000	299,110,497	184,905,561
Interest income	4,593,969	4,022,702	145,311,092	101,960,232
Gain from reversal of rental payable	-	44,916,851	-	-
Other rental and services income	9,045,850	10,696,129	1,507,362	3,339,401
Gain on exchange rate	2,189,135	13,139,794	-	-
Property tax income	18,684,033	16,833,865	2,888,747	2,223,520
Support for construction of theatre	-	6,000,000	-	-
Others	35,106,089	29,139,384	11,059,505	13,619,861
	<u>94,966,684</u>	<u>136,548,725</u>	<u>459,877,203</u>	<u>306,048,575</u>

22 Operating profit

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

	Unit: Baht'000			
	Consolidated		Company	
	2007	2006	2007	2006
Depreciation on property and equipment (Note 12)	603,768	585,142	242,361	225,426
Amortisation of intangible assets				
- Goodwill (Note 14)	23,116	25,857	-	-
- Film rights (Note 14)	210,644	239,206	-	-
- Leasehold rights (Note 13)	33,149	25,804	8,340	3,660
Impairment of assets	8,807	1,416	-	-
Repairs and maintenance expenditure	56,738	65,686	27,257	31,959
Staff costs	570,818	499,095	262,207	208,532
Gain on disposals of assets to Property Fund	693,868	-	-	-
Loss from written-off of property, plant				

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and equipment	64,164	-	-	-
Doubtful debt	23,262	5,630	-	379

23 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 net profit adjusted for weighted average number of ordinary shares are assume for conversion of all dilutive potential ordinary shares being warrants as per Note 18.

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

	Consolidated					
	Net profit		Weighted average		Earnings	
	Baht		number of shares		per share	
	2007	2006	2007	2006	20	2006
For the years ended 31 December						
Basic earnings per share	1,226,964,301	695,176,415	866,513,626	754,071,358		0
The effect of dilutive potential shares	-	-	604,903	19,656,647		(0)
Diluted earnings per share	1,226,964,389	695,176,415	867,118,529	773,728,005		0

	Company					
	Net profit		Weighted average		Earnings	
	Baht		number of shares		per share	
	2007	As restated 2006	2007	2006	20	As restated 2006
For the years ended 31 December						
Basic earnings per share	1,762,632,201	345,108,083	866,513,626	754,071,358		
The effect of dilutive potential shares	-	-	604,903	19,656,647		(0)
Diluted earnings per share	1,762,632,283	345,108,083	867,118,529	773,728,005		

24 Dividends

At the Annual General Meeting of the shareholders held on 2 April 2007, the shareholders passed a resolution to approve dividends in respect of the operating results for the period from July to December 2006 at Baht 0.43 per share, totaling Baht 376.31 million. The dividends were distributed to the shareholders on 20 April 2007.

At the Board of Director Meeting held on 14 August 2007, the Board passed a resolution to approve interim dividends in respect of the operating results for the period from January to June 2007 at Baht 0.50 per share, totaling Baht 438.25 million. The dividends were distributed to the shareholders on 7 September 2007.

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 shareholders on 2 May 2006.

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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.

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25 Cash flows from operating activities

Reconciliation of net profit to cash flows from operating activities:

	Notes	Unit: Baht			
		Consolidated		Company	
		2007	2006	2007	As restated 2006
Net profit for the year		1,226,964,389	695,176,415	1,762,632,283	345,108,083
Adjustments for:					
Depreciation and amortisation	12,13	626,884,704	585,142,245	242,361,394	225,425,629
Amortisation charge of leasehold rights	13	243,793,099	290,867,079	8,339,824	3,660,425
Realised deferred revenue		(27,275,270)	(83,785,416)	(9,613,880)	(55,749,996)
Allowance for doubtful accounts		14,546,686	18,824,955	-	379,063
Provision for goods returns (reversal)		(5,046,458)	(15,316,986)	-	-
Loss on diminution in value of inventories		2,745,128	-	-	-
Gain from short-term investment		(986,788)	(4,990)	(986,788)	-
Gain on disposals of property, plant and equipment and leasehold rights		(693,868,274)	(271,546)	-	-
Loss on write-off of property, plant and equipment	12	64,163,657	9,949,923	-	7,268,867
Loss on impairment of assets		8,807,269	1,415,607	-	-
Shares of profit of investments in associates	11	(157,258,274)	(98,128,797)	-	-
Loss (profit) on disposal of investment in associates		432,486	(107,441,262)	(600,000)	(111,704,120)
Provision for liabilities on losses in subsidiaries	11	-	-	15,200,378	24,525,049
Dividend income		-	-	(1,388,530,167)	(21,685,092)
Minority interests		(23,372,358)	(1,421,068)	-	-
Changes in operating assets and liabilities:					
- trade accounts and notes receivable		(257,611,716)	(366,867,207)	(36,377,685)	(107,954,076)
- other accounts receivables - sponsors		102,645,093	(98,951,528)	36,232,572	(74,448,027)
- amounts due from related parties		(1,473,901)	(4,405,376)	(464,941,869)	7,910,591
- inventories		10,749,213	(68,185,470)	(5,981,351)	(10,406,245)
- value added tax receivable		(33,476,283)	(23,673,157)	(22,019,921)	(1,652,878)
- other current assets		(5,578,562)	(95,596,371)	32,839,714	(68,852,457)
- other assets		22,003,987	4,670,830	3,627,515	752,218
- trade accounts and notes payable		19,164,179	104,524,066	63,753,632	89,752,544
- amounts due to related parties		(1,440,325)	6,660,943	107,481,862	39,165,903
- accrued expenses		55,404,089	29,197,538	19,774,629	13,884,350
- other accounts payable		(26,542,668)	93,658,191	(10,568,103)	47,581,200
- accrued income tax		13,134,737	(25,408,116)	51,122,394	(39,430,672)
- other current liabilities		83,873,255	(8,233,688)	33,357,291	(26,175,311)
- advance receipt from sponsors		1,697,209	49,250,004	141,197,212	39,000,000
- other liabilities		20,918,246	6,941,841	4,211,039	(2,580,297)
Cash flows from operating activities		<u>1,283,996,549</u>	<u>898,588,659</u>	<u>582,511,975</u>	<u>323,774,751</u>

26 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.

The following material transactions were carried out with related parties:

i) Sales of goods and services and others

	Unit: Baht'000			
	Consolidated		Company	
	2007	2006	2007	2006
Management income				
Subsidiaries	-	-	273,845	173,106
Associates	20,466	-	20,466	-
Related companies	4,800	4,800	4,800	4,800
	<u>25,266</u>	<u>4,800</u>	<u>299,111</u>	<u>177,906</u>
Advertising income				
Subsidiaries	-	-	221,986	143,332
Interest income				
Subsidiaries	-	-	141,823	101,574
Associates	1,813	-	1,813	-
	<u>1,813</u>	<u>-</u>	<u>143,636</u>	<u>101,574</u>
Equipment rental income				
Subsidiaries	-	-	39,300	54,000
Rental and services income				
Associates	43,353	48,561	107	-
Related companies	10,510	-	649	-
	<u>53,863</u>	<u>48,561</u>	<u>756</u>	<u>-</u>
Dividends income				
Subsidiaries	-	-	1,329,500	3,669
Associates	-	-	59,030	18,016
	<u>-</u>	<u>-</u>	<u>1,388,530</u>	<u>21,685</u>

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**Sale of equipment and leases of property and
buildings**

Subsidiaries	-	-	163,014	-
Property Fund	1,802,674	-	-	-
	<u>1,802,674</u>	<u>-</u>	<u>163,014</u>	<u>-</u>

26 Related party transactions (Cont'd)

ii) Purchase of goods and services and others

	Unit: Baht'000			
	Consolidated		Company	
	2007	2006	2007	2006
Rental and service expenses				
Subsidiaries	-	-	40,338	55,976
Associates	88,420	17,498	61,239	4,342
Related companies	59,725	58,301	51,213	50,121
	<u>148,145</u>	<u>75,799</u>	<u>152,790</u>	<u>110,439</u>
Equipment rental expenses				
Subsidiaries	-	-	36,000	36,000
Associates	3,457	3,712	-	-
Related companies	21,600	21,600	21,600	21,600
	<u>25,057</u>	<u>25,312</u>	<u>57,600</u>	<u>57,600</u>
Interest expense				
Subsidiaries	-	-	43,743	13,674
Consulting fee				
Related company	23,400	23,400	23,400	23,400
IT services fee				
Associates	1,651	16,847	1,338	13,937
Sponsorship expense				
Subsidiaries	-	-	40,000	30,000
Purchases of leasehold right				
Associate	41,000	109,000	7,000	109,000
Purchases of fixed assets				
Subsidiaries	-	-	47,491	-
Director's remuneration	9,392	4,404	9,392	4,404

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

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Sponsorship fee
Film hire cost

Ageed prices as stipulated in the agreements
Ageed prices which approximate to market price

26 Related party transactions (Cont'd)

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

	Unit: Baht'000			
	Consolidated		Company	
	2007	2006	2007	2006
Trade accounts receivable (included in "Trade accounts and notes receivable")				
Subsidiaries	-	-	176,376	102,986
Associates	9,792	7,983	250	-
Related companies	572	-	62	-
	<u>10,364</u>	<u>7,983</u>	<u>176,688</u>	<u>102,986</u>
Other receivables				
Subsidiaries	-	-	788,847	328,282
Associates	5,917	4,456	5,503	1,127
Related companies	13	-	1	-
	<u>5,930</u>	<u>4,456</u>	<u>794,351</u>	<u>329,409</u>
Dividends receivables				
Subsidiaries	-	-	125,840	-
	<u>-</u>	<u>-</u>	<u>125,840</u>	<u>-</u>
Trade accounts payable (included in "Trade accounts and notes receivable")				
Subsidiaries	-	-	105,731	82,745
Associates	-	10,372	-	2,752
Related companies	7,056	-	-	-
	<u>7,056</u>	<u>10,372</u>	<u>105,731</u>	<u>85,497</u>
Other payables				
Subsidiaries	-	-	284,670	40,039
Associates	3,167	6,661	722	365
Related companies	2,654	600	2,593	600
	<u>5,821</u>	<u>7,261</u>	<u>287,985</u>	<u>41,004</u>
Advance received for land rental				
Property Fund	34,386	-	-	-
	<u>34,386</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deposits received				
Property Fund	120,003	-	-	-
	<u>120,003</u>	<u>-</u>	<u>-</u>	<u>-</u>

26 Related party transactions (Cont'd)

iv) Loans to related parties

	Unit: Baht'000	
	<u>Consolidated</u>	<u>Company</u>
For the year ended 31 December 2007		
Subsidiaries and associates		
Beginning balance	2,950	1,741,790
Loans made during the year	45,403	437,138
Loans repayments during the year	(22,968)	(321,015)
Ending balance	<u>25,385</u>	<u>1,857,913</u>

The loans to related parties are carrying interest at the rate ranging from 7.13% to 8.50% per annum (2006: 6.75% to 8.00% per annum) and there is no specific repayment date.

v) Loans from related parties

	Unit: Baht'000	
	<u>Company</u>	
For the year ended 31 December 2007		
Subsidiaries		
Beginning balance		220,346
Loans received during the year		890,633
Loans repaid during the year		(302,274)
Ending balance		<u>808,705</u>

The loans from subsidiaries are carrying interest at the rate ranging from 7.13% to 8.00% per annum (2006: 6.75% to 8.00% per annum) and there is no specific repayment date.

27 Commitments and contingencies

i) Bank guarantees

There are bank guarantees given on behalf of the Group to third parties amounting to Baht 151 million outstanding as at 31 December 2007 (2006: Baht 102 million).

ii) Guarantee

As of 31 December 2007, the Company and a subsidiary have given guarantees 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 (2006: Baht 808.2 million).

27 Commitments and contingencies (Cont'd)

iii) Operating lease commitments - where a group company is the lessee

As of 31 December, the Company and its 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:

	Unit: Million Baht			
	Consolidated		Company	
	2007	2006	2007	2006
Not later than 1 year	547	454	243	147
Later than 1 year but not later than 5 years	2,316	1,948	1,011	630
Later than 5 years	6,330	5,445	1,945	1,000
	9,193	7,847	3,199	1,777

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.

Capital commitments

Capital expenditure contracted for property, plant and equipment as of 31 December 2007 but not recognised in the financial statements is amounting to Baht 20.89 million. (2006: Baht 78.83 Million)

Commitment for acquisitions of film rights

As of 31 December 2007, the Group has commitments in respect of purchases of film rights amounting to Baht 213.60 million (2006: Baht 250.59 Million) payable over the next two years.

28 Post balance sheet events

i) Acquisition and disposal of investments

On 4 February 2008, the Company has completed the transactions of selling all 799,993 ordinary shares in M Pictures Company Limited to Traffic Corner Holding Public Company Limited ("TRAF") with offering price of Baht 320 per share for a consideration of Baht 256 million, and investing in 146,920,114 ordinary shares of TRAF at the price of Baht 1.84 per share, for consideration of Baht 270.3 million. The purchased shares represent 40.81% of share capital of TRAF.

ii) Addition of investment in an associate

At the Board of Directors' meeting held on 14 November 2007, the directors of the Company passed a resolution to purchase additional 36.75 million ordinary shares with a par value Baht 1.50 per share in an associate company, California Wow Experience Public Company Limited, to retain the percentage of shareholding at 36.75% for consideration of Baht 55.125 million. The additional shares are due for payment in January 2008.

28 Post balance sheet event (Cont'd)

iii) Investment in joint venture in India

On 26 February 2008, the directors of the Company pass a resolution to invest in a joint venture with P.V.R. Company Limited (P.V.R.), which is incorporated and listed in India. The joint venture will operate to provide bowling services with total investment of 90 million Indian Rupee. P.V.R. will hold 51% and the Company will hold 49% of the registered share capital of the joint venture. The portion of investment by the Company approximates to Baht 38.6 million.

iv) Cancellation of lease at Central World

On 14 December 2007, the Company has entered into agreement with the lessor for cancellation of lease and return the leased areas of theatres and bowling at Central World. The Company has agreed to return the aforementioned lease to the lessor on 6 January 2008 and the lessor has agreed to pay the compensation to the Company amounting to Baht 139 million. A partial payment amounting to Baht 5 million has been received by the Company on the agreement date and the lessor will pay the remaining of Baht 134 million upon the return of the leased area.