

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 2008 and 2007, 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 positions as at 31 December 2008 and 2007, 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
24 February 2009

MAJOR CINEPLEX GROUP PUBLIC COMPANY LIMITED

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

31 DECEMBER 2008

		Unit: Baht			
		Consolidated		Company	
Notes		2008	2007	2008	2007
Revenues					
	Service income	4,179,803,455	4,654,155,428	2,094,996,051	2,164,685,292
	Sales	1,148,653,967	1,150,692,179	343,649,687	308,940,343
	Other operating income	23 223,190,610	788,834,958	831,162,400	1,848,407,370
	Total revenues	<u>5,551,648,032</u>	<u>6,593,682,565</u>	<u>3,269,808,138</u>	<u>4,322,033,005</u>
Expenses					
	Cost of providing services	2,818,692,889	3,009,521,546	1,503,008,505	1,532,169,859
	Cost of sales	729,068,819	758,285,057	134,669,266	121,846,857
	Selling and administrative expenses	<u>1,229,712,564</u>	<u>1,388,518,763</u>	<u>676,192,377</u>	<u>635,624,193</u>
	Total expenses	<u>4,777,474,272</u>	<u>5,156,325,366</u>	<u>2,313,870,148</u>	<u>2,289,640,909</u>
	Operating profit	24 774,173,760	1,437,357,199	955,937,990	2,032,392,096
	Gain on disposals of investments	114,666,607	1,484,343	182,690,012	2,516,829
	Share of profit of investments in associates and joint venture	12 100,763,650	157,258,274	-	-
	Profit before finance costs and tax	989,604,017	1,596,099,816	1,138,628,002	2,034,908,925
	Finance costs	25 (88,234,750)	(119,129,000)	(119,797,774)	(121,530,049)
	Income tax	<u>(258,077,393)</u>	<u>(273,378,785)</u>	<u>(188,090,025)</u>	<u>(150,746,593)</u>
	Net profit for the year	<u>643,291,874</u>	<u>1,203,592,031</u>	<u>830,740,203</u>	<u>1,762,632,283</u>
Attributable profit (loss) to:					
	Shareholders of the parent	626,356,254	1,226,964,389	830,740,203	1,762,632,283
	Minority interest	22 16,935,620	(23,372,358)	-	-
		<u>643,291,874</u>	<u>1,203,592,031</u>	<u>830,740,203</u>	<u>1,762,632,283</u>
Earnings per share for profit attributable to the shareholders of the parent					
		26			
	Basic earnings per share	0.71	1.42	0.94	2.04
	Diluted earnings per share	0.71	1.41	0.94	2.03

The accompanying notes on pages 9 to 48 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 2008 and 2007

Unit: Baht

	Notes	Consolidated							Total	
		Issued and paid-up share capital	Share premium	Share subscription	Fair value reserve on available-for-sale investment	Legal reserve	Unappropriated retained earnings	Treasury shares and reserve		Minority interest
Opening balance at 1 January 2008		879,932,619	3,816,018,391	-	-	90,600,000	833,266,542	-	2,380,776	5,622,198,328
Issuance of ordinary shares	19	1,964,600	23,655,214	-	-	-	-	-	-	25,619,814
Reserve during the year	19	-	-	-	-	-	(15,548,640)	15,548,640	-	-
Net profit (loss) for the year		-	-	-	-	-	626,356,254	-	16,935,620	643,291,874
Dividends paid	27	-	-	-	-	-	(828,475,871)	-	(400,051)	(828,875,922)
Disposals		-	-	-	-	-	-	-	(25,422,978)	(25,422,978)
Treasury shares	19	-	-	-	-	-	-	(15,548,640)	-	(15,548,640)
Fair value reserve	8	-	-	-	444,423	-	-	-	-	444,423
Closing balance at 31 December 2008		<u>881,897,219</u>	<u>3,839,673,605</u>	<u>-</u>	<u>444,423</u>	<u>90,600,000</u>	<u>615,598,285</u>	<u>-</u>	<u>(6,506,633)</u>	<u>5,421,706,899</u>
Opening balance at 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	19	92,747,514	1,080,321,697	(136,040,990)	-	-	-	-	-	1,037,028,221
Legal reserve appropriation	21	-	-	-	-	27,077,897	(27,077,897)	-	-	-
Net profit (loss) for the year		-	-	-	-	-	1,226,964,389	-	(23,372,358)	1,203,592,031
Dividends paid	27	-	-	-	-	-	(814,552,135)	-	(500,000)	(815,052,135)
Closing balance at 31 December 2007		<u>879,932,619</u>	<u>3,816,018,391</u>	<u>-</u>	<u>-</u>	<u>90,600,000</u>	<u>833,266,542</u>	<u>-</u>	<u>2,380,776</u>	<u>5,622,198,328</u>

The accompanying notes on pages 9 to 48 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 2008 and 2007

								Unit: Baht
Company								
Notes	Issued and paid-up share capital	Share premium	Share subscription	Fair value reserve on available-for-sale investment	Legal reserve	Unappropriated retained earnings	Treasury shares and reserve	Total
Opening balance at 1 January 2008	879,932,619	3,816,018,391	-	-	90,600,000	569,043,635	-	5,355,594,645
Issuance of ordinary shares	19 1,964,600	23,655,214	-	-	-	-	-	25,619,814
Reserve during the year	19 -	-	-	-	-	(15,548,640)	15,548,640	-
Net profit for the year	-	-	-	-	-	830,740,203	-	830,740,203
Dividends paid	27 -	-	-	-	-	(828,475,871)	-	(828,475,871)
Treasury shares	19 -	-	-	-	-	-	(15,548,640)	(15,548,640)
Fair value reserve	8 -	-	-	444,423	-	-	-	444,423
Closing balance at 31 December 2008	<u>881,897,219</u>	<u>3,839,673,605</u>	<u>-</u>	<u>444,423</u>	<u>90,600,000</u>	<u>555,759,327</u>	<u>-</u>	<u>5,368,374,574</u>
Opening balance at 1 January 2007	787,185,105	2,735,696,694	136,040,990	-	63,522,103	(351,958,616)	-	3,370,486,276
Issuance of ordinary shares	19 92,747,514	1,080,321,697	(136,040,990)	-	-	-	-	1,037,028,221
Legal reserve appropriation	21 -	-	-	-	27,077,897	(27,077,897)	-	-
Net profit for the year	-	-	-	-	-	1,762,632,283	-	1,762,632,283
Dividends paid	27 -	-	-	-	-	(814,552,135)	-	(814,552,135)
Closing balance at 31 December 2007	<u>879,932,619</u>	<u>3,816,018,391</u>	<u>-</u>	<u>-</u>	<u>90,600,000</u>	<u>569,043,635</u>	<u>-</u>	<u>5,355,594,645</u>

The accompanying notes on pages 9 to 48 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 2008 and 2007

	Notes	Unit: Baht			
		Consolidated		Company	
		2008	2007	2008	2007
Cash flows from operating activities					
Cash generated from operating activities	28	1,368,657,088	1,661,616,553	605,622,168	773,485,936
Interest paid		(96,875,799)	(117,375,956)	(90,393,036)	(91,349,762)
Income tax paid		(285,194,327)	(260,244,048)	(194,542,402)	(99,624,199)
Net cash generated from operating activities		<u>986,586,962</u>	<u>1,283,996,549</u>	<u>320,686,730</u>	<u>582,511,975</u>
Cash flows from investing activities					
Payments for short-term investment	8	(510,000,000)	(850,000,000)	(510,000,000)	(850,000,000)
Receipts for short-term investment	8	649,595,868	548,082,471	649,595,868	548,082,471
Loans made to related parties	29	(50,407,200)	(46,077,604)	(223,589,399)	(437,494,297)
Loans payment received from related parties	29	24,169,703	22,968,000	434,064,053	236,014,794
Payments for investment in subsidiaries	12	(8,000,000)	-	(8,000,000)	-
Proceeds from disposals of investment in associate	12	-	1,000,000	-	1,000,000
Payments for investment in associates	12	(127,090,057)	(840,200,000)	(127,090,058)	(840,200,000)
Payments for investment in joint venture	12	(35,407,445)	-	(35,407,445)	-
Purchases of property, plant and equipment		(659,411,337)	(963,321,748)	(478,972,051)	(599,431,236)
Proceeds from disposals of property, plant and equipment and leasehold rights		165,904,767	1,809,731,176	164,403,764	212,313,413
Dividends received	12	97,410,694	59,030,231	109,220,642	1,262,690,167
Payments for deposits for leases and service contracts		-	(4,978,088)	-	(3,282,855)
Payments for leasehold rights		(15,000,000)	(43,840,281)	-	(7,984,981)
Payments for film rights		(261,436,155)	(272,482,989)	-	-
Net cash used in investing activities		<u>(729,671,162)</u>	<u>(580,088,832)</u>	<u>(25,774,626)</u>	<u>(478,292,524)</u>
Cash flows from financing activities					
(Increase) decrease in restricted cash		857,915	(1,341,092)	-	-
Proceeds (repayments) from short-term borrowings		181,000,000	(442,175,000)	150,000,000	(454,000,000)
Repayments of financial lease liabilities		(19,354,864)	(15,087,101)	(17,684,608)	(12,103,204)
Proceeds from loans from related parties	29	-	-	78,000,000	890,632,662
Proceeds from long-term borrowings	16	700,000,000	420,000,000	700,000,000	420,000,000
Repayments of loans from related parties	29	-	-	(86,741,002)	(302,273,554)
Repayments of long-term borrowings	16	(271,000,000)	#####	(268,000,000)	#####
Proceeds from issuance of shares	19	25,619,814	1,037,028,222	25,619,814	1,037,028,222
Dividends paid to shareholders	27	(828,418,306)	(814,455,437)	(828,418,306)	(814,455,437)
Dividends paid to minorities in subsidiaries	22	(400,051)	(500,000)	-	-
Payment for treasury shares	19	(15,548,640)	-	(15,548,640)	-
Net cash used in financing activities		<u>(227,244,132)</u>	<u>(938,957,418)</u>	<u>(262,772,742)</u>	<u>(278,171,311)</u>

The accompanying notes on pages 9 to 48 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 2008 and 2007

	Unit: Baht				
	Notes	Consolidated		Company	
		2008	2007	2008	2007
Net increase (decrease) in cash and cash equivalents		29,671,668	(235,049,701)	32,139,362	(173,951,860)
Cash and cash equivalents at the beginning of the year		169,647,851	404,697,552	67,086,058	241,037,918
Cash and cash equivalents at the end of the year	7	199,319,519	169,647,851	99,225,420	67,086,058

Non-cash transactions

Significant non-cash transactions are as follows:

Investment in property, plant and equipment not yet paid		182,037,824	36,658,934	65,429,999	25,985,648
Purchases of leasehold rights not yet paid		32,670,000	-	32,670,000	-
Purchases of film rights not yet paid		76,991,805	24,680,158	-	-
Purchases of property, plant and equipment under finance leases		27,275,529	28,263,829	27,275,529	22,536,115
Investment in subsidiaries by converting debt to equity		-	-	-	85,000,000
Offsetting dividend receivables with loans from and amounts due to related parties				392,840,000	101,162,000
Offsetting amounts due to related parties with loans to related parties		-	-	60,485,117	51,904,000
Investment in an associate by mean of share exchange	12	255,997,761	-	255,997,761	-

The accompanying notes on pages 9 to 48 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
- VCD, DVD and film distribution

These group consolidated and company financial statements were authorised for issue by the Board of Directors on 24 February 2009.

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.

Major Cineplex Group Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the years ended 31 December 2008 and 2007

2 Accounting policies (Cont'd)

2.1 Basis for preparation (Cont'd)

Comparatives

Certain items in the financial statements have been reclassified for comparative purposes, particularly the statements of income.

The reclassification of the revenue and expenses of 2007 are summarised as follows:-

	Unit: Baht'000	
	Consolidated 2007	Company 2007
Revenues		
Admissions	2,809,321	1,697,372
Advertising services and sponsorship income	935,324	275,792
Bowling and Karaoke services income	519,278	77,316
Rentals and services income	382,873	114,205
Fitness services income	7,360	-
	<u>4,654,156</u>	<u>2,164,685</u>
Service income		
Concessions sales	531,383	308,940
Sales of VCD/DVD and film rights	619,309	-
	<u>1,150,692</u>	<u>308,940</u>
Sales		
Gain on disposals of property, plant and equipment	693,868	-
Dividends income	-	1,388,530
Other income	94,967	459,877
	<u>788,835</u>	<u>1,848,407</u>
Other operating income		
Expenses		
Cost of film exhibition and theatre	2,408,790	1,473,906
Cost of providing advertising services	45,713	-
Cost of providing bowling and Karaoke services	343,567	45,277
Cost of rentals and services	206,913	12,987
Cost of providing fitness services	4,539	-
	<u>3,009,522</u>	<u>1,532,170</u>
Cost of providing services		
Cost of sales of concessions	209,537	121,847
Cost of sales of VCD/DVD and film rights	548,748	-
	<u>758,285</u>	<u>121,847</u>
Cost of sales		

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 New accounting standard and amendments to accounting standards

During 2007 and 2008, the Federation of Accounting Profession (“FAP”) has announced new standard and amendments to Thai Accounting Standards (“TAS”) as follows:

Revised standards

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

New standard

TAS 51: Intangible Assets

The amendments to accounting standards and the new accounting standard are effective for the period beginning on or after 1 January 2008 except TAS 29 which is effective for the lease contract started on or after 1 January 2008.

Accounting standards that are not yet effective and have not been early adopted by the Group.

TAS 36: Impairment of Assets

TAS 54: Non-current Assets Held for Sale and Discontinued Operations

These two standards are not expected to have a material impact on the financial statements being presented.

2.3 Group accounting - Investments in subsidiaries and associates and interests in joint venture

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, in respective of the extent of any minority interest.

2 Accounting policies (Cont'd)

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

a) Subsidiaries (Cont'd)

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

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of income.

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 method of accounting. Under the cost method income from investments in subsidiaries will be recorded when dividends are declared.

A list of the Group's principal subsidiaries and the financial effects of the acquisitions and disposals of are shown in Note 12.

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. In the consolidated financial statements, 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 impairment loss. The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of income, 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.

In the Company's financial statements, investments in associates are accounted for using the cost method of accounting.

A list of the Group's principal associates and the financial effects of acquisitions and disposals of associates are shown in Note 12.

2 Accounting policies (Cont'd)

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

c) Interests in joint venture

The Group's interests in jointly controlled entities are initially recorded at cost and accounted for by the equity method in the consolidated financial statements. The Group recognised interest in joint venture which included goodwill (net of accumulated amortisation). The Group's share of its joint venture's post-acquisition profits or losses is recognised in the consolidated statement of income, 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 interest in joint venture. When the Group's share of losses in joint venture equals or exceeds its interest in joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

In the Company financial statements, the cost method is applied to account for interests in joint venture. Under the cost method, income from interests in joint venture will be recorded when dividends are declared.

A list of the Group's joint venture and the financial effects of the acquisitions and disposals of joint venture are shown in Note 12.

2.4 Investments (other than subsidiaries and associates and interests in joint venture)

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 statement of income in the period in which they arise. In the statement of cash flows, trading investments are presented within the section on operating activities as part of changes in working capital (Note 28). 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.

General 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

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

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

2 Accounting policies (Cont'd)

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 included 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 of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the statement of income within 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.

2.10 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
Utility system	5, 10, 15 years
Tools and equipment	5, 10, 15, 20 years
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles (including vehicles under finance leases)	5 years

2 Accounting policies (Cont'd)

2.10 Property, plant and equipment (Cont'd)

Residual value and the estimated useful life of the assets are revised in every reporting balance sheet date.

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 statement of income 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 and is tested for impairment as part of the overall balance.

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

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or group of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Excess of the fair value of an acquisition over the cost of the Group's share of the net assets of the acquired subsidiary or associated undertaking at the date of acquisition is recognised in the statement of income.

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 in the statement of income immediately.

Leasehold rights

Land lease rights and leasehold rights of buildings are initially recognised at costs and amortised as expense over the lease periods.

2 Accounting policies (Cont'd)

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 lesser) are charged to the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lesser by way of penalty is recognised as an expense in the period in which termination takes place.

Leases - where a group company is the lesser

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with other similar property, plant and equipment owned by the Group. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.15 Borrowings

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

2.16 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 Accounting policies (Cont'd)

2.17 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 determined by reviewing of actual goods returns during the year and being calculated as the percentage to sales made during the year.

2.18 Revenue recognition

Revenues of the Group consist principally admissions, concession sales, advertising services, bowling and Karaoke services, rental and 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 leases and services are recognised over the period of the lease agreement.

Other revenues 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.

2.19 Deferred revenue

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

2.20 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 Accounting policies (Cont'd)

2.21 Dividends

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

2.22 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's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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 significant exposure to foreign currency risk relates due to its accounts receivable and accounts payable are mainly made in Thai Baht. The Group does not use any derivative financial instruments to hedge foreign currency exposure.

3.1.3 Credit risk

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

3.1.4 Liquidity risk

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

3 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 believe that their net book values are assumed to approximate their fair value.

4 Critical accounting estimates, assumption and judgements

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

4.1 Impairment of receivable

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

4.2 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4.3 Property, plant and equipment and intangible assets

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

5 Capital risk management

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

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

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6 Segment information

Financial information by business segment is as follows:-

	Consolidated				Unit: Million Baht	
	Cinema business	Bowling and Karaoke business	Rental and services	VCD/DVD and film rights distribution	Eliminated	Consolidated
For the year ended 31 December 2008						
Revenues	3,819	599	435	618	(41)	5,430
Segment result	674	15	190	(14)		865
Gain on disposals of property, plant and equipment						98
Unallocated costs						(190)
Operating profit						773
Gain on disposal of investment						115
Share of associates						101
Interest expense						(88)
Profit before tax						901
Tax						(258)
Net profit						643
Segment fixed assets	5,330	1,052	821	584		7,787
Investment in associates						1,536
Unallocated assets						346
Consolidated total assets						9,669
Impairment charge						9

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6 Segment information (Cont'd)

	Consolidated				Unit: Million Baht	
	Cinema business	Bowling and Karaoke business	Rental and services	VCD/DVD and film rights distribution	Eliminated	Consolidated
For the year ended 31 December 2007						
Revenues	4,274	555	540	627	(96)	5,900
Segment result	772	25	278	(105)		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)
Net profit						1,204
Segment fixed assets	5,080	1,120	509	801		7,510
Investment in associates						1,169
Unallocated assets						615
Consolidated total assets						9,294
Impairment charge						17

Major Cineplex Group Public Company Limited
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6 Segment information (Cont'd)

Unallocated costs represent corporate expenses. Segment assets consist primarily property and equipment, intangible assets, inventories, receivables and operating cash and mainly exclude investments.

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.

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.

In 2008, the Group has discontinued the operations of fitness centre services which has the revenue and operating loss amounting to Baht 8 million and Baht 12 million respectively in 2007.

7 Cash and cash equivalents

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Cash on hand	49,354,689	77,450,476	27,878,141	41,786,342
Deposits held at call with banks	192,033,388	138,364,693	78,980,117	36,781,246
Cash and bank balances	<u>241,388,077</u>	<u>215,815,169</u>	<u>106,858,258</u>	<u>78,567,588</u>

The effective interest rates on short-term bank deposit are ranging from 0.75% to 2.50% per annum (2007: 0.75% to 2.00% per annum).

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

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Cash on hand and deposits held at call with banks	241,388,077	215,815,169	106,858,258	78,567,588
Bank overdrafts (Note 16)	(42,068,558)	(46,167,318)	(7,632,838)	(11,481,530)
Cash and cash equivalents	<u>199,319,519</u>	<u>169,647,851</u>	<u>99,225,420</u>	<u>67,086,058</u>

8 Short-term investment

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

	Unit: Baht
	Consolidated and Company
Opening book value	302,904,317
Additions	510,000,000
Disposals	(642,904,317)
Change in fair value of available-for-sale investments	444,423
Closing book value	<u>170,444,423</u>

The Company disposed certain short-term investment during the year and derived gain on disposal of Baht 6.7 million.

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9 Trade accounts and notes receivable, net

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Unbilled revenue - advertising	17,107,078	19,601,567	-	-
Notes receivable	24,777,660	10,816,461	40,000	56,000
Trade accounts receivable				
- advertising	761,918,575	641,896,648	226,362,780	166,423,520
- sales of VCD, DVD and film rights	316,986,235	366,471,809	-	-
- others	147,911,006	145,898,964	111,049,539	97,156,354
Total	1,268,700,554	1,184,685,449	337,452,319	263,635,874
<u>Less</u> Allowance for doubtful accounts	(19,595,453)	(19,114,327)	-	-
Trade accounts and notes receivable, net	<u>1,249,105,101</u>	<u>1,165,571,122</u>	<u>337,452,319</u>	<u>263,635,874</u>

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

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Unbilled revenue - advertising	17,107,078	19,601,567	-	-
Trade accounts and notes receivable				
Current	472,542,487	681,163,456	169,363,430	145,088,782
Overdue not more than 3 months	214,082,606	261,544,278	53,088,087	79,335,696
3 - 6 months	433,947,308	58,899,580	42,152,830	16,597,658
Over 6 months	131,021,075	163,476,568	72,847,972	22,613,738
Total	1,268,700,554	1,184,685,449	337,452,319	263,635,874
<u>Less</u> Allowance for doubtful accounts	(19,595,453)	(19,114,327)	-	-
Trade accounts and notes receivable, net	<u>1,249,105,101</u>	<u>1,165,571,122</u>	<u>337,452,319</u>	<u>263,635,874</u>

10 Inventories, net

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Foods and beverages (net with provision)	25,948,803	18,853,664	14,269,377	14,571,463
VCD and DVD (net with provision)	75,773,637	84,968,522	-	-
Supplies (net with provision)	30,383,901	29,829,540	17,862,278	10,627,701
	<u>132,106,341</u>	<u>133,651,726</u>	<u>32,131,655</u>	<u>25,199,164</u>

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11 Other current assets

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Prepaid expenses	27,001,006	32,629,372	12,987,768	14,946,863
Value added tax receivable	206,965,315	173,996,331	54,533,032	36,635,691
Other accounts receivable	27,370,369	8,117,045	25,588,755	3,744,334
Others	28,184,115	117,266,844	11,217,032	34,125,616
	<u>289,520,805</u>	<u>332,009,592</u>	<u>104,326,587</u>	<u>89,452,504</u>

12 Investments in subsidiaries and associates and interests in joint venture

- a) **Movements of investments in subsidiaries and associates and interests in joint venture are as follows:**

	Unit : Baht	
	Company	
	2008	2007
Investments in subsidiaries	1,680,680,317	1,752,679,617
<u>Less</u> Allowance for impairment	(18,100,000)	(18,100,000)
Investment in subsidiaries - net	<u>1,662,580,317</u>	<u>1,734,579,617</u>

	Unit : Baht
	Company
Investment in subsidiaries	
Opening net book amount	1,734,579,617
Acquisition	8,000,000
Disposal	(79,999,300)
Closing net book amount	<u>1,662,580,317</u>

Udorn Five Star Cineplex Co., Ltd.

In December 2008, the Company has acquired 39,000 ordinary shares in Udorn Five Star Cineplex Co., Ltd. ("UDF") from minorities at Baht 205 per share, representing 10% of paid-up share capital, for a total consideration of Baht 8 million. As a result of this acquisition, the Company owns 99.99% of UDF's registered shares capital. The fair value of UDF's net assets as on the acquisition date was Baht 5.74 million. Goodwill recognised from this acquisition is Baht 2.26 million.

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12 Investments in subsidiaries and associates and interests in joint venture (Cont'd)

- a) **Movements of investments in subsidiaries and associates and interests in joint venture are as follows: (Cont'd)**

	Unit: Baht	
	Consolidated	Company
Investments in associates		
As at 31 December 2007		
Investment amount	1,524,734,233	1,304,808,758
<u>Less</u> Unrealised gain on disposals of assets to the Property Fund	(356,184,212)	-
Net book amount	<u>1,168,550,021</u>	<u>1,304,808,758</u>
Opening net book amount	1,168,550,021	1,304,808,758
Acquisition		
- Traffic Corner Holdings Public Company Limited	270,333,010	270,333,010
- California WoW Experience Public Company Limited	55,306,018	55,306,018
- Siam Future Development Public Company Limited	57,448,790	57,448,790
Realised gain on disposals of assets to the Property Fund	13,897,711	-
Dividends received	(97,410,694)	-
Share of results	106,664,051	-
	<u>1,574,788,907</u>	<u>1,687,896,576</u>
<u>Less</u> Elimination of gain on disposals of investments to an associate	(68,023,405)	-
Closing net book amount	<u>1,506,765,502</u>	<u>1,687,896,576</u>
As at 31 December 2008		
Investment amount	1,849,052,003	1,687,896,576
<u>Less</u> Unrealised gain on disposals of assets to the Property Fund	(342,286,501)	-
Net book amount	<u>1,506,765,502</u>	<u>1,687,896,576</u>

Gain on disposals of assets to Major Cineplex Lifestyle Property Fund will be realised on the straight-line basis over the lease contracts periods of the buildings leased out to the Property Fund. During 2008, Baht 13.90 million has been realised in the statement of income (2007: Baht 6.95 million).

As at 31 December 2008, investment in associates included net book value of goodwill amounting to Baht 390 million (2007: Baht 120.13 million).

Traffic Corner Holdings Public Company Limited

On 4 February 2008, the Company sold all 799,993 ordinary shares (79.99%) in M Pictures Company Limited ("MP") to Traffic Corner Holdings Public Company Limited ("TRAF") at the price of Baht 320 per share for a total consideration of Baht 256 million, resulting in a gain of Baht 176 million. The Company has also acquired 146,920,114 ordinary shares of TRAF at the price of Baht 1.84 per share, for consideration of Baht 270.3 million, by exchange of ordinary shares of MP at the fair value of Baht 256 million and payment by cash of Baht 14 million. The percentage of shareholding in TRAF is 40.81% after completion of these transactions. Goodwill arisen from the acquisition of investment in TRAF is amounting to Baht 269.57 million. In the consolidated financial statements, gain on disposal of investment in MP amounting to Baht 108 million, has been recognised to the extent of third parties' holding in TRAF.

12 Investments in subsidiaries and associates and interests in joint venture (Cont'd)

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

Net assets acquired and goodwill arisen from the acquisition are as follows:

	Unit: Baht
Proceed used in the acquisitions	
- Cash payment	14,335,249
- Fair value of ordinary shares in M Pictures Company Limited	255,997,761
Total proceed used in the acquisitions	270,333,010
<u>Less</u> Fair value of net assets acquired	<u>(767,632)</u>
Goodwill	<u>269,565,378</u>

Details of assets and liabilities in MP disposed:

	2008 Baht
Other current assets	292,013,300
Property, plant and equipment, net	6,734,444
Other assets	153,574,539
Total liabilities	<u>(358,584,235)</u>
	<u>93,738,048</u>

Sales and service income, results and net cash flows of MP disposed are as follows:

	2007 Baht
Sales	285,579,890
Operating costs	<u>(297,321,729)</u>
Operating (loss)	(11,741,839)
Finance cost	<u>(16,904,484)</u>
(Loss) before tax	(28,646,323)
Income tax	<u>(12,950,261)</u>
(Loss) after tax	<u>(41,596,584)</u>

On 29 April 2008, TRAF has registered to change its name to M Pictures Entertainment Public Company Limited.

California WoW Experience Public Company Limited

On 16 January 2008, the Company has invested in 36.75 million newly issued ordinary shares at 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. Furthermore, the Company has acquired an additional 120,679 ordinary shares at Baht 1.50 per share, totalling Baht 181,019. After the acquisitions, the percentage of shareholding has increased from 36.75% to 36.79%.

12 Investments in subsidiaries and associates and interests in joint venture (Cont'd)

- a) **Movements of investments in subsidiaries and associates and interests in joint venture are as follows: (Cont'd)**

Siam Future Development Public Company Limited (“SF”)

On 24 December 2008, the Company has acquired 15 million ordinary shares of Siam Future Development Public Company Limited (“SF”) at Baht 3.70 per share, representing 3% of paid-up share capital, for the consideration of Baht 57.4 million. As a result of this acquisition, the Company holds 24.10% of SF’s registered shares. Negative goodwill arisen from this acquisition amounting to Baht 34 million has been recognised as other income in the consolidated statement of income.

Net assets acquired and negative goodwill arisen from the acquisition are as follows:

	Unit: Baht
Proceed used in the acquisitions - Cash payment	57,448,790
<u>Less</u> Fair value of net assets acquired	<u>(91,337,000)</u>
Negative goodwill	<u>(33,888,210)</u>

	Unit: Baht
	Consolidated Company
Investment in joint venture	
Opening book amount	- -
Investment in joint venture	
- PVR bluO Entertainment Limited	35,407,445 35,407,445
Share of result	<u>(5,900,400) -</u>
Closing book amount	<u>29,507,045 35,407,445</u>

PVR bluO Entertainment Limited

On 26 February 2008, the directors of the Company passed a resolution to invest in a joint venture with PVR Company Limited (“PVR”), which is incorporated and listed in India. The joint venture, registered as PVR bluO Entertainment Limited, provides Bowling, Karaoke and Ice-skating services with total investment of Indian Rupee 90 million. PVR holds 51% and the Company holds 49% of the registered share capital of the joint venture which is approximate to Baht 35.4 million. As of 31 December 2008, the Company has fully paid of the Company’s portion. The joint venture currently is in the process of installing equipment and plans to operate in 2009.

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12 Investments in subsidiaries and associates and interests in joint venture (Cont'd)

b) **The details of investments in subsidiaries and associates and interests in joint venture are as follows:**

	Nature of business	Nature of relationship	% Ownership interest	
			2008	2007
Subsidiaries				
Major Cineplex Property Co., Ltd.	Building space for rent	Shareholder	99.99	99.99
Major Cineplex Services Co., Ltd.	Utility services	Shareholder	99.99	99.99
Chiangmai Cineplex Co., Ltd.	Cinema services	Shareholder	99.99	99.99
Ratchayothin Management Co., Ltd.	Utility services	Shareholder	99.99	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.	Bowling, Karaoke and 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
Udorn Five Star Cineplex Co., Ltd.	Cinema services	Shareholder	99.99	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	96.99
M Pictures Co., Ltd.	Distribution of film rights	Shareholder	-	79.99
Subsidiaries under EGV				
Entertain Golden Village Exhibition Co., Ltd.	Cinema services, advertising services	Indirect Shareholding	99.96	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	96.41
Associates				
California Wow Experience Public Company Limited	Fitness center services and other related services	Shareholder	36.79	36.75
Siam Future Development Public Company Limited ("SF")	Rental of building space and utilities services	Shareholder	24.10	21.25
Ratchayothin Avenue Co., Ltd.	Rental of building space and utilities services	Shareholder	50.00	50.00
		Indirect shareholding via Siam Future	12.05	10.63

12 Investments in subsidiaries and associates and interests in joint venture (Cont'd)

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

	Nature of business	Nature of relationship	% Ownership interest	
			2008	2007
Associates				
Major Cineplex Lifestyle Property Fund	Rental of building and utilities services	Shareholder	33.00	33.00
Thaiticketmajor Co., Ltd.	Agent for selling of tickets	Shareholder	40.00	40.00
M Pictures Entertainment Public Company Limited (Formerly "Traffic Corner Holdings Public Company Limited")	Publishing, advertising and distribution of film rights	Shareholder	40.81	-
Associates under PMEG				
Media Logistic Co., Ltd.	Providing of logistic services	Indirect shareholding	47.51	39.99
Joint venture				
PVR bluO Entertainment Limited	Bowling, karaoke and entertainment services	Shareholder	49.00	-

All subsidiaries and associates are incorporated in Thailand except the joint venture which is incorporates in India. All holdings are investments in ordinary shares and investment unit in the Property Fund.

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12 Investments in subsidiaries and associates and interests in joint venture (Cont'd)

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

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

	Assets Baht	Liabilities Baht	Revenues Baht	Profit/(loss) Baht	% Ownership Interest
Year ended 31 December 2008					
California Wow Experience Public Company Limited	697,874,209	548,204,855	648,200,119	(42,413,669)	36.79
Siam Future Development Public Company Limited	1,526,752,396	1,068,177,500	360,684,760	79,787,906	24.10 (21.25 during the year)
Ratchayothin Avenue Company Limited	569,085,753	421,876,742	174,229,923	107,084,693	60.57
Major Cineplex Lifestyle Property Fund	2,761,787,154	53,705,202	299,415,562	62,746,037	33.00
Thaiticketmajor Company Limited	30,405,932	16,230,240	33,236,800	6,078,804	40.00
M Pictures Entertainment Public Company Limited	246,554,037	161,222,245	113,583,049	(108,166,906)	40.81
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

12 Investments in subsidiaries and associates and interests in joint venture (Cont'd)

c) Provision for liabilities on losses in subsidiaries

The subsidiaries, EGV Entertainment Public Co., Ltd. has provided a guarantee for Exertainment Co., Ltd.'s bank loans amounting to Baht 43.4 million (2007: 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 60.40 million (2007: Baht 66.50 million).

As at 31 December 2008, Exertainment Co., Ltd. and Pacific Media Sales Co., Ltd. have negative shareholders' equity amounting to Baht 90.15 million and Baht 52.66 million, respectively (2007: Baht 92.57 million and Baht 37.79 million). 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 such companies for the years ended 31 December 2008 and 2007 are as follows:

	Unit: Baht	
	Company	
	2008	2007
Opening balance	60,737,656	45,537,278
Additional provisions	63,975,669	15,200,378
Closing balance	<u>124,713,325</u>	<u>60,737,656</u>

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13 Property, plant and equipment, net

	Consolidated							Unit: Baht	
	Land	Building and building improvements	Theatre and theatre improvements	Utility system	Tools, equipment and fixtures	Office equipment	Motor vehicles	Construction in progress	Total
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</u> Accumulated depreciation	-	(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>
For the year ended 31 December 2008									
Opening net book value	208,316,998	280,208,109	1,972,526,708	294,510,812	1,646,808,930	89,873,216	20,701,965	246,217,309	4,759,164,047
Additions	-	52,092,206	104,182,448	77,890,815	229,533,120	24,926,145	6,474,159	367,825,831	862,924,724
Transfer	-	163,977,428	67,959,846	31,748,369	57,686,175	90,369	-	(321,462,187)	-
Reclassification	-	-	(14,564,020)	-	4,758,300	9,805,720	-	-	-
Disposals of investment in a subsidiary (Note 12)	-	-	-	-	(1,249,010)	(3,038,326)	(2,447,108)	-	(6,734,444)
Disposals, net	-	(15,525)	(363,572)	(6,498,031)	(6,840,194)	(87,087)	(1,349,871)	-	(15,154,280)
Write-off, net	-	(39,782,256)	(36,864,629)	(121,531)	(4,145,469)	(6,425)	-	-	(80,920,310)
Depreciation charge	-	(23,873,778)	(179,442,669)	(38,251,189)	(300,041,626)	(33,431,932)	(5,282,442)	-	(580,323,636)
Impairment charge	-	-	-	-	(6,108,258)	(170,821)	-	-	(6,279,079)
Closing net book value	<u>208,316,998</u>	<u>432,606,184</u>	<u>1,913,434,112</u>	<u>359,279,245</u>	<u>1,620,401,968</u>	<u>87,960,859</u>	<u>18,096,703</u>	<u>292,580,953</u>	<u>4,932,677,022</u>
At 31 December 2008									
Cost	208,316,998	593,232,392	2,983,884,816	711,670,069	3,437,372,875	300,199,179	33,138,204	292,580,953	8,560,395,486
<u>Less</u> Accumulated depreciation	-	(160,626,208)	(1,070,450,704)	(352,390,824)	(1,810,862,649)	(212,067,499)	(15,041,501)	-	(3,621,439,385)
Allowance for impairment	-	-	-	-	(6,108,258)	(170,821)	-	-	(6,279,079)
Net book value	<u>208,316,998</u>	<u>432,606,184</u>	<u>1,913,434,112</u>	<u>359,279,245</u>	<u>1,620,401,968</u>	<u>87,960,859</u>	<u>18,096,703</u>	<u>292,580,953</u>	<u>4,932,677,022</u>

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

As at 31 December 2008, the costs of fully depreciated property and equipment that are still in use are amounting to Baht 1,163.37 million (2007: Baht 1,222.31 million).

Additions during 2008 include Baht 27.28 million of assets acquired under finance lease agreements (2007: Baht 28.90 million).

Properties with the net book value amounting to Baht 372.77 million (2007: Baht 372.77 million) are pledged as collateral for bank borrowings (Note 16).

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 12)) has been recognised during the year.

On 6 January 2008, a subsidiary has agreed to return the leased areas of theatres and bowling at Central World. The lessor has agreed to pay the compensation to the subsidiary amounting to Baht 139 million. The related property and equipment with the net book value of Baht 40.6 million have been written off accordingly and the gain on disposal amounting to Baht 98.4 million has been recognised.

During the year 2007, 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 65.20 million.

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

	Company						Unit: Baht	
	Land	Building, theatre and theatre improvements	Utility system	Tools, equipment and fixtures	Office equipment	Vehicles	Construction in progress	Total
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
Less Accumulated depreciation	-	(396,408,993)	(36,555,124)	(501,464,409)	(47,453,970)	(8,787,272)	-	(990,669,768)
Net book value	<u>173,406,998</u>	<u>848,983,835</u>	<u>86,416,896</u>	<u>539,169,054</u>	<u>59,132,380</u>	<u>11,142,228</u>	<u>56,816,520</u>	<u>1,775,067,911</u>
For the year ended 31 December 2008								
Opening 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
Additions	-	153,114,184	68,665,133	145,820,663	17,332,788	6,474,159	185,176,789	576,583,716
Transfer	-	103,208,292	30,467,424	53,551,654	-	-	(187,227,370)	-
Write-off, net	-	(36,493,096)	(121,531)	(4,137,295)	-	-	-	(40,751,922)
Disposals, net	-	(15,102)	(6,340,138)	(8,177,700)	(190,339)	(1,349,870)	(8,847,376)	(24,920,525)
Depreciation charge	-	(86,926,139)	(12,348,140)	(118,547,989)	(18,912,272)	(3,068,931)	-	(239,803,471)
Closing net book value	<u>173,406,998</u>	<u>981,871,974</u>	<u>166,739,644</u>	<u>607,678,387</u>	<u>57,362,557</u>	<u>13,197,586</u>	<u>45,918,563</u>	<u>2,046,175,709</u>
At 31 December 2008								
Cost	173,406,998	1,434,284,917	198,753,746	1,188,326,107	123,420,868	20,255,659	45,918,563	3,184,366,858
Less Accumulated depreciation	-	(452,412,943)	(32,014,102)	(580,647,721)	(66,058,311)	(7,058,073)	-	(1,138,191,149)
Net book value	<u>173,406,998</u>	<u>981,871,974</u>	<u>166,739,644</u>	<u>607,678,387</u>	<u>57,362,557</u>	<u>13,197,586</u>	<u>45,918,563</u>	<u>2,046,175,709</u>

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

As at 31 December 2008, the costs of fully depreciated property and equipment that are still in use are amounting to Baht 291.62 million (2007: Baht 226.88 million).

Additions during 2008 included Baht 27.28 million (2007: Baht 22.54 million) of assets acquired under finance lease agreements.

Leased assets included above, where the Group and the Company is a lessee under a finance lease, comprise lease space, motor vehicles and computer equipment:

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Cost - capitalised finance leases	66,263,943	40,617,915	58,675,531	33,029,502
<u>Less</u> Accumulated depreciation	(16,395,811)	(7,951,393)	(12,591,518)	(5,494,378)
Net book amount	<u>49,868,132</u>	<u>32,666,522</u>	<u>46,084,013</u>	<u>27,535,124</u>

14 Intangible assets, net

	Unit: Baht				
	Consolidated				Total
	Leasehold rights	Film rights	Goodwill	Computer program	
At 31 December 2007					
Cost	746,858,266	815,513,625	156,605,798	983,128	1,719,960,817
<u>Less</u> Accumulated amortisation	(80,968,951)	(496,004,392)	(74,831,343)	(726,317)	(652,531,003)
Allowance for impairment	-	(9,438,010)	-	-	(9,438,010)
Net book value	<u>665,889,315</u>	<u>310,071,223</u>	<u>81,774,455</u>	<u>256,811</u>	<u>1,057,991,804</u>
For the year ended 31 December 2008					
Opening net book value	665,889,315	310,071,223	81,774,455	256,811	1,057,991,804
Additions	47,670,000	334,499,190	2,257,537	2,012,510	386,439,237
Disposals of investment in a subsidiary (Note 12)	-	(144,149,496)	-	-	(144,149,496)
Amortisation	(32,944,722)	(351,152,239)	-	(257,430)	(384,354,391)
Impairment charge	(178,985)	(2,486,878)	-	-	(2,665,863)
Closing net book value	<u>680,435,608</u>	<u>146,781,800</u>	<u>84,031,992</u>	<u>2,011,891</u>	<u>913,261,291</u>
At 31 December 2008					
Cost	794,528,266	1,005,863,319	158,863,335	2,995,638	1,962,250,558
<u>Less</u> Accumulated amortisation	(113,913,673)	(847,156,631)	(74,831,343)	(983,747)	(1,036,885,394)
Allowance for impairment	(178,985)	(11,924,888)	-	-	(12,103,873)
Net book value	<u>680,435,608</u>	<u>146,781,800</u>	<u>84,031,992</u>	<u>2,011,891</u>	<u>913,261,291</u>

Leasehold rights with the net book value amounting to Baht 191.59 million (2007: Baht 206.75 million) are pledged as collateral for bank borrowings (Note 16).

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14 Intangible assets, net (Cont'd)

	<u>Unit: Baht</u>
	<u>Company</u>
	<u>Leasehold rights</u>
At 31 December 2007	
Cost	205,907,878
<u>Less</u> Accumulated amortisation	<u>(14,653,048)</u>
Net book value	<u>191,254,830</u>
For the year ended 31 December 2008	
Opening net book value	191,254,830
Additions	32,670,000
Amortisation	<u>(8,975,074)</u>
Closing net book value	<u>214,949,756</u>
At 31 December 2008	
Cost	238,577,878
<u>Less</u> Accumulated amortisation	<u>(23,628,122)</u>
Net book value	<u>214,949,756</u>

15 Other non-current assets, net

	<u>Unit: Baht</u>			
	<u>Consolidated</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Deposits	115,651,756	87,292,390	38,880,153	41,710,939
Others	2,518,108	22,083,304	701,811	2,918,735
	<u>118,169,864</u>	<u>109,375,694</u>	<u>39,581,964</u>	<u>44,629,674</u>

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16 Borrowings

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Current				
Bank overdrafts	42,068,558	46,167,318	7,632,838	11,481,530
Short-term loans from financial institutions	795,400,000	867,525,000	610,000,000	460,000,000
Total bank overdrafts and short-term loans from financial institutions	837,468,558	913,692,318	617,632,838	471,481,530
Current portion of long-term borrowings:				
- Finance lease liabilities	7,104,074	13,435,307	5,708,078	11,952,990
- Bank borrowings	417,000,000	314,438,142	378,000,000	268,000,000
Total current portion of long-term borrowings	424,104,074	327,873,449	383,708,078	279,952,990
Non-current portion of borrowings				
- Finance lease liabilities	20,670,495	6,418,598	20,355,163	4,519,329
- Bank borrowings	991,000,000	672,000,000	991,000,000	669,000,000
Total non-current portion of borrowings	1,011,670,495	678,418,598	1,011,355,163	673,519,329
Total borrowings	2,273,243,127	1,919,984,365	2,012,696,079	1,424,953,849

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

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Borrowings:				
- at fixed rates	737,774,570	479,853,905	636,063,241	476,472,319
- at floating rates	1,535,468,557	1,440,130,460	1,376,632,838	948,481,530
Total borrowings	2,273,243,127	1,919,984,365	2,012,696,079	1,424,953,849

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

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Opening balance	986,438,142	1,688,865,152	937,000,000	1,560,000,000
Borrowings	700,000,000	420,000,000	700,000,000	420,000,000
Debt forgiveness	(7,438,142)	-	-	-
Repayments	(271,000,000)	(1,122,427,010)	(268,000,000)	(1,043,000,000)
Closing balance	1,408,000,000	986,438,142	1,369,000,000	937,000,000

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16 Borrowings (Cont'd)

Maturity of bank borrowings:

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Within 1 year	417,000,000	314,438,142	378,000,000	268,000,000
Between 1 year and 2 years	448,000,000	321,000,000	448,000,000	318,000,000
Between 2 years and 5 years	543,000,000	351,000,000	543,000,000	351,000,000
	<u>1,408,000,000</u>	<u>986,438,142</u>	<u>1,369,000,000</u>	<u>937,000,000</u>

Short-term loans from financial institutions represent bills of exchange and promissory notes denominated in Thai Baht bearing interest at the rates ranging from 3.75% to 7.50% per annum (2007: 4.05% to 8.25% per annum).

Long-term bank borrowings bear interest at the rates ranging from 5.38% to 7.12% per annum (2007: 3.50% to 7.00% per annum) and are secured by the pledge of building and leasehold rights (Note 13 and 14). Lease liabilities are effectively secured as the right to the leased asset revert to lesser in the event of default.

Borrowing facilities

As at 31 December 2008, the available credit facilities from financial institutions of the Group and the Company are Baht 1,018.18 million and Baht 866.79 million, respectively, which will mainly be used for acquisitions of cinema construction and working capital (2008: Baht 658.44 million and Baht 572.30 million, respectively).

17 Other current liabilities

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Other payables	310,212,961	182,304,486	100,464,593	84,330,716
Undue output VAT	130,533,042	148,345,188	48,086,741	51,269,299
Accrued expenses	127,902,767	158,406,981	63,352,941	58,527,566
Rental and services income received in advance	82,699,370	24,862,325	48,885,874	4,723,080
Deposits and advance receipts	9,330,807	56,985,108	3,690,139	6,667,686
Others	28,709,817	41,971,857	8,154,659	6,245,855
	<u>689,388,764</u>	<u>612,875,945</u>	<u>272,634,947</u>	<u>211,764,202</u>

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18 Other liabilities

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Rental and services income received in advance	289,648,789	308,451,454	-	-
Others	185,412,875	198,216,341	20,630,890	35,813,757
	<u>475,061,664</u>	<u>506,667,795</u>	<u>20,630,890</u>	<u>35,813,757</u>

19 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 2007	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
Issuance of shares	-	1,964,600	1,964,600	23,655,214
At 31 December 2008	<u>906,000,000</u>	<u>881,897,219</u>	<u>881,897,219</u>	<u>3,839,673,605</u>

The total authorised number of ordinary shares is 906,000,000 shares (2007: 906,000,000 shares) with a par value of Baht 1 per share (2007: Baht 1 per share).

In December 2008, the Company repurchased 2.25 million shares through the Thai Stock Exchange. The total amount paid to repurchase the shares was Baht 15.5 million which has been presented as a deduction to the shareholders' equity. These shares have not been cancelled and are held as treasury shares for reissuance at a later date.

The Company allocates retained earnings as a reserve for treasury shares amounting to Baht 15.5 million in accordance with section 66/1(2) of the Security and Exchange Act B.E. 2535 which requires the Company to set aside retained earnings as reserve.

The new shares issued during 2008 are in connection with the exercises of warrants as mentioned in Note 20.

At the Annual General Meeting of the shareholders held on 2 April 2007, the shareholders passed a resolution to approve the decrease of authorised 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 authorised 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.

20 Warrants

Warrants issued and offered to directors and employees (ESOP)

The Company issued and offered 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.

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20 Warrants (Cont'd)

The exercise ratio and price are detailed bellows:

	Issued date	Issued units Million	Exercise price Baht/unit	Exercise period	
				Start	End
ESOP-W1	14 June 2003	19.5	11.649	30 September 2003	15 June 2008
ESOP-W2	6 July 2004	3.5	14.448	30 September 2004	15 June 2008
ESOP-W3	12 November 2008	13.0	16.447	30 November 2007	15 November 2012

The exercise prices and ratios of warrants will be effective from 2 June 2008 onward are as follows:

	Exercise Ratio unit/share	Exercise price Baht/unit
ESOP-W1	1.130	11.649
ESOP-W2	1.057	14.448
ESOP-W3	1.020	16.447

During 2008, warrants are exercised by 1.30 million units and 0.51 million units of ESOP-W1 and ESOP-W3, respectively. Proceeds from exercises of warrants during the year are amounting to Baht 25.62 million.

21 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.

22 Minority interest

	Unit: Baht	
	Consolidated	
	2008	2007
Opening balance at 1 January	2,380,776	26,253,134
Disposals	(25,422,978)	-
Share of net profit of subsidiaries	20,358,470	1,628,740
Share of net loss of subsidiaries	(3,422,850)	(25,001,098)
Dividend paid	(400,051)	(500,000)
Closing balance at 31 December	(6,506,633)	2,380,776

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23 Other operating income

	Unit: Baht			
	Consolidated		Company	
	2008	2007	2008	2007
Dividend income (Note 12)	-	-	411,010,642	1,388,530,167
Gains on disposals of property, plant and equipment	4,400,358	693,868,274	-	-
Management fee income	35,349,661	25,347,608	158,949,660	299,110,497
Interest income	4,399,286	4,593,969	124,220,381	145,311,092
Other rental and services income	813,655	9,045,850	482,497	1,507,362
Gain on exchange rate	-	2,189,135	-	-
Property tax income	18,370,515	18,684,033	2,122,678	2,888,747
Subsidy for construction of theatre	13,500,000	-	-	-
Gain on cancellation of lease agreement (Note 13)	98,441,349	-	-	-
Others	47,915,786	35,106,089	98,441,349	11,059,505
	<u>223,190,610</u>	<u>788,834,958</u>	<u>35,935,193</u>	<u>1,848,407,370</u>

24 Expense by nature

	Unit: Baht'000			
	Consolidated		Company	
	2008	2007	2008	2007
Depreciation on property and equipment (Note 13)	580,324	603,768	239,803	242,361
Amortisation of intangible assets				
- goodwill (Note 14)	-	23,116	-	-
- film rights (Note 14)	372,598	210,644	-	-
- leasehold rights (Note 14)	32,945	33,149	8,975	8,340
Impairment of assets	8,945	8,807	-	-
Repairs and maintenance expenditure	51,721	56,738	23,063	27,257
Staff costs	575,651	570,818	288,413	262,207
Gain on disposals of assets to Property Fund	-	693,868	-	-
Loss from written-off of property, plant and equipment	-	64,164	-	-
Doubtful debts	1,196	23,262	-	-
Inventory				
- Cost of inventories recognised as expense (included in 'Cost of Sales')	213,495	209,653	134,669	121,847

25 Finance costs

	Unit: Baht'000			
	Consolidated		Company	
	2008	2007	2008	2007
Bank borrowings	86,807	116,889	76,519	77,439
Borrowings - related parties	-	-	41,983	43,743
Finance lease	1,428	2,240	1,296	348
Total	<u>88,235</u>	<u>119,129</u>	<u>119,798</u>	<u>121,530</u>

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26 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 20.

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	
For the years ended 31 December	2008	2007	2008	2007	2008	2007
Basic earnings per share	626,356,254	1,226,964,389	881,216,632	866,513,626	0.71	1.42
The effect of dilutive potential shares	-	-	-	604,903	-	(0.01)
Diluted earnings per share	<u>626,356,254</u>	<u>1,226,964,389</u>	<u>881,216,632</u>	<u>867,118,529</u>	<u>0.71</u>	<u>1.41</u>

	Company					
	Net profit		Weighted average		Earnings	
	Baht		number of shares		per share	
For the years ended 31 December	2008	2007	2008	2007	2008	2007
Basic earnings per share	830,740,203	1,762,632,283	881,216,632	866,513,626	0.94	2.04
The effect of dilutive potential shares	-	-	-	604,903	-	(0.01)
Diluted earnings per share	<u>830,740,203</u>	<u>1,762,632,283</u>	<u>881,216,632</u>	<u>867,118,529</u>	<u>0.94</u>	<u>2.03</u>

27 Dividends

For the years ended 31 December 2008

At the Annual General Meeting of the shareholders held on 4 April 2008, the shareholders passed a resolution to approve dividends in respect of the operating results for the period from July to December 2007 at Baht 0.55 per share, totaling Baht 484.54 million. The dividends were distributed to the shareholders on 2 May 2008.

At the Board of Director Meeting held on 13 August 2008, the Board passed a resolution to approve interim dividends in respect of the operating results for the period from January to June 2008 at Baht 0.39 per share, totaling Baht 343.94 million. The dividends were distributed to the shareholders on 5 September 2008.

For the years ended 31 December 2007

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.

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28 Cash flows from operating activities

Reconciliation of net profit to cash flows from operating activities:

	Note	Unit: Baht			
		Consolidated		Company	
		2008	2007	2008	2007
Profit before income tax		901,369,267	1,476,970,816	1,018,830,228	1,913,378,876
Adjustments for:					
Depreciation and amortisation		966,568,598	870,677,803	248,778,544	250,701,218
Realised deferred revenue		-	(27,275,270)	-	(9,613,880)
Allowance for doubtful accounts		481,126	14,546,686	-	-
Provision for goods returns (reversal)		-	(5,046,458)	-	-
Loss on diminution in value of inventories		6,508,074	2,745,128	-	-
Gain from disposal of short-term investment	8	(6,691,551)	(986,788)	(6,691,551)	(986,788)
Gain on disposals of property, plant and equipment and leasehold rights	13	(4,207,087)	(693,868,274)	(289,966)	-
Gain on cancellation of lease agreement	13	(98,441,349)	-	(98,441,349)	-
Loss on write-off of property, plant and equipment		38,387,100	64,163,657	-	-
Realised gain on disposals of assets to Property Fund	12	(13,897,711)	-	-	-
Loss on impairment of assets		8,944,942	8,807,269	-	-
Shares of profit from associates and joint venture	12	(100,763,650)	(157,258,274)	-	-
Loss (profit) on disposals of investments in subsidiaries and associates	12	(107,974,456)	432,486	(175,998,461)	(600,000)
Provision for liabilities on losses in subsidiaries	12	-	-	63,975,669	15,200,378
Dividend income	23	-	-	(411,010,642)	(1,388,530,167)
Debt forgiveness	12	(7,438,142)	-	-	-
Finance costs		88,234,750	119,129,000	119,797,774	121,530,049
Changes in operating assets and liabilities:					
- trade accounts and notes receivable		(302,220,130)	(154,966,623)	(73,816,445)	(145,113)
- amounts due from related parties		(56,209,970)	(1,473,901)	55,216,196	(464,941,869)
- inventories		(4,962,689)	10,749,213	(6,932,491)	(5,981,351)
- other current assets		14,734,271	(39,054,845)	(14,874,084)	10,819,793
- other assets		(22,883,739)	22,003,987	5,047,709	3,627,515
- trade accounts and notes payable		102,637,102	19,164,179	7,199,204	63,753,632
- amounts due to related parties		(22,590,878)	(1,440,325)	(96,102,483)	77,301,575
- other current liabilities		(17,075,736)	110,981,632	(15,182,868)	42,563,817
- other liabilities		6,148,946	22,615,455	(13,882,816)	145,408,251
		<u>1,368,657,088</u>	<u>1,661,616,553</u>	<u>605,622,168</u>	<u>773,485,936</u>

29 Related party transactions

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

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

The following material transactions were carried out with related parties:

i) Sales of goods and services and others

	Unit: Baht'000			
	Consolidated		Company	
	2008	2007	2008	2007
Sales of services to:				
Subsidiaries	-	-	378,965	535,131
Associates	73,452	63,819	37,138	20,573
Related parties	22,284	15,310	5,724	5,449
	<u>95,736</u>	<u>79,129</u>	<u>421,827</u>	<u>561,153</u>
Dividend income and other income				
Subsidiaries	-	-	447,247	1,634,337
Associates	8,687	1,813	106,098	60,843
Joint venture	4,500	-	4,500	-
Related parties	-	-	-	-
Property Fund	-	1,802,674	-	-
	<u>13,187</u>	<u>1,804,487</u>	<u>557,845</u>	<u>1,695,180</u>

ii) Purchase of goods and services and others

	Unit: Baht'000			
	Consolidated		Company	
	2008	2007	2008	2007
Purchases of services and other from:				
Subsidiaries	-	-	124,897	207,572
Associates	170,469	134,528	122,067	69,577
Related parties	118,156	104,725	109,541	96,213
	<u>288,625</u>	<u>239,253</u>	<u>356,505</u>	<u>373,362</u>

29 Related party transactions (Cont'd)

ii) Purchase of goods and services and others (Cont'd)

Pricing policies for related party transactions are as follows:

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

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

	Unit: Baht'000			
	<u>Consolidated</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Trade accounts receivable (included in "Trade accounts and notes receivable")				
Subsidiaries	-	-	230,946	176,376
Associates	2,895	9,792	608	250
Related parties	4,679	572	148	62
	<u>7,574</u>	<u>10,364</u>	<u>231,702</u>	<u>176,688</u>
Other receivables (included in "Amounts due from - related parties")				
Subsidiaries	-	-	723,353	788,579
Associates	11,560	5,917	10,119	5,503
Related parties	-	13	-	269
Joint venture	5,662	-	5,662	-
	<u>17,222</u>	<u>5,930</u>	<u>739,134</u>	<u>794,351</u>
Dividends receivables (included in "Other current assets")				
Subsidiaries	-	-	34,790	125,840
Trade accounts payable (included in "Trade accounts and notes receivable")				
Subsidiaries	-	-	111,029	103,246
Associates	99,633	-	-	-
Related parties	19,059	7,056	7,359	2,485
	<u>118,692</u>	<u>7,056</u>	<u>118,388</u>	<u>105,731</u>

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29 Related party transactions (Cont'd)

iii) Outstanding balances arising from sales/purchases of goods/services and others (Cont'd)

	Unit: Baht'000			
	Consolidated		Company	
	2008	2007	2008	2007
Other payables				
(included in "Amounts due to - related parties")				
Subsidiaries	-	-	139,736	284,670
Associates	30,501	3,167	26,781	722
Related parties	18,356	2,654	17,456	2,593
Board	3,300	-	3,300	-
	<u>52,157</u>	<u>5,821</u>	<u>183,273</u>	<u>287,985</u>
Advance received for land rental				
(included in "Other liabilities")				
Property Fund	33,339	34,386	-	-
Deposits received				
(included in "Other liabilities")				
Property Fund	120,003	120,003	-	-
Current portion of finance lease liability				
Associates	280	-	280	-
Related parties	187	-	187	-
	<u>467</u>	<u>-</u>	<u>467</u>	<u>-</u>
Long-term portion of finance lease liability				
Associates	11,797	-	11,797	-
Related parties	7,865	-	7,865	-
	<u>19,662</u>	<u>-</u>	<u>19,662</u>	<u>-</u>

iv) Long-term loans to related parties

	Unit: Baht'000	
	Consolidated	Company
For the year ended 31 December 2008		
Subsidiaries and associates and employees		
Beginning balance	36,252	1,866,623
Loans made during the year	50,710	229,893
Loans repayments during the year	(24,473)	(500,853)
Ending balance	<u>62,489</u>	<u>1,595,663</u>

The loans to related parties are carrying interest at the rates ranging from 7.00% to 8.50% per annum (2007: 7.13% to 8.50% per annum) and there is no specific repayment date.

29 Related party transactions (Cont'd)

v) Long-term loans from related parties

	Unit: Baht'000
	Company
For the year ended 31 December 2008	
Subsidiaries	
Beginning balance	808,705
Loans received during the year	78,000
Loans repaid during the year	(477,741)
Ending balance	408,964

The loans from subsidiaries are carrying interest at the rates ranging from 7.00% to 7.50% per annum (2007: 7.13% to 8.00% per annum) and there is no specific repayment date.

vi) Director's remuneration

In 2008 the total remuneration of the directors approximated Baht 40.91 million (2007: Baht 36.51 million), including salaries and other benefits.

vii) Investments in subsidiaries, associates and joint venture

Details of investments in subsidiaries, associates and joint venture are set out in Note 12.

30 Commitments and contingencies

i) Bank guarantees

There are bank guarantees given on behalf of the Group to third parties amounting to Baht 148.11 million outstanding as at 31 December 2008 (2007: Baht 151 million).

ii) Guarantees

As of 31 December 2008, the Company and a subsidiary have given guarantees for bank loans granted to related companies being Pacific Marketing and Entertainment Group Co., Ltd., M Pictures Co., Ltd. and Exertainment Co., Ltd. for a total of Baht 1,260.2 million (2007: Baht 808.2 million).

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	
	2008	2007	2008	2007
Not later than 1 year	561	547	225	243
Later than 1 year but not later than 5 years	2,196	2,316	876	1,011
Later than 5 years	5,956	6,330	1,852	1,945
	8,713	9,193	2,953	3,199

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 lesser.

30 Commitments and contingencies (Cont'd)

iv) Capital commitments

Capital expenditure contracted for property, plant and equipment as at 31 December 2008 but not recognised in the financial statements is amounting to Baht 442.49 million (2007: Baht 20.89 million).

v) Commitment for acquisitions of film rights

As of 31 December 2008, the Group has commitments in respect of purchases of film rights amounting to Baht 133.56 million (2007: Baht 213.60 Million) payable over the next 1-2 years.

31 Subsequent event

At the Board of Directors Meeting held on 24 February 2009, the Board passed a resolution to approve dividends in respect of the operating results for the period from July to December 2008 at Baht 0.25 per share, totalling Baht 220.47 million. The dividends will be distributed to shareholders listed in the register on 4 May 2009.