

**Minor International Public Company Limited**  
**(Formerly “Royal Garden Resort Public Company Limited”)**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2005 and 2004**

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**1 General information**

Minor International Public Company Limited (“the Company”) is a public limited company and is incorporated in Thailand. The addresses of its registered offices are as follows:

Bangkok : 16<sup>th</sup> Floor, Berli Jucker House, 99 Soi Rubia, Sukhumvit 42, Prakanong, Klongtoey, Bangkok. 10110 Thailand  
Pattaya : 218/2-4 Moo 10 Beach Road, Nongprue, Banglamung, Chonburi Thailand

The Company registered the change of its name from “Royal Garden Resort Public Company Limited” to “Minor International Public Company Limited” with the Ministry of Commerce on 7 March 2005.

The Company is incorporated as a public company under Thai law and was listed on the Stock Exchange of Thailand in October 1988. The Company and its subsidiaries (“The Group”) engage in investment activities and hotel and restaurant operations carried out in Thailand.

The Group mainly operates in Thailand and employs 13,503 employees as of 31 December 2005 (31 December 2004 : 12,911 employees).

These consolidated and Company financial statements have been approved for issue by the Audit Committee on 15 February 2006.

**2 Significant 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.

As a result of the Federation of Accounting Professions (FAP) approval of three new accounting standards on 12 May 2005, the Company has adopted TAS 52, “Events After Balance Sheet Date”, TAS 53, “Provisions, Contingent Liabilities, and Contingent Assets” and TAS 54, “Discontinuing Operations” in the second quarter of 2005.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying consolidated and Company financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Thailand. Consequently, these consolidated and Company financial statements are not addressed to those who are not informed about Thai generally accepted accounting principles and practices.

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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.

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 Significant accounting policies (Cont’d)**

**2.2 Investments in subsidiaries**

Investment in subsidiaries, which are those entities in which the Group, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. 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. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. See Note 2.11 for the accounting policy on goodwill. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group. Separate disclosure is made for minority interest in the consolidated balance sheets and consolidated statements of income.

Investments in subsidiaries are reported using equity method of accounting in the Company’s separate financial statements.

A list of the Group’s principal subsidiaries and the effect of acquisitions is set out in Note 9.

Where a subsidiary is acquired and held exclusively with a view to be subsequently disposed of in the near future; or a subsidiary operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Company, the interest in the subsidiary is accounted for in the consolidated and Company financial statements in accordance with the accounting policy on investments as shown in Note 2.10.

**2.3 Investments in associates**

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

A list of the Group’s principal associated undertakings is set out in Note 9.

**2.4 Interests in joint ventures**

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The Group's interest in a jointly controlled entity is accounted for using proportionate consolidation. Under this method the Group includes its share of the joint venture's individual income and expenses, assets and liabilities in the relevant components of the financial statements. Interest in a jointly controlled entity is accounted for in the Company financial statements by the equity method of accounting.

Details of the joint venture are disclosed in Note 9.

**2 Significant accounting policies (Cont’d)**

**2.5 Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into Baht at the exchange rates ruling on the balance sheet date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Statements of income of foreign entities are translated into the Group’s reporting currency at average exchange rates for the year and the balance sheets are translated at the year end exchange rates ruling on the balance sheet date. Exchange differences arising from retranslation are taken to shareholders’ equity. On disposal of the foreign entity such translation differences are recognised in the income statement as part of the gain or loss on sale.

Statements of income of foreign operations that are integral to operations of the Company are translated into the Group’s reporting currency at weighted average exchange rates for the year and the balance sheets are translated at the exchange rates ruling on the balance sheet date while the non-monetary items are translated at the date of the transaction. Currency translation differences are recognised in the statement of income.

**2.6 Financial instruments**

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

**2.7 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes, of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments, with an original maturity not exceeding 3 months and bank overdrafts, which are shown as current liabilities in the balance sheet.

**2.8 Trade accounts receivable**

Trade accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written-off during the year in which they are identified.

**2.9 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the 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

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charge, less all attributable discounts, allowances or rebates. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

**2 Significant accounting policies (Cont'd)**

**2.10 Other investments**

Other investments other than investments in subsidiaries, associates and joint ventures are classified into the following three categories : trading, available-for-sale and general investments. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Investments in non-marketable equity securities are classified as general investments.

The trading investments are traded in active markets and carried at fair value on the balance sheet date by reference to the Stock Exchange of Thailand quoted bid price. Increases/decreases in the carrying amount are credited/charged to the statement of income.

Marketable equity securities classified as available-for-sale securities are carried at fair value. Fair value of marketable equity securities is calculated by reference to Stock Exchange quoted bid prices at the close of business on the balance sheet date. Increases/decreases in the carrying amount are credited or charged to fair value reserves in shareholders' equity.

General investments are carried at cost, less impairment.

Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

A test for impairment is carried out when there is a factor indicating that such investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, an impairment loss is charged to the statement of income.

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 equity securities, the carrying amount of the disposed part is determined from the weighted average carrying amount of the total holding of the investment.

If an investment with fair value adjustments in equity is sold or impaired, accumulated fair value adjustments are included in the statements of income.

**2.11 Intangible assets**

**Franchise development cost**

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Costs incurred on development of franchises relating to the design of restaurants and the testing of new products are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial launch of the franchise on a straight-line method over the period of its expected benefit, generally over 1 - 3 years. Capitalised development cost is not revalued. Its carrying amount is reviewed annually for impairment where it is considered necessary.



**2 Significant accounting policies (Cont’d)**

**2.11 Intangible assets (Cont’d)**

**Initial franchise fees**

Expenditure on acquired patents, trademarks and licences relating to restaurant franchises is capitalised and amortised using the straight-line method over the related agreement periods, generally over 3-20 years. The intangible assets are not revalued. The carrying amount of intangible asset is reviewed annually and adjusted for impairment where it is considered necessary.

**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 is reported in the consolidated balance sheet as an intangible asset and is amortised using the straight-line method over its estimated periods expected for future economic benefits, being 20 years to 40 years.

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

The carrying amount of goodwill is reviewed annually. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

**2.12 Property, plant and equipment**

All property, plant and equipment is initially recorded at cost.

Depreciation is calculated on the straight-line method to write-off the cost of each asset, except for land as it is deemed to have an indefinite life, to their residual values over their estimated useful life as follows:

Leasehold right	lease period
Leasehold improvement	lease period
Building and fitting equipment	lease period, 10 years, 20 years, 30 years and 40 years
Building improvement	lease period and 10 years
Machinery and equipment	5 -15 years

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Furniture, fixtures and office equipment	5 years, 10 years and 15 years
Other equipment	5 years and 10 years
Motor vehicles	5 years

Hotel operating equipment acquired before the year 2000 is stated at cost less an appropriate portion of accumulated depreciation. Additions in 2000 and thereafter are recorded as hotel operating equipment and expensed on issue or use.

Operating equipment and kitchen supplies of restaurant operations are recorded at cost when purchased and are depreciated on first issue or use. The depreciation is calculated on the straight-line method with the estimated useful life of five years. When new items are issued to replace the operating equipment, the replacement cost of operating equipment and kitchen supplies are recognised as expense when issued.

When existing outlets are re-modernised, the related expenditures will be capitalised as buildings improvements or leasehold improvements and will be depreciated using the straight-line method over the shorter of the remaining lease term and the estimated useful life of 3-7 years.

**2 Significant accounting policies (Cont'd)**

**2.12 Property, plant and equipment (Cont'd)**

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted cash flows from the continuing use of the asset and the amount obtainable from the sale of the asset less any costs of disposal.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit.

Borrowing costs to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the property for its intended use as part of cost of the asset. The borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings, and related taxes;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowing during the year. Where funds are borrowed specifically for the acquisition, construction or production of property, plant and equipment, the amount of borrowing costs eligible for capitalisation on that asset is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

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

**2.13 Accounting for long-term leases**

**Where the Group 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 present value of the minimum lease payments. Each lease payment is allocated to the principal and to the 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 payables. The interest element of the finance cost is charged to the statement of income over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

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Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

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

**Where the Group is the lessor**

**Operating leases**

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 Significant accounting policies (Cont’d)**

**2.14 Provisions**

Provisions, which exclude the provisions relating to employee benefits, are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**2.15 Provident fund**

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

Deleted: Company

**2.16 Deferred income taxes**

The Group does not recognise income taxes payable or receivable in future periods in respect of temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, allowance for doubtful debts, allowance for inventory obsolescence, provision for impairment loss, tax losses carried forward and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

**2.17 Warrants**

**Warrants to subscribe for ordinary shares issued to existing shareholders**

Warrants are issued to existing shareholders to subscribe for ordinary shares. Proceeds from issuing warrants are shown net of related expenses under the caption of “Warrants” in shareholders’ equity when the warrants are issued.

Where the Company or its subsidiaries purchase the Company’s warrants, the total par value of the warrants is deducted from total shareholders’ equity under the caption of “Own warrants held” or “Own warrants held by Group”, respectively. The consideration paid in excess of the warrant issue price is shown as premium under the caption of “Premium on own warrants” or “Premium on own warrants held by Group” respectively.

**Warrants to subscribe for ordinary shares by the directors and employees of the Company and/or its subsidiaries**

Certain employees and executive management of the Group are rewarded through entitlement to receive warrants to subscribe for ordinary shares. When such warrants are granted no compensation cost is recognised in the statement of income. When the warrants are exercised the proceeds received net of any transaction costs are credited to share capital.

**2 Significant accounting policies (Cont’d)**

**2.18 Revenue recognition**

Revenue from hotel operations, mainly consisting of room sales, food and beverage sales and revenue from auxiliary activities, is recognised when the service is rendered.

Revenues from sales of foods and beverages are recognised upon delivery and services rendered are presented net of sales taxes and discounts.

Rental income from retail business and property is recognised as revenue at the amount as specified under the related lease agreements. Rental received in advance is recognised as revenue evenly over the period of the lease.

Revenue from entertainment operations is recognised as revenue when the show is presented.

Revenue from hotel management and entertainment management service is recognised as revenue when the service is rendered.

Revenue from retailing operations is the invoiced value of goods supplied after deducting discounts, recognised when goods are delivered to customers.

Other revenue earned by the Group is recognised on the following bases:

- |  |  |
|--|--|
| - Royalty, franchise fee and rental income | - on an accrual basis in accordance with the substance of the relevant agreements. |
| - Interest income                          | - as it accrues unless collectibility is in doubt.                                 |
| - Dividend income                          | - when the shareholder’s right to receive payment is established.                  |
| - Deferred income                          | - on an accrual basis in accordance with substance of relevant agreements.         |

**2.19 Related parties**

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

**2.20 Comparatives**

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



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3 Segment information

The Group and the Company operate in Thailand in several business segments. Financial information by segment for the consolidated financial statements are as follows :

	For the year ended 31 December (Baht Million)																			
	Hotels				Retails and property				Food and beverage				Land development		Investing in other companies		Eliminated		Total	
	Hotel operations		property business		Entertainment operations		Spa services		beverage operations		Management operations		operations		companies					
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenues	4,358	2,842	446	382	88	52	316	297	4,794	4,356	171	120	-	-	-	-	(285)	(229)	9,888	7,820
Segment results	2,949	1,893	336	292	50	26	125	134	3,091	2,759	171	120	-	-	-	-	(176)	(130)	6,546	5,094
Other income																			530	408
Gain (loss) on foreign exchange																			2	(14)
Selling and administrative expenses																			(5,318)	(4,275)
Interest expense																			(280)	(218)
Profit before income tax																			1,480	995
Income tax																			(357)	(215)
Profit before minorities																			1,123	780
(Profit) attributable to minorities, net																			(62)	(68)
Profit for the year																			1,061	712

As at 31 December (Baht Million)



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	Retail and								Food and				Land		Investing							
	Hotel		property		Entertainment				beverage		Management		development		in other							
	operation		business		operations		Spa services		operations		operations		operations		companies		Eliminated		Total			
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004		
Land held for future development	230	19	15	-	-	-	-	-	-	-	-	-	738	151	-	-	(124)	-	859	170		
Property, plant and equipment	7,205	7,454	660	680	65	74	77	77	2,210	1,838	3	3	-	-	2	2	-	-	10,222	10,128		
Other assets	11,344	9,239	572	579	4	5	161	120	2,654	1,675	506	476	76	15	1,337	2,011	(12,290)	(10,337)	4,364	3,783		
<b>Total assets</b>	<b>18,779</b>	<b>16,712</b>	<b>1,247</b>	<b>1,259</b>	<b>69</b>	<b>79</b>	<b>238</b>	<b>197</b>	<b>4,864</b>	<b>3,513</b>	<b>509</b>	<b>479</b>	<b>814</b>	<b>166</b>	<b>1,339</b>	<b>2,013</b>	<b>(12,414)</b>	<b>(10,337)</b>	<b>15,445</b>	<b>14,081</b>		
Trade accounts Payable	194	200	2	5	-	-	5	5	435	311	1	-	1	-	-	-	-	-	638	521		
Long-term Borrowings	3,954	3,436	-	-	25	50	131	45	646	794	276	350	667	58	725	1,234	(3,798)	(2,937)	2,626	3,030		
Debentures	3,769	2,881	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,769	2,881		
Other liabilities	1,953	1,732	980	1,060	7	6	47	46	632	425	27	15	61	7	140	128	(1,373)	(1,426)	2,474	1,993		
<b>Total liabilities</b>	<b>9,870</b>	<b>8,249</b>	<b>982</b>	<b>1,065</b>	<b>32</b>	<b>56</b>	<b>183</b>	<b>96</b>	<b>1,713</b>	<b>1,530</b>	<b>304</b>	<b>365</b>	<b>729</b>	<b>65</b>	<b>865</b>	<b>1,362</b>	<b>(5,171)</b>	<b>(4,363)</b>	<b>9,507</b>	<b>8,425</b>		

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4 Cash and cash equivalents

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Cash on hand	65,964,211	178,624,754	1,768,289	1,428,646
Deposits held at call with banks	267,767,850	257,083,775	7,783,997	8,620,607
Bill of exchange	-	180,000,000	-	-
Total cash and cash equivalents	333,732,061	615,708,529	9,552,286	10,049,253

The weighted average effective interest rate of deposits with banks and bill of exchange was 0.25 to 1.00% per annum (2004 : 0.25 to 1.50% per annum).

5 Short-term investments

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Opening net book value	252,840,623	3,847,209	-	282,165
Arising on consolidation of RHC	-	162,615,742	-	-
Arising on consolidation of RGD	-	15,626,421	-	-
Increase (decrease) during the year	(4,905,890)	70,683,698	-	(280,000)
Changes in the fair value of investments	1,874,549	67,553	-	(2,165)
Closing net book value	249,809,282	252,840,623	-	-

Short-term investments represent investments in private funds and fixed deposits with financial institutions which have maturity exceeding 3 months.

6 Trade accounts receivable, net

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht

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Trade accounts receivable	509,610,094	446,181,270	36,620,702	31,830,344
Less : Allowance for doubtful accounts	(4,953,283)	(5,134,483)	(875,976)	(595,976)
Trade accounts receivable, net	<u>504,656,811</u>	<u>441,046,787</u>	<u>35,744,726</u>	<u>31,234,368</u>

Certain debtors with settlements problems are included in the above trade account receivable. The group has set up allowances to recognise these doubtful accounts. The outstanding balances can be aged as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Not yet due	331,089,893	324,613,689	26,234,434	24,611,852
Overdue				
Under 90 days	117,567,671	94,737,013	7,894,104	6,406,383
91 days to 180 days	55,938,284	14,658,308	548,356	595,933
Over 181 days	5,014,246	12,172,260	1,943,808	216,176
Trade accounts receivable	<u>509,610,094</u>	<u>446,181,270</u>	<u>36,620,702</u>	<u>31,830,344</u>
Less : Allowance for doubtful accounts	<u>(4,953,283)</u>	<u>(5,134,483)</u>	<u>(875,976)</u>	<u>(595,976)</u>
Trade accounts receivable, net	<u><u>504,656,811</u></u>	<u><u>441,046,787</u></u>	<u><u>35,744,726</u></u>	<u><u>31,234,368</u></u>

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7 Inventories, net

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Food and beverage	36,087,790	29,914,501	1,432,839	1,342,029
Operating equipment	3,985,947	7,313,773	-	-
Finished goods	32,010,484	38,428,979	-	-
Supplies	53,301,369	42,586,333	1,912,164	1,428,460
Raw materials	211,982,554	138,689,927	-	-
Others	5,266,343	4,679,822	-	-
	342,634,487	261,613,335	3,345,003	2,770,489
<u>Less</u> : Allowance for obsolescence	(2,509,837)	(4,321,866)	-	-
Inventories, net	340,124,650	257,291,469	3,345,003	2,770,489

8 Other current assets

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Other debtors	74,776,365	74,022,836	3,352,091	947,513
Prepaid expenses	71,400,341	52,191,423	4,697,886	3,283,630
Prepaid income tax	38,549,383	66,323,377	-	7,150
Advance for construction	60,105,455	18,673,399	-	-
Operating assets for expansion	-	385,199	-	-
Others	104,901,510	47,991,954	1,322,571	928,673
Total other current assets	349,733,054	259,588,188	9,372,548	5,166,966

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**9 Investments - equity method**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Subsidiaries	-	-	7,907,987,590	6,651,381,221
Associates	301,954,123	126,911,919	180,941,672	91,251,171
Total investments - equity method	<u>301,954,123</u>	<u>126,911,919</u>	<u>8,088,929,262</u>	<u>6,742,632,392</u>

**a) Investments in subsidiaries**

	<b>Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>
Opening net book value	6,651,381,221	4,387,608,054
Opening balance of negative equity in investment in subsidiaries	(37,654,392)	(1,857,029)
Change in investment status from associate to subsidiary (RHC)	-	1,015,944,956
Acquisitions	538,235,729	617,125,070
Decapitalise in property fund	(94,535,835)	(36,491,000)
Share of net profit in subsidiaries	999,762,963	611,360,436
Expired warrants in a subsidiary	-	104,789,201
Translation adjustment	18,400,193	3,967,711
Changes in fair value reserves for available-for-sale securities of a subsidiary	82,662,272	26,964,070
Dividends received	(357,741,546)	(131,199,704)
Dividend income of a subsidiary received from parent company (Note 27)	18,196,123	14,701,309
Adjustment for share of loss in associated company held by subsidiary (Note 9 b)	-	(4,343,400)
Adjustment for share of loss in a subsidiary held by subsidiary	(12,781,482)	-
Realised gain on sales of warrants by a subsidiary	19,711,121	-
Reverse loss on sales of warrants issued by a subsidiary	-	5,157,155
Closing balance of negative equity in investment in subsidiaries	<u>82,351,223</u>	<u>37,654,392</u>
Closing net book value	<u>7,907,987,590</u>	<u>6,651,381,221</u>

All holdings are in the ordinary share capital of the subsidiaries and in fund units in the Property Fund subsidiary.

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9 Investments - equity method (Cont'd)

a) Investments in subsidiaries (Cont'd)

Company – 31 December 2005								
	Nature of business	Country of incorporation	Nature of relationship	Paid-up capital (Baht Million)	Investment portion (%)	Cost (Baht)	Equity (Baht)	Dividend (Baht)
Chao Phaya Resort Limited	Hotel operation and shopping mall	Thailand	Shareholder	450	81.24	625,811,571	727,596,211	53,617,685
Hua Hin Resort Limited	Hotel operation	Thailand	Shareholder	200	100	230,967,920	478,581,793	-
Maerim Terrace Resort Limited	Hotel operation	Thailand	Shareholder	300	45.30 <sup>(1)</sup>	161,418,899	261,508,559	2,718,740
Baan Boran Chiangrai Limited	Hotel operation	Thailand	Shareholder	165	100	145,550,878	119,999,310	-
Royal Garden Development Limited	Hotel operation	Thailand	Shareholder	700	100	929,262,397	1,042,688,564	-
Royal Garden Plaza Limited	Shopping mall	Thailand	Shareholder	75	100	75,000,000	203,806,630	-
Royal Garden Entertainment Limited	Entertainment operation	Thailand	Shareholder	10	100	10,000,000	37,159,568	-
M Spa International Limited (MST) (formerly “Mandara Spa (Thailand) Limited”)	Spa services	Thailand	Shareholder	41	51 <sup>(2)</sup>	20,910,000	27,712,810	54,054,700
Royal Garden Hotel Management Limited	Hotel management	Thailand	Shareholder	17	100	93,500,000	76,354,642	-
RGR International Limited	Management	British Virgin Islands	Shareholder	2.6	100	2,586,000	154,377,860	-
RNS Holding Limited	Property investment	Thailand	Shareholder	420	72.39	304,042,200	42,340,764	-
The Minor Food Group Public Company Limited (MFG)	Sales of food and beverage	Thailand	Shareholder	327	99.67	2,300,921,647	3,340,669,854	-
Rajadamri Hotel Public Company Limited (RHC)	Hotel operation	Thailand	Shareholder	45	49.30 <sup>(4)</sup>	774,723,314	1,078,867,532	33,278,348
MI Squared Limited	Hotel operation	Thailand	Shareholder	1	100	1,000,000	913,188	-
Samui Beach Residence Limited	Sales of property	Thailand	Shareholder	1	100	1,000,000	939,930	-
Sub Thawee Property Fund	Property investment	Thailand	Shareholder	50	99.86 <sup>(3)</sup>	49,930,000	49,932,274	33,969,706
Thai Assets Management Property Fund	Property investment	Thailand	Shareholder	265 <sup>(2)</sup>	100	264,523,259	264,538,101	97,710,345
<b>Total investments in subsidiaries</b>						<u>5,991,148,085</u>	<u>7,907,987,590</u>	<u>275,349,524</u>
Thai Project Property Fund	Property investment	Thailand	Shareholder	75	99.90	74,797,460	(37,600,211)	83,392,022
Samui Resort and Spa Limited	Hotel operation	Thailand	Shareholder	10	100	10,000,000	(17,163,533)	-
R.G.E. (HKG) Limited	Management	Hong Kong	Shareholder	0.5	100	542,740	(24,350,250)	-
Samui Village Limited	Hotel operation	Thailand	Shareholder	1	99.93	999,300	(3,237,229)	-
<b>Total negative equity in investments in subsidiaries</b>						<u>86,339,500</u>	<u>(82,351,223)</u>	<u>83,392,022</u>

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- (1) Investment portion of 45.30% represents direct holding in Maerim Terrace Resort Limited. Another 23.65% indirect holding is invested through subsidiary.
- (2) Paid up capital of Thai Project Property Fund is investment in Class C and Class D unitholders.
- (3) Investment portion 51% represents direct holding in MST. Another 49% indirect holding is invested through subsidiary.
- (4) Investment portion 49.3% represents direct holding in RHC. Another 41.53% indirect holding is invested through subsidiary.
- (5) Investment portion of 99.86% represents direct holding in Sub Thawee Property Fund. Another 0.14% indirect holding is invested through subsidiary. Paid-up capital of Sub Thawee Property Fund is investment in Class B and Class C unitholders.

**9 Investments - equity method (Cont'd)**

**a) Investments in subsidiaries (Cont'd)**

**Company – 31 December 2004**

	Nature of business	Country of incorporation	Nature of relationship	Paid-up capital (Baht Million)	Investment portion (%)	Cost (Baht)	Equity (Baht)	Dividend (Baht)
Chao Phaya Resort Limited	Hotel operation and shopping mall	Thailand	Shareholder	450	81.24	625,811,571	668,594,674	53,617,685
Hua Hin Resort Limited	Hotel operation	Thailand	Shareholder	200	100	230,967,920	382,007,065	-
Maerim Terrace Resort Limited	Hotel operation	Thailand	Shareholder	300	45.30 <sup>(1)</sup>	161,418,899	242,743,959	-
Baan Boran Chiangrai Limited	Hotel operation	Thailand	Shareholder	165	100	145,550,878	129,361,850	-
Royal Garden Development Limited	Hotel operation	Thailand	Shareholder	700	50 <sup>(3)</sup>	474,021,468	490,487,263	-
Royal Garden Plaza Limited	Shopping mall	Thailand	Shareholder	75	100	75,000,000	155,989,942	-
Royal Garden Entertainment Limited	Entertainment operation	Thailand	Shareholder	10	100	10,000,000	22,889,428	-
M Spa International Limited (MST) (formerly “Mandara Spa (Thailand) Limited”)	Spa services	Thailand	Shareholder	10	51 <sup>(4)</sup>	5,100,000	56,073,970	-

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Royal Garden Hotel Management Limited	Hotel management	Thailand	Shareholder	17	100	93,500,000	50,603,267	-
RGR International Limited	Management	British Virgin Islands	Shareholder	2.6	100	2,586,000	99,293,972	-
				(USD 100,000)				
RNS Holding Limited	Property investment	Thailand	Shareholder	420	72.39	304,042,200	43,670,909	-
The Minor Food Group Public Company Limited (MFG)	Sales of food and beverage	Thailand	Shareholder	326	99.70	2,285,666,847	2,869,032,736	-
Rajadamri Hotel Public Company Limited (RHC)	Hotel operation	Thailand	Shareholder	45	49.30 <sup>(5)</sup>	774,723,314	1,035,933,998	33,184,898
Thai Project Property Fund	Property investment	Thailand	Shareholder	105	99.90	104,900,000	103,673,419	-
Thai Assets Management Property Fund	Property investment	Thailand	Shareholder	301 <sup>(2)</sup>	100	301,014,259	301,024,769	77,582,019
<b>Total investments in subsidiaries</b>						<u>5,594,303,356</u>	<u>6,651,381,221</u>	<u>164,384,602</u>
Samui Resort and Spa Limited	Hotel operation	Thailand	Shareholder	10	100	10,000,000	(11,850,821)	-
R.G.E. (HKG) Limited	Management	Hong Kong	Shareholder	0.5	100	542,740	(23,310,254)	-
				(HKD 100,000)				
Samui Village Limited	Hotel operation	Thailand	Shareholder	1	99.93	999,300	(2,493,317)	-
<b>Total negative equity in investments in subsidiaries</b>						<u>11,542,040</u>	<u>(37,654,392)</u>	<u>-</u>

(1) Investment portion of 45.30% represents direct holding in Maerim Terrace Resort Limited. Another 15% indirect holding is invested through subsidiary.

(2) Paid up capital of Thai Project Property Fund is investment in Class C and Class D unitholders.

(3) Investment portion 50% represents direct holding in RGD. Another 36.2% indirect holding is invested through subsidiary.

(4) Investment portion 51% represents direct holding in MST. Another 49% indirect holding is invested through subsidiary.

(5) Investment portion 49.3% represents direct holding in RHC. Another 8.4% indirect holding is invested through subsidiary.



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**9 Investments - equity method (Cont'd)**

**a) Investments in subsidiaries (Cont'd)**

Subsidiaries under The Minor Food Group Public Company Limited (MFG), Hua Hin Resort Limited, M Spa International Limited and Rajadamri Hotel Public Company Limited (RHC) included in the preparation of the consolidated financial statements are :

<b>Company</b>	<b>Nature of business</b>	<b>Country of incorporation</b>	<b>Investment portion (%)</b>
<b><u>MFG's subsidiaries</u></b>			
Swensen's (Thai) Limited	Sales of food and beverage	Thailand	100
Minor Cheese Limited	Manufacturing and sales of cheese	Thailand	100
Minor Dairy Limited	Manufacturing and sales of ice-cream	Thailand	100
Minor DQ Limited	Sales of food and beverage	Thailand	100
R.G.R. Food Service Limited	Sales of food and beverage	Thailand	100
Catering Associates Limited	Catering service	Thailand	51
Burger (Thailand) Limited	Sales of food and beverage	Thailand	95
International Franchise Holding (Labuan) Limited	Franchise owner	Malaysia	100
The Pizza Restaurant Company Limited	Sales of food and beverage	Thailand	100
SLRT Limited	Sales of food and beverage	Thailand	100
<b><u>International Franchise Holding (Labuan) Limited's subsidiaries</u></b>			
China Food Group Limited	Franchise owner and sales of food and beverage	Cayman Islands	100
Franchise Investment Corporation of Asia Ltd.	Franchise owner	British Virgin Islands	100
Beijing Lejazz Food & Beverage Co., Ltd.	Sales of food and beverage	People's Republic of China	92.59
<b><u>Hua Hin Resort Limited's subsidiary</u></b>			
Hua Hin Village Limited	Hotel operation	Thailand	100
<b><u>M Spa International Limited's subsidiary</u></b>			
Mandara Spa Ventures Limited	Spa services	British Virgin Islands	100
Mandara Spa Enterprise Management (Shanghai) Limited	Spa services	People's Republic of China	100
<b><u>Rajadamri Hotel Public Company Limited's subsidiaries</u></b>			
Luxury Limosine Company Limited	Domestic transportation	Thailand	100
Rajadamri Residence Company Limited (formerly “Laem Singh Beach Resort Company Limited”)	Project development	Thailand	100



**9 Investments - equity method (Cont'd)**

**a) Investments in subsidiaries (Cont'd)**

**Thai Assets Management Property Fund**

On 24 December 2002, the Group invested in the Thai Assets Management Property Fund which is registered with the Securities and Exchange Commission. The Fund was established for the purpose of investment in real estate. The financial statements of the Property Fund are fully consolidated in the consolidated financial statements because the Group has influence to exercise control over the financing and operating policies of the Property Fund.

As at 31 December 2005, the Group holds 100% of the Property Fund's Class C and Class D units. The Class C and Class D unitholders have the right to receive dividends after dividends are paid to Class A and Class B unitholders. As at 31 December 2005, the Class A and Class B unitholders have investments amounting to Baht 724.9 million (31 December 2004 : Baht 824.9 million). These unitholders will receive dividends at the specified interest rates and have rights to receive dividends before other classes of unitholders. Such capital of Class A and Class B unitholders is classified as borrowings (Note 18) according to its underlying substance.

**The Minor Food Group Public Company Limited**

During the year, the Group acquired 138,680 additional ordinary shares in The Minor Food Group Public Company Limited for consideration of Baht 15 million. As a result, the Group holds 32,623,377 shares representing 99.67% in MFG's issued shares. Goodwill arising from this acquisition is amounting to Baht 13.9 million.

**Rajadamri Hotel Public Company Limited**

During the year, the Group acquired 14,927,490 additional ordinary shares in Rajadamri Hotel Public Company Limited for consideration of Baht 706 million. As a result, the Group holds 40,873,155 shares representing 90.8% in RHC's issued shares. Goodwill arising from this acquisition is amounting to Baht 35.9 million.

**R.G.E. (HKG) Limited**

The financial statements as of 31 December 2005 of R.G.E. (HKG) Limited, included in these consolidated financial statements, were prepared by the management of the subsidiary and have not been audited by its auditor. However, the financial statements of this company are not significant to the consolidated financial statements.

**China Food Group Limited**

Before 2005, International Franchise Holding (Labuan) Limited hold 18.52% interests in China Food Group Limited (CFG). Investment in CFG was accounted in other long-term investment. In addition, International Franchise Holding (Labuan) Limited has made a deposit for share purchase right amounting to USD 1,700,000 which is an irrevocable option. The option is valid until 31 December 2007.

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On 31 December 2005, International Franchise Holding (Labuan) Limited purchases additional interests of 81.48% in CFG, amounting to Baht 31.7 million. As a result, the Group holds 100% of CFG's issued shares. The investment status of CFG therefore becomes a subsidiary. Goodwill arising from the new acquisition is amounting to Baht 83.3 million. The Group has consolidated the financial statements of CFG and its subsidiaries commencing from 31 December 2005. To account for the change in the investment status, the Group has recognised the share of loss in CFG before 1 January 2005 amounting to Baht 12.8 million and adjusted to the retained earnings and recognised the share of loss for the year amounting to Baht 18.9 million in the statements of income for the year 2005.

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**9 Investments - equity method (Cont'd)**

**a) Investments in subsidiaries (Cont'd)**

**China Food Group Limited (Cont'd)**

Details of the acquisition are as follows:

	<b>Consolidated</b>
	<b>2005</b>
	<b>Baht</b>
Purchase consideration	31,696,083
Fair value of net assets acquired	(51,623,792)
Goodwill	83,319,875
Short-term loans to CFG	138,261,131
<u>Less</u> : Cash and cash equivalents of the investee company	(35,540,891)
Net cash outflow on the acquisition of investment	102,720,240

The fair value of assets and liabilities acquired in China Food Group Limited are as follows:

	<b>Baht</b>
Cash and cash equivalents	35,540,891
Accounts receivable	2,943,976
Inventories	25,744,096
Prepaid expenses	6,204,468
Other current assets	2,106,407
Property, plant and equipment	196,390,480
Intangible asset	30,838,939
Deposit	11,967,629
Short term loan from financial institutions	(106,485,750)
Accounts payable	(16,748,434)
Amount due to related companies	(393,714)
Short-term loans from related companies	(138,261,131)
Accounts payable - others	(3,674,925)
Accrued expenses	(11,535,531)
Corporate income tax payable	(1,655,144)
Other non current liabilities	(66,196,980)

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Translation adjustment	(20,458,492)
Minority interests	(9,684,408)
Fair value of net assets	(63,357,623)
Interest acquired	81.48%
Fair value of net assets acquired	(51,623,792)

Fair value of assets and liabilities in CFG are approximate to the book value due to the identifiable assets and liabilities are mainly short-term.

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**9 Investments - equity method (Cont'd)**

**b) Investments in associates**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Opening net book value	126,911,919	1,015,812,407	91,251,171	998,256,227
Acquisitions	83,257,936	75,539,505	7,285,167	75,539,505
Share of net profit in associates	91,784,268	83,033,262	82,405,334	66,585,293
Dividends received	-	(33,184,899)	-	(33,184,898)
Share of loss in associates due to change in status from other investment				
to investment in associates	-	(4,343,400)	-	-
Transferred from other long-term investments				
to investment in associates (MVVL)	-	6,000,000	-	-
Transferred investment in RHC to investments				
in subsidiaries	-	(1,015,944,956)	-	(1,015,944,956)
Closing net book value	<u>301,954,123</u>	<u>126,911,919</u>	<u>180,941,672</u>	<u>91,251,171</u>

**Maikhao Vacation Villas Limited**

During the first quarter, the Company purchased 60,000 ordinary shares in Maikhao Vacation Villas Limited (MVVL), representing 15% of the issued shares, for consideration of Baht 7.3 million from its subsidiary, RNS Holding Limited. As a result, the Company holds directly 50% of MVVL's issued shares. The equity method of accounting is applied to this investment in both the consolidated and Company financial statements.

**Eutopia Private Holding Limited**

During the fourth quarter, the Group invested in 200,000 ordinary shares at par in Eutopia Private Holding Limited representing 50% of the issued shares, for consideration of Baht 81.59 million. The investment in Eutopia Private Holding Limited is accounted for using equity method.

**Coco Palm Hotel & Resort Co., Ltd.**

On 2 November 2004, the Group acquired 472,000 ordinary shares and 129,906 preferred shares in Coco Palm Hotel & Resort Co., Ltd. (Coco Palm) representing 40% of potential voting right, for consideration of Baht 55 million.

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In December 2004, the Coco Palm Hotel and Resort which was operated by Coco Palm was severely damaged by the wake of the Tsunami tragedy in Andaman Sea. The Company did not include the operating results of Coco Palm in the share of results in associates because Coco Palm does not have in place the future business plan after the loss. The company has provided for an impairment loss on this investment amounting to Baht 8.3 million, based on the fact that the Group's share in value of the land is approximated to the carrying value of the investment after the provision.

**Select Service Partner Limited**

The Group has not included the financial statements of Select Service Partner Limited which is a MFG's associated company in the consolidated financial statements because it does not have control over this company although the equity interest held is 51 percent. The equity method of accounting is applied to this investment in both the consolidated and Company financial statements.

**S&P Minor Food Limited**

During the year 2005, the Group disposed its entire investment in S&P Minor Food Limited at Baht 0.5 million, resulting in the Group realising a gain of Baht 0.5 million since it was fully provided for allowance for impairment in value of the investment by the Group in the previous years.



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9 Investments - equity method (Cont'd)

b) Investments in associates (Cont'd)

Consolidated - 31 December 2005								
	Nature of business	Country of incorporation	Nature of relationship	Paid-up capital Baht Million	Investment portion %	Cost Baht	Equity Baht	Dividend Baht
Maikhao Vacation Villas Limited	Sales of Right-to-Use in Time sharing resort	Thailand	Shareholder	40	50	22,999,292	118,232,036	-
Coco Palm Hotel & Resort Co., Ltd.	Hotel operation	Thailand	Shareholder	92.5	40	55,000,000	46,209,500	-
Arabian Spa (Dubai) Limited	Spa services	United Arab Emirates	Shareholder	3.4 (0.3 Dirham Million)	49	1,667,936	1,646,532	-
Eutopia Private Holding Limited	Hotel operation	Republic of Maldives	Shareholder	163.2 (4 USD Million)	50	81,590,000	76,228,876	-
Sizzler China Pte Limited	Franchise owner	Singapore	Shareholder	-	50	-	2,882,800	-
Select Service Partner Limited	Sales of food and beverage	Thailand	Shareholder	45	51	22,950,000	56,754,379	-
Total investments in associates						184,207,228	301,954,123	-
Consolidated - 31 December 2004								
	Nature of	Country of	Nature of	Paid-up capital	Investment portion	Cost	Equity	Dividend

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	business	incorporation	relationship	Baht Million	%	Baht	Baht	Baht
Maikhao Vacation Villas Limited	Sales of Right-to-Use in Time sharing resort	Thailand	Shareholder	40	45.86 <sup>(1)</sup>	22,999,292	47,350,278	-
Coco Palm Hotel & Resort Co., Ltd.	Hotel operation	Thailand	Shareholder	92.5	40 <sup>(2)</sup>	55,000,000	46,477,000	-
Select Service Partner Limited	Sales of food and beverage	Thailand	Shareholder	45	51	22,950,000	33,084,641	-
						100,949,292	126,911,919	-
S&P Minor Food Limited	Real estate rental	Thailand	Shareholder	1	50	500,000	500,000	-
<u>Less</u> : Allowance for impairment in value of investment						(500,000)	(500,000)	-
Total investments in associates						100,949,292	126,911,919	-

(1) Investment portion of 45.86% represents both direct and indirect holding in Maikhao Vacation Villas Limited.

(2) Investment portion in Coco Palm Hotel & Resort Co., Ltd. is 65.04% but the Company has voting right at 40%.

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9 Investments - equity method (Cont'd)

b) Investments in associates (Cont'd)

Company - 31 December 2005								
	Nature of business	Country of incorporation	Nature of relationship	Paid-up capital Baht Million	Investment portion %	Cost Baht	Equity Baht	Dividend Baht
	Maikhao Vacation Villas Limited	Thailand	Shareholder	40	50	24,284,460	134,732,172	-
	Time sharing resort							
	Coco Palm Hotel & Resort Co., Ltd.	Thailand	Shareholder	92.5	40 <sup>(1)</sup>	55,000,000	46,209,500	-
	Hotel operation							
	Total investments in associates					79,284,460	180,941,672	-
Company - 31 December 2004								
	Nature of business	Country of incorporation	Nature of relationship	Paid-up capital Baht Million	Investment portion %	Cost Baht	Equity Baht	Dividend Baht
	Maikhao Vacation Villas Limited	Thailand	Shareholder	40	35	16,999,292	44,774,171	-
	Time sharing resort							
	Coco Palm Hotel & Resort Co., Ltd.	Thailand	Shareholder	92.5	40 <sup>(1)</sup>	55,000,000	46,477,000	-
	Hotel operation							
	Total investments in associates					71,999,292	91,251,171	-

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- (1) Investment portion in Coco Palm Hotel & Resort Co., Ltd. is 65.04% but the Company has voting right at 40%.

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10 Other long-term investments, net

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Other companies, net	25,350,092	45,812,762	14,550	12,680
Related companies, net	270,441,462	142,719,030	40,842,750	21,238,230
Other long-term investments, net	295,791,554	188,531,792	40,857,300	21,250,910

a) Investments in other companies

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Opening net book amount	45,812,762	37,843,855	12,680	12,075
Acquisition	149,722	28,298,280	-	-
Disposals of investments	(5,972)	(20,781)	-	-
Provision for impairment of investments	-	(5,263,012)	-	-
Transferred from advance for share subscription in related companies	-	198,042	-	-
Transferred investment in CFG to investment in subsidiary	(19,952,000)	-	-	-
Transferred investment in MVVL to investment in associate	-	(6,000,000)	-	-
Change in fair value of investments	(654,420)	(9,243,622)	1,870	605
Closing net book amount	25,350,092	45,812,762	14,550	12,680

	Consolidated			
	Cost method		Fair value	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Available-for-sale securities, cost	21,917,206	21,773,461	22,912,202	23,867,522
Adjust : Fair value reserves	994,996	2,094,061	-	-
Available-for-sale securities, net	22,912,202	23,867,522	22,912,202	23,867,522
General investments	2,437,890	21,945,240		

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Investments in the other companies, net	25,350,092	45,812,762
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	Company			
	Cost method		Fair value	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Available-for-sale securities, cost	5,733	5,733	14,550	12,680
Adjust : Fair value reserves	8,817	6,947	-	-
Investments in the other companies, net	14,550	12,680	14,550	12,680

b) Investments in related companies

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Opening net book amount	142,719,030	91,648,530	21,238,230	18,991,116
Acquisition	28,652,720	9,016,680	4,356,560	1,508,040
Disposals	-	-	-	(5,209,306)
Change in fair value of investments	99,069,712	42,053,820	15,247,960	5,948,380
Closing net book amount	270,441,462	142,719,030	40,842,750	21,238,230

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10 Other long-term investments, net (Cont'd)

b) Investments in related companies (Cont'd)

	Consolidated							
	Nature of business	Country of incorporation	Nature of relationship	Paid-up capital Baht Million	Investment portion (%)	Cost Baht	Fair value reserves Baht	Net investment Baht
31 December 2005								
Available-for- sale securities								
Minor Corporation Public Company Limited	Distribution of products, management services provider and aircraft distributor	Thailand	Shareholder	371	11.58	115,248,216	155,193,246	270,441,462
Total investments in related companies						115,248,216	155,193,246	270,441,462
31 December 2004								
Available-for- sale securities								
Minor Corporation Public Company Limited	Distribution of products, management services provider and aircraft distributor	Thailand	Shareholder	235	15.24	86,595,496	56,123,534	142,719,030

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Total investments in related companies

86,595,496

56,123,534

142,719,030



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10 Other long-term investments, net (Cont’d)

b) Investments in related companies (Cont’d)

		Company							
			Paid-up	Investment		Fair value	Net		
	Country of	Nature of	capital	portion	Cost	reserves	Investment		
Nature of business	incorporation	relationship	Baht Million	(%)	Baht	Baht	Baht		
31 December 2005									
Available-for- sale securities									
Minor Corporation Public Company Limited		Distribution of products, management services provider and aircraft distributor	Thailand	Shareholder	371	1.76	17,077,960	23,764,790	40,842,750
Total investments in related companies						17,077,960	23,764,790	40,842,750	
31 December 2004									
Available-for- sale securities									
Minor Corporation Public Company Limited		Distribution of products, management services	Thailand	Shareholder	235	2.32	12,721,400	8,516,830	21,238,230

Minor International Public Company Limited

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For the years ended 31 December 2005 and 2004

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	provider and aircraft			
	distributor			
Total investments in related companies		12,721,400	8,516,830	21,238,230

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**Minor International Public Company Limited**  
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**11 Related party transactions**

During 2005 Minor Corporation Public Company Limited has made additional investment the Company’s ordinary shares and has accounted for the investment in the Company as investment in associate. Therefore, Minor Corporation Public Company Limited and its subsidiaries are related companies of the Group.

During the year the Group and the Company have entered into transactions with its subsidiaries, associates, and related companies. The terms and basis of such transactions are negotiated between the parties in the ordinary course of business and according to normal trade conditions.

Pricing policies for related party transactions comprise:

	<b>Pricing policies</b>
Sales and purchases	Market prices
Rental income	Agreed prices which approximate market prices
Franchise fee	Agreed prices which approximate market prices
Management income and other income	Agreed prices which approximate market prices
Interest income	Rate as mutually agreed by shareholders and rate determined with reference to the interest rate quoted by commercial banks
Rental expenses	Agreed prices which approximate market prices
Management expenses	Agreed prices which approximate market prices
Royalty fee	Agreed prices which approximate market prices
Interest expenses	Rate determined with reference to the interest rate quoted by commercial banks

Significant transactions with related companies for the years ended 31 December 2005 and 2004 are summarised as follows :

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Sales</b>				
Subsidiaries	-	-	-	46,389
Associates	19,046,449	17,321,052	-	-
Total sales	19,046,449	17,321,052	-	46,389
<b>Rental income</b>				
Subsidiaries	-	-	38,812,355	35,930,090
Related companies	21,278,264	18,367,198	-	-

**Minor International Public Company Limited**

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**For the years ended 31 December 2005 and 2004**

Total rental income	21,278,264	18,367,198	38,812,355	35,930,090
<b>Interest income</b>				
Subsidiaries	-	-	128,903,710	69,844,384
Associates	11,331,645	3,110,159	8,335,619	1,756,407
Related companies	202,737	111,878	-	-
Total interest income	11,534,382	3,222,037	137,239,329	71,600,791
<b>Management fee income</b>				
Subsidiaries	-	-	80,399,438	83,390,412
Associates	3,651,416	1,319,741	-	-
Related companies	13,526,460	8,907,132	1,320,000	1,200,000
Total management fee income	17,177,876	10,226,873	81,719,438	84,590,412
<b>Dividend income</b>				
Related companies	5,372,385	10,744,770	816,855	1,633,710
<b>Other income</b>				
Subsidiaries	-	-	8,239,838	8,161,339
Associates	2,700,000	2,472,705	1,860,000	1,640,000
Total other income	2,700,000	2,472,705	10,099,838	9,801,339

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11 Related party transactions (Cont'd)

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
<b>Purchases</b>				
Subsidiaries	-	-	244,860	183,318
Associates	8,970	-	-	-
Related companies	10,617,898	4,334,205	-	-
Total purchases	10,626,868	4,334,205	244,860	183,318
<b>Rental expenses</b>				
Subsidiaries	-	-	11,696,281	17,890,901
Associates	221,325	4,069,440	-	-
Related companies	17,645,650	18,379,844	-	-
Total rental expenses	17,866,975	22,449,284	11,696,281	17,890,901
<b>Interest expenses</b>				
Subsidiaries	-	-	14,894,857	2,324,417
Associates	296	904	-	-
Related companies	-	62,798	-	-
Total interest expenses	296	63,702	14,894,857	2,324,417
<b>Management fee expenses</b>				
Related companies	40,222,295	35,417,713	10,212,000	10,212,000
<b>Royalty fee</b>				
Subsidiaries	-	-	10,358,835	12,484,918
<b>Other expenses</b>				
Related companies	2,984,163	5,588,644	513,349	398,304
<b>Directors' remuneration</b>	4,629,032	4,030,000	2,130,000	2,130,000

Directors' remuneration represents directors' fees (exclusive of salaries and related benefits payable to the executive directors) paid to the Company's directors in accordance with Section 90 of the Public Limited Company Act, and was approved by the shareholders in their Annual General Meeting.

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**Notes to the Consolidated and Company Financial Statements**

**For the years ended 31 December 2005 and 2004**

As at 31 December 2005 and 2004, outstanding balances arising from receivable, payable, advances and loans from/to related companies are summarised as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Amounts due from related companies</b>				
Subsidiaries	-	-	105,405,026	103,313,377
Associates	13,432,987	19,301,820	2,743,444	2,073,644
Related companies	2,021,628	5,522,307	-	599,901
Total amounts due from related companies	15,454,615	24,824,127	108,148,470	105,986,922

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**11 Related party transactions (Cont'd)**

Outstanding amounts due from related companies as at 31 December 2005 and 2004 can be analysed by aging as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Not yet due	8,753,330	8,112,016	37,634,590	29,484,412
Overdue less than 90 days	5,526,132	5,419,114	19,246,596	21,666,106
Overdue 91 - 180 days	826,283	590,366	17,448,562	14,083,102
Overdue 181 - 365 days	165,471	602,082	29,701,726	20,341,639
Overdue over 365 days	183,399	10,100,549	4,116,996	20,411,663
Total amounts due from related companies	15,454,615	24,824,127	108,148,470	105,986,922

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Long-term loans to related companies</b>				
Subsidiaries	-	-	2,521,861,776	1,750,012,809
Associates	372,961,741	188,849,194	167,536,741	126,740,446
Related companies	3,286,800	3,128,688	-	-
Total long-term loans to related companies	376,248,541	191,977,882	2,689,398,517	1,876,753,255

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Amounts due to and advances from related companies</b>				
Subsidiaries	-	-	12,491,710	5,051,553
Associates	308,318	168,030	5,922	-
Related companies	3,795,887	5,546,109	3,874	-
Total amounts due to and advances from related companies	4,104,205	5,714,139	12,501,506	5,051,553

	<b>Consolidated</b>		<b>Company</b>	
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**For the years ended 31 December 2005 and 2004**

	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Short-term loans from related companies</b>				
Subsidiaries	-	-	1,012,043,898	847,924,260



**12 Land held for future development and projects under development**

Land held for future development and projects under development are stated at cost, and are held by the following subsidiaries:

	<b>Consolidated</b>	
	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>
Thai Project Property Fund	62,468,464	93,264,803
MI Squared Limited	268,402,028	-
Samui Beach Residence Limited	31,793,358	-
Samui Village Limited	251,359,947	58,033,886
Baan Boran Chiangrai Limited	179,534,265	19,263,554
Rajadamri Residence Company Limited	50,341,873	-
Royal Garden Plaza Limited	15,063,380	-
Total land held for future development and projects under development	<u>858,963,315</u>	<u>170,562,243</u>

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13 Property, plant and equipment, net

	Consolidated – Baht									Total
	Land and land improvement	Leasehold right	Building and fitting equipment	Building and leasehold improvement	Furniture, fixtures and office equipment	Other equipment	Motor vehicles	Operating equipment	Construction in progress	
<b>At 31 December 2004</b>										
Cost	605,346,386	3,053,528,029	7,324,574,026	1,928,472,940	3,088,597,518	1,250,757,541	234,171,528	272,909,058	130,194,334	17,888,551,360
<u>Less:</u> Accumulated depreciation	(94,146,924)	(1,062,599,365)	(2,476,382,071)	(1,021,932,517)	(1,990,478,423)	(844,543,961)	(138,058,586)	(112,628,366)	-	(7,740,770,213)
Provision for impairment loss	-	-	-	-	-	(20,125,728)	-	-	-	(20,125,728)
Net book value	511,199,462	1,990,928,664	4,848,191,955	906,540,423	1,098,119,095	386,087,852	96,112,942	160,280,692	130,194,334	10,127,655,419
<b>Year ended 31 December 2005</b>										
Opening net book value	511,199,462	1,990,928,664	4,848,191,955	906,540,423	1,098,119,095	386,087,852	96,112,942	160,280,692	130,194,334	10,127,655,419
Additions	2,686,598	2,650,155	28,324,786	225,901,655	280,203,648	149,984,036	653,438	67,112,655	380,129,558	1,137,646,529
Arisen from acquisition of CFG (Note 9 a))	-	-	-	-	-	50,840,991	825,694	3,096,452	141,627,343	196,390,480
Reclassification	(15,940,245)	25,829,676	106,137,465	178,217,869	97,712,710	25,373,696	2,802,124	(7,470,929)	(412,662,366)	-
Write-off	-	-	-	(20,769,093)	(3,626,457)	(2,674,666)	-	(31,313,921)	(2,966,008)	(61,350,145)
Disposals	(4,000,000)	-	(8,906,319)	(435,518)	(13,691,253)	(21,088,302)	(283,339)	(6,061,319)	(4,566,973)	(59,033,023)
Transfer from other accounts	-	-	-	-	-	-	-	200,685	-	200,685
Depreciation charge	(7,914,995)	(104,272,082)	(313,115,295)	(185,692,282)	(362,435,343)	(109,512,010)	(31,410,854)	(12,469,042)	-	(1,126,821,903)

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Net impairment	-	-	-	-	-	8,275,318	-	-	-	8,275,318
Closing net book value	486,030,820	1,915,136,413	4,660,632,592	1,103,763,054	1,096,282,400	487,286,915	68,700,005	173,375,273	231,755,888	10,222,963,360

**At 31 December 2005**

Cost	588,092,739	3,071,609,146	7,434,583,334	2,183,013,010	3,351,958,595	1,450,604,371	238,404,431	301,115,452	231,755,888	18,851,136,966
<u>Less:</u> Accumulated depreciation	(102,061,919)	(1,156,472,733)	(2,773,950,742)	(1,079,249,956)	(2,255,676,195)	(951,467,046)	(169,704,426)	(127,740,179)	-	(8,616,323,196)
Provision for impairment loss	-	-	-	-	-	(11,850,410)	-	-	-	(11,850,410)
Net book value	486,030,820	1,915,136,413	4,660,632,592	1,103,763,054	1,096,282,400	487,286,915	68,700,005	173,375,273	231,755,888	10,222,963,360

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

	Company - Baht									
	Land and land improvement	Leasehold right	Buildings and fitting equipment	Building and leasehold improvement	Furniture, fixtures and office equipment	Other equipment	Motor vehicles	Operating equipment	Construction in progress	Total
<b>At 31 December 2004</b>										
Cost	9,510,983	18,690,531	526,505,308	15,262,326	217,156,979	895,019	25,860,185	12,921,845	26,231,482	853,034,658
<u>Less</u> : Accumulated depreciation	-	(9,968,738)	(209,174,116)	(6,512,761)	(118,904,550)	(145,386)	(13,020,436)	(4,819,945)	-	(362,545,932)
Net book value	9,510,983	8,721,793	317,331,192	8,749,565	98,252,429	749,633	12,839,749	8,101,900	26,231,482	490,488,726
<b>Year ended 31 December 2005</b>										
Opening net book value	9,510,983	8,721,793	317,331,192	8,749,565	98,252,429	749,633	12,839,749	8,101,900	26,231,482	490,488,726
Additions	-	-	10,245,736	-	8,722,179	5,038,244	653,437	252,000	15,800,443	40,712,039
Reclassification	-	-	8,460,751	21,096,207	7,702,577	-	-	2,376,250	(39,635,785)	-
Disposals	-	-	-	-	(658,763)	-	(3)	-	-	(658,766)
Depreciation charge	-	(622,613)	(23,405,579)	(2,205,965)	(26,697,693)	(417,431)	(2,331,026)	(745,845)	-	(56,426,152)
Closing net book value	9,510,983	8,099,180	312,632,100	27,639,807	87,320,729	5,370,446	11,162,157	9,984,305	2,396,140	474,115,847
<b>At 31 December 2005</b>										
Cost	9,510,983	18,690,531	545,211,795	36,358,533	229,695,141	5,933,263	25,841,291	15,550,095	2,396,140	889,187,772
<u>Less</u> : Accumulated depreciation	-	(10,591,351)	(232,579,695)	(8,718,726)	(142,374,412)	(562,817)	(14,679,134)	(5,565,790)	-	(415,071,925)
Net book value	9,510,983	8,099,180	312,632,100	27,639,807	87,320,729	5,370,446	11,162,157	9,984,305	2,396,140	474,115,847

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

A subsidiary which is operating a hotel on leasehold land has mortgaged parts of the leasehold rights to land and the constructions thereon, machinery and equipment to secure long-term loans from financial institutions. Another subsidiary has mortgaged parts of its land and building to secure long-term loans from financial institutions (Note 18).

During 2002 to 2003, certain subsidiaries have entered into sale and leaseback agreements with the Thai Assets Management Property Fund and Sub Thawee Property Fund with the first right of repurchase. The Property Funds are consolidated in the consolidated financial statements of the Company and of MFG, respectively. The sale and leaseback transactions have been accounted for as secured borrowings (Note 18). No change in property, plant and equipment was recognised in the consolidated financial statements as a result of these transactions.

As at 31 December 2005, long-term borrowings (Note 18) are secured by fixed assets of subsidiaries with book values of Baht 1,432 million.

	<b>Consolidated<sup>(1)</sup></b>	<b>Company<sup>(2)</sup></b>
	<b>Baht Million</b>	<b>Baht Million</b>
Capital commitments as at 31 December 2005	286.7	0.8
Capital commitments as at 31 December 2004	65.4	1.1

- (1) As at 31 December 2005, subsidiaries have commitments for hotel construction costs contracted but not recognised as liabilities of approximately Baht 285.9 million (2004 : Baht 64.3 million).
- (2) As at 31 December 2005, the Company has commitments for the renovation of hotel rooms and systems contracted but not yet recognised as liabilities of approximately Baht 0.8 million (2004 : Baht 1.1 million).

**14 Intangible assets, net**

	<b>Consolidated (Baht)</b>				
	<b>Franchise development expenses</b>	<b>Initial franchise fees</b>	<b>Goodwill</b>	<b>Negative goodwill</b>	<b>Total</b>
<b>At 31 December 2004</b>					
Cost	154,681,421	86,943,465	1,748,581,577	(624,681,677)	1,365,524,786
Less : Accumulated amortisation	(148,527,408)	(66,199,789)	(200,959,709)	174,907,295	(240,779,611)
Net book value	6,154,013	20,743,676	1,547,621,868	(449,774,382)	1,124,745,175

**Transactions during the year ended**  
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Assets of CFG as at the additional  
acquisition date

Cost	-	-	31,906,626	-	31,906,626
<u>Less</u> : Accumulated depreciation	-	-	(1,067,687)	-	(1,067,687)
Net book amount	-	-	30,838,939	-	30,838,939

Refer to Note 9 a)

Goodwill arisen from acquisition of MFG	-	-	13,937,416	-	13,937,416
Goodwill arisen from acquisition of CFG	-	-	83,319,875	-	83,319,875
Goodwill arisen from acquisition of RHC	-	-	35,929,968	-	35,929,968
	-	-	133,187,259	-	133,187,259
Additions	-	1,216,838	-	-	1,216,838
Write-off	-	-	59,378	-	59,378
Amortisation charge	(1,291,591)	(3,719,737)	(55,557,245)	34,131,742	(26,436,831)
Closing net book value	4,862,422	18,240,777	1,656,150,199	(415,642,640)	1,263,610,758

**At 31 December 2005**

Cost	154,681,421	88,160,303	1,913,734,840	(624,681,677)	1,531,894,887
<u>Less</u> : Accumulated amortisation	(149,818,999)	(69,919,526)	(257,584,641)	(209,039,037)	(268,284,129)
Net book value	4,862,422	18,240,777	1,656,150,199	(415,642,640)	1,263,610,758

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**15 Other non - current assets**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Deposits	173,522,406	209,586,304	3,611,473	3,625,243
Deferred charges	109,452,214	47,214,575	19,768,515	23,632,812
Tax refundable	18,255,611	18,255,611	-	-
Others	28,402,249	20,471,898	-	-
Total other non-current assets	329,632,480	295,528,388	23,379,988	27,258,055

Under the conditions of the tax defence process as described in Note 31, the tax refund of a subsidiary which has been approved for refund by the Revenue Department totalling Baht 18.3 million is pledged as a guarantee with the Revenue Department.

**16 Bank overdrafts and short-term loans from financial institutions**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Bank overdrafts	20,096,852	9,476,497	12,792,032	3,697,663
Short-term loans from financial institutions	748,485,750	430,932,798	642,000,000	430,932,798
Total bank overdrafts and short-term loans from financial institutions	768,582,602	440,409,295	654,792,032	434,630,461

The bank overdrafts and short-term loans from financial institutions are denominated in Thai Baht.

**17 Other current liabilities**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Accounts payable - construction	73,859,218	93,165,538	7,172,712	3,455,875
Accounts payable - other	260,451,780	194,534,746	7,834,140	8,493,402

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Others	215,336,739	256,218,858	18,676,896	17,315,608
Total other current liabilities	549,647,737	543,919,142	33,683,748	29,264,885



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18 Long-term borrowings

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
<b>Current portion</b>				
Loans from financial institutions	482,900,000	263,250,000	54,040,000	-
<b>Long-term borrowings</b>				
Loans from financial institutions	968,298,601	1,490,449,139	292,000,000	469,440,000
Other borrowings	1,174,900,000	1,274,900,000	-	-
	2,143,198,601	2,765,349,139	292,000,000	469,440,000
Total long-term borrowings	2,626,098,601	3,028,599,139	346,040,000	469,440,000

Maturity of long-term borrowings can be analysed as follows:

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Next year	482,900,000	263,250,000	54,040,000	-
Between 2 and 5 years	968,298,601	1,443,449,139	292,000,000	469,440,000
Over 5 years	1,174,900,000	1,321,900,000	-	-
Total long-term borrowings	2,626,098,601	3,028,599,139	346,040,000	469,440,000

The movements in the borrowings can be analysed as follows:

	Consolidated	Company
	Baht	Baht
<b>For the year ended 31 December 2005</b>		
Opening amount	3,028,599,139	469,440,000
Borrowings	1,076,600,000	976,600,000
Repayment of borrowings	(1,479,930,000)	(1,100,000,000)
Transaction costs	829,462	-
Closing amount	2,626,098,601	346,040,000

**Loans from financial institutions**

As at 31 December 2005, loans from financial institutions in the consolidated financial statements totalling Baht 1,451 million comprised :

- a) The Company’s outstanding loans of Baht 292 million and Baht 54 million. The first loan carries 12 months fixed deposit rate plus a fixed rate of interest and is due for repayment in 2009. The loan is subject to certain conditions with which the Company has to comply with throughout the loan period. Another loan of Baht 54 million carries a fixed rate of interest and is due for repayment in 2006. The loan is subject to certain conditions with which the Company has to comply with throughout the loan period.
- b) Two subsidiaries’ outstanding loans amounting to Baht 716 million. The loans are secured against a mortgage of land, part of their leasehold rights to land and constructions thereon, machinery and equipment of two subsidiaries (Note 13). The loans carry interest at a fixed rate during the year 2004 to 2005 and will change to MLR minus a fixed rate and agreed floating rate on 1 January 2006. The loans are due for repayment during 1999 to 2009.

**18 Long-term borrowings (Cont’d)**

**Loans from financial institutions (Cont’d)**

- c) A subsidiary’s unsecured loan of Baht 83 million. The loan carries a MLR minus a fixed rate of interest and is due for repayment in 36 monthly installments starting from 31 July 2005. The loan is subject to certain conditions with which the subsidiary has to comply with throughout the loan period.
- d) A subsidiary’s unsecured loan of Baht 124 million. The loan carries a fixed rate of interest for the first 3 years and a floating rate of interest for the fourth year. The loan is to be repaid in seven semi-annually installments starting from 30 June 2004. The loan is subject to certain conditions with which the subsidiary has to comply with throughout the loan period.
- e) A subsidiary’s unsecured loan of Baht 72 million. The loan carries a fixed rate of interest and is due for repayment within 4 years. The first repayment totalling Baht 26 million is due in the fourth quarter of 2004. The loan is subject to certain conditions with which the subsidiary has to comply with throughout the loan period.
- f) A subsidiary’s unsecured loan of Baht 110 million. The loan carries a fixed rate of interest and is due for repayment within 2006.

**Other borrowings**

Other borrowing loan amounting to Baht 1,175 million represents borrowings by the two property funds as follows:

- a) Long-term loan amounting to Baht 725 million representing Class A and B investment units in the Thai Assets Management Property Fund being units held by banks and financial institutions. These unitholders receive interest at fixed rates and MLR minus fixed rates as specified in the Unit Holders Agreement. The loans are repayable within 10 years.

Thai Assets Management Property Fund holds sub-lease rights and legal titles in the Group’s property, plant and equipment with a book value of Baht 1,106 million as collateral.

- b) Long-term loan amounting to Baht 450 million representing Class A investment units in the Sub Thawee Property Fund being units held by banks and financial institutions. These unitholders receive interest at MLR minus fixed rates as specified in the Unit Holders Agreement. The loans are repayable within 10 years.

Sub Thawee Property Fund holds sub-lease rights and legal titles in the Group’s property, plant and equipment with a book value of Baht 326 million as collateral.

**Borrowing facilities**

The Group and the Company have the following undrawn committed long-term borrowing facilities:

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	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Floating interest rate</b>				
- expiring within one year	108,000,000	400,000,000	108,000,000	400,000,000
- expiring beyond one year	200,000,000	200,000,000	200,000,000	200,000,000
	<u>308,000,000</u>	<u>600,000,000</u>	<u>308,000,000</u>	<u>600,000,000</u>

The facilities have been arranged to finance the proposed expansion of the Group and the Company’s activities.

The carrying amounts of long-term loans as of 31 December 2005 approximate to their fair values.

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19 Liabilities under finance lease agreements, net

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Liabilities under finance lease agreements	27,948,666	55,763,907	-	-
Less : Deferred interest	(1,493,538)	(4,999,493)	-	-
	26,455,128	50,764,414	-	-
Less : Current portion	(22,381,638)	(14,888,590)	-	-
Liabilities under finance lease agreements, net	4,073,490	35,875,824	-	-

Two subsidiaries have entered into finance lease agreements with a leasing company for rental of motor vehicles for operations and are committed to pay rental fees on a monthly basis. As at 31 December 2005, minimum lease commitments under the finance lease agreements are as follows:

Year	Million Baht
2006	23.66
2007	4.29
	27.95

20 Debentures

	Consolidated and Company	
	2005	2004
	Baht	Baht
Current portion of debentures	212,500,000	212,500,000
Debentures due in longer term	3,556,250,000	2,668,750,000
Total debentures	3,768,750,000	2,881,250,000

The movements in debentures can be analysed as follow:

Consolidated and  
Company  
Baht

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<b>For the year ended 31 December 2005</b>	
Opening amount	2,881,250,000
Repayment	(212,500,000)
Additions	1,100,000,000
Closing amount	<u>3,768,750,000</u>

**20 Debentures (Cont'd)**

Debentures comprise:

- a) 1,700,000 units of debentures issued during the third quarter of 2002, (unsecured, senior and without a debenture holder's representative) with a par value of Baht 1,000 each, totalling Baht 1,700 million, to be used for the repayment of previous debentures and long-term loans before their due dates. The maturity period of the debentures is 5 years. The debentures will be due semi-annually and will be redeemed 8 times in amount of Baht 106.25 million each with the first redemption due on 23 August 2003. The last redemption amount will be Baht 850 million on 23 August 2007. The debentures holders are entitled to receive interest at a fixed rate, and the Company will pay interest semi-annually on 23 February and 23 August of each year, throughout the debentures' term. The terms and conditions of the debentures holders' rights contain certain covenants, including the maintenance of a certain debt to equity ratio, and limits on the payment of dividends and the disposal and transfer or pledge of certain operating assets of the Company which are used in its main operations.
- b) Debentures issued in January 2004 which are unsecured, senior and without a debenture holder's representatives totalling Baht 1,000 million. These debentures have a fixed rate of interest and are due for repayment within 2010.
- c) Debentures issued in December 2004 which are unsecured, senior and without a debenture holder's representatives amounting to Baht 500 million. These debentures have a fixed rate of interest and due for repayment within 2007.
- d) Debentures issued in May 2005 which are unsecured, senior and without a debenture holder's representatives amounting to Baht 1,100 million. These debentures have a fixed rate of interest and due for repayment within 2010.

At the annual general meeting of the shareholders of the Company held on 21 April 2005, the shareholders passed a resolution to approve issuance of no more than ten-year unsubordinated debentures with guarantee and/or no long-term guarantee (depending on the market at the issue date) of an amount not exceeding Baht 5,000 million, to be used for the refinance of the existing loans and working capital. As at 31 December 2005, these debentures have not yet been offered.

The Board of Directors of a subsidiary has approved the issuance of additional six-year unconvertible debentures without warrants, not exceeding Baht 2,000 million. However, as at 31 December 2005 these debentures have not yet been offered.

The carrying amounts of long-term debentures for consolidated and Company financial statement as of 31 December 2005 approximate to their fair values.

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**21 Share capital and share premium**

<b>Consolidated</b>						
	<b>Number of ordinary shares</b>	<b>Number of preference shares</b>	<b>Ordinary shares Baht</b>	<b>Preference shares Baht</b>	<b>Share premium Baht</b>	<b>Total Baht</b>
31 December 2003	2,251,070,800	42,895,000	2,251,070,800	42,895,000	387,909,302	2,681,875,102
Issue of shares	162,186,841	20,625,000	162,186,841	20,625,000	99,302,850	282,114,691
31 December 2004	2,413,257,641	63,520,000	2,413,257,641	63,520,000	487,212,152	2,963,989,793
Transfer expired warrants to share premium	-	-	-	-	19,711,121	19,711,121
Share dividends (Note 27)	242,488,278	-	242,488,278	-	-	242,488,278
Issue of shares	14,390,350	-	14,390,350	-	8,987,238	23,377,588
31 December 2005	2,670,136,269	63,520,000	2,670,136,269	63,520,000	515,910,511	3,249,566,780

  

<b>Company</b>						
	<b>Number of ordinary shares</b>	<b>Number of preference shares</b>	<b>Ordinary shares Baht</b>	<b>Preference shares Baht</b>	<b>Share premium Baht</b>	<b>Total Baht</b>
31 December 2003	2,251,070,800	42,895,000	2,251,070,800	42,895,000	381,968,047	2,675,933,847
Issue of shares	162,186,841	20,625,000	162,186,841	20,625,000	99,302,851	282,114,692
31 December 2004	2,413,257,641	63,520,000	2,413,257,641	63,520,000	481,270,898	2,958,048,539
Transfer expired warrants to share premium	-	-	-	-	19,711,121	19,711,121
Share dividends (Note 27)	242,488,278	-	242,488,278	-	-	242,488,278
Issue of shares	14,390,350	-	14,390,350	-	8,987,238	23,377,588
31 December 2005	2,670,136,269	63,520,000	2,670,136,269	63,520,000	509,969,257	3,243,625,526

As at 31 December 2005, the registered shares comprise 3,097,854,371 ordinary shares and 200,000,000 preference shares with par value of Baht 1 per share (2004 : 2,443,144,835 ordinary shares and 200,000,000 preference shares). The issued and fully paid up shares comprise 2,670,136,269 ordinary shares and 63,520,000 preference shares (2004 : 2,413,257,641 ordinary shares and 63,520,000 preference shares).

At the annual general meeting of the shareholders of the Company held on 21 April 2005, the shareholders passed a resolution to approve the following matters:

- 21.1 Decrease in the registered share capital of the Company from Baht 2,765.4 million to Baht 2,628.9 million by cancelling the 136,480,000 registered preference shares, which are not issued, at the par value of Baht 1 per share.



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21.2 Increase in the registered share capital of the Company from Baht 2,628.9 million to 3,297.9 million, which comprises 3,097.9 million ordinary shares at the par value of Baht 1 per share and 200 million preference shares, and considering to allot the additional shares as follows:

- 136,480,000 class B convertible preference shares will be offered for sales to specific person and/or institutional investors or investors having the specific characters under the notification of the Office of the Securities and Exchange Commission at the offering price higher than the market price of ordinary shares of third working days preceding the offering date.
- 242,969,098 ordinary shares will be allotted as share dividend.
- 287,695,792 ordinary shares will be reserved for warrants as mentioned in Note 22.1.
- 1,785,320 ordinary shares will be reserved for the right adjustment of warrants issued to the directors and employees of the Company and its subsidiaries as mentioned in Note 22.2.

**21 Share capital and share premium (Cont’d)**

The decrease and increase in the registered share capital of the Company were registered with the Ministry of Commerce on 2 May 2005.

The preference shares are convertible and cumulative preference shares with a par value of Baht 1 per share. The dividend is set at 3.75% of the offer price and can accumulate if the Company does not declare to pay the dividend. The convertible preference shares have a life of 5 years commencing on issuance date and are convertible to ordinary shares in the fourth year after issue. During 2004, the Company issued 20,625,000 preference shares amounting to Baht 82.5 million. As at 31 December 2005 the Company has not recorded dividends for cumulative preference shares amounting to Baht 9,206,288 as liabilities in the financial statements.

**22 Warrants**

**22.1 Warrants issued to the existing shareholders**

In 1999, the Company issued 13,563,600 warrants to the existing shareholders at no cost, at the ratio of 10 existing shares per one warrant. Such warrants expired on 7 December 2004.

At the annual general meeting of the shareholders of the Company held on 21 April 2005, the shareholders passed resolutions to issue and offer warrants not exceeding 287,695,792 units to the existing shareholders at no cost, at a ratio of 10 existing shares per 1 warrant. The exercise ratio is 1 warrant per 1 ordinary share at an exercise price not over Baht 6. Expiration date is not over 24 months from the issue date. As at 31 December 2005, the issuance and offering of the above warrants have been in process of approval from the Office of the Securities and Exchange Commission.

**22.2 Warrants issued to the directors and employees of the Company and its subsidiaries**

The Company has issued 5,000,000 warrants to the directors, employees of the Company and its subsidiaries at no cost. As at 31 December 2005, 3,842,437 warrants have been exercised, of which 1,156,291 warrants or accounted for 14,390,350 ordinary shares totalling Baht 23,377,588 were exercised during 2005. 1,157,563 warrants remain unexercised. The exercise ratio is 1 warrant to 13.44 ordinary shares and the exercise price is the market price less 5 percent discount. The expiration date for exercise is within 2007.

The extraordinary meeting of the shareholders held on 21 February 2005 approved the issuance of additional 123,800,000 warrants to the directors, employees of the Company and its subsidiaries at no cost. The exercise ratio is 1 warrant per 1 ordinary share at an exercise price of Baht 2.98. Their term is 5 years from the first issue and offering date. As at 31 December 2005, the issuance and offering of the above warrants have been in process of approval from the Office of the Securities and Exchange Commission.

**22.3 Warrants issued by subsidiary**

**22.3.1 Warrants issued to the existing shareholders**

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Warrants to subscribe for ordinary shares issued by MFG to its shareholders expired on 9 September 2004. As a result, these warrants have been transferred to “Expired warrants in a subsidiary” in the consolidated financial statement amounting to Baht 104,788,723.

**22 Warrants (Cont'd)**

**22.3 Warrants issued by subsidiary (Cont'd)**

**22.3.2 Warrants issued to the directors and employees of MFG and/or its subsidiaries**

In 2002, MFG issued 1.6 million units of warrants at no cost to its directors and employees. One unit of warrants is entitled to be exercised against one ordinary share with the exercise price at Baht 10 per unit. The warrants can be exercised within the exercise period up to 2007. The warrants 420,000 units have been allocated by MFG. The first 126,000 units can be exercised starting May 2003 and 126,000 units starting May 2004 and the remaining can be exercised starting May 2005. Up to 31 December 2005, the 385,000 units of warrants have been exercised of which 148,000 units of warrants totalling Baht 1,480,000 were exercised during the year (2004 : 175,000 units of warrants totalling Baht 1,750,000).

**23 Other non-current liabilities**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Deferred income	10,766,573	25,000,000	-	-
Unearned income	154,559,699	159,389,724	3,704,381	4,000,187
Rental deposits and other liabilities	150,130,794	134,544,169	3,010,165	2,874,200
Total other non-current liabilities	<u>315,457,066</u>	<u>318,933,893</u>	<u>6,714,546</u>	<u>6,874,387</u>

**24 Legal reserve**

Under the Public Limited Company Act, 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.

As at 31 December 2005, legal reserves of subsidiaries amounting to Baht 69,381,914 (2004 : Baht 60,124,022) have been included in the unappropriated retained earnings of the consolidated financial statements.

**25 Operating profit**

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Net (gain) loss on foreign exchange	(2,490,378)	14,082,820	(1,469,087)	11,466,605
Depreciation on property, plant and equipment and amortisation of intangible assets	1,153,258,734	919,123,706	56,429,452	50,875,412
Staff costs	2,114,367,654	1,659,176,583	208,757,447	157,766,758

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**26 Earnings per share**

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

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company and its subsidiaries have convertible preference shares (Note 21) and warrants in issue (Note 22).

A calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the outstanding warrants. The potential shares are added to the ordinary shares outstanding but no adjustment is made to net profit.

For the calculation of the diluted earnings per share, the weighted average number of shares assuming conversion of all dilutive potential ordinary shares as at 31 December 2005 is 67,449,313 shares (2004 : 71,652,092 shares).

Earnings per share for the year 2004 are presented after restated to reflect the share dividend paid to the Company's shareholders during the second quarter of year 2005.

	<b>Consolidated and Company</b>	
	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2004</b>
	<b>Shares</b>	<b>Shares</b>
		<b>(Restated)</b>
Weighted average number of ordinary shares in issue	2,666,227,424	2,569,459,042
Adjusted for own shares held by a subsidiary	(166,797,796)	(166,797,796)
Weighted average number of ordinary shares in issue, net	<u>2,499,429,628</u>	<u>2,402,661,246</u>
<b>Effect of dilutive potential ordinary shares</b>		
Warrants	3,929,313	8,132,092
Convertible preference shares	63,520,000	63,520,000
Dilutive potential ordinary shares	<u>67,449,313</u>	<u>71,652,092</u>
Weighted average number of ordinary shares for diluted earnings	<u>2,566,878,941</u>	<u>2,474,313,338</u>

**Consolidated and Company**

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	<b>For the year ended 31 December</b>	
	<b>2005</b>	<b>2004</b>
	<b>Baht</b>	<b>Baht</b>
		<b>(Restated)</b>
Net profit for the year	1,061,110,298	711,901,852
<u>Less</u> : Accumulated dividends for preference shares	(9,206,288)	(13,306,300)
Net profit attributable to shareholders	<u>1,051,904,010</u>	<u>698,595,552</u>
Basic earnings per share	<u>0.42</u>	<u>0.29</u>
Net profit for the year	1,061,110,298	711,901,852
<u>Less</u> : Accumulated dividends for preference shares	-	-
Net profits attributable to shareholders	<u>1,061,110,298</u>	<u>711,901,852</u>
Diluted earnings per share	<u>0.41</u>	<u>0.29</u>

**27 Dividends**

At the annual general meeting of the shareholders of the Company held on 21 April 2005, it was resolved to set a side of retained earnings of 2004 to be a legal reserve of Baht 35.6 million and to approve dividend payments as follows:

- 27.1 Cash dividend to the holders of common share of Baht 0.12 per share and to the holders of preference shares at the fixed rate of 3.75% of the final offering price, totaling Baht 300.2 million.
- 27.2 Share dividend to the holders of common share at the ratio of 10 existing shares to 1 new share at the price of Baht 1 per share, totalling Baht 242.5 million.

Those dividends were paid to the shareholders on 20 May 2005 (2004 : Baht 238.6 million). Dividends included dividend paid to a subsidiary amounted Baht 18.2 million and 15.2 million ordinary shares (2004 : Baht 14.7 million), which is accounted for by adding back to the retained earnings in consolidated and Company financial statements.

**28 Financial instruments**

**Financial risk management and policies**

The Group is exposed to normal risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties and the tourism industry turnover. The Group does not have policy to use derivative financial instruments for speculative or trading purposes.

**Interest rate risk**

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cashflows. However, the loan interest rates of the Group are mainly fixed. In order to manage the risk arising from fluctuation in interest rates, the Group use the derivative financial instruments which mainly are interest rate SWAPs. Interest rate SWAPs are entered into to manage exposure to fluctuation in interest rate on specific borrowing.

As at 31 December 2005, the Company has open interest rate SWAPs, which will be expired on 8 June 2007, with principal amount of Baht 750 million and float interest rate.

**Foreign currency risk**

The Groups' exposure to foreign currency risk relates primarily to its accounts receivable and accounts payable, certain of which are denominated in foreign currencies, and investments in foreign subsidiaries and associates, which are not currently hedged by any derivative financial instruments as the management has no intention to sell out those investments in the near future.

**Credit risk**

The Group is exposed to normal credit risk primarily with respect to trade accounts receivable. However, due to the large number of entities comprising the Group's customer base, the Group does not anticipate material losses from its debt collection.

**Fair value**

The fair value of the open interest rate SWAP as at 31 December 2005 is unfavourable interest rate SWAP amounting to Baht 821,918 (2004 : favourable interest rate SWAP amounting to Baht 255,205).

The majority of financial assets are short-term and long-term loans were carried at interest rates closing to market rate. The subsidiaries loan carried an interest closing to market rate. The management therefore believes that, their net book values do not materially differ from their fair values.



**29 Commitments**

The Company

- The Company has entered into a franchise agreement with an overseas company. The Company is committed to pay a franchise fee and an international marketing fee based on a percentage of gross room revenues, as specified in the agreement. The agreement will expire in June 2013.
- The Company has entered into an agreement to lease the land on which its hotel building is built for 30 years, ending in 2018. The Company is committed to pay rental fees at a certain percentage of gross revenue (which is to be increased annually until it reaches a specified rate) or at a minimum rental fees stipulated in the agreement, whichever is higher. As at 31 December 2005, the Company's future payment commitments according to the minimal rental fees stipulated in the agreement is approximately Baht 65 million.
- The Company has entered into rental and service agreements with a subsidiary relating to its opening of restaurant and fitness centers. The Company is committed to pay rental and service fees under the agreements of approximately Baht 16.6 million. In addition, the Company is committed to pay this subsidiary fees for the area used in the sale of food and beverages, at a percentage of the Company's food and beverage revenues stipulated in the agreements, ending in 2008.
- The Company has entered into an agreement with a related company for management and other supporting activities provided by the related company. According to the agreements, the Company has commitments to pay a certain amount to the related company.
- The Company has issued corporate guarantees amounting to USD 2.4 million (2004 : USD 2.4 million) to guarantee overseas projects of a related company.
- The Company has issued corporate guarantees amounting to Baht 240 million with a bank for credit facilities of a subsidiary. However, the credit facilities have not yet been drawn down.
- The Company has entered into a trademark agreement with a subsidiary. The Company has obligation to pay trademark fee at certain percentages of revenue generated as indicated in the agreement. The agreement valids for 10 years and will be terminated in 2011.

The subsidiaries and associates

- A subsidiary has entered into a license and royalty agreement with an overseas company. The subsidiary venture is committed to pay royalty fees and management hotel fees at the rate, terms and basis as specified in the agreement for 20 years up to 2021 and can be renewed at its expiry date for 10 years.
- Four subsidiaries have entered into separate land lease agreements for periods between 30 to 42 years, effective on 1 August 1982, 8 May 1987, 23 November 1988 and 2 July 1994, respectively. The subsidiaries are committed to pay rental fees at a certain percentage of annual gross revenue (to be increased annually until it reaches a specified rate) or at a minimum rent stipulated in the agreement,

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whichever is higher. As at 31 December 2005, the subsidiaries’ future payment commitments in accordance with the minimal rental fees stipulated in the agreements are approximately Baht 211 million (2004 : Baht 223.1 million).

- Under an agreement for technical assistance and the use of a trademark and trade name which a subsidiary has entered into with an overseas company, a fee is payable calculated at a percentage of gross sales as specified in the agreement. The original agreement was for a year of four years up to 1998, but is automatically renewed at its expiry date for three times, five years each.
- Under a one year licence agreement ending in 2002 to operate a theatre with an overseas company on a yearly renewal basis, a subsidiary is committed to pay certain fees as specified in the agreement. The agreement is automatically renewed at its expiry date for one year.

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**29 Commitments (Cont'd)**

The subsidiaries and associates (Cont'd)

- Two subsidiaries have entered into a hotel management agreement with an overseas company including international management and right of trademark use. The subsidiaries are committed to pay fees at a certain percentage of total room revenue as stipulated in the agreement. The agreement will expire during 2004-2013.
- Under advertising, licensing and restaurant management agreements with overseas companies a subsidiary is committed to pay fees at a percentage of the gross sales of each restaurant in the hotel as stipulated in the agreements, ending in 2015.
- In December 2000, the Group entered into a shareholders agreement with an overseas partner to establish Maikhao Vacation Villas Limited. Pursuant to the agreement, the Group committed to grant a shareholder loan of Baht 476.9 million to this company, subjected to the terms as specified in the agreement. The agreement contains certain covenants and restrictions including a call option to acquire shares of this company from the counterparty. The agreement will be terminated upon the dissolution of this company or by mutual agreement by both parties.

From the above commitment, during 2001 to 31 December 2005, the Group has funded a portion of the capital needs of Maikhao Vacation Villa Limited in the form of loans and equity amounting to Baht 52.5 million, and has guaranteed the issuance of a bill of exchange amounting to Baht 232.5 million with corporate guarantees by the Company.

- Under agreements to render services and rental space for operations from other companies, a subsidiary has to pay fees based on its gross sales at the rates stipulated in the agreements ending during 2004 - 2010.
- Four subsidiaries have entered into a number of franchise agreements in order to obtain rights to operate food restaurants. According to the agreements, those subsidiaries must pay franchise fees based on a percentage of sales and must comply with certain terms and conditions. The payments of franchise fees are included in selling and administrative expenses.
- A subsidiary has entered into an operating agreement with an overseas related company whereby the latter is undertaking to operate the company's hotel and run the business operations of the subsidiary company. In consideration for such services, subsidiary is committed to pay remunerations at the rates, terms and basis specified in the agreement. The agreement between subsidiary and related company was effective for the period as from 1 December 1985 to 31 December 2012.
- A subsidiary has entered into lease agreements covering the land where the hotel is situated. Under the lease agreement, subsidiary has transferred the ownership of the hotel buildings and improvements to the landlord. Subsidiary is committed to pay rental at the rates specified in the lease agreements. The lease agreement are for a period of thirty years up to the year 2013 and are renewable after the expiry date for another two periods of fifteen years each. As at 31 December 2005, subsidiary has commitment to pay minimal rental fees as stipulated in the agreement as follows :

<u>Year</u>	<u>Million Baht</u>
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2006	5.71
2007 - 2013	<u>53.25</u>
	<u><u>58.96</u></u>

- A subsidiary has entered into lease agreements covering the land and building for constructing residence. Under the lease agreement, subsidiary is committed to pay the monthly rental at the rate specified in the agreement. The lease agreement is for a period of fifteen months and will be ended on 1 August 2006. As at 31 December 2005, subsidiary has commitment to pay rental fees as stipulated in the agreement approximately to Baht 7 million.

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**29 Commitments (Cont'd)**

The subsidiaries and associates (Cont'd)

- As at 31 December 2005 and 2004, there were lease commitments for the lease of restaurant outlets committed by subsidiaries (agreements are for periods of 6-30 years) payable as follows:

	<b>2005</b>	<b>2004</b>
	<b>Baht Million</b>	<b>Baht Million</b>
Next year	194	220
Between 2 and 5 years	277	195
After 5 years	218	232
Total	<u>689</u>	<u>647</u>

In addition to these sums, restaurant rental fees are payable based on a percentage of either gross or net sales as specified in the relevant agreements.

**30 Guarantees**

The Group has given the following guarantees in the normal courses of business

	<b>31 December 2005</b>		
	<b>Baht Million</b>	<b>US\$ Million</b>	<b>Yuan Million</b>
Letters of guarantees issued by bank on behalf of the Group	89.4	-	-
Guarantee given by the Group to financial institution to guarantee for credit facilities	763.3	2.6	20
	<b>31 December 2004</b>		
	<b>Baht Million</b>	<b>US\$ Million</b>	<b>Yuan Million</b>
Letters of guarantees issued by bank on behalf of the Group	69.0	-	-
Guarantee given by the Group to financial institution to guarantee for credit facilities	687.3	2.6	10.0

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**31 Contingencies**

In January 2002, MFG received notice from the Revenue Department in relation to the under-payment of 1997 withholding taxes and related value added taxes amounting to Baht 23.6 million. MFG has disputed the claim and filed for appeal with the Board of Tax Appeal and the Central Taxation Court. On 15 December 2003, the Central Taxation Court rendered its judgement in favor of MFG and cancelled all tax assessments of the Revenue Department and the decisions of the Board of Tax Appeal. Subsequently, the Revenue Department has brought the case to the Supreme Court. At present, the final outcome of such case is not yet known and cannot be quantified with any certainty at this stage. Therefore, no liability, if any has arisen, has been recorded in these financial statements.

MFG pledged a tax refund of Baht 18.3 million included in “Other non-current assets” (Note 15) together with a bank guarantee totalling Baht 5.3 million as a guarantee for the court process.

**32      Provident fund**

The Group and permanent employees have jointly registered a provident fund scheme under the Provident Fund Act, B.E. 2530. The fund receives contributions on a monthly basis from both the employees and the Group at the rate of 5% and 5% - 10 % respectively of basic salaries. The fund is managed by Kasikorn Asset Management Company Limited and American International Assurance Company Limited.

**33      Delisting subsidiary’s shares from the Stock Exchange of Thailand**

At the Board of Directors Meeting of MFG ‘No.12/2004, held on 3 August 2004, the Board approved a resolution to delist MFG’s shares from the Stock Exchange of Thailand. The delisting was approved by the shareholders at an Extraordinary Meeting of MFG’s Shareholders No.1/2004, on 7 September 2004. MFG complied with the Stock Exchange of Thailand’s rules and regulations re: Delisting of Securities, 1999. The Board of Governors of the SET has approved the delisting of MFG on 5 January 2005

**34      Subsequent events**

At the Extraordinary Meeting of Shareholders held on 6 January 2006, the shareholders passed the resolution to approve the following matters:

- 34.1      Decrease in the registered share capital of the Company from Baht 3,297.9 million to Baht 3,161.4 million by cancelling the un-issued preference shares in the amount of 136,480,000 shares at the par value of Baht 1 each.
- 34.2      Increase in the registered share capital of the Company from Baht 3,161.4 million to Baht 3,374.9 million, which comprises 3,311.4 million ordinary shares and 63.5 million preference shares at the par value of Baht 1 per share for offering of newly issued ordinary shares (Note 34.3) and to be reserved for the exercise of warrants to purchase ordinary shares of the Company (Note 34.4).
- 34.3      Issue and offer 182,844,550 newly issued ordinary shares to the existing shareholders at the exercise ratio 15 existing ordinary or 15 preference shares : 1 new ordinary share with the offering price of Baht 5.85 per unit. The offering period is during 19-27 January 2006.
- 34.4      Issue and offer additional 30,664,455 warrants which will be reserved for:
  - 34.4.1      Exercising of 18,284,455 warrants issued to the existing shareholders to purchase newly issued ordinary shares as mentioned in Note 34.3.
  - 34.4.2      Exercising of 12,380,000 warrants issued to the directors and employees to purchase newly issued ordinary shares as mentioned in Note 22.2.

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