



Part of Thai Life

เพื่อนที่รู้ใจ...ใกล้ๆ คุณ

รายงานประจำปี 2549 บริษัท ซี.พี. เซเว่นอีเลฟเว่น จำกัด (มหาชน)
ANNUAL REPORT 2006 C.P. SEVEN ELEVEN PUBLIC COMPANY LIMITED

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ปรัชญาองค์กร

เราปรารถนารอยยิ้มจากลูกค้า ด้วยทีมงานที่มีความสุข

วิสัยทัศน์

เราคือผู้ให้บริการความสะดวกซื้อกับลูกค้าทุกชุมชน

พันธกิจ

1. มุ่งมั่นอย่างไม่หยุดยั้งในการสรรหาและส่งมอบ สินค้าและบริการที่ลูกค้าสะดวกซื้อต้องการ
2. สรรหาทำเลร้านสาขาที่เข้าถึงลูกค้าให้ครอบคลุมทั่วประเทศ
3. สร้างภาวะผู้นำทุกระดับและส่งเสริมให้เกิดบรรยากาศการทำงานที่ดี
4. สร้างสัมพันธ์ภาพที่ดีกับสังคมและชุมชน
5. สร้างองค์กรคุณภาพและมุ่งสู่องค์กรแห่งการเรียนรู้
6. บริหารกิจการให้มีผลตอบแทนการลงทุนที่ดีและบริหารตามหลักธรรมาภิบาล

CORPORATE PHILOSOPHY

Through happy employees, we desire to see smiles from our customers.

VISION

We provide convenience for customers in all communities.

MISSION

1. Continuously strive to select and deliver products and services to meet customers' needs
2. Select locations easily accessible to customers nationwide
3. Create leadership in all-level staff and promote a good working atmosphere
4. Build positive relationships with society and communities
5. Establish a quality organization and strive to become a learning organization
6. Manage the business to yield good returns and with good corporate governance

วัยคนสดใส วัยศึกษา วัยก้าวหน้า หรือทุกวัยในครอบครัว
ทุกวันที่ดำเนินไปตามวิถีไทย
มี **7-ELEVEN** เป็นส่วนหนึ่งที่คอยเติมชีวิตให้สมบูรณ์เต็มอิ่ม
ด้วยความพิถีพิถันกับการกินอยู่อย่างไทย พร้อมบริการด้วยโมตรี้จิต ตลอด 24 ชั่วโมง

PART OF THAI LIFE



เพื่อนที่รู้ใจ...ใกล้ๆ คุณ

The mischievous and cheerful age, the student age, the working age,
every age in the family living the Thai way of life everyday

7-ELEVEN helps fulfill life
through meticulous selection of Thai food
and hospitable service 24 hours a day







ข้อมูลทางการเงินโดยสรุป SUMMARY OF FINANCIAL INFORMATION

บริษัท ซี.พี.เซเว่นอีเลฟเว่น จำกัด (มหาชน) และบริษัทย่อย C.P. Seven Eleven Public Company Limited and its Subsidiaries
สำหรับงวดปีสิ้นสุดวันที่ 31 ธันวาคม 2547 ถึง 31 ธันวาคม 2549 For fiscal years ending December 31, 2004 to December 31, 2006

	2004 / 2547	2005 /2548	2006 /2549
ข้อมูลจากงบการเงินรวม (ล้านบาท) Consolidated Financial Information (Baht million)			
1. ยอดขายสุทธิและรายได้ค่าบริการ Net sales and Services income	74,622	94,356	99,770
2. รายได้รวม Total Revenues	78,366	98,948	104,873
3. กำไรสุทธิ Net Profit	1,696	1,508	1,332
4. เงินสดสุทธิได้มาจากกิจกรรมดำเนินงาน Net Cash Provided by Operating Activities	6,654	5,883	6,092
5. สินทรัพย์รวม Total Assets	29,011	40,230	42,970
6. หนี้สินรวม Total Liabilities	19,082	29,708	34,934
7. ส่วนของผู้ถือหุ้นรวม Total Shareholder's equity	9,928	10,522	8,036
ข้อมูลหุ้น (บาท) Share Information (Baht)			
1. มูลค่าตามบัญชีต่อหุ้น Book value per share	22.6	2.4	1.8
2. กำไรสุทธิต่อหุ้น Earnings per share	3.85	0.34	0.30
อัตราส่วนทางการเงิน (ร้อยละ) Financial Ratios (%)			
1. อัตรากำไรขั้นต้น Gross margin (Sales and Services)	18.6%	18.3%	20.8%
2. อัตรากำไรจากการดำเนินงาน EBIT margin	3.3%	1.4%	-0.1%
3. อัตรากำไรสุทธิ Net profit margin	2.2%	1.5%	1.3%
4. ผลตอบแทนต่อสินทรัพย์รวม Return on total assets	6.7%	4.4%	3.2%
5. ผลตอบแทนต่อส่วนของผู้ถือหุ้น Return on total shareholder's equity	18.2%	14.7%	14.4%



GENERAL INFORMATION



C.P. Seven Eleven Public Co., Ltd. ("the Company") is the flagship company of the Charoen Pokphand Group's marketing and distribution business. The Company's main business is operating convenience stores under the "7-Eleven" trademark in Thailand and large-scale retail stores ("Supercenters") under the "Lotus" trademark in Yangtzejiang District, the People's Republic of China. Furthermore, the Company operates other related businesses such as bill payment collection service ("Counter Service Co.,Ltd."), manufacturing and sale of frozen foods and bakery ("C.P. Retailing and Marketing Co.,Ltd."), sale and maintenance of retail equipment ("Retailink (Thailand) Co.,Ltd."), payment for products and services through smart cards ("Thai Smart Card Co.,Ltd."), information technology services ("Gosoft (Thailand) Co.,Ltd."), logistics services ("Dynamic Management Co.,Ltd."), marketing services ("M.A.M. Heart Co.,Ltd."), retailing vocational school ("Suksapiwat Co.,Ltd."), and training and business seminar services ("Panyatara Co.,Ltd."), etc. The Company office is located at 283 Sriboonrueng Building 1, Silom Road, Silom Sub-district, Bangrak District, Bangkok 10500. Telephone 0-2677-9000 Facsimile 0-2238-1767 Company Registration Number 0107542000011 Website www.7eleven.co.th



MESSAGES FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

C.P. Seven Eleven Public Company Limited has provided convenience store services for the past 17 years with an effective network of more than 3,700 stores nationwide. The Company strives to offer a wide assortment of products and services to satisfy customers' demands, with the commitment to provide convenience to customers through a comprehensive range of products and services surrounded by a friendly and warm atmosphere and with the resolution that **"We are a knowing friend... near you."**

In 2005, the Company established a school for retailing named **Panyapiwat Techno Business School** in cooperation with the Office of the Vocational Education Commission, Ministry of Education, to develop bilateral education, or learning from both coursework and real life experiences, for vocational students throughout the country. It was the first retailing company to introduce this innovative learning system in Thailand. In 2006, the Company developed and applied for offering bachelor degree courses in retailing in order to develop a deep understanding of retailing among the new generation and support the Company's business expansion which would require recruiting a large number of store employees. **With the dedication to continuously develop society and the nation in the area of education**, the Company established a higher education institute, Panyapiwat Institute of Technology. The Institute registered under the Ministry of Education, prepared courses, buildings and facilities to aid effective learning, and recruited qualified professors and teaching personnel. With regards to the education system, the institute collaborated with the business sector to prepare courses which emphasized both theory and practical training, providing continued education from the higher vocational education level and enabling students to complete their bachelor's degree within two years. The college will open on 1 June 2007.

In the area of Counter Service, the Company provided bill payment services reaching at 5,000 outlets in 2006. Counter Service has offered bill payment services via 7-Eleven stores and has won the hearts of the Thai people through its outstanding feature – convenient 24-hour bill payment for over 100 types of products and services. The Counter Service locations scattered in different communities countrywide has also increased convenience for customers. In 2007, Counter Service will introduce an online system which will act as a personal secretary for customers. The system will remind customers when they will have to make service payments. Customers may also transfer money without using ATM cards, simply by applying for the Love Link Card or Smart Purse. The recipient also promptly receives the money without having to go to the bank. In addition, charitable people who want to make donations but do not have time to make donations at various places can donate to 15 foundations through Counter Service. This is another readily available service for our customers who use 7-Eleven services.





Besides operating its business, the Company has joined forces with its alliances to support the Thai epic movie, "The Legend of King Naresuan", which will promote unity, loyalty and patriotism among the Thai people. The film was produced to honor King Naresuan the Great's courage, patience, sacrifice, loyalty to the Kingdom, and genius in warfare which enabled Thailand to maintain its independence until this day. This national epic movie will help instill patriotism and a sense of gratitude and giving back to the country. In order for the general public to be a part of this pride and keep lasting impressions, the Company has produced many different souvenir collections, such as the 7-Eleven Value Card with the picture of The Legend of King Naresuan, T-shirts, caps, wrist bands, etc. Sales revenue beyond the investment will go to charity as the Company constantly realizes that **"Loyalty to the Kingdom is in Our Hearts"**.

C.P. Seven Eleven Public Company Limited has been able to successfully achieve its set objectives due to the Company's dedication and trust from every one of its customers, suppliers, business partners, shareholders and employees who have devoted their efforts and hearts to continuously create value for the Company. The Company would like to take this opportunity to thank all parties, especially its shareholders who have supported the Company's business operations to grow sustainably. The Company promises to uphold the trust given by all parties. Together with its stakeholders, the Company will stride toward success and sustainable growth in the future by providing sincere services, operating its business in adherence to good corporate governance principles, and satisfying the needs and expectations of all stakeholder groups.

A handwritten signature in black ink, appearing to be 'Dhanin'.

Mr. Dhanin Chearavanont
Chairman

A handwritten signature in black ink, appearing to be 'Korsak'.

Mr. Korsak Chairasmisak
Chief Executive Officer

คณะกรรมการบริษัท BOARD OF DIRECTORS



1. ศ.ดร. โกเมน ภัทรภิรมย์
> กรรมการอิสระและประธานกรรมการตรวจสอบ
Prof.Dr. Komain Bhatrabhirom
> Independent Director
and Chairman of the Audit Committee
2. นายปริดี บุญย้ง
> กรรมการอิสระและกรรมการตรวจสอบ
Mr.Pridi Boonyong
> Independent Director and Audit Committee
3. นายผดุง เตชะศรีนทร์
> กรรมการอิสระและกรรมการตรวจสอบ
Mr. Padoong Techasarintr
> Independent Director and Audit Committee
4. นายธนิษฐ์ เจียรนวนนท์
> ประธานกรรมการ
Mr. Dhanin Chearavanont
> Chairman
5. นายก่อศักดิ์ ไชยรัศมีศักดิ์
> รองประธานกรรมการและประธานเจ้าหน้าที่บริหาร
Mr. Korsak Chairasmisak
> Vice Chairman and Chief Executive Officer

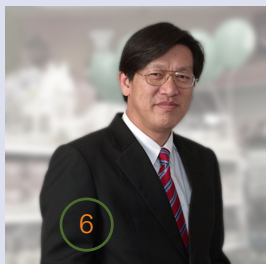
6. นายสุภกิต เจียรนวนนท์
> กรรมการ
Mr. Soopakij Chearavanont
> Director
7. นางสาวยุ่น เชียง
> กรรมการ (ลาออกเมื่อ 1 เมษายน 2549)
Ms.Yun Chiang
> Director (Resigned on April 1, 2006)
8. นายจอห์น เซียน-ซู ลิน
> กรรมการ (เข้ารับตำแหน่งเมื่อ 1 เมษายน 2549)
Mr. John Sian-Zu Lin
> Director (Effective on April 1, 2006)
9. นายอดิเรก ศรีประทักษ์
> กรรมการ
Mr. Adirek Sripratak
> Director
10. นายอรรุณ สรรพสิทธิ์วงศ์
> กรรมการ
Mr. Umroong Sanphasitvong
> Director

11. นายณรงค์ เจียรนวนนท์
> กรรมการ
Mr. Narong Chearavanont
> Director
12. นายประเสริฐ จารุพนิช
> กรรมการ
Mr.Prasert Jarupanich
> Director
13. นายพิทยา เจียรวิสิฏกุล
> กรรมการและรองประธานเจ้าหน้าที่บริหาร
Mr.Pittaya Jearavisitkul
> Director and Deputy Chief Executive Officer
14. นายปิยะวัฒน์ ฐิตะสัทธาวรกุล
> กรรมการและกรรมการผู้จัดการ
Mr. Piyawat Titasattavorakul
> Director and Managing Director



คณะผู้บริหาร EXECUTIVE OFFICERS

1. **นายก่อศักดิ์ ไชยรัศมีศักดิ์**
> รองประธานกรรมการและประธานเจ้าหน้าที่บริหาร
Mr. Korsak Chairasmisak
> Vice Chairman and Chief Executive Officer
2. **นายพิทยา เจียรวิวินกุล**
> กรรมการและรองประธานเจ้าหน้าที่บริหาร
Mr. Pittaya Jearavisitkul
> Director and Deputy Chief Executive Officer
3. **นายปิยะวัฒน์ ฐิตะสัทธาวรกุล**
> กรรมการและกรรมการผู้จัดการ
Mr. Piyawat Titasattavorakul
> Director and Managing Director
4. **นายชวน นิมกิตติกุล**
> รองกรรมการผู้จัดการ
สายงานจัดซื้อและกระจายสินค้า
Mr. Chuan Nimkittikul
> Vice President - Purchasing and Distribution
5. **นายสุวิทย์ กิ่งแก้ว**
> รองกรรมการผู้จัดการสายงานบริหารทั่วไป
Mr. Suwit Kingkaew
> Vice President - General Management
6. **นายทวีศักดิ์ แก้วรัตนปัทมา**
> รองกรรมการผู้จัดการสายงานบัญชีและการเงิน
Mr. Taweesak Kaewrattanapattama
> Vice President - Accounting and Finance
7. **นายธานี นธ์ บูรณมานิต**
> รองกรรมการผู้จัดการ
สายงานปฏิบัติการและการตลาด
Mr. Tanin Buranamanit
> Vice President - Operation and Marketing
8. **นายสุรพันธ์ ปุสเสด็จ**
> ผู้ช่วยประธานเจ้าหน้าที่บริหาร
สายงานทรัพยากรบุคคล
Mr. Suraphan Pussadej
> Assistant Chief Executive Officer - Human Resource
9. **นายโกษา พงศ์สุพัฒน์**
> รองกรรมการผู้จัดการ
สายงานเทคโนโลยีสารสนเทศ
Mr. Kosa Pongsupath
> Vice President - Information Technology





DIRECTOR AND MANAGEMENT BIOGRAPHY

Prof.Dr. Komain Bhatarabhirom

	<ul style="list-style-type: none"> 74 years old
Position	<ul style="list-style-type: none"> Chairman of the Audit Committee and Independent Director
Positions in other organization	<ul style="list-style-type: none"> Member of the Law Committee, The National Research Council of Thailand Chairman of Law Committee, Ministry of Labour Chairman of the Audit Committee, Ministry of Labour Member of the Law Reform Committee, Ministry of Culture Professor, Faculty of Law, Chulalongkorn University
Education	<ul style="list-style-type: none"> Docteur de l'Université de Paris Doctor of Law (Honorary) Chulalongkorn University Barrister-at-Law, Thai Bar. Bachelor of Law, Thammasat University
Experiences	
1998-2001	<ul style="list-style-type: none"> Judge, The Constitutional Court
1987-1993	<ul style="list-style-type: none"> Attorney General
1992-1996	<ul style="list-style-type: none"> Chairman of the Committee on Interior Administration, Senate
1992-1997	<ul style="list-style-type: none"> Member of Legislative Committee, Office of the Council of State
1993-1997	<ul style="list-style-type: none"> Member of the Committee on Appeal, The Securities and Exchange Act 1992
1984-1993	<ul style="list-style-type: none"> Director, Provincial Electricity Authority
1985-1993	<ul style="list-style-type: none"> Director, Krung Thai Bank Plc.
1987-1993	<ul style="list-style-type: none"> Director, Thai Airways Plc.
Relationship	<ul style="list-style-type: none"> -
Training by the Thai Institute of Directors Association (IOD)	<ul style="list-style-type: none"> -
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 4 times out of 5 meetings
(%) shareholding	<ul style="list-style-type: none"> none

Mr. Pridi Boonyoung

	<ul style="list-style-type: none"> 68 years old
Position	<ul style="list-style-type: none"> Independent director and Audit committee
Education	<ul style="list-style-type: none"> Master Degree in Laws, Yale University, USA Bachelor Degree in Laws, Thammasat University Degree from National Defence College of Thailand
Experiences	
1997-1998	<ul style="list-style-type: none"> Director – General, Treasury Department
1996-1997	<ul style="list-style-type: none"> Director – General, Customer Department
1993-1996	<ul style="list-style-type: none"> Director – General, The Comptroller General's Department
Relationship	<ul style="list-style-type: none"> -
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 3 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	
2005	<ul style="list-style-type: none"> Director Accreditation Program (DAP)
(%) shareholding	<ul style="list-style-type: none"> 0.0051

Mr. Padoong

	<ul style="list-style-type: none"> 65 years old
Position	<ul style="list-style-type: none"> Independent director and Audit committee
Education	<ul style="list-style-type: none"> Bachelor Degree in Business and Administration Thammasat University
Experiences	
1995-1998	<ul style="list-style-type: none"> Executive Director, Siam City Bank Plc.
1994-1995	<ul style="list-style-type: none"> Director – Vice President, Siam City Bank Plc.
Relationship	<ul style="list-style-type: none"> -
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 5 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	
2002	<ul style="list-style-type: none"> The role of Chairman
2003	<ul style="list-style-type: none"> Director Accreditation Program (DAP)
2005	<ul style="list-style-type: none"> Director Certification Program (DCP)
(%) shareholding	<ul style="list-style-type: none"> 0.0051

Mr. Dhanin Chearavanont

	<ul style="list-style-type: none"> 67 years old
Position	<ul style="list-style-type: none"> Chairman
Education	<ul style="list-style-type: none"> Degree from National Defence College of Thailand Commercial School, Hong Kong Shantou Secondary School, China
Experiences	
1993-present	<ul style="list-style-type: none"> Chairman, True Corporation Plc.
1989-present	<ul style="list-style-type: none"> Chairman and CEO, Charoen Pokphand Group Co., Ltd.
Relationship	<ul style="list-style-type: none"> Mr.Soopakij and Mr.Narong Chearavanont's father
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 3 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	
2005	<ul style="list-style-type: none"> Director Accreditation Program (DAP)
(%) shareholding	<ul style="list-style-type: none"> 0.0339



Mr. Korsak Chairasmisak

	<ul style="list-style-type: none"> 54 years old
Position	<ul style="list-style-type: none"> Vice Chairman and Chief Executive Officer
Education	<ul style="list-style-type: none"> A Certificate for Honorary Doctor of Business in Management, Sripatum University
Administration	<ul style="list-style-type: none"> Bachelor Degree in Economics, Thammasat University
Experiences	
1990-present	<ul style="list-style-type: none"> Vice Chairman, Charoen Pokphand Group
Relationship	<ul style="list-style-type: none"> -
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 3 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	
2000	<ul style="list-style-type: none"> Director Certification Program (DCP)
2006	<ul style="list-style-type: none"> The Role of Chairman
(%) shareholding	<ul style="list-style-type: none"> 0.2118

Mr. Umroong Sanphasitvong

	<ul style="list-style-type: none"> 53 years old
Position	<ul style="list-style-type: none"> Director
Education	<ul style="list-style-type: none"> Master Degree in Business and Administration Bachelor Degree in Business and Administration Thammasat University
Experiences	
Present	<ul style="list-style-type: none"> Deputy Group CFO, Charoen Pokphand Group Co., Ltd.
1980	<ul style="list-style-type: none"> Deputy Division Manager – Accounting and Finance, Charoen Pokphand Group Co., Ltd.
2004-present	<ul style="list-style-type: none"> Director, Ayudhya Allianz C.P. Plc.
2001-present	<ul style="list-style-type: none"> Director, True Corporation Plc. Director, CPPC Plc.
2000-present	<ul style="list-style-type: none"> Director, Allianz C.P. Company Limited
1999-2005	<ul style="list-style-type: none"> Director, Vinythai Plc.
Relationship	<ul style="list-style-type: none"> -
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 5 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	
2001	<ul style="list-style-type: none"> Director Certification Program (DCP)
2006	<ul style="list-style-type: none"> Board Performance Evaluation
(%) shareholding	<ul style="list-style-type: none"> 0.0043

Mr. Soopakij Chearavanont

	<ul style="list-style-type: none"> 42 years old
Position	<ul style="list-style-type: none"> Director
Education	<ul style="list-style-type: none"> Bachelor's Degree in Business and Administration New York University, USA
Experiences	
2005-Present	<ul style="list-style-type: none"> Vice Chairman, Automotive, Industrial and Finance Group, C.P. Group Co., Ltd. Vice Chairman, Real Estate and Land Development (Thai), C.P. Group Co., Ltd. Vice Chairman, Marketing and Retailing (China), C.P. Group Co., Ltd.
2002-Present	<ul style="list-style-type: none"> Director, true Move Co., Ltd. Co-Chairman, Shanghai King Hill – Super Brand Mall Chairman, Real Estate and Land Development (China), C.P. Group Co., Ltd.
2000-Present	<ul style="list-style-type: none"> Chairman, Chia Tai Enterprises International Ltd. Chief Executive Committee, Telecom Holding Ltd.
1998-Present	<ul style="list-style-type: none"> Chairman, True Visions Plc.
1993-Present	<ul style="list-style-type: none"> Director, True Corporation Plc.
Relationship	<ul style="list-style-type: none"> Mr.Dhanin's son and Mr.Narong Chearavanont's brother
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 2 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	<ul style="list-style-type: none"> -
(%) shareholding	<ul style="list-style-type: none"> 0.0012

Mr. Narong Chearavanont

	<ul style="list-style-type: none"> 41 years old
Position	<ul style="list-style-type: none"> Director
Education	<ul style="list-style-type: none"> Bachelor Degree in Finance and International Business New York University, USA
Experiences	
October 2006-present	<ul style="list-style-type: none"> Executive Vice Chairman, Shanghai Lotus Supermarket Chain Store Co., Ltd.
2002-August 2006	<ul style="list-style-type: none"> President, Shanghai Lotus Supermarket Chain Store Co., Ltd.
Relationship	<ul style="list-style-type: none"> Mr.Dhanin's son and Mr.Sopakij Chearavanont's brother
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 1 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	<ul style="list-style-type: none"> -
(%) shareholding	<ul style="list-style-type: none"> 0.0019



Mr. Adirek Sripratak

	<ul style="list-style-type: none"> 61 years old
Position	<ul style="list-style-type: none"> Director
Education	<ul style="list-style-type: none"> Honorary Doctorate degree (Science), Maejo University
Experiences	
Present	<ul style="list-style-type: none"> Honor president, Thai Broiler Processing Exporters Association
2003-present	<ul style="list-style-type: none"> President and CEO, Charoen Pokphand Foods Plc.
1999-present	<ul style="list-style-type: none"> Executive director, Charoen Pokphand Foods Plc.
1998-present	<ul style="list-style-type: none"> Director, Charoen Pokphand Foods Plc.
Relationship	<ul style="list-style-type: none"> -
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 2 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	
2001	<ul style="list-style-type: none"> Director Certification Program (DCP)
2005	<ul style="list-style-type: none"> Director Accreditation Program (DAP)
(%) shareholding	<ul style="list-style-type: none"> none

Ms. Yun Chiang

	<ul style="list-style-type: none"> 39 years old
Position	<ul style="list-style-type: none"> Director
Education	<ul style="list-style-type: none"> Master of Business Administration Degree The Kellogg Graduate School of Management at the Northwestern University, USA
Experiences	
2002	<ul style="list-style-type: none"> Director, Tse Sui Luen Investment (China) Ltd & Infinite Assets Corp
2000	<ul style="list-style-type: none"> Director, China Hongkong Photo Products Holding and Geoby International Holdings Ltd. and its affiliate & subsidiaries
Relationship	<ul style="list-style-type: none"> -
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 1 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	<ul style="list-style-type: none"> -
(%) shareholding	<ul style="list-style-type: none"> none
Remark : Resign from directorship effective on April 1, 2006.	

Mr. John Sian – Zu Lin

	<ul style="list-style-type: none"> 43 years old
Position	<ul style="list-style-type: none"> Director
Education	<ul style="list-style-type: none"> Master Degree in Finance and International Business MIT Sloan School of Management Bachelor Degree in Civil Engineering School of Engineering, Massachusetts Institute of Technology (MIT), Cambridge, Mass.
Experiences	
1999-present	<ul style="list-style-type: none"> AIG Global Investment Corporation (Thailand) Ltd.
1991-present	<ul style="list-style-type: none"> AIG Global Investment Corporation (Asia) Ltd., Hong Kong
1990-1991	<ul style="list-style-type: none"> AIG Investment Corporation Ltd., New York
Relationship	<ul style="list-style-type: none"> -
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 1 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	<ul style="list-style-type: none"> -
(%) shareholding	<ul style="list-style-type: none"> none
Remark : Appointed to replace Ms. Yun Chiang on April 1, 2006.	

Mr. Prasert Jarupanich

	<ul style="list-style-type: none"> 58 years old
Position	<ul style="list-style-type: none"> Director
Education	<ul style="list-style-type: none"> Program for Management Development (PMD) Harvard Business School Ph.D. Industrial Engineering and Management Oklahoma State University Master Degree in Computer Science Bachelor Degree in Computer Science University of Missouri at Rolla
Experiences	
1999-present	<ul style="list-style-type: none"> Director, Siam Makro
1988-present	<ul style="list-style-type: none"> Vice President – Marketing and Distribution Group, Charoen Pokphand Group Co., Ltd.
Relationship	<ul style="list-style-type: none"> -
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 5 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	
2004	<ul style="list-style-type: none"> Director Certification Program (DCP)
(%) shareholding	<ul style="list-style-type: none"> 0.0051



Mr. Pittaya Jearavisitkul

	<ul style="list-style-type: none"> 51 years old
Position	<ul style="list-style-type: none"> Director and Deputy Chief Executive Officer
Education	<ul style="list-style-type: none"> Master Degree in Business Administration Bachelor Degree in Economics (Honor) Thammasat University
Experience	
1993-1998	<ul style="list-style-type: none"> Vice President – Marketing and Distribution Group, Charoen Pokphand Group Co., Ltd.
Relationship	<ul style="list-style-type: none"> -
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 5 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	
2000	<ul style="list-style-type: none"> Director Certification Program (DCP)
(%) shareholding	<ul style="list-style-type: none"> 0.0016

Mr. Suraphan Pussadej

	<ul style="list-style-type: none"> 58 years old
Position	<ul style="list-style-type: none"> Assistant Chief Executive Officer – Human Resource
Education	<ul style="list-style-type: none"> Master of Art, Political Science, University of Detroit, USA Bachelor of Law (Honor), Thammasat University Barrister of Law, Thai Bar Association
Experiences	
2005-Present	<ul style="list-style-type: none"> Deputy Chief Executive Officer, S Khonkaen Public Co., Ltd. Advisor, Civil Servant Commission for Bureaucratic Development Advisor, Walailuck University Advisor, Thammasat University
1996-2004	<ul style="list-style-type: none"> Corporate Human Resource Director, Paper & Packaging Business, Siam Cement Group (SCG)
1974-1996	<ul style="list-style-type: none"> Human Resource Manager Siam Cement Group (SCG)
Relationship	<ul style="list-style-type: none"> -
Training by the Thai Institute of Directors Association (IOD)	<ul style="list-style-type: none"> -
(%) shareholding	<ul style="list-style-type: none"> none

Mr. Piyawat Titasattavorakul

	<ul style="list-style-type: none"> 53 years old
Position	<ul style="list-style-type: none"> Director and Managing Director
Education	<ul style="list-style-type: none"> Bachelor Degree in Marketing Ramkhamhaeng University
Experiences	
1996-1998	<ul style="list-style-type: none"> Vice President – Operation : C.P. Seven Eleven Plc.
Relationship	<ul style="list-style-type: none"> -
Attendance at the Board of Directors' Meeting during 2006	<ul style="list-style-type: none"> 4 times out of 5 meetings
Training by the Thai Institute of Directors Association (IOD)	
2001	<ul style="list-style-type: none"> Director Certification Program (DCP)
(%) shareholding	<ul style="list-style-type: none"> 0.0000

Mr. Taweesak Kaewrathtanapattama

	<ul style="list-style-type: none"> 50 years old
Position	<ul style="list-style-type: none"> Vice President – Accounting and Finance
Education	<ul style="list-style-type: none"> Bachelor Degree in Accountancy Bachelor Degree in Law, Thammasat University
Experiences	
1981-2005	<ul style="list-style-type: none"> Vice President, Bangkok Produce Plc.
Relationship	<ul style="list-style-type: none"> -
Training by the Thai Institute of Directors Association (IOD)	<ul style="list-style-type: none"> -
(%) shareholding	<ul style="list-style-type: none"> 0.0005



Mr. Tanin Buranamanit

	<ul style="list-style-type: none"> • 42 years old
Position	<ul style="list-style-type: none"> • Vice President – Operation and Marketing
Education	<ul style="list-style-type: none"> • Bachelor Degree in Marketing, Thammasat University
Experiences	
1999	<ul style="list-style-type: none"> • Assistant Vice President – Marketing, C.P. Seven Eleven Plc.
1998	<ul style="list-style-type: none"> • Assistant Vice President, Sunny Supermarket Co., Ltd.
Relationship	<ul style="list-style-type: none"> • -
Training by the Thai Institute of Directors Association (IOD)	<ul style="list-style-type: none"> • -
(%) shareholding	<ul style="list-style-type: none"> • 0.0015

Mr. Chuan Nimkittikul

	<ul style="list-style-type: none"> • 55 years old
Position	<ul style="list-style-type: none"> • Vice President – Purchasing and Distribution
Education	<ul style="list-style-type: none"> • Master Degree in Business Administration • Bachelor Degree in Economics, Thammasat University
Experiences	
1996-1998	<ul style="list-style-type: none"> • Assistant Vice President – Purchasing and Distribution, Human resource and Administration: C.P. Seven Eleven Plc.
Relationship	<ul style="list-style-type: none"> • -
Training by the Thai Institute of Directors Association (IOD)	
2006	<ul style="list-style-type: none"> • Finance for non-finance director • Director Certification Program (DCP)
(%) shareholding	<ul style="list-style-type: none"> • 0.0045

Mr. Suwit Kingkaew

	<ul style="list-style-type: none"> • 56 years old
Position	<ul style="list-style-type: none"> • Vice President – General Management
Education	<ul style="list-style-type: none"> • Master Degree in Business Administration • Bachelor Degree in Economics, Kasetsat University
Experiences	
1996-1998	<ul style="list-style-type: none"> • Assistant Vice President – General Management : C.P. Seven Eleven Plc.
Relationship	<ul style="list-style-type: none"> • -
Training by the Thai Institute of Directors Association (IOD)	
2005	<ul style="list-style-type: none"> • Director Certification Program (DCP)
(%) shareholding	<ul style="list-style-type: none"> • 0.0097

Mr. Kosa Pongsupath

	<ul style="list-style-type: none"> • 56 years old
Position	<ul style="list-style-type: none"> • Vice President – Information Technology
Education	<ul style="list-style-type: none"> • Bachelor Degree in Statistics, Kasetsat University
Experiences	
2000-2001	<ul style="list-style-type: none"> • Assistant Vice President –Information Technology : C.P. Seven Eleven Plc.
Relationship	<ul style="list-style-type: none"> • -
Training by the Thai Institute of Directors Association (IOD)	<ul style="list-style-type: none"> • -
(%) shareholding	<ul style="list-style-type: none"> • 0.0000

ELEVEN

เปิด 24 ชม.



เซเว่นอีเลฟเว่น ส่วนหนึ่ง...ของชีวิตคนไทย

ทุกครั้งที่คุณหิว กระหาย หรือต้องการจับจ่ายอย่างสะดวกทันใจ เราคือเพื่อนบ้านที่เปิดประตูต้อนรับตลอด 24 ชั่วโมง
อยู่ในทุกๆ ชุมชน และพร้อมให้บริการอย่างอบอุ่น อิ่มเอม ด้วยอัธยาศัยไมตรีแบบเป็นกันเอง



7-Eleven... A part of the Thai people's life

Every time you feel hungry, thirsty or need to make convenient purchases,
we are your neighbor whose doors are open 24 hours a day
In every community and ready to provide warm, generous and amicable services



NATURE OF BUSINESS

Overview of Business Operations

C.P. Seven Eleven Public Company Limited, formerly C.P. Convenience Store Company Limited, was established in 1988 by the Charoen Pokphand Group to conduct the convenience store business in Thailand under the “7-Eleven” trademark. The Company was granted a license to use the trademark from 7-Eleven, Inc., USA. In 1989, the first 7-Eleven outlet in Thailand was opened on Patpong Road.

At the end of the year 2006, the Company had a total of 3,784 7-Eleven stores nationwide, making Thailand the country with the fourth largest 7-Eleven network in the world after Japan, the USA and Taiwan. Of the total, 1,960 stores are in Bangkok and vicinity (52 percent) and 1,824 stores are in provincial areas (48 percent). According to type of store, there are 2,119 corporate stores (56 percent), 1,449 franchise stores (38 percent) and 216 sub-area license stores (6 percent). Presently, an average of 4.0 million customers visit 7-Eleven stores each day.

In 2006, the Company plans to establish another 400-450 new outlets both as stand-alone stores and stores located in PTT gas stations to reach more target customers both in Bangkok, the vicinity and provincial areas. At the end of 2005, the Company had 3,279 stand-alone stores (87 percent) and 505 stores in PTT gas stations (13 percent).

In addition, the Company has continuously invested in businesses supporting the convenience store business in Thailand. In 1994, the Company invested in Counter Service Company Limited (“CS”), a bill payment service business. In 1996, the Company set up C.P. Retailing and Marketing Company Limited (CPRAM) to manufacture and sell frozen food and bakery. In 1999, the Company established Retailink (Thailand) Company Limited (RTL) to distribute and repair retail equipment.

The Company has also invested in other related businesses. In collaboration with its business alliances, the Company established Thai Smart Card Company Limited (TSC) in 2001 to offer product and service payment through Smart Purse electronic cash cards. In 2003, GOSOFT (Thailand) Company Limited (GOSOFT) was formed to provide information technology services. In the same year, MAM Heart Company Limited (MAM) was set up to provide marketing consulting services and Dynamic Logistics Management Company Limited (DM) was established to provide logistics services.





In 2006, the Company established Panyatara Co.,Ltd. to provide training and seminar services.

In 2004, the Company established Suksapiwat Company Limited to provide educational services through Panyapiwat Techno Business, a retailing vocational school, with the objective of supporting the government's policy to reform education, especially vocational education. The Company aims to improve the quality and standards of education as well as produce graduates to fulfill demand and expansion of the retail industry for the country's future development.

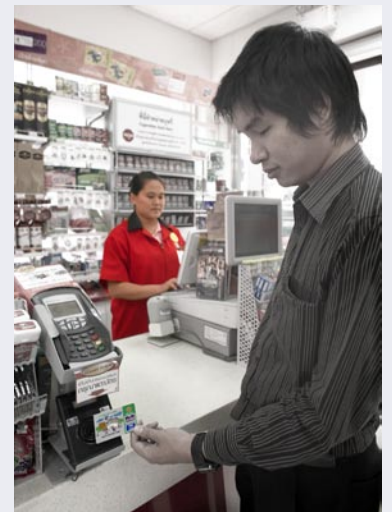
In 2005, the Company officially opened Panyapiwat Techno Business, the country's first vocational school for retail education. In addition, money transfer services through "Love Link" cards and product and service payment through Smart Purse digital cash cards were commenced. In 2006, the Company established Panyatara Co.,Ltd. to provide training and seminar services.

Besides investment in other businesses through subsidiaries and affiliates, the Company has also expanded its own business operations. In 1988, 7 Catalog Order was launched to expand the Company's distribution channel and provide an alternative for customers in purchasing products. 7 Catalog Order, derived from the mail order concept, has transformed from leaflets into catalog magazines. In 2001, Book Smile, formerly 7-Today, was introduced as a new distribution channel for books and magazines.

Group Structure of C.P. Seven Eleven Public Company Limited As at December 31, 2006

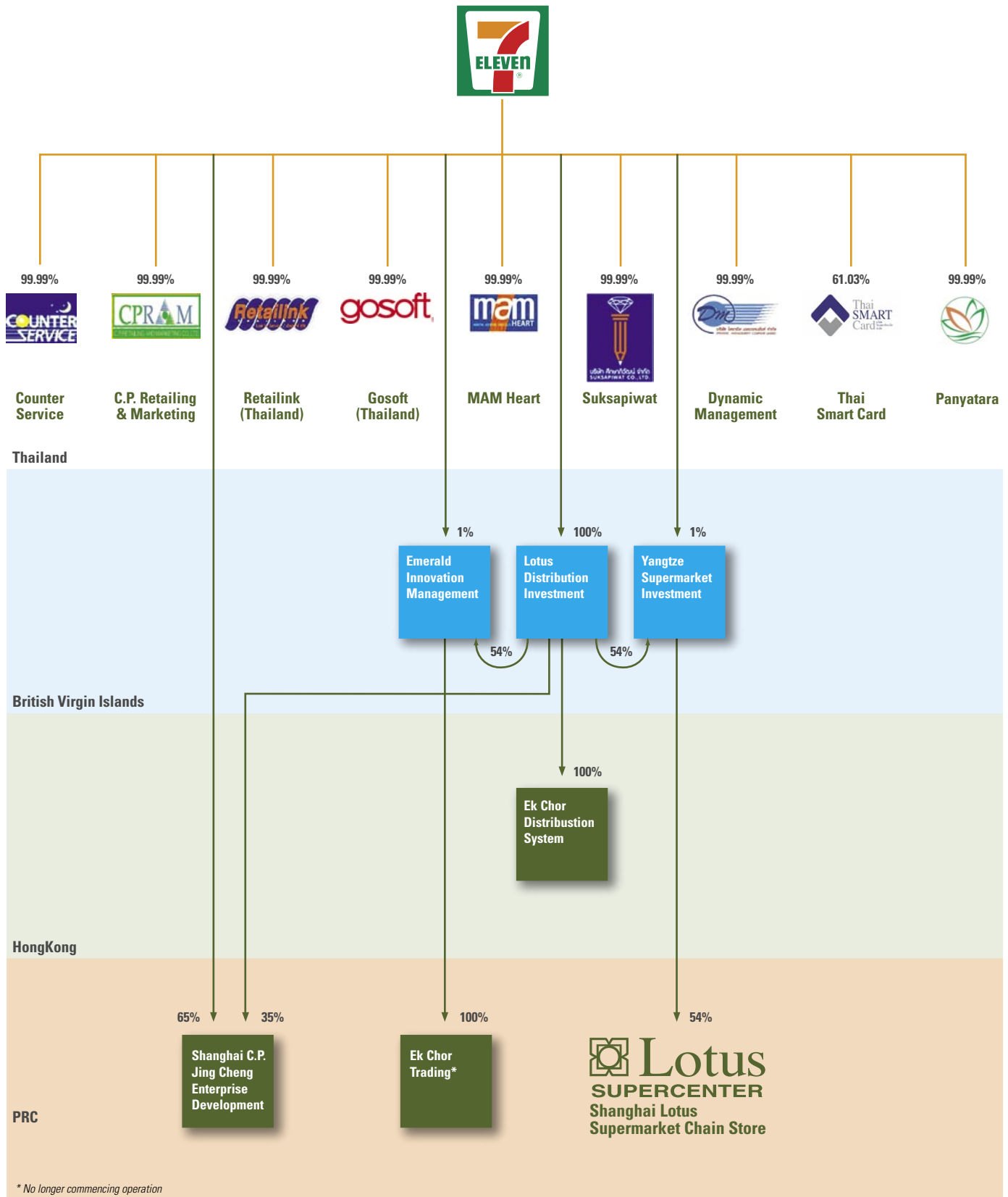
The Company became a public company limited registration number 0107542000011 on March 12, 1999. As at December 31, 2006, the Charoen Pokphand Group held 44.8 percent of the Company's paid-up capital.

As at December 31, 2006, the group structure of the Company is as follows:





โครงสร้างการถือหุ้นของกลุ่ม | Group Structure of
บริษัท ซี.พี. เซเว่นอีเลฟเว่น จำกัด (มหาชน) | C.P. SEVEN ELEVEN PUBLIC COMPANY LIMITED







Revenue Structure

The Company's total revenue is generated from net sales and services income, which can be divided into 3 business groups as follows:

Groups of Business	2004*		2005*		2006*	
	Million Baht	%	Million Baht	%	Million Baht	%
Convenience store (CP7-11)	38,184	50	51,080 ^{/1}	52	66,055	64
Supercenter (SLS)	21,418	28	28,945	29	30,887	30
Other businesses ^{/2}	16,891	22	18,328	19	6,458	6
Total Net Sales and Service Income	76,493	100	98,353	100	103,400	100

* Before elimination

^{/1} Include phone card sales since September 2005

^{/2} Consists of CPRAM frozen and bakery business, goods and bill payment collection service of CS, and sale and repair business for retail equipment of RTL and other income from other subsidiaries

Business Objectives

The Company aims to be the leader in the convenience store business in Thailand that can satisfy the ever-changing demands of customers. The Company will focus on its strength, offering "convenience" to customers in purchasing goods and services through 7-Eleven outlets that expand across the country and most of which are open 24 hours a day. The Company plans to further open 400-450 new outlets per year in 2007 and 2008. The Company places great importance on the location of every 7-Eleven store, making it a superior convenience store that provides fully-integrated food and beverage services. Greater emphasis is given to selling food and beverages than selling consumer non-food products as food and beverages have higher margins. This also enables 7-Eleven to differentiate itself from other types of retail stores. At the same time, the Company will use 7-Eleven's expansive store network to offer numerous value-added services to provide greater customer convenience such as bill payment services through Counter Service and product order through 7-Catalog.

With regards to the People's Republic of China, the Company aims to be the leader in the superstore business in 2 cities and 7 administrative areas, namely Shanghai, Chongqing, Anhui, Hubei, Hunan, Sichuan, Jiangxi, Jiangsu and Zhejiang, which have great potential for growth in the future. In 2007, the Company plans to open 2-5 new Lotus supercenters depending on the competitive environment, the PRC government's business policy and economic and social conditions.



NATURE OF BUSINESS

Convenience Store Business

Types of Products and Services

The Company is the sole operator of 7-Eleven convenience stores in Thailand, which has been granted an exclusive right from 7-Eleven, Inc., USA to conduct business under the Area License Agreement.

In the past, the Company managed the business as a network of stores scattered in communities across the country. In 2006, the Company expanded the network of 7-Eleven stores to all 76 provinces nationwide with a total of 3,784 outlets. The outlets covered more districts, from 423 districts in 2005 to 449 districts in 2006, equivalent to 49 percent of the total 920 districts.

Types of 7-Eleven Stores

The 7-Eleven stores are categorized into three types based on ownership as follows:

(Unit : stores)	2004	2005	2006	No. of new stores opening in 2006
Corporate Stores	1,782	1,931	2,119	188
Franchise Stores	923	1,191	1,449	258
Sub Area License Stores	156	189	216	27
Total	2,861	3,311	3,784	473

1) Corporate Stores: The stores are wholly-owned and managed by the Company. The Company invests in retailing equipment, store decoration and inventory.

2) Franchise Stores: The Company offers an opportunity for any person including employees to operate their own 7-Eleven store under a (state-of-the-art) franchise system. The Company will offer close assistance in management and administration, product assortment and the financial system. The Company has regular nationwide promotional and advertising campaigns and provides advisory on new management techniques in person. A franchisee can either choose a new location or an existing store. In case a franchisee has his own location, the Company will help with the feasibility study without any charges. The term of the franchise agreement and the benefits depend on the type of franchise.





The Company offers an opportunity for any person including employees to operate their own 7-Eleven store under a (state-of-the-art) franchise system.

3) Sub Area License Stores: The Company engages in sub-area license agreements with third parties to operate 7-Eleven stores in the territory where the sub-area licensees themselves will be responsible for the management of 7-Eleven stores. The Company will provide assistance and support under the agreed conditions. Presently, there are 4 sub-area license agreements in Phuket, Yala, Chiang Mai and Ubon Ratchathani.

Product Mix

The Company continuously attempts to search and select products and services that are of high quality, are different from those of competitors, satisfy the demands of different target groups, and are in line with new trends and market changes. Products in 7-Eleven stores are categorized into the following 2 major groups: Foods & Beverage accounting for 47% and non-food products including phonecard accounting for 53%. In addition, 7-Eleven stores provide other services for customer convenience such as payment service for as many as 284 services, ATM machines at 2,281 branches, money transfer through “ Love Link ” card , catalog order, and distributing life assurance in order to fully meet and respond to the customer’s need in terms of convenience. The Company continuously strives to expand its alliance partners to provide a wider range of services.

Marketing and competitive condition

a. Nature of Customers

The Company has been expanding the store network to local residential and business communities in order to cover all ranges of customers. Using demographics, the Company separates its customers into 3 groups: Children and teenagers, Working people and adults with medium income or lower who prefer convenience and trendy products, and Motorists and passengers who frequently use PTT gas stations. On average, a total of 4 million customers nationwide per day purchased products and services from 7- Eleven stores in 2006, increasing from 3.4 million customers nationwide per day in 2005.

b. Business Operating Conditions

Consumers have ever-changing demands. Therefore, tracking customers’ demands must be done in an expeditious and timely manner. The Company has developed the Point of Sales (POS) and Store Controller (SC) systems to be able to understand customer needs. This enables individual stores to order and stock products that meet the demands of their customers. Information technology is utilized to communicate between the stores and the head office to learn about customers’ demands during all periods, whether during the day, weekdays, holidays, or important festivals.

Furthermore, from consumer surveys and knowledge gained from experience, the Company is aware of the major factors influencing different customer groups to use convenience store services. The Company has used this information to set challenges and changes in order to prosper under fierce competition with a myriad of retail stores.



c. Responding to Customers' Demands

- **Service Development from Employees**

To deliver convenience to customers, the Company has developed employee competency in providing services through training for staff at all levels, from store employees to store managers. The Company has the Tara Park Training Center in Bangkok and eight smaller training centers located in different regions across the country to provide training to 36,000 people annually. A variety of instructional methods are used such as classroom training, on-the-job training/coaching, self-learning, computer based training and Mobile Unit training. There is also job rotation to develop competency to rapidly respond to customer changes. Last year, the Friendly Service Project was initiated to increase customer satisfaction towards services provided by employees.

In 2006, the Company emphasized on employees about "Friendly Service " in order to assure the customer excellent service. Also, the customer satisfaction survey was conducted to increase efficiency and effectiveness of service improvement and development.

Furthermore, the Company developed the Complaint Handling system to allow customers to easily send in complaints; to respond and solve problems within 24 hours; to decentralize authority enabling store employees to contact and solve customers' problems immediately; to check the satisfaction of customers who issued complaints to ensure that their problems have been solved; and to analyze customer complaints to find the causes and preventive measures. Besides, the Company has arranged "Weekly Communication" to help solve problems effectively and brought customer's suggestion into consideration to find out the root cause and to prevent repetitive occurrences.

- **Development and Assortment of Products and Services**

Different demands of various customer groups have led to the selection and development of products and services to satisfy each customer group. The process starts with recognizing customers' needs, creating a product concept, developing the taste, and testing in model stores to receive feedback from the target group and to confirm successful store management in order to solve management problems before actual implementation at every branch.

The Company selects more than 3,500 churning items and adopts the FBO product strategy (First sold in 7-Eleven stores, Best Selection, Only sold in 7-Eleven stores). Product development is undertaken in cooperation with Team Merchandising, research and specialists to obtain a good quality and differentiated products which are corresponding to customer demand.

Furthermore, the Company selected and added more products to the 7- Eleven stores to better satisfy customer needs such as Catalog Order, books and printed matters (Book Smile) including special products provision (Kudsan).

- **Improvement of Store Environment**

The Company has improved both the internal and external store environment by initiating the project " New and Modern Store with Prompt Service" to differentiate from the competitor's stores. The store layout and equipment are arranged to enable customers to easily locate products, to facilitate employees' work, and to provide light and safety. Importance is also given to hygiene, cleanliness and prevention of waste water to remain good surroundings in each community that 7- Eleven stores are located. Technology and innovation was implemented to reduce energy



consumption resulting in the lower operating cost of each store. This is also to support the energy conservation program of the government.

- **Giving Importance to Product Quality Guarantee**

The Company has developed a supply chain management system to improve product quality from manufacturing, logistics, to store management in order to deliver premium-quality and fresh products to customers and to prepare for future expansion into the food business. The Company selects and monitors manufacturers with acceptable standards and provides knowledge on improving manufacturing quality standards. Moreover, the Company trains store employees on quality management of products especially those in the food category. For example, the experts from the Food and Drug Administration (FDA) provide training to the Company's employees on food safety. Random inspection of foods and beverages also guarantees quality and makes employees more aware of food safety.

In 2006, the Company used the Clean Food Good Taste (CFGT) standard of the Ministry of Public Health and the "Bangkok – City with Safe Food" standard to test branches to ensure that food products and processes related to the food products are safe and hygienic and can be trusted by consumers.

- **Development and Learning to Create Value for Customers**

Using what it has learned from effective store layout and satisfying customers' demands, the Company has adjusted product flow, removed products unwanted by customers, and expanded space for best-selling or new products. Employees use related information to select and order products and prepare ready-to-eat products for sale during the day, focusing on customers' demands. Products are displayed according to the recommendations from the head office. Moreover, employees exchange knowledge to promote innovation. This knowledge is also used to develop new training courses related to sales techniques in line with customers' demands.

With the customers at the center, the Company strives to develop management processes in different areas (convenience; good, fast and time-saving services; fresh quality products; and store environment) to have interconnectivity. In addition, the Quality Store System Standard (QSS Standard) is implemented to create and deliver value, confidence and good impressions for customers.

The multitude of things that the Company has developed and created value for customers is reflected in the Customer Satisfaction Index towards the Company that has risen in the past six years. At the same time, the Company has used customer comments for improvement, to develop products and services to better meet customers' demands, and to set strategies to keep existing customers and win new customers in the future.

d. Market Conditions and Competition

In 2006, the retail business experienced a slowdown due to many factors that affected purchasing power and consumer confidence, including high oil prices, the political situation, flooding, bird flu, and unrest in the South. Thus, in 2006, the retail industry value in the tax system is expected to grow 5 percent, or Baht 2.3 trillion in terms of value, amid intense competition especially in modern retailing under the chain store format, both in terms of store expansion and marketing tactics employed to attract consumers. Presently, consumers are more careful in purchasing products and give more consideration to value for money.

The Company strives to develop management processes in different areas (convenience; good, fast and time-saving services; fresh quality products)



The Company's direct competitors are modern small-scale retail stores, both existing retail stores and retail stores under the chain store format, while its indirect competitors are fast food stores, coffee shops or stores that provide an alternative for customers

Higher oil prices have affected consumers' consumption behavior, causing consumers to reduce purchasing frequency, buy more in one time, and buy from retail outlets near home or the office. In order to serve the changing trend of customer behavior and due to the zoning law, it has caused large-scale retail stores to change their business concept and focus more on small-scale retail stores. Consequently, the convenience store business has become an interesting segment for investment by both current retailers and retailers from other segments. Convenience store expansion has been accomplished through both corporate stores and franchise stores.

Type of Stores			
Type of Stores	2004	2005	2006
Stand alone convenience stores	4,189	5,344	5,997
• 7-eleven stores	2,564	2,915	3,279
• Others	1,625	2,429	2,718
Convenience stores in gas stations	1,507	1,628	1,741
• 7-eleven stores	297	396	505
• Others	1,210	1,232	1,236
Total convenience stores	5,696	6,972	7,738

Remark: Convenience outlets in chain store format

Source: Compilation by C.P. Seven Eleven Plc.

The Company has continuously expanded its store network to provide greater accessibility to its customers and to better meet its customers' needs. As a result, the Company now has the highest market share in the category of convenience stores under the chain store format. At the same time, the Company recognizes the needs of the community and impacts on the community where its stores are located.

The Company uses geographic segmentation to divide the market into Bangkok, vicinity, and provincial areas. Moreover, the Company has expanded its target customers to motorists and passengers who use PTT gas station services via stores located in PTT gas stations.

The Company's direct competitors are modern small-scale retail stores, both existing retail stores and retail stores under the chain store format, while its indirect competitors are fast food stores, coffee shops or stores that provide an alternative for customers. Even though there has been an increasing number of small retail stores from both existing players and newcomers, there is still opportunity for continued outlet expansion in communities to serve consumers who increasingly demand convenience and speed. Government policy to support investment in public utilities and expansion of development into communities is another factor supporting small-scale retail store expansion into communities.

The Company plans to enhance its long-term competitive advantage by building up knowledge management in which it has established a solid foundation for years. By creating a continuous learning environment and promoting innovation, the Company will grow sustainably amid an increasing competition.



Presently, the Company has distribution centers in Bangkok and the provinces. There are distribution centers for both general products and products requiring controlled temperature.

• Delivery of Products and Services

The Company strives to continuously develop its value chain to deliver the best to customers. In the area of product distribution which is an important part of the value chain, the Company has continuously made developments. The Company has expanded the number of distribution centers in strategic areas in order to accommodate new store expansion and distribute products efficiently and effectively. In addition, the Company has introduced new equipment and tools such as the Digital Picking system to assist with product arrangement, making it more accurate and faster.

Presently, the Company has distribution centers in Bangkok and the provinces. There are distribution centers for both general products and products requiring controlled temperature. Strict quality control at every single process, on-time delivery and increased delivery frequency ensures complete, correct and timely delivery of products to stores and product quality is maintained until reaching customers. Also, the Company managed to certify Good Manufacturing Practice (GMP) standard at the distribution center to guarantee the products in terms of quality and safety before delivery to customers.

In 2006, the Company started up a chilled distribution center; CDC in Bangkok and delivery truck with temperature control in order to keep the chocolate products in a good quality during delivery process. Such CDC was also set up in Chiang Mai and Surat - thani in order to efficiently support delivery process at present and in the future.

Large-scale Retail Business “Supercenter”

Nature of Business

Realizing the market potential of the PRC with both economic and purchasing power growth, the Company expanded investment into the country since 1997. The Company operates a large-scale retail business, “Lotus Supercenter”, by effectively investing 29.7 percent in Shanghai Lotus Supermarket Chain Store Co., Ltd. (“SLS”) through its affiliate, Yangtze Supermarket Investment Limited.

At the end of 2006, SLS operates altogether 43 Lotus Supercenters through branch expansion in Shanghai and other cities around central region in the Yangtze Basin of the PRC.



District	No. of Stores
Shanghai	20
Jiangsu	10
Zhejiang	5
Hubei	3
Sichuan	2
Anhui	1
Hunan	1
Chengdu	1
Total	43



Lotus Supercenters are open everyday from 8.00 hrs. to 22.00 hrs. For the past four years, the sales volume of Lotus Supercenters according to the consolidated financial statement has increased continuously, from Baht 28,945 million in 2005 to Baht 30,887 million in 2006, expanding 7 percent.

Product Mix

Lotus Supercenter tries to select a wide variety of products and constantly changes the products to cater to the demands of its target customers. In 2006, the Company offered a variety of products about 26,700 items which were classified into 4 main categories as follows;

1. Fresh Food accounts for approximately 22 percent of total sales.
2. Dry Groceries accounts for approximately 46 percent of total sales
3. Hard Lines accounts for approximately 20 percent of total sales
4. Apparel accounts for approximately 12 percent of total sales

Market conditions and competition

a. Nature of Customers

Lotus Supercenter's target customers are people with medium to low income who prefer one - stop shopping. At present, approximately 7,500 customers per day are recorded at each branch.

b. Pricing Policy

Lotus Supercenter uses the Every Day Low Price ("ELDP") pricing policy as its selling point to attract customers. It focuses on offering everyday low prices rather than offering promotions from time to time together with an emphasis on quality and unique products to boost up the potential competitiveness. It also offers good-quality and low-priced house brand products in a wider range under trademark "Lotus Supercenter", "Smart Choice", "Great Saving" or "Truly".

c. Market Conditions and Competition in the retail business in the PRC

The retailing business in the PRC continues to expand in line with economic and consumption growth. The government's policy to open up trade since December 2004 has attracted continuous investment in the PRC, resulting in continued growth of the retailing sector of more than 10 percent.



Source : State Information Center, SIC National Bureau of Statistic of China



The retailing sector in the PRC was highly growing at 11.8% per annum during year 2001–2006 and it was expected to steadily grow by 12% in 2007 following by economic growth, retail sales and foreign investment expansion. In addition, the PRC's 11th Economic Development Policy (2006-2010) highlights stimulation of domestic consumption and individual income improvement in urban and non-urban areas. This significantly affects an increase in income and purchasing power and consumer behavior has been moved towards modernization and an increasing consumption.

Changes in consumer behavior can be seen from an increasing number of consumers shopping at modern retail outlets. The 2005 survey results of a leading research company show that the modern retail sector in the PRC expanded from 42 percent of total retail sales in 2002 to 53 percent of total retail sales in 2005, while the traditional grocery sector shrank.



Breakdown of retail industry (%)	2003	2004	2005
Modern Trade	46	50	53
Traditional Grocery	49	47	44
Specialty Store	5	3	3

Source : Compilation by C.P. Seven Eleven Plc.

In the modern retail sector, hypermarkets or supercenters recorded higher growth rates and played an important role in Chinese spending compared to other types of retail businesses. The consumer survey in major cities of a leading research company found that 46 percent of mostly do shopping in hypermarket followed by 36 percent in supermarket resulting in hypermarket portion skyrocketed from 22 percent in 2001 to 37 percent in 2006 whereas the remaining retail formats have decreased.

Industry Outlook and Competition in 2007

Following the PRC's 11th Economic Development Policy, the PRC retail industry is expected to grow 12 percent in 2007, driven mainly by the middle class in urban areas who are playing a major role in the Chinese economy. Development of the country in preparation of the Olympic Games in 2008 is another factor supporting income growth and purchasing power. In addition, consumer demand is increasing, and in turn attracting increased investment in the PRC retail industry from both foreign and local players. As a result, competition is expected to intensify.

Increased demands and expectations from consumers in the areas of health, services, product and service variety, convenience and trend are also bringing about change in the PRC retail industry. It may cause fierce competition in store expansion and sales and marketing strategies in 2006.

Lotus Supercenter's competitors include local operators such as NGS and Century-mart and foreign operators such as Trust-mart, Carrefour, Wal-mart, RT-mart and Auchan. Indirect competitors, which are supermarkets, include Lianhua and Jiadeli.



Cities in the PRC with top-ranking per capita income and total retail value comprise Shanghai, Beijing, Zhejiang, Tianjin and Jiangsu. These cities are targets for local and foreign operators, including Lotus Supercenter, to expand investment in the retail business.

Delivery of Products and Services

Most of the products sold in Lotus Supercenter are supplied by local manufacturers or distributors in the PRC whereas some are imported to better serve consumer demand looking for modern and unique products. The head office in Shanghai sets the policy on product procurement and distribution to each branch. Approximately 59 percent of the products available are distributed by SLS distribution center. In addition, a leading consulting company has been selected to provide advice on improving management efficiency.





ชื่อ **สลูบี้** (แก้วไทย)
ทุกรสชาติ 1 แก้ว
ราคาแก้วละ: **20 บาท**

รับ
7-Eleven 3700 THB
OFFER
(1 PCO = 3 บาท)

1 คว

Coca-Cola

ASHING X
สลูบี้-เลิฟ

เซเว่นอีเลฟเว่น ดับกระหาย...ทุกเวลา

ด้วยเครื่องดื่มแก้วโปรดหลากหลายอารมณ์ ทั้งหวานมัน หอมกรุ่น เสริมคุณค่า เพิ่มพลัง หรือรสชาติ สดใส เรียกความสดชื่นได้เท่าที่ใจปรารถนา จะแก้วนี้หรือแก้วไหนๆ ก็ช่วยเติมสีสันให้ชีวิตใช้งานได้ตลอดเวลาที่เซเว่นอีเลฟเว่น

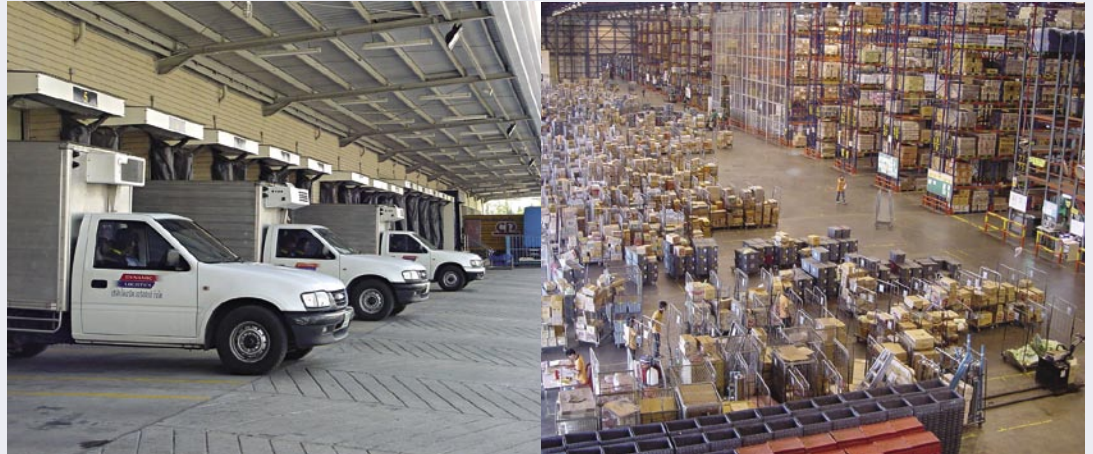


7-Eleven quenching your thirst... every time

With many different favorite drinks – sweet and creamy, aromatic, healthy and revitalizing
Or fizzy, refreshing and invigorating, this cup or any other cup can add color to your life



RISK FACTORS



1. Risk from 7-Eleven Trademark Termination

The Company operates its convenience store business under the Area License Agreement entered with 7-Eleven, Inc., USA since November 7, 1988. Under the terms, the Company is granted a license to operate convenience stores in Thailand under the “7-Eleven” trademark including related trademarks and to obtain training and technical assistance in convenience store business from 7-Eleven, Inc. On August 20, 2003, 7-Eleven, Inc. entered into the Consent Agreement which is an agreement among the Company, the Charoen Pokphand Group (“CPG”) and 7-Eleven, Inc. under which 7-Eleven, Inc. has agreed to give consent to the public offering of shares and the listing of shares for trading on the Stock Exchange of Thailand.

The Area License Agreement does not specify the term of the Agreement. However, both parties have the right to terminate the Agreement if any event stipulated in the conditions does occur or if there is any event which constitutes a cause for termination under the Consent Agreement and also results in termination of the Area License Agreement. In case the Area License Agreement is terminated, the Company will lose its right to use the trademark, which will significantly affect the Company’s business. In such case, the Company might also be required to pay damages to 7-Eleven, Inc. In addition, if the relationship between the Company or CPG and 7-Eleven, Inc. turns sour, the Company may not obtain appropriate assistance from 7-Eleven, Inc.

The Company’s Risk Management

With 17 years of good business relationship, the Company has never had any critical conflict with 7-Eleven, Inc. Furthermore, the Company has followed the regulations as per the agreement since signed date. The Company believes that the relationship of itself and CPG with 7-Eleven, Inc. remains good and that its business operation under the “7-Eleven” trademark is of mutual interest. So far, the business relationship and assistance have been satisfactory. The chance that such relationship will turn sour is unlikely. At present, there is no reason to believe that there would be any event that may negatively affect the relationship of the Company and CPG with 7-Eleven, Inc.



2. Risk from Distribution Center Error or Problem

Most of the products in 7-Eleven outlets are delivered via the Company's distribution center. The distribution center plays a vital role in 7-Eleven's business. Damages to the distribution center due to natural disasters, communication system and information technology failure, or any force majeure will have an adverse impact on the supply of products to 7-Eleven outlets and may negatively affect the Company's operating performance.

The Company's Risk Management

The Company has prepared measures to protect against various risks and has formulated an appropriate back-up plan should there be any damages to the distribution center. Furthermore, the Company has already set up a new main distribution center in Bangkok and plan to establish additional sub-distribution centers in the provinces. The Company has also taken out insurance against damages which may be caused by such risks as deemed appropriate. However, there are still risks which various plans and insurance may not completely prevent and compensate. Besides, the Company still has to depend on manufacturers and suppliers to deliver their products to the distribution centers and branches. Delivery errors of both manufacturers and suppliers may also negatively affect the Company's sales volume.

3. Risk from Information Technology Error or Problem

The Company has invested in various information technology systems such as the store management system and the distribution center management system. Information technology has played a major role in assisting the Company to achieve higher efficiency in dealing with inventory, purchasing, and data storage and analysis. Therefore, an error or problem in the information technology systems will affect the Company's ability to manage the 7-Eleven outlets on a normal basis and may negatively affect the Company's operating performance.

The Company's Risk Management

The Company realizes the importance of information technology at both the store and head office level and has established a prevention and back-up system that meets generally-accepted standards. The Company has set up its second computer center in the Chaengwattana area to diversify and reduce risks. However, the Company cannot fully guarantee that this will absolutely prevent any damages that may occur.



The Company has set a policy and system to monitor and control its overseas business as well as has sent management representatives to supervise operations in the PRC. In addition, regular meetings are held at least once every quarter to update and discuss operating performance and management strategies to ensure continued efficiency.

4. Risk from Overseas Investment

The Company's affiliate, Shanghai Lotus Supermarket Chain Store Co., Ltd. ("SLS"), operates a supercenter business in the People's Republic of China ("PRC"). There may be risks from changes in the political, legal or economic conditions in the PRC which may affect the revenues of this business.

Under the agreement made with the World Trade Organization ("WTO"), the PRC government revised laws and regulations to accommodate business expansion in the country. With regards to the retail business, since December 11, 2004, the PRC government has lifted the foreign ownership limit by allowing foreign investors to own more than 50 percent shareholding, compared to not over 49 percent in the past. This may result in an increase in the percentage of shareholding in SLS by the Company.

The Company's Risk Management

The Company has set a policy and system to monitor and control its overseas business as well as has sent management representatives to supervise operations in the PRC. In addition, regular meetings are held at least once every quarter to update and discuss operating performance and management strategies to ensure continued efficiency.

5. Risk from Controlling Influence of the Charoen Pokphand Group

The Charoen Pokphand Group has direct and indirect control over the Company. In the Consent Agreement with 7-Eleven, Inc., CPG agrees to maintain its minimum shareholding ratio as well as its power to appoint and control the majority of the Company's directors. As at December 2006, companies in the Charoen Pokphand Group continue to hold an aggregate 44.8 percent stake. Therefore, the Charoen Pokphand Group will be able to appoint the majority of the directors and remain influential to the management and administration of the Company, including consideration of or support for matters that require approval from the Company's shareholders.

At present, there is no agreement between the Company and the Charoen Pokphand Group and its affiliates that will prohibit the Charoen Pokphand Group to expand businesses or invest in other retail operations. Therefore, there may be a risk that the Charoen Pokphand Group will not consider granting opportunities and resources that will be of best interest to the Company and its shareholders.

The Company's Risk Management

The Company has independent directors and the Audit Committee to assure that business policies and directions will be considered for the best interests of all shareholders. In addition, the Company has formulated a policy and regulations concerning connected transactions and has published a guideline for good corporate governance so that all stakeholders benefit equitably.



CAPITAL STRUCTURE

Securities of the Company

As at 31 December 2006, the Company's registered capital was at Baht 4,500,000,000, of which Baht 4,446,962,650 has been paid up. The paid-up capital comprises 4,446,962,650 ordinary shares with a par value of Baht 1 per share. The remaining 53,036,850 ordinary shares with a par value of Baht 1 per share have been reserved to support the exercise of rights to purchase ordinary shares pursuant to the warrants under the Employee Stock Option Plan (ESOP).

Shareholders

Major Shareholders	As at December 29, 2006	
	No. of shares	%
1. Charoen Pokphand Group Co., Ltd.*	853,882,900	19.2
2. C.P. Merchandising Co., Ltd.*	773,067,500	17.4
3. American International Assurance Company, Limited-Di-Life	400,000,000	9.0
4. Government of Singapore Investment Corporation	309,457,400	7.0
5. CPF Investment Limited*	227,314,600	5.1
6. Chase C.S. Central Nominees Limited	201,476,200	4.5
7. Albouys Nominees Limited	175,176,400	3.9
8. State Street Bank and Trust Company	167,508,955	3.8
9. Bangkok Produce Merchandising Plc.*	140,000,000	3.1
10. Goldman Sachs & Co	138,053,800	3.1
11. Thai NDVR Company Limited	125,933,887	2.8
12. Others	935,091,008	21.1
Total	4,446,962,650	100.00

* Denotes companies in the Charoen Pokphand Group which hold a combined shareholding of 44.8 percent of the total paid-up capital

Dividend Policy

The Company's Board of Directors has a policy to propose a dividend payment to shareholders at approximately 50 percent of net profit generated from operations after income tax deduction and statutory reserves at the annual general shareholders' meeting for their consideration. However, the policy will be subject to change should the Board consider the financial standing, economic situation, operating performance and future projects and find that it is appropriate to propose the shareholders otherwise.

With respect to subsidiaries, the Board of Directors of subsidiaries has policies to distribute dividends in accordance with the operating performance of the relevant companies without determining a certain rate of dividend payment. The distribution of dividends will be based on future investment plans of each subsidiary.



Management Structure

The Company's management structure consists of (a) the Board of Directors (b) the Audit Committee (c) the Chief Executive Officer and (d) the Executive Committee, with scope of authority and duties as follows:

(a) Board of Directors

1.	Prof. Dr. Komain	Bhatarabhirom	Director / Independent Director
2.	Mr. Pridi	Boonyoung	Director / Independent Director
3.	Mr. Padoong	Techasarintr	Director / Independent Director
4.	Mr. Dhanin	Chearavanont	Chairman
5.	Mr. Korsak	Chairasmisak*	Vice Chairman
6.	Mr. Soopakij	Chearavanont**	Director
7.	Ms. Yun	Chiang**	Director (Resigned on April 1, 2006)
	Mr. John	Sian-Zu Lin**	Director (Effective on April 1, 2006)
8.	Mr. Adirek	Sripatak**	Director
9.	Mr. Umroong	Sanphasitvong**	Director
10.	Mr. Narong	Chearavanont**	Director
11.	Mr. Prasert	Jarupanich**	Director
12.	Mr. Pittaya	Jearavisitkul*	Director
13.	Mr. Piyawat	Titasattavorakul*	Director

*Note : Certification documents of the Company stipulate that binding signatures must include 2 directors – consisting of any authorized director marked * and any authorized director marked **. Both directors must sign and affix the Company's seal.*

Scope of Authority and Duties of the Board of Directors

The Board of Directors is responsible for carrying out the Company's business in compliance with the laws, the objectives, the Articles of Association of the Company, and the resolutions of shareholders' meetings. The Board of Directors may appoint one or more directors or other persons to carry out any act on behalf of the Board.

Appointment and Removal of Members of the Board

The general shareholders' meeting elects the directors by a majority of votes in accordance with set rules and procedures. Every shareholder entitled to vote shall have the equivalent of one vote for each share held. Each shareholder may give all votes to one or several candidate(s), but may not divide unequally his votes. The appointment of a successor to fill up a vacancy other than by rotation shall be made through a resolution of the Board of Directors by a vote not less than three-fourths of the number of remaining directors.

The Board of Directors of the Company shall be removed by a resolution of the shareholders' meeting by a vote not less than three-fourths of the number of shareholders attending the meeting who have voting rights and shares totaling not less than half of the number of shares held by shareholders attending the meeting and having the right to vote.



(b) Audit Committee

The Audit Committee is appointed by the Board of Directors and consists of 3 independent directors as follows:

1.	Prof. Dr. Komain	Bhatarabhirom	Chairman of the Audit Committee
2.	Mr. Prid	Boonyoung,	Member of the Audit Committee
3.	Mr. Padoong	Techasarintr,	Member of the Audit Committee

Note : Mr. Kidsada Euapiyachart is the Secretary of the Audit Committee.

The Audit Committee reports directly to the Board of Directors and is responsible for assisting the Board of Directors in preparing and auditing the Company's financial results; reviewing internal control and internal audit systems; reviewing and ensuring compliance with the laws on securities and exchange and other laws related to the Company's business; considering, selecting and proposing the appointment and remuneration of the Company's auditor; considering the disclosure of corporate data in case there is any related transaction or item that may lead to possible conflicts of interest; and performing other duties as appointed by the Board of Directors.

(c) Chief Executive Officer

The Chief Executive Officer, Mr. Korsak Chairasmisak, was appointed by the Board of Directors and is responsible for the overall operation and management of the Company's activities. He has authority in routine management of the Company except authority in approving the following 13 matters:

- (1) The sale or transfer of all or partial portions of the Company's business to other persons
- (2) The purchase or takeover or transfer of business from other companies or private companies
- (3) The execution, amendment and termination of agreements concerning the leasing out of all or substantial parts of the Company's business, the delegation of authority to other persons to manage the business of the Company or consolidation with other persons for the purpose of sharing of profit and loss
- (4) The amendment of the Memorandum or Articles of Association of the Company
- (5) The increment or decrement of capital, the issuance of debentures, the consolidation or dissolution of the Company
- (6) The approval of balance sheets or income statement
- (7) The appropriation of profits and payment of dividends
- (8) The borrowing of money or the guaranteeing of loans or creation of obligations to the Company with financial institutions or other companies in the amount exceeding Baht 200 million per time in a year
- (9) The lending of money to other companies in the amount exceeding Baht 200 million per time in a year
- (10) The investment, joint-venture, increment of capital in subsidiaries, affiliates or other companies in the amount exceeding Baht 200 million per time in a year
- (11) The expenses for investment in large projects or the acquisition of assets of the Company where the cost of such a project or the value of assets exceeds Baht 200 million per time in a year
- (12) The sale or disposal of fixed assets of the Company at a sale and disposal price exceeding Baht 200 million per time in a year
- (13) The operation plan and annual budget of the Company



The Chief Executive Officer may sub-delegate any executive officer and/or employee of the Company to approve one or several matters as the Chief Executive Officer considers appropriate, provided that the power so sub-delegated may not be sub-delegated any further. With respect to the foregoing approval, the Chief Executive Officer or person delegated by him shall not be able to approve any transaction in which he or any person who may have a conflict of interest would have an interest or might have any other conflict of interest with the Company or its subsidiaries, unless such approval is in accordance with the policy and criteria approved by the Board of Directors.

(d) Executive Committee

As at 31 December 2006, the Company's Executive Committee consists of the following persons:

1. Mr. Korsak	Chairasmisak	Chief Executive Officer
2. Mr. Pittaya	Jearavisitkul	Deputy Chief Executive Officer
3. Mr. Piyawat	Titasattavorakul	Managing Director
4. Mr. Suraphan	Pussadej	Assistant Chief Executive Officer, Human Resource
5. Mr. Taweesak	Kaewrathtanapattama	Vice President , Accounting and Finance
6. Mr. Chuan	Nimkittikul	Vice President, Purchasing and Distribution
7. Mr. Tanin	Bhuranamanit	Vice President, Operation and Marketing
8. Mr. Suwit	Kingkaew	Vice President, General Management
9. Mr. Kosa	Pongsupath	Vice President, Information Technology

Selection of Directors and Executives

Though the Company has not appointed a Nomination Committee to select and propose nominees to be appointed as directors, if there is a vacancy in the Board of Directors, the Board of Directors shall select and propose nominees to fill the vacant position. In the selection of candidates, various criteria are considered such as knowledge, capabilities and business-related experience. In addition, the candidate must have required qualifications and must not have characteristics which are prohibited under the Public Limited Company Act, the Notification of the Securities and Exchange Commission and other related laws.

Remuneration for Directors and Executives

(a) Cash Remuneration

2006	Type of Remuneration	Total (Million Baht)
Directors		
Chairman of the Audit Committee and Independent Committee	Remuneration for Directors	1.20
Audit Committee and Independent Committee (2 persons)	Remuneration for Directors	1.92
Chairman	Remuneration for Directors	1.20
Vice Chairman	Remuneration for Directors	0.96
Executive Directors (2 persons)	Remuneration for Directors	0.96
Non-executive Directors (6 persons)	Remuneration for Directors	2.88
Total 13 Directors		9.12
Executive Directors and Executive Officers (9 persons)	Salary and Bonus	113.32
Total remuneration for Directors and Executives		122.44



(b) Other Remuneration

In 2006, the directors and executives of the Company and its subsidiaries exercised rights to purchase the Company's ordinary shares pursuant to the warrants under the Employee Stock Option Plan (ESOP) Program for 2 times. The first exercise was on 15 March 2006. A total of 11,032,590 units were exercised at a price of Baht 4.20, worth a total of Baht 46.34 million. The second exercise was on 15 September 2006. A total of 12,391,450 units were exercised at a price of Baht 4.149, worth a total of Baht 51.41 million.

Under the ESOP Program, the warrants have a maturity of 5 years with the last exercise date on 15 September 2008. The exercise price is equal to the initial public offering (IPO) price and the price after the rights are adjusted according to the conditions of the distribution of stock dividends and changes in the par value of the ordinary shares and dividend payout of more than 65% of net profit

Auditor's Remuneration

(a) Audit Fee

In the fiscal year ended 2006, the Company paid the following audit fees to

- The Company's auditor in the amount of Baht 3.80 million
- Pricewaterhouse Coopers Zhong Tian in the People's Republic of China in the amount of Baht 7.6 million.

(b) Non-audit Service Fee

None

Personnel

2006	Convenience Store Business	Supercenter Business
Store employees (persons)	15,912	3,989
Head office staffs (persons)	4,964	1,272
Total (persons)	20,876	5,261
Total Remunerations (Million Baht)	4,739	2,262



เซเว่นอีเลฟเว่น คลายหิว...ทุกมื้ออร่อย

ไม่ว่าจะอิ่มมือย่อย รองท้องแบบพอดีๆ หรือเติมอิ่มมือใหญ่ ก็มีครบรส ครบคุณค่า
พร้อมเสิร์ฟร้อน สะอาด สดใหม่ ทุกมื้อเร่งด่วนด้วยสารพัดเมนู ให้คุณอร่อยได้ทุกเวลา



7-Eleven relieving your hunger... every meal delicious

Whether a small, light meal or a big, hearty meal, there are all flavors and full of nutrition

Served hot, clean and fresh; every quick meal with a wide menu selection for you
to enjoy anytime



COMPLIANCE WITH GOOD CORPORATE GOVERNANCE PRINCIPLES

The Board of Directors of C.P. Seven Eleven Public Company Limited ("The Board") truly believes that in the long-run, operation of the Company's business according to the principles of good corporate governance is the key to the Company's success which will lead to achievement of the Company's ultimate objective which is maximizing shareholders' value. In addition, this will improve the Company's performance, enabling it to achieve sustainable growth as well as promote the management team's transparency and efficiency. Therefore, the Board strives to operate the Company's business in compliance with the principles of good corporate governance and with responsibility to society for the greatest benefit of all stakeholders and the overall society. After the Company became a public company limited and listed its shares on the Stock Exchange of Thailand at the end of 2003, the Company has continuously received good evaluation results and ranking from corporate governance evaluation bodies.

- The Corporate Governance Report of Thai Listed Companies is a report presenting the results of the study on corporate governance practices of Thai listed companies conducted by the Thai Institute of Directors Association (IOD). The evaluation criteria used in the study are designed based on the Organization for Economic Cooperation and Development (OECD) Principles of Corporate Governance. The results of the evaluation are as follows:
 - In 2003, the Company was ranked in the Top Quartile for Corporate Governance of Thai Listed Companies. The evaluation was conducted among 337 listed companies.
Note: Scoring levels are classified as : Good, Average and Need Improvement.
 - In 2004, the IOD did not conduct the evaluation due to adjustment and modification of the evaluation criteria to cover new development in corporate governance standards and best practices.
 - In 2005, the Company was ranked in the Top Quartile for Corporate Governance of Thai Listed Companies. The evaluation was conducted among 371 listed companies.
 - In 2006, the Company was classified under the Very Good score group (Score Range between 80-89). The evaluation was conducted among 402 listed companies.
Note: The score groups are classified as Excellent, Very Good, Good, Satisfactory, Pass and N/A.
- The Annual General Shareholders Meeting (AGM) Assessment 2006, organized by the Securities and Exchange Commission (SEC), aims to increase awareness of the AGM as an essential element of good corporate governance principles. According to the AGM Assessment, the Company received a score of 81.41 from the total score of 100. (The average score of evaluated listed companies was 70.45.)

It is evident that the Board clearly advocates continuous improvement and development of the Company's corporate governance, utilizing recommendations from organizations that have evaluated the Company and internationally accepted corporate governance principles, such as the OECD Principles of Corporate Governance, as guidelines for improvement. To be a modern, world-class company with standards accepted by both the private and government sectors in Thailand and abroad, the Company has pursued practices in corporate governance as follows:



1. Good Corporate Governance Policy

The Board considers that a corporate governance policy is part of the Company's management policy and has formulated a Good Corporate Governance Policy in line with the principles of good corporate governance advocated by the Stock Exchange of Thailand. This policy is clearly stated in the Employee Handbook which is distributed to all employees as a guideline to adhere to in performing their work. Details can be found on the Company's website. The Board promotes annual follow-up and evaluation of the Company's corporate governance through the IOD. This information is then used to compare with the Company's present practices, resulting in material recommendations for continued development of the Company's corporate governance. The Company's Good Corporate Governance Policy covers five important principles, namely

1. Structure, duties, responsibilities and independence of the Board of Directors
2. Rights and equitable treatment of shareholders and stakeholders
3. Information disclosure and transparency
4. Internal control and risk management
5. Business ethics

The Company has appointed the Corporate Governance Committee with the duties and responsibilities of overseeing that management and employees comply with the Good Corporate Governance Policy, the Code of Business Ethics and the Company's regulations; considering complaints and providing justice to concerned parties; and determining penalties and punishment. The Corporate Governance Committee has appointed a Complaints Committee to receive, consider and verify complaints before proposal to the Corporate Governance Committee for fair hearing and judgment.

2. Shareholders: Rights and Equitable Treatment

The Company respects the basic rights of shareholders as stipulated by the law, regulations and the Company's Code of Business Ethics. The Company fully realizes that it must safeguard shareholders' basic rights and provide equitable treatment to every shareholder in accordance with the law, to ensure shareholders that their rights have been well-protected. Testament to this, the Company was ranked in the Top Quartile in the Rights of Shareholders category by the IOD in 2005 and was assessed in the Very Good score group (Score Range 80-89) in 2006.

The Company holds an annual general shareholders' meeting once a year, within 4 months after the end of its fiscal year. In case of an urgent necessity to propose a special agenda (one that affects or is related to shareholders' benefits, or one that is related to conditions, rules and regulations or laws that are enforced and must be approved by the shareholders), the Company will call for an extraordinary meeting. Last year, the Company organized the shareholders' meetings at its head office. In every shareholders' meeting, the Board recognizes shareholders' rights in all areas. Invitations to the shareholders' meeting with a detailed agenda and accompanying documents are sent to shareholders approximately 16 days before the meeting date. Announcements are also made in the Thai language daily newspapers for at least 3 consecutive days at least 3 days before the meeting date in order to provide advance notice of the shareholders' meeting and sufficient time for shareholders to prepare themselves before attending the meeting. For the 2007 annual general shareholders' meeting, the Company will post the invitation to the



the Company was evaluated and ranked as the first quartile by Thai Institute of Directors Association (IOD) in 2003 and in 2005. In 2006, it is also categorized as “Excellence” representing the score of 90 and higher

shareholders’ meeting on its website approximately 30 days in advance. Each meeting agenda clearly states whether an agenda item is for acknowledgment or approval, the facts and reasons, the Board’s opinion, the number of votes needed for the resolution, and the voting rules and procedures according to the Company’s regulations. Shareholders are provided with a detailed agenda and sufficient documents relating to agenda items in both Thai and English to assist voting on presented matters.

In addition, the Company facilitates shareholders’ attendance by arranging an easily accessible venue that can sufficiently accommodate shareholders. Shareholders can ensure the security system and enroll the registration in an hour prior the meeting time including getting light meal serving. To protect shareholders’ rights to attend the meeting, the meeting invitation clearly specifies that shareholders bring all required documents on the meeting date. For shareholders who are unable to attend the meeting, the Company provides a proxy form and clearly specifies the necessary supporting documents. At every shareholder’ meeting, the Company names at least one independent director who may be appointed as a proxy to vote on behalf of shareholders who are unable to attend.

According to the law and the Company’s Articles of Association, a shareholder of the Company’s ordinary shares has one vote for each share of which he/she is the holder. The Company has a clearly stated dividend policy and the amount of dividend payment will be reported to the shareholders. The Company’s shareholding structure is straightforward, as there is no sophisticated cross-holding. The directors hold shares in an aggregate amount of 0.27% of paid-up capital, which accounts for a non-material proportion.

3. Rights of Various Groups of Stakeholders

The Company is fully aware of the rights of various groups of stakeholders and has a clearly formulated policy to ensure that stakeholders’ rights are well protected, all stakeholders receive benefits equitably, and there is no unfair treatment to anybody in order to foster continued good relationships with shareholders, customers, employees, business partners, creditors and competitors. The Company also realizes the importance of being responsible to society and communities and has taken on as its mission to create projects and activities that are beneficial to the development of society and communities. It can be seen from Corporate Governance Report in the principle of “Role of Stakeholders” which the Company was evaluated and ranked as the first quartile by Thai Institute of Directors Association (IOD) in 2003 and in 2005. In 2006, it is also categorized as “Excellence” representing the score of 90 and higher. Duties and responsibilities to all stakeholders are summarized as follows:

Shareholders : The Company strives to represent the best interests of shareholders by operating a business that focuses on sustained long-term growth with continued good returns, has competitive advantage with consideration for present and future risks, and is transparent and trustworthy.

Customers : The Company is determined to continuously search for products and services that meet customers’ demands in order to create customer satisfaction and build loyalty; improve product and service quality; lift store standards; and select locations easily accessible to customers nationwide. There are several channels for customer communication and feedback such as via store branches, post, the Company’s website and call center.



Employees : The Company's employees are a valuable resource and a key to the Company's operation. The Company has prepared for the readiness of the employees to cope up with the growth and expansion. Therefore, the Company has recruited and hired capable and experienced personnel. Focusing on the quality of employees, the Company has set 5 core competencies and has provided continuous in-house and outside training for employees at all levels, including specialized profession-related training and new business courses, to support the Company's future expansion. Moreover, the Company supports numerous employee activities.

In the area of employee welfare, the Company focuses on the quality of working conditions and treats all employees equitably. An employee satisfaction survey is regularly conducted by research experts. Based on the survey, benefits have been set to meet the diversified demands of employees such as housing, employee loans, health insurance, transportation, social security, provident fund, education fund for employees and their children, and the Employee Stock Option Plan. The Company also places importance on employee safety. Fire drills and activities relating to safety and 7 SOR are regularly organized and a security system has been put in place.

Business Partners : Business operations with its partners should not damage the Company's reputation nor be in conflict with any laws, ethics, culture or traditions. The Company values fairness and common interest shared with its business partners. Procurement activities are carried out in a transparent and straightforward manner. The Company creates a good relationship and recognizes that business partners are essential to creating a viable value chain for its customers, ensuring customers receive fairly priced, quality products and services.

Society and Environment : For over ten years, the Company has continuously supported communities and society through various projects such as the Bilateral Education Project, the Reading Promotion Project, the Buddhism Teaching Development Project, the GO Game Project, the Fire Prevention Project, the Arts and Culture Books Publishing Project, the 7 Book Awards Project, the Literature Seeds Project and the Bring Temple to Seven Project. The Company has also initiated public projects to develop and serve society such as the Water Conservation Project, the Selling Electricity -saving Light Bulbs Project and the Electricity Saving Project.

On the environmental side, the Company has established the Hygiene and Environment Department to install oil separation sumps at every branch according to local municipal standards to prevent polluting communities with contaminated water. The Company has participated in the Store Quality Improvement Project with the Food and Drug Administration and the Safe Food Project with the Department of Health, the Ministry of Public Health. The Company has also initiated a project promoting the use of environment-friendly food containers and the garbage separation and recycle project.



4. Shareholders' Meetings

In 2006, the Company organized one shareholders' meeting, an ordinary general meeting of shareholders on April 28, 2006. The Company provided clear and complete details of the agenda items for consideration. For example, the item on the appointment of directors stated the name, age, education, working experience and present positions of the candidates and the item on the appointment and remuneration of the Company's auditors stated the auditors' names, company and remuneration for approval by shareholders at the meeting.

The Chief Executive Officer, Deputy Chief Executive Officer and Managing Director give high importance to the shareholders' meetings and were present in all the meetings. Members of the Executive Committee were invited to the meetings to provide information and answer shareholders' questions. In addition, the Company invited representatives from outside organizations such as the Stock Exchange of Thailand and its external auditor to observe the meeting proceedings. The Company allocated appropriate time for shareholders to raise questions and carefully recorded the questions and answers, enabling shareholders who were unable to attend to be informed of the issues discussed in the meeting.

Before the commencement of each meeting, shareholders were informed of the voting procedures and the vote counting method. During the meeting, the Chairman of the meeting provided all shareholders with equal opportunities and rights to receive information, express opinions, raise questions and receive complete answers to matters of interest to them. Voting and tally of the votes was done in an open, transparent, convenient and fast manner. In the voting, one share counted as one vote and the majority of the votes formed the resolution except in the case of a special resolution. Voters were required to use the voting card provided by the Company. A working committee counted and recorded the votes of each agenda item that required a resolution and the results were displayed on the computer system.

In the meeting minutes, the Company recorded the names of directors and executive officers who attended the meeting and other participants such as members of the Audit Committee and the Company's auditors. The voting results of each agenda item were also fully recorded including the number of agreed and disagreed votes and silences as well as the details of questions and answers of each agenda item. The meeting minutes were sent to the Stock Exchange of Thailand within 14 days of the meeting date for further dissemination.

5. Leadership and Vision

The Board comprises individuals who are knowledgeable and capable, have skills and working experience in various fields recognized at the national level, and truly understand their role and responsibilities. The Board plays an important role in determining the Company's overall policy with the top management, including the Company's vision, mission, business objectives, financial policy, risk management and strategies for setting long-term and short-term objectives and goals. The Company uses the Balanced Scorecard and the Thailand Quality Award (TQA) criteria to create a



balance for all stakeholder groups and to become a quality learning organization. The Company's corporate culture values teamwork under the 7 Values concept for all employees in the organization and the 11 Leadership concept for management to follow and apply in treating their staff fairly. Interested persons may obtain details of the 7 Values and 11 Leadership concepts from the Company's website.

Furthermore, in order to increase the directors' working efficiency and effectiveness, the Company has a policy to support directors' participation in courses offered by the Thai Institute of Directors Association (IOD) and other institutions. These courses enhance the directors' knowledge in various areas, which will be beneficial in carrying out their roles and responsibilities as a director. The Secretariat of the Company liaises with the directors for their consideration in participating in courses and seminars throughout the year. Almost all of the Company's directors have passed the Directors Certification Program (DCP).

6. Conflicts of Interest

The Company has informed the Board of Directors' Meeting and the Executive Committee Meeting about the Notification of the Securities and Exchange Commission which requires that directors and management prepare and submit a report of shares held directly or indirectly by themselves, their spouses and their minor children to the SEC and reports of changes in securities holding within 3 days of the change. Directors and management have also been informed of the punishment and penalties of non-compliance to the above notification. In addition, a report of securities holdings of directors and management at year end is submitted to the Board of Directors' Meeting to confirm transparency.

The Company has further informed directors and the management about the restrictions according to the Securities and Stock Exchange Act which are clearly stated in the Company's Code of Business Ethics. Directors, management and employees of the Company are prohibited to use the Company's inside information for securities trading and those who have access to inside information must use the information in a careful manner. Insiders should not engage in trading of the Company's shares prior to the release of financial results. The public should have full access to the information and should have sufficient time to analyze the information before insiders engage in any trading activities.

The Company has disclosed details of connected transactions in the annual report and Form 56-1 and has explained that the reasons, appropriateness and necessity of the connected transactions are for the Company's best interests like conducting transactions with outside parties.

It can be seen from The Corporate Governance Report in the principle of "Disclosure and Transparency" which the Company was evaluated and ranked as the first quartile by IOD in 2003 and in 2005. In 2006, the Company is also categorized as "Excellence" representing the score of 90 and higher.



In 2006, the Board of Directors approved 4 connected transactions between the Company or its subsidiary and related parties as follows:

On May 15, 2006, the Company approved the connected transaction worth approximately Baht 15.50 million between C.P. Retailing and Marketing Co., Ltd., a subsidiary operating the business of manufacturing and sale of frozen foods and bakery, and K.S.P. Equipment Co., Ltd., a contractor, to refurbish the office building (Pilot Plant), construct dried warehouse and walk way of frozen food factory located at Ladlumkaew, Patumthani.

On May 15, 2006, the Company approved the compensation of Shanghai Lotus Supermarket Chain Store Co., Ltd. (SLSC), the Company's subsidiary operating a supercenter business in the PRC, in obtaining financial assistance from Charoen Pokphand Group Co., Ltd. considered as a connected transaction. Letter of guarantee fees are calculated based on financial institution interest rate and normal business undertaking. The total value of compensation is approximate Baht 40 million per annum.

On August 11, 2006, the Company approved the transaction worth approximately Baht 4 million with Freewill Solution Company Limited (FS) as a connected person to develop a Business Solution Model (BSM) for 2006 strategy plan.

On September 27, 2006, the Company and Charoen Pokphand Group Co., Ltd. (CPG) as connected persons approved the offering of financial assistance in the form of Letter of Undertaking to Shanghai Lotus Supermarket Chain Store Co., Ltd., a subsidiary operating a supercenter business in the PRC, according to the proportionate percentage of its shareholding of USD 30 million and USD 70 million (approximately Baht 1,200 million and Baht 2,800 million) respectively. CPG will charge SLSC compensation at the reference rate of issuing letter of guarantee by commercial banks and under normal business undertaking in an approximate amount of Baht 56 million per annum.

The Board of Directors considered all four transactions above without the participation of directors with a stake in the matter under consideration and carefully approved that every transaction was transparent, reasonable and for the Company's best interests. After the meetings, the Company prepared the minutes and immediately disclosed the Board's resolutions to the Stock Exchange of Thailand.

7. Business Ethics

To confirm that the Company's intentions and business ethics are transparent, fair, and responsible to all stakeholders, society and the environment, the Board has approved the production of a business ethics and employee handbook as a guideline for directors, management and employees to perform their appointed duties with high standards and quality and in good faith, upholding employee reputation and pride and leading to an organization with good corporate governance. Shareholders, investors and interested persons may find the Code of Business Ethics on the Company's website.



The Company hopes that management and employees consistently adhere to the Code in all cases until it becomes their creed. The Business Ethics Working Team was established to promote the Code among employees; organize training; advocate and support management at all levels to serve as examples and encourage their staff to adhere to the Code; review compliance; and continuously improve the Code.

8. Balance of Power for Non-executive Directors

The Company's Board of Directors comprise 13 board members, seven of whom are non-executive directors, 3 of whom are independent directors, and 3 of whom are executive directors. The qualifications of an "independent director" are as follows:

1. Not an employee nor an advisor on retainer or receiving any benefit from the Company, an affiliated company, a subsidiary or an associated company
2. Hold no more than 0.5 percent of the paid-up capital of the Company, an affiliated company, a subsidiary or an associated company, including shares held by a spouse or minor children
3. Able to look after the interests of all shareholders equally
4. Able to prevent conflicts of interest between the Company and management, major shareholders or other related companies with the same management or major shareholders
5. Able to attend the Board of Directors' Meetings regularly and make decisions on the Company's major activities

9. Aggregation or Segregation of Positions

The Chairman is not part of the management team and is not the same person as the Chief Executive Officer. The Board of Directors holds the authority to appoint and remove the Chief Executive Officer. The roles of the Board of Directors and the management are clearly separated. The Board of Directors has determined the scope of authority and responsibilities of the Chief Executive Officer and has outlined which important matters must be proposed to the Board of Directors and/or the shareholders' meeting for consideration and approval.

10. Remuneration for Directors and the Management

The Company has proposed the remuneration for each director position to the shareholders' meeting for approval, explaining the criteria and procedures and recording details in the minutes of the meeting.

Regarding remuneration for the management, the Company has a policy to set remuneration at rates comparable to other companies in the same industry and appealing enough to attract and retain quality executives. Remuneration is determined by duties and responsibilities, individual performance as well as the Company's performance and is adjusted accordingly.



Furthermore, to reward directors' and management's dedication to their work for the best interests of the Company, to create incentives to work for the Company for a long period of time, and to provide an opportunity for directors and management to share the Company's success and own part of the Company, the Company initiated the Employee Stock Option Plan (ESOP) Program, issuing warrants to purchase the Company's ordinary shares to directors and employees.

11. Board of Directors' Meetings

In 2006, a total of five Board of Directors' Meetings were held. The meeting invitation, agenda and relevant documents were sent to the directors at least 7 days prior to the meeting date. Besides important agenda items to consider the operating performance, financial reports, project plans, budgets and progress of various investments, the Company had agenda items covering information sharing and regular department updates from the management.

During the meeting, the Chairman provided sufficient time for directors to discuss, raise questions, and provide suggestions and additional information on matters important to the management. Every director was able to express independent opinions taking into account the benefits of shareholders and all stakeholders equitably. Regarding connected transactions, directors with vested interests were excluded from attending the meeting and voting. After the meeting, the Company prepared the minutes providing a complete record of the issues discussed, directors' opinions and the Board's resolutions. The minutes approved by the Board was properly filed for future reference and verification.

The Company has set up the Corporate Secretary Office with the duties of organizing the Board of Directors' Meetings and the shareholders' meetings in compliance with the Company's Articles of Association, the laws, and the rules and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand; preparing reports and documents relating to the Board of Directors and shareholders in a correct and timely manner; and following up on matters according to the Board's resolutions.

12. Audit Committee

The Board of Directors has set up the Audit Committee to assist with overseeing that the Company's business is conducted in a transparent manner. The Audit Committee consists of 3 independent directors and has independence in performing its duties. The Audit Committee consults with the Company's auditor for its opinion on the Company's financial reports and internal control and reports the results and suggestions to the Board of Directors' Meeting every quarter as per the details in the Audit Committee's Report. The Company has immediately used the suggestions provided by the Audit Committee and the Company's auditor for improvement and will report on the improvement results at the next Board of Directors' Meeting.



13. Internal Control and Internal Audit Systems

The Board realizes the necessity and importance of the internal control system and has assigned the Company's management to establish an appropriate and adequate internal control system. The adequacy and effectiveness of the internal control system is regularly assessed for continuous improvement of the system, resulting in good corporate governance, effective business operations, accurate and reliable financial reports, and compliance with related laws and regulations.

The Company has established the Internal Audit Unit to review the operations of various departments in the organization to ensure that the departments have performed their work in compliance with the internal control system. The Internal Audit Unit focuses on preventive auditing that is beneficial to every department in the organization. In order to prevent conflicts of interest, it provides recommendations and information to support good internal control practices that are transparent and in compliance with good corporate governance principles and the business ethics and employee handbook. The Internal Audit Manager must directly report to the Audit Committee every month and the Audit Committee reports to the Board every 3 months to assess the adequacy and review the appropriateness of the Company's overall internal control system.

14. Report of the Board of Directors

The Board of Directors recognizes its duty and responsibility to prepare a report informing shareholders of the Company's operating performance and important events in the past year. The Board provides this report in the annual report and at the shareholders' meeting. To gain stakeholders' confidence that the financial reports are prepared according to the rules and regulations of the Stock Exchange of Thailand and related laws, the Board has assigned the Audit Committee to review that the financial statements are correctly prepared according to generally-accepted accounting standards. The Audit Committee also reviews that information disclosure is transparent, adequate and complete, especially with regards to related transactions with possible conflicts of interest.

15. Investor Relations

The Company highly puts an importance on the shareholder relationship management and discloses company information in a correct, complete, timely, transparent and fair manner. The Company has set up the Investor Relations Department to represent the Company in directly communicating with shareholders, investors, analysts, the SET and the SEC. The Company's information including nature of the business, annual report, resolutions of the Board and other relevant information are disseminated via various channels. These include the websites of the SET, the SEC and the Company where interested persons may download information (http://7eleven.co.th/Investor_Zone/investor.html), email, local and international investor conferences and roadshows, press releases, and analyst meetings to present operating results and provide opportunities for enquires.



RESEARCH AND DEVELOPMENT

The Company places an importance on store assortment and has developed processes to facilitate implementation of concept among its employees.



The Company focuses on satisfying customers' demands and together with human development according to the Company's philosophy "Through happy employees, we desire to see smiles from our customers" in order to create maximum customer satisfaction, resulting in lasting good impressions and brand loyalty. The Company continuously engages in research and development of products and services to determine customers' needs and wants and to differentiate its products and services, leading to value creation for customers, a secure customer base, acquisition of new customers and business expansion.

In the previous year, the Company conducted research and development projects to improve internal business process and to generate new ideas to better fulfill customers' need and employees' happiness such as

a. Determining and Meeting Customers' Demands and Fostering Customer Relationships

Research and development in this area focuses on improving the learning process about customers' needs and expectations which will lead to customer satisfaction and loyalty in the future.

- The Company has constantly reviewed and developed channels to listen to and learn about customers' needs and expectations by emphasizing on channels in which the customer can communicate with the Company conveniently, easily and any time. The Company has also developed channels in which it can more effectively learn about customers' demands.
- The Customer Satisfaction Survey is considered to be very important and commissioned annually, employing an external research company to survey customer satisfaction in various areas and to study important factors that influence consumers' use of convenience store services. The survey is used to analyze strengths, weaknesses and opportunities for product and service improvement to meet customers' demands to the utmost and to establish strategies to maintain present customers and acquire new customers in the future.
- The Company places an importance on store assortment and has developed processes to facilitate implementation of concept among its employees. It has laid a foundation and trained its employees to observe and use information from various sources to systematically analyze in order to select, remove and place products according to their target customer group. This will enable the store to differentiate itself as well as create sales opportunities.



b. Development of Products and Services

- Product innovation is one of the processes which foster relationships with customers, creating satisfaction, attracting new customers, and inducing repeat purchases. With the customers' demands in mind, the Company has established Team Merchandising to search for, select and develop quality products that are different from those of competitors. This includes product development with manufacturers and innovation from the Company, through exchange and learning from best practices of 7-Eleven stores worldwide as well as business alliances, in order to deliver differentiated, high quality products and services.
- On the business innovation side, the Company has developed new businesses, services and store models with numerous products and services to provide customers with greater choice. An example is the Third Room Project which combines 7-Eleven and Book Smile.
- The Company progressively put an effort in improving supply chain and lifting the standards of manufacturers that supply products to the Company in order to deliver the best thing to customers. The Company has been involved in the development of production processes, raising factory hygiene and safety standards as well as the customer safety concern. The Company verifies product quality from the beginning production, delivery and storage process to comply with global practice standard.
- Improvement of services in another crucial factor in creating customer satisfaction. The Company conducts the Mystery Shopper Research Project and surveys the satisfaction and demands of its franchisees every year as the Company considers that franchise stores and franchisees are very important in satisfying customers' demands, providing good customer service, and creating customer satisfaction. Results of the surveys are analyzed to determine strengths, weaknesses, opportunities for customer service improvement at stores, and areas in which the head office can provide further support. The ultimate objective is to become an organization with customer service excellence.



c. Organizational and Human Resource Development

- The Company has continuously placed importance on human resource development as it is the key to sustainable business growth and innovation. The Company promotes education and training to develop high quality staff to support its business expansion and enable it to compete successfully in the highly competitive retail industry. Human resource development is provided through the bilateral education system, or learning from both coursework and real-life experience, which was developed in cooperation with the Office of the Vocational Education Commission. The bilateral education system, which has been in practice for 11 years, eventually led to the establishment of Panyapiwat Techno Business School in March 2005. Additionally, in 2006, Panyatara Co.,Ltd. was established to provide business training and seminar services. To provide greater accessibility to students in different communities, the school established 5 training centers in 2006 and has plans to establish 20 more in 2007.



- Another research project that the Company conducts yearly is the employee satisfaction survey which allows employees at all levels from the head office, operations and distribution to express their opinions and rate their satisfaction and important factors in work motivation. This information is essential for formulating human resource development strategies so that employees enjoy their work and are happy to serve customers. The information is also used to develop existing processes and new projects such as improving the effectiveness of internal communication so that information is better disseminated and exchanged in the organization. Furthermore, to create motivation and opportunities for advancement, the Company has set competencies and employee evaluation so that employees can continuously improve themselves.
- With the objective of becoming a learning organization, the Company has established a project to develop and manage information technology and organizational knowledge in a systematic manner. Employees are encouraged to constantly learn as well as transfer and share their knowledge, working experiences and best practices with others to promote innovation within the organization. The Company also encourages employees at all levels to utilize the Total Quality Management -TQM Concept and PDCA (Plan-Do-Check-Action) in order to improve work processes.



FUTURE PROJECTS

Expansion and Renovation of 7-Eleven Stores

In 2007, the Company plans to open another 400-450 stores to cover densely-populated areas in Bangkok and the provinces, both as stand-alone stores and stores in PTT gas stations, depending on location and competition. At present, initial investment of new stores requires approximately Baht 3.0 million per outlet. The Company has a policy to invest only in store equipment and to lease the property from external parties. The lease averages 3 years and can be extended as per agreed condition. The Company expects 25 percent gross margin of sales value at store level (depending on product mix and competition). The breakeven point for each store is expected at around 3-4 years. The expected total investment for new store expansion is Baht 1,200-1,400 million which the Company look forward to be able to augment sales and profit in the future.

In addition, the Company plans to renovate 400 stores which have been opened for 6 years. The renovation and equipment replacement will enable the Company to maintain its sales volume and customer base. Approximately Baht 1 million is required for each store renovation. The expected renovation cost in 2007 is approximately Baht 400 million.

Expansion and Renovation of Lotus Supercenters

In 2007, Shanghai Lotus Supermarket Chain Store Co., Ltd. ("SLS") plans to open another 2-5 Lotus Supercenters in Shanghai and the Yangtze delta area, the PRC. Required investment per branch is currently around RMB 50-60 million. SLS has a policy to lease rather than own the properties or to invite local real estate companies into joint-ventures in order to lower the cost of investment in new branches. The Company expects 12-13 percent gross margin of sales value at store level (depending on product mix and competition). The breakeven point is expected at around 5-8 years. The expected total investment cost is RMB 100-250 million. Through branch expansion, the Company's sales and profit will increase in the future.

In 2007, the Company also plans to renovate existing Lotus branches taking into consideration appropriateness and the competitive environment. The renovation and equipment upgrade will enable SLS to maintain its sales volume and customer base. SLS requires approximately RMB 70 million for the renovation project.



OTHER INFORMATION

Company History in Brief

- 1988**
 - Granted the 7-Eleven license from 7-Eleven, Inc., USA
 - Established the Company to operate a convenience store business in Thailand under the “7-Eleven” trademark
- 1990**
 - Changed the Company’s name from “C.P. Convenience Store Co., Ltd.” to “C.P. Seven Eleven Co., Ltd.” and opened the first 7-Eleven outlet at Soi Patpong, Bangkok
- 1994**
 - Commenced the business of bill payment collection service under the name Counter Service Co., Ltd. (“CS”)
- 1996**
 - Commenced the business of manufacturing and sale of frozen foods and bakery under the name C.P. Retailing and Marketing Co., Ltd. (“CPRAM”)
 - Joined with the Friendship Group, the PRC to establish Shanghai C.P. Friendship Enterprise Development Co., Ltd. (“SFC”)
- 1997**
 - Officially opened DC4, a distribution center in Pathumtanee Province
- 1998**
 - Established Lotus Distribution Investment Limited (“LDI”)
 - Became a public company and changed the Company’s name to C.P. Seven Eleven Public Company Limited
 - Celebrated the 1,000th 7-Eleven store in Thailand
- 1999**
 - Commenced the business of sale and maintenance of retail equipment under the name Retailink (Thailand) Co., Ltd. (“RTL”)
- 2000**
 - Joined with the China Retail Fund, LDC, a fund under the management of American International Group (AIG), to establish Yangtze Supermarket Investment Co., Ltd. (“YSI”) to invest in the supercenter business in the PRC
 - Established Shanghai Lotus Supermarket Chain Store Co., Ltd. (“SLS”)
- 2001**
 - Incorporated Thai Smart Card Co., Ltd. (“TSC”) with 8 alliances
- 2002**
 - Celebrated the 2,000th 7-Eleven store in Thailand
 - Co-operated with PTT Public Co., Ltd. to exclusively open 7-Eleven stores in PTT gas stations
 - Received ISO 9001 : 2000 certification from SGS (Thailand)
- 2003**
 - Established Gosoft (Thailand) Co., Ltd. (“GOSOFT”)
 - Established MAM Heart Co., Ltd. (“MAM”)
 - Established Dynamic Management Co., Ltd. (“DM”)
 - Offered shares to the public (IPO) and listed the Company on the Stock Exchange of Thailand under the trading ticker CP7-11
- 2004**
 - Established Suksapiwat Co., Ltd.
 - Awarded the Thai Quality Class: TQC at the Thailand Quality Award 2004
- 2005**
 - Celebrated the 3,000th 7-Eleven store in Thailand
 - Changed the subsidiary’s name from “Shanghai C.P. Friendship Enterprise Development Co., Ltd.” to “Shanghai C.P. Jing Cheng Enterprise Development Co., Ltd.”
 - Officially opened Panyapiwat Techno Business School, a vocational school focused on retailing
 - Ranked in the First Quartile for Good Corporate Governance from the Thai Institute of Directors Association (IOD)
 - Became the first convenience store in Thailand to offer payment of products and services with Smart Purse, a digital cash card
- 2006**
 - Officially opened a new distribution center (DC5) at Lat Krabang
 - Officially launched “Smart Purse” card with the current cardholders of 500,000
 - Established Panyatara Co.,Ltd. to provide training and business seminar services
 - Received ISO 9000 : 2000 certification in convenience store management from Management System Certification Institution
 - Celebrated the 5000th Counter Service kiosk in Thailand



เซเว่นอีเลฟเว่น สานสัมพันธ์...สร้างสรรค์สังคม

โดยการมีส่วนร่วมในกิจกรรมการศึกษา สังคม สิ่งแวดล้อม

เพื่อเสริมสร้าง คุณธรรมและปัญญา แบ่งปันรอยยิ้ม แลกมอบคุณค่าด้วยสิ่งดีๆ เพราะเราเป็นส่วนหนึ่งในสังคมไทย



7-Eleven fostering relationships... building society

By taking part in activities for education, society and the environment
To promote virtue and intelligence, share happiness and give good things
because we are a part of Thai society

SEVEN ELEVEN FOR THAI SOCIETY



Weaving Relationships, Building Society

Since 1993, C.P. Seven Eleven Public Company Limited has collaborated with both the public and private sectors to create projects for the benefit of society. These social projects emphasize reading and writing, developing intelligence, ethics and virtue, education through direct experiences, and social services.

Thai Language: Reading and Writing

Outstanding School that Loves Reading

Since 2002, the Company, in cooperation with the Bangkok Department of Education, has supported the School that Loves Reading Project to instill a love for reading and learning among students. Currently, a total of 385 schools in the Bangkok Metropolitan Area have received the School that Loves Reading sign and approximately 300,000 students have joined the program. Following the success of the project, the Company launched the “Outstanding School that Loves Reading” Project in 2006 to allow schools in the project to compete and win the Outstanding School that Loves Reading Award of the Year as well as to give pins to “Outstanding Reading Youths” to recognize students who demonstrate good reading habits and leadership. A total of 6,711 students received the “Outstanding Reading Youths” pin in 2006.

7 Book Awards

The Company has organized the 7 Book Awards for 3 consecutive years to select and promote quality books in 7 categories – literature for youth, novels, poems, short stories, documentaries, cartoons, and the “Young Writer” Award. The first-prize winner of each book category receives an honorable plaque from Her Royal Highness Princess Maha Chakri Sirindhorn (except the “Young Writer” Award which consists of a certificate and cash prize).

Literature Seeds and Cartoon Camp

To expand on the 7 Book Awards as well as to further promote the quality of the entries sent in by the youth, the Company and partnering organizations established the Literature Seeds Project and Cartoon Camp Project in 2004.



The Company joined with Srinakarinwiroj University, the Writers Association of Thailand, the Association of Thai-Language Teachers of Thailand, and the Thai Cartoons Association to organize the 3rd Literature Seeds–Cartoonists Project during 4-7 October 2006. A total of 160 participants received training from renown writers, cartoonists and experts, namely Naowarat Pongpaiboon, Niwes Kanthairaj, Yok Burapha, Raj Lersuang, and Sear Thairatch, who came to share their experiences.

Developing Intelligence

Promoting the Go Game

The Go Game is one of the four national arts of China. Players of the Go Game can enhance their intelligence, systematic and strategic thinking, ability to analyze the micro and macro picture, and ability to effectively use existing resources.

The Company has promoted the Go Game in cooperation with the Go Game Association of Thailand. Go Game lessons are provided to kindergarten, primary and high school students as well as the general public. Furthermore, local competitions are organized to develop Go Game skills and select youths to represent Thailand in international competitions.

Presently, more than 2 million people in Thailand know and play the Go Game. In 2006, as a result of the efforts of the Go Game Association of Thailand and the Company, the Go Game was accepted as one of the sports in the National Sports Competition.

Education through Direct Experiences

Bilateral Education Project

The Bilateral Education Project, which supports the development of a modern curriculum in the field of retailing, was developed in co-operation with the Ministry of Education since 1993. This project provides an opportunity for interested students to learn from real-life experience through working in 7-Eleven stores near their home or school 4 days per week and study basic courses at school 2 days per week, an opportunity to join the Company after graduation and promising career prospects.

Recently, the Company has established Panyapiwat Techno Business, a retailing vocational school, with the objective of creating retail professionals to support the expansion of the retail industry. At the same time, the school aims to help society by molding the new generation of vocational students to have 3 distinct attributes: learning through real working experience, earning income while studying and being employed after graduation.



Ethics and Virtue

Buddhism Teaching Development Project

The Company has collaborated with the Ministry of Education to implement the Buddhism Teaching Development Project since 1996. The objective of this project is to enhance the confidence, knowledge and understanding of Buddhist principles, and teaching motivation of Buddhism instructors so that they can effectively convey knowledge to their students. To date, a total of 8,713 Buddhism teachers have received training from this project.

Relocating Temples to 7-Eleven

For over 10 years, the Buddhist Wisdom Club of Seven Eleven Public Company Limited has implemented the Relocating Temples to 7-Eleven Project to encourage the Company's staff and the general public to be familiar with Buddhist teachings for daily life. Currently, Buddhist teachings by qualified instructors are arranged every Friday during lunchtime at the 11th floor meeting room of C.P. Tower, Silom and broadcast via the Puttapanypirom program every Saturday from 6.00–7.00 hrs and re-run on Sunday and Wednesday from 15.00–16.00 hrs on the UBC 7 channel.

Social Services

The Company has utilized its network of more than 3,700 7-Eleven stores across the country to provide social services as well as support government organizations. The Company's social projects include donation campaigns to help tsunami and flood victims, selling electricity-saving light bulbs, and providing free drinking water to policemen nationwide.

In 2006, severe flooding in various areas across the country caused significant damages to people's homes and property. The Company, in cooperation with the Thai Red Cross Society, implemented the **"C.P. Seven Eleven Donation Project for the Thai Red Cross Society to Assist Flood Victims"** whereby people could make donations at all 7-Eleven stores nationwide. Through this project, a total of 2.7 million baht was donated to the Thai Red Cross Society to provide assistance to flood victims.





RELATED TRANSACTIONS

In 2006, the Company and its subsidiaries conducted several transactions with related parties. These inter-company transactions were made and agreed as a normal business transaction at general market prices and commercial terms. (Details are provided in Note 4 of the Company's financial statements for the year ended December 31, 2006.) The Audit Committee has reviewed that all transactions were reasonable and transparent and complied with the rules and regulations under the notification of the Stock Exchange of Thailand regarding related transactions of a listed company. The related transactions incurred in 2006 were as follows :

Trade Accounts Receivable

As at December 31, 2006, the Company and its subsidiaries had a trade accounts receivable balance with related parties in the amount of Baht 307.04 million or 31.64 percent of the Company and its subsidiaries' total trade accounts receivable.

Other Accounts Receivable

As at December 31, 2006, the Company and its subsidiaries had an other accounts receivable balance with related parties in the amount of Baht 122.54 million or 9.89 percent of the Company and its subsidiaries' total other receivables.

Trade Accounts Payable

As at December 31, 2006, the Company and its subsidiaries had a trade accounts payable balance with related parties in the amount of Baht 1,340.13 million or 6.22 percent of the Company and its subsidiaries' total trade accounts payable.

Other Accounts Payable

As at December 31, 2006, the Company and its subsidiaries had an other accounts payable balance with related parties in the amount of Baht 54.26 million or 1.90 percent of the Company and its subsidiaries' total other payables.

Sales of Goods

In 2006, the transactions for sales of goods with the Company's related parties were determined and agreed on a normal course of business at general market prices and commercial terms. These transactions for the fiscal year ended December 31, 2006 amounted to Baht 833.18 million or 0.86 percent of the Company and its subsidiaries' total sales.

Purchases of Goods

In 2006, the transactions for purchases of goods with the Company's related parties were determined and agreed on a normal course of business at general market prices and commercial terms. These transactions for the fiscal year ended December 31, 2006 amounted to Baht 10,484.13 million or 13.40 percent of the Company and its subsidiaries' total cost of sales.

Other Operating Income

In 2006, the Company and its subsidiaries recognized other income from related parties in the amount of Baht 104.52 million or 2.13 percent of the Company and its subsidiaries' total other income.



Rental and Service Fees

In 2006, the Company and its subsidiaries paid rental and service fees according to the lease agreements to related parties. The rental and service fees were made and agreed at standard rates advised by the lessor. These fees for the fiscal year ended December 31, 2006 amounted to Baht 53.02 million.

Purchases of Fixed Assets

In 2006, the Company and its subsidiaries had fixed assets purchase transactions with related parties at prices determined and agreed on a normal course of business at general market prices and commercial terms. These transactions for the fiscal year ended December 31, 2006 amounted to Baht 116.88 million.

Technical Service Fees

In 2006, the Company and its subsidiaries paid technical service fees to related parties based on contract prices. The technical service fees for the fiscal year ended December 31, 2006 amounted to Baht 9 million or 0.03 percent of the Company and its subsidiaries' total selling and administrative expenses.

Other Expenses

In 2006, the Company and its subsidiaries paid other remunerations to related parties in the amount of Baht 120.72 million or 0.47 percent of the Company and its subsidiaries' total selling and administrative expenses.

Procedures for the Approval of Related Transactions

In the case of transactions for the purchase and sale of goods and services under the ordinary course of business, the Company has procedures to protect investors and prevent the transfer of interests. The Internal Audit Unit reviews the necessity of inter-company transactions and ensures that the prices of the transactions for goods and services are at the prevailing market rates. The Internal Audit Unit provides reports of related transactions to the Audit Committee every quarter and the Audit Committee further reports to the Board of Directors.

In the case of the purchases and sales of shares or fixed assets, which are transactions that occur infrequently, the Company has a policy to engage external professional appraisers or independent financial advisors to provide counsel to the Audit Committee for further proposal to the Board of Directors.

Policy on Related Transactions

The Board of Directors has a policy that clearly states that related transactions may occur under the ordinary course of business but these transactions must be necessary and have prices comparable to prevailing market rates for the best interests of the Company.

As the Company and its subsidiaries operate a retail business and must purchase and sell goods and services with other companies as well as related companies, the Company expects related transactions for the purchase and sale of goods and services will still exist in line with the Company and its subsidiaries' business expansion. Other types of transactions will depend on business necessity. Short-term loans to related companies will depend on the short-term financial needs of the related companies and the Company's policy on cash flow management.



Airlines told to keep costs under control



Davos may help revive talk



Star Cruises in Macao casino foray with Stanley Ho deal

Dell opens IT centre in Malaysia



Yang Ming expects to deliver thin profit

เซเว่นอีเลฟเว่น บริการ...จับจ่ายทันใจ

เพราะชีวิตรีบเร่งกำลังก้าวไปไม่หยุดนิ่ง เราจึงบริการด้วยความทันสมัย
ให้คุณสะดวกซื้อ สะดวกจ่าย โอน-รับเงิน รวดเร็วทันใจ ทุกที่ ตลอด 24 ชั่วโมง



7-Eleven services... fast payment

In fast-paced lives We provide modern services
Making it easy for you to buy and spend, transfer and receive money
speedily, anywhere, 24 hours

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL STATUS AND OPERATING RESULTS

Overview of Operations

The Company believes that the convenience store business in Thailand which is its main business remains important as a primary source of income. Meanwhile, the supercenter business in the PRC is one of the Company's investment alternatives for future potential in a large economy. Other businesses operated by its subsidiaries which support the convenience store business in Thailand use the 7-Eleven store network to add value to the Company's products and services.

The Company's competitive advantage lies in its extensive store network and with outlets in prime locations scattered across the country. Modern management and information technology systems further enhance customer satisfaction by offering efficient and speedy services. The Company also has well-managed distribution centers to support timely and efficient product distribution to its stores as well as ensuring product quality and lowering costs. Moreover, the Company has constantly developed and introduced unique products and services to match customers' needs by differentiating itself from competitors. For example, the stores offer bill payment services and a wide array of ready- to-eat food and beverages.

The Company believes that operators who have systematic finance, personnel and IT systems, possess economies of scale, and continuously improve product selection and quality of services will be able to continuously generate increased sales and profits.

The Company believes that the supercenter business in the PRC has a high potential for business growth in line with the PRC's high economic growth and expansion of its store network. However, due to increasing competition, the supercenter business in the PRC will continue to develop itself in human resources management and better product selection to satisfy customers' demands, resulting in sales improvement and cost reduction. The Company believes the superstore business will continue to grow as planned and finally create profits for the Company.





Analysis of Operating Results for the Year Ended December 31, 2006 Compared to the Operating Results for the Year Ended December 31, 2005

In 2006, the Company and its subsidiaries' total revenues was Baht 104,873 million, improving 6 percent from that of 2005. The growth in total revenues was primarily attributable to higher net sales and service income, which increased 5.7 percent from that of 2004 to Baht 99,770 million in 2005.

Net sales and service income before elimination of Baht 103,401 million originated from three main businesses, (1) convenience store business accounting for 64 percent of total net sales and service income, (2) supercenter business accounting for 30 percent of total net sales and service income and (3) other businesses in Thailand such as manufacture and sales of frozen food, payment service, distributing and maintenance of retailing equipment, etc. accounting for 6 percent of total net sales and service income.

The growth in net sales and service income was mainly due to the expansion of 473 7-Eleven outlets, which reached the target of 400-450 stores, and the expansion of 3 Lotus Supercenter stores. In addition, improvement in the average same store sales/store/day of 7-Eleven from Baht 60,886 million in 2005 to Baht 65,607 million in 2006 and increase in other income such as royalties and income from marketing support contributed to higher total net sales and service income. The average same store sales/store/day of Lotus Supercenter declined from RMB 626,000 in 2005 to RMB 476,000 in 2006.

Gross Profit

In 2006, the Company and its subsidiaries' gross profit was Baht 20,762 million, a rise of 20 percent year-on-year. The growth in gross profit was due to higher sales and service income. In addition, as a result of a change in recording phonecard revenue to service income and the improvement in the product selection process, the Company was able to increase a gross profit margin of 2.5 percent in 2006 to be 20.8 percent, comparable to that of the previous year.

Selling and Administrative Expenses

In 2006, the Company and its subsidiaries' selling and administrative expenses were Baht 25,912 million, increasing 26.5 percent year-on-year due to new store expansion of both 7-Eleven and Lotus Supercenter.

The increase in selling and administrative expenses came from three major areas.

- 1) Personnel expenses, which accounted for 26.1 percent of the total SG&A, increased to Baht 7,350 million as a result of store expansion.
- 2) Rental expenses, which accounted for 14.6 percent of the total SG&A, increased to Baht 3,782 million following the rise in the number of stores and higher lease rates in some specific areas.

Other SG&A such as depreciation and amortization, utility expenses, advertising and promotion expenses, and other SG&A (including servicing expenses, transportation expenses, supplies expenses, etc.) increased in relation to sales growth and store expansion of 7-Eleven and Lotus Supercenter.

Net Profit

In 2006, the Company and its subsidiaries net profit was Baht 1,332 million, or Baht 0.30 per share, decreasing Baht 176 million or 11.7 percent when compared to 2005 net profit of Baht 1,508 million, or Baht 0.34 per share. Return on shareholders' equity was 14.4 percent in 2006, compared to 14.7 percent in 2005.

Operating Results of the Convenience Store Business

In 2006, the convenience store business had net sales and service income of Baht 66,055 million, an increase of Baht 14,975 million or 29 percent from the previous year. The growth in net sales and service income was mainly due to store expansion and higher same store sales/store/day. Sales of the convenience store business continued to grow in line with store expansion of 473 stores, or an increase of 14.3 percent and 7.8 percent same store sales growth. Such growth stems from both average customers per store per day increasing from 1,032 in 2005 to 1,156 in 2006 or an increment of 12.0 percent and spending per ticket decreasing from Baht 58 in 2005 to Baht 56 in 2006 or a decrement of 3.4 percent. Number of customers has been increasing indicating that the new stores did not cannibalize the sales of existing stores but enhanced the total sales.

The cost of sales of the convenience store business was increasing to 75.8 percent of sales in 2006 compared with 74.6 percent in 2005 due to a product mix. Its gross profit rises to Baht 16,014 million in 2006, an increase of Baht 3,056 million or 24 percent from 2005. Operating expenses increased Baht 3,356 million or 25.4 percent from 2005 due to higher sales and store expansion.

Other income also increased. For example, royalties increased due to greater popularity in 7-Eleven franchising and rental income and income from marketing support also rose due to higher sales and store expansion.

The convenience store business had an operating profit of Baht 2,675 million in 2006, up 23 percent from 2005.

Operating Results of the Supercenter Business

In 2006, the supercenter business had net sales and service income of Baht 30,888 million, expanding Baht 1,943 million or 7 percent from the prior year. Growth in net sales and service income mainly resulted from the increase in the number of Lotus Supercenter stores. The cost of sales was 88.6 percent of the total sales in 2006, slightly increasing from 88.1 percent in 2005 due to a product mix. Based on store expansion, the gross profit of the superstore store business amounted to Baht 3,516 million in 2006, growing Baht 59 million or 2 percent from the previous year. Operating expenses increased from Baht 7,012 million in 2005 to Baht 9,035 million in 2006 or an increment of 29 percent. Other revenues like marketing support decreased from Baht 2,347 million in 2005 to Baht 2,181 million in 2006 or a decrement of 7 percent yoy.

The supercenter business experienced an operating loss of Baht 3,321 million in 2006, an increase of 179 percent from 2005 which posted the operating loss of Baht 1,190 million.



Operating Results of Other Businesses

Other businesses comprise of bill payment services, manufacturing and sale of frozen foods and bakery, distribution and maintenance of retail equipment and other businesses, etc. In 2006, the operating profit generated from other businesses was Baht 722 million, increasing by 41 percent from 2005 due to an increase in monthly bill transactions of 8.6 million bills in 2006 compared with that of 6.8 million bills in 2005, or growing 26.5 percent.

Analysis of the Company and its Subsidiaries' Financial Status for the Year Ended December 31, 2006

Total Assets

As at December 31, 2006, the Company and its subsidiaries reported total assets of Baht 42,970 million, an increase of 6.8 percent compared to the previous year, with details as follows:

1. an increase in cash and cash equivalents of Baht 1,371 million or 16 percent from the end of 2005 as a result of an increase in cash flow from operations,
2. an increase in other assets of Baht 1,701 million or 106.3 percent from the end of 2005 as a result of higher restricted deposits at financial institutions of Lotus Supercenter business,
3. an increase in fixed assets of Baht 331 million or 1.9 percent from the end of 2005 as a result of investment in store expansion of both 7-Eleven and Lotus Supercenter, store renovation, investment in a new distribution center at Lat Krabang (DC5) and investment in subsidiaries.

Total Liabilities

As at December 31, 2006, the Company and its subsidiaries had total liabilities of Baht 34,934 million, increasing 17.6 percent from the previous year mainly due to an increase in bank overdrafts and short-term borrowings from financial institutions of foreign subsidiaries.

Total Shareholders' Equity

As at December 31, 2006, consolidated total shareholders' equity was Baht 8,036 million, down 23.6 percent from the previous year. This was due to negative minority interests of investment in foreign subsidiaries.

Analysis of Statements of Cash Flows, Liquidity and Sources of Funds of the Company and its Subsidiaries for the Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005

Liquidity

As at December 31, 2006, the Company's liquidity was healthy with consolidated cash and cash equivalents of Baht 9,952 million, an increase of 16 percent from the end of 2005 due to the following activities:

Cash Flow from Operating Activities

In 2006, net cash flow from operating activities totaled Baht 6,092 million, up 3.6 percent from 2005. This was mainly due to an improved efficiency of working capital management with longer payable period of 96 days in 2006, up from 81 days in 2005. Inventory turnover was 36 days in 2006, up from 33 days in 2005. Both results in negative cash cycle of 60 days in 2006.

Cash Flow from Investing Activities

In 2006, net cash flow used in investing activities amounted to Baht 6,776 million, decreasing 2.6 percent from 2005. The main investments were store expansion of 7-Eleven in Thailand and Lotus Supercenter in the PRC, a new distribution center, increased investment in subsidiaries: Suksapiwat and Thai Smart Card.

Cash Flow from Financing Activities

In 2006, net cash flow from financing activities totaled Baht 2,279 million, decreasing 6.3 percent year-on-year. In order to support business expansion, foreign subsidiaries increased short-term borrowings from financial institutions in the amount of Baht 3,408 million. Other major financing activities included a dividend payment of Baht 1,330 million to shareholders.

Factors Which May Impact Operating Results and Financial Status of the Company and its Subsidiaries in the Future

The constantly evolving demand of consumers is a major factor that affects the Company's revenues and profits. If the Company is able to offer products and services that meet customers' needs, its customer base will expand. It will be able to sell more products and its gross margin will improve. With regards to the convenience store business, offering "convenience" to customers implies a wide variety of products and services that meet customers' demands and easy-to-access locations. In addition, the Company plans to increase the sales proportion of food products in order to gain higher frequency of visits and better profit margins. In addition, the Company's policy is to continue store expansion to reach more population density.

On the supercenter business side, the Company will focus on offering products that match customers' demands at reasonable prices. An increase in the number of Lotus Supercenters will bring about economies of scale, especially with regards to overhead expenses and bargaining power with suppliers. Moreover, Lotus Supercenter has a policy to increase the number of House Brand products to maintain its customer base as well as earn higher profit margin. The Company has invested in a store management system, distribution system and food processing system in order to prepare for business expansion and create competitive advantage. The Company aims to improve its systems on a continual basis to support future revenue and profit growth.

The Company expects that investment in store expansion of 7-Eleven and right product offerings to customers are driving factors to increase sales and operating profit in the future.



AUDIT COMMITTEE'S REPORT

The Company's Board of Directors appointed the Audit Committee consisting of the three independent directors and entrusting them with the key duties and responsibilities; i.e., reviewing the financial statements, reviewing and ensuring and appropriate as well as efficient internal control system, assessing the risk management, reviewing the related transactions, overseeing the good corporate governance according to its principle and company's ethics and scrutinizing appointment of the external auditors.

During the year 2006, the Audit Committee had 12 meetings and the main topics have been summarized and reported to the company Board of Directors for every three months which included the following:

1. Reviewed the quarterly and annually financial statements for the year 2006 to ensure that the financial reports of the company and its subsidiaries were correctly prepared in accordance with the accounting standards with complete and sufficient disclosure of information and reliability.
2. Reviewed and endorsed the internal auditing plan for the year 2006. The committee suggested to adjust some plans to be complied with the company's policy and to ensure effective and efficient operations. These included continually following up on remedial actions concerning important issues indicated in the auditing reports while the scope of work covered the subsidiaries both local and abroad.
3. Reviewed and assessed the risk management according to the policies and procedures. It was found that the Management has consistently emphasized on this matter by reporting the assessment of the risk factors and the suitable plans in managing risks in order to mitigate their impacts which might affect the operation.
4. Reviewed the related transactions including all the transactions which might cause conflict of interests in order to ensure that they were clearly and sufficiently disclosed in accordance with the announcement of the Stock Exchange of Thailand.
5. Supported the Management in emphasizing on managing the work in accordance with the good corporate governance guidelines for transparency and good ethic in order to build up confidence of the shareholders and all other involved parties.
6. Reviewed and gave comments to the Management to request for approval in the General Meeting of the Shareholders appointment of Mr. Charoen Phosamritlert, Ms. Somboon Supasiripinyo, Ms. Kalyarat Chaivorapongsa or Mr. Vairoj Jindamaneepitak of KPMG Phoomchai Audit Ltd. as the company's external auditors for the year 2007.

The Audit Committee has independently conducted their assignments and has been receiving good cooperation from the Management. They had meetings with the external auditors to discuss and to seek comments and/or remarks regarding to the financial statements and the internal control of accounting and information technology. There were no irregularities and significant errors.

February 27, 2007

On behalf of the Audit Committee

(Mr. Komain Bhatarabhirom)

Chairman of the Audit Committee



BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTS

The Board of Directors is responsible for the financial statements of C.P. Seven Eleven Public Company Limited and its subsidiaries, which are prepared according to generally accepted accounting standards of Thailand. The Board of Directors has selected and consistently followed an appropriate accounting policy. The aforementioned financial statements are prepared using careful judgment and the best estimation. In addition, important information is adequately disclosed in the Notes to the Financial Statements. The financial statements have been examined by an independent external auditor and the auditor has expressed an unqualified opinion. Therefore, the financial statements accurately and transparently reflect the Company's financial status and operating performance in the past year and can be used for the benefit of shareholders and investors.

The Board of Directors has appointed the Audit Committee, which comprises of independent directors, to review the quality of the financial reports and to evaluate the internal control system, risk management system, and various systems to support effective financial documentation to ensure that accounting records are correct, complete, timely and able to prevent fraud or materially irregular operations. The Audit Committee's opinion is presented in the Audit Committee's Report which is a part of this annual report.

The Board of Directors believes that the Company's overall internal control system is able to create credibility and reliability for the financial statements of C.P. Seven Eleven Public Company Limited and its subsidiaries for the period ended December 31, 2006.



Mr. Dhanin Chearavanont
Chairman



Mr. Korsak Chairasmisak
Chief Executive Officer



Part of Thai Life

เซเว่นอีเลฟเว่น

เราปรารถนารอยยิ้มจากลูกค้า ด้วยทีมงานที่มีความสุข



7-Eleven

Through happy employees,
we desire to see smiles from our customers.

AUDIT REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To the shareholders of C.P. Seven Eleven Public Company Limited

I have audited the accompanying consolidated and separate balance sheets as at 31 December 2006, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended of C.P. Seven Eleven Public Company Limited and its subsidiaries, and of C.P. Seven Eleven Public Company Limited, respectively. The Company's management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audit. As described in Note 1 to the financial statements, I have not audited the financial statements of certain foreign subsidiaries which are included in the preparation of the financial statements. The consolidated financial statements of C.P. Seven Eleven Public Company Limited and its subsidiaries for the year ended 31 December 2006 reflect the total of the foreign subsidiaries' assets (after the elimination of the outstanding intra-group balances) as at 31 December 2006 totaling Baht 16,954 million and the foreign subsidiaries' total revenues (after the elimination of intra-group transactions) for the year then ended totaling Baht 33,243 million. The financial statements of C.P. Seven Eleven Public Company Limited reflect investments in the foreign subsidiaries accounted for using the equity method as at 31 December 2006 totaling Baht (22) million and share of net losses from the foreign subsidiaries for the year then ended totaling Baht 1,109 million. The financial statements of the foreign subsidiaries have been audited by an other auditor whose reports have been furnished to me, and my report, insofar as it relates to the amounts for the foreign subsidiaries included in the consolidated financial statements of C.P. Seven Eleven Public Company Limited and its subsidiaries, and the financial statements of C.P. Seven Eleven Public Company Limited, is based solely on the reports of the other auditor. The consolidated financial statements and separate financial statements of C.P. Seven Eleven Public Company Limited and its subsidiaries, and of C.P. Seven Eleven Public Company Limited, respectively, for the year ended 31 December 2005, which are presented for comparative purposes, were audited by an other auditor in my firm. Those financial statements included the financial statements of certain foreign subsidiaries audited by the other auditor as described in Note 2 to the financial statements. The consolidated financial statements of C.P. Seven Eleven Public Company Limited and its subsidiaries reflect the total of the foreign subsidiaries' assets (after the elimination of the outstanding intra-group balances) as at 31 December 2005 totaling Baht 18,995 million and the foreign subsidiaries' total revenues (after the elimination of intra-group transactions) for the year then ended totaling Baht 31,474 million. The financial statements of C.P. Seven Eleven Public Company Limited reflect investments in the foreign subsidiaries accounted for using the equity method as at 31 December 2005 totaling Baht 1,255 million and share of net losses from the foreign subsidiaries for the year then ended totaling Baht 412 million. The audit report of the other auditor in my firm, whose report thereon was dated 24 February 2006, stated that, based on her audits and the reports of the other auditor, the consolidated and separate financial statements present fairly, in all material respects, the financial positions as at 31 December 2005 and the results of operations and cash flows for the year then ended of C.P. Seven Eleven Public Company Limited and its subsidiaries, and of C.P. Seven Eleven Public Company Limited, respectively, in accordance with generally accepted accounting principles.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit and the reports of the other auditor referred to in the first paragraph provide a reasonable basis for my opinion.

In my opinion, based on my audit and the reports of the other auditor referred to in the first paragraph, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial positions as at 31 December 2006 and the results of operations and cash flows for the year then ended of C.P. Seven Eleven Public Company Limited and its subsidiaries, and of C.P. Seven Eleven Public Company Limited, respectively, in accordance with generally accepted accounting principles.



(Charoen Phosamritlert)
Certified Public Accountant
Registration No. 4068

KPMG Phoomchai Audit Ltd.
Bangkok
26 February 2007

BALANCE SHEETS

As at 31 December 2006 and 2005

Assets	Note	Consolidated		The Company	
		2006	2005	2006	2005
		(in Baht)			
Current assets					
Cash and cash equivalents	5	9,952,269,134	8,580,692,556	6,078,148,606	5,584,264,965
Current investments	6	702,180,653	466,956,102	652,180,653	196,956,102
Trade accounts receivable	4, 7	970,378,012	857,002,902	74,231,179	103,683,847
Other accounts receivable	4, 7	1,239,129,373	1,458,476,969	552,167,287	474,698,173
Inventories	8	7,672,184,291	8,133,081,037	3,826,827,827	3,300,937,570
Other current assets	9	1,264,923,464	1,596,464,181	911,466,013	876,362,901
Total current assets		21,801,064,927	21,092,673,747	12,095,021,565	10,536,903,558
Non-current assets					
Investments accounted for using the equity method	10	-	51,657,173	2,764,412,258	2,627,830,346
Long-term loans to related parties	4	-	-	1,166,170,339	1,461,543,566
Property, plant and equipment	4, 11	17,866,821,997	17,535,542,962	7,238,066,317	6,126,866,743
Intangible assets	12	1,179,806,002	905,684,877	567,219,998	477,220,267
Restricted deposits at financial institutions	13	1,453,987,413	42,979,875	-	-
Other non-current assets		668,690,260	601,090,572	607,868,803	533,389,702
Total non-current assets		21,169,305,672	19,136,955,459	12,343,737,715	11,226,850,624
Total assets		42,970,370,599	40,229,629,206	24,438,759,280	21,763,754,182

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

As at 31 December 2006 and 2005

		Consolidated		The Company	
Liabilities and shareholders' equity	Note	2006	2005	2006	2005
		(in Baht)			
<i>Current liabilities</i>					
Overdrafts and short-term borrowings					
from financial institutions	14	6,752,412,229	3,983,027,024	-	-
Trade accounts payable	4, 15	21,558,272,690	20,051,732,065	9,551,952,587	8,706,959,977
Income tax payable		337,349,135	290,666,867	198,103,866	202,241,201
Other current liabilities	4, 16	4,997,958,319	4,640,635,779	4,881,446,040	3,455,836,138
Total current liabilities		33,645,992,373	28,966,061,735	14,631,502,493	12,365,037,316
<i>Non-current liabilities</i>					
Long-term borrowings from					
related parties	4	379,702,661	7,297,707	-	-
Other non-current liabilities	17	908,508,864	734,276,770	1,099,363,241	623,016,770
Total non-current liabilities		1,288,211,525	741,574,477	1,099,363,241	623,016,770
Total liabilities		34,934,203,898	29,707,636,212	15,730,865,734	12,988,054,086

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

As at 31 December 2006 and 2005

Liabilities and shareholders' equity	Note	Consolidated		The Company	
		2006	2005	2006	2005
		(in Baht)			
<i>Shareholders' equity</i>					
Share capital	18				
Authorised share capital		4,500,000,000	4,500,000,000	4,500,000,000	4,500,000,000
Issued and paid-up share capital		4,446,962,650	4,423,538,610	4,446,962,650	4,423,538,610
Reserves	19				
Share premium	18	1,540,166,433	1,465,841,463	1,540,166,433	1,465,841,463
Currency translation changes		62,342,932	229,928,287	62,342,932	229,928,287
Retained earnings					
Appropriated					
Legal reserve	19	450,000,000	450,000,000	450,000,000	450,000,000
Unappropriated		2,208,421,531	2,206,391,736	2,208,421,531	2,206,391,736
Total equity attributable to the					
Company's shareholders		8,707,893,546	8,775,700,096	8,707,893,546	8,775,700,096
Minority interest		(671,726,845)	1,746,292,898	-	-
Total shareholders' equity		8,036,166,701	10,521,992,994	8,707,893,546	8,775,700,096
Total liabilities and					
shareholders' equity		42,970,370,599	40,229,629,206	24,438,759,280	21,763,754,182

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF INCOME

For the years ended 31 December 2006 and 2005

		Consolidated		The Company	
	Note	2006	2005	2006	2005
		(in Baht)			
Revenues	4				
Revenue from sale of goods and rendering of services		99,769,753,745	94,355,267,304	66,055,457,067	51,079,771,002
Interest income		196,597,907	87,075,585	228,552,941	113,932,613
Other income	21	4,907,090,094	4,505,206,852	3,009,878,733	2,321,345,008
Share of profits from investments accounted for using the equity method	10	-	-	518,179,749	345,992,250
Total revenues		104,873,441,746	98,947,549,741	69,812,068,490	53,861,040,873
Expenses	4				
Cost of sale of goods and rendering of services		79,007,775,430	77,052,273,336	50,041,334,654	38,121,217,031
Selling and administrative expenses	22	25,911,693,100	20,476,106,217	16,578,501,951	13,222,943,475
Directors' remuneration		9,120,000	8,956,667	9,120,000	8,956,667
Share of losses from investments accounted for using the equity method	10	36,440,081	31,123,293	1,203,593,120	455,122,437
Total expenses		104,965,028,611	97,568,459,513	67,832,549,725	51,808,239,610
Profit (loss) before interest and income tax expenses		(91,586,865)	1,379,090,228	1,979,518,765	2,052,801,263
Interest expense	24	(310,563,747)	(111,763,590)	(18,724,021)	(5,035,872)
Income tax expense	25	(864,742,697)	(711,632,970)	(628,393,157)	(540,033,851)
Profit (loss) after income tax expense		(1,266,893,309)	555,693,668	1,332,401,587	1,507,731,540
Net loss of minority interest		2,599,294,896	952,037,872	-	-
Net profit		1,332,401,587	1,507,731,540	1,332,401,587	1,507,731,540
Earnings per share	26				
Basic earnings per share		0.30	0.34	0.30	0.34
Diluted earnings per share		0.30	0.34	0.30	0.34

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended 31 December 2006 and 2005

	Note	Consolidated				Total equity attributable to the Company's shareholders	Minority interest	Total shareholders' equity
		Issued and paid-up share capital	Share premium	Reserves	Retained earnings			
				Currency translation changes	Legal reserve	Unappropriated		
					(in Baht)	shareholders		
Balance at 1 January 2005		2,200,000,000	1,384,795,581	(77,712,124)	225,000,000	4,121,954,886	2,074,186,107	9,928,224,450
Changes in shareholders' equity for 2005								
Translation gain relating to foreign operations	19	-	-	307,640,411	-	-	3,587,744	311,228,155
Net profit (loss)		-	-	-	-	1,507,731,540	(952,037,872)	555,693,668
Total recognised income and expense		2,200,000,000	1,384,795,581	229,928,287	225,000,000	5,629,686,426	1,125,735,979	10,795,146,273
Issue of share capital and share premium	18	2,223,538,610	81,045,882	-	-	-	-	2,304,584,492
Increase in minority interest for issue of share capital of subsidiary		-	-	-	-	-	-	-
Legal reserve	18, 19	-	-	-	225,000,000	(225,000,000)	860,416,625	860,416,625
Dividends	28	-	-	-	-	(3,198,294,690)	-	(3,198,294,690)
Minority interest sold share capital to subsidiary		-	-	-	-	-	(239,859,706)	(239,859,706)
Balance at 31 December 2005		4,423,538,610	1,465,841,463	229,928,287	450,000,000	2,206,391,736	1,746,292,898	10,521,992,994
Changes in shareholders' equity for 2006								
Translation gain (loss) relating to foreign operations	19	-	-	(167,585,355)	-	-	903,070	(166,682,285)
Net profit (loss)		-	-	-	-	1,332,401,587	(2,599,294,896)	(1,266,893,309)
Total recognised income and expense		4,423,538,610	1,465,841,463	62,342,932	450,000,000	3,538,793,323	(852,098,928)	9,088,417,400
Issue of share capital and share premium	18	23,424,040	74,324,970	-	-	-	-	97,749,010
Dividends	28	-	-	-	-	(1,330,371,792)	-	(1,330,371,792)
Equity of minority interest of subsidiary before acquisition		-	-	-	-	-	180,372,083	180,372,083
Balance at 31 December 2006		4,446,962,650	1,540,166,433	62,342,932	450,000,000	2,208,421,531	(671,726,845) *	8,036,166,701

* As at 31 December 2006 minority interest was debit balance because the minority interest has a binding obligation to a subsidiary at the percentage of direct and indirect holdings and the minority interest is able to make an additional investment to cover the loss of the subsidiary

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended 31 December 2006 and 2005

	The Company	Retained earnings					Total equity attributable to the Company's shareholders
		Reserves		Retained earnings			
		Issued and paid-up share capital	Share premium	Currency translation changes	Legal reserve	Unappropriated	
					(in Baht)		
Balance at 1 January 2005		2,200,000,000	1,384,795,581	(77,712,124)	225,000,000	4,121,954,886	7,854,038,343
Changes in shareholders' equity for 2005							
Translation gain relating to foreign operations	19	-	-	307,640,411	-	-	307,640,411
Net profit		-	-	-	-	1,507,731,540	1,507,731,540
Total recognised income and expense		2,200,000,000	1,384,795,581	229,928,287	225,000,000	5,629,686,426	9,669,410,294
Issue of share capital and share premium	18	2,223,538,610	81,045,882	-	-	-	2,304,584,492
Legal reserve	18, 19	-	-	-	225,000,000	(225,000,000)	-
Dividends	28	-	-	-	-	(3,198,294,690)	(3,198,294,690)
Balance at 31 December 2005		4,423,538,610	1,465,841,463	229,928,287	450,000,000	2,206,391,736	8,775,700,096
Changes in shareholders' equity for 2006							
Translation loss relating to foreign operations	19	-	-	(167,585,355)	-	-	(167,585,355)
Net profit		-	-	-	-	1,332,401,587	1,332,401,587
Total recognised income and expense		4,423,538,610	1,465,841,463	62,342,932	450,000,000	3,538,793,323	9,940,516,328
Issue of share capital and share premium	18	23,424,040	74,324,970	-	-	-	97,749,010
Dividends	28	-	-	-	-	(1,330,371,792)	(1,330,371,792)
Balance at 31 December 2006		4,446,962,650	1,540,166,433	62,342,932	450,000,000	2,208,421,531	8,707,893,546

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended 31 December 2006 and 2005

		Consolidated		The Company	
	Note	2006	2005	2006	2005
		(in Baht)			
Cash flows from operating activities					
Net profit		1,332,401,587	1,507,731,540	1,332,401,587	1,507,731,540
<i>Adjustments for</i>					
Depreciation charges	11	2,640,480,921	2,072,486,829	1,483,884,929	1,203,852,929
Impairment losses on property, plant and equipment		101,053,766	-	-	-
Amortisation charges	12	157,642,927	130,580,820	122,698,446	103,216,836
Interest income		(196,597,907)	(87,075,585)	(228,552,941)	(113,932,613)
Dividends income from current investments		(1,236,565)	-	(1,236,565)	-
Interest expense	24	310,563,747	111,763,590	18,724,021	5,035,872
Income tax expense		864,742,697	711,632,970	628,393,157	540,033,851
Provision for legal claims		351,890,804	-	-	-
Provision for employee's severance pay	16	50,000,000	-	50,000,000	-
Allowance for (reversal of allowance for) losses on slow-moving inventories		(16,185,280)	79,603,349	11,906,209	25,675,813
Allowance for doubtful accounts		64,146,183	18,129,117	-	1,179,952
Unrealised losses (gains) on exchange rates		(6,007,591)	-	85,059,788	(36,768,382)
Losses (gains) on disposal of property, plant and equipment		81,228,331	3,515,118	10,301,350	(2,212,545)
Share of losses from investments accounted for using the equity method	10	36,440,081	31,123,293	685,413,371	109,130,187
Net loss of minority interest		(2,599,294,896)	(952,037,872)	-	-
Reversal of impairment losses of long-term investment in related parties		-	(21,000,000)	-	(21,000,000)
Gain on disposal of long-term investment in related parties		(145,275)	(5,920,000)	-	(5,920,000)
		3,171,123,530	3,600,533,169	4,198,993,352	3,316,023,440

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended 31 December 2006 and 2005

		Consolidated		The Company	
	Note	2006	2005	2006	2005
		(in Baht)			
Changes in operating assets and liabilities					
Trade accounts receivable		(137,449,140)	(266,828,107)	29,452,668	2,346,962
Other accounts receivable		98,306,439	65,662,929	(76,709,758)	(50,499,275)
Inventories		(21,709,611)	(2,319,265,750)	(537,796,466)	(1,007,788,350)
Other current assets		295,766,030	(1,045,942,566)	(25,968,539)	(694,526,033)
Other non-current assets		(289,975,260)	(91,807,321)	(74,479,101)	(56,951,668)
Trade accounts payable		2,527,467,569	5,974,900,290	844,992,610	3,540,409,282
Other current liabilities		1,093,457,820	544,079,835	1,472,656,584	292,384,969
Other non-current liabilities		174,232,093	157,093,716	144,272,093	121,391,716
		6,911,219,470	6,618,426,195	5,975,413,443	5,462,791,043
Income tax paid		(819,019,330)	(735,729,761)	(629,305,856)	(488,196,201)
Net cash provided by operating activities		6,092,200,140	5,882,696,434	5,346,107,587	4,974,594,842
Cash flows from investing activities					
Interest received		184,206,898	77,957,566	182,204,548	111,197,107
Dividends received	10	-	-	198,000,000	154,000,000
Purchase of current investments		(233,987,985)	(229,956,102)	(453,987,985)	(116,956,102)
Net cash inflows on acquisition of subsidiary	10	6,676,857	-	-	-
Purchase of equity securities	10	-	-	(855,506,260)	(150,000,000)
Sale of long-term investment in related parties		2,352,004	60,000,000	-	60,000,000
Long-term loans to related parties		-	-	246,767,902	(318,010,104)
Restricted deposits at financial institutions		(1,487,926,483)	(40,179,910)	-	-
Sale of property, plant and equipment		35,892,907	70,062,947	59,512,092	42,018,471
Purchase of property, plant and equipment		(4,971,960,633)	(6,435,460,079)	(2,765,295,614)	(2,386,478,826)
Purchase of intangible assets		(311,411,794)	(245,975,104)	(212,698,177)	(166,708,039)
Payment to minority interest for increasing in share capital of subsidiary		-	(210,459,900)	-	-
Net cash used in investing activities		-6,776,158,229	-6,954,010,582	-3,601,003,494	-2,770,937,493

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended 31 December 2006 and 2005

		Consolidated		The Company	
	Note	2006	2005	2006	2005
		(in Baht)			
Cash flows from financing activities					
Interest paid		(288,807,007)	(106,698,229)	(18,597,670)	(5,035,872)
Dividends paid	28	(1,330,371,792)	(992,574,461)	(1,330,371,792)	(992,574,460)
Overdrafts and short-term borrowings from financial institutions		3,407,706,986	2,607,884,231	-	-
Proceeds from issue of ordinary shares and share premium		97,749,010	98,864,262	97,749,010	98,864,262
Proceeds from minority interest for increase in investment in subsidiary		-	860,416,625	-	-
Long-term borrowings from related parties		392,292,729	(36,143,009)	-	-
Net cash provided by (used in) financing activities		2,278,569,926	2,431,749,419	(1,251,220,452)	(898,746,070)
Net increase in cash and cash equivalents					
		1,594,611,837	1,360,435,271	493,883,641	1,304,911,279
Cash and cash equivalents at beginning of year		8,580,692,556	7,155,647,120	5,584,264,965	4,279,353,686
Effect of exchange rate changes on balances held in foreign currencies		-223,035,259	64,610,165	-	-
Cash and cash equivalents at end of year	5	9,952,269,134	8,580,692,556	6,078,148,606	5,584,264,965

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 26 February 2007.

1 General information

C.P. Seven Eleven Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 283 Silom Road, Kwang Silom, Khet Bangrak, Bangkok 10500, Thailand.

The Company was listed on the Stock Exchange of Thailand on 14 October 2003.

The major shareholder of the Company during the financial year was Charoen Pokphand Group Co., Ltd. (incorporated in Thailand).

The principal activities of the Company and its subsidiaries are operating convenience stores, retail superstores, payment centers and the related supporting services.

The Company operates convenience stores under the 7-Eleven trademark and franchises to other retailers in the territory of Thailand. The number of 7-Eleven convenience stores as at 31 December 2006 was 3,784 locations (2005: 3,311 locations).

	2006	2005
	(number of locations)	
The Company owns and manages convenience stores	2,119	1,931
The Company franchises the license to other retailers under management agreements	1,449	1,191
The Company franchises the license to other retailers under sub-license agreements	216	189
Total	3,784	3,311

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Details of the Company's subsidiaries are as follows:

	Types of business	Country of incorporation	Ownership interest (%)	
			2006	2005
Direct subsidiaries				
Lotus Distribution Investment Limited	Holding company	British Virgin Islands	100.00	100.00
Counter Service Co., Ltd.	Bill payment services and distributor of all types of commercial cards and tickets	Thailand	99.99	99.99
Retailink(Thailand) Co., Ltd.	Distributor of equipment for retailing and software development	Thailand	99.99	99.99
C.P. Retailing and Marketing Co., Ltd.	Frozen food plant and bakery	Thailand	99.99	99.99
Gosoft (Thailand) Co., Ltd.	Information system design and development services	Thailand	99.99	99.99
MAM Heart Co., Ltd.	Marketing activities planning services	Thailand	99.99	99.99
Dynamic Management Co., Ltd.	Logistics and distribution of merchandises services	Thailand	99.99	99.99
Suksapiwat Co., Ltd.	Educational institution	Thailand	99.99	99.99
Panyatara Co., Ltd.	Training center	Thailand	99.99	-
Thai Smart Card Co., Ltd.	Smart purse card services	Thailand	61.03	32.24

			Ownership interest	
		Country of incorporation	(%)	
	Types of business		2006	2005
Indirect subsidiaries				
Ek Chor Distribution System Co., Ltd.	Holding company	Hong Kong	100.00	100.00
Ek Chor Trading (Shanghai) Co., Ltd. (ceased its commercial activities in 2002)	International trading	The People's Republic of China	55.00	55.00
Shanghai Lotus Supermarket Chain Store Co., Ltd.	Retail superstore	The People's Republic of China	29.70	29.70
Thai Smart Terminal Co., Ltd.	Distributor of terminal equipment	Thailand	61.03	32.24
Direct and indirect subsidiaries				
Shanghai C.P. Jing Cheng Enterprise Development Co., Ltd.	Department store	The People's Republic of China	100.00	100.00
Emerald Innovation Management Co., Ltd.	Holding company	British Virgin Islands	55.00	55.00
Yangtze Supermarket Investment Co., Ltd.	Holding company	British Virgin Islands	55.00	55.00

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

The financial statements of all subsidiaries included in the preparation of the consolidated financial statements and the share of profits (losses) from investments in subsidiaries accounted for using the equity method for the years ended 31 December 2006 and 2005 were based on the financial statements of those subsidiaries audited by the Company's auditors, except for the financial statements of certain foreign subsidiaries, which have been audited by another auditor. The consolidated financial statements of the Company and its subsidiaries reflect the total of the foreign subsidiaries' assets (after the elimination of the outstanding intra-group balances) as at 31 December 2006 totaling Baht 16,954 million (2005: *Baht 18,995 million*) and the foreign subsidiaries' total revenues (after the elimination of intra-group transactions) for the year ended 31 December 2006 totaling Baht 33,243 million (2005: *Baht 31,474 million*). The financial statements of the Company reflect investments in the foreign subsidiaries accounted for using the equity method as at 31 December 2006 totaling Baht (22) million (2005: *Baht 1,255 million*), and share of net losses from the foreign subsidiaries for the year then ended totaling Baht 1,109 million (2005: *Baht 412 million*).

2 Basis of preparation of the financial statements

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared in accordance with Thai Accounting Standards ("TAS") including related interpretations and guidelines promulgated by the Federation of Accounting Professions and with generally accepted accounting principles in Thailand.

The financial statements are presented in Thai Baht and the notes to the financial statements are rounded to the nearest million unless otherwise stated. They are prepared on the historical cost basis except as disclosed in the accounting policies.

The preparation of financial statements in conformity with TAS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

3 Significant accounting policies

(a) *Basis of consolidation*

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

Significant intra-group transactions between the Company and its subsidiaries are eliminated on consolidation.

Subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those companies in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in an associate, the Group’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(b) *Foreign currencies*

Foreign currency transactions

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates that fair value was determined.

Foreign entities

The assets and liabilities of foreign entities are translated to Thai Baht at the foreign exchange rates ruling at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Goodwill and fair value adjustments arising on the acquisition of foreign entities are stated at exchange rates ruling at the dates of the transactions.

The revenues and expenses of foreign entities are translated to Thai Baht at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation are recognised in a separate component of equity until disposal of the investments.

Where monetary items, in substance, form part of the Group's net investment in a foreign entity, foreign exchange differences arising on such monetary items and related hedges are recognised directly in a separate component of equity until disposal of the investment.

(c) *Hedge of future foreign currency transactions*

Gains and losses from forward exchange contracts and currency swaps used to hedge anticipated future currency transactions are deferred until the forecasted transaction occurs. Where the hedge item is a recognised asset or liability, it is translated at the contracted forward rates.

Foreign currency assets and liabilities hedged by forward exchange contracts are translated to Thai Baht at the contracted forward exchange rates.

(d) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short-term investments. Overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

Time deposits that have a restriction on use are presented separately in the account "Restricted deposits at financial institutions" under the caption "Non-current assets" in the balance sheet.

(e) *Trade and other accounts receivable*

Trade and other accounts receivable (including balances with related parties) are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

(f) *Inventories*

Raw materials and finished goods

Inventories are stated at the lower of cost and net realisable value.

Costs of the Company's inventories at distribution centers and subsidiaries' inventories are calculated using the weighted average cost formula and comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Inventories at the 7-Eleven convenience stores of the Company are valued at the retail cost formula, which is calculated using the retail price of inventories less gross profit.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

An allowance for losses is made for all deteriorated, damaged, obsolete and slow-moving inventories.

(g) *Investments*

Investments in subsidiaries and associates

Investments in subsidiaries and associates in the separate financial statements of the Company are accounted for using the equity method.

Investments in other debt and equity securities

Debt securities and marketable equity securities held-for-trading are classified as current assets and are stated at fair value with any resultant gain or loss recognised in the statement of income.

Debt securities that the Group intends and is able to hold to maturity are stated at amortised cost less impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities other than those securities held for trading or intended to be held to maturity, are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. The exceptions are impairment losses and foreign exchange gains and losses, which are recognised in the statement of income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the statement of income. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the statement of income.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

The fair value of financial instruments classified as held-for-trading and available-for-sale is determined as the quoted bid price at the balance sheet date.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in the statement of income.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(h) Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the statement of income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Buildings and improvements	5, 10 and 20 years
Leasehold improvements	Over the lease period
Machinery and equipment	5 and 10 years
Furniture, fixtures and office equipment	3 and 5 years
Other	
- Electricity and water systems	5, 10 and 20 years
- Transportation equipment	5 years

No depreciation is provided on land and assets under construction and installation.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

(i) *Intangible assets*

Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Negative goodwill arising on acquisition represents the excess of the fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition.

Goodwill and negative goodwill are stated at cost less accumulated amortisation and impairment losses. Goodwill and negative goodwill arising on acquisition of shares in subsidiaries and associates in the separate financial statements of the Company are included in investments.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of.

Other intangible assets

Other intangible assets comprising technology, computer software, trademarks, leasehold rights and property-use-rights acquired by the Group. They are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is charged to the statement of income on a straight line basis from the date that intangible assets are available for use over the estimated useful lives of the assets, unless such lives are indefinite. Intangible assets with an indefinite useful life are not amortised but are systematically tested for impairment at each balance sheet date. The estimated useful lives are as follows:

Goodwill	10 and 30 years
Negative goodwill	10 years
Technology and computer software	5 and 10 years
Trademarks	5, 10 and 30 years
Leasehold rights and property-use-rights	30 years

The Company amortises cost of leasehold rights using a straight line basis over the periods of the lease agreements. A foreign subsidiary has rights to use property for a period of 40 years and amortises the cost of its property-use-rights using a straight line basis over the shorter of the term of the property-use-rights and the subsidiary's operating period of 30 years.

Goodwill, technology, and trademarks acquired from the purchasing of Lotus Superstores in The People's Republic of China are amortised over the period of 30 years, based on the investment agreements and the period granted for operating the Lotus Superstores from the Government of The People's Republic of China.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

(j) *Impairment*

The carrying amounts of the Group's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment are identified.

An impairment losses is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the statement of income.

When a decline in the fair value of an available-for-sale financial assets has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the statement of income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of income.

Calculation of recoverable amount

The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the statement of income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss shall be reversed, with the amount of the reversal recognised in the statement of income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

(k) Interest-bearing liabilities

Interest-bearing liabilities are recognised at fair value less attributable transaction charges.

(l) Trade and other accounts payable

Trade and other accounts payable (including balances with related parties) are stated at cost.

(m) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Revenues

Revenue excludes value added taxes or other sales taxes and is arrived at after deduction of trade discounts.

Sales of goods and services rendered

Revenue from the sale of goods is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Service income is recognised as services are provided.

Income on initial, royalty and exclusive fees

The Company recognises the initial fee obtained from Management Agreements of the 7-Eleven convenience stores upon completion of the required services for the franchisees. The Company recognises the royalty fee arising from the license for operating its 7-Eleven convenience stores over the period of the Management Agreements.

The Company has agreements with certain merchandise suppliers to purchase their products as specified in the agreements to distribute in the 7-Eleven convenience stores. Under the terms of the agreements, the Company is entitled to charge a non-refundable exclusive fee. The Company recognises the exclusive fee as income over the agreement period.

Other income

Other operating income and interest income are recognised in the statement of income on the accrual basis. Dividend income is recognised in the statement of income on the date the Group's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

(o) *Expenses*

Operating leases

Payments made under operating leases are recognised in the statement of income on a straight line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease payments made. Contingent rentals are charged to the statement of income for the accounting period in which they are incurred.

Finance costs

Interest expenses and similar costs are charged to the statement of income for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

(p) *Income tax*

Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

4 **Related party transactions and balances**

Related parties are those parties linked to the Group and the Company by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market prices exist, at contractually agreed prices.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

The pricing policies for particular types of transaction are explained further below:

Pricing policies

Sale of goods	Prices determined by the terms and conditions used in the normal course of business comparable to those for non-related companies
Service and other operating income	Contract prices determined by the terms and conditions used in the normal course of business
Interest income	Financial cost plus administrative expenses
Purchase of goods	Prices determined by the terms and conditions used in the normal course of business comparable to those for non-related companies
Rental and service fees	Standard rates advised by the lessor
Technical service fees	Contract prices determined by the terms and conditions used in the normal course of business
Insurance premiums	Standard rates as specified by the insurer
Purchase of property, plant and equipment	Prices determined by the terms and conditions used in the normal course of business comparable to those for non-related companies

Transactions for the years ended 31 December 2006 and 2005 with related parties were summarised as follows:

Revenue from sale of goods and rendering of services

	Consolidated		The Company	
	2006	2005	2006	2005
	(in million Baht)			
<i>Subsidiary</i>				
Counter Service Co., Ltd.	-	-	291	947
<i>Related companies</i>				
C.P. Merchandising Co., Ltd.	487	327	-	-
Beijing Lotus Supermarket Chain Store Co., Ltd.	66	127	-	-
Xian Lotus Supermarket Chain Store Co., Ltd.	43	51	-	-
Zhengzhou Lotus Supermarket Chain Store Co., Ltd.	38	39	-	-
Guangzhou Lotus Supermarket Chain Store Co., Ltd.	28	68	-	-
Other	250	97	-	-
Total	912	709	-	-
Grand Total	912	709	291	947

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Other operating income

	Consolidated		The Company	
	2006	2005	2006	2005
	(in million Baht)			
<i>Subsidiaries</i>				
Counter Service Co., Ltd.	-	-	294	182
C.P. Retailing and Marketing Co., Ltd.	-	-	23	36
Other	-	-	27	3
Total	-	-	344	221
<i>Related companies</i>				
True Corporation Public Company Limited	24	10	24	10
C.P. Consumer Products Co., Ltd.	22	15	22	15
True Distribution and Sales Co., Ltd. (formerly "TA Orange Retail Co., Ltd.")	21	24	21	24
Other	38	29	33	27
Total	105	78	100	76
Grand total	105	78	444	297

Interest income

	Consolidated		The Company	
	2006	2005	2006	2005
	(in million Baht)			
<i>Subsidiaries</i>				
Lotus Distribution Investment Limited	-	-	54	43
C.P. Retailing and Marketing Co., Ltd.	-	-	29	7
Other	-	-	17	12
Total	-	-	100	62

Purchase of goods

	Consolidated		The Company	
	2006	2005	2006	2005
	(in million Baht)			
<i>Subsidiaries</i>				
C.P. Retailing and Marketing Co., Ltd.	-	-	1,984	1,492
Thai Smart Card Co., Ltd.	-	-	165	-
Counter Service Co., Ltd.	-	-	9	596
Other	-	-	8	-
Total	-	-	2,166	2,088

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Purchase of goods

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
<i>Related companies</i>				
True Distribution and Sales Co., Ltd. (formerly "TA Orange Retail Co., Ltd.")	6,267	20	6,267	20
CPF Food Products Co., Ltd.	1,473	-	1,286	-
C.P. Meiji Co., Ltd.	676	553	676	553
Chia Tai Food Oil Enterprises Development Co., Ltd.	327	595	-	-
True Move Co., Ltd. (formerly "TA Orange Co., Ltd.")	314	2,885	314	474
C.P. Packaging Industry Co., Ltd.	312	228	300	212
Qingdao Chia Tai Company Limited	237	366	-	-
Vee Food Products Co., Ltd.	232	96	198	69
True Money Co., Ltd	108	-	108	-
Charoen Pokphand Food Public Company Limited	104	71	-	-
C.P. Consumer Products Co., Ltd.	79	130	79	130
C.P. Food Store Co., Ltd	75	19	75	19
Guangzhou Lotus Supermarket Chain Store Co., Ltd.	72	237	-	-
C.P. Inter Food (Thailand) Co., Ltd.	1	989	1	903
Other	104	161	69	90
Total	10,381	6,350	9,373	2,470
Grand total	10,381	6,350	11,539	4,558

Other expenses

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
<i>Subsidiaries</i>				
Retailink(Thailand) Co., Ltd.	-	-	372	278
Gosoft (Thailand) Co., Ltd.	-	-	109	88
MAM Heart Co., Ltd.	-	-	66	49
Panyatara Co., Ltd.	-	-	56	-
Other	-	-	62	52
Total	-	-	665	467
<i>Related companies</i>				
C.P. Land Co., Ltd.	53	48	53	47
Shanghai Kinghill Limited	47	58	-	-
Charoen Pokphand Group Co., Ltd.	34	12	9	9
Ayudhya Allianz C.P. Life Co., Ltd.	14	42	12	42
Other	35	16	11	9
Total	183	176	85	107
Grand total	183	176	750	574

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Directors' remuneration

	Consolidated		The Company	
	2006	2005	2006	2005
	(in million Baht)			
Directors	9	9	9	9

Balances as at 31 December 2006 and 2005 with related parties were as follows:

Trade accounts receivable

	Consolidated		The Company	
	2006	2005	2006	2005
	(in million Baht)			
<i>Related companies</i>				
Xian Lotus Supermarket Chain Store Co., Ltd.	106	60	-	-
Zhengzhou Lotus Supermarket Chain Store Co., Ltd.	100	55	-	-
C.P. Merchandising Co., Ltd.	27	20	-	-
Beijing Lotus Supermarket Chain Store Co., Ltd.	15	53	-	-
Other	60	43	-	-
Total	308	231	-	-

Other accounts receivable

	Consolidated		The Company	
	2006	2005	2006	2005
	(in million Baht)			
<i>Subsidiaries</i>				
Counter Service Co., Ltd.	-	-	63	49
Other	-	-	74	11
Total	-	-	137	60
<i>Related companies</i>				
True Distribution and Sales Co., Ltd. (formerly "TA Orange Retail Co., Ltd.")	53	71	53	71
Other	70	32	32	14
Total	123	103	85	85
Grand total	123	103	222	145

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Loans to subsidiaries

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Long-term				
Lotus Distribution Investment Limited	-	-	705	755
C.P. Retailing and Marketing Co., Ltd.	-	-	251	267
Suksapiwat Co., Ltd.	-	-	-	230
Retailink(Thailand) Co., Ltd.	-	-	210	210
Total	-	-	1,166	1,462

Movements during the years on long-term loans to subsidiaries were as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
At 1 January	-	-	1,462	1,107
Increases	-	-	279	1,021
Decreases	-	-	(575)	(666)
At 31 December	-	-	1,166	1,462

Interest rates on long-term loans as at 31 December 2006 and 2005 were as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(interest rate per annum)</i>			
Local subsidiaries and related companies	-	-	6.5%	5.5%
Foreign subsidiaries	-	-	U.S. Dollars LIBOR plus 3%	U.S. Dollars LIBOR plus 3%

As at 31 December 2006 the loan balances with related parties are without a fixed repayment term.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Trade accounts payable

	Consolidated		The Company	
	2006	2005	2006	2005
	(in million Baht)			
<i>Subsidiaries</i>				
Thai Smart Card Co., Ltd.	-	-	94	-
C.P. Retailing and Marketing Co., Ltd.	-	-	55	63
Total	-	-	149	63
<i>Related companies</i>				
True Distribution and Sales Co., Ltd. (formerly "TA Orange Retail Co., Ltd.")	541	931	541	931
CPF Food Products Co., Ltd.	188	-	126	-
C.P. Meiji Co., Ltd.	121	100	121	100
C.P. Packaging Industry Co., Ltd.	87	57	86	55
Qingdao Chia Tai Company Limited	70	89	-	-
Vee Food Products Co., Ltd.	51	25	31	14
Chia Tai Food Oil Enterprises Development Co., Ltd.	50	351	-	-
True Move Co., Ltd. (formerly "TA Orange Co., Ltd.")	42	66	32	57
Other	190	168	125	98
Total	1,340	1,787	1,062	1,255
Grand total	1,340	1,787	1,211	1,318

Other accounts payable

	Consolidated		The Company	
	2006	2005	2006	2005
	(in million Baht)			
<i>Subsidiaries</i>				
Counter Service Co., Ltd.	-	-	2,570	1,541
Retailink(Thailand) Co., Ltd.	-	-	71	82
Other	-	-	64	13
Total	-	-	2,705	1,636
<i>Related companies</i>				
Thai Smart Card Co., Ltd.	-	12	-	12
Shanghai Kinghill Limited	-	10	-	-
Other	54	22	-	4
Total	54	44	-	16
Grand total	54	44	2,705	1,652

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Long-term borrowings

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
<i>Related companies</i>				
Chia Tai Land Co., Ltd.	300	-	-	-
Shanghai Zunrong Yingyi Real Estate Management Co., Ltd.	63	-	-	-
Shanghai Tiantai Leasing Co., Ltd.	10	-	-	-
Lotus Distribution International Limited	7	7	-	-
Total	380	7	-	-

Movements during the years on long-term borrowings from related parties were as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
At 1 January	7	6	-	-
Increases	374	1	-	-
Decreases	(1)	-	-	-
At 31 December	380	7	-	-

Interest rates on long-term borrowings as at 31 December 2006 and 2005 were as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(interest rate per annum)</i>			
Foreign subsidiaries	5.58% - 7.37%	5.13%	-	-

As at 31 December 2006 the borrowings with related companies were unsecured and without a fixed repayment term. The management, however, expects that the settlement will not be due within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Purchase of property, plant and equipment

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
<i>Subsidiaries</i>				
Retailink(Thailand) Co., Ltd.	-	-	436	370
Gosoft (Thailand) Co., Ltd.	-	-	42	26
Total	-	-	478	396
<i>Related companies</i>				
Tianjin Chia Tai Machinery Co., Ltd.	92	278	-	-
Dplan Co., Ltd.	8	105	-	-
Other	17	4	-	-
Total	117	387	-	-
Grand total	117	387	478	396

Significant agreements with related parties

As at 31 December 2006 the Group had the following agreements with related parties:

- (a) Under a memorandum between the Company, Lotus Distribution Investment Limited (“LDI”), a foreign subsidiary, and Charoen Pokphand Group Co., Ltd. (“CPG”), a related company, CPG arranged for Ek-Chai Distribution System Company Limited (“Ek-Chai”), another related company, to enter into the following agreements with LDI:

Licence Agreement and Service Mark Licence Agreement

Ek-Chai has granted to LDI a right to use certain operating and technology systems including service marks as illustrated in the agreements, for operating retail supermarkets and hypermarkets in The People’s Republic of China. In addition, LDI can sublicense the right to use to its related parties as defined in the agreements with the condition that no charge is made to the related parties. In consideration thereof, LDI agrees to pay Ek-Chai a license fee for the acquired rights of US\$ 70,000. These agreements continue in force until LDI or Ek-Chai terminates the licence agreement and service mark licence agreement.

Agency Agreements

Ek-Chai has appointed LDI as its agent for monitoring and controlling certain intellectual property of Ek-Chai used by licensees in The People’s Republic of China. In consideration thereof, Ek-Chai agrees to pay LDI an agency fee of U.S. Dollars 70,000.

- (b) The Company and its local subsidiaries had lease and service agreements with C.P. Land Co., Ltd., a related company, for lease spaces in its building for offices of the Company and the subsidiaries. In consideration thereof, the Company and the subsidiaries agree to pay monthly rental and services fees totaling Baht 2 million, and place guarantee deposits with the related company totaling Baht 7.3 million. The guarantee deposits will be refunded to the Company and the subsidiaries upon the termination of the lease.

NOTES TO THE FINANCIAL STATEMENTS

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- (c) The Company and a local subsidiary had agreements covering technical advisory, management and technical assistances with Charoen Pokphand Group Co., Ltd., a related company. In consideration thereof, the Company and the subsidiary agree to pay a monthly service fee totaling Baht 0.9 million.
- (d) The Company had several services agreements with Counter Service Co., Ltd., a local subsidiary. Under the terms of the agreements, the Company agrees to provide the installation of computer system to support bill payment services. In consideration thereof, the subsidiary agrees to pay various monthly service fees in accordance with service stipulated in the agreements.
- (e) The Company had a maintenance service agreement with Retailink(Thailand) Co., Ltd., a local subsidiary. Under the terms of the agreement, the subsidiary agrees to provide maintenance of computer hardware and equipment services to the Company for a period of 4 years ending in December 2007. In consideration thereof, the Company is committed to pay an annual service fee at the amount stipulated in the agreement.

5 Cash and cash equivalents

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Cash at financial institutions and on hand	3,857	2,445	3,628	2,267
Call deposits	5,158	5,365	2,028	2,767
Promissory notes (the periods to maturity are three-month period or less)	937	771	422	550
Total	9,952	8,581	6,078	5,584

6 Current investments

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Current				
Short-term deposits	100	-	100	-
Promissory notes	50	270	-	-
Equity securities held-for-trading	100	-	100	-
Debt securities available-for-sale	300	-	300	-
Government bonds	152	197	152	197
Total	702	467	652	197

The interest rates of the above current investments as at 31 December 2006 and 2005 are presented in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

7 Trade and other accounts receivable

Trade accounts receivable

		Consolidated		The Company	
	Note	2006	2005	2006	2005
		(in million Baht)			
Trade accounts receivable from related parties	4	308	231	-	-
Trade accounts receivable from other parties		683	650	74	104
Total		991	881	74	104
Less allowance for doubtful accounts		(21)	(24)	-	-
Net		970	857	74	104

	Consolidated		The Company	
	2006	2005	2006	2005
	(in million Baht)			
Within credit terms	591	396	72	97
Overdue:				
Less than 3 months	148	430	2	2
3 - 6 months	39	28	-	1
6 - 12 months	26	19	-	1
Over 12 months	187	8	-	3
Total	991	881	74	104
Less allowance for doubtful accounts	(21)	(24)	-	-
Net	970	857	74	104

Other accounts receivable

		Consolidated		The Company	
	Note	2006	2005	2006	2005
		(in million Baht)			
Other receivables from related parties	4	123	103	222	145
Other receivables from other parties		1,188	1,359	334	334
Total		1,311	1,462	556	479
Less allowance for doubtful accounts		(72)	(4)	(4)	(4)
Net		1,239	1,458	552	475

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Within credit terms	873	1,319	456	377
Overdue:				
Less than 3 months	107	94	62	93
3 - 6 months	64	2	31	1
6 - 12 months	77	6	6	6
Over 12 months	190	41	1	2
Total	1,311	1,462	556	479
Less allowance for doubtful accounts	(72)	(4)	(4)	(4)
Net	1,239	1,458	552	475

The normal credit terms granted by the Group are 7 days to 90 days.

8 Inventories

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Raw materials	77	81	-	-
Work in progress	14	16	-	-
Finished goods	7,700	8,170	3,870	3,332
Less allowance for losses on slow-moving inventories	(119)	(134)	(43)	(31)
Net	7,672	8,133	3,827	3,301

9 Other current assets

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Cash card	586	653	586	653
Accrued income	204	114	136	97
Advances to suppliers	190	161	-	-
Prepaid expenses	109	90	67	27
Suspense input value added tax	55	410	40	-
Other	121	168	82	99
Total	1,265	1,596	911	876

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

10 Investments accounted for using the equity method

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Net book value at 1 January	52	83	2,628	2,433
Share of net profits (losses) of investments - equity method				
- existing subsidiaries	-	-	(650)	(78)
- former associate	(36)	(31)	(36)	(31)
Investment value of former associate before acquisition	(16)	-	-	-
Acquisitions	-	-	856	150
Dividends income	-	-	(198)	(154)
Differences from translation of financial statements	-	-	(168)	308
Excess of share of losses over cost of investment	-	-	332	-
Net book value at 31 December	-	52	2,764	2,628

Disclosed as:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Investments accounted for using the equity method	-	52	2,764	2,628
Excess of share of losses over cost of investment	-	-	(332)	-
Net	-	52	2,432	2,628

As at 31 December 2006 the Company recognised losses relating to an investment in a subsidiary accounted for using the equity method where its share of losses exceeds the carrying amount of the investment only the portion of a binding obligation of the subsidiary amounting to Baht 332 million (2005: nil). The excess of share of losses over cost of investment of Baht 332 million are presented as part of "Other non-current liabilities" in the balance sheet (see note 17).

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Investments accounted for using the equity method as at 31 December 2006 and 2005, and dividend income from those investments during the years ended on those dates, were as follows:

	Ownership interest		Paid-up capital		The Company Cost method		Equity method		Dividend income	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(%)		(in million US\$)				(in million Baht)			
Foreign subsidiaries										
Lotus Distribution Investment Limited	100.00	100.00	31	31	956	956	-	853	-	-
Shanghai C.P. Jing Cheng Enterprise Development Co., Ltd.	100.00	100.00	15	15	363	363	310	386	-	-
Emerald Innovation Management Co., Ltd.	55.00	55.00	3	3	1	1	-	1	-	-
Yangtze Supermarket Investment Co., Ltd.	55.00	55.00	0.0001	0.0001	22	22	-	14	-	-
Total					1,342	1,342	310	1,254	-	-
	Ownership interest		Paid-up capital		Cost method		Equity method		Dividend income	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(%)						(in million Baht)			
Local subsidiaries										
C.P. Retailing and Marketing Co., Ltd.	99.99	99.99	600	350	600	350	815	478	-	-
Suksapiwat Co., Ltd.	99.99	99.99	555	300	555	300	535	286	-	-
Counter Service Co., Ltd.	99.99	99.99	70	70	61	61	551	404	189	154
Retailink(Thailand) Co., Ltd.	99.99	99.99	20	20	20	20	144	90	-	-
Dynamic Management Co., Ltd.	99.99	99.99	2	2	2	2	15	19	9	-
Gosoft (Thailand) Co., Ltd.	99.99	99.99	2	2	2	2	36	28	-	-
MAM Heart Co., Ltd.	99.99	99.99	1	1	1	1	33	17	-	-
Panyatara Co., Ltd.	99.99	-	1	-	1	-	13	-	-	-
Thai Smart Card Co., Ltd.	61.03	32.24	800	395	477	127	312	52	-	-
Total					1,719	863	2,454	1,374	198	154
Grand total					3,061	2,205	2,764	2,628	198	154

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Details of share of net profits (losses) of investments - equity method for the years ended 31 December 2006 and 2005 were as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
<i>Subsidiaries</i>				
Counter Service Co., Ltd.	-	-	336	254
C.P. Retailing and Marketing Co., Ltd.	-	-	87	33
Retailink(Thailand) Co., Ltd.	-	-	54	38
MAM Heart Co., Ltd.	-	-	16	7
Panyatara Co., Ltd.	-	-	12	-
Gosoft (Thailand) Co., Ltd.	-	-	8	10
Dynamic Management Co., Ltd.	-	-	5	4
Lotus Distribution Investment Limited	-	-	(1,087)	(390)
Shanghai C.P. Jing Cheng Enterprise Development Co., Ltd.	-	-	(22)	(22)
Thai Smart Card Co., Ltd.	(36)	(31)	(89)	(31)
Suksapiwat Co., Ltd.	-	-	(6)	(12)
Total	(36)	(31)	(686)	(109)

Details of investment acquisitions during the years ended 31 December 2006 and 2005 were as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Thai Smart Card Co., Ltd.	-	-	350	-
Suksapiwat Co., Ltd.	-	-	255	150
C.P. Retailing and Marketing Co., Ltd.	-	-	250	-
Panyatara Co., Ltd.	-	-	1	-
Total	-	-	856	150

During the first half-year of 2006, the Company invested an additional Baht 350 million in a former associate, Thai Smart Card Co., Ltd. (TSC). As a result, the ownership interest in TSC increased from 32.24% to 61.03%. The Company, however, did not include the accounts of TSC in the consolidated financial statements during the acquisition date to 30 September 2006 because at that time the Company planned to reduce its ownership interest in the near future to a level such that the Company will not have control over TSC's financial and operating policies. Subsequently in December 2006 the Company has postponed the plan to reduce its ownership interest, therefore, the Company has included the accounts of TSC, starting from the acquisition date to 31 December 2006, in the consolidated financial statements for the year ended 31 December 2006.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

The acquiree's net assets at the acquisition date comprised the following:

	<i>(in million Baht)</i>
Cash and cash equivalents	357
Trade accounts receivable	19
Inventories	15
Property, plant and equipment	125
Other assets	113
Trade accounts payable	(20)
Other liabilities	(141)
Net assets - minority interest's portion	<u>(180)</u>
Net assets	288
Excess of equity in net assets over the investment value	78
Investment value before acquisition	<u>(16)</u>
Consideration paid	350
Cash acquired	<u>(357)</u>
Net cash inflows	<u>(7)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

11 Property, plant and equipment

	Land	Buildings and leasehold improvements	Machinery and equipment	Consolidated Furniture, fixtures and office equipment (in million Baht)	Assets under construction and installation	Other	Total
Cost							
At 1 January 2005	1,074	6,214	3,949	4,585	740	983	17,545
Additions	193	2,260	2,403	1,844	5,059	347	12,106
Disposals/transfers	-	(27)	(272)	(109)	(4,724)	(24)	(5,156)
Differences from translation of financial statements	-	306	157	142	34	11	650
At 31 December 2005	1,267	8,753	6,237	6,462	1,109	1,317	25,145
Additions	83	1,625	1,171	1,217	2,141	347	6,584
Acquisition through business combinations	-	8	72	56	21	-	157
Disposals/transfers	-	(85)	(158)	(422)	(2,381)	(35)	(3,081)
Differences from translation of financial statements	-	(469)	(285)	(237)	(38)	(19)	(1,048)
At 31 December 2006	1,350	9,832	7,037	7,076	852	1,610	27,757
	Land	Buildings and leasehold improvements	Machinery and equipment	Consolidated Furniture, fixtures and office equipment (in million Baht)	Assets under construction and installation	Other	Total
Accumulated depreciation							
At 1 January 2005	-	(1,275)	(1,710)	(2,212)	-	(493)	(5,690)
Depreciation charge for the year	-	(468)	(556)	(893)	-	(156)	(2,073)
Disposals/transfers	-	10	138	89	-	16	253
Differences from translation of financial statements	-	(28)	(25)	(43)	-	(3)	(99)
At 31 December 2005	-	(1,761)	(2,153)	(3,059)	-	(636)	(7,609)
Depreciation charge for the year	-	(589)	(764)	(1,089)	-	(198)	(2,640)
Impairment losses	-	-	-	(2)	(96)	-	(98)
Acquisitions through business combinations	-	(5)	(10)	(17)	-	-	(32)
Disposals/transfers	-	27	61	192	-	16	296
Differences from translation of financial statements	-	53	49	85	-	6	193
At 31 December 2006	-	(2,275)	(2,817)	(3,890)	(96)	(812)	(9,890)
Net book value							
At 31 December 2005	1,267	6,992	4,084	3,403	1,109	681	17,536
At 31 December 2006	1,350	7,557	4,220	3,186	756	798	17,867

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

	Land	Buildings and leasehold improvements	Machinery and equipment	The Company Furniture, fixtures and office equipment (in million Baht)	Assets under construction and installation	Other	Total
Cost							
At 1 January 2005	663	2,469	2,004	3,277	32	809	9,254
Additions	-	639	551	763	1,196	192	3,341
Disposals/transfers	-	(16)	(87)	(217)	(752)	(6)	(1,078)
At 31 December 2005	663	3,092	2,468	3,823	476	995	11,517
Additions	43	1,235	769	1,060	1,158	283	4,548
Disposals/transfers	-	(67)	(136)	(379)	(1,594)	(20)	(2,196)
At 31 December 2006	706	4,260	3,101	4,504	40	1,258	13,869
Accumulated depreciation							
At 1 January 2005	-	(910)	(1,163)	(1,874)	-	(421)	(4,368)
Depreciation charge for the year	-	(234)	(296)	(552)	-	(122)	(1,204)
Disposals/transfers	-	5	32	141	-	4	182
At 31 December 2005	-	(1,139)	(1,427)	(2,285)	-	(539)	(5,390)
Depreciation charge for the year	-	(312)	(392)	(632)	-	(148)	(1,484)
Disposals/transfers	-	19	47	168	-	9	243
At December 2006	-	(1,432)	(1,772)	(2,749)	-	(678)	(6,631)
Net book value							
At 31 December 2005	663	1,953	1,041	1,538	476	456	6,127
At 31 December 2006	706	2,828	1,329	1,755	40	580	7,238

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

12 Intangible assets

	Consolidated				Leasehold rights and property- use-rights	Total
	Goodwill	Negative goodwill	Technology and computer software <i>(in million Baht)</i>	Trademarks		
Cost						
At 1 January 2005	420	(187)	406	88	409	1,136
Additions	-	-	125	-	122	247
Differences from translation of financial statements	20	-	8	4	-	32
At 31 December 2005	440	(187)	539	92	531	1,415
Additions	78	-	218	-	93	389
Acquisitions through business combinations	-	-	116	-	-	116
Differences from translation of financial statements	(50)	-	(20)	(11)	-	(81)
At 31 December 2006	468	(187)	853	81	624	1,839
Accumulated amortisation						
At 1 January 2005	(123)	49	(119)	(23)	(154)	(370)
Amortisation charge for the year	(15)	5	(47)	(3)	(71)	(131)
Differences from translation of financial statements	(6)	-	(1)	(1)	-	(8)
At 31 December 2005	(144)	54	(167)	(27)	(225)	(509)
Amortisation charge for the year	(18)	6	(64)	(3)	(79)	(158)
Acquisitions through business combinations	-	-	(15)	-	-	(15)
Differences from translation of financial statements	15	-	4	4	-	23
At 31 December 2006	(147)	60	(242)	(26)	(304)	(659)
Net book value						
At 31 December 2005	296	(133)	372	65	306	906
At 31 December 2006	321	(127)	611	55	320	1,180

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

	The Company		
	Technology and computer software	Leasehold right <i>(in million Baht)</i>	Total
Cost			
At 1 January 2005	290	473	763
Additions	47	120	167
At 31 December 2005	337	593	930
Additions	119	94	213
At 31 December 2006	456	687	1,143
Accumulated amortisation			
At 1 January 2005	(133)	(217)	(350)
Amortisation charge for the year	(32)	(71)	(103)
At 31 December 2005	(165)	(288)	(453)
Amortisation charge for the year	(43)	(80)	(123)
At 31 December 2006	(208)	(368)	(576)
Net book value			
At 31 December 2005	172	305	477
At 31 December 2006	248	319	567

13 Restricted deposits at financial institutions

As at 31 December 2006 certain subsidiaries pledged their foreign currency (RMB) time deposits with financial institutions totaling Baht 1,454 million (2005: Baht 43 million) as collateral of the followings:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Collateralised for:				
Short-term borrowings from financial institutions	1,294	-	-	-
Legal claims	144	-	-	-
Other	16	43	-	-
Total	1,454	43	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

14 Overdrafts and short-term borrowings from financial institutions

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Overdrafts - secured by the Group's directors	<u>8</u>	<u>35</u>	<u>-</u>	<u>-</u>
Short-term borrowings from financial institutions				
- secured by related parties and time deposits	6,679	2,028	-	-
- unsecured	<u>56</u>	<u>1,907</u>	<u>-</u>	<u>-</u>
Total	<u>6,735</u>	<u>3,935</u>	<u>-</u>	<u>-</u>
Liabilities under trust receipts	<u>9</u>	<u>13</u>	<u>-</u>	<u>-</u>
Grand total	<u>6,752</u>	<u>3,983</u>	<u>-</u>	<u>-</u>

Secured short-term borrowings from financial institutions as at 31 December 2006 and 2005 were secured on the following related parties and time deposits:

	<i>Note</i>	Consolidated		The Company	
		2006	2005	2006	2005
		<i>(in million Baht)</i>			
Undertaken by Charoen Pokphand Group Co., Ltd.		4,322	-	-	-
Guaranteed by Chia Tai International Finance Co., Ltd.		601	2,028	-	-
Time deposits	13	<u>1,294</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>6,217</u>	<u>2,028</u>	<u>-</u>	<u>-</u>

The currency denomination of interest-bearing liabilities as at 31 December 2006 and 2005 was as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Thai Baht	73	90	-	-
Foreign currency (RMB)	<u>6,679</u>	<u>3,893</u>	<u>-</u>	<u>-</u>
Total	<u>6,752</u>	<u>3,983</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Interest rates as at 31 December 2006 and 2005 were as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(interest rate per annum)</i>			
Overdrafts	7% - 10.75%	6% - 9.75%	-	-
Short-term borrowings	5.022% - 6.875%	3.55% - 5.859%	-	-
Liabilities under trust receipts	5.73% - 6.26%	3.55% - 4.75%	-	-

Under the terms of the trust receipt agreements, certain imported inventories have been released to certain local subsidiaries in trust of the financial institutions. Thus, the subsidiaries are accountable to the financial institutions for inventories or the proceeds from their sale.

As at 31 December 2006 the Group had unutilised credit facilities totaling Baht 401 million (2005: Baht 375 million).

15 Trade accounts payable

	<i>Note</i>	Consolidated		The Company	
		2006	2005	2006	2005
		<i>(in million Baht)</i>			
Trade accounts payable to related parties	4	1,340	1,787	1,211	1,318
Trade accounts payable to other parties		20,218	18,265	8,341	7,389
Total		21,558	20,052	9,552	8,707

16 Other current liabilities

	<i>Note</i>	Consolidated		The Company	
		2006	2005	2006	2005
		<i>(in million Baht)</i>			
Other accounts payable to related parties	4	54	44	2,705	1,652
Other accounts payable to other parties		920	1,884	340	420
Accrued royalties and other expenses		720	535	180	221
Deferred royalties income		597	419	591	419
Accrued personnel expenses		530	413	421	365
Advance receipts from customers		505	240	-	-
Provision for legal claims		342	-	-	-
Accrued utilities expenses		189	115	131	110
Provision for employees' severance pay		50	-	50	-
Other		1,091	991	463	269
Total		4,998	4,641	4,881	3,456

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

Provision for legal claims

As at 31 December 2006 a subsidiary in The People's Republic of China has provided for legal claims, amounting to RMB 74 million (equivalent to Baht 342 million), in relation to the incompliance with some conditions stipulated in the contracts that the subsidiary entered with counterparties. The management, after taking appropriate legal advice, believe that the outcome of these legal claims will not give rise to any significant loss beyond the amount provided.

Provision for employees' severance pay

The Company has provided a provision for severance pay plan for their employees who will retire during 2007 to 2012. The Company provides a provision for employees' severance pay with the best estimation of the management and measured at the present value of estimated future cash flows using a discount rate by 5% that is similar to the interest rate of government bonds. As at 31 December 2006 the Company reserved for this severance pay of Baht 50 million.

17 Other non-current liabilities

	Note	Consolidated		The Company	
		2006	2005	2006	2005
			(in million Baht)		
Guarantee deposits from franchisees		799	669	657	558
Excess of share of losses over cost of investment	10	-	-	332	-
Other		110	65	110	65
Total		909	734	1,099	623

18 Share capital and share premium

Share capital

	Par value (in Baht)	Consolidated/The Company			
		2006		2005	
		Number of shares	Baht (in million)	Number of shares	Baht
Authorised					
At 1 January					
- ordinary shares	5	-	-	450	2,250
- ordinary shares	1	4,500	4,500	-	-
Creation of new ordinary shares	5	-	-	450	2,250
	5	-	-	900	4,500
	1	4,500	4,500	-	-
Reduction in par value					
- from Baht 5 to Baht 1		-	-	3,600	-
At 31 December - ordinary shares	1	4,500	4,500	4,500	4,500

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

	Consolidated		The Company	
	2006		2005	
	Par value (in Baht)	Number of shares	Baht (in million)	Number of shares Baht
Issued and paid-up				
At 1 January				
- ordinary shares	5	-	-	440
- ordinary shares	1	4,424	4,424	-
Creation of new ordinary shares	5	-	-	442
Creation of new ordinary shares	1	23	23	12
	5	-	-	882
	1	4,447	4,447	12
Reduction in par value				
- from Baht 5 to Baht 1		-	-	3,530
				-
At 31 December - ordinary shares	1	4,447	4,447	4,424

At the ordinary shareholders' meeting of the Company, held on 28 April 2005, the Company's shareholders unanimously approved:

- To increase the Company's registered authorised capital of Baht 2,250 million, from Baht 2,250 million to Baht 4,500 million, by the issuance of 450,000,000 new ordinary shares at Baht 5 par value for stock dividends to the Company's shareholders comprising the existing shareholders holding 440,000,000 shares and the shareholders from the exercising the warrant at No. 1/2005 under ESOP 1,144,146 shares as well as to reserve for the adjustment of the right exercising of the remaining warrant of 8,855,854 shares.
- To increase the legal reserve amounting to Baht 225 million by appropriating from its unappropriated retained earnings as at 1 January 2005.

During the years ended 31 December 2006 and 2005, the Company's employees exercised 23,424,040 units and 13,241,796 units of warrants under the Employee Stock Option Plan respectively. In this regard, the Company recorded the increases in share capital and share premium net of related expenses during the years ended 31 December 2006 and 2005 as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
		(in million Baht)		
Share capital	24	2,224	24	2,224
Share premium	74	81	74	81
Total	98	2,305	98	2,305

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

19 Reserves

Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

Currency translation changes

The currency translation changes recognised in shareholders' equity relate to foreign exchange differences arising from translation of the financial statements of foreign operations to Thai Baht.

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

20 Segment information

Segment information is presented in respect of the Group's business and geographic segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segments

The Group comprises the following main business segments:

- Segment 1: Convenience stores
- Segment 2: Retail superstores
- Segment 3: Other

Major activities of the retail superstores business are conducted in The People's Republic of China. The other's segment comprises principally of bill payment services, frozen food plant and bakery, and distribution of retailing equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

The segment financial information of the Group for the years ended 31 December 2006 and 2005 was summarised as follows:

Business segment results

	Convenience stores		Retail superstores		Other		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	<i>(in million Baht)</i>									
Revenue from sale of goods and rendering of services	66,055	51,080	30,888	28,945	6,458	18,327	(3,631)	(3,997)	99,770	94,355
Interest income	229	114	17	18	46	17	(95)	(62)	197	87
Other income	3,010	2,321	2,181	2,347	71	66	(355)	(229)	4,907	4,505
Share of profits from investments accounted for using the equity method	518	346	-	-	-	-	(518)	(346)	-	-
Total revenues	69,812	53,861	33,086	31,310	6,575	18,410	(4,599)	(4,634)	104,874	98,947
Cost of sale of goods and rendering of services	50,041	38,121	27,372	25,488	4,725	17,042	(3,130)	(3,599)	79,008	77,052
Selling and administrative expenses	16,579	13,223	9,034	7,012	1,128	857	(829)	(616)	25,912	20,476
Directors' remuneration	9	9	-	-	-	-	-	-	9	9
Share of losses from investments accounted for using the equity method	1,204	455	-	-	-	-	(1,168)	(424)	36	31
Total expenses	67,833	51,808	36,406	32,500	5,853	17,899	(5,127)	(4,639)	104,965	97,568

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

	Convenience stores		Retail superstores		Other		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	<i>(in million Baht)</i>									
Profit (loss) before interest and income tax expenses	1,979	2,053	(3,320)	(1,190)	722	511	528	5	(91)	1,379
Interest expense	(19)	(5)	(341)	(146)	(46)	(23)	95	62	(311)	(112)
Income tax expense	(628)	(540)	(3)	(11)	(234)	(160)	-	-	(865)	(711)
Profit (loss) after income tax expense	1,332	1,508	(3,664)	(1,347)	442	328	623	67	(1,267)	556
Net loss of minority interest	-	-	2,571	952	-	-	28	-	2,599	952
Net profit (loss)	1,332	1,508	(1,093)	(395)	442	328	651	67	1,332	1,508

Business segment financial position

	Convenience stores		Retail superstores		Other		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	<i>(in million Baht)</i>									
Cash and cash equivalents	6,078	5,584	1,436	1,595	2,438	1,402	-	-	9,952	8,581
Trade accounts receivable	74	104	354	357	3,374	2,104	(2,832)	(1,708)	970	857
Inventories	3,827	3,301	3,341	4,402	508	430	(4)	-	7,672	8,133
Property, plant and equipment	7,238	6,127	8,341	9,683	2,430	1,851	(142)	(125)	17,867	17,536
Intangible assets	567	477	470	495	199	64	(56)	(130)	1,180	906
Other assets	6,655	6,171	2,662	1,873	293	513	(4,281)	(4,340)	5,329	4,217
Total assets	24,439	21,764	16,604	18,405	9,242	6,364	(7,315)	(6,303)	42,970	40,230
Overdrafts and short-term borrowings from financial institutions	-	-	6,679	3,893	73	90	-	-	6,752	3,983
Trade accounts payable	9,552	8,707	7,687	8,478	4,531	2,988	(212)	(121)	21,558	20,052
Other liabilities	6,179	4,281	3,314	3,308	1,404	1,220	(4,273)	(3,136)	6,624	5,673
Total liabilities	15,731	12,988	17,680	15,679	6,008	4,298	(4,485)	(3,257)	34,934	29,708

	Convenience stores		Retail superstores		Other		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	<i>(in million Baht)</i>									
Capital expenditure	2,878	2,652	682	4,070	832	880	(87)	(77)	4,305	7,525
Depreciation charges	1,484	1,204	995	764	229	159	(68)	(54)	2,640	2,073
Amortisation charges	123	103	22	22	14	6	(1)	-	158	131
Gains (losses) on disposal of property, plant and equipment	(10)	2	(67)	(4)	(4)	(2)	-	-	(81)	(4)

Geographical segment results

	The People's Republic of China		Thailand		Total	
	2006	2005	2006	2005	2006	2005
Revenue from sale of goods and rendering of services from external customers	31,034	29,093	68,736	65,262	99,770	94,355
Segment assets	17,163	19,045	25,807	21,185	42,970	40,230
Property, plant and equipment	8,403	9,756	9,464	7,780	17,867	17,536

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

21 Other income

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Income on royalties and other fees relating to licenses income	628	589	628	589
Sale promotion income	1,826	1,734	854	526
Other	2,453	2,182	1,528	1,206
Total	4,907	4,505	3,010	2,321

22 Selling and administrative expenses

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Personnel expenses	7,350	6,190	4,739	3,893
Rental fees	3,782	3,199	1,931	1,727
Depreciation and amortisation charges	2,636	2,085	1,607	1,307
Utilities expenses	2,583	1,964	1,770	1,379
Convenience store management fees	2,224	1,696	2,224	1,696
Advertising and sale promotion expenses	1,875	1,373	1,210	709
Other	5,462	3,969	3,098	2,512
Total	25,912	20,476	16,579	13,223

23 Personnel expenses

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Salaries, wages and bonus	7,233	6,102	4,359	3,667
Staff welfares	425	332	91	24
Contribution to provident fund	194	147	29	24
Contribution to social security fund	158	136	130	112
Training expenses	80	62	115	50
Other	48	39	15	16
Total	8,138	6,818	4,739	3,893

(number of employees)

Number of employees as at 31 December	32,962	29,993	20,876	19,158
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The Company and its local subsidiaries have jointly established a contributory registered provident fund to which the Company, subsidiaries and employees each contribute monthly at the rate of 2% of the employees' basic salaries. The Company's and the subsidiaries' contributions to the provident fund are recorded as expenses in the statement of income as incurred. The provident fund is registered with the Ministry of Finance as a juristic entity and is managed by a licensed Fund Manager.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

All Chinese employees of The People's Republic of China subsidiaries participate in employee social security plans, including pension, medical, housing and other welfare benefits, organised and administered by the governmental authorities. The subsidiaries have no other substantial commitments to those employees.

According to the relevant regulations, the premiums and welfare benefit contributions that are borne by the subsidiaries are calculated based on percentages of the total employees' salaries, subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are either treated as a production cost or are expensed in the statement of income as incurred. The applicable percentages used to provide for insurance premium and welfare benefit funds are listed below:

Basic pension insurance	22%
Basic housing fund	7%
Basic medical insurance	12%
Unemployment insurance	2%

24 Interest expense

	Consolidated		The Company	
	2006	2005	2006	2005
	(in million Baht)			
Interest paid and payable to:				
- financial institutions	267	107	-	-
- related parties	25	-	-	-
- other parties	19	5	19	5
Total	311	112	19	5

25 Income tax expense

The income tax expense stated in the consolidated statements of income for the years ended 31 December 2006 and 2005 was higher than the amount determined by applying the applicable income tax rate to the profit for the years primarily because losses made by certain subsidiaries, mainly subsidiaries incorporated in the People's Republic of China, can not be set off against profits made by other subsidiaries in the computation of corporate income tax for the consolidated statements of income.

Corporate income tax reduction

Royal Decree No. 387 B.E. 2544 dated 5 September 2001 grants companies listed on the Stock Exchange of Thailand after 6 September 2001 a reduction in the corporate income tax rate from 30% to 25% for taxable profit for the 5 consecutive accounting periods beginning on or after enactment. The Company has, accordingly, calculated income tax on its taxable profit for the years ended 31 December 2006 and 2005 at the 25% corporate income tax rate. However, its subsidiaries have calculated income tax on their taxable profit for those years at the rates ranging from 15% to 33% normal corporate tax rate.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

26 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2006 was based on the net profit attributable to ordinary shareholders of Baht 1,332 million (2005: Baht 1,508 million) and the weighted average number of ordinary shares outstanding during the year ended 31 December 2006 of 4,437 million shares (2005: 4,413 million shares), calculated as follows:

	Consolidated/The Company	
	2006	2005
	<i>(in million shares)</i>	
Issued ordinary shares at 1 January	4,424	4,400
Effect of ordinary shares issued during the year	13	13
Weighted average number of ordinary shares at 31 December	4,437	4,413

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2006 was based on the net profit attributable to ordinary shareholders of Baht 1,332 million (2005: Baht 1,508 million) and the weighted average number of ordinary shares outstanding during the year ended 31 December 2006 of 4,457 million shares (2005: 4,434 million shares), calculated as follows:

	Consolidated/The Company	
	2006	2005
	<i>(in million shares)</i>	
Weighted average number of ordinary shares at 31 December	4,437	4,413
Effect of shares options on issue	20	21
Weighted average number of ordinary shares (diluted) at 31 December	4,457	4,434

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

27 Promotional privileges

By virtue of the provisions of the Industrial Investment Promotion Act B.E. 2520, a local subsidiary has been granted privileges by the Board of Investment relating to the production of ready-to-serve foods or semi ready-to-serve foods. The privileges granted include:

- an exemption from payment of import duty on machinery approved by the Board of Investment;
- an exemption from payment of corporate income tax on net profit of the promoted business for certain periods and conditions as stipulated in the promotional certificate;
- an exemption from payment of import duty on necessary raw materials and supplies to be used in the production for export sales for a period of 1 year from the first import date; and
- an exemption from the payment of import duty on imported goods with the re-export condition for a period of 1 year from the first import date.

As a promoted company, the subsidiary must comply with certain conditions and restrictions provided for in the promotional certificate.

28 Dividends

	2006	2005
	<i>(in million Baht)</i>	
Cash dividends	1,330	992
Stock dividends	-	2,206
Total	1,330	3,198

At the ordinary shareholders' meeting of the Company, held on 28 April 2005, the shareholders unanimously approved the payments of:

- Cash dividends at Baht 2.25 per share to the 440,000,000 existing ordinary shareholders (totaling Baht 990 million) and the 1,144,146 new ordinary shareholders following the exercise of warrants from the Employee Stock Option Plan No. 1/2005 on 15 March 2005 (totaling Baht 2 million). Total cash dividends is Baht 992 million.
- Stock dividends in the ratio of 1 existing ordinary share to 1 stock dividend at Baht 5 par value to the 440,000,000 existing ordinary shareholders (totaling Baht 2,200 million) and the 1,144,146 new ordinary shareholders following the exercise of warrants from the Employee Stock Option Plan No. 1/2005 on 15 March 2005 (totaling Baht 6 million). Total stock dividends is Baht 2,206 million.

Both cash and stock dividends were paid to the Company's shareholders on 13 May 2005.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

At the ordinary shareholders' meeting of the Company, held on 28 April 2006, dividends of Baht 0.3 per share for 4,434,571,200 ordinary shares were approved from net profit of 2005 (total sum of Baht 1,330 million). The dividends were paid to the Company's shareholders on 15 May 2006.

29 Financial instruments

Financial risk management policies

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue 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 cash flows. The Group's exposure to change in interest rate relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. The Group mitigates this risk by ensuring that the majority of its borrowings are at fixed interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

As at 31 December 2006 and 2005 the Group had financial assets and financial liabilities exposed to interest rate risk as follows:

	Fixed rate (% per annum)	Floating rate	Consolidated Fixed interest rate maturing in:			Floating interest rate	Total
			1 year or less	Over 1 to 5 years	More than 5 years		
							(in million Baht)
2006							
Financial assets							
- Cash equivalents (excluding overdrafts and cash on hand)	4.00-5.25	0.13-5.00	707	-	-	5,388	6,095
- Current investments	4.25-5.40	4.25-5.125	550	-	-	152	702
- Restricted deposits at financial institutions	-	0-5.00	-	-	-	1,454	1,454
Financial liabilities							
- Overdrafts	-	7.00-10.75	-	-	-	8	8
- Short-term borrowings from financial institutions	-	5.022-6.875	-	-	-	6,735	6,735
- Liabilities under trust receipts	-	5.73-6.26	-	-	-	9	9
- Guarantee deposits from franchisees	-	0.50-4.00	-	-	-	772	772
- Long-term borrowings from related parties	-	5.58-7.37	-	-	-	380	380
2005							
Financial assets							
- Cash equivalents (excluding overdrafts and cash on hand)	2.00-3.50	1.40-3.99	771	-	-	5,365	6,136
- Current investments	2.50-3.55	3.00-3.50	270	-	-	197	467
- Restricted deposits at financial institutions	-	1.44	-	-	-	43	43
Financial liabilities							
- Overdrafts	-	6.00-9.75	-	-	-	35	35
- short-term borrowing from financial institution	3.55-4.75	5.22-5.859	42	-	-	3,893	3,935
- Liabilities under trust receipts	-	3.55-4.75	-	-	-	13	13
- Guarantee deposits from franchisees	-	1.00-3.00	-	-	-	640	640
- Long-term borrowings from related parties	5.125	-	-	-	-	7	7

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

	The Company					Floating interest rate	Total
	Fixed rate (% per annum)	Floating rate	Fixed interest rate maturing in: 1 year or less	Over 1 to 5 years	More than 5 years		
2006							
Financial assets							
- Cash equivalents (excluding overdrafts and cash on hand)	4.00-5.00	0.50-5.00	400	-	-	2,050	2,450
- Current investments	4.25-5.125	4.25-5.125	500	-	-	152	652
- Long-term loans to related parties	-	6.5-7.71063	-	-	-	1,166	1,166
Financial liability							
- Guarantee deposits from franchisees	-	3.00	-	-	-	631	631
2005							
Financial assets							
- Cash equivalents (excluding overdrafts and cash on hand)	3.00-3.50	0.50-2.75	550	-	-	2,767	3,317
- Current investments	-	3.00-3.50	-	-	-	197	197
- Long-term loans to related parties	-	5.50-5.7906	-	-	-	1,462	1,462
Financial liability							
- Guarantee deposits from franchisees	-	1.00	-	-	-	528	528

Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilises forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies. The forward exchange contracts entered into at the balance sheet date also relate to anticipated purchases and sales, denominated in foreign currencies, for the subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

As at 31 December 2006 and 2005 the Group had foreign currency forward contracts as follows:

	Currency	Consolidated		The Company	
		2006	2005	2006	2005
		<i>(in million)</i>			
Foreign currency forward contracts for hedging the financial assets (equivalent to Baht 786.6 million in 2006 and Baht 755.8 million in 2005)	USD	20.2	18.5	20.1	18.4
	POUND	0.7	-	-	-
Foreign currency forward contracts for hedging the financial liabilities (equivalent to Baht 33.8 million in 2006 and Baht 43.8 million in 2005)	USD	0.3	0.6	-	-
	YEN	57.1	10.8	-	-
	EURO	0.1	0.2	-	-
	SWF	-	0.1	-	-

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. However, due to the large number of parties comprising the Group's customer base, management does not anticipate material losses from its debt collection.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Fair Values

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Group takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial instrument.

The Group estimates the fair value of financial instruments; cash and cash equivalents, trade accounts receivable and payable, other receivables and payables, overdrafts and short-term borrowings from financial institutions, equal to their amounts carried in the balance sheet because of the short-term maturity of those financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

It is not practicable to estimate the fair value of the following financial assets and liabilities without incurring excessive costs:

- unquoted equity securities, due to the absence of quoted market prices; and
- non-current loans to and borrowings from related parties, due to the absence of agreed repayment terms between the parties involved.

However, management does not anticipate that the carrying amounts recorded at the balance sheet date would be significantly different from the values that would eventually be received or settled.

30 Commitments

Capital commitments

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Contracted but not provided for (construction cost of new plants and installation cost of machinery)	81	44	-	-

Non-cancellable operating lease commitments

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Within one year	3,824	3,466	1,664	1,330
After one year but within five years	10,179	12,572	1,450	1,885
After five years	31,976	47,108	-	-
Total	45,979	63,146	3,114	3,215

The Company and its local subsidiaries have various lease agreements covering lease of land, buildings, transportation and other assets with local companies for periods of 1 to 26 years, which will expire from 2007 to 2032.

Significant agreements

As at 31 December 2006 the Group had significant agreements as follows:

- The Company had an area license agreement with 7-Eleven, Inc., which was incorporated in the United States of America, to acquire a license to use the systems and trademarks of 7-Eleven, Inc. in connection with the operations of 7-Eleven convenience stores or franchising of such operations to other retailers in Thailand. The Company has also obtained certain services from 7-Eleven, Inc. relating to training and technical assistance. In consideration thereof, the Company is committed to pay royalties to 7-Eleven, Inc. as percentages of total sales of the 7-Eleven convenience stores that are operating in Thailand.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

- (b) The Company had management agreements with certain local companies for their management of the Company-owned 7-Eleven convenience stores. Under the terms of the agreements, the Company is committed to pay management fees to those licensees as percentages of gross operating profits of these convenience stores. The Company is entitled to receive the initial payments and royalties in connection with the licenses granted for operating these 7-Eleven convenience stores. These initial payments and royalties are not refundable to the licensees in any case. The initial payments include deposits to guarantee the licensees' compliance with the agreements and any damage and/or liability that might be caused by the licensees. In consideration thereof, the Company pays interest on the deposits calculated at the time deposits rates announced by a Thai financial institution. These deposits will be refunded to the licensees upon termination of the agreements.
- (c) The Company had sub-area license agreements for operating 7-Eleven convenience stores and franchising such operations to other retailers. Under the terms of the agreements, the Company will provide certain technical assistance and related services to the sub-area licensees. In consideration thereof, the Company is entitled to receive royalties as percentages of total sales of the 7-Eleven convenience stores operating in the licensed areas.
- (d) The Company and Lotus Distribution Investment Limited ("LDI"), a foreign subsidiary, had a Deed of Shareholders agreement with The China Retail Fund to engage in retail business in The People's Republic of China. The Company and LDI are required to comply with the conditions and restrictions as stipulated in the agreement and its related agreements.
- (e) A local subsidiary (Counter Service Co., Ltd.) had service agreements with government entities (e.g., utilities, telephone expenses) and with other local companies (e.g., hire purchase, life insurance premium) whereby the subsidiary operates payment centers to collect customer payments on behalf of the government entities and local companies, then remits funds to the government entities and local companies. The subsidiary may collect service income from customers or local companies as stipulated in the agreements. These agreements are for periods of 1 to 5 years, commenced and will expire on the various dates up to February 2009. The agreements will be terminated when notification is made according to the terms stipulated in the agreements.
- (f) A local subsidiary (C.P. Retailing and Marketing Co., Ltd.) had a license agreement with a foreign company whereby the latter provides a license to the subsidiary to obtain technical know-how and the managing expertise of the bakery cafe business for the manufacturing and selling of baked bread products as stipulated in the agreement. In consideration thereof, the subsidiary is committed to pay a royalty fee calculated at the rate of 0.5% of the net sales of the products. This agreement is for a period of 5 year, commencing from 1 December 2004.
- (g) A local subsidiary (Gosoft (Thailand) Co., Ltd.) had lease and service agreements with local companies, for the development, installation and leasing of systems as stipulated in the agreements. Under the term of the agreements, the subsidiary is committed to pay a service fee as stipulated in the agreements. These agreements cover periods of 3 to 12 months, commencing and expiring on various dates up to March 2007. These agreements are automatically renewed. If any of the parties do not intend to renew the agreements, then notification must be made to the other party.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2006 and 2005

- (h) A local subsidiary (Counter Service Co., Ltd.) had service agreements with certain individuals and local companies whereby the latter parties are appointed as agents of the subsidiary for receipts of customers bills as specified in the agreements. Under the terms of the agreements, the subsidiary is committed to pay a service fee as stipulated in the agreements. These agreements are effective for periods over 1 to 5 years, commencing and ending on various dates up to January 2008. If any party of each agreement has no intention to renew the agreement, a notification must be made to the other party at least 30 days before the expiry date of the agreement.

31 Contingent liabilities

As at 31 December 2006 the Company and local subsidiaries were contingently liable to financial institutions for letters of guarantee issued by the financial institutions in favor of local companies and state enterprises (mainly guarantees for payments of building leases and electricity bills) totaling Baht 1,055 million (2005: Baht 976 million).

32 New and revised accounting standards not yet adopted

On 11 October 2006 the Federation of Accounting Profession (FAP) announced that the Thai Accounting Standard No. 44 (TAS No. 44) "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" is to be revised. FAP announcement No. 26/2006 requires the parent company which has investments in a subsidiary company, an entity under joint control, or an associate company, which is not classified as a "held for sale" investment, to record such investment in accordance with either the cost method or with the recognition and measurement basis for financial instruments (when an announcement is made), instead of the equity method currently used. This revision to TAS No. 44 is applicable to financial statements covering periods beginning on or after 1 January 2007, with early adoption encouraged.

The Company proposes to adopt the change in accounting treatment for its investments in subsidiaries for the Company's 2007 financial statements. The change in accounting treatment will be applied retrospectively and the Company's 2006 financial statements, which will be included in the Company's 2007 financial statements for comparative purposes, will be restated accordingly. The effect of the change on the Company's financial statements has not presently been determined by management. The consolidated financial statements of the Group will not be affected by the change.

33 Reclassification of accounts

Certain accounts in the 2005 financial statements have been reclassified to conform with the presentation in the 2006 financial statements.

SUMMARY OF WARRANT INFORMATION

As of December 31, 2006, the details of warrants are as follows:

Type of Warrant	:	Warrants offering to directors and employees of the Company and subsidiaries
Issuance date	:	November 17, 2003
Terms	:	Not more than 5 years
Offering price per unit	:	0 Baht (zero Baht)
Existing warrants	:	5,318,614 units
Exercise price	:	4.149 Baht per share
Exercise ratio	:	One unit of warrant for 10.12213 ordinary shares
Exercise date	:	Twice a year, every 15th March and 15th September
The first exercise date	:	March 15, 2005
The last exercise date	:	September 15, 2008
Financial Advisor	:	Merrill Lynch Phatra Securities Co.,Ltd.
Shares Registrar	:	Thailand Securities Depository Co., Ltd. 2/7 Moo 4 Viphavadee Road, Laksi Bangkok 10210 Tel. 0-2596-9000

Reference Persons

Shares Registrar	:	Thailand Securities Depository Co., Ltd.
Auditor	:	Mr.Charoen Phosamritlert Certified Public Accountant Registration no. 4068 and/or Ms.Somboon Supasiripinyo Certificated Public Accountant Registration no. 3731 and/or Ms.Kalyarat Chaivaraphongsa Certified Public Accountant Registration no. 3460 and/or Mr.Vairoj Jindamaneepitak Certified Public Accountant Registration no. 3565 KPMG Phoomchai Audit Ltd.

SHAREHOLDING OF THE BOARD OF DIRECTORS AND MANAGEMENT

As at December 31, 2006

Shareholder's name and designation	Position	Number of ordinary shares (share)	Number of warrants (share)
Prof.Dr. Komain Bhatarabhirom	Director/Independent Director	0	0
Mr. Pridi Boonyoung	Director/Independent Director	226,373	22,500
Mr. Padoong Techasarintr	Director/Independent Director	225,686	22,500
Mr. Dhanin Chearavanont	Chairman	1,509,159	300,000
Mr. Korsak Chairasmisak	Vice Chairman	9,420,706	200,000
Mr. Adirek Sripratak	Director	0	0
Ms. Yun Chaing	Director	0	0
Resigned on April 1, 2006			
Mr. John S. Lin	Director	0	0
Effective on April 1, 2006			
Mr. Umroong Sanphasitvong	Director	189,789	75,000
Mr. Soopakij Chearavanont	Director	55,167	5,500
Mr. Narong Chearavanont	Director	82,835	11,000
Mr. Prasert Jarupanich	Director	225,686	22,500
Mr. Pittaya Jearavisitkul	Director	70,000	87,500
Mr. Piyawat Titasattavorakul	Director	21	87,500
Mr. Suraphan Pussadej	Assistant CEO - Human Resource	0	0
Mr. Taweesak Kaewrathtanapattama	Vice President - Accounting and Finance	20,000	0
Effective on March 1, 2006			
Mr. Tanin Buranamanit	Vice President - Operation and Marketing	67,121	53,100
Mr. Chuan Nimkittikul	Vice President - Purchasing and Distribution	200,043	51,800
Mr. Suwit Kingkaew	Vice President - General Management	431,233	49,350
Mr. Kosa Pongsupath	Vice President - Information Technology	0	42,500

SUBSIDIARIES INFORMATION

C.P. SEVEN ELEVEN PUBLIC COMPANY LIMITED

As at 31 December 2006

Subsidiaries and Affiliates in Thailand

Counter Service Co., Ltd.

Type of business	: Bill payment collection
Incorporated	: Thailand
Paid up capital	: Baht 70 million
Par value	: Baht 10 per share
Shareholding	: 99.99%

C.P. Retailing and Marketing Co., Ltd.

Type of business	: Manufacturing and sale of frozen foods and bakery
Incorporated	: Thailand
Paid up capital	: Baht 600 million
Par value	: Baht 10 per share
Shareholding	: 99.99%

Retailink (Thailand) Co., Ltd.

Type of business	: Sale and maintenance of retail equipment
Incorporated	: Thailand
Paid up capital	: Baht 20 million
Par value	: Baht 10 per share
Shareholding	: 99.99%

Gosoft (Thailand) Co., Ltd.

Type of business	: Information technology services
Incorporated	: Thailand
Paid up capital	: Baht 2 million
Par value	: Baht 10 per share
Shareholding	: 99.99%

M.A.M. Heart Co., Ltd.

Type of business	: Marketing services
Incorporated	: Thailand
Paid up capital	: Baht 1 million
Par value	: Baht 10 per share
Shareholding	: 99.99%

Dynamic Management Co., Ltd.

Type of business	: Logistics services
Incorporated	: Thailand
Paid up capital	: Baht 2 million
Par value	: Baht 10 per share
Shareholding	: 99.99%

Suksapiwat Co., Ltd.

Type of business	: Retail vocational school
Incorporated	: Thailand
Paid up capital	: Baht 555 million
Par value	: Baht 10 per share
Shareholding	: 99.99%

Thai Smart Card Co., Ltd.

Type of business	: Payment of products and services through smart card
Incorporated	: Thailand
Paid up capital	: Baht 800 million
Par value	: Baht 10 per share
Shareholding	: 61.03%

Panyatara Co., Ltd.

Type of business	: Training & seminar services
Incorporated	: Thailand
Paid up capital	: Baht 1 million
Par value	: Baht 10 per share
Shareholding	: 99.99%

Subsidiaries and Affiliates in overseas

Lotus Distribution Investment Limited

Type of business	: Investment business
Incorporated	: British Virgin Island
Paid up capital	: USD 30.9 million
Shareholding	: 100%

Yangtze Supermarket Investment Co., Ltd.

Type of business	: Investment business
Incorporated	: British Virgin Island
Paid up capital	: USD 100
Shareholding	: 55%

Emerald Innovation Management Co., Ltd.

Type of business	: Investment business
Incorporated	: British Virgin Island
Paid up capital	: USD 3.41 million
Shareholding	: 55%

Shanghai Lotus Supermarket

Chain Store Co., Ltd.

Type of business	: Supercenter business
Incorporated	: People's Republic of China
Paid up capital	: USD 84 million
Shareholding	: 29.70%

Shanghai C.P. Jing Cheng

Enterprise Development Co., Ltd.

Type of business	: Trading business
Incorporated	: People's Republic of China
Paid up capital	: USD 15 million
Shareholding	: 100%

Ek Chor Trading (Shanghai) Co., Ltd.

Type of business	: Non-active
Incorporated	: People's Republic of China
Paid up capital	: USD 6.5 million
Shareholding	: 55%

Ek Chor Distribution System Co., Ltd.

Type of business	: Non-active
Incorporated	: Hong Kong
Paid up capital	: HKD 2
Shareholding	: 100%



บริษัท ซี.พี. เซเว่นอีเลฟเว่น จำกัด (มหาชน)

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