

Central Plaza Hotel Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2007 and 2006

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These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the audit committee on 19 February 2008.

1 General information

Central Plaza Hotel Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 1695 Phaholyothin Road, Chatuchak, Bangkok, Thailand.

The Company was listed on the Stock Exchange of Thailand on 10 January 1990.

The principal businesses of the Company are in the hotel business. Details of the Company’s subsidiaries and property funds as at 31 December 2007 and 2006 as follows:

Name of the entity	Type of business	Country of incorporation	Ownership interest	
			2007	2006
(%)				
Direct subsidiaries				
Investment in subsidiaries				
Central Samui Beach Resort Co., Ltd. (“CSBR”)	Hotel	Thailand	100.0	100.0
Central Karon Village Co., Ltd. (“CKV”)	Hotel	Thailand	100.0	100.0
Central Krabi Bay Resort Co., Ltd. (“CKBR”)	Hotel	Thailand	100.0	100.0
Central World Hotel Co., Ltd. (“CWH”)	Hotel	Thailand	100.0	100.0
Central Koh Kood Hotel Co., Ltd. (“CKH”)	Hotel	Thailand	100.0	100.0
Central Hua Hin Beach Resort Co., Ltd. (“CHBR”)	Hotel	Thailand	63.9	63.9
Central Hotel Management Co., Ltd. (“CHM”)	Holding	Thailand	100.0	100.0
Central Restaurants Group Co., Ltd. (“CRG”)	Food and beverage	Thailand	100.0	100.0
Triplenine Decor Co., Ltd.	Dormant company	Thailand	100.0	-
Investment in property funds				
Thai Pattana Fund I	Property fund	Thailand	20.0	20.0
Thai Pattana Fund II	Property fund	Thailand	23.83	23.83

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Name of the entity	Type of business	Country of incorporation	Ownership interest	
			2007	2006
(%)				
<i>Indirect subsidiaries</i>				
Investment in subsidiaries				
Central Sukhontha Hotel Co., Ltd. (“CSH”)	Hotel	Thailand	100.0	100.0
Central Samui Village Co., Ltd. (“CSV”)	Hotel	Thailand	100.0	100.0
Central Mae Sot Hill Hotel Co., Ltd. (“CMH”)	Hotel	Thailand	98.4	98.4
B - R (Thailand) Co., Ltd. (“BRT”)	Food and beverage	Thailand	100.0	100.0
Central Laundry Services Co., Ltd. (“CLS”) (Formerly: Central Maritime Hotel Co., Ltd.)	Dormant company	Thailand	100.0	100.0
Investment in property funds				
Thai Pattana Fund I	Property fund	Thailand	0.04	0.04
Thai Pattana Fund II	Property fund	Thailand	0.09	0.09

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 (“FAP”) and with generally accepted accounting principles in Thailand.

During 2007, the FAP issued the following revised TAS relevant to the Group’s operations and effective for accounting periods beginning on or after 1 January 2007:

TAS 44 (revised 2007)	<i>Consolidated and Separate Financial Statements</i>
TAS 45 (revised 2007)	<i>Investments in Associates</i>
TAS 46 (revised 2007)	<i>Interest in Joint Ventures</i>

The adoption of these revised TAS has resulted in a change in the Company’s accounting policy for interests in subsidiaries and jointly-controlled entities in the separate financial statements of the Company. The effects of this change are disclosed in note 24.

In addition to the above revised TAS, the FAP has issued during 2007 a number of other new and revised TAS which are only effective for financial statements beginning on or after 1 January 2008 and have not been adopted in the preparation of these financial statements. These new and revised TAS are disclosed in note 28.

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

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The preparation of financial statements in conformity with TAS requires management to make judgements, 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. Accordingly, actual results may differ from these estimates.

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.

3 Significant accounting policies

(a) *Basis of consolidation*

The consolidated financial statements relate to the Company and its subsidiaries and property funds (together referred to as the “Group”) and the Group’s interest in jointly-controlled entities.

Significant intra-group transactions between the Company and its subsidiaries and property funds 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.

Property funds

Although, the Company’s holdings in Thai Pattana Fund I and Thai Pattana Fund II (“Fund”) both directly and indirectly are 20.04% and 23.92%, respectively, the Company has control over the funds since the Company has authority to control and make decisions through the funds’ directors. The Company, therefore has treated the said funds as subsidiaries.

Jointly-controlled entities

Jointly-controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group’s share of the total recognized gains and losses of jointly controlled entities on an equity accounted basis, from the date that joint control commences until the date that joint control ceases. When the Group’s share of losses exceeds its interest in a jointly controlled entity, 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 jointly-controlled entities.

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(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.

(c) Cash and cash equivalents

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

(d) Trade and other accounts receivable

Trade and other accounts receivable 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.

(e) Inventories

Inventories are stated at the lower of cost (FIFO method) and net realisable value.

A subsidiary engaged in the manufacturing and sale of ice-cream products values its inventories at the lower of cost (moving average method) and net realisable value.

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

(f) Investments

Investments in subsidiaries, property funds and jointly-controlled entities.

Investments in subsidiaries, property funds and jointly-controlled entities, in the separate financial statements of the Company, are accounted for using the cost method. This is a change of accounting policy, the effects of which are disclosed in note 24. Investments in jointly-controlled entities in the consolidated financial statements are accounted for using the equity method.

Investment in equity securities

Marketable equity securities other than those securities held for trading 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 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.

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(g) *Property, plant and equipment*

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for property and equipment which are stated at their revalued amounts. The revalued amount is the fair value determined on the basis of the property's existing use at the date of revaluation less accumulated depreciation and impairment losses.

Revalued assets

Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Any increase in value, on revaluation, is credited to equity under the heading 'revaluation surplus' unless it offsets a previous decrease in value recognised in the statement of income in respect of the same asset. A decrease in value is recognised in the statement of income to the extent it exceeds an increase previously recognised in equity in respect of the same asset.

Major property, plant and equipment of the Company and certain subsidiaries are recorded at revalued amounts, as revalued by an independent professional valuers. Property, plant and equipment acquired subsequent to the appraisal dates and the property and equipment of the other subsidiaries are recorded at cost. The Company and subsidiaries have a policy to revalue property and equipment whenever the fair value of the revalued assets changes significantly.

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:

Building and improvements	5 - 40	years
Furniture, fixtures and office equipment	5 - 12.5	years
Machinery and equipment	5 - 10	years
Vehicles	5 - 10	years

Plant and equipment stated at revalued amounts are depreciated using the straight-line method over their remaining useful lives. Leasehold building and leasehold improvements are depreciated over the lease terms. Operating equipment is written off to expense using the inventory method at cost.

No depreciation is provided on freehold land or assets under construction.

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(i) *Leasehold rights*

Leasehold rights are recorded at revalued amounts except a certain subsidiary that recorded its leasehold rights at cost. The revalued amounts are determined by independent professional valuers. The Company has a policy to appraise leasehold rights whenever the fair value of the revalued leasehold rights changes significantly.

Amortisation

Leasehold rights are amortised on a straight-line method over the remaining terms of the leases.

(j) *Goodwill*

Goodwill in a business combination 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 in a business combination 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 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.

Amortisation

Goodwill and negative goodwill are amortized over 10 years.

(k) *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 asset's recoverable amount is estimated.

An impairment loss 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 unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset 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 recognized 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.

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Calculation of recoverable amount

The recoverable amount is the greater of the assets' 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 is reversed if there has been a change in the estimates used to determine the recoverable amount.

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.

(l) Trade and other account payables

Trade and other account payables 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) Revenue

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

Sale of goods and services rendered

Revenue 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.

Hotel revenues from room, food and beverage and other services are recognised when the rooms are occupied, food and beverages are sold and the services are rendered.

Revenues from quick service restaurant business are recognised when food and beverages are sold to the customers.

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Interest income and dividend income

Interest income is recognised in the statement of income as it accrues. Dividend income is recognised in the statement of income on the date the Group's right to receive payments is established.

(o) *Deferred income*

The Company and a subsidiary recognise annual membership fees as income using the straight-line method over the term of membership.

Certain subsidiaries recognise deferred rental and service income and subsidy as income using the straight-line method over the terms of the agreements.

(p) *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.

Finance costs

Interest expenses and similar costs are charged to the statement of income in 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.

(q) *Income tax*

Income tax on the profit or loss for the year comprises current 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 applicable to the reporting period, and any adjustment to tax payable in respect of previous years.

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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 price exists, at contractually agreed prices.

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

Transactions	Pricing policies
Interest income and interest expense	Bank deposit interest rate
Management fee income and expense	Contractually agreed prices
Electricity expenses	Market price
Rental income and expense	Market price and contractually agreed prices
Construction cost	Market price

Significant transactions for the years ended 31 December 2007 and 2006 with related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
<i>Subsidiaries:</i>				
Rental income	-	-	1,290	500
Interest income	-	-	106,225	34,310
Management fees income	-	-	89,852	82,559
Other income	-	-	-	425
Interest expense	-	-	58,954	63,513
Other expenses	-	-	1,453	-
<i>Property fund:</i>				
<i>Thai Pattana Fund II</i>				
Rental expense	-	-	110,000	91,667
<i>Jointly-controlled entities:</i>				
Management fees income	17,141	3,632	17,141	3,632
Other incomes	2,111	-	-	-
Interest income	-	2,016	-	2,016

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	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Other companies				
<i>(Common shareholders and/or Director of the Group)</i>				
Rental income	14,279	14,279	-	-
Management fees income	-	3,234	-	3,234
Area rental income	16,076	16,637	16,076	16,637
Other income	21,431	22,447	-	-
Rental expense	25,821	23,020	16,071	18,020
Electricity expense	44,128	47,634	44,128	47,634
Management fees expense	31,449	32,545	6,442	6,986
Construction cost	356,177	348,083	-	-

Balances as at 31 December 2007 and 2006 with related parties were as follows:

Receivable from related parties

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	42,008	29,929
Other companies	7,648	7,991	4,865	3,703
	<u>7,648</u>	<u>7,991</u>	<u>46,873</u>	<u>33,632</u>

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
	Interest rate			
	2007	2006		
	<i>(% per annum)</i>			
<i>Loans to related parties</i>				
Subsidiaries				
Central Krabi Bay Resort Co., Ltd.	5.25	5.50	-	-
			608,000	595,000
Central World Hotel Co., Ltd.	5.25	5.50	-	-
			2,179,000	626,000
Tripplenine Decor Co., Ltd.	-	-	-	-
			81,176	-
Jointly-controlled entity				
Karon Phuket Hotel Co., Ltd.	6.5	-	5,000	-
			<u>5,000</u>	<u>-</u>
			<u>2,873,176</u>	<u>1,221,000</u>

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Movements during the years ended 31 December 2007 and 2006 of short-term loans to related parties were as follows:

Loans to related parties

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
At 1 January	-	-	1,221,000	377,000
Increase	5,000	115,000	1,832,926	1,253,500
Decrease	-	(115,000)	(180,750)	(409,500)
At 31 December	<u>5,000</u>	<u>-</u>	<u>2,873,176</u>	<u>1,221,000</u>

Loans to related parties were classified as follow:

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Short-term loans	5,000	-	2,410,100	1,221,000
Long-term loans	-	-	463,076	-
Total	<u>5,000</u>	<u>-</u>	<u>2,873,176</u>	<u>1,221,000</u>

Payable to related parties

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	3,408	321
Other companies	2,569	4,991	28	12
Total	<u>2,569</u>	<u>4,991</u>	<u>3,436</u>	<u>333</u>

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
	Interest rate			
	2007	2006		
	(% per annum)			
Short-term loans from related parties				
Subsidiaries				
Central Samui Beach Resort Co., Ltd.	5.25	5.50	-	-
			465,000	819,000
Central Karon Village Co., Ltd.	5.25	5.50	-	-
			32,000	58,000
Central Hua Hin Beach Resort Co., Ltd.	3.50	5.50	-	-
			60,000	161,500
Central Hotel Management Co., Ltd.	5.25	5.50	-	-
			263,500	249,500
			<u>820,500</u>	<u>1,288,000</u>

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Liability under consignment agreement

The outstanding amount due to Thai Pattana Fund II matured as follows:

	2007			2006		
	Amount due	Deferred expenses	Net	Amount due	Deferred expenses	Net
	<i>(in thousand Baht)</i>					
Within one year	81,500	(5,661)	75,839	81,500	(5,661)	75,839
After one year but within five year	326,000	(22,642)	303,358	326,000	(22,642)	303,358
After five year	122,250	(5,523)	116,727	203,750	(11,184)	192,566
	448,250	(28,165)	420,085	529,750	(33,826)	495,924
Total	529,750	(33,826)	495,924	611,250	(39,487)	571,763

Significant agreements with related parties

Long - term lease agreements

The Company

In 1992, the Company renewed the lease agreement with Central Pattana Public Co., Ltd. for the leasing of Bangkok Convention Center for a period of 17 years. The lease will expire on 18 December 2008. Under the terms of this agreement, the Company was required to pay the lessor Baht 115 million for this leasehold right. This amount is presented as leasehold rights in the balance sheets. In addition, the Company was required to pay annual rent of Baht 1 million. The annual rental charge increases by 5% yearly. The Company can renew the agreement by giving written notice to the lessor prior to the expiry date of the agreement.

On 1 May 1989, the Company entered into a lease agreement for a parking lot and tennis court with Central Pattana Public Co., Ltd. This agreement was originally for a period of 3 years commencing from 1 January 1989. This agreement is renewable for periods of 3 years each. The lessor is entitled to increase the annual rental by 5% of the preceding year's rental. The annual rental expense for this agreement is currently approximately Baht 3 million.

Subsidiaries

Central World Hotel Co., Ltd.

On 28 April 2005, Central World Hotel Co., Ltd. ("CWH"), entered into a sublease of hotel land and building with Thai Business Fund 4 to develop and to operate a hotel or other related businesses. CWH is required to pay rental in advance and annual rental fee of Baht 1,188.75 million to the Fund up to the end of the agreement on 22 December 2032. CWH already paid the rental in advance upon signing the agreement in the amount of Baht 275 million.

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Central Samui Beach Resort Co., Ltd.

On 12 December 2002, Central Samui Beach Resort Co., Ltd., (“CSBR”) entered into a purchase and sales agreement with Thai Pattana Fund I (“Fund”) in which CSBR agreed to sell a hotel building and furniture for hotel operations to the fund for Baht 437 million. CSBR also entered into a leaseback agreement with the fund on the same date for a three year period from the agreement date. The leaseback agreement can be renewed for three-year periods. The rental for each renewal period will be based on the prior rental unless an adjustment in rental is agreed. The adjustment for increase or decrease of rental should not exceed 15% of the average rental for the prior year. CSBR committed to make semi annual rental payments of Baht 150 million (See note 14).

However, CSBR and the fund agreed to decrease the semi-annual rental from Baht 150 million to Baht 127.5 million, commencing from the payment due on 30 September 2004 onward.

On 2 December 2005, CSBR and the fund agreed to extend the said leaseback agreement for 3 years, starting from 12 December 2005 to 11 December 2008.

In addition, on 12 December 2002, CSBR entered into a land lease agreement with the fund for a 15 years period from 12 December 2002 to 11 December 2017. On the agreement date, the fund agreed to pay land rental of Baht 910 million for the total lease period to CSBR. Under this agreement, the fund as the owner of the hotel buildings which are located on the leased land, agreed to sell the said hotel buildings including furniture back to CSBR on the transfer of the building ownership date. The transfer of building ownership will be made when CSBR has made full repayment for repurchase of the hotel buildings and furniture to the fund as stated in the agreement.

The fund hired CSBR as property manager according to property management agreement dated 12 December 2002 for a 15-year period from the agreement date. The fund agreed to pay a property management fee to CSBR of Baht 1.5 million every six months. Under the said agreement, CSBR agreed to follow the conditions as stated in this agreement such as to maintain a liabilities to equity ratio of not exceeding 2:1 according to the detail of calculation as stated in the agreement and to maintain the ratio of the outstanding investment units for type A investors to the market value of hotel not exceeding 0.65 : 1 and others.

As guarantee for the repayment and compliance with this agreement, CSBR has mortgaged land, which is the location of the said leased assets, and Central Plaza Hotel Public Co., Ltd. has prepared a guarantee letter for the repayment and compliance with the building lease agreement and property management agreement.

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Central Wong Amat Beach Resort, Pattaya

On 23 December 2003, Central Hua Hin Beach Resort Co., Ltd. (“CHBR”) entered into a land and hotel buildings lease agreement of Central Wong Amat Beach Resort, Pattaya (“Hotel Buildings”) with Thai Pattana Fund 2 (“The Fund”) to operate the hotel business for a period of 10 years, starting from 23 December 2003 onwards. Thus, CHBR agreed to pay the rent, on a semi-annual basis, by instalments of Baht 55 million each. The lease rate will be in force for the lease period starting from the date of signing the agreement until 28 February 2007, after which the contracting parties will adjust the rental as appropriate. The first payment of rent was due on 26 August 2004 to cover the lease period from 23 December 2003 until 31 August 2004 and the next payment is due on the third working day before the end of February and August of each year. The last payment of rent will be made upon termination or ending of the agreement, in the amount calculated based on the actual number of days counting from the date following the preceding payment of rent until the end of the agreement (See note 14)

In addition, CHBR agreed to build a building or other construction on the leased land in order to add value to the land and hotel buildings as compensation to the Fund for agreeing with CHBR to lease the assets and, one year after the beginning of the lease period, CHBR agreed to renovate and/or consider to renovate the hotel building to improve the value of leased assets and the suitability of its hotel business.

On 1 March 2006, the Company entered into a leasehold rights transfer agreement with CHBR and the Fund. The transfer agreement granted the Company the leaseholder rights and responsibilities under land and hotel buildings lease agreement.

On 23 December 2003, Central International Development Co., Ltd (“the Consignor”) entered into a consignment agreement of land and building with Thai Pattana Fund 2 (“the Consignee”) and other party as another consignor had entered into a consignment agreement of land with Thai Pattana Fund 2 (“the Consignee”) for Central Hua Hin Beach Resort (“CHBR”) to lease and operate the hotel business, the contracting parties of which agreed with the consignors or Central Hua Hin Beach Resort Co., Ltd. or Central Plaza Hotel Public Company Limited, either of which will have the right to redeem the assets on consignment from the consignee at the redeemable price stipulated in the agreement within ten years counting from the registration date of the ownership transfer or in the case of the one who has the right to redeem wishing to finalize the redemption of the assets on consignment prior to ten years’ period will have to notify the consignee in writing, in advance not less than 30 days before the next installment is due.

On 18 December 2003, both consignors issued the renounce letter for the right to redeem the assets on consignment to CHBR and Central Plaza Hotel Public Company Limited.

As guarantee for the repayment and compliance with this agreement, Central Plaza Hotel Public Co., Ltd. has prepared a guarantee letter for the repayment of CHBR to Thai Pattana Fund 2.

On 1 March 2006, CHBR issued the renounce letter for the right to redeem the assets on consignment for the Company only.

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For the years ended 31 December 2007 and 2006

Long - term service agreements

The Company

On 1 July 2004, the Company entered into management agreements with its subsidiaries, effective from 1 January 2004. Management fee would be paid on a quarterly basis. The parties to the agreement have the right to amend the agreement, as detailed below:

- The Company entered into management agreements with its eight subsidiaries in the hotel group to manage the hotel operations. Under the said agreements, the Company would receive management fee based on the percentage of net sales specified in the agreements, divided into operational management fee and marketing management fee.
- The Company entered into a marketing management agreement with another subsidiary in the hotel group. Under this agreement, the Company would receive the marketing management fee at the percentage of net sales specified in the agreement.
- The Company entered into a management agreement with Central Restaurants Group Co., Ltd. ("CRG"), for the operational management of CRG. Under the said agreement, the Company would receive a monthly fixed management fee as specified in the agreement.

On 31 March 2006 and 26 May 2006, the Company entered into management agreements with Karon Phuket Hotel Co., Ltd. ("CKR") and Kata Phuket Hotel Co., Ltd. ("CKT") to manage the hotel's operation for 5 years ending March 2011 and May 2011, respectively. The agreements are automatically renewable for 5 years. Under the said agreements, the Company would receive the management fee as specified in the agreements.

Subsidiaries

Central Hua Hin Beach Resort Co., Ltd. ("CHBR") entered into a management agreement with AAPC (Thailand) Limited. Under the terms of the management agreement, the latter will provide the Hotel's management and operations for CHBR. CHBR agreed to pay a management fee, which calculated based on the method stated in the agreement. The term of the agreement is up to June 2008 and automatically renewable for one year.

On 1 January 2001, Central Hua Hin Beach Resort Co., Ltd. ("CHBR") entered into a service agreement with Harng Central Department Store Co., Ltd., in order to receive information and various suggestions, which are beneficial to CHBR. Annual service fee is Baht 10 million. Either party can extend the agreement for another 1 year, when the agreement expires. The service fee will be reviewed by both parties.

Central Sukhontha Hotel Co., Ltd. ("CSH") has entered into a rental and services agreement with Central Department Store Co., Ltd. for a period of 30 years ending on 31 May 2024. Central Department Store Co., Ltd. agreed to lease part of the building as a shopping center. Total income to CSH under the agreement will amount to approximately Baht 428 million in total.

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Franchise agreements

The Company

The Company entered into a franchise contract with AAPC (Thailand) Limited., on permitting the Company to operate a hotel business under the name “Sofitel” up to 30 June 2008; and in return for this right, the Company agreed to pay a fee based on the total accommodation income, at the rate specified in the contract.

Subsidiaries

Central Sukhontha Hotel Co., Ltd. (“CSH”) entered into a franchise agreement with AAPC (Thailand) Co., Ltd, whereby CSH was allowed to use the name of “Novotel” up to 30 June 2008. In consideration thereof, CSH agreed to pay a fee at the percentage of room revenue as stated in the agreement.

Sublicense agreement

On 3 November 2003, Central Restaurants Group Co., Ltd. (“CRG”), being granted a sublicense from Central Ice Cream Co., Ltd., entered into a sublicense agreement with B-R (Thailand) Co., Ltd., which allowed CRG to operate under the trademark of “Baskin - Robbins” on its products in the Kingdom of Thailand.

Long - term lease and service agreements

Central Restaurants Group Co., Ltd. (“CRG”) had long-term lease and service agreements with related company for periods of 3 to 30 years up to 2026. According to the terms of the agreements, CRG has to pay monthly rental and service charges at fixed rates or at certain percentages of gross sales

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
<i>Non-cancellable operating lease commitments</i>				
Within one year	253,843	241,738	-	-
After one year but within three years	220,614	213,683	-	-
After three years	26,372	26,484	-	-
Total	500,829	481,905	-	-

Central Plaza Hotel Public Company Limited and its Subsidiaries

Notes to the financial statements

For the years ended 31 December 2007 and 2006

Commitments under agreements with related parties

The Company

As at 31 December 2007, the Company guaranteed the overdraft lines, letters of credit and various guarantees for subsidiaries to various local banks totaling Baht 108 million.

The Company provided guarantee in respect to Central World Hotel Co., Ltd. ("CWH") loans to a financial institution in the amount not less than Baht 2,350 million. If CWH has an outstanding loan balance not over Baht 1,000 million and has never been in default, CWH has the right to cancel the guarantee. As at 31 December 2007, CWH has not made the first withdrawal under the agreement.

5 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
		<i>(in thousand Baht)</i>		
Cash at bank and on hand	113,087	74,602	6,722	4,028
Highly liquid short-term investments	-	-	-	-
Total	113,087	74,602	6,722	4,028

6 Trade accounts receivable

Aging analyses for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
		<i>(in thousand Baht)</i>		
Within credit terms	257,659	215,570	59,618	63,488
Overdue:				
Less than 3 months	64,094	58,567	4,200	1,850
3-6 months	8,264	8,399	2,356	910
6-12 months	3,563	13,111	2,152	445
Over 12 months	3,556	1,189	593	474
	337,136	296,836	68,919	67,167
Less allowance for doubtful accounts	(578)	(805)	(389)	(474)
Net	336,558	296,031	68,530	66,693

The normal credit term granted by the Group ranges from 15 days to 30 days.

Central Plaza Hotel Public Company Limited and its Subsidiaries

Notes to the financial statements

For the years ended 31 December 2007 and 2006

7 Inventories

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Food and beverage	147,799	143,701	7,364	7,362
Operating supplies	78,036	64,291	2,512	3,394
Others	12,879	9,470	200	182
	<u>238,714</u>	<u>217,462</u>	<u>10,076</u>	<u>10,938</u>
<i>Less</i> allowance for obsolete stock	<u>(1,102)</u>	<u>(2,554)</u>	<u>-</u>	<u>-</u>
Net	<u>237,612</u>	<u>214,908</u>	<u>10,076</u>	<u>10,938</u>

8 Other current assets

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Advance to supplies	24,270	24,270	-	-
Revenue department receivable	183,602	118,171	-	12
Prepaid expenses	24,359	21,055	19,232	13,807
Prepaid income tax	3,843	3,843	3,843	3,843
Withholding income tax	6,257	5,483	5,514	4,718
Others	59,631	53,967	27,759	15,361
Total	<u>301,962</u>	<u>226,789</u>	<u>56,348</u>	<u>37,741</u>

9 Investments in subsidiaries, property funds and jointly-controlled entities

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
At 1 January	186,449	-	4,659,078	4,291,426
Additional investments	-	240,000	250	395,280
Share of net losses of investments - equity method	(28,161)	(53,551)	-	-
Unit redemption from investment in property fund	-	-	(37,419)	(27,708)
Transfer of investment	-	-	-	80
<i>Less</i> allowance for impairment	<u>-</u>	<u>-</u>	<u>(210,000)</u>	<u>-</u>
At 31 December	<u>158,288</u>	<u>186,449</u>	<u>4,411,909</u>	<u>4,659,078</u>

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Investments in subsidiaries, property funds and jointly-controlled entities as at 31 December 2007 and 2006, and dividend income from those investments for the years then ended were as follows:

Consolidated financial statements								
	Ownership interest (%)		Paid-up capital		Equity method		Dividend income	
	2007	2006	2007	2006	2007	2006	2007	2006
	<i>(in thousand Baht)</i>							
<i>Jointly-controlled entities</i>								
Karon Phuket Hotel Co., Ltd.	50.0	50.0	360,000	360,000	98,407	129,546	-	-
Kata Phuket Hotel Co., Ltd.	50.0	50.0	120,000	120,000	59,881	56,903	-	-
Total			480,000	480,000	158,288	186,449	-	-

Central Plaza Hotel Public Company Limited and its Subsidiaries

Notes to the financial statements

For the years ended 31 December 2007 and 2006

Separate financial statements

	Ownership interest (%)		Paid-up capital		Cost method		Dividend income	
	2007	2006	2007	2006	2007	2006	2007	2006
	<i>(in thousand Baht)</i>							
<i>Subsidiaries</i>								
Central Samui Beach Resort Co., Ltd.	100.0	100.0	250,000	250,000	394,383	394,383	120,000	-
Central Karon Village Co., Ltd.	100.0	100.0	150,000	150,000	189,000	189,000	-	-
Central Krabi Bay Resort Co., Ltd.	100.0	100.0	500,000	500,000	500,000	500,000	-	-
Central World Hotel Co., Ltd.	100.0	100.0	1,000,000	1,000,000	1,000,000	1,000,000	-	-
Central Koh Kood Hotel Co., Ltd.	100.0	100.0	120,000	120,000	120,000	120,000	-	-
Central Hua Hin Beach Resort Co., Ltd.	63.9	63.9	185,000	185,000	198,906	198,906	165,635	59,155
Central Hotel Management Co., Ltd.	100.0	100.0	1,000,000	1,000,000	999,999	999,999	-	-
Central Restaurants Group Co., Ltd.	100.0	100.0	620,000	620,000	669,607	669,607	200,000	40,052
Triplenine Decor Co., Ltd.	100.0	-	250	-	250	-	-	-
<i>Property funds</i>								
Thai Pattana Fund I	20.04	20.04	1,350,000	1,350,000	183,534	201,533	124,693	119,044
Thai Pattana Fund II	23.83	23.83	815,000	815,000	126,230	145,650	83,631	44,612
<i>Jointly-controlled entities</i>								
Karon Phuket Hotel Co., Ltd.	50.0	50.0	360,000	360,000	180,000	180,000	-	-
Kata Phuket Hotel Co., Ltd.	50.0	50.0	120,000	120,000	60,000	60,000	-	-
Total			6,470,250	6,470,000	4,621,909	4,659,078	693,959	262,863
<i>Less allowance for impairment on investment</i>					(210,000)	-		
Net					4,411,909	4,659,078		

Central Plaza Hotel Public Company Limited and its Subsidiaries
Notes to the financial statements
For the years ended 31 December 2007 and 2006

10 Property, plant and equipment

Consolidated financial statements

	Land	Land improvement	Building and improvement	Furniture, fixtures and equipment	Machinery and equipment (in thousand Baht)	Hotel operating equipment	Leasehold improvement	Vehicles	Construction in progress	Total
Cost / revaluation										
At 1 January 2006	2,019,296	44,961	4,182,909	1,381,106	1,813,225	107,240	66,630	119,178	1,477,524	11,212,069
Additions	-	2,019	253,584	136,032	147,859	29,394	658	23,082	1,423,351	2,015,979
Transfers	-	158,703	900,920	74,581	271,583	(179)	278	29,008	(1,434,894)	-
Disposals	-	-	(128,257)	(41,688)	(28,694)	(16,819)	-	(3,955)	(280)	(219,693)
At 31 December 2006 and 1 January 2007	2,019,296	205,683	5,209,156	1,550,031	2,203,973	119,636	67,566	167,313	1,465,701	13,008,355
Additions	13,441	1,009	169,152	127,717	108,218	61,995	2,994	25,603	2,015,087	2,525,216
Transfer from advance payment for land	81,426	-	-	-	-	-	-	-	-	81,426
Transfers	-	127	1,222,799	49,708	582,802	(289)	20,424	6,409	(1,881,980)	-
Disposals	(1,684)	(46)	(23,556)	(33,911)	(37,169)	(16,089)	(11,994)	(1,620)	(707)	(126,776)
At 31 December 2007	2,112,479	206,773	6,577,551	1,693,545	2,857,824	165,253	78,990	197,705	1,598,101	15,488,221
Accumulated depreciation										
At 1 January 2006	-	28,432	2,270,640	1,077,497	1,397,647	-	34,323	75,406	-	4,883,945
Depreciation charge for the year	-	21,560	303,160	116,374	156,669	-	11,628	23,694	-	633,085
Transfers	-	-	-	(73)	100	-	-	(27)	-	-
Disposals	-	-	(81,322)	(39,307)	(27,029)	-	-	(4,094)	-	(151,752)
At 31 December 2006 and 1 January 2007	-	49,992	2,492,478	1,154,491	1,527,387	-	45,951	94,979	-	5,365,278
Depreciation charge for the year	-	22,054	356,017	132,465	189,268	-	10,563	24,921	-	735,288
Transfers	-	-	(573)	(2,924)	3,495	-	-	2	-	-
Disposals	-	-	(14,273)	(33,261)	(35,290)	-	(11,966)	(1,139)	-	(95,929)
At 31 December 2007	-	72,046	2,833,649	1,250,771	1,684,860	-	44,548	118,763	-	6,004,637

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Consolidated financial statements

	Land	Land improvement	Building and improvement	Furniture, fixtures and equipment	Machinery and equipment (in thousand Baht)	Hotel operating equipment	Leasehold improvement	Vehicles	Construction in progress	Total
<i>Allowance for impairment of assets</i>										
At 1 January 2006	-	-	6,164	215	-	-	-	-	-	6,379
Additions	-	-	5,113	10	1,490	-	-	-	-	6,613
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2006 and 1 January 2007	-	-	11,277	225	1,490	-	-	-	-	12,992
Additions	-	-	105	-	-	-	-	-	-	105
Disposals	-	-	-	(62)	(1,490)	-	-	-	-	(1,552)
At 31 December 2007	-	-	11,382	163	-	-	-	-	-	11,545
<i>Net book value</i>										
At 31 December 2006	2,019,296	155,691	2,705,401	395,315	675,096	119,636	21,615	72,334	1,465,701	7,630,085
At 31 December 2007	2,112,479	134,727	3,732,520	442,611	1,172,964	165,253	34,442	78,942	1,598,101	9,472,039

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For the years ended 31 December 2007 and 2006

	Separate financial statements								Total
	Land	Building and improvement	Furniture, fixtures and equipment	Machinery and equipment	Hotel operating equipment (in thousand Baht)	Leasehold improvement	Vehicles	Construction in progress	
Cost/revaluation									
At 1 January 2006	-	1,098,585	487,148	528,889	34,001	66,630	63,808	29,043	2,308,104
Additions	772,117	180	5,103	10,232	9,682	657	3,195	149,926	951,092
Transfers	-	-	912	10,977	-	278	-	(12,167)	-
Disposals	-	-	(2,715)	(2,059)	(6,212)	-	-	-	(10,986)
At 31 December 2006 and 1 January 2007	772,117	1,098,765	490,448	548,039	37,471	67,565	67,003	166,802	3,248,210
Additions	-	-	7,650	2,219	2,967	2,993	5,272	343,271	364,372
Transfers	-	-	2,787	76,071	-	20,424	-	(99,282)	-
Disposals	-	-	(2,701)	(2,741)	(3,767)	(11,993)	-	-	(21,202)
At 31 December 2007	772,117	1,098,765	498,184	623,588	36,671	78,989	72,275	410,791	3,591,380
Accumulated depreciation									
At 1 January 2006	-	958,551	446,661	453,895	-	34,322	48,892	-	1,942,321
Depreciation charge for the year	-	49,697	14,126	25,670	-	11,628	8,372	-	109,493
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	(2,633)	(1,897)	-	-	-	-	(4,530)
At 31 December 2006 and 1 January 2007	-	1,008,248	458,154	477,668	-	45,950	57,264	-	2,047,284
Depreciation charge for the year	-	45,454	13,029	27,579	-	10,563	5,933	-	102,558
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	(2,564)	(2,619)	-	(11,966)	-	-	(17,149)
At 31 December 2007	-	1,053,702	468,619	502,628	-	44,547	63,197	-	2,132,693
Net book value									
At 31 December 2006	772,117	90,517	32,294	70,371	37,471	21,615	9,739	166,802	1,200,926
At 31 December 2007	772,117	45,063	29,565	120,960	36,671	34,442	9,078	410,791	1,458,687

Central Plaza Hotel Public Company Limited and its Subsidiaries

Notes to the financial statements

For the years ended 31 December 2007 and 2006

At 31 December 2007, three subsidiaries mortgaged land, buildings and construction with carrying value of Baht 1,233 million (2006: Baht 1,277 million) as collateral for bank overdrafts and long term loan with financial institutions and property funds.

The land lease agreement for the Hua Hin Railway Hotel stipulates that hotel buildings and premises including the additional fixtures paid by a subsidiary, Central Hua Hin Beach Resort Co., Ltd., belong to the State Railway of Thailand.

The gross carrying amount of fully depreciated property and equipment that was still in use was the following:

	2007	2006
	(in thousand Baht)	
The Group	2,578,211	2,305,597
The Company	960,777	912,586

Revaluation of assets

The last revaluations of the Group's property, plant and equipment were made by independent professional valuers in 2004. The revaluations were mainly applied the Depreciated Replacement Cost approach. The valuation surplus is shown under "revaluation surplus" under shareholders' equity.

11 Leasehold rights

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	(in thousand Baht)			
Cost/revaluation	831,985	842,301	233,041	230,195
<i>Less accumulated amortisation</i>	<u>(441,996)</u>	<u>(400,339)</u>	<u>(216,116)</u>	<u>(196,346)</u>
Net	<u>389,989</u>	<u>441,962</u>	<u>16,925</u>	<u>33,849</u>
 Amortisation for the year	 <u>28,655</u>	 <u>31,713</u>	 <u>9,611</u>	 <u>9,611</u>

The last revaluations of the Group's leasehold rights were made by independent professional valuers in 2004. The revaluations were mainly applied the Return on Investment approach. The valuation surplus is shown under "revaluation surplus" under shareholders' equity.

Central Plaza Hotel Public Company Limited and its Subsidiaries

Notes to the financial statements

For the years ended 31 December 2007 and 2006

12 Goodwill

	Consolidated financial statements	
	2007	2006
	<i>(in thousand Baht)</i>	
At 1 January	120,644	135,404
Addition during the year	-	-
Less amortisation for the year	(14,759)	(14,760)
At 31 December	<u>105,885</u>	<u>120,644</u>

13 Other non-current assets

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Deferred initial fee	91,315	74,456	-	-
Receivable from reciprocation agreement	27,500	37,500	27,500	37,500
Deposits	179,677	162,163	3,157	3,258
Advance payment for construction	197,975	184,279	125,991	-
Advance payment for land	130,723	144,365	97,799	113,854
Prepaid licence fee	26,497	28,182	-	-
Others	34,021	20,701	18,405	13,688
Total	<u>687,708</u>	<u>651,646</u>	<u>272,852</u>	<u>168,300</u>

14 Interest-bearing liabilities

Bank overdrafts and short-term loans from financial institutions

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Secured	25,521	112,187	-	-
Unsecured	1,133,817	909,150	958,639	653,459
Total	<u>1,159,338</u>	<u>1,021,337</u>	<u>958,639</u>	<u>653,459</u>

Bank overdrafts and short-term loans from financial institutions bear interest at market rates.

Central Plaza Hotel Public Company Limited and its Subsidiaries
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Long-term loans

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Secured	490,000	490,000	-	-
Unsecured	180,000	200,000	150,000	200,000
Total	<u>670,000</u>	<u>690,000</u>	<u>150,000</u>	<u>200,000</u>

The period to maturity of long-term loans (denominated in Thai Baht) is as follows:

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Within one year	<u>134,200</u>	<u>50,000</u>	<u>100,000</u>	<u>50,000</u>
After one year but within five years	425,800	430,000	50,000	150,000
After five years	<u>110,000</u>	<u>210,000</u>	<u>-</u>	<u>-</u>
	<u>535,800</u>	<u>640,000</u>	<u>50,000</u>	<u>150,000</u>
Total	<u>670,000</u>	<u>690,000</u>	<u>150,000</u>	<u>200,000</u>

Long-term loans bear interest at market rates.

Bank overdrafts and short-term loans from financial institutions, and long-term loans of the Group as at 31 December 2007 and 2006 were secured by the Group's property, plant and equipment with carrying value of Baht 1,018 million as at 31 December 2007 (2006: Baht 1,062 million).

A subsidiary entered into the agreements with three local banks to obtain various short-term credit facility lines. Under the term of the agreement, the subsidiary shall not dispose, pledge or mortgage the existing or future property and leasehold right in an amount over the agreed amount stated in the agreements without consent from the bank.

Central Plaza Hotel Public Company Limited and its Subsidiaries

Notes to the financial statements

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Debentures

	Interest rate	Maturity date	Consolidated/Separated financial statements	
	(%)		2007	2006
			<i>(in thousand Baht)</i>	
No. 1/2005	5.73	30 October 2007	-	400,000
No. 2/2005	4.00	30 June 2007	-	300,000
No. 1/2006	6.13	20 February 2009	300,000	300,000
No. 1/2007	3.81	6 June 2009	1,200,000	-
No. 2/2007	4.22	6 June 2009	1,300,000	-
			<u>2,800,000</u>	<u>1,000,000</u>
Less deferred expense in issuing debenture			(3,349)	(1,139)
Net			2,796,651	998,861
Less debenture due within one year			-	(699,182)
Debenture due after one year			2,796,651	299,679

The debentures are in respect of a specified holder, unsubordinated and without collateral.

The debenture contains certain restriction on financial ratios, payment of dividends, decrease in paid up share capital, pledge, mortgage, and disposal of assets, which are material to business operation.

Unit holder in property fund equity

	Consolidated financial statements	
	2007	2006
	<i>(in thousand Baht)</i>	
Due within one year	<u>133,959</u>	<u>133,959</u>
Due after one year but within five years	535,838	535,838
Due after five years	<u>467,001</u>	<u>600,961</u>
	<u>1,002,839</u>	<u>1,136,799</u>
Total	1,136,798	1,270,758

As at 31 December 2007 and 2006, unit holder equity consisted of investment of unit holder type A, (denominated in Thai Baht) which guaranteed for payment by the Company. Dividend payment for unit holders is calculated at the percentage of the latest net asset value per unit as specified in the unit holder agreement.

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The amount due to unit holder in property fund equity classified by property funds is as follows

	Consolidated financial statements	
	2007	2006
	<i>(in thousand Baht)</i>	
Thai Pattana Fund 1	733,798	805,758
Thai Pattana Fund 2	403,000	465,000
Total	<u>1,136,798</u>	<u>1,270,758</u>

Central Samui Beach Resort Co., Ltd.'s land with carrying value of Baht 215 million, as at 31 December 2007 and 2006, was mortgaged as collateral for amounts due to Thai Pattana Fund 1. (See Note 4)

The Company's land title deed with carrying value of Baht 772 million, as at 31 December 2007 and 2006, was under the name of Thai Pattana Fund 2, the Consignee. The land relates to Central Wong Amat Beach Resort Project, Pattaya. (See Note 4)

Unused credit facilities

As at 31 December 2007, the Group and the Company had unused credit facilities of Baht 4,891 million and Baht 2,182 million, respectively (2006: Baht 2,624 million and Baht 78 million, respectively)

15 Other current liabilities

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in million Baht)</i>			
Dividend payable to unit holder in property fund	18,768	19,793	-	-
Payables for purchasing of assets	222,875	302,917	-	-
Accrued land rental to property fund	-	-	36,667	36,667
Accrued expenses	305,307	302,079	45,936	38,301
Other payables	30,136	21,671	21,990	13,233
Deferred member card income	38,648	34,253	36,706	31,550
Deposits	88,260	76,561	12,659	19,996
Retentions	164,443	91,716	27,704	-
Other	81,370	69,292	32,911	28,721
Total	<u>949,807</u>	<u>918,282</u>	<u>214,573</u>	<u>168,468</u>

Central Plaza Hotel Public Company Limited and its Subsidiaries

Notes to the financial statements

For the years ended 31 December 2007 and 2006

16 Share capital

	<i>Par value per share</i>	2007 Number	2007 Amount	2006 Number	2006 Amount
	<i>(in Baht)</i>	<i>(thousand shares / thousand Baht)</i>			
Authorised					
At 1 January					
- ordinary shares	5	-	-	180,000	900,000
- ordinary shares	1	1,580,800	1,580,800	-	-
Change in par value					
from Baht 5 to Baht 1	1	-	-	720,000	-
Increase of new shares	1	-	-	680,800	680,800
At 31 December					
- ordinary shares	1	1,580,000	1,580,800	1,580,800	1,580,800
Issued and paid					
At 1 January					
- ordinary shares	5	-	-	180,000	900,000
- ordinary shares	1	1,350,000	1,350,000	-	-
Change in par value					
from Baht 5 to Baht 1	1	-	-	720,000	-
Issue of new shares	1	-	-	450,000	450,000
At 31 December					
- ordinary shares	1	1,350,000	1,350,000	1,350,000	1,350,000

Change of authorised share capital

At the extraordinary shareholders' meeting no. 1/2006, held on 21 June 2006, the shareholders approved the following:

- (a) A change of the par value of the shares from Baht 5 per share to Baht 1 per share (resulting in an increase of the total issued and outstanding shares of the Company from 180,000,000 shares to 900,000,000 shares).
- (b) An increase in the Company's authorised share capital from Baht 900,000,000 to Baht 1,580,800,000 (consisting of 1,580,800,000 ordinary shares) by issuing 680,800,000 new ordinary shares with the par value of Baht 1 each.
- (c) Allocation of 680,800,000 new ordinary shares as follows:
 - Up to 450,000,000 ordinary shares by way of right offering to existing shareholders at the ratio of 2 existing ordinary shares to 1 new ordinary share at Baht 1.60 per share.
 - Up to 170,000,000 ordinary shares by way of public offering.
 - Up to 60,800,000 ordinary shares to accommodate the exercise of the warrants.
- (d) Issuance and offering for sale of 60,800,000 units of free warrants to the shareholders of the Company at the ratio of 25 ordinary shares for 1 unit of warrants.

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For the years ended 31 December 2007 and 2006

The Company registered the change in par value and increase in authorised capital with the Ministry of Commerce on 22 June 2006 and 29 June 2006, respectively.

Change in issued and paid-up share capital

In July 2006, the Company issued 450,000,000 ordinary shares at Baht 1.60 per share, increasing its issued and paid-up ordinary shares by Baht 450,000,000 and the share premium by Baht 270,000,000. The Company registered the increase in paid-up capital with the Ministry of Commerce on 3 August 2006.

17 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 reserve comprises foreign exchange differences arising from translation of the financial statements of foreign operations to Thai Baht for preparation of consolidated financial statements.

Fair value changes

The fair value reserve includes the cumulative net change in the fair value of quoted shares until the investment is derecognised.

Revaluation surplus

Revaluation surplus represents surplus from the revaluation of property, plant and equipment, and leasehold rights.

Legal reserve

The legal reserve is set up under the provisions of Section 116 of the Public Companies Act B.E. 2535. Section 116 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.

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Notes to the financial statements

For the years ended 31 December 2007 and 2006

18 Segment information

Segment information is presented in respect of the Group's business 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. Unallocated items mainly comprise interest or dividend-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The Group comprises the following main business segments:

<i>Segment 1</i>	Hotel
<i>Segment 2</i>	Food and ice-cream

Business segment results

	Hotel		Food and ice-cream		Total Continuing		Discontinued		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	<i>(in million Baht)</i>											
Revenue	2,802	2,530	4,340	4,187	7,142	6,717	-	-	(68)	(71)	7,074	6,646
Net profit	136	294	204	227	340	521	-	95	57	(199)	397	417
Property plant and equipment, net	8,554	6,652	946	1,002	9,500	7,654	-	-	(28)	(24)	9,472	7,630
Total assets	21,539	19,769	1,843	1,836	23,382	21,605	-	-	(11,566)	(11,754)	11,816	9,851

The discontinued operation was a subsidiary operating in hotel business, Central Maritime Hotel, Dili, East Timor.

Central Plaza Hotel Public Company Limited and its Subsidiaries

Notes to the financial statements

For the years ended 31 December 2007 and 2006

19 Other income

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Interest income	900	3,989	106,648	37,918
Management fee income	32,667	21,650	122,519	104,208
Rental income	4,396	4,553	1,290	500
Amortisation of deferred income	14,279	14,459	-	-
Subsidy	7,517	13,390	-	-
Gain on sale of floating hotel	-	107,377	-	-
Other	48,304	38,344	7,570	6,311
Total	<u>108,063</u>	<u>203,762</u>	<u>238,027</u>	<u>148,937</u>

20 Personnel expenses

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Wages and salaries	1,043,675	954,446	220,951	210,126
Contribution to provident fund	12,080	11,859	12,080	11,831
Others	423,632	378,218	129,699	131,674
Total	<u>1,479,387</u>	<u>1,344,523</u>	<u>362,730</u>	<u>353,631</u>

(number of employees)

Number of employees as at 31 December	<u>9,676</u>	<u>8,547</u>	<u>1,099</u>	<u>1,100</u>
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The Company has an established contributory provident fund for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly based on a certain percentage of the employee's basic salaries depending on the length of employment by the employees and the Company. The provident fund is registered with the Ministry of Finance as juristic entity and is managed by a licensed Fund Manager.

Central Plaza Hotel Public Company Limited and its Subsidiaries

Notes to the financial statements

For the years ended 31 December 2007 and 2006

21 Interest expense

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	<i>(in thousand Baht)</i>			
Interest expense relating to:				
Related parties	-	-	58,954	63,513
Financial institutions and debenture holders	159,975	118,139	131,499	87,917
	159,975	118,139	190,453	151,430
<i>Less</i> finance costs capitalised	(65,935)	(1,828)	(1,520)	-
Net	94,040	116,311	188,933	151,430

Finance costs for properties under development have been capitalised at rates ranging from 3.5% to 5.5% (2006: 2% to 5.5%) per annum.

22 Earnings per share

The calculation of basic earnings per share of the consolidated and separate financial statements for the year ended 31 December 2007 was based on the consolidated and separate net profit attributable to ordinary shareholders of Baht 397 million and Baht 447 million, respectively (2006: Consolidated and separate net profit of Baht 417 million and Baht 228 million, respectively) and the weighted average the number of shares outstanding during the year ended 31 December 2007 of 1,350 million shares (2006: 1,086 million shares).

23 Dividends

At the annual general meeting of the shareholders of the Company held on 24 April 2006, the shareholders approved the appropriation of dividends of Baht 1.25 per share, amounting to Baht 225 million. The dividend was paid to shareholders during 2006.

At the annual general meeting of the shareholders of the Company held on 26 April 2007, the shareholders approved the appropriation of dividends of Baht 0.13 per share, amounting to Baht 175.5 million. The dividend was paid to shareholders during 2007.

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24 Changes in accounting policies

Consolidated financial statement

During 2007, the Federation of Accounting Professions (FAP) issued TAS 46 (revised 2007) *Interest in Joint Venture*. This new TAS requires an accounting for interest in joint venture and reporting related to assets, liabilities, revenue and expense of joint venture entity in the financial statement of joint venture and investor in joint venture, except for the interest in jointly-controlled entity which held by associate, mutual fund, investment unit, and the entity which has a similar business including the insurance fund which is in the form of investment.

Starting from 1 April 2007, the Company has, accordingly, changed its accounting policy for interest in joint ventures from proportionate method to equity method. The change in accounting policy has been applied retrospectively and the Company's 2006 financial statements, which are included in the Company's 2007 financial statements for comparative purposes, have been restated accordingly. The effects of the change in accounting policy on the Company's comparative total assets and total liabilities as at 31 December 2006, decrease in the amount of Baht 642 million.

Separated financial statement

Until 31 December 2006, the Company accounted for its investments in subsidiaries and jointly-controlled entities in its financial statements using the equity method.

During 2007, the FAP issued the following new TAS which are effective for accounting periods beginning on or after 1 January 2007:

TAS 44 (revised 2007) *Consolidated and Separate Financial Statements*

TAS 46 (revised 2007) *Interest in Joint Ventures*

These revised TAS require a parent company which has an investment in a subsidiary company and an entity under joint control, 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 a TAS on financial instruments is issued and becomes effective), instead of the equity method currently used.

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Starting from 1 January 2007, the Company has, accordingly, changed its accounting policy for its investments in subsidiary companies and jointly-controlled entities in its financial statements from the equity method to the cost method. The change in accounting policy has been applied retrospectively and the Company's 2006 financial statements, which are included in the Company's 2007 financial statements for comparative purposes, have been restated accordingly. The effects of the change in accounting policy on the Company's annual 2007 and 2006 financial statements are as follows:

	Separate financial statements	
	2007	2006
	<i>(in thousand Baht)</i>	
<i>Investments in subsidiaries and jointly-controlled entities</i>		
Balance at 1 January before change in accounting policy	5,225,847	4,703,327
Decrease in retained earnings	(328,346)	(139,225)
Decrease in revaluation surpluses	(238,423)	(271,431)
Decrease in currency translation changes	-	(1,245)
Net decrease	(566,769)	(411,901)
Balance at 1 January after change in accounting policy	4,659,078	4,291,426
<i>Retained earnings</i>		
Balance at 1 January before change in accounting policy	1,336,038	1,164,740
Adjustment of retained earnings brought forward	(139,225)	(54,209)
Increase in dividend income from subsidiaries and jointly-controlled entities	262,863	370,054
Decrease in share of profits from investments accounted for using the equity method, net	(451,984)	(455,070)
Net decrease	(328,346)	(139,225)
Balance at 1 January after change in accounting policy	1,007,692	1,025,515
<i>Net profit</i>		
Net profit for the year before change in accounting policy	397,006	417,198
Increase in dividend income from subsidiaries and jointly-controlled entities	693,959	262,863
Decrease in share of profits from investments accounted for using the equity method, net	(644,380)	(451,985)
Net increase (decrease)	49,579	(189,122)
Net profit for the year after change in accounting policy	446,585	228,076
Increase (decrease) in earning per share (Baht)	0.04	(0.17)

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25 Financial instruments

Financial risk management policies

The Group is exposed to normal business risks from changes in market interest rates and from non-performance of contractual obligations by counterparties. The Group does not issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

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 Company's exposure to interest rate risk relates primarily to its short-term loans from financial institutions and long-term loans. The Company does not use derivative financial instrument to hedge such risk.

Foreign currency risk

The Group operates mainly in Baht currency. Accordingly, the Company does not have material foreign currency risk.

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.

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.

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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.

The fair value of trade and other short-term receivables and payables is taken to approximate the carrying value.

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Fair values of financial liabilities, together with the carrying values shown in the balance sheets at 31 December 2007 were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	Fair value	Carrying value	Fair value	Carrying value
		(in thousand Baht)		
Debentures	2,818,077	2,800,000	2,818,077	2,800,000
Long-term loans	687,335	670,000	153,840	150,000
Unit holder in property fund equity	1,253,145	1,136,799	-	-
Liabilities under consignment agreement	-	-	578,126	529,750
Total	<u>4,758,557</u>	<u>4,606,799</u>	<u>3,550,043</u>	<u>3,479,750</u>

26 Long-term contracts

Long-term reciprocation agreements

The Company

Under the terms of a reciprocal agreement entered into with Central International Development Co., Ltd. who entered into long-term land lease agreement with State Railway of Thailand, the Company was granted the right to construct a hotel building on the leased property of Central International Development Co., Ltd. and to operate the hotel for the Company's benefits up to 18 December 2008. This agreement is renewable for period of 10 years each. The Company is committed to make payments for this right totaling approximately Baht 73.7 million payable in various installments up to 2008.

On 26 March 2003, Central International Development Co., Ltd. entered into a memorandum of understanding with the State Railway of Thailand in which the said related company agreed to pay certain compensation on lease agreement as mutually agreed with the State Railway of Thailand. The Company agreed to share the said compensation for the total amount of approximately Baht 65 million to be paid in 8 installments; the first installment was paid on 31 March 2003 and the last installment will be paid by 18 December 2008.

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Long-term lease agreement

Subsidiary

On 4 October 1985, a subsidiary, Central Hua Hin Beach Resort Co., Ltd. (“CHBR”), entered into a lease agreement with the State Railway of Thailand (SRT) covering land, hotel buildings and premises of the Hua Hin Railway Hotel for thirty (30) years, expiring on 15 January 2016. The agreement will be automatically renewable for an additional period of 3 years and 4 months and has two additional renewable options of 15 years each. CHBR has to pay rent at an amount stipulated in the agreement commencing on 15 January 1986.

Under the terms of the agreement, CHBR has to transfer the ownership of any additions to the original buildings and premises including any additional fixtures to SRT.

Franchise agreements

Subsidiaries

On 20 January 2004, Central Restaurants Group Co., Ltd. (“CRG”) was granted the right under a consent letter of the franchise agreement with Thai Franchising Co., Ltd. and Duskin Co., Ltd., which is registered in Japan, whereby the latter allowed CRG to use the trademark “Mister Donut” in the Kingdom of Thailand. In consideration thereof, CRG is committed to pay a monthly royalty fee at the rate specified in the agreement. The agreement is in force until 31 March 2018.

In May 2004, Central Restaurants Group Co., Ltd. (“CRG”), entered into a franchise agreement with a local company, whereby the latter allowed CRG to open outlets and use the trademark “Pizza Hut” and “KFC” within 5 years. Such outlets shall continue using trademark “Pizza Hut” and “KFC” for 10 years, renewable for 12 to 18 months with advance notice for renewable. In consideration thereof, CRG is committed to pay royalty fee at the rate specified in the agreement.

On 2 October 2003, Central Restaurants Group Co., Ltd. (“CRG”) was granted the right under a consent letter of a development agreement, rights agreement and trademarks agreement with Food Novelties Co., Ltd. and a foreign company, which permitted CRG to use trademarks, rights and development rights to establish and operate sales outlets for pretzels and beverages under the name “AUNTIE ANNE’S”. According to the terms of the contracts, CRG is committed to pay a franchise fee and initial fee for every new outlet. In addition, CRG has to pay for franchise and advertisement expenses, at the agreed percentage of the sales volume. This agreement is in force until 15 May 2012.

In September 2003, B-R (Thailand) Co., Ltd. (“BRT”) entered into a license agreement with Baskin-Robbins International Company Limited (“BRINT”) for 20 years commencing 22 September 2003. BRINT granted a license to BRT in respect of the rights in operation and the trademark such that the BRT may use in the manufacture, distribution and marketing of the product in the territory and BRT shall pay a license and technical assistance fee as stated in the agreement.

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Notes to the financial statements

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28 Commitments

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
	(in thousand Baht)			
Capital commitments				
<i>Contracted but not provided for</i>				
- Purchase of land	58,300	64,300	54,300	64,300
- Hotel construction	2,720,378	1,427,350	1,339,875	25,377
Total	2,778,678	1,491,650	1,394,175	89,677

Non-cancellable operating lease and service commitments of Central Restaurant Groups Co., Ltd.

Within one year	89,330	93,581	-	-
After one year but within three years	68,040	81,058	-	-
After three years	9,688	13,659	-	-
Total	167,058	188,298	-	-

29 Thai Accounting Standards (TAS) not yet adopted

The Group has not adopted the following TAS that have been issued as of the balance sheet date but are not yet effective. These TAS will become effective for financial periods beginning on or after 1 January 2008.

TAS 25 (revised 2007)	Cash Flows Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 51 (revised 2007)	Intangible Assets

The adoption and initial application of these TAS is not expected to have any material impact on the consolidated and separate financial statements.

29 Reclassification of accounts

Certain accounts in the 2006 financial statements have been reclassified to conform with the presentation in the 2007 financial statements.