



Dawn... Golden rays glitter in the horizon  
Everyone awakens from slumber, ready for the new day  
With body and heart full of vigor  
7-Eleven is ready to stride forward  
Alongside you every hour, every minute

ยามเช้า...แสงสีทองเรืองรองที่เส้นขอบฟ้า  
ทุกชีวิตตื่นขึ้นจากหลับใหล พร้อมก้าวสู่วันใหม่  
ด้วยร่างกาย แรงใจ ที่เต็มเปี่ยมไปด้วยพลัง  
เซเว่นอีเลฟเว่น พร้อมที่จะก้าวเดินไปข้างหน้า  
เคียงคู่กับคุณ ทุกเวลา ทุกนาที



Part *of* Life  
คือความผูกพัน





### ปรัชญาองค์กร

เราปรารถนารอยยิ้มจากลูกค้า ด้วยทีมงานที่มีความสุข

### วิสัยทัศน์

เราคือผู้ให้บริการความสะดวกซื้อแก่ลูกค้าทุกชุมชน

### 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



## ข้อมูลทั่วไป

## General Information

### บริษัท ซี.พี. เซเว่นอีเลฟเว่น จำกัด (มหาชน) (“บริษัท”)

เป็นบริษัทหลักในกลุ่มธุรกิจการตลาดและการจัดจำหน่ายของเครือเจริญโภคภัณฑ์ ประกอบธุรกิจหลัก คือ ธุรกิจค้าปลีกประเภทร้านค้าสะดวกซื้อภายใต้เครื่องหมายการค้า “7-Eleven” ในประเทศไทย และประกอบธุรกิจร้านค้าปลีกขนาดใหญ่ (“ซูเปอร์เซ็นเตอร์”) ภายใต้เครื่องหมายการค้า “โลตัส” ในเขตลุ่มแม่น้ำแยงซีเกียง สาธารณรัฐประชาชนจีน นอกจากนี้ยังประกอบธุรกิจต่างๆ ที่เป็นการสนับสนุนธุรกิจหลัก เช่น ธุรกิจเป็นตัวแทนรับชำระค่าสินค้าและบริการ (“เคาน์เตอร์เซอร์วิส”) ธุรกิจผลิตและจำหน่ายอาหารแช่แข็งและเบเกอรี่ (“ซี.พี.ค้าปลีกและการตลาด”) ธุรกิจจำหน่ายและซ่อมแซมอุปกรณ์ค้าปลีก (“รีเทลลิงค์ ไทยแลนด์”) ธุรกิจให้บริการชำระค่าสินค้าและบริการผ่านบัตรสมาชิกการ์ด (“ไทยสมาร์ตการ์ด”) ธุรกิจให้บริการด้านระบบสารสนเทศ (“โกซอฟท์”) ธุรกิจบริการขนส่งและกระจายสินค้า (“ไดนามิค แมนเนจเม้นท์”) ธุรกิจให้บริการด้านการตลาด (“เอ็ม เอ เอ็ม ฮาร์ท”) และธุรกิจโรงเรียนอาชีวศึกษาด้านค้าปลีก (“โรงเรียนปัญญาภิวัฒน์เทคโนโลยีธุรกิจ”) เป็นต้น ปัจจุบันสำนักงานตั้งอยู่เลขที่ 283 อาคารสิญญะเรือง 1 ถนนสีลม แขวงสีลม เขตบางรัก กรุงเทพมหานคร 10500 โทรศัพท์ 0-2677-9000 โทรสาร 0-2238-1767 เลขทะเบียนบริษัท 0107542000011 เว็บไซต์ คือ [www.7eleven.co.th](http://www.7eleven.co.th)

### 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”), manufacturing and sale of frozen foods and bakery (C.P. Retailing and Marketing), sale and maintenance of retail equipment (“Retailink Thailand”), payment for products and services through smart cards (“Thai Smart Card”), information technology services (“GOSOFT”), logistics services (Dynamic Management), marketing services (“M.A.M. Heart”), and retailing vocational school (“Panyapiwat Techno Business School”).

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](http://www.7eleven.co.th)







# ข้อมูลทางการเงินโดยสรุป

## Summary of Financial Information

**บริษัท ซี.พี. เซเว่นอีเลฟเว่น จำกัด (มหาชน) และบริษัทย่อย** สำหรับงวดปีสิ้นสุดวันที่ 31 ธันวาคม 2546 ถึง 31 ธันวาคม 2548  
**C.P. Seven Eleven Public Company Limited and its Subsidiaries** For fiscal years ending December 31, 2003 to December 31, 2005

	2003/2546	2004/2547	2005/2548
<b>ข้อมูลจากงบการเงินรวม (ล้านบาท)</b>			
<b>Consolidated Financial Information (Baht million)</b>			
1. ยอดขายสุทธิและรายได้ค่าบริการ Net sales and Services income	58,382	74,622	94,356
2. รายได้รวม Total Revenues	60,731	78,366	98,948
3. กำไรสุทธิ Net Profit	1,339	1,696	1,508
4. เงินสดสุทธิได้มาจากกิจกรรมดำเนินงาน Net Cash Provided by Operating Activities	3,227	6,654	5,883
5. สินทรัพย์รวม Total Assets	21,712	29,011	40,230
6. หนี้สินรวม Total Liabilities	12,953	19,082	29,708
7. ส่วนของผู้ถือหุ้นรวม Total Shareholder's equity	8,759	9,928	10,522
<b>ข้อมูลต่อหุ้น (บาท)</b>			
<b>Per Share Information (Baht)</b>			
1. มูลค่าตามบัญชีต่อหุ้น Book value per share	21.5	22.6	2.4
2. กำไรสุทธิต่อหุ้น Earnings per share	3.28	3.85	0.34
<b>อัตราส่วนทางการเงิน (ร้อยละ)</b>			
<b>Financial Ratios (%)</b>			
1. อัตรากำไรขั้นต้น Gross margin (Sales and Services)	18.7%	18.6%	18.3%
2. อัตรากำไรจากการดำเนินงาน EBIT margin	3.3%	3.3%	1.4%
3. อัตรากำไรสุทธิ Net profit margin	2.2%	2.2%	1.5%
4. ผลตอบแทนต่อสินทรัพย์รวม Return on total assets	6.9%	6.7%	4.4%
5. ผลตอบแทนต่อส่วนของผู้ถือหุ้น Return on total shareholder's equity	17.7%	18.2%	14.7%



# Messages from the **Chairman** and the **Chief Executive Officer**

**C.P. Seven Eleven Public Company Limited** operates its business with dedication to providing outstanding services for customers in every region across the country through a modern store network of more than 3,000 branches and a selection of products and services that meet customers' needs. The Company has continuously developed its services to improve efficiency, deliver greater convenience and speedy services, and promptly respond to customers' constantly evolving demands. Ultimately, the Company hopes its customers will receive utmost convenience from its comprehensive range of products and services.

At the end of 2005, the Company launched a digital cash card service, "Smart Purse", to enhance customers' convenience in making payments for products and services. With Smart Purse, customers no longer have to carry large sums of money and waste time waiting for change. Every time payments are made through Smart Purse, customers accumulate points which can be used as cash at all 7-Eleven outlets nationwide. In 2006, customers will be able to use Smart Purse at other locations such as restaurants, cinemas, gas stations, the Bangkok Subway, the BTS Skytrain, the expressway, and more than 10,000 ATMs. Smart Purse is expected to be used by more than one million card holders.

At the same time, the large-scale retail store business, Lotus Supercenters in Shanghai and the central region of the People's Republic of China, continuously expanded the number of branches to ensure preparedness for future business expansion.

With the objective of strong and sustained growth, the Company has established a policy to become a learning organization using the Thailand Quality Award as a guideline. Knowledge management is not a new concept for 7-Eleven. Existing knowledge is constantly integrated to conceive new knowledge that is beneficial to the organization in the long-run. When everyone in the organization uses this knowledge, a cycle of learning that provides never-ending knowledge is created, resulting in increased competitive advantage and efficiency of personnel in the company.

For over 12 years, the Company has strived to develop the quality of education in co-operation with the Office of the Vocational Education Commission, the Ministry of Education through a bilateral education system that is, coursework along with direct working experience for vocational students across the country. 7-Eleven is the first retail company to help reform vocational education in Thailand. At the beginning of 2005, the Company established a vocational school for retail education, Panyapiwat Techno Business, which emphasizes learning through real-life working experience. Students receive remuneration for their work and are guaranteed jobs upon graduation. Presently, the school offers primary vocational education and higher vocational education. In the near future, the school will also offer bachelor's degree programs and establish campuses nationwide. This is another way of developing the new generation of youth to love learning, possess diversified skills, and be service-minded, technologically-savvy and socially-responsible citizens.

In 2005, the Company was ranked in the Top Quartile for Good Corporate Governance among listed companies of the Stock Exchange of Thailand. The Company operates its business according to the principles of good corporate governance with an effective internal audit system and is dedicated to meeting the needs and satisfaction of all stakeholder groups whether customers, employees, business partners, shareholders and society. The Company would like to express heartfelt thanks to all its shareholders and well-wishers for their trust in the Company's business operations for continued success and sustained growth in the future



**Mr. Dhanin Chearavanont**  
Chairman



**Mr. Korsak Chairasmisak**  
Chief Executive Officer



# Board of Directors

## คณะกรรมการบริษัท



นายโกเมน ภัทรภิรมย์  
Mr. Komain Bhatrabhirom  
กรรมการอิสระและ  
ประธานกรรมการ  
Independent Director and  
Chairman of the Audit Committee



ร.ท. สุชาย เขาวินิชญ  
Lieut. Suchai Jaovisidha  
กรรมการอิสระและ  
ประธานกรรมการตรวจสอบ  
Independent Director and  
Chairman of the  
Audit Committee



นายปรีดี บุญยัง  
Mr. Pridi Boonyong  
กรรมการอิสระ  
และกรรมการตรวจสอบ  
Independent Director and  
Audit Committee



นายผดุง เตชะศรีนทร์  
Mr. Padoong Techasarintr  
กรรมการอิสระและ  
กรรมการตรวจสอบ  
Independent Director  
and Audit Committee



นายธนินท์ เจียรวนนท์  
Mr. Dhanin Chearavanont  
ประธานกรรมการ  
Chairman



นายก่อศักดิ์ ไชยรัศมีศักดิ์  
Mr. Korsak Chairasmisak  
รองประธานกรรมการและ  
ประธานเจ้าหน้าที่บริหาร  
Vice Chairman and  
Chief Executive Officer



นายสุภกิจ เจียรวนนท์  
Mr. Soopakij Chearavanont  
กรรมการ  
Director



นางสาวยูน เชียง  
Ms. Yun Chiang  
กรรมการ  
Director



นายอดิเรก ศรีประทักษ์  
Mr. Adirek Sripratak  
กรรมการ  
Director



นายอธึก อัศวานันท์  
Mr. Athuek Asvanund  
กรรมการ  
Director



นายอำรุง สรรพพิทธีวงศ์  
Mr. Umroong Sanphasitvong  
กรรมการ  
Director



นายณรงค์ เจียรวนนท์  
Mr. Narong Chearavanont  
กรรมการ  
Director



นายประเสริฐ จารุพนิช  
Mr. Prasert Jarupanich  
กรรมการ  
Director



นายพิทยา เจียรวิสิฏกุล  
Mr. Pittaya Jearavisitkul  
กรรมการและ  
รองประธานเจ้าหน้าที่บริหาร  
Director and  
Deputy Chief Executive Officer



นายปิยะวัฒน์ ทิตะสัทธวารกุล  
Mr. Piyawat Titasattavorakul  
กรรมการและกรรมการผู้จัดการ  
Director and Managing Director

# Executive Officers

## คณะผู้บริหาร



นายก่อศักดิ์ ไชยรัศมีศักดิ์  
Mr. Korsak Chairasmisak  
รองประธานกรรมการและ  
ประธานเจ้าหน้าที่บริหาร  
Vice Chairman and  
Chief Executive Officer



นายพิทยา เจียรวิสิฏกุล  
Mr. Pittaya Jearavisitkul  
กรรมการและ  
รองประธานเจ้าหน้าที่บริหาร  
Director and  
Deputy Chief Executive Officer



นายปิยะวัฒน์ ทิตะสัถาวรกุล  
Mr. Piyawat Titasattavorakul  
กรรมการและกรรมการผู้จัดการ  
Director and Managing Director



นายสุรพันธ์ ปุสเสด็จ  
Mr. Suraphan Pussadej  
รองกรรมการผู้จัดการ  
สายงานทรัพยากรบุคคล  
Vice President - Human resource



นายคมล ศักดิ์เตชยนต์  
Mr. Kamol Sakdejayont  
รองกรรมการผู้จัดการ  
สายงานบัญชีและการเงิน  
Vice President -  
Accounting and Finance



นายธานี บุรณมานิต  
Mr. Tanin Buranamanit  
รองกรรมการผู้จัดการ  
สายงานปฏิบัติการและการตลาด  
Vice President - Operation and Marketing



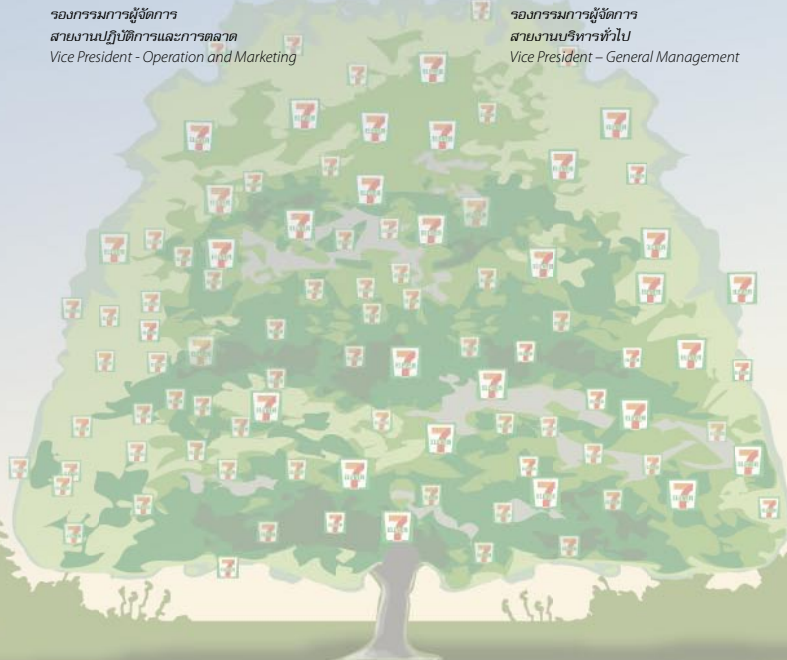
นายชวน นิมกิตติกุล  
Mr. Chuan Nimkittikul  
รองกรรมการผู้จัดการ  
สายงานจัดซื้อและกระจายสินค้า  
Vice President - Purchasing and  
Distribution



นายสุวิทย์ กิ่งแก้ว  
Mr. Suwit Kingkaew  
รองกรรมการผู้จัดการ  
สายงานบริหารทั่วไป  
Vice President - General Management



นายโกษา พงศ์สุพัฒน์  
Mr. Kosa Pongsupath  
รองกรรมการผู้จัดการ  
สายงานเทคโนโลยีสารสนเทศ  
Vice President - Information  
Technology





## Director and Management Biography

### Lieut.Suchai Jaovisidha

	<ul style="list-style-type: none"> <li>65 years old</li> </ul>
Position	<ul style="list-style-type: none"> <li>Independent director and Chairman of the Audit committee</li> </ul>
Education	<ul style="list-style-type: none"> <li>Bachelor Degree in Economics London University</li> <li>Degree from National Defence College of Thailand; Class 366</li> </ul>
<b>Experience</b>	
Present	<ul style="list-style-type: none"> <li>Chairman, Road Accident Victims Protection Co., Ltd.</li> <li>Chairman, Krungthai Axa Life Insurance Co., Ltd.</li> </ul>
2001-2004	<ul style="list-style-type: none"> <li>Executive Committee, Krung Thai Bank Pcl.</li> </ul>
1995-2000	<ul style="list-style-type: none"> <li>Director – General, Department of Internal Trade</li> </ul>
1991-1994	<ul style="list-style-type: none"> <li>Director – General, Department of Intellectual Property</li> </ul>
1990-1991	<ul style="list-style-type: none"> <li>Deputy Permanent Secretary, Ministry of Commerce</li> </ul>
Relationship	<ul style="list-style-type: none"> <li>-</li> </ul>
Attendance at the Board of Directors' Meeting during 2005 :	
	<ul style="list-style-type: none"> <li>4 times out of 6 meetings</li> </ul>
Training by the Thai Institute of Directors Association (IOD)	
2003	<ul style="list-style-type: none"> <li>Director Accreditation Program (DAP)</li> </ul>

*Remark Resign from a directorship and Chairman of the Audit Committee effective November 12, 2005.*

### Komain Bhatarabhirom

	<ul style="list-style-type: none"> <li>73 years old</li> </ul>
Position	<ul style="list-style-type: none"> <li>Chairman of Audit Committee and Independent Director</li> </ul>
Education	<ul style="list-style-type: none"> <li>Docteur de l'Université de Paris</li> <li>Doctor of Law (Honorary) Chulalongkorn University</li> <li>Barrister-at-Law, Thai Bar.</li> <li>Bachelor of Law, Thammasat University</li> </ul>
<b>Experience</b>	
1998-2001	<ul style="list-style-type: none"> <li>Judge, The Constitutional Court</li> </ul>
1987-1993	<ul style="list-style-type: none"> <li>Attorney General</li> </ul>
1992-1996	<ul style="list-style-type: none"> <li>Chairman of the Committee on Interior Administration, Senate</li> </ul>
1992-1997	<ul style="list-style-type: none"> <li>Member of Legislative Committee, Office of the Council of State</li> </ul>
1993-1997	<ul style="list-style-type: none"> <li>Member of the Committee on Appeal, The Securities and Exchange Act 1992</li> </ul>
1984-1993	<ul style="list-style-type: none"> <li>Director, Provincial Electricity Authority</li> </ul>
1985-1993	<ul style="list-style-type: none"> <li>Director, Krung Thai Bank</li> </ul>
1987-1993	<ul style="list-style-type: none"> <li>Director, Thai Airways Public Company Limited</li> </ul>
Present	<ul style="list-style-type: none"> <li>Member of the Law Committee, The National Research Council of Thailand</li> <li>Chairman of Law Committee, Ministry of Labour</li> <li>Member of the Law Reform Committee, Ministry of Culture</li> <li>Professor, Faculty of Law, Chulalongkorn University</li> </ul>
Relationship	<ul style="list-style-type: none"> <li>-</li> </ul>
Attendance at the Board of Directors' Meeting during 2005:	
	<ul style="list-style-type: none"> <li>-</li> </ul>
Training by the Thai Institute of Directors Association (IOD)	
	<ul style="list-style-type: none"> <li>-</li> </ul>

*Remark Appointed as a Chairman of the Audit Committee and Independent director effective December 28, 2005*

### Mr. Pridi Boonyoung

	<ul style="list-style-type: none"> <li>67 years old</li> </ul>
Position	<ul style="list-style-type: none"> <li>Independent director and Audit committee</li> </ul>
Education	<ul style="list-style-type: none"> <li>Master Degree in Laws Yale University, USA</li> <li>Bachelor Degree in Laws Thammasat University</li> <li>Degree from National Defence College of Thailand</li> </ul>
<b>Experience</b>	
1997-1998	<ul style="list-style-type: none"> <li>Director – General, Treasury Department</li> </ul>
1996-1997	<ul style="list-style-type: none"> <li>Director – General, Customer Department</li> </ul>
1993-1996	<ul style="list-style-type: none"> <li>Director – General, The Comptroller General's Department</li> </ul>
Relationship	<ul style="list-style-type: none"> <li>-</li> </ul>
Attendance at the Board of Directors' Meeting during 2005:	
	<ul style="list-style-type: none"> <li>5 times out of 6 meetings</li> </ul>
Training by the Thai Institute of Directors Association (IOD)	
2005	<ul style="list-style-type: none"> <li>Director Accreditation Program (DAP)</li> </ul>

### Mr. Padoong Techasarintr

	<ul style="list-style-type: none"> <li>64 years old</li> </ul>
Position	<ul style="list-style-type: none"> <li>Independent director and Audit committee</li> </ul>
Education	<ul style="list-style-type: none"> <li>Bachelor Degree in Business and Administration Thammasat University</li> </ul>
<b>Experience</b>	
	<ul style="list-style-type: none"> <li>Executive Director, Siam City Bank Plc.</li> <li>Director – Vice President, Siam City Bank Plc.</li> </ul>
Relationship	<ul style="list-style-type: none"> <li>-</li> </ul>
Attendance at the Board of Directors' Meeting during 2005 :	
	<ul style="list-style-type: none"> <li>6 times out of 6 meetings</li> </ul>
Training by the Thai Institute of Directors Association (IOD)	
2002	<ul style="list-style-type: none"> <li>The role of Chairman</li> </ul>
2003	<ul style="list-style-type: none"> <li>Director Certification Program (DCP)</li> </ul>
2005	<ul style="list-style-type: none"> <li>Director Accreditation Program (DAP)</li> </ul>





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**Mr. Dhanin Chearavanont**

- 66 years old
- Position • Chairman
- Education • Degree from National Defence College of Thailand
- Commercial School, Hong Kong
- Shantou Secondary School, China

**Experience**

- 1993-present • Chairman, True Move Corporation Plc.
- 1989-present • Chairman and CEO, Charoen Pokphand Group Co., Ltd.
- Relationship • Mr.Soopakij and Mr.Narong's father
- Attendance at the Board of Directors' Meeting during 2005 :
  - 4 times out of 6 meetings
- Training by the Thai Institute of Directors Association (IOD) 2005
  - Director Accreditation Program (DAP)

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**Mr. Korsak Chairasmisak**

- 53 years old
- Position • Vice Chairman and Chief Executive Officer
- Education • Bachelor Degree in Economics Thammasat University

**Experience**

- 1990-present • Executive Vice Chairman, Charoen Pokphand Group
- Relationship • -
- Attendance at the Board of Directors' Meeting during 2005 :
  - 6 times out of 6 meetings
- Training by the Thai Institute of Directors Association (IOD) 2000
  - Director Certification Program (DCP)

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**Mr. Umroong Sanphasitvong**

- 52 years old
- Position • Director
- Education • Master Degree in Business and Administration
- Bachelor Degree in Business and Administration Thammasat University

**Experience**

- Present • Deputy Group CFO, Charoen Pokphand Group Co., Ltd.
- 1980 • Deputy Division Manager – Accounting and Finance, Charoen Pokphand Group Co., Ltd.
- 2004-present • Director, Ayudhya Allianz C.P. Public Company Limited
- 2001-present • Director, True Move Corporation Public Company Limited
- Director, CPPC Public Company Limited
- 2000-present • Director, Allianz C.P. Company Limited
- 1999-2005 • Director, Vinythai Public Company Limited
- Relationship • -
- Attendance at the Board of Directors' Meeting during 2005:
  - 6 times out of 6 meetings
- Training by the Thai Institute of Directors Association (IOD) 2001
  - Director Certification Program (DCP)

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**Mr. Soopakij Chearavanont**

- 41 years old
- Position • Director
- Education • Bachelor Degree in Business and Administration New York University, USA

**Experience**

- Present • Chairman, Chia Tai Enterprises International Ltd.
- 2003-present • Director, True Move Corporation Plc.
- Director, TA Orange Co., Ltd.
- 2000-present • Chairman of the Executive Committee, Telecom Holding Ltd.
- 1998-present • Chairman, United Broadcasting Corporation Plc.
- Relationship • Mr.Dhanin's son and Mr.Narong's brother
- Attendance at the Board of Directors' Meeting during 2005:
  - 2 times out of 6 meetings
- Training by the Thai Institute of Directors Association (IOD)
  - -

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**Mr. Narong Chearavanont**

- 40 years old
- Position • Director
- Education • Bachelor Degree in Finance and International Business, New York University, USA

**Experience**

- 2002-Present • President, Shanghai Lotus Supermarket Chain Store Co., Ltd.
- Relationship • Mr.Dhanin's son and Mr.Soopakij's brother
- Attendance at the Board of Directors' Meeting during 2005:
  - 2 times out of 6 meetings
- Training by the Thai Institute of Directors Association (IOD)
  - -

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**Mr. Adirek Sripratak**

- 60 years old
- Position • Director
- Education • Honorary Doctorate degree (Science) Maejo University

**Experience**

- Present • Honor president, Thai Broiler Processing Exporters Association
- 2003-present • Director, Charoen Pokphand Foods Plc.
- 2003-present • President and CEO, Charoen Pokphand Foods Plc.
- 1999-present • Executive director, Charoen Pokphand Foods Plc.
- Relationship • -
- Attendance at the Board of Directors' Meeting during 2005:
  - 2 times out of 6 meetings
- Training by the Thai Institute of Directors Association (IOD) 2001
  - Director Certification Program (DCP)
- 2005 • Director Accreditation Program (DAP)

*Remark Appointed as a director effective on August 11, 2005.*

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**Mr. Athueck Asvanund**

- 54 years old
- Position • Director
- Education • LLm. (Specialized in International Legal Studies), New York University, USA
- Certification in the Orientation Program in the US Legal System, Law Centre, Georgetown University, Washington D.C.
- Bachelor Degree in Laws (Honor) Thammasat University

**Experience**

- Present • Vice Chairman and Group General Counsel True Move Corporation Public Co., Ltd.
- Group General Counsel, Charoen Pokphand Group
- Director, United Broadcasting Corporation Public Co., Ltd.
- Director, TA Orange Co., Ltd.
- Director, True Multimedia Co., Ltd.
- Director, Telecom Holding Co., Ltd.

- Relationship • -
- Attendance at the Board of Directors' Meeting during 2005:
  - 2 times out of 6 meetings

- Training by the Thai Institute of Directors Association (IOD) 2005
  - Director Accreditation Program (DAP)

*Remark Resign from directorship effective on August 11, 2005.*

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**Ms. Yun Chiang**

- 38 years old
- Position • Director
- Education • Master of Business Administration Degree, The Kellogg Graduate School of Management at the Northwestern University, USA

**Experience**

- 2002-present • Director, Direct Investment AIG Investment Corporation (ASIA) Ltd.
- 2002 • Director, Tse Sui Luen Investment (China) Ltd. & Infinite Assets Corp
- 2000 • Director, China Hongkong Photo Products Holding and Geoby International Holdings Ltd. and its affiliate & subsidiaries

- Relationship • -
- Attendance at the Board of Directors' Meeting during 2005:
  - 4 times out of 6 meetings

- Training by the Thai Institute of Directors Association (IOD)
  - -

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**Mr. Prasert Jarupanich**

- 57 years old
- Position • Director
- Education • 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

**Experience**

- 1999-present • Director, Siam Makro
- 1988-present • Vice President – Marketing and Distribution Group, Charoen Pokphand Group Co., Ltd.

- Relationship • -
- Attendance at the Board of Directors' Meeting during 2005:
  - 5 times out of 6 meetings

- Training by the Thai Institute of Directors Association (IOD) 2004
  - Director Certification Program (DCP)

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**Mr. Pittaya Jearavisitkul**

- 50 years old
- Position • Director and Deputy Chief Executive Officer
- Education • Master Degree in Business Administration
- Bachelor Degree in Economics (Honor) Thammasat University

**Experience**

- 1993-1998 • Vice President - Marketing and Distribution Group, Charoen Pokphand Group Co., Ltd.

- Relationship • -
- Attendance at the Board of Directors' Meeting during 2005:
  - 6 times out of 6 meetings

- Training by the Thai Institute of Directors Association (IOD) 2000
  - Director Certification Program (DCP)



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**Mr. Piyawat Titasattavorakul**

• 52 years old  
Position • Director and Managing Director  
Education • Bachelor Degree in Marketing  
Ramkhamhaeng University

**Experience**

1996-1998 • Vice President – Operation : C.P. Seven Eleven Plc.  
Relationship • -  
Attendance at the Board of Directors' Meeting during 2005 :  
• 6 times out of 6 meetings  
Training by the Thai Institute of Directors Association (IOD)  
2001 • Director Certification Program (DCP)

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**Mr. Suraphan Pussadej**

• 57 years old  
Position • Vice President – Human Resource  
Education • Master Management Degree, University of Detroit  
• Bachelor Degree in Law (Honor)  
Thammasat University

**Experience**

2005-Present • Deputy Chief Executive Officer, S Khonkaen Public Co., Ltd.  
• Assistant Chief Executive Officer, C.P. Seven Eleven Public Co., Ltd.  
• Advisor, Civil Servant Commission for Bureaucratic Development  
• Advisor, Walailuck University  
• Advisor, Thammasat University  
1996-2004 • Corporate Human Resource Director, Paper & Packaging Business, Siam Cement Group (SCG)  
1974-1996 • Human Resource Manager Siam Cement Group (SCG)  
Relationship • -  
Training by the Thai Institute of Directors Association (IOD)  
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**Mr. Kamol Sakdejayont**

• 56 years old  
Position • Vice President – Accounting and Finance  
Education • Master Degree in Business Administration  
Thammasat University  
• Bachelor Degree in Accountancy  
Chulalongkorn University

**Experience**

1993-1998 • Assistant Vice President – Accounting and Finance, C.P. Seven Eleven Plc.  
Relationship • -  
Training by the Thai Institute of Directors Association (IOD)  
2004 • Director Certification Program (DCP)

*Remark Pass away on February 1, 2006*

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**Mr. Tanin Buranamanit**

• 41 years old  
Position • Vice President – Operation and Marketing  
Education • Master Degree in Marketing  
Thammasat University

**Experience**

1999 • Assistant Vice President – Marketing, C.P. Seven Eleven Plc.  
1998 • Assistant Vice President, Sunny Supermarket Co., Ltd.  
Relationship • -  
Training by the Thai Institute of Directors Association (IOD)  
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**Mr. Chuan Nimkittikul**

• 54 years old  
Position • Vice President – Purchasing and Distribution  
Education • Master Degree in Business Administration  
Bachelor Degree in Economics  
Thammasat University

**Experience**

1996-1998 • Assistant Vice President – Purchasing and Distribution  
• Human resource and Administration: C.P. Seven Eleven Plc.  
Relationship • -  
Training by the Thai Institute of Directors Association (IOD)  
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**Mr. Suwit Kingkaew**

• 55 years old  
Position • Vice President – General Management  
Education • Master Degree in Business Administration  
Bachelor Degree in Economics, Kasetsart University

**Experience**

1996-1998 • Assistant Vice President – General Management : C.P. Seven Eleven Plc.  
Relationship • -  
Training by the Thai Institute of Directors Association (IOD)  
2005 • Director Certification Program (DCP)

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**Mr. Kosa Pongsupath**

• 53 years old  
Position • Vice President – Information Technology  
Education • Bachelor Degree in Statistics, Kasetsart University

**Experience**

2000-2001 • Assistant Vice President – Information Technology : C.P. Seven Eleven Plc.  
Relationship • -  
Training by the Thai Institute of Directors Association (IOD)  
• -

# Part *of* Life

คือความผูกพัน



Morning...  
Hurried lives with responsibilities waiting ahead  
The working day begins, the final destination is still far  
7-Eleven is your travel companion  
Waiting to fulfill all your needs

ยามสาย...  
ชีวิตที่เร่งรีบกับการกิจที่รอคอยอยู่ข้างหน้า  
ชีวิตการทำงานเริ่มขึ้น จุดหมายปลายทางอีกยาวไกล  
**เซเว่นอีเลฟเว่น คือเพื่อนร่วมทาง**  
ที่จะคอยเติมเต็ม ในทุกๆ สิ่งที่ขาดหายไป





## 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 2004, the Company had a total of 3,311 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, 1,276 stores are in Bangkok (39 percent) and 2,035 stores are in the vicinity and provincial areas (61 percent). According to type of store, there are 1,931 corporate stores (58 percent), 1,191 franchise stores (36 percent) and 189 sub-area license stores (6 percent). Presently, an average of 3.4 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 2,915 stand-alone stores (88 percent) and 396 stores in PTT gas stations (12 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 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 Connection" cards and product and service payment through Smart Purse digital cash cards were commenced.

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

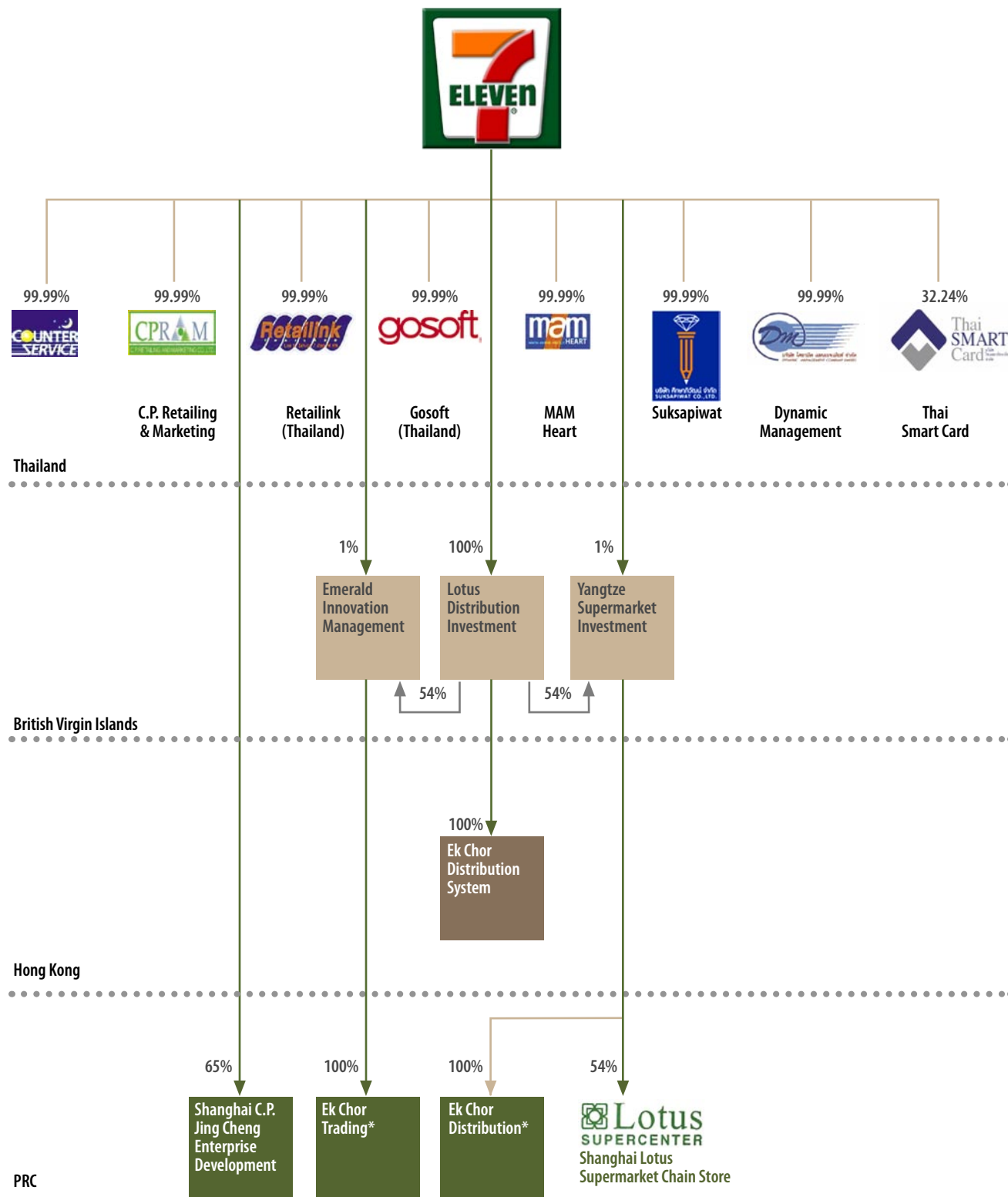
As at December 31, 2005

The Company became a public company limited registration number 0107542000011 on March 12, 1999. As at December 31, 2005, the Charoen Pokphand Group held 45.09 percent of the Company's paid-up capital.

As at December 31, 2005, the group structure of the Company is as follows:



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



\*NO longer commencing operation



# Part of Life

คือความผูกพัน

## 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: (For further details, please refer to Financial Status and Operating Results.)

Groups of Business	2003		2004		2005	
	Million Baht	%	Million Baht	%	Million Baht	%
Convenience store (CP7-11)	40,154	68.8	38,184	51.2	50,132 <sup>/1</sup>	53.1
Supercenter (SLS)	16,857	28.9	21,418	28.7	28,945	30.7
Other businesses <sup>/2</sup>	1,372	2.4	15,020	20.1	15,278	16.2
<b>Total Net Sales and Service incomes</b>	<b>58,382</b>	<b>100</b>	<b>74,622</b>	<b>100.0</b>	<b>94,355</b>	<b>100.0</b>

<sup>/1</sup> Exclude phone card sales since September 2005

<sup>/2</sup> 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 others 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 has plans to further open 400-450 new outlets per year in 2006 and 2007. 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 2006, the Company has plans to open 10-15 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 2005, the Company expanded the network of 7-Eleven stores to all 76 provinces nationwide with a total of 3,311 outlets. The outlets covered more districts, from 394 districts in 2004 to 423 districts in 2005, equivalent to 46 percent of the total 920 districts.

Forty-eight percent of the 7-Eleven outlets in the provinces are located in Muang District, that is, 968 outlets from a total of 2,035 outlets in the provinces.

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

(Unit : Stores)	2003	2004	2005
Corporate Stores	1,608	1,782	1,931
Franchise Stores	662	923	1,191
Sub Area License Stores	127	156	189
<b>Total</b>	<b>2,397</b>	<b>2,861</b>	<b>3,311</b>

**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.

**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 IN 7-ELEVEN STORES

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 major groups: Foods & Beverage accounting for 48% and non-food products including technology and entertainment accounting for 52%.

In addition, 7-Eleven stores provide other services for customer convenience such as payment service for as many as 131 services, ATM machines at 1,358 branches, telephones, catalog order, and money transfer. The Company continuously strives to expand its alliance partners to provide a wider range of services.

#### MARKET CONDITIONS AND COMPETITIONS IN CONVENIENCE STORE BUSINESS

##### a. Nature 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 frequent PTT gas stations. On average, a total of 3.4 million customers nationwide per day purchased products and services from 7-Eleven stores in 2005, increasing from 2.7 million customers nationwide per day in 2004. The spending per ticket rose from an average of Baht 56 per visit in 2004 to Baht 58 per visit in 2005.

##### b. Business Operating Conditions

Every customer group has ever-changing demands. Tracking customers' demands must be done in a quick and timely manner. In listening and learning about customers' demands, the latest information technology is needed to communicate between the stores and the head office. The Company has invested more than Baht 1,000 million in the POS (Point of Sales) and SC (Store Controller) systems as a channel for using data to learn about customers' demands. These systems enable the stores to stock products that most meet that demands of their customers.

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. It has also used the information to formulate strategies that are different from those of its competitors, responding to the demands of each customer group.





### c. Responding to Customers' Demands

#### Service 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.

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.

#### 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. Each year, the Company selects more than 3,500 revolving items to ensure that the products and services meet customers' requirements. Product development is undertaken in cooperation with Team Merchandising to obtain unique quality products, especially FBO products (First sold in 7-Eleven stores, Best Selection, Only sold in 7-Eleven stores).

#### Improvement of Store Environment

The Company has improved both the internal and external store environment to create a pleasant environment for surrounding communities. 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 energy saving, hygiene and cleanliness, and prevention of waste water from polluting communities. As a result, 7-Eleven stores, which implement the Quality Standard Inspection (QSI) system, do not experience any problems from communities where they are located.

#### 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. Experts from government organizations such as the Food and Drug Administration are invited to give lectures on food safety to the Company's employees. The Company has also put in place a system to guarantee quality through random inspection of foods and beverages. In the past year, the Company embarked on a project to provide assistance to suppliers to attain GMP (Good Manufacturing Practice) certification, increasing capability to develop food products with suppliers. In 2005, fifty 7-Eleven stores participated in the Ministry of Public Health's "Clean Food Good Taste Project" and 488 stores participated in the "Bangkok Clean and Safe City Project" of the Bangkok Metropolitan Administration.

#### Creating Value for Customers

The Company strives to develop different management processes, building connectivity with customers at the center, to create and deliver value, confidence and favorable impressions to customers. The Company is dedicated to providing convenience; good, fast and time-saving services; new and fresh quality products; and a pleasant environment. The Company is also dedicated to implementing activities that create value for customers such as money stamps and lucky draws and social activities for communities.

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 five 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 the Convenience Store Business

In 2005, modern retailing under the chain store format experienced intense competition in the forms of both outlet expansion and various marketing tactics employed to attract consumers. Competition intensified following the rise in the cost of living from higher oil and product prices which resulted in consumers becoming more careful in purchasing products and giving more consideration to value for money. However, the retail industry value in the tax system is expected to grow 13 percent or Baht 2.2 trillion in terms of value.

Higher oil prices have affected consumers' consumption behavior and pattern, causing consumers to reduce purchasing frequency, buy more in one time, and buy from retail outlets near home or the office. Besides the aforementioned factor, increasing difficulty in finding good locations and the density of retail stores in big cities have 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. In 2005, there was an increase of more than 800 retail stores under the chain store format with the expansion of 7-Eleven outlets accounting for 450 of the total.

Type of stores	2003	2004	2005
Stand alone convenience stores	3,146	4,008	4,788
- 7-Eleven Stores	2,195	2,564	2,915
- Others	989	1,478	1,910
Convenience stores in gas station	1,411	1,542	1,664
- 7-Eleven Stores	202	297	396
- Others	1,171	1,211	1,231

Remark : Retail outlets in chain store format  
Source : Compilation by C.P. Seven Eleven Plc.

7-Eleven stores are in the small-scale retail store segment. In terms of market segmentation, the Company uses the geographic concept 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.

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.

Despite fierce competition among small-scale retail stores to expand the number of branches, 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. At the same time, operators are trying to find ways to foster good customer relationships and respond to customers' demands in order to create good impressions and greater customer loyalty. Operators have selected products and services to suit each community's demands and have formed business alliances in order to create value and differentiate themselves.

#### 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.

Last year, the Company opened a new distribution center in Latkrabang to support branch expansion and increase product delivery efficiency and speed. In addition, the Company embarked on the GMP (Good Manufacturing Practice) project at distribution centers to ensure the quality and safety of products delivered to customers.

#### 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 2005, SLS operates altogether 40 Lotus Supercenters through branch expansion in Shanghai and other cities in the Yangtze Basin.

District	No. of Stores
Shanghai	19
Jiangsu	10
Zhejiang	4
Hubei*	3
Sichuan	2
Anhui	1
Chengdu	1
<b>Total</b>	<b>40</b>

\*SLS has managed 2 branches in Wuhan (Hubei District) since July 2004.

Lotus Supercenters are open everyday from 8.00 hrs. to 22.00 hrs. For the past three years, the sales volume of Lotus Supercenters according to the consolidated financial statement has increased continuously, from Baht 21,418 million in 2004 to Baht 28,945 million in 2005, expanding 35 percent. This growth rate was higher than the PRC's total retail growth which was approximately 13 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 2005, the products were divided into 4 main categories as follows:

- Fresh Food accounts for approximately 20.5 percent of total sales.
- Dry Groceries accounts for approximately 46.2 percent of total sales
- Hard Lines accounts for approximately 20.8 percent of total sales
- Apparel accounts for approximately 12.5 percent of total sales

## Market conditions and competition of large scale retail business

### (a) Nature of Customers

Lotus Supercenter's target customers are people with medium to low income who prefer one-stop shopping. At present, approximately 8,700 customers per day are recorded at each branch.

### (b) Pricing Policy

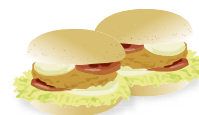
Lotus Supercenter uses the Every Day Low Price ("ELDP") pricing policy as its selling point to attract customers. It focuses on offering everyday low prices rather than offering promotions from time to time. It also offers good-quality and low-priced housebrand products under the "Lotus Supercenter" brand.

### (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.

Year	2000	2001	2002	2003	2004	2005-p	2006-f
Gross domestic product (%)	9.7	8.1	9.1	10.0	10.1	9.5	8.3-9.3
Retail value growth (%)	8.4	10.1	11.8	9.1	13.3	12.8	13.0

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



Economic growth and retail sector expansion, especially expansion of foreign investment, are important factors driving the growth of the middle class in urban areas, enhancing purchasing volume, income and purchasing power. At the same time, the lifestyle and consumer behavior of city dwellers have changed towards a more modern lifestyle.

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 50 percent of total retail sales in 2004, while the traditional grocery sector shrank.

Breakdown of retail industry (%)	2002	2003	2004
Modern Trade	42	46	50
Traditional Grocery	53	49	47
Specialty Store	5	5	3

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

In the modern retail sector, hypermarkets or supercenters recorded higher growth rates compared to other types of retail businesses. The market share of hypermarkets increased from 19 percent in 2000 to 38 percent in 2005, while the market share of other types of retail businesses declined. Hypermarkets are expected to grow continuously at approximately 25-30 percent per year until the year 2010. Supporting factors include the country's economic conditions, income, purchasing power, and retail sector which expanded an average of 11.4 percent per year during 2000-2005. Retail sector growth is estimated at 13 percent in 2006.

## Industry Outlook and Competition in 2006

The PRC retail sector is estimated to expand 13 percent in 2006, mainly from the middle class in urban areas who have increased purchasing volume, income and purchasing power as well as a more modern lifestyle. Furthermore, the PRC's 11<sup>th</sup> Economic Development Policy (2006-2010) which focuses on stimulating domestic consumption and lifting urban and rural income will be another supporting key. It will bring changes in income, purchasing power and consumer behavior and boost consumption.



Continued consumption growth has attracted continuous investment in the retail business in the PRC from both foreign and local operators. Large operators that are direct and indirect competitors of Lotus Supercenter include Trust-mart, Carrefour, Walmart, Rt-mart and Shanghai Bailian.

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. In 2006, Lotus Supercenter plans to establish 10-15 new branches.

## Delivery of Products and Services

Most of the products sold in Lotus Supercenter, approximately 99 percent, are products that SLS bought from local manufacturers or distributors in the PRC. The head office in Shanghai sets the policy on product procurement and distribution to each branch. Approximately 63 percent of the products are distributed by SLS distribution center. In addition, a leading consulting company has been selected to provide advice on improving management efficiency.

# Part *of* Life

คือความผูกพัน





Afternoon... The sun's rays are blazing  
Exhausted from work  
7-Eleven, a dear friend,  
Is ready bring you smiles and joy  
With warmth, like a true, understanding friend

ยามบ่าย...ดวงตะวันสาดแสงจ้า  
เหน็ดเหนื่อยเมื่อยล้ากับการทำงาน  
เซเว่นอีเลฟเว่น เพื่อนที่คุ้นเคย  
พร้อมที่จะเติมรอยยิ้ม และความเบิกบานให้กับคุณ  
ด้วยความอบอุ่น เสมือนมิตรแท้ ที่เข้าใจคุณตลอดเวลา





## 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 mistake 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.

### 4. Risk from foreign 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 changing legal regulation which might hold back foreign business expansion

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 June 2005, companies in the Charoen Pokphand Group continue to hold an aggregate 45.09 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.

### 6. Risk from controlling influence of the Charoen Pokphand Group

When the Company made an investment in the retail business in the PRC, the Company entered into a shareholders agreement (Deed of Shareholders Agreement) dated February 18, 2000 with Lotus Distribution Investment ("LDI"), Yangtze Supermarket Investment ("YSI") and China Retail Fund ("CRF"), which provides that CRF has the right to sell back the shares of YSI to LDI and/or the Company ("Put Option") when any of the following events occur:





- (a) The shares of YSI or the shares of the company held by YSI, a company established for the purpose of listing, cannot be listed on the Hong Kong Stock Exchange or any other stock exchange acceptable to the Company, CRF and LDI within 5 years from the date the Company, CRF and LDI paid the price of the shares (Closing Date\*), or within six years from the Closing Date if the Company and CRF agree to such (Listing Deadline);
- (b) The net profit after tax of YSI does not reach US\$ 25.73 million in the accounting year that is the fourth anniversary from the Closing Date and US\$ 35.42 million in the accounting year that is the fifth anniversary from the Closing Date; or
- (c) The Company, LDI or a company concerned with LDI or the Company does not comply with the representations in the Deed of Shareholders Agreement.

\*Note: Closing Date is March 27, 2000

#### The Company's risk management

Even though CRF has the right to sell back the shares as specified in agreement, the Company believes that the relationship since the Deed of Shareholders Agreement was signed remains good. So far, there has been no major controversy with CRF. The Company has followed regulations as per specified in the agreement. Moreover, the Company has continually consulted with CRF on performance improvement methods for SLS. The Company believes that the supercenter business in the PRC has good growth potential and will provide future mutual benefits.



# Shareholding Structure and Management



## SECURITIES OF THE COMPANY

As at 31 December 2005, the Company's registered capital was at Baht 4,500,000,000, of which Baht 4,423,538,610 has been paid up. The paid-up capital comprises 4,423,538,610 ordinary shares with a par value of Baht 1 per share. The remaining 76,461,390 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 June 9, 2005	
		No. of shares	%
1.	Charoen Pokphand Group Co., Ltd.*	1,059,715,000	24.02
2.	C.P. Merchandising Co., Ltd.*	789,826,000	17.90
3.	American International Assurance Company, Limited-Di-Life**	300,000,000	6.80
4.	State Street Bank and Trust Company	231,361,690	5.24
5.	Nortrust Nominees Ltd.	203,853,100	4.62
6.	Bangkok Produce Merchandising Plc.*	140,000,000	3.17
7.	Albouys Nominees Ltd	135,181,000	3.06
8.	American International Assurance Co., Ltd.**	100,000,000	2.27
9.	UNS Agro-Chemical Co., Ltd.	90,000,000	2.04
10.	Thai NDVR Company Limited	73,977,890	1.68
11.	Others	1,287,526,280	29.20
<b>Total</b>		<b>4,411,440,960</b>	<b>100.00</b>

\* Denotes companies in the Charoen Pokphand Group which hold a combined shareholding of 45.09 percent of the total paid-up capital

\*\* Denotes shareholders in the same group which hold a combined shareholding of 9.07 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 have 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.	Lieut. Suchai Jaovisidha	Director/Independent Director (Resigned on Nov 12,05)
	Mr. Komain Bhatarabhirom	Director / Independent Director (Effective since Dec 28,05)
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. Rachel Y. Chiang**	Director
8.	Mr. Athueck Asvanund	Director (Resigned on Aug 11, 2005)
	Mr. Adirek Sripratak**	Director (Effective on Aug 11, 2005)
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.	Mr. Komain	Bhatarabhirom	Chairman of the Audit Committee
2.	Mr. Pridi	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 2005, 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	Vice President, Human Resource
5.	Mr. Kamol	Sakdejayont*	Vice President, Finance and Accounting
6.	Mr. Chuan	Nimkittikul	Vice President, Purchasing and Distribution
7.	Mr. Dhanin	Bhuranamanit	Vice President, Operation and Marketing
8.	Mr. Suwit	Kingkaew	Vice President, General Management
9.	Mr. Kosa	Pongsupath	Vice President, Information Technology

\* Passed away on February 1, 2006

#### 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

2005	Type of Remuneration	Total (Million Baht)
Directors		
Chairman of the Audit Committee	Remuneration for Directors	1.20
Independent Director		
Audit Committee and Independent Director (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
Executives Directors and Executive Officers (9 persons)	Salary and bonus	98.97
Total remuneration for Directors and Executives		108.09

##### (b) Other Remuneration

In 2005, 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. The first exercise was on 15 March 2005. A total of 1,144,146 units were exercised at a price of Baht 42, worth a total of Baht 48.05 million. The second exercise was on 15 September 2005. A total of 12,097,820 units were exercised at a price of Baht 4.20, worth a total of Baht 50.81 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.

## Auditor's Remuneration

### 1. Audit Fee

In the fiscal year ended 2005, the Company and its subsidiaries paid the following audit fees to

- The Company's auditors in the amount of Baht 3.80 million
- In the fiscal year ended 2005, the Company and its subsidiaries paid the following audit fees to Pricewaterhouse Coopers Zhong Tian in the People's Republic of China in the amount of Baht 7.34 million.

### 2. Non-audit Service Fee

- None -

## PERSONNEL

2005	Convenience Store Business	Supercenter Business
Store employees (persons)	14,658	3,342
Head office staffs (persons)	4,500	1,482
<b>Total (persons)</b>	<b>19,158</b>	<b>4,824</b>
<b>Total Remunerations (Million Baht)</b>	<b>3,740</b>	<b>2,001</b>

## Internal Control

The Company realizes the importance of implementing an internal control system to provide the Company with an operating system that is correct and transparent, can be monitored, and can prevent possible damages to the Company. The Company continuously develops its internal control system to enhance effectiveness and efficiency. The Internal Audit Department, which is independent from the management, reviews all operating functions and information systems of various departments of the Company and its subsidiaries, ensuring that all employees adhere to the Company's internal controls. The Internal Audit Department reports to the Audit Committee and the Board of Directors for consideration and improvement of the internal control system. In 2005, there was no material deficiency which had an impact on the performance of the Company and its subsidiaries.



The Company truly believes that operation of the Company's business according to the principles of good corporate governance will benefit the Company in the long run as well as promote the management team's transparency and efficiency. The Company is committed to conducting its business under the principles of good corporate governance and being a socially-responsible citizen for the best interests of all stakeholders and society at large.

## 1. GOOD CORPORATE GOVERNANCE POLICY

The Company has instituted a Good Corporate Governance Policy in line with the principles of good corporate governance advocated by the Stock Exchange of Thailand. This policy, which is clearly stated in the Employee Handbook and can be found on the Company's website, covers five important principles, namely

- Structure, duties, responsibilities and independence of the Board of Directors
- Rights and equitable treatment of shareholders and stakeholders
- Information disclosure and transparency
- Internal control and risk management
- 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 holds shareholders' meetings at its head office and sends invitation letters for the shareholders' meeting approximately 16 days in advance of the meeting date. 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. 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. 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 shareholders' 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 0.25 percent, which accounts for a non-material proportion.

Furthermore, the Company places great importance on information disclosure to shareholders that is correct, complete and transparent. The Company regularly and fairly disseminates information via the media, analysts and the websites of the Company and the Stock Exchange of Thailand.

## 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.

**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 are key to the Company's success. 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 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 2005, the Company organized two shareholders' meetings, an ordinary general meeting of shareholders on April 28, 2005 and an extraordinary meeting of shareholders on June 30, 2005. 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

In determining the vision, mission, business objectives and strategies for setting long-term and short-term objectives and goals, the Company uses the Balanced Scorecard and the Thailand Quality Award 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.

In addition, to improve directors' efficiency and effectiveness in conducting business, the Company supports its directors to attend training on good corporate governance organized by the Thai Institute of Directors Association (IOD). Almost all of the Company's directors have attended the Directors Certification Program of the IOD while the rest will attend accordingly.

## 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.

In 2005, the Board of Directors approved 3 connected transactions between the Company or its subsidiary and related parties as follows:

**On April 4, 2005,** the Company approved the connected transaction worth approximately Baht 28 million between C.P. Retailing and Marketing Co., Ltd., a subsidiary operating the business of manufacturing and sale of frozen foods and bakery, and D Plan Co., Ltd., a real estate development company, to expand the storage facility of the bakery factory in Ladkrabang.

**On November 14, 2005,** the Company approved the offering of financial assistance to Shanghai Lotus Supermarket Chain Store Co., Ltd., a subsidiary operating a supercenter business in the PRC, according to the percentage of its shareholding in the amount of US\$ 21 million or approximately Baht 840 million.

**On December 28, 2005,** the Company approved to provide financial assistance to Thai Smart Card Co., Ltd., an affiliate which operates the business of payment of goods and services through Smart Purse, in the amount not exceeding Baht 100 million.

The Board of Directors considered all three 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

The Company has published the Code of Business Ethics 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:

- Not an employee nor an advisor on retainer or receiving any benefit from the Company, an affiliated company, a subsidiary or an associated company
- 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
- Able to look after the interests of all shareholders equally
- Able to prevent conflicts of interest between the Company and management, major shareholders or other related companies with the same management or major shareholders
- 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 2005, a total of six 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 Company has established an effective internal control system to ensure efficient operation of the Company's business, financial reporting that is correct and reliable, and compliance with related laws. In the previous year, the Company's financial reports were certified by the auditor to present fairly, in all material respects, the financial position of the Company.

The Company has an internal audit unit which reports directly to the Audit Committee. The internal audit unit is responsible for reviewing the operations of other departments to ensure compliance with the internal control system. The internal audit unit also provides suggestions and information to support internal control, transparent operations, and compliance with good corporate governance principles in order to prevent conflicts of interest.

## 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 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](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 focuses on satisfying customers' demands 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 in various areas such as

### **Determination of Customers' Needs and Wants**

- The Company has established numerous channels to listen to and learn about customers' needs and expectations such as through store employees, store advisors, the call center, the website, market research, experts, academics, sales reports, and information from manufacturers, various media and the worldwide 7-Eleven network. These channels have enabled the Company to keep up with the ever-changing demands of consumers and have provided the Company with information to set strategies and to rapidly respond to the changing environment.
- The Customer Satisfaction Survey is another research project that is 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.

### **Development of Products and Services**

- The Company has established Team Merchandising to search for and select quality products that are different from those of competitors and meet the demands of various customer groups. Team Merchandising also emphasizes hygiene and product quality control for consumers' safety. Product quality control covers production, delivery and storage based on international standards such as GMP (Good Manufacturing Practice) and HACCP (Hazard Analysis Critical Control Point).

- In addition, the Company has improved its supply chain and lifted the standards of manufacturers that supply products to the Company. The Company has been involved in the development of production processes, raising factory hygiene and safety standards as well as product quality control systems of various manufacturers, especially small manufacturers, to ensure that products manufactured and delivered to the Company are of the highest quality and safety.
- Improvement of services is another crucial factor in creating customer satisfaction. The Company has initiated the Mystery Shopper Project where actual 7-Eleven customers are selected to purchase products from different stores at various times of the day. The project surveys whether the actual service provided meets customers' requirements without the knowledge of store employees. With the objective of becoming an organization with excellent customer service, the survey results are analyzed to find weaknesses, strengths, opportunities for customer service improvement at each store, and areas where the head office can provide support.
- Besides customers and manufacturers, the Company recognizes the importance of franchise stores and franchisees and continues to fortify relationships with franchisees. The Company has set up a research project to survey the satisfaction and demands of franchisees every year. The information is then used to develop long-lasting ties with franchisees, ultimately leading to the best service for customers.

### **Organizational and Human Resource Development**

- The Company places importance on human resource development and the happiness of its employees. Another research project that the Company organizes yearly is the employee satisfaction survey which allows employees at all levels to express their opinions, rate their satisfaction towards the Company with regards to various aspects, and rate 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.



## EXPANSION AND RENOVATION OF 7-ELEVEN STORES



In 2006, 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 2006 is approximately Baht 400 million.

## EXPANSION AND RENOVATION OF LOTUS SUPERCENTERS

In 2006, Shanghai Lotus Supermarket Chain Store Co., Ltd. ("SLS") plans to open another 10-15 Lotus Supercenters in Shanghai and the Yangtze delta area, the PRC. Required investment per branch is currently around RMB 40-60 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 500-750 million. Through branch expansion, the Company's sales and profit will increase in the future.

In 2006, 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 40 million for the renovation project.





## 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 Supercenter Chain Store Co., Ltd. (“SLS”)
- 2001**
  - Incorporated Thai Smart Card Co., Ltd. (“TSC”) with 8 alliances
- 2002**
  - Celebrated the 2,000<sup>th</sup> 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**
  - 2005 Celebrated the 3,000<sup>th</sup> 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



## Seven Eleven for Thai Society

For many years, C.P. Seven Eleven Public Company Limited has been involved in numerous projects to develop Thai society, both on its own and in co-operation with government organizations and other private organizations. These social projects focus on improving education, society, the environment, ethics and virtue, and intelligence. Since 1993, the Company has initiated and implemented a wide array of social projects as follows:

### **PROMOTING THAI LANGUAGE: READING AND WRITING**

Realizing the importance of the Thai language which reflects Thai culture, including reading and writing Thai correctly, the Company has jointly worked with government organizations to organize Thai language-related activities and promote reading and writing as follows:

#### **Promoting Thai Language for Thai Society Project and Reading Promotion Project**

The Company has embarked on the Promoting Thai Language for Thai Society Project and the Reading Promotion Project in collaboration with the Ministry of Education and the Bangkok Department of Education since 1994. The activities of both projects are targeted at primary school students, high school students, teachers/professors, families as well as children who need special care such as children with hearing disabilities. These projects emphasize self-development through reading and application with other skills in daily life.

#### **7 Book Awards Project**

Expanding on the success of the Reading Promotion Project, the Company initiated the 7 Book Awards in 2004 with the objective of promoting and upholding the quality of Thai literature. Having been warmly welcomed by writers and literature experts, the 7 Book Awards was organized for the second time in 2005. Awards were given to outstanding quality books in 7 categories from a total of 413 entries. The first-prize winner of each book category received an honorable plaque from Her Royal Highness Princess Maha Chakri Sirindhorn as well as a cash prize.

The Company has a policy to regularly organize the 7 Book Awards every year to create new writers and support writers and readers for the Thai literary circle.

#### **Literature Seeds Project and Cartoon Camp Project**

From the 7 Book Awards in 2004, the Company realized that many Thai youths were interested in cartoons and literary work but still lacked writing skills. Thus the Company joined with Srinakharinwirot University and the Writers Association of Thailand to implement the Literature Seeds Project to encourage and support Thai youth to become quality writers in the future. In the same year, the Company coordinated with the Thai Cartoons Association to organize the Cartoon Camp Project to develop cartoon drawing techniques and cartoon creativity.

In 2005, the Company continued to collaborate with the aforementioned organizations to organize the Literature Seeds Project and Cartoon Camp Project simultaneously under the name, the 2nd Literature Seeds-Cartoonists Project, as both camps could share related activities, especially technical seminars by academics and experts who encourage youth to have a public mind. The 2<sup>nd</sup> Literature Seeds-Cartoonists Project received immense interest and participation from Thai youths nationwide.



## **ETHICS AND VIRTUE**

### **Buddhism Teaching Development Project**

To promote virtue and ethics which is necessary in present day society, 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 the principles of Buddhism, and motivation to teach of Buddhism instructors so that they can effectively convey knowledge to their students.

More than 6,000 Buddhism teachers have received training from this project to date. In addition, outstanding Buddhism teachers have been selected to provide encouragement to Buddhism teachers in schools nationwide.

## **INTELLIGENCE**

### **Go Game Project**

The Company believes that development of intelligence is necessary for the country's youth as well as the general public. Go, an ancient Chinese board game and one of the four national arts of China, is widely believed to help enhance the players' systematic and strategic thinking, ability to analyze the micro and macro picture, and ability to effectively use existing resources. The Company, therefore, has strongly supported the Go Game among Thais in co-operation with the Go Game Association of Thailand. Go Game lessons are provided to kindergarten, primary school 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. At present, more than 2 million people throughout the country know and play the Go Game. The Go Game will be a part of the 2006 National Sports Competition to be held in Supanburi Province.

## **EDUCATION**

### **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. The Company provides scholarships to students who participate in the project, 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.

## **SOCIAL SERVICES**

The Company has utilized its network of more than 3,000 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 victims and flood victims every year, selling electricity-saving light bulbs, providing free drinking water to policemen nationwide and a consumer hotline.

The Company's involvement in social activities is according to its mission of building a strong relationship with society and helping develop society in order to create a good society with a good quality of life. Furthermore, the Company has a clear policy to continuously implement social activities to contribute back to society.

In 2005, 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, 2005.) 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 2005 were as follows:

### Trade Accounts Receivable

As at December 31, 2005, the Company and its subsidiaries had a trade accounts receivable balance with related parties in the amount of Baht 231.2 million or 26.98 percent of the Company and its subsidiaries' total trade accounts receivable.

### Other Accounts Receivable

As at December 31, 2005, the Company and its subsidiaries had an other accounts receivable balance with related parties in the amount of Baht 103.2 million or 7.08 percent of the Company and its subsidiaries' total other receivables.

### Trade Accounts Payable

As at December 31, 2005, the Company and its subsidiaries had a trade accounts payable balance with related parties in the amount of Baht 1,786.9 million or 8.91 percent of the Company and its subsidiaries' total trade accounts payable.

### Other Accounts Payable

As at December 31, 2005, the Company and its subsidiaries had an other accounts payable balance with related parties in the amount of Baht 44.1 million or 100 percent of the Company and its subsidiaries' total other payables.

### Sales of Goods

In 2005, 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, 2005 amounted to Baht 765.9 million or 0.82 percent of the Company and its subsidiaries' total sales.

### Purchases of Goods

In 2005, 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, 2005 amounted to Baht 6,373 million or 8.35 percent of the Company and its subsidiaries' total cost of sales.

### Other Operating Income

In 2005, the Company and its subsidiaries recognized other income from related parties in the amount of Baht 113.3 million or 2.51 percent of the Company and its subsidiaries' total other income.

### Rental and Service Fees

In 2005, 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, 2005 amounted to Baht 105.7 million.

### Purchases of Fixed Assets

In 2005, 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, 2005 amounted to Baht 387.2 million.

### Technical Service Fees

In 2005, 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, 2005 amounted to Baht 11.5 million or 0.06 percent of the Company and its subsidiaries' total selling and administrative expenses.

### Other Expenses

In 2005, the Company and its subsidiaries paid other remunerations to related parties in the amount of Baht 73.6 million or 0.36 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.





## 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 diversifies the Company's business risk 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. With outlets in prime locations scattered across the country, the Company is able to create easy access and greater convenience for customers. 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.

Expansion of domestic consumption, besides contributing to economic growth, has caused intensive competition in the retail industry. The Company has focused on improving its operation and management systems both at the store and head office level, effectively managing costs by increasing productivity of every unit, maintaining its current customers and expanding its customer base.

However, there is still a lot of opportunity for the convenience store business to grow as consumers are increasingly demanding convenience. 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 will continue to expand in line with the PRC's high economic growth and expansion of its store network. A combination of an advanced information technology system and management expertise provides competitive edge over its competitors. 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 create profits for the Company.

## Analysis of Operating Results for the Year Ended December 31, 2005 Compared to the Operating Results for the Year Ended December 31, 2004

In 2005, the Company and its subsidiaries' total revenues was Baht 98,948 million, improving 26 percent from that of 2004. The growth in total revenues was primarily attributable to higher net sales and service income, which increased 26 percent from that of 2004 to Baht 94,356 million in 2005.

Net sales and service income of Baht 94,356 million originated from three main businesses, (1) Baht 50,132 million from the convenience store business or 53 percent of total net sales and service income, (2) Baht 28,945 million from the supercenter business or 31 percent of total net sales and service income and (3) Baht 15,278 million from other businesses or 16 percent of total net sales and service income.

The growth in net sales and service income was mainly due to the expansion of 450 7-Eleven outlets, which reached the target of 400-450 stores, and the expansion of 15 Lotus Supercenter stores. In addition, improvement in the average same store sales/store/day of 7-Eleven from Baht 55,023 million in 2004 to Baht 60,886 million in 2005 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 797,000 in 2004 to RMB 626,000 in 2005.

#### **Gross Profit**

In 2005, the Company and its subsidiaries' gross profit was Baht 17,304 million, a rise of 25 percent year-on-year. The growth in gross profit was due to higher sales and service income. In addition, as a result of the improvement in the product selection process, the Company was able to maintain a gross profit margin of 18 percent in 2005, comparable to that of the previous year.

#### **Selling and Administrative Expenses**

In 2005, the Company and its subsidiaries' selling and administrative expenses were Baht 20,485 million, increasing 37 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 30 percent of the total SG&A, increased to Baht 6,040 million as a result of store expansion.

2) Rental expenses, which accounted for 16 percent of the total SG&A, increased to Baht 3,199 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 2005, the Company and its subsidiaries net profit was Baht 1,508 million, or Baht 0.34 per share, decreasing Baht 188 million or 11 percent when compared to 2004 net profit of Baht 1,696 million, or Baht 3.85 per share\*. The Company and its subsidiaries' return on shareholders' equity was 15 percent in 2005, compared to 18 percent in 2004.

\* The Company has changed par value of Baht 5 to Baht 1 in 2005.

### **Operating Results of the Convenience Store Business**

In 2005, the convenience store business had net sales and service income of Baht 50,132 million, an increase of Baht 11,948 million or 31 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. In addition, the Company has transferred phone card sales from Counter Service Company Limited which was recorded under other businesses to C.P. Seven Eleven Public Company Limited since September 2005. However, sales of the convenience store business excluding phone card sales continued to grow in line with store expansion of 450 stores and 10.7 percent same store sales growth. Such growth stems from both average customers per store per day increasing from 956 in 2004 to 1,032 in 2005 or an increment of 7.9 percent and spending per ticket increasing from Baht 56 in 2004 to Baht 58 in 2005 or an increment of 3.6 percent. The new stores did not cannibalize the sales of existing stores but enhanced the total sales. Furthermore, the product selection process was developed to meet consumers' requirements and preferences by geography, encouraging higher spending per visit per store.

The cost of sales of the convenience store business was 75 percent of sales in 2005, compared with 76 percent in 2004. The decline in the cost of sales was a result of a more effective product selection process. In addition, changes in the recording of phone card sales to be under the convenience store business caused gross profit to rise to Baht 12,607 million in 2005, an increase of Baht 3,295 million or 35 percent from 2004. Operating expenses increased Baht 2,742 million or 28 percent from 2004 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 2,001 million in 2005, up 117 percent from 2004.

### **Operating Results of the Supercenter Business**

In 2005, the supercenter business had net sales and service income of Baht 28,945 million, expanding Baht 7,527 million or 35 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 percent of the total sales in 2005, slightly increasing from 87 percent in 2004 due to changes in product mix. Based on store expansion, the gross profit of the superstore store business

amounted to Baht 3,641 million in 2005, growing Baht 576 million or 20 percent from the previous year. Operating expenses increased from Baht 4,436 million in 2004 to Baht 7,006 million in 2005 or an increment of 20 percent. Other revenues like marketing support also increased from Baht 2,065 million in 2004 to Baht 2,347 million in 2005 or an increment of 14 percent yoy.

The supercenter business experienced an operating loss of Baht 1,198 million in 2005, a decrease of 333 percent from 2004 which posted the operating profit of Baht 514 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 2005, the operating profit generated from other businesses was Baht 529 million, declining 54 percent from 2004 as phone card sales which was previously recorded under other businesses was transferred to the convenience store business.

## Analysis of the Company and its Subsidiaries' Financial Status for the Year Ended December 31, 2005

### Total Assets

As at December 31, 2005, the Company and its subsidiaries reported total assets of Baht 40,230 million, an increase of 39 percent compared to the previous year, with details as follows:

1. an increase in cash and cash equivalents of Baht 1,425 million or 20 percent from the end of 2004 as a result of an increase in cash flow from operations,
2. an increase in inventory of Baht 2,398 million or 42 percent from the end of 2004 as a result of higher sales and number of stores,
3. an increase in fixed assets of Baht 5,681 million or 48 percent from the end of 2004 as a result of investment in store expansion of both 7-Eleven and Lotus Supercenter, store renovation, investment in a new distribution center on the eastern side of Bangkok and investment in subsidiaries.

### Total Liabilities

As at December 31, 2005, the Company and its subsidiaries had total liabilities of Baht 29,708 million, increasing 56 percent from the previous year mainly due to an increase in accounts payable in line with higher sales. At the same time, the Company obtained favorable credit terms from suppliers as a result of higher trade volumes.

### Total Shareholders' Equity

As at December 31, 2005, consolidated total shareholders' equity was Baht 10,522 million, up 6 percent from the previous year. This was due to an increase in retained earnings from the end of 2004 as a result of an increase in net profit generated from business operations.

## Analysis of Statements of Cash Flows, Liquidity and Sources of Funds of the Company and its Subsidiaries for the Year Ended December 31, 2005 Compared to the Year Ended December 31, 2004

### Liquidity

As at December 31, 2005, consolidated cash and cash equivalents was Baht 8,581 million, an increase of 20 percent from the end of 2004 due to the following activities:

### Cash Flow from Operating Activities

In 2005, net cash flow from operating activities totaled Baht 5,883 million, down 12 percent from the end of 2004. This was mainly due to the operating loss from the supercenter business which caused net profit to fall.

In 2005, net cash flow used in investing activities amounted to Baht 6,955 million, rising 34 percent from the end of 2004. The main investments were store expansion of 7-Eleven in Thailand and Lotus Supercenter in the PRC, a new distribution center, increased investment its subsidiary CPRAM and purchase of land to expand the school business.

In 2005, net cash flow from financing activities totaled Baht 2,432 million, increasing 1,104 percent year-on-year. In order to support business expansion, foreign subsidiaries increased short-term borrowings from financial institutions in the amount of Baht 2,608 million. Other major financing activities included an increased investment of Baht 860 million in subsidiaries by minor shareholders and a dividend payment of Baht 993 million to shareholders.





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

The constantly evolving demands 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 both 7-Eleven and Lotus Supercenter is a driving factor to increase sales and operating profit in the future.





## Audit Committee's Report

The company's Board of Directors appointed the Audit Committee consisted of the three independent directors including Lieut. Suchai Shaovisidha as the Chairman of the Audit Committee, Mr. Pridi Boonyoung and Mr. Padoong Techasarintr as the Audit Committee members. On November 12, 2005, Lieut. Suchai Shaovisidha resigned from a company's director, after that on December 28, 2005 the Board of Directors appointed Mr. Komain Bhatarabhirom as an independent director and the Chairman of the Audit Committee. The Audit Committee has been working and having the responsibilities as assigned by the company's Board of Directors. The key duties comprise of reviewing the financial statements, ensuring an appropriate and efficient internal control and operating with transparency according to the good corporate governance guidelines as well as scrutinising appointment of the external auditors.

During the year 2005, the Audit Committee had 11 meetings which covered the main points as follows:

### **Reviewing the financial statements:**

The Audit Committee reviewed the quarterly and annually financial statement for the year 2005. It was concluded that they were correctly prepared in accordance with the accounting standards with complete and sufficient disclosure of information

### **Observing the good corporate governance:**

The company's Management has determined and emphasized in managing the business 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.

### **Internal Control System:**

The Audit Committee reviewed the internal auditing plan for the year 2005 and provided the suggestions to adjust the plan to comply with the company's policies and procedures. The internal audit reports have been regularly reviewed and the remarks have always been given on the important matters in order to achieve the efficient and effective results. The scope of the internal audit also covered all the operating units of both local and foreign subsidiaries

### **The related transactions:**

The Audit Committee reviewed the disclosure of the related transactions including all the transactions which may cause conflict of interests. It was found that all transactions were conducted based on the usual business practice and have been sufficiently disclosed and in accordance with the regulations of the SET

### **Risk Management:**

The Company's Management has been focused on managing risks by setting up the risks assessment guidelines and its mechanism as well as all the necessary processes in order to mitigate the impacts which may happen in the operation

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 accounting internal control. There were no irregularities and significant errors.

The Audit Committee reviewed and proposed to the Board of Directors the appointment of Mr. Vairoj Jindamaneevitak, Ms. Somboon Supasiripinyo, Ms. Kalyarat Chaivorapongsa or Mr. Charoen Phosamritlert of KPMG Phoomchai Audit Ltd., as the Company's external auditors for the year 2006 to be further approved at the General Meeting of the shareholders

February 21, 2006

On behalf of the Audit Committee

*Komain Bhatarabhirom*

**(Mr. Komain Bhatarabhirom)**

Chairman of Audit Committee



# Part *of* Life

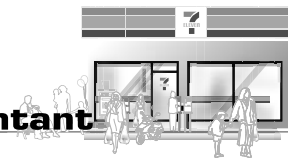
คือความผูกพัน



Evening... The sun retreats from the sky  
Streets are crowded with cars headed for home  
A loving family and radiant smiles are waiting for you  
Lie down to relax with hope for the new day  
Like 7-Eleven that is ready to provide comfort, anytime, anywhere

ยามเย็น...ดวงอาทิตย์ลับจากขอบฟ้า  
ท้องถนน คราคร่ำไปด้วยเหล่ารถรา ที่มุ่งกลับเคหสถาน  
ครอบครัวอันอบอุ่น รอยยิ้มที่เปี่ยมไปด้วยความสุข กำลังรอคุณอยู่  
เอนกายลงพักผ่อน พร้อมความหวังในเช้าวันใหม่  
เสมือนเซเว่นอีเลฟเว่น ที่คอยให้ความอบอุ่นตลอดเวลาไม่ว่ายามใด





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

I have audited the accompanying consolidated balance sheets of C.P. Seven Eleven Public Company Limited and its subsidiaries as at 31 December 2005 and 2004, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. I have also audited the balance sheets of C.P. Seven Eleven Public Company Limited and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. The management of C.P. Seven Eleven Public Company Limited 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 audits. As described in Note 2 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 reflect total assets of these foreign subsidiaries (after the elimination of the outstanding intra-group balances) as at 31 December 2005 and 2004 totalling Baht 18,994.6 million and Baht 11,611.2 million, respectively; and total revenues of these foreign subsidiaries (after the elimination of intra-group transactions) for the years then ended totaling Baht 31,473.5 million and Baht 23,715.8 million, respectively. The financial statements of C.P. Seven Eleven Public Company Limited reflect investments in the said foreign subsidiaries recorded by the equity method as at 31 December 2005 and 2004 totalling Baht 1,254.5 million and Baht 1,342.3 million, respectively; and share of their net profits (losses) for the years then ended totaling Baht (411.9) million and Baht 167.5 million, respectively. The financial statements of the said foreign subsidiaries have been audited by other auditors whose reports have been furnished to me and my report, insofar as it relates to the amounts for the said foreign subsidiaries included in the consolidated financial statements and the financial statements of C.P. Seven Eleven Public Company Limited, is based on the reports of these other auditors.

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

In my opinion, based on my audits and the reports of the other auditors referred to in the first paragraph, the financial statements referred to above present fairly, in all material respects, the financial positions of C.P. Seven Eleven Public Company Limited and its subsidiaries and of C.P. Seven Eleven Public Company Limited as at 31 December 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

**(Sudchit Boonprakob)**

Certified Public Accountant

Registration number 2991

**KPMG Phoomchai Audit Ltd.**

Bangkok

24 February 2006



**Balance Sheets**

As at 31 December 2005 and 2004



Assets	Note	Consolidated		The Company	
		2005	2004	2005	2004
		(in Baht)			
<i>Current assets</i>					
Cash and cash equivalents	5	8,580,692,556	7,155,647,120	5,584,264,965	4,279,353,686
Current investments	6	466,956,102	237,000,000	196,956,102	80,000,000
Trade accounts receivable, net	4, 7	857,002,902	595,585,521	103,683,847	106,030,809
Other accounts receivable, net	4, 7	1,458,476,969	1,478,772,522	474,698,173	425,378,851
Inventories, net	8	8,133,081,037	5,734,969,587	3,300,937,570	2,318,825,034
Other current assets	9	1,596,464,181	523,322,657	876,362,901	179,101,362
<b>Total current assets</b>		<b>21,092,673,747</b>	<b>15,725,297,407</b>	<b>10,536,903,558</b>	<b>7,388,689,742</b>
<i>Non-current assets</i>					
Investments accounted for using the equity method	4, 10	51,657,173	82,780,465	2,627,830,346	2,433,320,120
Other long-term investments, net	4, 11	-	33,080,000	-	33,080,000
Long-term loans to subsidiaries	4	-	-	1,461,543,566	1,106,765,080
Property, plant and equipment, net	4, 12	17,535,542,962	11,854,734,497	6,126,866,743	4,885,065,767
Intangible assets, net	13	905,684,877	766,570,723	477,220,267	413,729,063
Restricted deposits at financial institutions	15	42,979,875	1,941,284	-	-
Other non-current assets	14	601,090,572	546,150,461	533,389,702	476,438,035
<b>Total non-current assets</b>		<b>19,136,955,459</b>	<b>13,285,257,430</b>	<b>11,226,850,624</b>	<b>9,348,398,065</b>
<b>Total assets</b>		<b>40,229,629,206</b>	<b>29,010,554,837</b>	<b>21,763,754,182</b>	<b>16,737,087,807</b>

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

**Balance Sheets**

As at 31 December 2005 and 2004



Liabilities and shareholders' equity	Note	Consolidated		The Company	
		2005	2004	2005	2004
		(in Baht)			
<i>Current liabilities</i>					
Bank overdrafts and short-term borrowings from financial institutions	15	3,983,027,024	1,263,753,999	-	-
Trade accounts payable	4, 16	20,051,732,065	13,761,211,155	8,706,959,977	5,166,550,695
Other payables to subsidiaries and related companies	4	44,148,929	142,313,920	1,652,085,685	1,460,054,809
Income tax payable		290,666,867	314,763,658	202,241,201	150,403,551
Other current liabilities	17	4,596,486,850	3,016,428,081	1,803,750,453	1,604,415,355
<b>Total current liabilities</b>		<b>28,966,061,735</b>	<b>18,498,470,813</b>	<b>12,365,037,316</b>	<b>8,381,424,410</b>
<i>Non-current liabilities</i>					
Long-term borrowing from related company	4, 18	7,297,707	6,676,520	-	-
Other non-current liabilities	19	734,276,770	577,183,054	623,016,770	501,625,054
<b>Total non-current liabilities</b>		<b>741,574,477</b>	<b>583,859,574</b>	<b>623,016,770</b>	<b>501,625,054</b>
<b>Total liabilities</b>		<b>29,707,636,212</b>	<b>19,082,330,387</b>	<b>12,988,054,086</b>	<b>8,883,049,464</b>
<b>Shareholders' equity</b>					
Share capital					
<i>Authorized share capital</i>	20	<b>4,500,000,000</b>	<b>2,250,000,000</b>	<b>4,500,000,000</b>	<b>2,250,000,000</b>
<i>Issued and paid-up share capital</i>	20	4,423,538,610	2,200,000,000	4,423,538,610	2,200,000,000
Share premium		1,465,841,463	1,384,795,581	1,465,841,463	1,384,795,581
Currency translation reserve	21	229,928,287	(77,712,124)	229,928,287	(77,712,124)
Retained earnings:					
<i>Appropriated for legal reserve</i>	21	450,000,000	225,000,000	450,000,000	225,000,000
<i>Unappropriated</i>		2,206,391,736	4,121,954,886	2,206,391,736	4,121,954,886
<b>Total equity of the Company shareholders</b>		<b>8,775,700,096</b>	<b>7,854,038,343</b>	<b>8,775,700,096</b>	<b>7,854,038,343</b>
Minority interests		1,746,292,898	2,074,186,107	-	-
<b>Total shareholders' equity</b>		<b>10,521,992,994</b>	<b>9,928,224,450</b>	<b>8,775,700,096</b>	<b>7,854,038,343</b>
<b>Total liabilities and shareholders' equity</b>		<b>40,229,629,206</b>	<b>29,010,554,837</b>	<b>21,763,754,182</b>	<b>16,737,087,807</b>



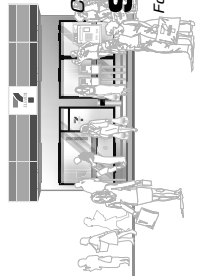


**Statements of Income**

For the years ended 31 December 2005 and 2004



		<b>Consolidated</b>		<b>The Company</b>	
	<i>Note</i>	2005	2004	2005	2004
		<i>(in Baht)</i>			
<b>Revenues</b>	<b>4</b>				
Revenue from sale of goods		92,967,707,672	73,739,043,809	49,944,524,270	38,183,675,075
Revenue from rendering of services		1,387,559,632	882,972,141	1,135,246,732	910,076,198
Interest income		87,075,585	45,680,237	113,932,613	66,685,460
Other income	23	4,505,206,852	3,698,104,634	2,321,345,008	1,739,848,516
Share of profits from investments accounted for using the equity method		-	-	345,992,250	526,040,343
<b>Total revenues</b>		<b>98,947,549,741</b>	<b>78,365,800,821</b>	<b>53,861,040,873</b>	<b>41,426,325,592</b>
<b>Expenses</b>	<b>4</b>				
Cost of sale of goods and rendering of services		77,052,273,336	60,734,185,437	38,121,217,031	28,871,866,579
Selling and administrative expenses	24	20,476,106,217	15,003,269,997	13,222,943,475	10,417,271,465
Directors' remuneration		8,956,667	8,640,000	8,956,667	8,640,000
Share of losses from investments accounted for using the equity method		31,123,293	26,677,499	455,122,437	28,150,671
<b>Total expenses</b>		<b>97,568,459,513</b>	<b>75,772,772,933</b>	<b>51,808,239,610</b>	<b>39,325,928,715</b>
<b>Profit before interest expense and income tax</b>		<b>1,379,090,228</b>	<b>2,593,027,888</b>	<b>2,052,801,263</b>	<b>2,100,396,877</b>
Interest expense	26	(111,763,590)	(37,855,421)	(5,035,872)	(4,041,266)
Income tax	27	(711,632,970)	(661,052,472)	(540,033,851)	(400,438,083)
<b>Profit after income tax</b>		<b>555,693,668</b>	<b>1,894,119,995</b>	<b>1,507,731,540</b>	<b>1,695,917,528</b>
Net loss (profit) of minority interests		952,037,872	(198,202,467)	-	-
<b>Net profit</b>		<b>1,507,731,540</b>	<b>1,695,917,528</b>	<b>1,507,731,540</b>	<b>1,695,917,528</b>
<b>Earnings per share</b>					
<i>Basic</i>	28	0.34	0.39	0.34	0.39
<i>Diluted</i>	28	0.34	0.38	0.34	0.38

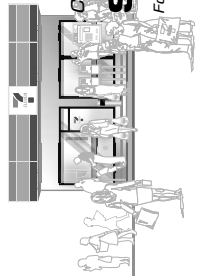


## Statements of Changes in Shareholders' Equity

For the years ended 31 December 2005 and 2004

	Note	Issued and paid-up share capital	Share premium	Consolidated				Minority Interests	Total
				Currency translation reserve	Appropriated for legal reserve (in Baht)	Retained Earnings	Unappropriated		
<b>Balance at 1 January 2004</b>		<b>2,200,000,000</b>	<b>1,384,795,581</b>	<b>(27,176,347)</b>	<b>225,000,000</b>	<b>3,196,037,478</b>	<b>3,196,037,478</b>	<b>1,780,137,299</b>	<b>8,758,794,011</b>
Currency translation reserve	21	-	-	(50,535,777)	-	-	-	95,846,341	45,310,564
Net profit		-	-	-	-	1,695,917,528	1,695,917,528	198,202,467	1,894,119,995
Cash dividends	20	-	-	-	-	(770,000,120)	(770,000,120)	-	(770,000,120)
<b>Balance at 31 December 2004</b>		<b>2,200,000,000</b>	<b>1,384,795,581</b>	<b>(77,712,124)</b>	<b>225,000,000</b>	<b>4,121,954,886</b>	<b>4,121,954,886</b>	<b>2,074,186,107</b>	<b>9,928,224,450</b>
Share capital and share premium increase	20	2,223,538,610	81,045,882	-	-	-	-	-	2,304,584,492
Increase in minority interest for increasing in share capital of subsidiary	30	-	-	-	-	-	-	860,416,625	860,416,625
Currency translation reserve	21	-	-	307,640,411	-	-	-	3,587,744	311,228,155
Net profit (loss)		-	-	-	-	1,507,731,540	1,507,731,540	(952,037,872)	555,693,668
Appropriated for legal reserve	21	-	-	-	225,000,000	(225,000,000)	(225,000,000)	-	-
Cash dividends and stock dividends	20	-	-	-	-	(3,198,294,690)	(3,198,294,690)	-	(3,198,294,690)
Minority interest sold share capital to subsidiary	10	-	-	-	-	-	-	(239,859,706)	(239,859,706)
<b>Balance at 31 December 2005</b>		<b>4,423,538,610</b>	<b>1,465,841,463</b>	<b>229,928,287</b>	<b>450,000,000</b>	<b>2,206,391,736</b>	<b>2,206,391,736</b>	<b>1,746,292,898</b>	<b>10,521,992,994</b>

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



## Statements of Changes in Shareholders' Equity

For the years ended 31 December 2005 and 2004

	Note	Issued and paid-up share capital	Share premium	The Company			Total
				Currency translation reserve	Retained Earnings		
					Appropriated for legal reserve	Unappropriated	
(in Baht)							
Balance at 1 January 2004		2,200,000,000	1,384,795,581	(27,176,347)	225,000,000	3,196,037,478	6,978,656,712
Currency translation reserve	21	-	-	(50,535,777)	-	-	(50,535,777)
Net profit		-	-	-	-	1,695,917,528	1,695,917,528
Cash dividends	20	-	-	-	-	(770,000,120)	(770,000,120)
Balance at 31 December 2004		2,200,000,000	1,384,795,581	(77,712,124)	225,000,000	4,121,954,886	7,854,038,343
Share capital and share premium increase	20	2,223,538,610	81,045,882	-	-	-	2,304,584,492
Currency translation reserve	21	-	-	307,640,411	-	-	307,640,411
Net profit		-	-	-	-	1,507,731,540	1,507,731,540
Appropriated for legal reserve	21	-	-	-	225,000,000	(225,000,000)	-
Cash dividends and stock dividends	20	-	-	-	-	(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

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

**Statements of Cash Flows**

For the years ended 31 December 2005 and 2004



	<b>Consolidated</b>		<b>The Company</b>	
	2005	2004	2005	2004
	<i>(in Baht)</i>			
<b>Cash flows from operating activities:</b>				
Net profit	1,507,731,540	1,695,917,528	1,507,731,540	1,695,917,528
<b>Adjustments to reconcile net profit to net cash provided by operating activities:</b>				
Depreciation and amortization	2,203,067,649	1,601,012,054	1,307,069,765	1,059,389,520
Interest income	(87,075,585)	(45,680,237)	(113,932,613)	(66,685,460)
Interest expense	111,763,590	37,855,421	5,035,872	4,041,266
Income tax expense	711,632,970	661,052,472	540,033,851	400,438,083
Allowance for (reversal of allowance for) slow-moving inventories	79,603,349	3,362,201	25,675,813	(5,532,003)
Allowance for (reversal of allowance for) doubtful accounts	18,129,117	158,447	1,179,952	(113,616)
Unrealized gains on exchange rates - net	-	-	(36,768,382)	(486,365)
Losses (gains) on disposal of property, plant and equipment - net	3,515,118	9,684,592	(2,212,545)	(1,690,228)
Share of losses (profits) from investments accounted for using the equity method - net	31,123,293	26,677,499	109,130,187	(497,889,672)
Net profit (loss) of minority interests	(952,037,872)	198,202,467	-	-
Reversal of allowance for impairment of disposal long-term investment in related company	(21,000,000)	-	(21,000,000)	-
Gain on disposal of long-term investment in related company	(5,920,000)	-	(5,920,000)	-
<b>Profit provided by operating activities before changes in operating assets and liabilities</b>	<b>3,600,533,169</b>	<b>4,188,242,444</b>	<b>3,316,023,440</b>	<b>2,587,389,053</b>

**Statements of Cash Flows**

For the years ended 31 December 2005 and 2004



	<b>Consolidated</b>		<b>The Company</b>	
	2005	2004	2005	2004
	<i>(in Baht)</i>			
<i>Decrease (increase) in operating assets</i>				
Trade accounts receivable	(266,828,107)	(259,585,049)	2,346,962	(63,082,201)
Other accounts receivable	65,662,929	45,962,134	(50,499,275)	(109,357,964)
Inventories	(2,319,265,750)	(1,242,745,543)	(1,007,788,350)	431,627,629
Other current assets	(1,045,942,566)	(416,676,850)	(694,526,033)	(218,247,407)
Other non-current assets	(91,807,321)	(218,094,213)	(56,951,668)	(182,127,676)
<i>Increase (decrease) in operating liabilities</i>				
Trade accounts payable	5,974,900,290	3,951,437,665	3,540,409,282	369,798,542
Other payables to subsidiaries and related companies	(101,869,613)	18,099,212	156,335,862	939,276,000
Income tax paid	(735,729,761)	(626,193,780)	(488,196,201)	(449,138,500)
Other current liabilities	645,949,448	1,104,677,238	136,049,107	541,271,774
Other non-current liabilities	157,093,716	108,807,419	121,391,716	90,459,419
<b>Net cash provided by operating activities</b>	<b>5,882,696,434</b>	<b>6,653,930,677</b>	<b>4,974,594,842</b>	<b>3,937,868,669</b>
<i>Cash flows from investing activities:</i>				
Interest income received	77,957,566	46,991,925	111,197,107	204,106,409
Decrease (increase) in current investments	(229,956,102)	(137,000,000)	(116,956,102)	20,000,000
Increase in long-term investments in ordinary shares of subsidiaries and associates	-	(63,625,000)	(150,000,000)	(398,844,051)
Dividends received	-	-	154,000,000	141,411,083
Increase in long-term loans to subsidiaries	-	-	(318,010,104)	(103,071,843)
Decrease (increase) in restricted deposits at financial institutions	(40,179,910)	27,842,542	-	-
Proceeds from disposal of property, plant and equipment	70,062,947	84,929,099	42,018,471	75,511,893
Purchases of property, plant and equipment	(6,435,460,079)	(4,855,485,558)	(2,386,478,826)	(1,922,817,102)



**Statements of Cash Flows**

For the years ended 31 December 2005 and 2004



	<b>Consolidated</b>		<b>The Company</b>	
	2005	2004	2005	2004
	<i>(in Baht)</i>			
Purchase of intangible assets	(245,975,104)	(306,251,972)	(166,708,039)	(303,910,357)
Payment to minority interests for increasing in share capital of subsidiary	(210,459,900)	-	-	-
Proceed from disposal of long-term investment in related company	60,000,000	-	60,000,000	-
<b>Net cash used in investing activities</b>	<b>-6,954,010,582</b>	<b>-5,202,598,964</b>	<b>-2,770,937,493</b>	<b>-2,287,613,968</b>
<b>Cash flows from financing activities</b>				
Interest expense paid	(106,698,229)	(41,607,662)	(5,035,872)	(10,386,110)
Increase in bank overdrafts and short-term borrowings from financial institutions	2,607,884,231	1,061,960,681	-	-
Proceeds from issue of ordinary shares and premium on share capital	98,864,262	-	98,864,262	-
Proceeds from minority interests for increase in investment in subsidiary	860,416,625	-	-	-
Decrease in short-term borrowings from foreign company	-	-51,899,708	-	-
Increase (decrease) in long-term borrowing from related company	-36,143,009	3,479,562	-	-
Payments of cash dividends	-992,574,461	-770,000,120	-992,574,460	-770,000,120
<b>Net cash provided by (used in) financing activities</b>	<b>2,431,749,419</b>	<b>201,932,753</b>	<b>-898,746,070</b>	<b>-780,386,230</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,360,435,271</b>	<b>1,653,264,466</b>	<b>1,304,911,279</b>	<b>869,868,471</b>
Effect of exchange rate change in cash and cash equivalents	64,610,165	-24,166,596	-	-
Cash and cash equivalents at beginning of year	7,155,647,120	5,526,549,250	4,279,353,686	3,409,485,215
<b>Cash and cash equivalents at end of year</b>	<b>8,580,692,556</b>	<b>7,155,647,120</b>	<b>5,584,264,965</b>	<b>4,279,353,686</b>

**Notes to the Financial Statements**

As at 31 December 2005 and 2004



These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 24 February 2006.

## **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 incorporated in 1988 as a member of the Charoen Pokphand Group of Companies.

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

The Company operates convenience stores under the 7-Eleven trademark and franchises such operations to other retailers in the territory of Thailand. As at 31 December 2005, the Company owned the 7-Eleven convenience stores in 1,931 locations (2004: 1,782 locations).

On 7 November 1988, the Company entered into 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.

As at 31 December 2005, the Company had entered into management agreements with certain companies for their management of Company-owned 7-Eleven convenience stores in 1,191 locations (2004: 923 locations). Under the terms of the said 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 fixed deposits rates announced by a Thai financial institution. These deposits will be refunded to the licensees upon termination of the agreements.

In addition, the Company has entered into 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. As at 31 December 2005, there were 7-Eleven convenience stores operating in 189 locations in the licensed areas (2004: 156 locations).

The Group (operates in Thailand, British Virgin Islands, Hong Kong and The People’s Republic of China) employed 29,993 employees (19,158 employees for the Company) as at 31 December 2005 (2004: 23,742 employees (16,127 employees for the Company)).



## Notes to the Financial Statements

As at 31 December 2005 and 2004

### 2 Basis of preparation of 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.

In 2005, the Group adopted the following new TAS which are relevant to its operations:

TAS 52 *Events after the Balance Sheet Date*

TAS 53 *Provisions, Contingent Liabilities and Contingent Assets*

The adoption of these new TAS has no material effect on the financial statements.

The financial statements are presented in Thai Baht and the notes to 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 from 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.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate. Details of the Company’s subsidiaries are as follows:

	Types of business	Country of incorporation	Percentage of ownership interest	
			2005	2004
<i>Direct Subsidiaries</i>				
Lotus Distribution Investment Limited	Holding company	British Virgin Islands	100.00	100.00
Counter Service Company Limited	Bill payment services and distributor of all types of commercial cards and tickets	Thailand	99.99	99.99
Retailink(Thailand) Company Limited	Distributor of equipment for retailing and software development	Thailand	99.99	99.99
C.P. Retailing and Marketing Company Limited	Frozen food plant and bakerv	Thailand	99.99	99.99

## Notes to the Financial Statements

As at 31 December 2005 and 2004



	Types of business	Country of incorporation	Percentage of ownership interest	
			2005	2004
Gosoft (Thailand) Company Limited	Information system design and development services	Thailand	99.99	99.99
MAM Heart Company Limited	Marketing activities planning services	Thailand	99.99	99.99
Dynamic Management Company Limited	Logistics and distribution of merchandises services	Thailand	99.99	99.99
Suksapiwat Company Limited	Educational institution	Thailand	99.99	99.99
<i>Indirect Subsidiaries</i>				
Ek Chor Distribution System Company Limited	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
Ek Chor Distribution Co., Ltd., Shanghai (ceased its commercial activities in 2003)	Retail superstore	The People's Republic of China	55.00	55.00
Shanghai Bakerrich Foodstuff Co., Ltd. (ceased its commercial activities in 2003 and liquidated in the third quarter of 2005)	Bakery distributor	The People's Republic of China	-	55.00
Shanghai Lotus Supermarket Chain Store Co., Ltd.	Retail superstore	The People's Republic of China	29.70	29.70
<i>Direct and Indirect Subsidiaries</i>				
Shanghai C.P. Jing Cheng Enterprise Development Co., Ltd. (formerly "Shanghai C.P. Friendship Enterprise Development Co., Ltd.")	Department store	The People's Republic of China	100.00	65.00
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

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 and associate accounted for using the equity method for each of the years were based on the financial statements of those subsidiaries and associate audited by the Company's auditors, except for the financial statements of certain foreign subsidiaries, which have been audited by other auditors. The consolidated financial statements reflect total assets of these foreign subsidiaries (after the elimination of the outstanding intra-group balances) as at 31 December 2005 totalling Baht 18,994.6 million (2004: Baht 11,611.2 million), and total revenues of these foreign subsidiaries (after the elimination of intra-group transactions) for the year then ended totalling Baht 31,473.5 million (2004: Baht 23,715.8 million). The financial statements of the Company reflect investments in these foreign subsidiaries accounted for using the equity method as at 31 December 2005 totalling Baht 1,254.5 million (2004: Baht 1,342.3 million), and share of losses for the year then ended totalling Baht 411.9 million (share of profits in 2004: Baht 167.5 million).

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



## Notes to the Financial Statements

As at 31 December 2005 and 2004

### 3 Significant accounting policies

#### 3.1 Basis of consolidation

##### *Subsidiaries*

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. 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 entities 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.

#### 3.2 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.

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.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are stated at 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.





### **3.3 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.

### **3.4 Cash and cash equivalents**

Cash and cash equivalents 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.

### **3.5 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.

### **3.6 Inventories**

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

Costs of subsidiaries' inventories are calculated using the 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.

Inventories at the distribution centers of the Company are valued at the average cost formula.

Net realizable 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.

### **3.7 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 equity securities*

Investments in equity securities which are not marketable are stated at cost less allowance for impairment losses.



## Notes to the Financial Statements

As at 31 December 2005 and 2004

### *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.

### **3.8 Property, plant and equipment**

#### *Owned assets*

Property, plant and equipment are stated at cost less accumulated depreciation and allowance for impairment losses except for land which is stated at cost.

#### *Subsequent expenditure*

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

#### *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.

### **3.9 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 allowance for impairment losses. Goodwill and negative goodwill arising on acquisition of shares in subsidiaries and associates in the separate financial statements of the Company is included in investments.

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

**Notes to the Financial Statements**

As at 31 December 2005 and 2004

*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 allowance for impairment losses.

*Amortisation*

Amortisation is charged to the statement of income on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Goodwill, negative goodwill and other intangible assets are amortised from the date they are available for use. 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 cost of its property-use-rights using a straight line basis over the shorter of the term of the property-use-rights and the said 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.

*Subsequent expenditure*

Subsequent expenditure relating to an intangible asset is added to the carrying value of the asset only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

**3.10 Impairment**

The carrying amounts of the Group's assets, other than inventories, 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.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date regardless of whether or not there is any indication of impairment.

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



## Notes to the Financial Statements

As at 31 December 2005 and 2004

### *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 allowance for impairment losses*

An allowance for impairment losses is reversed if there has been a change in the estimates used to determine the recoverable amount.

An allowance for impairment losses 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. All reversals of impairment losses are recognised in the statement of income.

An allowance for impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

### **3.11 Trade and other accounts payable**

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

### **3.12 Provision**

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.

### **3.13 Revenue**

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 are significant uncertainties regarding recovery of the consideration due, associated costs, the probable return of goods or the continuing management involvement with the goods.

As soon as the outcome of a contract for the rendering of services can be estimated reliably, revenue associated with the contract is recognised in the statement of income in proportion to the stage of completion of the contract. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.



### *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 in accordance with the substance of the relevant agreements. Dividend income is recognised in the statement of income on the date the entity's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date.

## **3.14 Expenses**

### *Operating leases*

Payments made under operating leases are recognised as expenses 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 in the accounting period in which they are incurred.

### *Interest and other expenses*

Interest and similar expenses are charged to the statement of income in the period in which they are incurred, except to the extent that they are capitalized 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.

## **3.15 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 or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

### *Deferred income tax*

The Company has not adopted a policy for providing deferred income tax, using the balance sheet liability method, because temporary differences between the carrying amounts of assets and liabilities or financial reporting purpose and the amounts used for taxation are not significant to the overall financial statements.





## Notes to the Financial Statements

As at 31 December 2005 and 2004

### 3.16 Employee benefits

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 said subsidiaries' contributions to the provident fund are recorded as expenses in the statement of income as incurred.

All Chinese employees of the Chinese subsidiaries participate in employee social security plans, including pension, medical, housing and other welfare benefits, organized 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	22.5%
Basic housing fund	7.0%
Basic medical insurance	7.0%
Unemployment insurance	2.0%

### 3.17 Earnings per share

Basic earnings per share are determined based on the net profit for the year divided by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are determined on a similar basis to basic earnings per share for after adjusting for the effects of all dilutive potential ordinary shares. The calculation includes only the effects of the potential ordinary shares exercisable at a price less than the average closing price in the market over the year.

### 3.18 Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other receivables and payables, loans, investments and borrowings. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or components of a financial instrument classified as a liability are reported as an income or expense in the statement of income. Distributions to holders of financial instruments classified as an equity security are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intend to settle either on a net basis or to realize the asset and settle the liability simultaneously.

**Notes to the Financial Statements**

As at 31 December 2005 and 2004

**3.19 Segment information reporting**

Segment financial information is presented in respect of the Group's business and geographical segments. The primary format and business segments are 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 corporate assets and expenses, interest income, interest expense and the related assets and liabilities.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

**4 Related party transactions**

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.

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

**Pricing policies**

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

Transactions for the years ended 31 December 2005 and 2004 with related parties are summarized as follows:

	<b>Consolidated</b>		<b>The Company</b>	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
<b>Sales of goods</b>				
<i>Related companies</i>				
- C.P. Merchandising Co., Ltd.	326.6	213.3	-	-
- Beijing Lotus Supermarket Chain Store Co., Ltd.	126.7	-	-	-
- Ek-Chai Distribution System Co., Ltd.	93.0	56.8	-	-
- Guangzhou Lotus Supermarket Chain Store Co., Ltd.	67.7	28.9	-	-
- Xian Lotus Supermarket Chain Store Co., Ltd.	50.6	19.4	-	-
- Other	101.3	61.1	-	-
<b>Total</b>	<b>765.9</b>	<b>379.5</b>	<b>-</b>	<b>-</b>



## Notes to the Financial Statements

As at 31 December 2005 and 2004

	Consolidated		The Company	
	2005	2004	2005	2004
	(in million Baht)			
<b>Service income and other operating Income</b>				
<i>Subsidiaries</i>				
- Counter Service Company Limited	-	-	1,130.8	1,057.7
- Other	-	-	42.3	13.4
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,173.1</b>	<b>1,071.1</b>
<i>Related companies</i>				
- TA Orange Retail Co., Ltd.	23.8	2.1	23.8	2.1
- C.P. Inter Food (Thailand) Co., Ltd.	18.5	12.9	18.3	12.9
- C.P. Consumer Products Co., Ltd.	15.5	17.5	15.5	17.5
- TA Orange Co., Ltd.	14.6	-	-	-
- True Corporation Public Company Limited	10.4	10.7	10.2	10.7
- Beijing Lotus Supermarket Chain Store Co., Ltd.	-	15.5	-	-
- Other	30.5	16.7	8.7	7.4
<b>Total</b>	<b>113.3</b>	<b>75.4</b>	<b>76.5</b>	<b>50.6</b>
<b>Grand total</b>	<b>113.3</b>	<b>75.4</b>	<b>1,249.6</b>	<b>1,121.7</b>
<b>Interest income</b>				
<i>Subsidiaries</i>				
- Lotus Distribution Investment Limited	-	-	43.3	30.8
- C.P. Retailing and Marketing Company Limited	-	-	7.2	5.3
- Retailink(Thailand) Company Limited	-	-	11.0	-
- Other	-	-	0.7	4.8
<b>Total</b>	<b>-</b>	<b>-</b>	<b>62.2</b>	<b>40.9</b>
<b>Purchases of goods</b>				
<i>Subsidiaries</i>				
- C.P. Retailing and Marketing Company Limited	-	-	1,491.9	1,125.5
- Counter Service Company Limited	-	-	596.2	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,088.1</b>	<b>1,125.5</b>
<i>Related companies</i>				
- TA Orange Co., Ltd.	2,885.2	2,817.2	474.0	457.6
- C.P. Inter Food (Thailand) Co., Ltd.	988.7	860.1	902.7	801.3
- Chia Tai Food Oil Enterprises Development Co., Ltd.	594.7	497.1	-	-
- C.P. Meiji Co., Ltd.	553.2	499.0	553.2	498.8
- Qingdao Chia Tai Company Limited	366.0	204.1	-	-
- C.P. Packaging Industry Co., Ltd.	227.6	224.8	211.7	218.2
- Guangzhou Lotus Supermarket Chain Store Co., Ltd.	144.1	-	-	-

**Notes to the Financial Statements**

As at 31 December 2005 and 2004



	<b>Consolidated</b>		<b>The Company</b>	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
- C.P. Consumer Products Co., Ltd.	130.4	125.6	130.4	125.6
- Vee Food Products Co., Ltd.	96.1	63.2	68.7	47.6
- Beijing Lotus Supermarket Chain Store Co., Ltd.	93.0	-	-	-
- Charoen Pokphand Food Public Company Limited	70.8	3.1	-	-
- True Corporation Public Company Limited	22.9	41.5	22.9	41.5
- Other	200.3	131.2	129.4	35.3
<b>Total</b>	<b>6,373.0</b>	<b>5,466.9</b>	<b>2,493.0</b>	<b>2,225.9</b>
<b>Grand total</b>	<b>6,373.0</b>	<b>5,466.9</b>	<b>4,581.1</b>	<b>3,351.4</b>
<b>Purchases of property, plant and equipment</b>				
<i>Subsidiaries</i>				
- Retailink(Thailand) Company Limited	-	-	370.2	291.4
- Gosoft (Thailand) Company Limited	-	-	25.8	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>396.0</b>	<b>291.4</b>
<i>Related companies</i>				
- Tianjin Chia Tai Machinery Co., Ltd.	277.7	137.7	-	-
- Dplan Company Limited	104.6	-	-	-
- Other	4.9	2.6	-	-
<b>Total</b>	<b>387.2</b>	<b>140.3</b>	<b>-</b>	<b>-</b>
<b>Grand total</b>	<b>387.2</b>	<b>140.3</b>	<b>396.0</b>	<b>291.4</b>
<b>Other expenses</b>				
<i>Subsidiaries</i>				
- Retailink(Thailand) Company Limited	-	-	278.0	280.5
- Gosoft (Thailand) Company Limited	-	-	88.4	111.5
- Other	-	-	100.9	68.3
<b>Total</b>	<b>-</b>	<b>-</b>	<b>467.3</b>	<b>460.3</b>
<i>Related companies</i>				
- Shanghai Kinghill Limited	58.2	98.0	-	-
- C.P. Land Co., Ltd.	47.5	35.7	47.3	34.5
- Ayudhya Allianz C.P. Life Company Limited	41.6	1.1	41.6	-
- Ek-Chai Distribution System Co., Ltd.	14.5	7.6	-	-
- Charoen Pokphand Group Co., Ltd.	11.5	11.7	9.0	9.0
- Other	17.5	12.8	9.1	8.8
<b>Total</b>	<b>190.8</b>	<b>166.9</b>	<b>107.0</b>	<b>52.3</b>
<b>Grand total</b>	<b>190.8</b>	<b>166.9</b>	<b>574.3</b>	<b>512.6</b>



## Notes to the Financial Statements

As at 31 December 2005 and 2004

	Consolidated		The Company	
	2005	2004	2005	2004
	(in million Baht)			
<b>Directors' remuneration</b>	<u>9.0</u>	<u>8.6</u>	<u>9.0</u>	<u>8.6</u>
<b>Share of profits (losses) from investments accounted for using the equity method</b>				
<i>Subsidiaries</i>				
- Counter Service Company Limited	-	-	253.7	204.7
- Retailink(Thailand) Company Limited	-	-	38.5	60.5
- C.P. Retailing and Marketing Company Limited	-	-	32.5	74.9
- Gosoft (Thailand) Company Limited	-	-	9.7	9.4
- MAM Heart Company Limited	-	-	7.4	2.6
- Dynamic Management Company Limited	-	-	4.1	6.4
- Lotus Distribution Investment Limited	-	-	(389.9)	163.4
- Shanghai C.P. Jing Cheng Enterprise Development Co., Ltd.	-	-	(21.9)	4.1
- Suksapiwat Company Limited	-	-	(12.1)	(1.4)
<b>Total</b>	<u>-</u>	<u>-</u>	<u>(78.0)</u>	<u>524.6</u>
<i>Associate</i>				
- Thai Smart Card Company Limited	(31.1)	(26.7)	(31.1)	(26.7)
<b>Grand total</b>	<u>(31.1)</u>	<u>(26.7)</u>	<u>(109.1)</u>	<u>497.9</u>

Balances as at 31 December 2005 and 2004 with related parties are as follows:

	Consolidated		The Company	
	2005	2004	2005	2004
	(in million Baht)			
<b>Trade accounts receivable</b>				
<i>Related companies</i>				
- Xian Lotus Supermarket Chain Store Co., Ltd.	60.0	-	-	-
- Zhengzhou Lotus Supermarket Chain Store Co., Ltd.	54.9	15.9	-	-
- Beijing Lotus Supermarket Chain Store Co., Ltd.	52.5	-	-	-
- Taian Lotus Supermarket Chain Store Co., Ltd.	16.5	18.6	-	-
- Other	47.3	4.3	-	-
<b>Total</b>	<u>231.2</u>	<u>38.8</u>	<u>-</u>	<u>-</u>
<b>Other receivables</b>				
<i>Subsidiaries</i>				
- Counter Service Company Limited	-	-	49.2	131.9
- C.P. Retailing and Marketing Company Limited	-	-	7.4	-
- Other	-	-	3.7	8.2
<b>Total</b>	<u>-</u>	<u>-</u>	<u>60.3</u>	<u>140.1</u>

**Notes to the Financial Statements**

As at 31 December 2005 and 2004



	<b>Consolidated</b>		<b>The Company</b>	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
<i>Related companies</i>				
- TA Orange Retail Co., Ltd.	70.7	-	70.7	-
- Taian Lotus Supermarket Chain Store Co., Ltd.	12.4	-	-	-
- Charoen Pokphan Food Public Company Limited	5.4	-	5.4	-
- Tianjin Lotus Supermarket Chain Store Co., Ltd.	3.7	3.5	-	-
- C.P. Inter Food (Thailand) Co., Ltd.	3.0	3.9	3.0	3.9
- C.P. Consumer Products Co., Ltd.	2.5	2.7	2.5	2.7
- Other	5.5	6.1	3.0	2.3
<b>Total</b>	<b>103.2</b>	<b>16.2</b>	<b>84.6</b>	<b>8.9</b>
<b>Grand total</b>	<b>103.2</b>	<b>16.2</b>	<b>144.9</b>	<b>149.0</b>
<b>Trade accounts payable</b>				
<i>Subsidiary</i>				
- C.P. Retailing and Marketing Company Limited	-	-	63.2	45.0
<i>Related companies</i>				
- TA Orange Retail Co., Ltd.	930.8	-	930.8	-
- Chia Tai Food Oil Enterprises Development Co., Ltd.	350.9	116.3	-	-
- C.P. Meiji Co., Ltd.	99.7	95.1	99.7	95.1
- Qingdao Chia Tai Company Limited	88.9	41.6	-	-
- TA Orange Co., Ltd.	65.9	585.7	56.6	4.6
- C.P. Inter Food (Thailand) Co., Ltd.	57.3	151.2	43.3	139.1
- C.P. Packaging Industry Co., Ltd.	57.2	59.8	55.2	58.1
- Vee Food Products Co., Ltd.	24.9	10.4	14.2	8.6
- C.P. Consumer Products Co., Ltd.	24.2	21.2	24.2	21.2
- Other	87.1	17.3	30.4	8.9
<b>Total</b>	<b>1,786.9</b>	<b>1,098.6</b>	<b>1,254.4</b>	<b>335.6</b>
<b>Grand total</b>	<b>1,786.9</b>	<b>1,098.6</b>	<b>1,317.6</b>	<b>380.6</b>
<b>Other payables</b>				
<i>Subsidiaries</i>				
- Counter Service Company Limited	-	-	1,541.3	1,386.1
- Retailink (Thailand) Company Limited	-	-	82.4	46.7
- Other	-	-	12.7	15.9
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,636.4</b>	<b>1,448.7</b>
<i>Related companies</i>				
- Thai Smart Card Company Limited	12.1	-	12.1	-
- Shanghai Kinghill Limited	10.1	59.2	-	-
- Pokphand Enterprise Co., Ltd.	-	42.4	-	-
- Other	21.9	40.7	3.6	11.4
<b>Total</b>	<b>44.1</b>	<b>142.3</b>	<b>15.7</b>	<b>11.4</b>
<b>Grand total</b>	<b>44.1</b>	<b>142.3</b>	<b>1,652.1</b>	<b>1,460.1</b>





## Notes to the Financial Statements

As at 31 December 2005 and 2004

### Long-term loans to subsidiaries

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
- Lotus Distribution Investment Limited (including accrued interest income of Baht 3.7 million and Baht 10.3 million as at 31 December 2005 and 2004, respectively)	-	-	754.5	724.8
- C.P. Retailing and Marketing Company Limited	-	-	267.0	100.0
- Suksapiwat Company Limited	-	-	230.0	47.0
- Retailink(Thailand) Company Limited	-	-	210.0	235.0
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,461.5</b>	<b>1,106.8</b>

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

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
At January 1	-	-	1,106.8	1,003.2
Increase	-	-	1,021.0	1,730.0
Decrease	-	-	(666.3)	(1,626.4)
<b>At December 31</b>	<b>-</b>	<b>-</b>	<b>1,461.5</b>	<b>1,106.8</b>

Long-term loans to Retailink(Thailand) Company Limited, C.P. Retailing and Marketing Company Limited and Suksapiwat Company Limited, local subsidiaries, bore interest at the rate of 5.5% per annum in 2005 and of 4.75% per annum in 2004. Long-term loans to Lotus Distribution Investment Limited, a foreign subsidiary, amounting to US\$ 18.3 million, bore interest at U.S. Dollar LIBOR plus 3% per annum.

As at 31 December 2005, the Group had agreements with related parties as follows:

- 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 said 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.

**Notes to the Financial Statements**

As at 31 December 2005 and 2004

***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.

2. The Company and its local subsidiaries have lease and service agreements with C.P. Land Co., Ltd., a related company, for rent 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 totalling Baht 2 million, and place guarantee deposits with the said related company totalling Baht 7.3 million. The guarantee deposits will be refunded to the Company and the subsidiaries upon the termination of the lease.
3. The Company and a local subsidiary have 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 totalling Baht 0.9 million.
4. The Company has several services agreements with Counter Service Company Limited, a local subsidiary. Under the terms of the agreements, the Company agrees to distribute the subsidiary's merchandise in the 7-Eleven convenience stores; and 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 each merchandise and service stipulated in the agreements. However, the agreement was terminated in September 2005. In this regard, the subsidiary sold merchandise to the Company amounting to Baht 591.4 million.
5. The Company has maintenance service agreement with Retailink(Thailand) Company Limited, 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.
6. A local subsidiary has 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 2006. In case any party of each agreement has no intention to renew the agreement, a notification will be made to the other party at least 30 days before the expiry date of the agreement.
7. A local subsidiary has a management license agreement with its consultant. The agreement includes practices for servicing and marketing and a right to engage as an agent to receive billing payments. Under the terms of the agreement, the subsidiary is committed to pay remuneration at a percentage of the revenues as stipulated in the agreement. The agreement covers a period of 10 years ending in September 2006. When the subsidiary has paid all remunerations as stipulated in the agreement, the consultant has not right to claim any additional remuneration.



## Notes to the Financial Statements

As at 31 December 2005 and 2004

### 5 Cash and cash equivalents

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
Cash at banks and on hand	2,445	1,715	2,267	1,618
Call deposits	5,365	4,828	2,767	2,061
Promissory notes (with maturities of three-month period or less)	771	613	550	600
<b>Total</b>	<b>8,581</b>	<b>7,156</b>	<b>5,584</b>	<b>4,279</b>

### 6 Current investments

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
<b>Current</b>				
Promissory notes	270	237	-	80
Bonds	197	-	197	-
<b>Total</b>	<b>467</b>	<b>237</b>	<b>197</b>	<b>80</b>

The interest rates of the above current investments at the balance sheet date are presented in Note 31.

### 7 Trade and other accounts receivable, net

#### *Trade accounts receivable, net*

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		<i>(in million Baht)</i>			
Trade accounts receivable from related parties	4	231	39	-	-
Trade accounts receivable from other parties		650	563	104	106
Less: allowance for doubtful accounts		(24)	(6)	-	-
<b>Net</b>		<b>857</b>	<b>596</b>	<b>104</b>	<b>106</b>

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
Within credit terms	396	213	97	86
Overdue:				
Less than 3 months	430	334	2	16
3 - 6 months	28	10	1	-
6 - 12 months	19	2	1	-
Over 12 months	8	43	3	4
Less: allowance for doubtful Accounts	(24)	(6)	-	-
<b>Net</b>	<b>857</b>	<b>596</b>	<b>104</b>	<b>106</b>

The normal credit terms granted by the Group is 7 - 90 days.

**Notes to the Financial Statements**

As at 31 December 2005 and 2004

**Other accounts receivable, net**

		Consolidated		The Company	
	Note	2005	2004	2005	2004
		(in million Baht)			
Other receivables from related parties	4	103	16	145	149
Other receivables from other parties		1,359	1,467	334	279
Less: allowance for doubtful accounts		(4)	(4)	(4)	(3)
Net		1,458	1,479	475	425

	Consolidated		The Company	
	2005	2004	2005	2004
<i>(in million Baht)</i>				
Within credit terms	1,319	1,371	377	358
Overdue:				
Less than 3 months	94	64	93	63
3-6 months	2	7	1	4
6-12 months	6	1	6	1
Over 12 months	41	40	2	2
Less: allowance for doubtful Accounts	(4)	(4)	(4)	(3)
Net	<u>1,458</u>	<u>1,479</u>	<u>475</u>	<u>425</u>

The normal credit terms granted by the Group is 7 - 90 days.

As at 31 December 2005 the Group provided allowances for doubtful accounts of these trade and other accounts receivable totalling Baht 28 million (2004: Baht 10 million) in the consolidated balance sheet and Baht 4 million (2004: Baht 3 million) in the Company's balance sheet. The management of the Group believes that the allowances are adequate to cover any possible loss which may arise from uncollectible receivables.

**8 Inventories, net**

	Consolidated		The Company	
	2005	2004	2005	2004
<i>(in million Baht)</i>				
Raw materials	81	80	-	-
Work in progress	16	10	-	-
Finished goods	8,170	5,700	3,332	2,324
Less: allowance for slow-moving Inventories	(134)	(55)	(31)	(5)
Net	<u>8,133</u>	<u>5,735</u>	<u>3,301</u>	<u>2,319</u>



## Notes to the Financial Statements

As at 31 December 2005 and 2004

### 9 Other current assets

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
Cash card	653	-	653	-
Suspense input value added tax	410	197	-	-
Advance to supplier	161	-	-	-
Accrued income	114	110	97	87
Prepaid expenses	90	54	27	22
Loans to other parties	37	33	37	33
Receivable from the Revenue Department	16	11	16	-
Other	115	118	46	37
<b>Total</b>	<b>1,596</b>	<b>523</b>	<b>876</b>	<b>179</b>

### 10 Investments accounted for using the equity method

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
Net book value at January 1	82.8	45.8	2,433.3	1,728.5
Share of net profits (losses) of investments - equity method	(31.1)	(26.7)	(109.1)	497.9
Acquisitions	-	63.7	150.0	398.8
Dividend income	-	-	(154.0)	(141.4)
Effect of exchange rate change	-	-	307.6	(50.5)
<b>Net book value at December 31</b>	<b>51.7</b>	<b>82.8</b>	<b>2,627.8</b>	<b>2,433.3</b>

Investments accounted for using the equity method as at 31 December 2005 and 2004, and dividend income from the investments during the years ended on those dates, are as follows:

	Consolidated									
	Ownership interest		Paid-up capital		Cost method		Equity method		Dividend income	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	%		(in million Baht)							
Associate										
Thai Smart Card Company Limited	32.24	32.24	395.0	395.0	127.4	127.4	51.7	82.8	-	-

	The Company									
	Ownership interest		Paid-up capital		Cost method		Equity method		Dividend income	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	%		(in million US\$)				(in million Baht)			
	<i>Foreign Subsidiaries</i>									
- Lotus Distribution Investment Limited	100.00	100.00	30.9	30.9	956.3	956.3	852.8	967.6	-	-
- Shanghai C.P. Jing Cheng Enterprise Development Co., Ltd.	100.00	65.00	15.0	15.0	362.4	362.4	386.0	367.5	-	-
- Emerald Innovation Management Co., Ltd.	55.00	55.00	3.4	3.4	1.4	1.4	1.4	1.4	-	-
- Yangtze Supermarket Investment Co., Ltd.	55.00	55.00	0.0001	0.0001	<u>22.0</u>	<u>22.0</u>	<u>14.3</u>	<u>22.2</u>	<u>-</u>	<u>1.4</u>
					<b>1,342.1</b>	<b>1,342.1</b>	<b>1,254.5</b>	<b>1,358.7</b>	<b>-</b>	<b>1.4</b>

## Notes to the Financial Statements

As at 31 December 2005 and 2004

	Ownership interest		Paid-up capital		Cost method		Equity method		Dividend income	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	%		(in million Baht)				(in million Baht)			
<i>Local subsidiaries</i>										
- C.P. Retailing and Marketing Co., Ltd.	99.99	99.99	350.0	350.0	350.0	350.0	477.7	445.1	-	-
- Suksapiwat Co., Ltd.	99.99	99.99	300.0	150.0	300.0	150.0	286.4	148.5	-	-
- Counter Service Co., Ltd.	99.99	99.99	70.0	70.0	61.0	61.0	403.5	303.9	154.0	140.0
- Retailink(Thailand) Co., Ltd.	99.99	99.99	20.0	20.0	20.0	20.0	89.8	51.3	-	-
- Dynamic Management Co., Ltd.	99.99	99.99	2.0	2.0	2.0	2.0	18.9	14.8	-	-
- Gosoft (Thailand) Co., Ltd.	99.99	99.99	2.0	2.0	2.0	2.0	28.3	18.6	-	-
- MAM Heart Co., Ltd.	99.99	99.99	1.0	1.0	<u>1.0</u>	<u>1.0</u>	<u>17.0</u>	<u>9.6</u>	<u>-</u>	<u>-</u>
					<u>736.0</u>	<u>586.0</u>	<u>1,321.6</u>	<u>991.8</u>	<u>154.0</u>	<u>140.0</u>
Total					<u>2,078.1</u>	<u>1,928.1</u>	<u>2,576.1</u>	<u>2,350.5</u>	<u>154.0</u>	<u>141.4</u>
<i>Associate</i>										
- Thai Smart Card Co., Ltd.	32.24	32.24	395.0	395.0	<u>127.4</u>	<u>127.4</u>	<u>51.7</u>	<u>82.8</u>	<u>-</u>	<u>-</u>
Grand total					<u>2,205.5</u>	<u>2,055.5</u>	<u>2,627.8</u>	<u>2,433.3</u>	<u>154.0</u>	<u>141.4</u>

Thai Smart Card Company Limited is an associate which was incorporated in Thailand. This associate's principal objective is to engage in the business of issuing and distributing certain smart cards used for purchases of goods or services. During the second quarter of 2004, the Company additionally invested in ordinary shares of this associate amounting Baht 63.7 million .

During the second quarter of 2005, a foreign subsidiary (Lotus Distribution Investment Limited) invested in another foreign subsidiary (Shanghai C.P. Jing Cheng Enterprise Development Co., Ltd. by acquiring an additional 35% shareholding totalling U.S. Dollars 5.25 million. As a result, the directly and indirectly owned interest of C.P. Seven Eleven Public Company Limited in the foreign subsidiary increased from 65% as at 31 December 2004 to 100% as at 31 December 2005.

## 11 Other long-term investments, net

	Consolidated/The Company					
	Ownership interest		Paid-up capital		Cost method	
	2005	2004	2005	2004	2005	2004
	(% )		(in million Baht)			
Ek-Chai Distribution System Company Limited	-	0.15	-	32,601	-	54.1
Less: allowance for impairment losses					<u>-</u>	<u>(21.0)</u>
<b>Net</b>					<u><b>-</b></u>	<u><b>33.1</b></u>

During the second quarter 2005, the Company sold its long-term investment in Ek-Chai Distribution System Company Limited for a consideration of Baht 60 million (5,000,000 shares at Baht 12 per share).





## Notes to the Financial Statements

As at 31 December 2005 and 2004

### 12 Property, plant and equipment, net

	Land	Buildings, improvements and leasehold improvements	Machinery and equipment	Consolidated Furniture fixtures and office equipment (in million Baht)	Assets under construction	other	Total
<b>Cost</b>							
Balance at 1 January 2004	492	4,541	3,561	3,290	586	774	13,244
Additions	582	2,186	554	1,613	3,041	225	8,201
Disposals/transfer	-	(461)	(147)	(283)	(2,934)	(14)	(3,839)
Translation differences on consolidation	-	(52)	(19)	(35)	47	(2)	(61)
<b>Balance at 31 December 2004</b>	<b>1,074</b>	<b>6,214</b>	<b>3,949</b>	<b>4,585</b>	<b>740</b>	<b>983</b>	<b>17,545</b>
Additions	193	2,260	2,403	2,009	5,059	347	12,271
Disposals/transfer	-	(27)	(272)	(274)	(4,724)	(24)	(5,321)
Translation differences on consolidation	-	306	157	142	34	11	650
<b>Balance at 31 December 2005</b>	<b>1,267</b>	<b>8,753</b>	<b>6,237</b>	<b>6,462</b>	<b>1,109</b>	<b>1,317</b>	<b>25,145</b>
<b>Accumulated depreciation</b>							
Balance at 1 January 2004	-	(1,038)	(1,526)	(1,623)	-	(384)	(4,571)
Depreciation charge for the year	-	(332)	(306)	(807)	-	(118)	(1,563)
Disposals/Transfer	-	167	118	255	-	8	548
Translation differences on consolidation	-	(2)	4	11	-	1	14
<b>Balance at 31 December 2004</b>	<b>-</b>	<b>(1,205)</b>	<b>(1,710)</b>	<b>(2,164)</b>	<b>-</b>	<b>(493)</b>	<b>(5,572)</b>
Depreciation charge for the year	-	(468)	(556)	(980)	-	(156)	(2,160)
Disposals/Transfer	-	10	138	176	-	16	340
Translation differences on consolidation	-	(28)	(25)	(43)	-	(3)	(99)
<b>Balance at 31 December 2005</b>	<b>-</b>	<b>(1,691)</b>	<b>(2,153)</b>	<b>(3,011)</b>	<b>-</b>	<b>(636)</b>	<b>(7,491)</b>
<b>Allowance for impairment losses</b>							
Balance at 31 December 2004	-	(70)	-	(48)	-	-	(118)
Balance at 31 December 2005	-	(70)	-	(48)	-	-	(118)
<b>Net book value</b>							
<b>At 31 December 2004</b>	<b>1,074</b>	<b>4,939</b>	<b>2,239</b>	<b>2,373</b>	<b>740</b>	<b>490</b>	<b>11,855</b>
<b>At 31 December 2005</b>	<b>1,267</b>	<b>6,992</b>	<b>4,084</b>	<b>3,403</b>	<b>1,109</b>	<b>681</b>	<b>17,536</b>

## Notes to the Financial Statements

As at 31 December 2005 and 2004

	The Company						
	Land	Buildings, improvements and leasehold improvements	Machinery and equipment	Furniture, fixtures and office equipment	Assets under construction	other	Total
				(in million Baht)			
<b>Cost</b>							
Balance at 1 January 2004	431	1,816	1,622	2,873	223	653	7,618
Additions	232	674	496	628	812	164	3,006
Disposals/Transfer	-	(21)	(114)	(224)	(1,003)	(8)	(1,370)
<b>Balance at 31 December 2004</b>	<b>663</b>	<b>2,469</b>	<b>2,004</b>	<b>3,277</b>	<b>32</b>	<b>809</b>	<b>9,254</b>
Additions	-	639	551	763	1,196	192	3,341
Disposals/Transfer	-	(16)	(87)	(217)	(752)	(6)	(1,078)
<b>Balance at 31 December 2005</b>	<b>663</b>	<b>3,092</b>	<b>2,468</b>	<b>3,823</b>	<b>476</b>	<b>995</b>	<b>11,517</b>
<b>Accumulated depreciation</b>							
Balance at 1 January 2004	-	(671)	(1,024)	(1,538)	-	(330)	(3,563)
Depreciation charge for the year	-	(179)	(228)	(479)	-	(97)	(983)
Disposals/Transfer	-	10	89	191	-	5	295
<b>Balance at 31 December 2004</b>	<b>-</b>	<b>(840)</b>	<b>(1,163)</b>	<b>(1,826)</b>	<b>-</b>	<b>(422)</b>	<b>(4,251)</b>
Depreciation charge for the year	-	(234)	(296)	(552)	-	(121)	(1,203)
Disposals/Transfer	-	5	32	141	-	4	182
<b>Balance at December 2005</b>	<b>-</b>	<b>(1,069)</b>	<b>(1,427)</b>	<b>(2,237)</b>	<b>-</b>	<b>(539)</b>	<b>(5,272)</b>
<b>Allowance for impairment losses</b>							
Balance at 31 December 2004	-	(70)	-	(48)	-	-	(118)
Balance at 31 December 2005	-	(70)	-	(48)	-	-	(118)
<b>Net book value</b>							
At 31 December 2004	<b>663</b>	<b>1,559</b>	<b>841</b>	<b>1,403</b>	<b>32</b>	<b>387</b>	<b>4,885</b>
At 31 December 2005	<b>663</b>	<b>1,953</b>	<b>1,041</b>	<b>1,538</b>	<b>476</b>	<b>456</b>	<b>6,127</b>

## 13 Intangible assets, net

	Consolidated					
	Goodwill	Negative goodwill	Technology and computer software	Trademarks	Leasehold rights and property-use-rights	Total
			(in million Baht)			
<b>Cost</b>						
Balance at 1 January 2004	425	(187)	217	111	254	820
Additions	-	-	190	-	203	393
Disposals	-	-	-	(22)	(49)	(71)
Translation differences on consolidation	(5)	-	(1)	(1)	1	(6)
<b>Balance at 31 December 2004</b>	<b>420</b>	<b>(187)</b>	<b>406</b>	<b>88</b>	<b>409</b>	<b>1,136</b>
Additions	-	-	125	-	122	247
Disposals	-	-	-	-	-	-
Translation differences on consolidation	20	-	8	4	-	32
<b>Balance at 31 December 2005</b>	<b>440</b>	<b>(187)</b>	<b>539</b>	<b>92</b>	<b>531</b>	<b>1,415</b>



## Notes to the Financial Statements

As at 31 December 2005 and 2004

### Consolidated

	Goodwill	Negative goodwill	Technology and computer software (in million Baht)	Trademarks	Leasehold rights and property-use-rights	Total
<b>Accumulated amortisation</b>						
Balance at 1 January 2004	(111)	44	(58)	(26)	(104)	(255)
Amortisation charge for the year	(15)	5	(61)	(2)	(65)	(138)
Disposals	-	-	-	5	16	21
Transition differences on Consolidation	3	-	-	-	-	3
<b>Balance at 31 December 2004</b>	<b>(123)</b>	<b>49</b>	<b>(119)</b>	<b>(23)</b>	<b>(153)</b>	<b>(369)</b>
Amortisation charge for the year	(15)	5	(47)	(3)	(72)	(132)
Disposals	-	-	-	-	-	-
Translation differences on consolidation	(6)	-	(1)	(1)	-	(8)
<b>Balance at 31 December 2005</b>	<b>(144)</b>	<b>54</b>	<b>(167)</b>	<b>(27)</b>	<b>(225)</b>	<b>(509)</b>
<b>Net book value</b>						
<b>At 31 December 2004</b>	<b>297</b>	<b>(138)</b>	<b>287</b>	<b>65</b>	<b>256</b>	<b>767</b>
<b>At 31 December 2005</b>	<b>296</b>	<b>(133)</b>	<b>372</b>	<b>65</b>	<b>306</b>	<b>906</b>

### The Company

	Technology and computer software	Leasehold right (in million Baht)	Total
<b>Cost</b>			
Balance at 1 January 2004	145	270	415
Additions	145	203	348
Disposals	-	-	-
<b>Balance at 31 December 2004</b>	<b>290</b>	<b>473</b>	<b>763</b>
Additions	47	120	167
Disposals	-	-	-
<b>Balance at 31 December 2005</b>	<b>337</b>	<b>593</b>	<b>930</b>
<b>Accumulated amortisation</b>			
At 1 January 2004	(77)	(152)	(229)
Amortisation charge for the year	(56)	(64)	(120)
Disposals	-	-	-
<b>Balance at 31 December 2004</b>	<b>(133)</b>	<b>(216)</b>	<b>(349)</b>
Amortisation charge for the year	(32)	(72)	(104)
Disposals	-	-	-
<b>Balance at 31 December 2005</b>	<b>(165)</b>	<b>(288)</b>	<b>(453)</b>
<b>Net book value</b>			
<b>At 31 December 2004</b>	<b>157</b>	<b>257</b>	<b>414</b>
<b>At 31 December 2005</b>	<b>172</b>	<b>305</b>	<b>477</b>

**Notes to the Financial Statements**

As at 31 December 2005 and 2004

**14 Other non-current assets**

		<b>Consolidated</b>		<b>The Company</b>	
	<i>Note</i>	2005	2004	2005	2004
		<i>(in million Baht)</i>			
Guarantee deposits for rentals and prepaid rental expenses	4, 32	586	524	519	455
Other		15	22	14	21
<b>Total</b>		<b>601</b>	<b>546</b>	<b>533</b>	<b>476</b>

**15 Interest-bearing liabilities**

		<b>Consolidated</b>		<b>The Company</b>	
		2005	2004	2005	2004
		<i>(in million Baht)</i>			
<b>Current</b>					
Bank overdrafts					
- secured		35	-	-	-
Short-term borrowings from financial institutions					
- secured		2,028	-	-	-
- unsecured		1,907	1,199	-	-
		3,935	1,199	-	-
Liabilities from trust receipts					
- secured		13	65	-	-
<b>Total</b>		<b>3,983</b>	<b>1,264</b>	<b>-</b>	<b>-</b>

The currency denomination of interest-bearing liabilities is as follows:

	<b>Consolidated</b>		<b>The Company</b>	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
Thai Baht	90	98	-	-
Foreign currency	3,893	1,166	-	-
<b>Total</b>	<b>3,983</b>	<b>1,264</b>	<b>-</b>	<b>-</b>

As at 31 December 2005, the Group had overdraft lines with certain local financial institutions and local branches of foreign financial institutions totalling Baht 409 million (2004: Baht 399 million), which bore interest at rates ranging from 6% to 9.75% per annum (2004: rates ranging from 5.75% to 9.75% per annum). These overdraft lines are secured by the Group's directors.

As at 31 December 2005 and 2004, certain foreign subsidiaries in The People's Republic of China had short-term borrowings from foreign financial institutions totalling Baht 3,892.6 million (RMB 767.7 million, the borrowing of RMB 400 million was secured by a foreign related company) and Baht 1,165.9 million (RMB 247 million), which bore interest at rates ranging from 5.22% to 5.859% per annum in 2005 and ranging from 5.04% to 5.74% per annum in 2004. The remaining borrowings are unsecured. In addition, these foreign subsidiary used financial institution deposits as security for letters of credit and construction project totalling RMB 8.5 million (equivalent to Baht 43 million) and RMB 0.41 million (equivalent to Baht 1.9 million) as at 31 December 2005 and 2004, respectively. These deposits have been presented separately in the account "Restricted deposits at financial institutions" under the caption "Non-current assets" in the consolidated balance sheets.



## Notes to the Financial Statements

As at 31 December 2005 and 2004

As at 31 December 2005, a local subsidiary had short-term borrowings from a local financial institution totalling Baht 52.3 million (2004: Baht 32.7 million), which bore interest at rates ranging from 3.55% to 4.75% per annum (ranging from 1.70% to 2.48% per annum in 2004). These short-term borrowings are secured by the subsidiary's directors.

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 said subsidiaries are accountable to those financial institutions for such inventories or the proceeds from their sale.

### 16 Trade accounts payable

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		(in million Baht)			
Trade accounts payable to related parties	4	1,787	1,099	1,318	381
Trade accounts payable to other parties		18,265	12,662	7,389	4,786
<b>Total</b>		<b>20,052</b>	<b>13,761</b>	<b>8,707</b>	<b>5,167</b>

### 17 Other current liabilities

		Consolidated		The Company	
		2005	2004	2005	2004
		(in million Baht)			
Accounts payable for purchase of property, plant and equipment		1,700	858	267	204
Accrued royalties fee and other expenses		535	278	221	186
Deferred royalties fee income		419	481	419	481
Accrued personnel expenses		413	331	365	285
Advances receipt from customers		240	13	-	-
Other accounts payable		184	127	153	99
Accrued utilities expenses		115	108	110	104
Other		990	820	269	245
<b>Total</b>		<b>4,596</b>	<b>3,016</b>	<b>1,804</b>	<b>1,604</b>

### 18 Long-term borrowing from related company

This account represented the unsecured borrowing of Ek Chor Distribution System Company Limited, a foreign subsidiary, payable to Lotus Distribution International Limited, a foreign related company, amounting to U.S. Dollars 0.2 million or equivalent to Baht 7.3 million as at 31 December 2005 (2004: Baht 6.7 million). The borrowing bore interest at the rate of 5.125% per annum in 2005 (2004: at the rate of 5.125% per annum). The management of this subsidiary is of the opinion that the borrowing might not be settled within one year; therefore, the outstanding balances have been presented separately under the caption "Non-current liabilities" in the consolidated balance sheets.

### 19 Other non-current liabilities

	Consolidated		The Company	
	2005	2004	2005	2004
	(in million Baht)			
Guarantee deposits from franchisees	669	547	558	472
Other	65	30	65	30
<b>Total</b>	<b>734</b>	<b>577</b>	<b>623</b>	<b>502</b>

**Notes to the Financial Statements**

As at 31 December 2005 and 2004

**20 Share capital and dividend appropriations*****Share capital***

	<i>Par Value (in Baht)</i>	<i>2005 Number Baht (in million shares/in million Baht)</i>	<i>2004 Number Baht (in million shares/in million Baht)</i>
<b><i>Authorised</i></b>			
At January 1			
- ordinary shares	5	450	450
At December 31			
- ordinary shares	5	-	450
- ordinary shares	1	4,500	-
<b><i>Issued and fully paid-up</i></b>			
At January 1			
- ordinary shares	5	440	440
At December 31			
- ordinary shares	5	-	440
- ordinary shares	1	4,424	-

20.1 In 2003, the Company issued 9,974,200 stock options to certain directors and employees under its Employee Stock Option Plan ("ESOP"). These stock options will expire on 15 September 2008 and may be exercised to purchase the Company's ordinary shares twice a year on 15 March and 15 September of each year starting from 15 March 2005.

For the exercise period 15 March 2005, the Company's employees exercised 1,144,146 units of warrants to purchase ordinary shares for a total consideration of Baht 48.1 million. As a consequence of the exercises, the Company issued 1,144,146 ordinary shares of the Company to the Company's employees. In this regard, the Company recorded an increase in share capital of Baht 5.7 million and an increase in premium on ordinary shares of Baht 42.3 million, net of related expenses.

For the exercise period 15 September 2005, the Company's employees exercised 12,097,650 units of warrants (the number of share after declaring stock dividends and changing par value) to purchase ordinary shares for a total consideration of Baht 50.8 million. As a consequence of the exercises, the Company issued 12,097,650 ordinary shares of the Company to the Company's employees. In this regard, the Company recorded an increase in share capital of Baht 12.1 million and an increase in premium on ordinary shares of Baht 38.7 million, net of related expenses.

To reserve for the outstanding exercisable warrants as at 31 December 2005, the Company provided 76,460,890 ordinary shares (the number of share after declaring stock dividends and changing par value) at Baht 1 par value.





## Notes to the Financial Statements

As at 31 December 2005 and 2004

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

(a) To increase the Company's authorized share capital from Baht 2,250 million (450,000,000 shares at Baht 5 par value) to Baht 4,500 million (900,000,000 shares at Baht 5 par value) by the issuance of 450,000,000 new ordinary shares at Baht 5 par value for stock dividends to the Company's shareholders for the existing shareholders holding 440,000,000 shares and for 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 (totalling Baht 2,250 million). In addition, the increase in authorised share capital of Baht 2,250 million and the increase in paid-up share capital of Baht 2,206 million were registered with the Ministry of Commerce on 4 May 2005 and 6 May 2005, respectively.

(b) To increase the legal reserve amounting to Baht 225 million by appropriating from its retained earnings brought forward as at 1 January 2004.

20.3 To pay the following cash and stock dividends:

(a) Cash dividends at Baht 2.25 per share to the 440,000,000 existing ordinary shareholders (totalling Baht 990 million) and the 1,144,146 new ordinary shareholders following the exercise of warrants from the ESOP No. 1/2005 on 15 March 2005 (totalling Baht 3 million). The total cash dividend is Baht 993 million.

(b) Stock dividend payment in the ratio of one existing share to one stock dividend at Baht 5 par value to the 440,000,000 existing ordinary shareholders (totalling Baht 2,200 million) and the 1,144,146 new ordinary shareholders following the exercise of warrants from the ESOP No. 1/2005 on 15 March 2005 (totalling Baht 6 million). The total stock dividend is Baht 2,206 million.

Both cash and stock dividend are payable to shareholders on the share register as at 7 April 2005, the closing date. The dividend distribution shall be made on 13 May 2005.

20.4 To change the par value of the Company's ordinary shares from Baht 5 per share to Baht 1 per share, resulting in an increase of the Company's ordinary share from 900,000,000 shares to 4,500,000,000 shares. In addition, the Company registered the change in par value of the Company's ordinary share with the Ministry of Commerce on 12 May 2005.

At the ordinary shareholders' meeting held on 28 April 2004, the shareholders approved the appropriation of legal reserve for the year 2003, of Baht 62 million and approved payment of dividends from net profit of the Company for the year 2003 for 440 million ordinary shares at the rate of Baht 1.75 per share, totalling Baht 770 million. The Company paid the dividends on 21 May 2004, to the shareholders whose names appeared on the shareholders' register at 7 April 2004.

## 21 Reserves

### *Share premium*

The share premium account is set up under the provisions of Section 51 of the Public Companies Act B.E. 2535, which 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"). The account is not available for dividend distribution.

**Notes to the Financial Statements**

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**Currency translation reserve**

The currency translation reserve is foreign exchange differences arising from translation of the financial statements of foreign operations to Thai Baht.

**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. As at 31 December 2005 and 2004, the Company's cumulative legal reserve balance has already reached 10% of the authorised share capital.

**22 Segment financial information**

The business of the Group is divided into 3 segments as follows:

1. Convenience stores
2. Retail superstores
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.

**Business segments**

In presenting information on the basis of business segments, segment revenue and segment asset is based on the type of business.

The segment financial information of the Group for the years ended 31 December 2005 and 2004 is summarized as follows:

**2005**

	Convenience Stores	Consolidated Retail Superstores      Other (in million Baht)		Total
Revenue from sale of goods and rendering of services	50,132	28,945	15,278	94,355
Cost of sale of goods and rendering of services	(37,525)	(25,484)	(14,043)	(77,052)
Gross profit	12,607	3,461	1,235	17,303
Other income	2,096	2,347	62	4,505
Selling and administrative expenses	(12,702)	(7,006)	(768)	(20,476)
Operating profit (loss)	<u>2,001</u>	<u>(1,198)</u>	<u>529</u>	1,332
Interest income				87
Share of losses from investments				(31)
Accounted for using the equity method				(9)
Directors' remuneration				(112)
Interest expense				(711)
Income tax				952
Net loss of minority interests				<u>1,508</u>
Net profit				
Property, plant and equipment, net	<u>5,976</u>	<u>9,683</u>	<u>1,877</u>	<u>17,536</u>
Total assets				<u>40,230</u>



## Notes to the Financial Statements

As at 31 December 2005 and 2004

### 2004

	Convenience Stores	Consolidated Retail Superstores Other (in million Baht)		Total
Revenue from sale of goods and rendering of services	38,184	21,418	15,020	74,622
Costs of sale of goods and rendering of services	(28,872)	(18,533)	(13,329)	(60,734)
Gross profit	9,312	2,885	1,691	13,888
Other income	1,579	2,065	54	3,698
Selling and administrative expenses	(9,960)	(4,436)	(607)	(15,003)
Operating profit	<u>931</u>	<u>514</u>	<u>1,138</u>	<u>2,583</u>
Interest income				46
Share of losses from investments				
Accounted for using the equity method				(27)
Directors' remuneration				(9)
Interest expense				(38)
Income tax				(661)
Net profit of minority interests				(198)
Net profit				<u>1,696</u>
Property, plant and equipment, net	<u>4,752</u>	<u>5,916</u>	<u>1,187</u>	<u>11,855</u>
Total assets				<u>29,011</u>

Geographical segments of the Group for the years ended 31 December 2005 and 2004 are summarized as follows:

	The People's Republic of China		Thailand		Total	
	2005	2004	2005	2004	2005	2004
	(in million Baht)					
Revenue from sale of goods and rendering of services from external customers	29,093	21,616	65,262	53,006	94,355	74,622
Segment assets	19,045	11,871	21,185	17,140	40,230	29,011
Property, plant and equipment, net	9,756	5,984	7,780	5,871	17,536	11,855

### 23 Other income

	Consolidated		The Company	
	2005	2004	2005	2004
	(in million Baht)			
Royalties fee income and other fees related to licenses income	589	551	589	551
Sale promotion income	1,734	1,468	526	438
Other	2,182	1,679	1,206	751
Total	<u>4,505</u>	<u>3,698</u>	<u>2,321</u>	<u>1,740</u>

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As at 31 December 2005 and 2004

**24 Selling and administrative expenses**

	<b>Consolidated</b>		<b>The Company</b>	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
Personnel expenses	6,040	4,598	3,740	2,992
Rental fees	3,199	2,097	1,727	1,344
Depreciation and amortisation	2,085	1,601	1,307	1,059
Utilities expenses	1,964	1,473	1,379	1,159
Convenience store management fees	1,696	1,206	1,696	1,206
Advertising and sales promotion expenses	1,373	1,026	709	543
Other operating expenses	4,119	3,002	2,665	2,114
<b>Total</b>	<b>20,476</b>	<b>15,003</b>	<b>13,223</b>	<b>10,417</b>

**25 Registered provident fund**

During 2003, the Company and its local subsidiaries jointly established a contribution provident fund for their employees in accordance with the Provident Fund Act B.E. 2530. The Company and the subsidiaries become a member of the registered provident fund, which is managed by a licensed fund manager in accordance with the terms and conditions prescribed in the Ministerial Regulation No. 2 (B.E. 2532) according to the Provident Fund Act B.E. 2530. Under the provident fund regulation, the entitled employees would contribute to the provident fund at the rate of 2% of their basic salaries whereas the employees are required to contribute to the provident fund on a monthly basis at the same rate as the employees.

The Company and the subsidiaries contributed to the provident fund for the year ended 31 December 2005 totalling Baht 29.6 million (2004: Baht 25.4 million).

**26 Interest expense**

	<b>Consolidated</b>		<b>The Company</b>	
	2005	2004	2005	2004
	<i>(in million Baht)</i>			
Interest paid and payable to:				
- related parties	-	1	-	-
- other parties	5	4	5	4
- financial institutions	107	33	-	-
<b>Total</b>	<b>112</b>	<b>38</b>	<b>5</b>	<b>4</b>

**27 Income tax**

The income tax charge stated in the consolidated statement of income for the year ended 31 December 2005 is higher than the amount determined by applying the applicable income tax rate to the profit for the year 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 income tax for the consolidated statement of income.



## Notes to the Financial Statements

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### Income tax deduction

Royal Decree No. 387 B.E. 2544 dated 5 September 2001 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for the 5 consecutive accounting periods as from the first accounting period which begins on or after the date on which the Company has its security listed on the Stock Exchange of Thailand in accordance with the law governing securities and exchange as from the day this Royal Decree comes into force. The Company was listed on the Stock Exchange of Thailand on 14 October 2003, which was the day after the Royal Decree came into force and the Company has successfully complied with the rules, procedures and conditions identified therein. The Company has, accordingly, calculated income tax of its taxable profit for the years ended 31 December 2005 and 2004 at the rate of 25% corporate income tax rate.

## 28 Earnings per share

As described in Note 20, stock dividends and splitting the ordinary shares, the Company has restated the number of weighted average ordinary shares used in the computation of basic earnings per share for the year ended 31 December 2004 by adjusting to give effect to the stock dividends granted to the existing shareholders and the splitting of the ordinary shares assuming the stock dividends and share split occurred on 1 January 2004. As a result, basic earnings per share for the year ended 31 December 2004 was changed from Baht 3.85 per share (using 440,000,000 shares for calculation) to Baht 0.39 per share (using 4,400,000,000 shares for calculation). This was made in order to reflect the change in numbers of all issued common shares.

### Basic earnings per share

The calculation of basic earnings per share at 31 December 2005 was based on the net profit attributable to ordinary shareholders of Baht 1,507.7 million (2004: Baht 1,695.9 million) and the weighted average number of shares outstanding during the year ended 31 December 2005 of 4,413 million shares (2004: 4,400 million shares), calculated as follows:

*Net profit attributable to ordinary shareholders*

	Consolidated/The Company	
	2005	2004
	(in million Baht)	
Net profit attributable to ordinary shareholders	<u>1,507.7</u>	<u>1,695.9</u>

*Weighted average number of ordinary shares during the years*

	Consolidated/The Company	
	2005	2004
	(in million shares)	
Issued ordinary shares at January 1	4,400	4,400
Effect of ordinary shares issued	<u>13</u>	<u>-</u>
Weighted average number of ordinary shares at December 31	<u>4,413</u>	<u>4,400</u>

**Notes to the Financial Statements**

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***Diluted earnings per share***

The calculation of diluted earnings per share at 31 December 2005 was based on the net profit attributable to ordinary shareholders of Baht 1,507.7 million (2004: Baht 1,695.9 million) and the weighted average number of ordinary shares outstanding during the year ended 31 December 2005 of 4,434 million shares (2004: 4,430 million shares), calculated as follows:

*Net profit attributable to ordinary shareholders (diluted)*

	<b>Consolidated/The Company</b>	
	2005	2004
	<i>(in million Baht)</i>	
<b>Net profit attributable to ordinary shareholders (diluted)</b>	<b>1,507.7</b>	<b>1,695.9</b>

*Weighted average number of ordinary shares (diluted)*

	<b>Consolidated/The Company</b>	
	2005	2004
	<i>(in million shares)</i>	
Weighted average number of ordinary shares at December 31	4,413	4,400
Effect of shares options on issue	21	30
<b>Weighted average number of ordinary shares (diluted) at December 31</b>	<b>4,434</b>	<b>4,430</b>

**29 Promotional privileges**

By virtue of the provisions of the Board of investment Promotional Act B.E. 2520, a local subsidiary was granted certain promotional privileges in 2004 for its production of ready-to-serve foods or semi ready-to-serve foods. The promotional privileges include, among other things, the following:

- An exemption from the payment of import duty on machinery as approved by the Board of Investment. The machinery must be imported within 9 March 2007.
- An exemption from the payment of income tax on net profit from the promoted business for a period of 8 years from the start of commercial operation.
- An exemption from the payment of import duty on necessary raw materials and supplies for production export for 1 year from the first import date.
- An exemption from the payment of import duty on imported goods which have to be exported for 1 year started from first imported.

As a promoted company, the subsidiary must comply with the conditions and restriction provided by the promotional certificate certificate.



## Notes to the Financial Statements

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### 30 Deed of shareholders agreement

On 18 February 2000, the Company and Lotus Distribution Investment Limited (“LDI”), a foreign subsidiary, entered into Deed of Shareholders Agreement with The China Retail Fund (“CRF”) to engage in retail business in The People’s Republic of China. The Company and LDI are required to comply with the terms and conditions as stipulated in the agreement and its related agreements.

In 2000, the Company and LDI entered into Deed of Investment and Subscription Agreement with CRF to invest in Yangtze Supermarket Investment Co., Ltd. (“YSI”), a foreign subsidiary registered in British Virgin Islands, at a 1% and 54% shareholding, respectively, of the registered share capital of YSI. According to the Deed of Investment and Subscription Agreement, LDI transferred all of its subsidiaries’ assets and obligations (Ek Chor Distribution Co., Ltd., Shanghai (“ECD”) and Ek Chor Trading (Shanghai) Co., Ltd. (“ECT”)) to YSI as the paid-up capital for the Company and LDI in YSI totalling U.S. Dollars 26.9 million. On 27 March 2000, CRF paid U.S. Dollars 22 million to YSI for its 45% shareholding of the registered capital. In 2001, LDI entered into Software Use Agreements with YSI to sublicense its rights to use certain software to YSI and its affiliates. These agreements resulted in an additional cash injection of U.S. Dollars 4.09 million for the investments of CRF in YSI, and upward adjustment of the original value of the investments in YSI of the Company and LDI by U.S. Dollars 5 million according to the terms and conditions under the Deed of Investment and Subscription Agreement.

Under the terms of the Deed of Shareholders Agreement, the Company, LDI and CRF are not entitled to dispose of, transfer, pledge or enter other encumbrances over their shares issued by YSI unless either (a) written consent is obtained from all other shareholders or (b) CRF exercises its right to sell shares in YSI to the Company and/or LDI or other parties designated by the Company or LDI within the given period as specified in the agreement. CRF would receive an exercised price in cash equal to its total investment amount in YSI plus interest on such amount compounded annually at the rate of 10% per annum covering the given period from the Closing Date (the date on which the Company, LDI, and CRF make a payment of share capital of YSI) to the date of the receipt of payment by CRF. CRF is entitled to exercise the option when any of the following events is met:

- 1) YSI or a holding company of YSI to be established for listing purposes cannot be listed on the Hong Kong Stock Exchange or such other stock exchange acceptable to the Company, LDI and CRF by the Closing Date’s fifth anniversary or, if mutually agreed in writing by the Company and CRF (if the said agreement is reached prior to or on the Closing Date’s fifth anniversary), by such a later date not later than the sixth anniversary (“Listing Deadline”) of the Closing Date (27 March 2000).
- 2) YSI and subsidiaries do not meet annual consolidated after tax net profit targets of U.S. Dollars 25.73 million for the year on which the fourth anniversary of the Closing Date falls, and of U.S. Dollars 35.42 million for the year on which the fifth anniversary of the Closing Date falls.
- 3) During the period from the Closing Date to the first trading day of the Listing or the Listing Deadline whichever is earlier, the Company, LDI or LDI’s affiliates do not comply with the Deed of Shareholders Agreement.

On 25 August 2000, YSI entered into a Joint Venture Contract with two local partners in The People’s Republic of China to invest in Shanghai Lotus Supermarket Chain Store Co., Ltd. (SLSCS), which is operating Retail Superstores for a period of 30 years. SLSCS has been granted the business license from the government of The People’s Republic of China on 20 November 2000. Under the terms of the contract, YSI agreed to invest in SLSCS amounting to U.S. Dollars 41.16 million in the form of cash and the net assets of ECD and ECT, (subsidiaries of YSI) out of total capital of SLSCS of U.S. Dollars 84 million.



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In addition, on 17 December 2004, YSI agreed to purchase an investment in SLSCS from one of the said minority shareholders, Shanghai China Commercial Investment Co., Ltd. in The People's Republic of China amounting to approximately U.S. Dollars 4.62 million (including premium amounting to U.S. Dollars 0.42 million). As at 31 December 2005 and 2004, the investment in SLSCS by YSI amounted to U.S. Dollars 45.4 million out of the registered capital of U.S. Dollars 84 million (equivalent to 54% of SLSCS's registered capital).

In December 2004, a new minority shareholder, another related company, Chia Tai Distribution Investment Co., Ltd. (CTDI) purchased an investment in SLSCS from the two former minority shareholders of U.S. Dollars 16.2 million and in March 2005, CTDI increased its investment in SLSCS of U.S. Dollars 22.4 million, equivalent to Baht 860.4 million.

## 31 Financial instruments

As at 31 December 2005 and 2004, the Group did not speculate in or engage in the trading of any derivative financial instruments.

### *Liquidity Risk*

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

### *Credit Risk*

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty is unable to meet a commitment that they have entered into with the Group. This risk is controlled by the application of credit approvals, limits and monitoring procedures. The maximum credit risk exposure is the book value of assets after deduction of allowance for doubtful accounts as presented in the balance sheet.

### *Exchange Rate Risk*

The Company and its local subsidiaries have financial assets and financial liabilities denominated in foreign currencies. The Company and the said subsidiaries have entered into currency forward contracts for hedging of exchange risk for the collection or repayment of those foreign currency financial assets and financial liabilities.

As at 31 December 2005 and 2004, the Company and the subsidiaries had foreign currency forward contracts as follows:

Currency	Consolidated		The Company	
	2005	2004	2005	2004
		<i>(in million)</i>		
Foreign currency forward contracts for hedging the financial assets	USD	18.5	19.1	18.4
(equivalent to Baht 755.8 million in 2005 and Baht 735.5 million in 2004)	POUND	-	0.1	-
Foreign currency forward contracts for hedging the financial liabilities	USD	0.6	0.3	-
(equivalent to Baht 43.8 million in 2005 and Baht 4.1 million in 2004)	YEN	10.8	19.6	-
	EURO	0.2	-	-
	SWF	0.1	-	-



## Notes to the Financial Statements

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### 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.

As at 31 December 2005 and 2004, 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)		
<b>2005</b>							
• <b>Financial assets</b>							
- Cash equivalents (excluding bank 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
• <b>Financial liabilities</b>							
- Bank overdrafts	-	6.75-7.50	-	-	-	35	35
- Short-term borrowings from financial institutions	3.55-4.75	5.22-5.86	42	-	-	3,893	3,935
- Guarantee deposits from franchisees	-	1.00-3.00	-	-	-	640	640
- Short-term borrowings from the related foreign company	5.125	-	-	-	-	7	7
<b>2004</b>							
• <b>Financial assets</b>							
- Cash equivalents (excluding bank overdrafts and cash on hand)	1.25-1.50	0.125-2.17	613	-	-	4,828	5,441
- Current investments	1.00-1.75	-	237	-	-	-	237
- Restricted deposits at financial institutions	-	0.72-1.44	-	-	-	2	2
• <b>Financial liabilities</b>							
- Short-term borrowings from financial institutions	-	1.70-5.74	-	-	-	1,264	1,264
- Long-term borrowings from the related foreign company	-	5.75-7.00	-	-	-	5	5
- Guarantee deposits from franchisees	-	1.00	-	-	-	515	515

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	Fixed rate (% per annum)	Floating rate	The Company 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)		
<b>2005</b>							
• <b>Financial assets</b>							
- Cash equivalents (excluding bank 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 subsidiaries	-	5.5-5.7906	-	-	-	1,458	1,458
• <b>Financial liability</b>							
- Guarantee deposits from franchisees	-	1.00	-	-	-	528	528
<b>2004</b>							
• <b>Financial assets</b>							
- Cash equivalents (excluding bank overdrafts and cash on hand)	1.25-1.50	0.25-1.00	600	-	-	2,061	2,661
- Current investments	1.625-1.75	-	80	-	-	-	80
- Long-term loans to subsidiaries	-	4.104-4.75	-	-	-	1,096	1,096
• <b>Financial liability</b>							
- Guarantee deposits from franchisees	-	1.00	-	-	-	440	440

*Fair Value of Financial Instruments*

The Group estimates the fair value of financial instruments; cash and cash equivalents, trade accounts receivable and payable, other receivables and payables, bank 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.

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.

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**32 Commitments and contingent liabilities**

As at 31 December 2005, the Company and/or subsidiaries had commitments and contingent liabilities as follows:

32.1 The Company and its local subsidiaries had agreements for leases of certain property, buildings, transportation equipment and other assets. The future payments of rental and service fees for these leases are summarized as follows:

	Consolidated	The Company
	<i>(in million Baht)</i>	
One year or less	3,466	1,330
Over one to five years	12,572	1,885
More than five years	47,108	-
<b>Total</b>	<b>63,146</b>	<b>3,215</b>

As at 31 December 2005, the Company and the subsidiaries had guarantee deposits placed with lessors totalling Baht 309.5 million for leasing property and buildings in different locations principally used for operating 7-Eleven convenience stores. These deposits will be refunded upon termination of the leases. In addition, the Company paid rentals in advance to certain lessors for the periods before termination of the lease agreements. As at 31 December 2005, the total prepayments of rentals was Baht 276.9 million, which was presented as part of "Guarantee deposits and prepaid rental expenses" under the caption "Other non-current assets" in the balance sheet.

**32.2 Agreements**

- (a) A subsidiary (Counter Service Co., Ltd.) has service agreements with certain government entities (e.g., utilities, telephone) and with other local companies (e.g., hire purchase, life insurance premium); whereby the subsidiary operates payment centres to collect customer payments on behalf of the said 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 and will expire from 2005 to 2008. The agreements will be terminated when notification is made according to the terms stipulated in the agreements.
- (b) A subsidiary (Counter Service Co., Ltd.) has service agreements with certain individuals and local companies whereby the latter parties shall be an agent to receive the payment for goods and services as stipulated 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 cover periods of 1 to 5 years, commenced and will expire on the various dates up to November 2007. If any parties do not intend to renew the agreements, then notification must be made to the other parties within 30 days before the expiry of the agreements.
- (c) A subsidiary (Counter Service Co., Ltd.) entered into a management license agreement, including services and marketing and the right to engage as an agent to receive the payment for goods and services, with a related party who also is a consultant of the subsidiary. Under the terms of the agreement, the subsidiary is committed to pay a remuneration fee calculated at the percentage of revenues as stipulated in the agreement. The agreement covers a period of 10 years commencing from September 1996. When the agreement expires, the related party has agreed not to use the right and shall not claim the royalty or any remuneration from the subsidiary.

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- (d) On 1 December 2004, a subsidiary (C.P. Retailing and Marketing Co. Ltd.) has entered into a license agreement with a foreign company whereby the latter provides the license to the subsidiary to obtain the 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 the fees for an initial license of technical and recipe know-how of Yen 5 million and has commitment to pay a royalty fee calculated at the rate of 0.5% of the net sales of the products. The subsidiary also paid the fee for the license of managing know-how at the lump sum of Yen 10 million. This agreement is for a period of 5 year, commencing from the date of the agreement.
- (e) As at 31 December 2005, a subsidiary (Gosoft (Thailand) Co., Ltd.) entered into lease and services agreements with other local companies, to sublease for installing and developing the system 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 6 months, commencing and expiring on the various dates up to December 2006. These agreements are renewable. If any parties do not intend to renew the agreements, then notification must be made to the other parties.
- 32.3 A local subsidiary had commitments under construction and installation agreements for its plant and machinery, totalling Baht 43.8 million.
- 32.4 A foreign subsidiary had commitments under the agreements for purchase of property, plant and equipment totalling RMB 6.2 million.
- 32.5 The Company and certain local subsidiaries were contingently liable to a local financial institution and local branches of foreign financial institutions for letters of guarantee issued by the financial institutions in favour of several local companies and state enterprises (mainly guarantees for payments of building rentals and electricity bills) totalling Baht 976.3 million.

**33 Reclassification of accounts**

Certain accounts in the 2004 financial statements have been reclassified to conform with the presentation in the 2005 financial statements.



## Summary of Warrant Information

*As of December 31, 2005, the details of warrants are as follows:*

<b>Type of Warrant</b>	:	Warrants offering to directors and employees of the Company and subsidiaries
<b>Issuance date</b>	:	November 17, 2003
<b>Terms</b>	:	Not more than 5 years
<b>Offering price per unit</b>	:	0 Baht (zero Baht)
<b>Existing warrants</b>	:	7,646,089 units
<b>Exercise price</b>	:	4.20 Baht per share
<b>Exercise ratio</b>	:	One unit of warrant for ten ordinary shares
<b>Exercise date</b>	:	Twice a year, every 15th March and 15th September
<b>The first exercise date</b>	:	March 15, 2005
<b>The last exercise date</b>	:	September 15, 2008
<b>Financial Advisor</b>	:	Merrill Lynch Phatra Securities Co., Ltd.
<b>Shares Registrar</b>	:	Thailand Securities Depository Co., Ltd. 2/7 Moo4 Viphavadee Road, Laksi Bangkok 10210 Tel. 0-2596-900
<b>Reference Persons Shares Registrar</b>	:	Thailand Securities Depository Co., Ltd.
<b>Auditor</b>	:	Mrs. Sudchit Boonprakob Certified Public Auditor Registration no. 2991 and/or Mr. Vichien Thamtrakul Certificated Public Auditor Registration no. 3183 and/or Miss Thipsuda Chamnanvanichkul Certified Public Auditor Registration no. 3377 KPMG Phoomchai Audit Ltd.

# Shareholdings of the Board of Directors and Management

As at December 31, 2005



Shareholder's name and designation	Number of ordinary shares (share)	Number of warrants
<b>Lieut.Suchai Jaovisidha</b> Independent Director and Chairman of the Audit Committee (resigned on November 12, 2005)	112,500	33,750
<b>Mr.Komain Bhatarabhirom</b> Chairman of the Audit Committee (effective on December 28, 2005)	0	0
<b>Mr.Pridi Boonyoung</b> Independent Director and Audit Committee	112,500	33,750
<b>Mr.Padoong Techasarintr</b> Independent Director and Audit Committee	112,500	33,750
<b>Mr.Dhanin Chearavanont</b> Chairman	750,000	450,000
<b>Mr.Korsak Chairasmisak</b> Vice Chairman and CEO	8,404,000	300,000
<b>Mr.Soopakij Chearavanont</b> Director	27,500	8,250
<b>Ms.Rachel Y. Chiang</b> Director	0	16,500
<b>Mr.Umroong Sanphasitvong</b> Director	1,375,000	112,500
<b>Mr.Narong Chearavanont</b> Director	27,500	16,500
<b>Mr.Prasert Jarupanich</b> Director	112,500	33,750
<b>Mr.Athueck Asvanund</b> Director (resigned on August 11, 2005)	27,500	8,250
<b>Mr.Adirek Sripratak</b> Director (effective on August 11, 2005)	0	0
<b>Mr.Pittaya Jearavisitkul</b> Director and Deputy CEO	0	131,250
<b>Mr.Piyawat Titasattavorakul</b> Director and Managing Director	0	131,250
<b>Mr.Kamol Sakdejayont</b> Vice President – Finance and Accounting (pass away on February 1, 2006)	252,750	75,825
<b>Mr.Chuan Nimkittikul</b> Vice President - Purchasing and Distribution	298,620	77,700
<b>Mr.Tanin Buranamanit</b> Vice President – Operation and Marketing	30,000	79,650
<b>Mr.Suwit Kingkaew</b> Vice President – General Management	153,370	74,025
<b>Mr.Kosa Pongsupath</b> Vice President – Information Technology	0	63,750
<b>Mr. Suraphan Pussadej</b> Vice President – Human Resource	0	0



# Subsidiaries Information

C.P. Seven Eleven Company Limited



## Subsidiaries and Affiliates in Thailand Counter Service Co., Ltd.

Type of business	: Bill payment collection
Head office	: 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
Head office	: Thailand
Paid up capital	: Baht 350 million
Par value	: Baht 10 per share
Shareholding	: 99.99%

## Retailink (Thailand) Co., Ltd.

Type of business	: Sale and maintenance of retail equipment
Head office	: 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
Head office	: 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
Head office	: 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
Head office	: 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
Head office	: Thailand
Paid up capital	: Baht 300 million
Par value	: Baht 10 per share
Shareholding	: 99.99%

## Thai Smart Card Co., Ltd.

Type of business	: Payment for products and services through smart card
Head office	: Thailand
Paid up capital	: Baht 395 million
Par value	: Baht 10 per share
Shareholding	: 32.24%

## Subsidiaries and Affiliates in overseas Lotus Distribution Investment Limited

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

## Yangtze Supermarket Investment Co., Ltd.

Type of business	: Investment business
Head office	: British Virgin Island
Paid up capital	: USD 57.97 million
Shareholding	: 55%

## Emerald Innovation Management Co., Ltd.

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

## Shanghai Lotus Supermarket Chain Store Co., Ltd.

Type of business	: Supercenter business
Head office	: 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
Head office	: People's Republic of China
Paid up capital	: USD 15 million
Shareholding	: 100%

## Ek Chor Distribution Co., Shanghai

Type of business	: Non-active
Head office	: People's Republic of China
Paid up capital	: USD 0.06 million
Shareholding	: 55%

## Ek Chor Trading (Shanghai) Co., Ltd.

Type of business	: Non-active
Head office	: People's Republic of China
Registered capital	: USD 6.5 million
Shareholding	: 55%

## Ek Chor Distribution System Co., Ltd.

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



